

Cowra Shire Council

ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2019



Cowra Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2019



General Purpose Financial Statements

for the year ended 30 June 2019

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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

General Purpose Financial Statements

for the year ended 30 June 2019

Understanding Council's Financial Statements

Introduction

Each year, individual Local Governments across NSW 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 2019.

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 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 2019

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 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 23 September 2019.



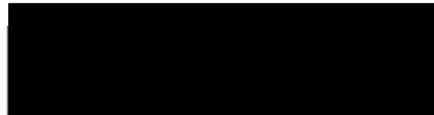
Cr WJ West
Mayor
23 September 2019



Cr JA Smith
Councillor
23 September 2019



Mr P Devery
General Manager
23 September 2019



Mr M Jones
Responsible Accounting Officer
23 September 2019

Income Statement

for the year ended 30 June 2019

Original unaudited budget 2019	\$ '000	Notes	Actual 2019	Actual 2018 ¹
Income from continuing operations				
<u>Revenue:</u>				
13,494	Rates and annual charges	3a	13,491	13,090
11,705	User charges and fees	3b	13,287	14,976
662	Interest and investment revenue	3c	856	844
911	Other revenues	3d	1,766	911
6,771	Grants and contributions provided for operating purposes	3e,3f	7,720	6,782
652	Grants and contributions provided for capital purposes	3e,3f	1,118	1,384
<u>Other income:</u>				
667	Net gains from the disposal of assets	5	1,202	872
34,862	Total income from continuing operations		39,440	38,859
Expenses from continuing operations				
13,947	Employee benefits and on-costs	4a	14,208	13,262
1,290	Borrowing costs	4b	1,203	1,409
8,132	Materials and contracts	4c	9,174	9,091
6,454	Depreciation and amortisation	4d	6,932	6,544
3,398	Other expenses	4e	3,634	3,316
33,221	Total expenses from continuing operations		35,151	33,622
1,641	Operating result from continuing operations		4,289	5,237
1,641	Net operating result for the year		4,289	5,237
1,641	Net operating result attributable to council		4,289	5,237
989	Net operating result for the year before grants and contributions provided for capital purposes		3,171	3,853

(1) The Council has not restated comparatives when initially applying AASB 9. The comparative information has been prepared under AASB 139 *Financial Instruments: Recognition and Measurement*

The above Income Statement should be read in conjunction with the accompanying notes.

Statement of Comprehensive Income

for the year ended 30 June 2019

\$ '000	Notes	2019	2018 ¹
Net operating result for the year (as per Income Statement)		4,289	5,237
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of IPP&E	9	268	685
Total items which will not be reclassified subsequently to the operating result		268	685
Total other comprehensive income for the year		268	685
Total comprehensive income for the year		4,557	5,922
Total comprehensive income attributable to Council		4,557	5,922

(1) The Council has not restated comparatives when initially applying AASB 9. The comparative information has been prepared under AASB 139 *Financial Instruments: Recognition and Measurement*

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Statement of Financial Position

as at 30 June 2019

\$ '000	Notes	2019	2018 ¹
ASSETS			
Current assets			
Cash and cash equivalent assets	6(a)	6,314	3,378
Investments	6(b)	24,286	23,286
Receivables	7	4,610	6,735
Inventories	8a	1,677	836
Total current assets		<u>36,887</u>	<u>34,235</u>
Non-current assets			
Inventories	8a	148	195
Infrastructure, property, plant and equipment	9	585,852	584,210
Other	8b	174	174
Total non-current assets		<u>586,174</u>	<u>584,579</u>
TOTAL ASSETS		<u>623,061</u>	<u>618,814</u>
LIABILITIES			
Current liabilities			
Payables	10	3,053	2,120
Borrowings	10	1,147	1,289
Provisions	11	4,377	4,411
Total current liabilities		<u>8,577</u>	<u>7,820</u>
Non-current liabilities			
Borrowings	10	15,542	16,689
Provisions	11	595	515
Total non-current liabilities		<u>16,137</u>	<u>17,204</u>
TOTAL LIABILITIES		<u>24,714</u>	<u>25,024</u>
Net assets		<u>598,347</u>	<u>593,790</u>
EQUITY			
Accumulated surplus	12	193,969	189,680
Revaluation reserves	12	404,378	404,110
Council equity interest		<u>598,347</u>	<u>593,790</u>
Total equity		<u>598,347</u>	<u>593,790</u>

(1) The Council has not restated comparatives when initially applying AASB 9. The comparative information has been prepared under *AASB 139 Financial Instruments: Recognition and Measurement*

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

Statement of Changes in Equity

for the year ended 30 June 2019

\$ '000	Notes	2019			2018 ¹		
		Accumulated surplus	IPP&E revaluation reserve	Total equity	Accumulated surplus	IPP&E revaluation reserve	Total equity
Opening balance		189,680	404,110	593,790	184,443	403,425	587,868
Net operating result for the year		4,289	–	4,289	5,237	–	5,237
Other comprehensive income							
– Gain (loss) on revaluation of IPP&E	9	–	268	268	–	685	685
Other comprehensive income		–	268	268	–	685	685
Total comprehensive income		4,289	268	4,557	5,237	685	5,922
Equity – balance at end of the reporting period		193,969	404,378	598,347	189,680	404,110	593,790

(1) The Council has not restated comparatives when initially applying AASB 9. The comparative information has been prepared under *AASB 139 Financial Instruments: Recognition and Measurement*

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Statement of Cash Flows

for the year ended 30 June 2019

Original unaudited budget 2019	\$ '000	Notes	Actual 2019	Actual 2018
Cash flows from operating activities				
<u>Receipts</u>				
13,494	Rates and annual charges		13,244	12,752
11,705	User charges and fees		14,319	13,643
662	Investment and interest revenue received		842	757
7,422	Grants and contributions		8,842	10,346
–	Bonds, deposits and retention amounts received		1,199	–
911	Other		4,964	1,815
<u>Payments</u>				
(13,947)	Employee benefits and on-costs		(14,095)	(13,217)
(8,132)	Materials and contracts		(9,331)	(10,119)
(1,290)	Borrowing costs		(1,188)	(1,395)
–	Bonds, deposits and retention amounts refunded		(1,134)	(183)
(3,398)	Other		(4,641)	(4,021)
7,427	Net cash provided (or used in) operating activities	13b	13,021	10,378
Cash flows from investing activities				
<u>Receipts</u>				
–	Sale of investment securities		23,286	20,500
–	Sale of real estate assets		1,282	–
796	Sale of infrastructure, property, plant and equipment		402	2,241
58	Deferred debtors receipts		5	35
<u>Payments</u>				
–	Purchase of investment securities		(24,286)	(23,286)
(11,487)	Purchase of infrastructure, property, plant and equipment		(9,211)	(8,461)
–	Purchase of real estate assets		(305)	–
–	Deferred debtors and advances made		31	–
(10,633)	Net cash provided (or used in) investing activities		(8,796)	(8,971)
Cash flows from financing activities				
<u>Receipts</u>				
2,242	Proceeds from borrowings and advances		–	–
<u>Payments</u>				
(1,428)	Repayment of borrowings and advances		(1,289)	(1,241)
814	Net cash flow provided (used in) financing activities		(1,289)	(1,241)
(2,392)	Net increase/(decrease) in cash and cash equivalents		2,936	166
3,292	Plus: cash and cash equivalents – beginning of year	13a	3,378	3,212
900	Cash and cash equivalents – end of the year	13a	6,314	3,378
Additional Information:				
27,000	plus: Investments on hand – end of year	6(b)	24,286	23,286
27,900	Total cash, cash equivalents and investments		30,600	26,664

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

Notes to the Financial Statements

for the year ended 30 June 2019

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Notes to the Financial Statements

for the year ended 30 June 2019

Note 1. Basis of preparation

These financial statements were authorised for issue by Council on 29 October 2019. 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.

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.

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

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

During the year, Council adopted all standards which were mandatorily effective for the first time at 30 June 2019.

AASB 9 Financial Instruments

AASB 9 *Financial Instruments* replaces AASB 139 *Financial Instruments: Recognition and Measurement* from 1 July 2018. The adoption of AASB 9 has impacted the following areas:

Classification and measurement of financial assets

AASB 9 allows for three classification categories for financial assets – amortised cost, fair value through other comprehensive income and fair value through profit or loss. Classification is based on the business model in which a financial asset is managed and the related contractual cashflows. AASB 9 eliminates previous categories of held to maturity, loans and receivables and available for sale. Classification of financial liabilities is largely unchanged.

All financial assets and financial liabilities of Council have remained at amortised cost, with the exception of the equity instruments. These equity instruments have transitioned from being held at cost (as an 'available-for-sale asset') under AASB 139, to fair value through profit or loss.

There has been no impact to council's financial assets following the adoption of this new standard.

Impairment of financial assets

Council's financial assets carried at amortised cost are now subject to AASB 9's new three-stage expected credit loss model, from an incurred loss model. This means earlier recognition of expected credit losses.

Council has reviewed its receivables and does not anticipate losses greater than the current provision for impairment. The majority of receivables other than rates and charges are current and due from government. Rates and charges are secured against the property. As such, there was no transitional adjustment requirement as at 1 July 2018.

(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.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 1. Basis of preparation (continued)

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

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future.

The resulting accounting estimates will, by definition, seldom equal the related actual results.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year include:

- (i) estimated fair values of infrastructure, property, plant and equipment – 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

- (i) Impairment of receivables

Council has made a significant judgement about the impairment of a number of its receivables – refer 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 property received by Council is held in the Council's Consolidated Fund unless it is required to be held in the Council's Trust Fund.

Cash and other assets of the following entities have been included as part of the Consolidated Fund:

- General purpose operations
- Water service
- Sewerage service
- 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 property received by the council in trust which must be applied only for the purposes of, or in accordance with, the trusts relating to those monies.

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

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 that are recoverable from, or payable to, the taxation authority are presented as operating cash flows.

Notes to the Financial Statements

for the year ended 30 June 2019

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 30 June 2019 reporting periods and have not been adopted early by Council. The new standards, AASB 16, AASB 15 & AASB 1058 are all effective for Council for the 30 June 2020 reporting period, with transition on 1 July 2019.

Council's assessment of these new standards and interpretations (where could potentially have a material impact on Council's future financial performance, financial position and cash flows) are set out below:

AASB 16 Leases

AASB 16 requires that all leases should be accounted for on the lessee's accounts similar to the finance lease accounting treatment.

This means recognition of right-of-use assets with the corresponding liability for the present value of minimum lease payments. Accounting treatment of the assets leased out to external parties (lessor's perspective) have not changed and is treated similar to the currently used AASB 117.

Council has examined the impact of adopting this new accounting standard and determined that there is no material impact from adoption on 1 July 2019.

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

AASB15 introduces a five-step process for revenue recognition, with the core principle of the new standard being for entities to recognise revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the entity expects to be entitled in exchange for those goods or services.

Accounting policy changes will arise in the timing of revenue recognition, treatment of contracts costs and contracts which contain a financing element.

Councils has assessed each revenue stream particularly the impact expected for grant income and rates which are paid before the commencement of the rating period.

The changes in revenue recognition requirements in AASB15 may cause changes to the timing and amount of revenue recorded in the financial statements as well as additional disclosures.

AASB15 will impact on rates and charges paid in advance as these amounts will need to be shown as liabilities. The credit balances as at 30 June 2019 total \$242,653.

AASB 1058 Income of NFP Entities

AASB 1058 supersedes all the income recognition requirements relating to councils, previously in AASB 1004 Contributions.

Under AASB 1058 the future timing of income recognition will depend on whether the transaction gives rise to a liability or other performance obligation (a promise to transfer a good or service) related to an asset (such as cash or another asset) received by an entity.

AASB 1058 also applies when a council receives volunteer services or enters into other transactions in which the consideration to acquire an asset is significantly less than the fair value of the asset, and where the council's objective is principally to enable the asset to further the council's objectives.

Upon initial recognition of the asset, this standard requires council to consider whether any other financial statement elements (called 'related amounts') should be recognised in accordance with the applicable accounting standard, such as:

- (a) contributions by owners
- (b) revenue, or a contract liability arising from a contract with a customer
- (c) a lease liability
- (d) a financial instrument, or
- (e) a provision.

If the transaction is a transfer of a financial asset to enable council to acquire or construct a recognisable non-financial asset to be controlled by council (i.e. an in-substance acquisition of a non-financial asset), the council recognises a liability for the

Notes to the Financial Statements

for the year ended 30 June 2019

Note 1. Basis of preparation (continued)

excess of the fair value of the transfer over any related amounts recognised. Council will then recognise income as it satisfies its obligations under the transfer similarly to income recognition in relation to performance obligations under AASB 15.

If the transaction does not enable council to acquire or construct a recognisable non-financial asset to be controlled by council, then any excess of the initial carrying amount of the recognised asset over the related amounts is recognised as income.

The majority of capital grants are paid in arrears based on actual expenditure and therefore council will have met all obligations prior to receiving the grant payment. There were however a number of grants, totalling \$297,851, under the Stronger Country Communities program which were unspent at 30 June 2019 and under the terms of the funding agreement would be shown as a liability and the income taken up when the works have been completed.

Notes to the Financial Statements

for the year ended 30 June 2019

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

Income, expenses and assets have been directly attributed to the following functions or activities.
Details of those functions or activities are provided in Note 2(b).

\$ '000	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)	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Functions or activities										
Civic Activities	1	–	352	867	(351)	(867)	–	–	–	–
Administration	637	1,094	4,163	4,434	(3,526)	(3,340)	75	11	22,917	22,672
Public Order and Safety	125	525	631	607	(506)	(82)	–	452	3,477	3,400
Health	14	17	3	–	11	17	–	7	604	1,059
Environment	4,055	3,729	3,724	3,111	331	618	285	280	31,052	31,031
Community Services and Education	19	15	194	133	(175)	(118)	11	13	550	608
Housing and community amenities	785	950	2,124	1,941	(1,339)	(991)	196	66	989	984
Water Supplies	7,721	6,867	7,426	5,635	295	1,232	56	65	73,232	72,408
Sewerage services	3,703	3,502	3,262	2,323	441	1,179	–	(1)	40,043	39,199
Recreation and culture	448	346	3,475	3,584	(3,027)	(3,238)	561	74	26,704	27,284
Mining, manufacture and construction	188	1	51	58	137	(57)	–	–	492	512
Transport and communications	1,440	1,770	4,025	5,248	(2,585)	(3,478)	1,386	1,704	418,463	413,695
Economic affairs	7,975	8,428	5,721	5,681	2,254	2,747	58	92	4,538	5,962
General purpose income	12,329	11,615	–	–	12,329	11,615	4,771	4,409	–	–
Total functions and activities	39,440	38,859	35,151	33,622	4,289	5,237	7,399	7,172	623,061	618,814

Notes to the Financial Statements

for the year ended 30 June 2019

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; 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.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations

\$ '000	2019	2018
(a) Rates and annual charges		
Ordinary rates		
Residential	2,449	2,380
Farmland	2,985	2,899
Mining	20	19
Business	1,292	1,250
Less: pensioner rebates (mandatory)	(185)	(185)
Rates levied to ratepayers	6,561	6,363
Pensioner rate subsidies received	102	102
Total ordinary rates	6,663	6,465
Annual charges		
<small>(pursuant to s.496, s.496A, s.496B, s.501 & s.611)</small>		
Domestic waste management services	2,408	2,315
Water supply services	1,694	1,644
Sewerage services	2,652	2,587
Waste management services (non-domestic)	233	236
Less: pensioner rebates (mandatory)	(354)	(349)
Annual charges levied	6,633	6,433
Pensioner subsidies received:		
– Water	64	63
– Sewerage	42	42
– Domestic waste management	89	87
Total annual charges	6,828	6,625
TOTAL RATES AND ANNUAL CHARGES	13,491	13,090

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

Accounting policy for rates and charges

Rates and annual charges are recognised as revenue when the Council obtains control over the assets comprising these receipts.

Pensioner rebates relate to reductions in rates and certain annual charges for eligible pensioners' place of residence in the local government council area that are not subsidised by the NSW Government.

Pensioner rate subsidies are received from the NSW Government to provide a contribution towards the pensioner rebates.

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.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

\$ '000	2019	2018
(b) User charges and fees		
Specific user charges		
<small>(per s.502 - specific 'actual use' charges)</small>		
Water supply services	5,140	4,949
Sewerage services	784	750
Total specific user charges	5,924	5,699
Other user charges and fees		
(i) Fees and charges – statutory and regulatory functions (per s.608)		
Planning and building regulation	317	392
Private works – section 67	85	95
Total fees and charges – statutory/regulatory	402	487
(ii) Fees and charges – other (incl. general user charges (per s.608))		
Aerodrome	30	29
Caravan park	574	571
Cemeteries	319	252
Fire and emergency services levy (FESL) implementation	–	2
RMS (formerly RTA) charges (state roads not controlled by Council)	4,634	6,479
Saleyards	418	458
Swimming centres	207	197
Waste disposal tipping fees	609	593
Water connection fees	65	95
Other	105	114
Total fees and charges – other	6,961	8,790
TOTAL USER CHARGES AND FEES	13,287	14,976

Accounting policy for user charges and fees

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

\$ '000	2019	2018
(c) Interest and investment revenue (including losses)		
Interest on financial assets measured at amortised cost		
– Overdue rates and annual charges (incl. special purpose rates)	98	86
– Cash and investments	727	640
– Deferred debtors	–	88
Amortisation of premiums and discounts		
– Interest free (and interest reduced) loans provided	31	30
TOTAL INTEREST AND INVESTMENT REVENUE	856	844

Interest revenue is attributable to:**Unrestricted investments/financial assets:**

Overdue rates and annual charges (general fund)	36	31
General Council cash and investments	706	710

Restricted investments/funds – external:

Development contributions		
– Section 7.11	5	15
– Section 64	–	4
Water fund operations	28	25
Sewerage fund operations	65	46
Domestic waste management operations	16	13

Total interest and investment revenue

856	844
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Accounting policy for interest and investment revenue

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

Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment.

(d) Other revenues

Rental income – other council properties	220	187
Fines	49	52
Legal fees recovery – rates and charges (extra charges)	4	6
Diesel rebate	96	87
Recycling income (non-domestic)	1,019	354
Cultural and community activities	71	35
Insurance rebate	75	67
Lease back contributions	113	93
Central West Library Equity Distribution	56	–
Other	63	30
TOTAL OTHER REVENUE	1,766	911

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 penalty has been paid.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

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.

\$ '000	Operating 2019	Operating 2018	Capital 2019	Capital 2018
(e) Grants				
General purpose (untied)				
Current year allocation				
Financial assistance – general component	1,590	1,458	–	–
Financial assistance – local roads component	752	703	–	–
Payment in advance - future year allocation				
Financial assistance – general component	1,675	1,523	–	–
Financial assistance – local roads component	754	725	–	–
Total general purpose	4,771	4,409	–	–
Specific purpose				
Waste Management	–	–	60	–
Community care	11	15	–	–
Economic development	–	5	58	92
Employment and training programs	15	12	–	–
Environmental programs	202	236	6	23
Heritage and cultural	18	–	–	–
Library	39	44	7	7
LIRS subsidy	56	64	–	–
NSW rural fire services	–	46	52	406
Recreation and culture	23	23	554	–
Storm/flood damage	–	–	–	404
Street lighting	66	66	–	–
Transport (roads to recovery)	1,367	1,293	–	–
Transport (other roads and bridges funding)	16	21	19	6
Other	59	–	–	–
Total specific purpose	1,872	1,825	756	938
Total grants	6,643	6,234	756	938
Grant revenue is attributable to:				
– Commonwealth funding	6,138	5,702	–	–
– State funding	505	532	756	938
	6,643	6,234	756	938

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

\$ '000	Notes	Operating 2019	Operating 2018	Capital 2019	Capital 2018
(f) Contributions					
Developer contributions: (s7.4 & s7.11 - EP&A Act, s64 of the LGA):					
Cash contributions					
S 7.11 – contributions towards amenities/services		–	–	13	135
S 7.12 – fixed development consent levies		–	–	75	85
S 64 – water supply contributions		–	–	92	90
S 64 – sewerage service contributions		–	–	127	133
Total developer contributions – cash		–	–	307	443
Total developer contributions	21	–	–	307	443
Other contributions:					
Cash contributions					
Heritage/cultural		35	21	40	–
Recreation and culture		–	–	15	–
Roads and bridges		–	11	–	3
RMS contributions (regional roads, block grant)		1,042	516	–	–
Total other contributions – cash		1,077	548	55	3
Total other contributions		1,077	548	55	3
Total contributions		1,077	548	362	446
TOTAL GRANTS AND CONTRIBUTIONS		7,720	6,782	1,118	1,384

Accounting policy for grants and 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 below.

Council has obligations to provide facilities from contribution revenues levied on developers under the provisions of sections 7.4, 7.11 and 7.12 of the *Environmental Planning and Assessment Act 1979*.

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

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

A 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.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

\$ '000	2019	2018
(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	896	83
Add: operating grants recognised in the current period but not yet spent	68	862
Less: operating grants recognised in a previous reporting period now spent	(248)	(49)
Unexpended and held as restricted assets (operating grants)	716	896
Capital grants		
Unexpended at the close of the previous reporting period	209	422
Add: capital grants recognised in the current period but not yet spent	345	45
Less: capital grants recognised in a previous reporting period now spent	(161)	(258)
Unexpended and held as restricted assets (capital grants)	393	209
Contributions		
Unexpended at the close of the previous reporting period	665	1,759
Add: contributions recognised in the current period but not yet spent	93	127
Less: contributions recognised in a previous reporting period now spent	(539)	(1,221)
Unexpended and held as restricted assets (contributions)	219	665

Notes to the Financial Statements

for the year ended 30 June 2019

Note 4. Expenses from continuing operations

\$ '000	2019	2018
(a) Employee benefits and on-costs		
Salaries and wages	11,208	10,484
Travel expenses	42	46
Employee leave entitlements (ELE)	2,362	2,028
Superannuation – defined contribution plans	1,072	990
Superannuation – defined benefit plans	257	299
Workers' compensation insurance	247	268
Fringe benefit tax (FBT)	32	36
Training costs (other than salaries and wages)	217	124
Total employee costs	15,437	14,275
Less: capitalised costs	(1,229)	(1,013)
TOTAL EMPLOYEE COSTS EXPENSED	14,208	13,262
Number of 'full-time equivalent' employees (FTE) at year end	180	179
Number of 'full-time equivalent' employees (FTE) at year end (incl. vacancies)	187	185

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, 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.

\$ '000	Notes	2019	2018
(b) Borrowing costs			
(i) Interest bearing liability costs			
Interest on loans		1,180	1,252
Total interest bearing liability costs expensed		1,180	1,252
(ii) Other borrowing costs			
Discount adjustments relating to movements in provisions (other than ELE)			
– Remediation liabilities	11	23	21
– Legal liabilities		–	136
Total other borrowing costs		23	157
TOTAL BORROWING COSTS EXPENSED		1,203	1,409

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.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 4. Expenses from continuing operations (continued)

\$ '000	2019	2018
(c) Materials and contracts		
Raw materials and consumables	6,561	6,652
Contractor and consultancy costs	2,363	2,131
Auditors remuneration ²	74	53
Legal expenses:		
– Legal expenses: planning and development	35	51
– Legal expenses: other	26	54
Operating leases:		
– Operating lease rentals: minimum lease payments ¹	115	150
Total materials and contracts	<u>9,174</u>	<u>9,091</u>
TOTAL MATERIALS AND CONTRACTS	<u>9,174</u>	<u>9,091</u>

Accounting policy for 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	74	116
Other	41	34
	<u>115</u>	<u>150</u>

2. Auditor remuneration

During the year, the following fees were incurred 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	49	48
Remuneration for audit and other assurance services	<u>49</u>	<u>48</u>
Total Auditor-General remuneration	<u>49</u>	<u>48</u>

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

Other audit and assurance services	25	5
Remuneration for audit and other assurance services	<u>25</u>	<u>5</u>
Total remuneration of non NSW Auditor-General audit firms	<u>25</u>	<u>5</u>
Total Auditor remuneration	<u>74</u>	<u>53</u>

Notes to the Financial Statements

for the year ended 30 June 2019

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	2019	2018
(d) Depreciation, amortisation and impairment of intangible assets and IPP&E			
Depreciation and amortisation			
Plant and equipment		1,251	1,224
Office equipment		14	14
Furniture and fittings		12	34
Infrastructure:			
– Buildings		693	481
– Roads		1,348	1,303
– Bridges		159	159
– Footpaths		62	61
– Other road assets		93	93
– Stormwater drainage		259	257
– Water supply network		1,843	1,794
– Sewerage network		698	664
– Swimming pools		89	89
– Other open space/recreational assets		137	143
Other assets:			
– Other		269	223
Reinstatement, rehabilitation and restoration assets:			
– Quarry asset	9,11	5	5
Total gross depreciation and amortisation costs		6,932	6,544
Total depreciation and amortisation costs		6,932	6,544
<u>TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT / REVALUATION DECREMENT FOR INTANGIBLES AND IPP&E</u>		6,932	6,544

Accounting policy for depreciation, amortisation and impairment expenses of intangibles and IPP&E**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.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 4. Expenses from continuing operations (continued)

\$ '000	2019	2018
(e) Other expenses		
Advertising	114	91
Bad and doubtful debts	11	–
Bank charges	52	47
Contributions/levies to other levels of government	895	808
– Emergency services levy (includes FRNSW, SES, and RFS levies)	287	268
Councillor expenses – mayoral fee	26	25
Councillor expenses – councillors' fees	107	104
Councillors' expenses (incl. mayor) – other (excluding fees above)	44	50
Electricity and heating	1,062	933
Insurance	446	431
Street lighting	375	328
Telephone and communications	150	161
Valuation fees	65	70
Total other expenses	3,634	3,316
TOTAL OTHER EXPENSES	3,634	3,316

Accounting policy for other expenses

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 5. Gains or losses from the disposal, replacement and de-recognition of assets

\$ '000	Notes	2019	2018
Property (excl. investment property)			
Proceeds from disposal – property		128	2,000
Less: carrying amount of property assets sold/written off		(148)	(1,150)
Net gain/(loss) on disposal		(20)	850
Plant and equipment			
	9		
Proceeds from disposal – plant and equipment		274	241
Less: carrying amount of plant and equipment assets sold/written off		(98)	(87)
Net gain/(loss) on disposal		176	154
Infrastructure			
	9		
Proceeds from disposal – infrastructure		–	–
Less: carrying amount of infrastructure assets sold/written off		–	(132)
Net gain/(loss) on disposal		–	(132)
Real estate assets held for sale			
	8		
Proceeds from disposal – real estate assets		1,282	–
Less: carrying amount of real estate assets sold/written off		(236)	–
Net gain/(loss) on disposal		1,046	–
Investments			
	6(b)		
Proceeds from disposal/redemptions/maturities – investments		23,286	20,500
Less: carrying amount of investments sold/redeemed/matured		(23,286)	(20,500)
Net gain/(loss) on disposal		–	–
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		1,202	872

Accounting policy for disposal of assets

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

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 de-recognised.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 6(a). Cash and cash equivalent assets

\$ '000	2019	2018
Cash and cash equivalents		
Cash on hand and at bank	1,814	3,328
Cash-equivalent assets		
– Deposits at call	3,500	50
– Short-term deposits	1,000	–
Total cash and cash equivalents	6,314	3,378

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	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Investments				
b. 'Financial assets at amortised cost' / 'held to maturity' (2018)	24,286	–	–	–
c. 'Loans and receivables'	–	–	23,286	–
Total Investments	24,286	–	23,286	–
TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS	30,600	–	26,664	–
Loans and receivables				
Long term deposits	24,286	–	23,286	–
Total	24,286	–	23,286	–

Accounting policy for investments**Accounting policy under AASB 9 – applicable from 1 July 2018**

Financial instruments are recognised initially on the date that the Council becomes party to the contractual provisions of the instrument.

On initial recognition, all financial instruments are measured at fair value plus transaction costs (except for instruments measured at fair value through profit or loss where transaction costs are expensed as incurred).

Financial assets

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification

Council classifies all its financial assets as loans and receivable.

Amortised cost

Assets measured at amortised cost are financial assets where:

- the business model is to hold assets to collect contractual cash flows, and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 6(b). Investments (continued)

Council's financial assets measured at amortised cost comprise trade and other receivables and cash and cash equivalents in the Statement of Financial Position.

Subsequent to initial recognition, these assets are carried at amortised cost using the effective interest rate method less provision for impairment.

Interest income, impairment and gains or loss on de-recognition are recognised in profit or loss.

Accounting policy under AASB 139 – applicable for 2018 comparatives only

Classification

Council classifies its financial assets in the following categories: financial assets at fair value through profit or loss; loans and receivables; held-to-maturity investments; and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at each reporting date.

(c) 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.

Impairment of financial assets

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

Notes to the Financial Statements

for the year ended 30 June 2019

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

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Total cash, cash equivalents and investments	30,600	–	26,664	–
attributable to:				
External restrictions	17,632	–	16,567	–
Internal restrictions	12,608	–	9,893	–
Unrestricted	360	–	204	–
	<u>30,600</u>	<u>–</u>	<u>26,664</u>	<u>–</u>

\$ '000	2019	2018
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Details of restrictions

External restrictions – included in liabilities

Specific purpose unexpended loans – general	140	519
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External restrictions – included in liabilities

<u>140</u>	<u>519</u>
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External restrictions – other

Developer contributions – general	219	493
Developer contributions – water fund	–	172
Specific purpose unexpended grants	1,109	1,105
Water supplies	6,172	4,895
Sewerage services	7,482	6,709
Sewerage services – Wyangala Sewerage Treatment Plant	1,689	1,715
Domestic waste management	821	959

External restrictions – other

<u>17,492</u>	<u>16,048</u>
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Total external restrictions

<u>17,632</u>	<u>16,567</u>
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Notes to the Financial Statements

for the year ended 30 June 2019

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

\$ '000	2019	2018
Internal restrictions		
Plant and vehicle replacement	3,204	1,154
Infrastructure (Built Asset) replacement	2,735	2,007
Employees leave entitlement	396	250
Carry over works	568	1,004
Deposits, retentions and bonds	438	373
Aerodrome	25	25
Art gallery	9	19
Bad debts	44	48
Business assistance	164	172
Caravan park	554	287
Depot redevelopment	121	141
Election	55	30
Environmental projects	8	8
Financial assistance advance payment	2,429	2,248
Fire mitigation	16	16
Gravel rehabilitation	316	338
IT equipment	67	67
Lachlan River precinct	128	110
Main St improvements	161	161
Pedestrian and cycle plan	50	50
Saleyards	53	136
Section 611	204	300
RMS Warranty	250	250
Waste	270	359
Waste Long Service Leave	75	40
Workers compensation	–	50
Statewide	116	127
Statecover	148	120
Rural Roads	3	2
Street Trees	1	1
Total internal restrictions	12,608	9,893
TOTAL RESTRICTIONS	30,240	26,460

Notes to the Financial Statements

for the year ended 30 June 2019

Note 7. Receivables

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Purpose				
Rates and annual charges	1,519	–	1,285	–
User charges and fees	2,222	–	2,556	–
Accrued revenues				
– Interest on investments	201	–	218	–
– Other income accruals	16	–	2	–
Deferred debtors	8	–	13	–
Government grants and subsidies	71	–	68	–
Net GST receivable	169	–	91	–
Due from RMS – State Roads Contract	417	–	2,515	–
Total	4,623	–	6,748	–
Less: provision of impairment				
Rates and annual charges	–	–	(13)	–
Other debtors	(13)	–	–	–
Total provision for impairment – receivables	(13)	–	(13)	–
<u>TOTAL NET RECEIVABLES</u>	<u>4,610</u>	<u>–</u>	<u>6,735</u>	<u>–</u>

\$ '000	2019	2018
Movement in provision for impairment of receivables		
Balance at the beginning of the year (calculated in accordance with AASB 139)	13	13
Balance at the end of the period	13	13

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 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 ongoing basis.

Debts that are known to be uncollectable 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.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 7. Receivables (continued)

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.

Accounting policy under AASB 9 applicable from 1 July 2018

Impairment of financial assets measured at amortised cost is recognised on an expected credit loss (ECL) basis.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition, and when estimating ECL, the Council considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on Council's historical experience and informed credit assessment, and including forward-looking information.

When considering the ECL for rates debtors, Council takes into account that unpaid rates represent a charge against the rateable property that will be recovered when the property is next sold. For non-rates debtors, Council uses the presumption that an asset which is more than 30 days past due has seen an increase in credit risk.

The Council uses the presentation that a financial asset is in default when:

- the other party is unlikely to pay its credit obligations to the Council in full, without recourse by the Council to actions such as realising security (if any is held) or
- the financial assets (for non-rates debtors) are more than 90 days past due.

Credit losses are measured as the present value of the difference between the cash flows due to the entity in accordance with the contract, and the cash flows expected to be received. This is applied using a probability weighted approach.

On initial recognition of the asset, an estimate of the expected credit losses for the next 12 months is recognised. Where the asset has experienced significant increase in credit risk then the lifetime losses are estimated and recognised.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

The Council writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings.

None of the receivables that have been written off are subject to enforcement activity.

Where the Council renegotiates the terms of receivables due from certain customers, the new expected cash flows are discounted at the original effective interest rate and any resulting difference to the carrying value is recognised in profit or loss.

Accounting policy under AASB 139 – applicable for 2018 comparatives only

For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss.

Collectability of receivables is reviewed on an ongoing basis. Debts that are known to be uncollectable 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 the 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.

Rates and annual charges outstanding are secured against the property.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 8. Inventories and other assets

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
(a) Inventories				
(i) Inventories at cost				
Real estate for resale	775	148	–	195
Stores and materials	902	–	836	–
Total inventories at cost	1,677	148	836	195
<u>TOTAL INVENTORIES</u>	<u>1,677</u>	<u>148</u>	<u>836</u>	<u>195</u>
(b) Other assets				
Equity in StateCover Mutual	–	174	–	174
<u>TOTAL OTHER ASSETS</u>	<u>–</u>	<u>174</u>	<u>–</u>	<u>174</u>

(i) Other disclosures

\$ '000	Notes	2019 Current	2019 Non-current	2018 Current	2018 Non-current
(a) Details for real estate development					
Residential		177	148	–	195
Industrial/commercial		598	–	–	–
Total real estate for resale		775	148	–	195
(Valued at the lower of cost and net realisable value)					
Represented by:					
Acquisition costs		65	148	–	195
Development costs		710	–	–	–
Total costs		775	148	–	195
Total real estate for resale		775	148	–	195
Movements:					
Real estate assets at beginning of the year		–	195	–	195
– Purchases and other costs		305	–	–	–
– Transfers in from (out to) Note 9		659	–	–	–
– WDV of sales (expense)	5	(236)	–	–	–
– Transfer between current/non-current		47	(47)	–	–
Total real estate for resale		775	148	–	195

Notes to the Financial Statements

for the year ended 30 June 2019

Note 8. Inventories and other assets (continued)

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

\$ '000	2019	2018
(b) Current assets not anticipated to be settled within the next 12 months		
Real estate for resale	463	–
	463	–

Accounting policy for inventories and other assets**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 the 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.

Notes to the Financial Statements for the year ended 30 June 2019

Note 9. Infrastructure, property, plant and equipment

\$ '000	as at 30/6/2018			Asset movements during the reporting period							as at 30/6/2019		
	Gross carrying amount	Accumulated depreciation	Net carrying amount	Additions renewals ¹	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Tfrs from/(to) real estate assets (Note 8)	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation	Net carrying amount
Capital work in progress	2,642	–	2,642	711	355	–	–	(1,646)	(615)	–	1,447	–	1,447
Plant and equipment	22,814	(16,994)	5,820	–	2,101	(98)	(1,251)	300	–	–	23,745	(16,873)	6,872
Office equipment	110	(22)	88	–	18	–	(14)	–	–	–	127	(35)	92
Furniture and fittings	829	(798)	31	–	–	–	(12)	–	–	–	153	(134)	19
Land:													
– Operational land	6,564	–	6,564	–	411	(148)	–	–	(44)	(1,215)	5,568	–	5,568
– Community land	14,464	–	14,464	–	–	–	–	4	–	–	14,468	–	14,468
Infrastructure:													
– Buildings	34,709	(15,982)	18,727	33	118	–	(693)	101	–	–	34,961	(16,675)	18,286
– Roads	130,339	(16,127)	114,212	3,638	460	–	(1,348)	425	–	–	134,862	(17,475)	117,387
– Bridges	25,936	(2,552)	23,384	–	–	–	(159)	–	–	–	25,936	(2,711)	23,225
– Footpaths	9,145	(981)	8,164	–	–	–	(62)	–	–	–	9,144	(1,042)	8,102
– Other road assets	2,772	(1,133)	1,639	–	–	–	(93)	–	–	–	2,772	(1,226)	1,546
– Bulk ear hworks (non-depreciable)	257,884	–	257,884	–	199	–	–	294	–	–	258,377	–	258,377
– Stormwater drainage	32,252	(4,877)	27,375	3	162	–	(259)	172	–	–	32,589	(5,136)	27,453
– Water supply network	121,777	(57,634)	64,143	361	206	–	(1,843)	200	–	1,026	124,492	(60,399)	64,093
– Sewerage network	51,732	(23,170)	28,562	58	53	–	(698)	75	–	457	52,746	(24,239)	28,507
– Swimming pools	2,293	(1,298)	995	–	–	–	(89)	–	–	–	2,293	(1,387)	906
– Other open space/recreational assets	4,008	(1,968)	2,040	–	–	–	(137)	–	–	–	4,008	(2,105)	1,903
Other assets:													
– Other	10,772	(3,394)	7,378	256	68	–	(269)	75	–	–	10,112	(2,604)	7,508
Reinstatement, rehabilitation and restoration assets (refer Note 14):													
– Quarry assets	174	(76)	98	–	–	–	(5)	–	–	–	175	(82)	93
Total Infrastructure, property, plant and equipment	731,216	(147,006)	584,210	5,060	4,151	(246)	(6,932)	–	(659)	268	737,975	(152,123)	585,852

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

Notes to the Financial Statements

for the year ended 30 June 2019

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

	as at 30/6/2017			Asset movements during the reporting period								as at 30/6/2018		
	Gross carrying amount	Accumulated depreciation	Net carrying amount	Additions renewals ¹	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	Net carrying amount
\$ '000														
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 ear hworks (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 14):														
– Quarry assets	174	(71)	103	–	–	–	(5)	–	–	–	–	174	(76)	98
Total Infrastructure, property, plant and equipment	720,977	(138,000)	582,977	4,130	4,331	(1,369)	(6,544)	–	–	(1,869)	2,554	731,216	(147,006)	584,210

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

Notes to the Financial Statements

for the year ended 30 June 2019

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 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.

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.

Notes to the Financial Statements

for the year ended 30 June 2019

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

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 firefighting 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 firefighting 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.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 10. Payables and borrowings

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Payables				
Goods and services – operating expenditure	2,026	–	1,153	–
Accrued expenses:				
– Borrowings	79	–	87	–
– Other expenditure accruals	510	–	507	–
Security bonds, deposits and retentions	438	–	373	–
Total payables	3,053	–	2,120	–
Borrowings				
Loans – secured ¹	1,147	15,542	1,289	16,689
Total borrowings	1,147	15,542	1,289	16,689
TOTAL PAYABLES AND BORROWINGS	4,200	15,542	3,409	16,689

(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.

\$ '000	2019	2018
(a) Current payables and borrowings not anticipated to be settled within the next twelve months		
The following liabilities, even though classified as current, are not expected to be settled in the next 12 months.		
Payables – security bonds, deposits and retentions	200	200
Total payables and borrowings	200	200

(b) Changes in liabilities arising from financing activities

\$ '000	as at 30/6/2018					as at 30/6/2019
	Opening Balance	Cash flows	Non-cash acquisitions	Non-cash fair value changes	Other non-cash movements	Closing balance
Loans – secured	17,978	(1,289)	–	–	–	16,689
TOTAL	17,978	(1,289)	–	–	–	16,689

\$ '000	as at 30/6/2017					as at 30/6/2018
	Opening Balance	Cash flows	Non-cash acquisitions	Non-cash fair value changes	Other non-cash movements	Closing balance
Loans – secured	19,219	(1,241)	–	–	–	17,978
TOTAL	19,219	(1,241)	–	–	–	17,978

Notes to the Financial Statements

for the year ended 30 June 2019

Note 10. Payables and borrowings (continued)

\$ '000	2019	2018
(c) Financing arrangements		
(i) Unrestricted access was available at balance date to the following lines of credit:		
Bank overdraft facilities ¹	500	1,000
Credit cards/purchase cards	60	60
Total financing arrangements	560	1,060
Drawn facilities as at balance date:		
– Credit cards/purchase cards	13	16
Total drawn financing arrangements	13	16
Undrawn facilities as at balance date:		
– Bank overdraft facilities	500	1,000
– Credit cards/purchase cards	47	44
Total undrawn financing arrangements	547	1,044

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

Accounting policy for payables and borrowings

Council measures all financial liabilities initially at fair value less transaction costs, subsequently financial liabilities are measured at amortised cost using the effective interest rate method.

The financial liabilities of the Council comprise trade payables, bank and other loans and finance lease liabilities.

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 drawdown occurs. To the extent that 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.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 11. Provisions

\$ '000	2019		2018	
	Current	Non-current	Current	Non-current
Provisions				
Employee benefits				
Annual leave	1,390	–	1,335	–
Long service leave	2,987	185	2,940	128
Sub-total – aggregate employee benefits	4,377	185	4,275	128
Asset remediation/restoration:				
Asset remediation/restoration (future works)	–	410	–	387
Sub-total – asset remediation/restoration	–	410	–	387
Other provisions				
Legal liability	–	–	136	–
Sub-total – other provisions	–	–	136	–
TOTAL PROVISIONS	4,377	595	4,411	515

\$ '000	2019	2018
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(a) 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	3,400	3,200
	3,400	3,200

(b) Description of and movements in provisions

\$ '000	Other provisions		
	Legal Liability	Asset remediation	Total
2019			
At beginning of year	136	387	523
Amounts used (payments)	(136)	–	(136)
Unwinding of discount	–	23	23
Total other provisions at end of period	–	410	410
2018			
At beginning of year	–	366	366
Additional provisions	136	–	136
Unwinding of discount	–	21	21
Total other provisions at end of period	136	387	523

Notes to the Financial Statements

for the year ended 30 June 2019

Note 11. Provisions (continued)

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 quarries.

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.

On-costs

The employee benefit provisions include the aggregate on-cost liabilities that will arise when payment of current employee benefits is made in future periods.

These amounts include superannuation, payroll tax and workers compensation expenses which will be payable upon the future payment of certain leave liabilities which employees are entitled to at the reporting period.

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 – tips and 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.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 12. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors

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	2019	2018
(a) Reconciliation of cash assets			
Total cash and cash equivalent assets	6(a)	6,314	3,378
Balance as per the Statement of Cash Flows		6,314	3,378
(b) Reconciliation of net operating result to cash provided from operating activities			
Net operating result from Income Statement		4,289	5,237
Adjust for non-cash items:			
Depreciation and amortisation		6,932	6,544
Net losses/(gains) on disposal of assets		(1,202)	(872)
Amortisation of premiums, discounts and prior period fair valuations			
– Interest on all fair value adjusted interest free advances made by Council		(31)	(30)
Unwinding of discount rates on reinstatement provisions		23	21
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		2,120	(474)
Decrease/(increase) in inventories		(66)	118
Increase/(decrease) in payables		873	(237)
Increase/(decrease) in accrued interest payable		(8)	(7)
Increase/(decrease) in other accrued expenses payable		3	41
Increase/(decrease) in other liabilities		65	(183)
Increase/(decrease) in provision for employee benefits		159	84
Increase/(decrease) in other provisions		(136)	136
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		13,021	10,378

Notes to the Financial Statements

for the year ended 30 June 2019

Note 14. Interests in other entities

Unconsolidated structured entities

Council did not consolidate the following structured entities:

\$ '000	2019	2018
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Cowra Tourism

Council contributes to the operation of Cowra Tourism and had an agreement to provide financial support. The agreement expired on 30 June 2019 and renewal of the agreement is currently under negotiation.

Nature of risks relating to the Unconsolidated Structured Entity

Council currently contributes \$300,205 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.

Losses (or expenses) incurred by Council relating to the Structured Entity	300	293
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Note 15. Commitments

\$ '000	2019	2018
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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	87
Later than one year and not later than 5 years	83	120
Total non-cancellable operating lease commitments	170	207

b. Non-cancellable operating leases include the following assets:

The leases are for office equipment including telephone systems and printer/copiers.

Contingent rentals may be payable depending on the condition of items or usage during the lease term.

Conditions relating to finance and 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.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 16. Contingencies and other assets/liabilities 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 is party to an Industry Defined Benefit Plan under the Local Government Superannuation Scheme, named The Local Government Superannuation Scheme – Pool B (the Scheme) which is a defined benefit plan that has been deemed to be a 'multi-employer fund' for purposes of AASB119 Employee Benefits for the following reasons:

- Assets are not segregated within the sub-group according to the employees of each sponsoring employer.
- The contribution rates have been the same for all sponsoring employers. That is, contribution rates have not varied for each sponsoring employer according to the experience relating to the employees of that sponsoring employer.
- Benefits for employees of all sponsoring employers are determined according to the same formulae and without regard to the sponsoring employer.
- The same actuarial assumptions are currently used in respect of the employees of each sponsoring employer.

Given the factors 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 (to the extent that they are not borne by members).

Description of the funding arrangements.

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 member contributions for non-180 Point Members; Nil for 180 Point Members
Division C	2.5% salaries
Division D	1.64 times employee contributions

The past service contribution for each Pooled Employer is a share of the past service contributions of \$40 million for 1 July 2018 to 30 June 2021, apportioned according to each employer's share of the accrued liabilities as at 30 June 2018. These past service contributions are used to maintain the adequacy of the funding position for the accrued liabilities.

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

Description of the extent to which Council can be liable to the plan for other Council's obligations under the terms and conditions of the multi-employer plan

As stated above, each sponsoring employer (Council) 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 Council.

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

The amount of Council employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense for the year ending 30 June 2019 was \$ 202,257.29. The last valuation of the Scheme was performed by Mr Richard Boyfield, FIAA on 31 December 2018 and covers the period ended 30 June 2018.

Notes to the Financial Statements

for the year ended 30 June 2019

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

The amount of additional contributions included in the total employer contribution advised above is \$112,000.00. Council's expected contribution to the plan for the next annual reporting period is \$228,767.40

The estimated employer reserves financial position for the Pooled Employers at 30 June 2019 is:

Employer reserves only *	\$millions	Asset Coverage
Assets	1,798.7	
Past Service Liabilities	1,784.2	100.8%
Vested Benefits	1,792.0	100.4%

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

Based on a Past Service Liabilities methodology, the share of the surplus that can be attributed to Council is 0.30%.

Council's share of that deficiency cannot be accurately calculated as the Scheme is a mutual arrangement where assets and liabilities are pooled together for all member councils. For this reason, no liability for the deficiency has been recognised in Council's accounts. Council has a possible obligation that may arise should the Scheme require immediate payment to correct the deficiency.

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

Investment return	5.75% 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.

(ii) Statewide Limited

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

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

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

(iii) StateCover Limited

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

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

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

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

(iv) Other guarantees

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

Notes to the Financial Statements

for the year ended 30 June 2019

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

2. Other liabilities

(i) Third party claims

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

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

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.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 17. Financial risk management

Risk management

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

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

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

Financial risk management is carried out by Council's finance section under policies approved by the Council.

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

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 mkt interest rates applicable to assets and liabilities with similar risk profiles, unless quoted market prices are available.

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

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

Council has an investment policy which complies with the Local Government Act 1993 and Minister's investment order 625. This policy is regularly reviewed by Council and it's staff and an investment report is tabled before Council on a monthly basis setting out the portfolio breakup and its performance as required by Local Government regulations.

The risks associated with the instruments held are:

- **Price risk** – the risk that the capital value of Investments may fluctuate due to changes in market prices, whether these changes are caused by factors specific to individual financial instruments or their issuers or are caused by factors affecting similar instruments traded in a market.
- **Interest rate risk** – the risk that movements in interest rates could affect returns and income.
- **Liquidity risk** – the risk that Council will not be able to pay its debts as and when they fall due.
- **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.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 17. Financial risk management (continued)

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

The impact on result for the year and equity of a reasonably possible movement in the price of investments held and interest rates is shown below. The reasonably possible movements were determined based on historical movements and economic conditions in place at the reporting date.

\$ '000	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
2019				
Possible impact of a 1% movement in interest rates	306	306	(306)	(306)
2018				
Possible impact of a 1% movement in interest rates	267	267	(267)	(267)

(b) Credit risk

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

Council manages the credit risk associated with these receivables by monitoring outstanding debt and employing stringent debt recovery procedures.

The credit risk for liquid funds and other short-term financial assets is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

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.

Credit risk profile

Receivables – rates and annual charges

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.

\$ '000	Not yet overdue	< 1 year overdue	1 - 2 years overdue	2 - 5 years overdue	> 5 years overdue	Total
2019						
Gross carrying amount	387	658	241	166	67	1,519
2018						
Gross carrying amount	688	282	164	114	37	1,285

Receivables - non-rates and annual charges

Council applies the simplified approach for non-rates and annual charges debtors to provide for expected credit losses prescribed by AASB 9, which permits the use of the lifetime expected loss provision. To measure the expected credit losses, non-rates and annual charges debtors have been grouped based on shared credit risk characteristics and the days past due.

The loss allowance provision as at 30 June 2019 is determined as follows. The expected credit losses incorporate forward-looking information.

\$ '000	Not yet overdue	0 - 30 days overdue	31 - 60 days overdue	61 - 90 days overdue	> 91 days overdue	Total
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Notes to the Financial Statements

for the year ended 30 June 2019

Note 17. Financial risk management (continued)

\$ '000	Not yet overdue	0 - 30 days overdue	31 - 60 days overdue	61 - 90 days overdue	> 91 days overdue	Total
2019						
Gross carrying amount	2,843	159	75	8	19	3,104
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	68.40%	0.42%
ECL provision	–	–	–	–	13	13
2018						
Gross carrying amount	5,285	138	–	3	37	5,463
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
ECL provision	–	–	–	–	–	–

(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.

Borrowings are also subject to interest rate risk – the risk that movements in interest rates could adversely affect funding costs and debt servicing requirements. Council manages this risk through diversification of borrowing types, maturities and interest rate structures. The finance team regularly reviews interest rate movements to determine if it would be advantageous to refinance or renegotiate part or all of the loan portfolio.

The timing of cash flows presented in the table below to settle financial liabilities reflects the earliest contractual settlement dates. The timing of expected outflows is not expected to be materially different from contracted cashflows.

The amounts disclosed in the table are the undiscounted contracted cash flows and therefore the balances in the table may not equal the balances in the statement of financial position due to the effect of discounting.

\$ '000	Weighted average interest rate	Subject to no maturity	payable in:			Total cash outflows	Actual carrying values
			≤ 1 Year	1 - 5 Years	> 5 Years		
2019							
Trade/other payables	0.00%	438	2,615	–	–	3,053	3,053
Loans and advances	6.50%	–	2,250	8,831	16,725	27,806	16,689
Total financial liabilities		438	4,865	8,831	16,725	30,859	19,742
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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 18. Material budget variations

Council's original financial budget for 2018/2019 was adopted by the Council on 25/06/2018 and is unaudited.

While the Income Statement included in this General Purpose Financial Statements 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.

Material variations represent those variances between the original budget figure and the actual result that amount to **10%** or more.

Variation Key: **F** = Favourable budget variation, **U** = Unfavourable budget variation.

\$ '000	2019 Budget	2019 Actual	2019 ----- Variance -----	
REVENUES				
User charges and fees	11,705	13,287	1,582	14% F
Additional revenue from Roads and Maritime Services for contract works on State Roads \$1,714,000, water usage charges up \$263,000, private works and saleyards income down by \$75,000 and \$134,000 respectively.				
Interest and investment revenue	662	856	194	29% F
Council generally takes a conservative approach when budgeting for interest income particularly with the volatility in the market over recent years. Returns were higher due to a higher level of invested funds.				
Other revenues	911	1,766	855	94% F
Additional sales of \$802,000 for aluminium and other recycled materials increased other revenues significantly.				
Operating grants and contributions	6,771	7,720	949	14% F
Council received additional Financial Assistance Grant of \$548,000 and additional funding for Regional Roads Repair program \$300,000.				
Capital grants and contributions	652	1,118	466	71% F
Capital grants of \$449,000 were received for the Stronger Country Communities program which were not in Council's original budget.				
Net gains from disposal of assets	667	1,202	535	80% F

Council completed a land development and sold more blocks than originally budgeted.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 18. Material budget variations

\$ '000	2019 Budget	2019 Actual	2019 ----- Variance -----	
EXPENSES				
Materials and contracts	8,132	9,174	(1,042)	(13)% U

Council received additional revenue from the RMS for works on State Roads which subsequently increased materials and contract expenses.

STATEMENT OF CASH FLOWS

Net cash provided from (used in) operating activities	7,427	13,021	5,594	75% F
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Cash flows from user charges, grants and contributions and other revenues was higher than budgeted.

Net cash provided from (used in) investing activities	(10,633)	(8,796)	1,837	(17)% F
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Council did not complete a number of capital projects which reduced cash outflows.

Net cash provided from (used in) financing activities	814	(1,289)	(2,103)	(258)% U
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Council had budgeted to borrow \$2.2 million however the loan was not taken up.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 19. Fair Value Measurement

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) Assets and liabilities that have been measured and recognised at fair values

2019	Notes	Fair value measurement hierarchy				Total
		Date of latest valuation	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						
	9					
Plant and equipment		30/06/19	–	–	6,872	6,872
Office furniture		30/06/19	–	–	92	92
Furniture and fittings		30/06/19	–	–	19	19
Operational land		30/06/18	–	1,666	3,902	5,568
Community land		30/06/16	–	–	14,468	14,468
Buildings		30/06/18	–	617	17,669	18,286
Roads		01/07/14	–	–	117,387	117,387
Bridges		01/07/14	–	–	23,225	23,225
Footpaths		01/07/14	–	–	8,102	8,102
Other Road Assets		01/07/14	–	–	1,546	1,546
Bulk earthworks		01/07/14	–	–	258,377	258,377
Stormwater drainage		01/07/14	–	–	27,453	27,453
Water supply		30/06/17	–	–	64,093	64,093
Sewerage network		30/06/17	–	–	28,507	28,507
Swimming pools		30/06/16	–	–	906	906
Other recreational assets		30/06/16	–	–	1,903	1,903
Other assets		30/06/16	–	–	7,508	7,508
Quarry assets		30/06/19	–	–	93	93
Work in Progress		30/06/19	–	–	1,447	1,447
Total infrastructure, property, plant and equipment			–	2,283	583,569	585,852

Notes to the Financial Statements

for the year ended 30 June 2019

Note 19. Fair Value Measurement (continued)

2018	Notes	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						
	9					
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		01/07/14	–	–	114,212	114,212
Bridges		01/07/14	–	–	23,384	23,384
Footpaths		01/07/14	–	–	8,164	8,164
Other Road Assets		01/07/14	–	–	1,639	1,639
Bulk earthworks		01/07/14	–	–	257,884	257,884
Stormwater drainage		01/07/14	–	–	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

Note that capital WIP is not included above since it is carried at cost.

(2) 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 (ie. 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 and equipment (IPP&E)

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.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 19. Fair Value Measurement (continued)

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

Valuation Techniques: 'Cost approach'

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

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

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

Valuation Techniques: 'Market approach'

Inputs Used (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 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' adjusted for restrictions

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.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 19. Fair Value Measurement (continued)

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).

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

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.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 19. Fair Value Measurement (continued)

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 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.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 19. Fair Value Measurement (continued)

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

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

\$ '000	Total IPP&E
2018	
Opening balance	582,977
Purchases (GBV)	8,461
Disposals (WDV)	(1,369)
Depreciation and impairment	(6,544)
FV gains – other comprehensive income	(2,824)
Closing balance	580,701
2019	
Opening balance	580,701
Transfers from/(to) another asset class	(659)
Purchases (GBV)	9,201
Disposals (WDV)	(246)
Depreciation and impairment	(6,911)
FV gains – other comprehensive income	1,483
Closing balance	583,569

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.

\$ '000	Fair value (30/6/19)	Valuation technique/s	Unobservable inputs
Infrastructure, property, plant and equipment			
Plant and Equipment	6,872	Cost used to approximate fair value	Gross replacement cost, residual value, remaining useful life
Office furniture	92	Cost used to approximate fair value	Gross replacement cost, residual value, remaining useful life
Furniture and fittings	19	Cost used to approximate fair value	Gross replacement cost, residual value, remaining useful life
Operational land	3,902	Market Value	Price per sq metre
Community land	14,468	Land values obtained from NSW Valuer General	Land value, land area
Buildings	17,669	Cost used to approximate fair value	Unit rates, asset condition, remaining useful life
Roads	117,387	Cost used to approximate fair value	Unit rates, asset condition, remaining useful life
Bridges	23,225	Cost used to approximate fair value	Unit rates, asset condition, remaining useful life
Footpaths	8,102	Cost used to approximate fair value	Unit rates, asset condition, remaining useful life
Bulk earthworks	258,377	Cost used to approximate fair value	Unit rates, asset condition, remaining useful life
Stormwater drainage	27,453	Cost used to approximate fair value	Unit rates, asset condition, remaining useful life
Water supply	64,093	NSW Reference Rates Manual	Unit rates, asset condition, remaining useful life

Notes to the Financial Statements

for the year ended 30 June 2019

Note 19. Fair Value Measurement (continued)

\$ '000	Fair value (30/6/19)	Valuation technique/s	Unobservable inputs
Sewerage network	28,507	NSW Reference Rates Manual	Unit rates, asset condition, remaining useful life
Swimming pools	906	Cost used to approximate fair value	Gross replacement cost, asset condition, remaining useful life
Other recreational assets	1,903	Cost used to approximate fair value	Gross replacement cost, asset condition, remaining useful life
Other assets	7,508	Cost used to approximate fair value	Gross replacement cost, asset condition, remaining useful life
Quarry assets	93	Cost used to approximate fair value	Discounted Future Cash Flow, remaining life, remediation cost estimates
Other Road Assets	1,546	Cost used to approximate fair value	Unit rates, asset condition, remaining useful life
Work in Progress	1,447	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.

(4) Highest and best use

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

Notes to the Financial Statements
for the year ended 30 June 2019

Note 20. Related Party Transactions

(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:

\$ '000	2019	2018
Compensation:		
Short-term benefits	968	905
Other long-term benefits	99	124
Total	1,067	1,029

(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 impairment of receivables outstanding	Expense recognised for impairment of receivables
\$ '000					
2019					
Employee expenses relating to close family members of KMP	55	7	Council staff award	-	-
2018					
Employee expenses relating to close family members of KMP	57	7	Council staff award	-	-

Council owes \$6,715 for 8 days payroll and accrued leave balances.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 21. Statement of developer contributions

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

\$ '000	as at 30/6/2018						as at 30/6/2019	
	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					
Parking	11	–	–	–	–	–	11	–
Community facilities	4	–	–	–	–	–	4	–
Other	242	13	–	2	(161)	–	96	–
Bushfire	–	–	–	–	–	–	–	–
S7.11 contributions – under a plan	257	13	–	2	(161)	–	111	–
S7.12 levies – under a plan	236	75	–	3	(206)	–	108	–
Total S7.11 and S7.12 revenue under plans	493	88	–	5	(367)	–	219	–
S64 contributions	172	219	–	–	(391)	–	–	–
Total contributions	665	307	–	5	(758)	–	219	–

S7.11 Contributions – under a plan

CONTRIBUTION PLAN NUMBER – COWRA SHIRE COUNCIL

Parking	11	–	–	–	–	–	11	–
Community facilities	4	–	–	–	–	–	4	–
Other	242	13	–	2	(161)	–	96	–
Total	257	13	–	2	(161)	–	111	–

Notes to the Financial Statements
for the year ended 30 June 2019

Note 21. Statement of developer contributions (continued)

	as at 30/6/2018			as at 30/6/2019				
	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)
\$ '000		Cash	Non-cash					
S7.12 Levies – under a plan								
CONTRIBUTION PLAN NUMBER – COWRA SHIRE COUNCIL								
Other	236	75	–	3	(206)	–	108	–
Total	236	75	–	3	(206)	–	108	–

Notes to the Financial Statements

for the year ended 30 June 2019

Note 22. Financial result and financial position by fund

\$ '000	General ¹ 2019	Water 2019	Sewer 2019
Income Statement by fund			
Income from continuing operations			
Rates and annual charges	9,232	1,641	2,618
User charges and fees	7,364	5,149	774
Interest and investment revenue	763	28	65
Other revenues	673	847	246
Grants and contributions provided for operating purposes	7,664	56	–
Grants and contributions provided for capital purposes	899	92	127
Other income			
Net gains from disposal of assets	1,202	–	–
Total income from continuing operations	27,797	7,813	3,830
Expenses from continuing operations			
Employee benefits and on-costs	12,833	1,052	323
Borrowing costs	305	364	534
Materials and contracts	4,445	3,228	1,501
Depreciation and amortisation	4,328	1,889	715
Other expenses	2,552	893	189
Total expenses from continuing operations	24,463	7,426	3,262
Operating result from continuing operations	3,334	387	568
Net operating result for the year	3,334	387	568
Net operating result attributable to each council fund	3,334	387	568
Net operating result for the year before grants and contributions provided for capital purposes	2,435	295	441

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

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

\$ '000	General ¹ 2019	Water 2019	Sewer 2019
Statement of Financial Position by fund			
ASSETS			
Current assets			
Cash and cash equivalents	3,333	1,347	1,634
Investments	11,924	4,825	7,537
Receivables	1,891	2,175	544
Inventories	1,677	–	–
Total current assets	18,825	8,347	9,715
Non-current assets			
Inventories	148	–	–
Infrastructure, property, plant and equipment	490,639	64,885	30,328
Other	174	–	–
Total non-current assets	490,961	64,885	30,328
TOTAL ASSETS	509,786	73,232	40,043
LIABILITIES			
Current liabilities			
Payables	2,897	83	73
Borrowings	487	538	122
Provisions	4,055	290	32
Total current liabilities	7,439	911	227
Non-current liabilities			
Borrowings	3,855	5,311	6,376
Provisions	595	–	–
Total non-current liabilities	4,450	5,311	6,376
TOTAL LIABILITIES	11,889	6,222	6,603
Net assets	497,897	67,010	33,440
EQUITY			
Accumulated surplus	154,208	17,167	22,594
Revaluation reserves	343,689	49,843	10,846
Council equity interest	497,897	67,010	33,440
Total equity	497,897	67,010	33,440

NB. All amounts disclosed above are gross – that is, they include internal charges and recoveries made between the funds. Assets and liabilities shown in the water and sewer columns are restricted for use for these activities.

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

Notes to the Financial Statements

for the year ended 30 June 2019

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

\$ '000	Amounts 2019	Indicator 2019	Prior periods		Benchmark
			2018	2017	
1. Operating performance ratio					
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	1,969				
Total continuing operating revenue excluding capital grants and contributions ¹	37,120	5.30%	8.14%	11.16%	>0.00%
2. Own source operating revenue ratio					
Total continuing operating revenue excluding all grants and contributions ¹	29,103				
Total continuing operating revenue ¹	38,238	76.11%	77.73%	71.31%	>60.00%
3. Unrestricted current ratio					
Current assets less all external restrictions	16,073				
Current liabilities less specific purpose liabilities	3,839	4.19x	4.57x	3.96x	>1.50x
4. Debt service cover ratio					
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	10,104				
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	2,492	4.05x	4.13x	4.81x	>2.00x
5. Rates, annual charges, interest and extra charges outstanding percentage					
Rates, annual and extra charges outstanding	1,519				
Rates, annual and extra charges collectible	14,568	10.43%	9.01%	9.02%	<10.00%
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	30,600				
Monthly payments from cash flow of operating and financing activities	2,640	11.59 mths	10.60 mths	8.90 mths	>3.00 mths

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

(2) Excludes impairment/revaluation decrements, net loss on sale of assets, and net loss on share of interests in joint ventures and associates

Notes to the Financial Statements

for the year ended 30 June 2019

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

\$ '000	General Indicators ³		Water Indicators		Sewer Indicators		Benchmark
	2019	2018	2019	2018	2019	2018	
1. Operating performance ratio							
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	4.80%	10.12%	3.82%	0.82%	11.91%	9.46%	>0.00%
Total continuing operating revenue excluding capital grants and contributions ¹							
2. Own source operating revenue ratio							
Total continuing operating revenue excluding capital grants and contributions ¹	67.08%	69.41%	97.29%	97.70%	95.59%	96.42%	>60.00%
Total continuing operating revenue ¹							
3. Unrestricted current ratio							
Current assets less all external restrictions	4.10x	4.57x	9.16x	7.52x	42.80x	31.09x	>1.50x
Current liabilities less specific purpose liabilities							
4. Debt service cover ratio							
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	6.08x	6.26x	2.90x	2.66x	2.59x	2.40x	>2.00x
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	5.57%	3.64%	30.18%	26.47%	11.34%	12.64%	<10.00%
Rates, annual and extra charges collectible							
6. Cash expense cover ratio							
Current year's cash and cash equivalents plus all term deposits	7.97	7.37	12.25	10.03	41.34	37.96	>3.00
Payments from cash flow of operating and financing activities	mths	mths	mths	mths	mths	mths	mths

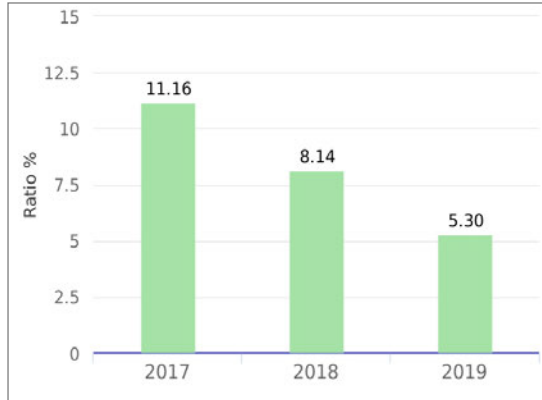
(1) - (2) Refer to Notes at Note 28a above.

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

Notes to the Financial Statements
for the year ended 30 June 2019

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

1. Operating performance ratio



Purpose of operating performance ratio

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

Commentary on 2018/19 result

2018/19 ratio 5.30%

Council's Operating Performance Ratio is again very sound and has now been above the benchmark for the past 6 years.

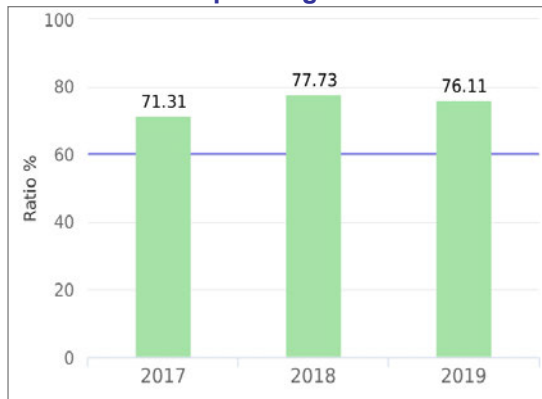
Benchmark: — > 0.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting #27

Ratio achieves benchmark

Ratio is outside benchmark

2. Own source operating revenue ratio



Purpose of own source operating revenue ratio

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

Commentary on 2018/19 result

2018/19 ratio 76.11%

Council's Own Source Revenue Ratio as again well above the benchmark. It has been slightly impacted by the additional Stronger Country Communities grants.

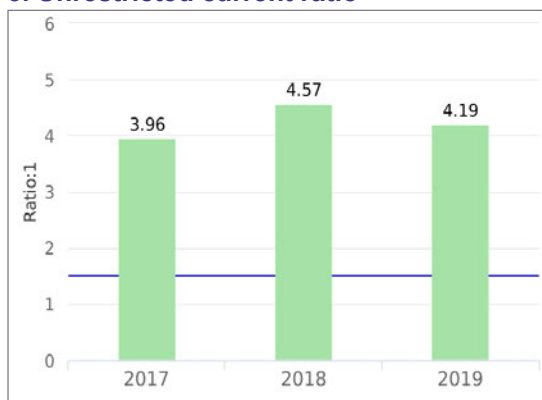
Benchmark: — > 60.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting #27

Ratio achieves benchmark

Ratio is outside benchmark

3. Unrestricted current ratio



Purpose of unrestricted current ratio

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

Commentary on 2018/19 result

2018/19 ratio 4.19x

The Unrestricted Current Ratio is again well above the benchmark.

Benchmark: — > 1.50x

Source of benchmark: Code of Accounting Practice and Financial Reporting #27

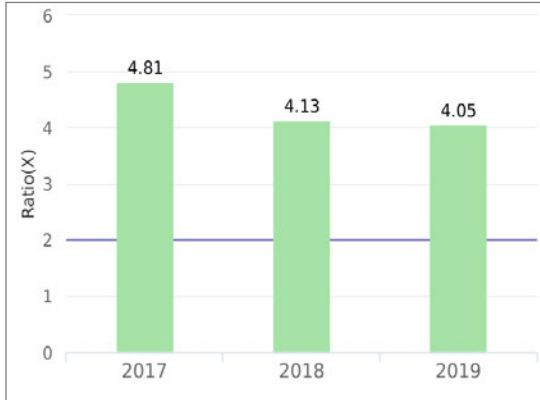
Ratio achieves benchmark

Ratio is outside benchmark

Notes to the Financial Statements
for the year ended 30 June 2019

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

4. Debt service cover ratio



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 2018/19 result

2018/19 ratio 4.05x

Council's Debt Service Cover Ratio has reduced with the repayment of debt and shows that there is adequate cash to service loan repayments.

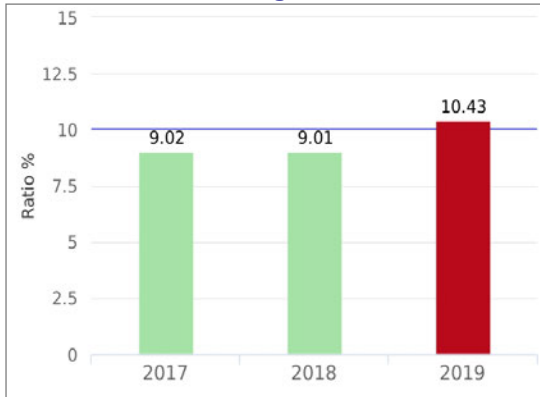
Benchmark: — > 2.00x

Source of benchmark: Code of Accounting Practice and Financial Reporting #27

Ratio achieves benchmark

Ratio is outside benchmark

5. Rates, annual charges, interest and extra charges outstanding percentage



Purpose of rates, annual charges, interest and extra charges outstanding

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

Commentary on 2018/19 result

2018/19 ratio 10.43%

Outstanding rates and charges has risen and is reflective of the very difficult times being experienced by many land holders in rural NSW. The ratio is also impacted by the issue of water usage accounts in June which are not due until after the close of the financial year.

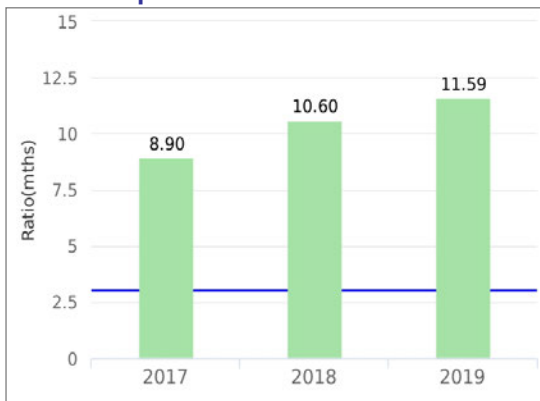
Benchmark: — < 10.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting #27

Ratio achieves benchmark

Ratio is outside benchmark

6. Cash expense cover ratio



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 2018/19 result

2018/19 ratio 11.59 mths

The Cash Expense Cover Ratio is again well above the benchmark and shows that Council has more than adequate cash to meet its normal cash outgoings.

Benchmark: — > 3.00mths

Source of benchmark: Code of Accounting Practice and Financial Reporting #27

Ratio achieves benchmark

Ratio is outside benchmark

Notes to the Financial Statements

for the year ended 30 June 2019

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

Telephone: 02 6340 2000

Facsimile: 02 6340 2011

Opening hours:

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

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

Councillors

Cr JA Smith - Deputy Mayor

Cr RA Fagan

Cr BE Miller

Cr MA Nobes

Cr RJ Walsh

Cr IP Whitty

Cr KJ Wright

Cr PB Wright

Other information

ABN: 26 739 454 579



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

To the Councillors of the Cowra Shire Council

Opinion

I have audited the accompanying financial statements of Cowra Shire Council (the Council), which comprise the Income Statement and Statement of Comprehensive Income for the year ended 30 June 2019, the Statement of Financial Position as at 30 June 2019, 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 statements:
 - have been presented, in all material respects, in accordance with the requirements of this Division
 - are consistent with the Council's accounting records
 - present fairly, in all material respects, the financial position of the Council as at 30 June 2019, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- all information relevant to the conduct of the audit has been obtained
- no material deficiencies in the accounting records or financial statements have come to light during the audit.

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

Basis for Opinion

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

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

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

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

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

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

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

Other Information

The Council's annual report for the year ended 30 June 2019 includes other information in addition to the financial statements 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 statements 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 - Permissible income for general rates.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements 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 Statements

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

In preparing the financial statements, the Councillors 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 Statements

My objectives are to:

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

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

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/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 - Permissible income for general rates
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.




Karen Taylor
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

24 October 2019
SYDNEY



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

Contact: Karen Taylor
 Phone no: 02 9275 7311
 Our ref: D1925370/1718

24 October 2019

Dear Mayor

**Report on the Conduct of the Audit
 for the year ended 30 June 2019
 Cowra Shire Council**

I have audited the general purpose financial statements (GPFS) of the Cowra Shire Council (the Council) for the year ended 30 June 2019 as required by section 415 of the *Local Government Act 1993* (the Act).

I expressed an unmodified opinion on the Council's GPFS.

This Report on the Conduct of the Audit (the Report) for the Council for the year ended 30 June 2019 is issued in accordance with section 417 of the Act. This Report should be read in conjunction with my audit opinion on the GPFS issued under section 417(2) of the Act.

INCOME STATEMENT

Operating result

	2019 \$m	2018 \$m	Variance %
Rates and annual charges revenue	13.5	13.1	↑ 3.1
Grants and contributions revenue	8.8	8.2	↑ 7.3
Operating result for the year	4.3	5.2	↓ 17.3
Net operating result before capital grants and contributions	3.2	3.9	↓ 17.9

Rates and annual charges revenue (\$13.5 million) increased by \$0.4 million (3.1 per cent) in 2018–2019. This increase is higher than the approved rate pegging of 2.3 per cent, however development within the Shire area has increased the number of rateable properties contributing to the higher overall percentage increase.

Grants and contributions revenue (\$8.8 million) increased by \$0.6 million in 2018–2019, with minimal change in the mix between grants and contributions, and those received for operating and capital purposes.

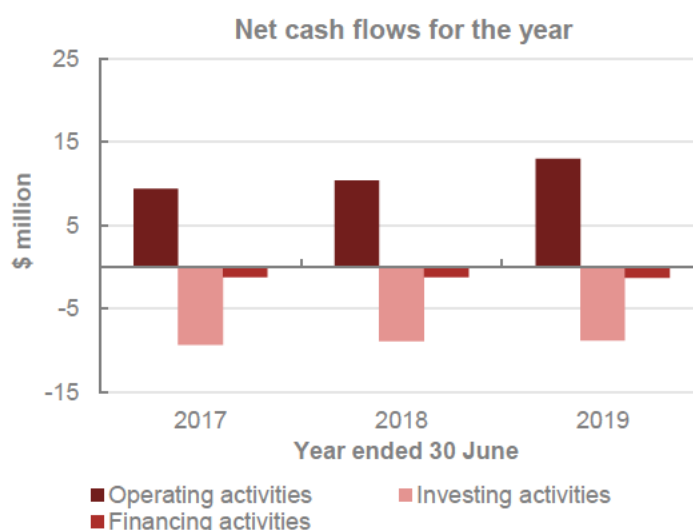
User charges and fees were \$1.7 million lower than in 2017–18 primarily due to a reduction in RMS charges for works by Council on State roads. This was partially offset by an increase in other revenue of \$0.9 million due to Council now processing recycling under the Container Deposit Scheme (CDS) on behalf of a major CDS contractor.

Council's operating result (\$4.3 million including the effect of depreciation and amortisation expense of \$6.9 million) was \$0.9 million lower than the 2017–18 result.

The net operating result before capital grants and contributions (\$3.2 million deficit) was \$0.7 million lower than the 2017–18 result.

STATEMENT OF CASH FLOWS

The increase in cash flows from operating activities over the prior year is primarily due to timing of receipts and payments. For example, RMS receivable at 30 June 2018 (\$2.5m) compared to just \$0.4m receivable from the RMS at 30 June 2019.



FINANCIAL POSITION

Cash and investments

Cash and investments	2019	2018	Commentary
	\$m	\$m	
External restrictions	17.6	16.6	Council 's restrictions for water and sewer funds have continued to increase in the current year.
Internal restrictions	12.6	9.9	Council's internal asset reserves increased, with an additional \$2.8 million added to Council's plant, vehicle and infrastructure replacement reserves
Unrestricted	0.4	0.2	
Cash and investments	30.6	26.7	

Debt

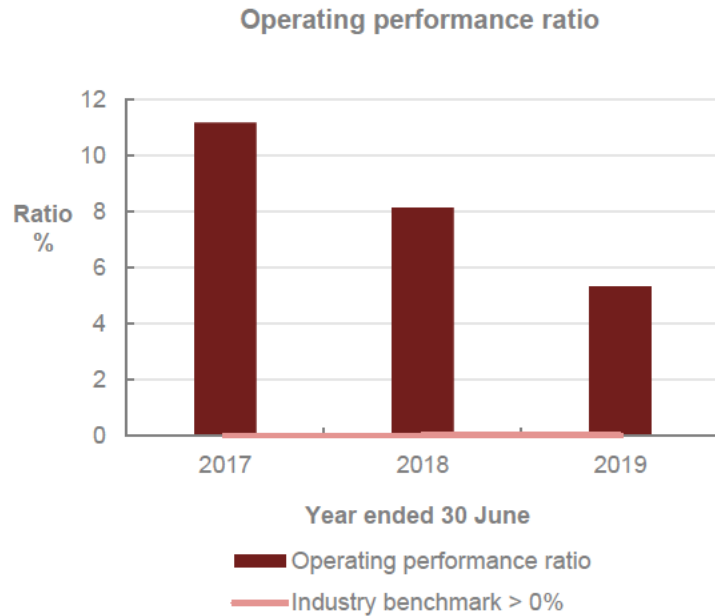
Council has an approved overdraft facility of \$0.5 million and an approved credit card facility of \$60,000. At 30 June 2019, Council had utilised \$13,000 of its approved credit card facility, and none of its approved overdraft facility.

PERFORMANCE

Operating performance ratio

Council's result has fallen over prior years but is still above the benchmark.

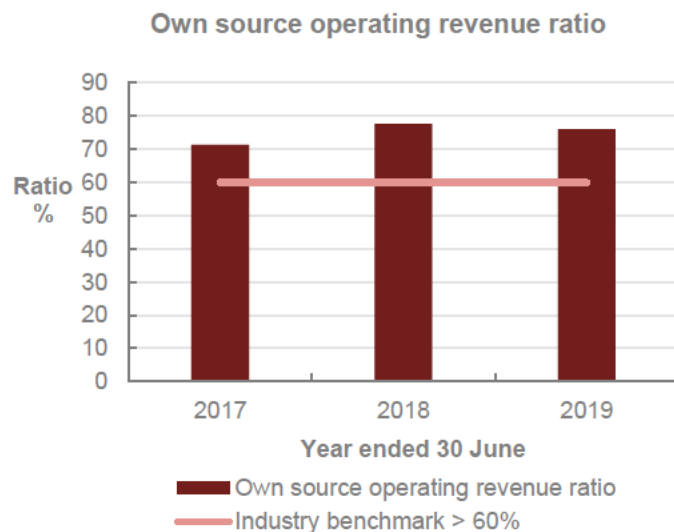
The 'operating performance ratio' measures how well council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by the former Office of Local Government (OLG) is greater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



Own source operating revenue ratio

Council has continued to exceed the benchmark for this ratio. Council is not heavily reliant on grant funding.

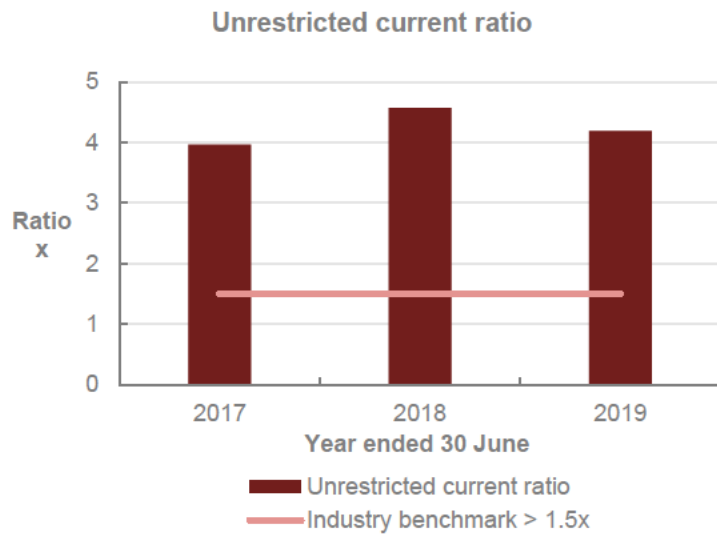
The 'own source operating revenue ratio' measures council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by the former OLG is greater than 60 per cent.



Unrestricted current ratio

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

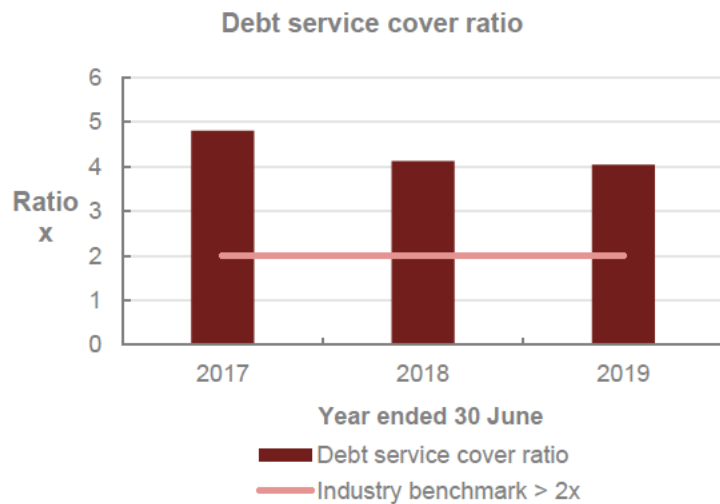
The 'unrestricted current ratio' is specific to local government and represents council's ability to meet its short-term obligations as they fall due. The benchmark set by the former OLG is greater than 1.5 times.



Debt service cover ratio

Council's debt service cover ratio has exceeded the industry benchmark over the last three years. No new borrowings were drawn during this period.

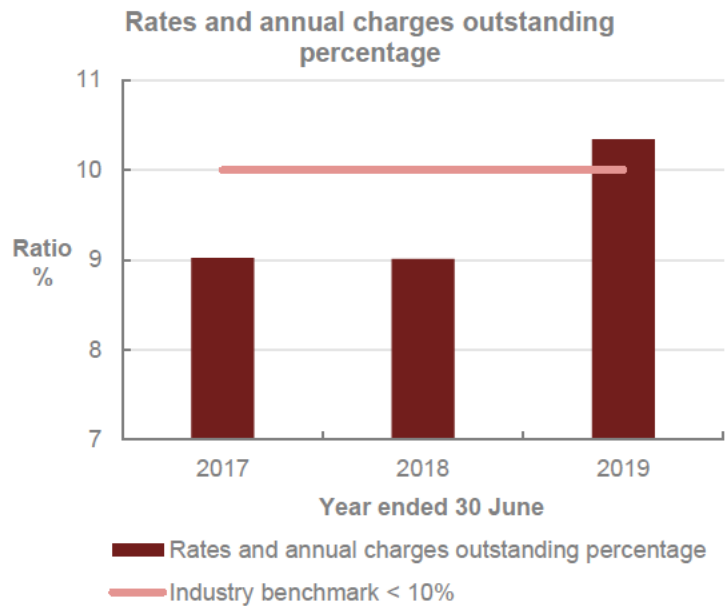
The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by the former OLG is greater than two times.



Rates and annual charges outstanding percentage

The ratio has increased to slightly above the benchmark of 10 per cent for the first time in three years. This ratio is adversely affected by the water billing run which Council completes immediately before year end. With the impact of water receivables removed, this indicator would instead be 3.6 per cent.

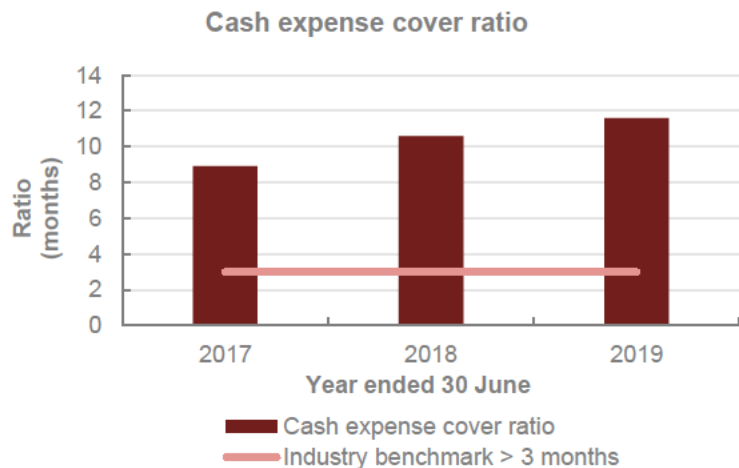
The 'rates and annual charges outstanding percentage' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by the former OLG is less than 10 per cent for regional and rural councils.



Cash expense cover ratio

Council's strong liquidity is reflected by this measure. Council has comfortably exceeded the benchmark for a number of 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 the former OLG is greater than three months.



Infrastructure, property, plant and equipment renewals

Council has renewed \$5.1 million of assets in the 2018–19 compared to \$4.1 million in the 2017–18. As in the prior year, the majority of this (2019: \$3.6 million, 2018: \$2.3 million) was spent on renewing roads within the Shire area.

The unaudited infrastructure renewals ratio was 80.82 per cent compared to 81.88 per cent in the prior year (benchmark set by OLG is 100).

OTHER MATTERS


New accounting standards implemented

Application period	Overview
AASB 9 'Financial Instruments' and revised AASB 7 'Financial Instruments: Disclosures'	
For the year ended 30 June 2019	<p>AASB 9 replaces AASB 139 'Financial Instruments: Recognition and Measurement' and changes the way financial instruments are treated for financial reporting.</p> <p>Key changes include:</p> <ul style="list-style-type: none">• a simplified model for classifying and measuring financial assets• a new method for calculating impairment• a new type of hedge accounting that more closely aligns with risk management. <p>The revised AASB 7 includes new disclosures due to AASB 9. Council's disclosure of the impact of adopting AASB 9 is disclosed in Note 16.</p>

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 statements. The Council's:

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


Karen Taylor

Delegate of the Auditor-General for New South Wales

Cowra Shire Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2019



Special Purpose Financial Statements

for the year ended 30 June 2019

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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 2019

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 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.
- present overhead reallocation charges to the water and sewerage businesses as fair and reasonable.

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

Signed in accordance with a resolution of Council made on 23 September 2019.



Cr WJ West
Mayor
23 September 2019



Cr JA Smith
Councillor
23 September 2019



Mr P Devery
General Manager
23 September 2019



Mr M Jones
Responsible Accounting Officer
23 September 2019

Income Statement – Water Supply Business Activity

for the year ended 30 June 2019

\$ '000	2019	2018
Income from continuing operations		
Access charges	1,641	1,590
User charges	5,084	4,917
Fees	65	95
Interest	28	29
Grants and contributions provided for non-capital purposes	56	85
Other income	847	818
Total income from continuing operations	7,721	7,534
Expenses from continuing operations		
Employee benefits and on-costs	1,052	1,286
Borrowing costs	364	391
Materials and contracts	3,228	3,047
Depreciation, amortisation and impairment	1,889	1,896
Water purchase charges	262	255
Calculated taxation equivalents	15	23
Other expenses	631	597
Total expenses from continuing operations	7,441	7,495
Surplus (deficit) from continuing operations before capital amounts	280	39
Grants and contributions provided for capital purposes	92	90
Surplus (deficit) from continuing operations after capital amounts	372	129
Surplus (deficit) from all operations before tax	372	129
Less: corporate taxation equivalent (27.5%) [based on result before capital]	(77)	(11)
SURPLUS (DEFICIT) AFTER TAX	295	118
Plus accumulated surplus	16,780	16,628
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	15	23
– Corporate taxation equivalent	77	11
Closing accumulated surplus	17,167	16,780
Return on capital %	1.0%	0.7%
Subsidy from Council	212	1,280
Calculation of dividend payable:		
Surplus (deficit) after tax	295	118
Less: capital grants and contributions (excluding developer contributions)	(92)	–
Surplus for dividend calculation purposes	203	118
Potential dividend calculated from surplus	102	59

Income Statement – Sewerage Business Activity

for the year ended 30 June 2019

\$ '000	2019	2018
Income from continuing operations		
Access charges	2,618	2,553
User charges	656	640
Liquid trade waste charges	118	104
Interest	65	46
Other income	246	239
Total income from continuing operations	3,703	3,582
Expenses from continuing operations		
Employee benefits and on-costs	323	373
Borrowing costs	534	542
Materials and contracts	1,501	1,456
Depreciation, amortisation and impairment	715	685
Calculated taxation equivalents	10	11
Other expenses	189	187
Total expenses from continuing operations	3,272	3,254
Surplus (deficit) from continuing operations before capital amounts	431	328
Grants and contributions provided for capital purposes	127	133
Surplus (deficit) from continuing operations after capital amounts	558	461
Surplus (deficit) from all operations before tax	558	461
Less: corporate taxation equivalent (27.5%) [based on result before capital]	(119)	(90)
SURPLUS (DEFICIT) AFTER TAX	439	371
Plus accumulated surplus	22,026	21,554
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	10	11
– Corporate taxation equivalent	119	90
Closing accumulated surplus	22,594	22,026
Return on capital %	3.2%	2.9%
Subsidy from Council	–	–
Calculation of dividend payable:		
Surplus (deficit) after tax	439	371
Less: capital grants and contributions (excluding developer contributions)	(127)	–
Surplus for dividend calculation purposes	312	371
Potential dividend calculated from surplus	156	185

Statement of Financial Position – Water Supply Business Activity

as at 30 June 2019

\$ '000	2019	2018
ASSETS		
Current assets		
Cash and cash equivalents	1,347	660
Investments	4,825	4,407
Receivables	2,175	2,335
Inventories	–	3
Total current assets	8,347	7,405
Non-current assets		
Infrastructure, property, plant and equipment	64,885	65,003
Total non-current assets	64,885	65,003
TOTAL ASSETS	73,232	72,408
LIABILITIES		
Current liabilities		
Payables	83	95
Borrowings	538	510
Provisions	290	357
Total current liabilities	911	962
Non-current liabilities		
Borrowings	5,311	5,849
Total non-current liabilities	5,311	5,849
TOTAL LIABILITIES	6,222	6,811
NET ASSETS	67,010	65,597
EQUITY		
Accumulated surplus	17,167	16,780
Revaluation reserves	49,843	48,817
TOTAL EQUITY	67,010	65,597

Statement of Financial Position – Sewerage Business Activity

as at 30 June 2019

\$ '000	2019	2018
ASSETS		
Current assets		
Cash and cash equivalents	1,634	891
Investments	7,537	7,533
Receivables	544	438
Total current assets	9,715	8,862
Non-current assets		
Infrastructure, property, plant and equipment	30,328	30,337
Total non-current assets	30,328	30,337
TOTAL ASSETS	40,043	39,199
LIABILITIES		
Current liabilities		
Payables	73	122
Borrowings	122	114
Provisions	32	49
Total current liabilities	227	285
Non-current liabilities		
Borrowings	6,376	6,499
Total non-current liabilities	6,376	6,499
TOTAL LIABILITIES	6,603	6,784
NET ASSETS	33,440	32,415
EQUITY		
Accumulated surplus	22,594	22,026
Revaluation reserves	10,846	10,389
TOTAL EQUITY	33,440	32,415

Notes to the Special Purpose Financial Statements

for the year ended 30 June 2019

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 2005*, 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.

The Statement of Financial Position includes notional assets/liabilities receivable from/payable to Council's general fund. These balances reflect a notional intra-entity funding arrangement with the declared business activities.

National Competition Policy

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

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

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

The pricing and costing guidelines outline the process for identifying and allocating costs to activities and provide a standard for disclosure requirements.

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

Declared business activities

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

Category 1

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

a. Cowra Shire Council Water Supply

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

b. Cowra Shire Sewerage Service

Sewerage reticulation & treatment activities servicing the town of Cowra.

Category 2

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

Nil

Notes to the Special Purpose Financial Statements

for the year ended 30 June 2019

Note 1. Significant Accounting Policies (continued)

Monetary amounts

Amounts shown in the financial statements are in Australian dollars and rounded to the nearest one thousand 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 – 27.5%

Land tax – the first \$692,000 of combined land values attracts 0%. For the combined land values in excess of \$692,001 up to \$4,231,000 the rate is 1.6% + \$100. For the remaining combined land value that exceeds \$4,231,000 a premium marginal rate of 2.0% applies.

Payroll tax – 5.45% on the value of taxable salaries and wages in excess of \$850,000.

In accordance with the Department of Industry (DoI) – Water guidelines, a payment for the amount calculated as the annual tax equivalent charges (excluding income tax) must be paid from water supply and sewerage business activities.

The payment of taxation equivalent charges, referred to in the DoI – Water guidelines 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 DoI – 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 27.5%.

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 27.5% 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.

Notes to the Special Purpose Financial Statements for the year ended 30 June 2019

Note 1. Significant Accounting Policies (continued)

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

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 1.32% at 30/6/19.

(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 Department of Industry – Water guidelines and must not exceed:

- 50% of this surplus in any one year, or
- the number of water supply or sewerage assessments at 30 June 2019 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

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



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

To the Councillors of the Cowra Shire Council

Opinion

I have audited the accompanying special purpose financial statements (the financial statements) of Cowra Shire Council's (the Council) declared business activities, which comprise the Income Statement of each declared business activity for the year ended 30 June 2019, the Statement of Financial Position of each declared business activity as at 30 June 2019, Note 1 Significant accounting policies for the business activities declared by Council, and the Statement by Councillors and Management.

The declared business activities of the Council are:

- Water supply
- Sewerage.

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Council's declared business activities as at 30 June 2019, 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 – update number 27 (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 Statements' section of my report.

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Other Information

The Council's annual report for the year ended 30 June 2019 includes other information in addition to the financial statements 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 statements 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 'Permissible income for general rates'.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements 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 Statements

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

In preparing the financial statements, the Councillors 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 Statements

My objectives are to:

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

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

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



Karen Taylor
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

24 October 2019
SYDNEY

Cowra Shire Council

SPECIAL SCHEDULES
for the year ended 30 June 2019



Special Schedules

for the year ended 30 June 2019

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Permissible income for general rates

\$ '000		Calculation 2019/20	Calculation 2018/19
Notional general income calculation ¹			
Last year notional general income yield	a	6,753	6,583
Plus or minus adjustments ²	b	39	16
Notional general income	c = a + b	6,792	6,599
Permissible income calculation			
Or rate peg percentage	e	2.70%	2.30%
Or plus rate peg amount	i = e x (c + g)	183	152
Sub-total	k = (c + g + h + i + j)	6,975	6,751
Plus (or minus) last year's carry forward total	l	(8)	(6)
Sub-total	n = (l + m)	(8)	(6)
Total permissible income	o = k + n	6,967	6,745
Less notional general income yield	p	6,967	6,753
Catch-up or (excess) result	q = o - p	-	(8)
Carry forward to next year ⁶	t = q + r + s	-	(8)

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.
- (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 Permissible income for general rates Statement in the financial data return (FDR) to administer this process.



INDEPENDENT AUDITOR'S REPORT
Special Schedule - Permissible income for general rates
Cowra Shire Council

To the Councillors of Cowra Shire Council

Opinion

I have audited the accompanying Special Schedule – Permissible income for general rates (the Schedule) of Cowra Shire Council (the Council) for the year ending 30 June 2020.

In my opinion, the Schedule is prepared, in all material respects in accordance with the requirements of the Local Government Code of Accounting Practice and Financial Reporting – update number 27 (LG Code), 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 has 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

The Council's annual report for the year ended 30 June 2019 includes other information in addition to 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 Special Schedule 'Report on infrastructure assets as at 30 June 2019'.

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

Delegate of the Auditor-General for New South Wales

24 October 2019
SYDNEY

Report on Infrastructure Assets

as at 30 June 2019

Asset Class	Asset Category	Estimated cost		2018/19 Required maintenance ^a	2018/19 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
		Estimated cost to bring assets to satisfactory standard	to bring to the agreed level of service set by Council					1	2	3	4	5
(a) Report on Infrastructure Assets - Values												
Buildings	Council Offices/ Administration Centres	–	–	161	158	3,054	6,187	0.0%	100.0%	0.0%	0.0%	0.0%
	Council Works Depot	–	–	106	91	667	1,554	0.0%	50.0%	50.0%	0.0%	0.0%
	Public Halls	–	–	113	111	1,942	3,863	0.0%	95.0%	5.0%	0.0%	0.0%
	Libraries	–	–	111	120	2,059	4,094	0.0%	100.0%	0.0%	0.0%	0.0%
	Houses	–	–	11	–	279	594	0.0%	0.0%	100.0%	0.0%	0.0%
	RFS Sheds	–	–	3	1	2,150	2,742	0.0%	50.0%	50.0%	0.0%	0.0%
	Amenities/Toilets	–	–	176	171	2,543	5,560	12.0%	52.0%	28.0%	8.0%	0.0%
	Other	–	–	179	164	5,592	10,368	21.0%	36.0%	38.0%	5.0%	0.0%
	Sub-total	–	–	860	816	18,286	34,962	8.1%	65.0%	24.1%	2.8%	0.0%
Roads	Sealed roads structure	–	–	412	465	48,894	52,630	26.0%	67.0%	7.0%	0.0%	0.0%
	Sealed roads surface	–	–	750	808	22,309	27,720	26.0%	60.0%	14.0%	0.0%	0.0%
	Unsealed roads	–	–	937	1,343	17,274	20,928	46.0%	32.0%	19.0%	3.0%	0.0%
	Bridges	–	–	38	31	23,225	25,936	45.0%	48.0%	2.0%	5.0%	0.0%
	Footpaths	–	–	41	27	8,102	9,144	27.0%	64.0%	9.0%	0.0%	0.0%
	Other road assets	–	–	379	381	1,438	2,523	0.0%	50.0%	50.0%	0.0%	0.0%
	Bulk earthworks	–	–	–	–	258,377	258,377	100.0%	0.0%	0.0%	0.0%	0.0%
	Kerb & Gutter	–	–	47	58	16,964	18,815	16.0%	81.0%	3.0%	0.0%	0.0%
	Culverts & pipes	–	–	76	89	11,946	14,768	5.0%	85.0%	9.0%	1.0%	0.0%
	Road Furniture	–	–	53	57	108	250	0.0%	0.0%	100.0%	0.0%	0.0%
	Sub-total	–	–	2,733	3,259	408,637	431,091	71.2%	24.6%	3.8%	0.5%	(0.1%)
Water supply network	Mains	2,323	2,323	708	715	40,220	77,434	18.0%	15.0%	39.0%	25.0%	3.0%
	Reservoirs	–	–	77	73	7,316	17,672	0.0%	3.0%	69.0%	28.0%	0.0%
	Pumping Stations	–	–	594	594	4,429	8,019	8.0%	30.0%	59.0%	3.0%	0.0%
	Treatment Plant	203	203	1,393	1,337	11,185	20,258	26.0%	42.0%	14.0%	17.0%	1.0%
	Meters	–	–	174	190	943	1,108	0.0%	25.0%	65.0%	10.0%	0.0%
	Sub-total	2,526	2,526	2,946	2,909	64,093	124,491	15.9%	18.7%	40.7%	22.6%	2.1%
Sewerage network	Mains	–	–	415	353	13,233	32,278	16.0%	11.0%	62.0%	11.0%	0.0%
	Pumping Stations	–	–	195	141	1,391	2,292	22.0%	25.0%	43.0%	10.0%	0.0%
	Treatment Plant	–	–	525	460	13,883	18,177	90.0%	10.0%	0.0%	0.0%	0.0%
	Sub-total	–	–	1,135	954	28,507	52,747	41.8%	11.3%	39.8%	7.2%	(0.1%)

Report on Infrastructure Assets - Values (continued)

as at 30 June 2019

Asset Class	Asset Category	Estimated cost		2018/19 Required maintenance ^a	2018/19 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
		Estimated cost to bring assets to satisfactory standard	to bring to the agreed level of service set by Council					1	2	3	4	5
Stormwater drainage	Conduits	–	–	43	34	20,276	23,974	40.3%	48.4%	11.3%	0.0%	0.0%
	Inlet & Junction Pits	–	–	14	11	7,177	8,615	57.0%	32.0%	11.0%	0.0%	0.0%
	Sub-total	–	–	57	45	27,453	32,589	44.7%	44.1%	11.2%	0.0%	0.0%
Open space / recreational assets	Swimming pools	–	–	253	316	906	2,293	0.0%	0.0%	100.0%	0.0%	0.0%
	Other Recreational Assets	40	40	1,290	1,223	1,903	4,008	19.4%	64.2%	13.2%	2.2%	1.0%
	Sub-total	40	40	1,543	1,539	2,809	6,301	12.3%	40.8%	44.8%	1.4%	0.7%
TOTAL - ALL ASSETS		2,566	2,566	9,274	9,522	549,785	682,181	53.8%	25.6%	15.1%	5.1%	0.4%

(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

Report on Infrastructure Assets (continued)

as at 30 June 2019

\$ '000	Amounts 2019	Indicator 2019	Prior periods		Benchmark
			2018	2017	
Infrastructure asset performance indicators (consolidated) *					
Buildings and infrastructure renewals ratio ¹					
Asset renewals ²	4,349	80.82%	81.88%	78.41%	>=100.00%
Depreciation, amortisation and impairment	5,381				
Infrastructure backlog ratio ¹					
Estimated cost to bring assets to a satisfactory standard	2,566	0.47%	0.46%	1.90%	<2.00%
Net carrying amount of infrastructure assets	549,785				
Asset maintenance ratio					
Actual asset maintenance	9,522	102.67%	108.85%	105.36%	>100.00%
Required asset maintenance	9,274				
Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	2,566	0.38%	0.37%	0.83%	
Gross replacement cost	682,181				

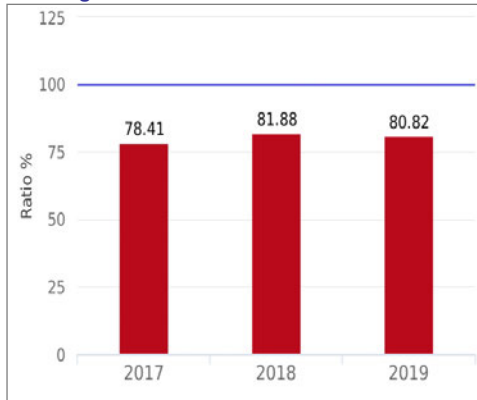
(*) All asset performance indicators are calculated using classes identified in the previous table.

(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.

Report on Infrastructure Assets (continued)
as at 30 June 2019

Buildings and infrastructure renewals ratio



Infrastructure renewals ratio

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

Commentary on result

18/19 ratio 80.82%

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

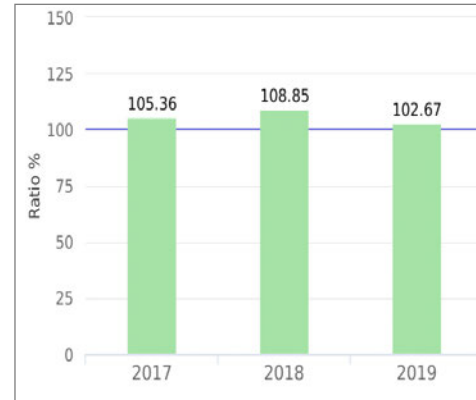
Benchmark: — $\geq 100.00\%$

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting #27

Ratio is outside benchmark

Asset maintenance ratio



Asset maintenance ratio

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

Commentary on result

18/19 ratio 102.67%

Council's maintenance expenditure is above the required level.

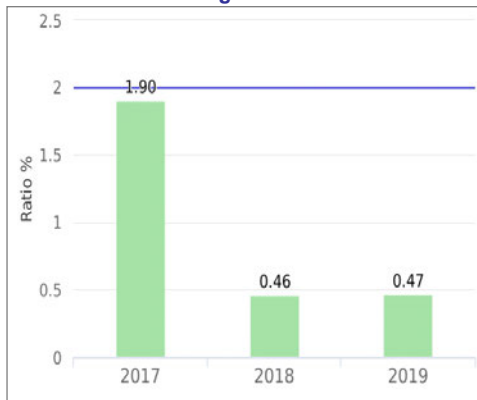
Benchmark: — $> 100.00\%$

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting #27

Ratio is outside benchmark

Infrastructure backlog ratio



Infrastructure backlog ratio

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

Commentary on result

18/19 ratio 0.47%

The infrastructure backlog ratio is below the maximum benchmark which indicates that Council's assets are in good condition.

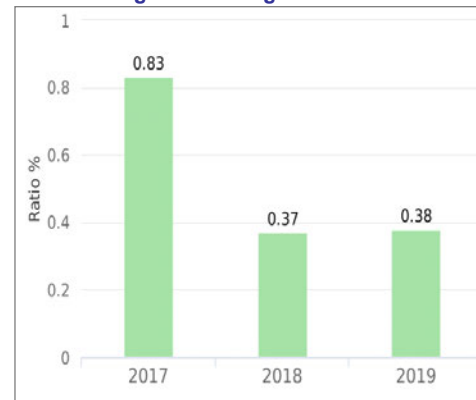
Benchmark: — $< 2.00\%$

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting #27

Ratio is outside benchmark

Cost to bring assets to agreed service level



Cost to bring assets to agreed service level

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 result

18/19 ratio 0.38%

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

Report on Infrastructure Assets (continued)

as at 30 June 2019

\$ '000	General fund		Water fund		Sewer fund		Benchmark
	2019	2018	2019	2018	2019	2018	
Infrastructure asset performance indicators (by fund)							
Buildings and infrastructure renewals ratio ¹							
Asset renewals ²							
Depreciation, amortisation and impairment	138.87%	120.00%	19.59%	17.31%	8.19%	113.72%	>=100.00%
Infrastructure backlog ratio ¹							
Estimated cost to bring assets to a satisfactory standard							
Net carrying amount of infrastructure assets	0.01%	0.01%	3.94%	3.86%	–	–	<2.00%
Asset maintenance ratio							
Actual asset maintenance							
Required asset maintenance	108.97%	111.88%	98.74%	109.91%	84.05%	91.75%	>100.00%
Cost to bring assets to agreed service level							
Estimated cost to bring assets to an agreed service level set by Council							
Gross replacement cost	0.01%	0.01%	2.03%	2.04%	–	–	

(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.