

# Cowra Shire Council

ANNUAL FINANCIAL STATEMENTS  
for the year ended 30 June 2020

---



# Cowra Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2020

---



## Cowra Shire Council

### General Purpose Financial Statements

for the year ended 30 June 2020

Contents	Page
<b>1. Understanding Council's Financial Statements</b>	<b>3</b>
<b>2. Statement by Councillors &amp; Management</b>	<b>4</b>
<b>3. Primary Financial Statements:</b>	
Income Statement	5
Statement of Comprehensive Income	6
Statement of Financial Position	7
Statement of Changes in Equity	8
Statement of Cash Flows	9
<b>4. Notes to the Financial Statements</b>	<b>10</b>
<b>5. Independent Auditor's Reports:</b>	
On the Financial Statements (Sect 417 [2])	81
On the Financial Statements (Sect 417 [3])	84

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

## Cowra Shire Council

# General Purpose Financial Statements

for the year ended 30 June 2020

## 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 2020.

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 2020

---

#### 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 28 September 2020.

---

**Cr WJ West**  
Mayor  
28 September 2020

---

**Cr JA Smith**  
Councillor  
28 September 2020

---

**Mr P Devery**  
General Manager  
28 September 2020

---

**Mr M Jones**  
Responsible Accounting Officer  
28 September 2020

## Cowra Shire Council

### Income Statement

for the year ended 30 June 2020

Original unaudited budget 2020	\$ '000	Notes	Actual 2020	Actual 2019
<b>Income from continuing operations</b>				
13,728	Rates and annual charges	3a	13,927	13,491
12,288	User charges and fees	3b	11,165	13,287
1,757	Other revenues	3c	1,871	1,766
6,414	Grants and contributions provided for operating purposes	3d,3e	7,806	7,720
2,581	Grants and contributions provided for capital purposes	3d,3e	2,616	1,118
714	Interest and investment income	4	669	856
793	Net gains from the disposal of assets	6	702	1,202
162	Rental income	12c	154	–
38,437	<b>Total income from continuing operations</b>		38,910	39,440
<b>Expenses from continuing operations</b>				
14,897	Employee benefits and on-costs	5a	14,806	13,949
1,116	Borrowing costs	5b	1,146	1,203
8,608	Materials and contracts	5c	7,553	9,174
6,933	Depreciation and amortisation	5d	7,094	6,932
3,622	Other expenses	5e	3,921	3,893
35,176	<b>Total expenses from continuing operations</b>		34,520	35,151
3,261	<b>Operating result from continuing operations</b>		4,390	4,289
3,261	<b>Net operating result for the year</b>		4,390	4,289
3,261	Net operating result attributable to council		4,390	4,289
680	<b>Net operating result for the year before grants and contributions provided for capital purposes</b>		1,774	3,171

The Council has not restated comparatives when initially applying AASB 1058 *Income of Not-for-Profit Entities*, AASB 15 *Revenue from Contracts with Customers* and AASB 16 *Leases*. The comparative information has been prepared under AASB 111 *Construction Contracts*, AASB 118 *Revenue*, AASB 1004 *Contributions*, AASB 117 *Leases* and related Accounting Interpretations.

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

## Cowra Shire Council

### Statement of Comprehensive Income

for the year ended 30 June 2020

\$ '000	Notes	2020	2019
<b>Net operating result for the year (as per Income Statement)</b>		<b>4,390</b>	<b>4,289</b>
<b>Other comprehensive income:</b>			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of IPP&E	10	8,938	268
<b>Total items which will not be reclassified subsequently to the operating result</b>		<b>8,938</b>	<b>268</b>
<b>Total other comprehensive income for the year</b>		<b>8,938</b>	<b>268</b>
<b>Total comprehensive income for the year</b>		<b>13,328</b>	<b>4,557</b>
Total comprehensive income attributable to Council		13,328	4,557

The Council has not restated comparatives when initially applying AASB 1058 *Income of Not-for-Profit Entities*, AASB 15 *Revenue from Contracts with Customers* and AASB 16 *Leases*. The comparative information has been prepared under AASB 111 *Construction Contracts*, AASB 118 *Revenue*, AASB 1004 *Contributions*, AASB 117 *Leases* and related Accounting Interpretations.

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

## Cowra Shire Council

### Statement of Financial Position

as at 30 June 2020

\$ '000	Notes	2020	2019
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	7(a)	6,169	6,314
Investments	7(b)	25,286	24,286
Receivables	8	5,312	4,610
Inventories	9a	1,827	1,677
Contract assets	11a	523	–
<b>Total current assets</b>		<u>39,117</u>	<u>36,887</u>
<b>Non-current assets</b>			
Inventories	9a	148	148
Infrastructure, property, plant and equipment	10	599,267	585,852
Other	9b	174	174
<b>Total non-current assets</b>		<u>599,589</u>	<u>586,174</u>
<b>Total assets</b>		<u>638,706</u>	<u>623,061</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	13	2,912	3,053
Contract liabilities	11b	1,051	–
Borrowings	13	1,309	1,147
Provisions	14	4,964	4,377
<b>Total current liabilities</b>		<u>10,236</u>	<u>8,577</u>
<b>Non-current liabilities</b>			
Borrowings	13	16,683	15,542
Provisions	14	625	595
<b>Total non-current liabilities</b>		<u>17,308</u>	<u>16,137</u>
<b>Total liabilities</b>		<u>27,544</u>	<u>24,714</u>
<b>Net assets</b>		<u>611,162</u>	<u>598,347</u>
<b>EQUITY</b>			
Accumulated surplus	15	197,846	193,969
Revaluation reserves	15	413,316	404,378
<b>Council equity interest</b>		<u>611,162</u>	<u>598,347</u>
<b>Total equity</b>		<u>611,162</u>	<u>598,347</u>

The Council has not restated comparatives when initially applying AASB 1058 *Income of Not-for-Profit Entities*, AASB 15 *Revenue from Contracts with Customers* and AASB 16 *Leases*. The comparative information has been prepared under AASB 111 *Construction Contracts*, AASB 118 *Revenue*, AASB 1004 *Contributions*, AASB 117 *Leases* and related Accounting Interpretations.

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 2020

\$ '000	Notes	as at 30/06/20			as at 30/06/19		
		Accumulated surplus	IPP&E revaluation reserve	Total equity	Accumulated surplus	IPP&E revaluation reserve	Total equity
Opening balance		193,969	404,378	598,347	189,680	404,110	593,790
Changes due to AASB 1058 and AASB 15 adoption	15	(513)	–	(513)	–	–	–
Changes due to AASB 16 adoption	15	–	–	–	–	–	–
<b>Restated opening balance</b>		<b>193,456</b>	<b>404,378</b>	<b>597,834</b>	<b>189,680</b>	<b>404,110</b>	<b>593,790</b>
Net operating result for the year		4,390	–	4,390	4,289	–	4,289
<b>Other comprehensive income</b>							
– Gain (loss) on revaluation of IPP&E	10	–	8,938	8,938	–	268	268
<b>Other comprehensive income</b>		<b>–</b>	<b>8,938</b>	<b>8,938</b>	<b>–</b>	<b>268</b>	<b>268</b>
<b>Total comprehensive income</b>		<b>4,390</b>	<b>8,938</b>	<b>13,328</b>	<b>4,289</b>	<b>268</b>	<b>4,557</b>
<b>Equity – balance at end of the reporting period</b>		<b>197,846</b>	<b>413,316</b>	<b>611,162</b>	<b>193,969</b>	<b>404,378</b>	<b>598,347</b>

The Council has not restated comparatives when initially applying AASB 1058 *Income of Not-for-Profit Entities*, AASB 15 *Revenue from Contracts with Customers* and AASB 16 *Leases*. The comparative information has been prepared under AASB 111 *Construction Contracts*, AASB 118 *Revenue*, AASB 1004 *Contributions*, AASB 117 *Leases* and related Accounting Interpretations.

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

**Cowra Shire Council**

**Statement of Cash Flows**

for the year ended 30 June 2020

Original unaudited budget 2020	\$ '000	Notes	Actual 2020	Actual 2019
<b>Cash flows from operating activities</b>				
<i>Receipts:</i>				
13,728	Rates and annual charges		13,750	13,244
12,288	User charges and fees		11,092	14,319
714	Investment and interest revenue received		730	842
8,996	Grants and contributions		10,383	8,842
–	Bonds, deposits and retention amounts received		446	1,199
2,712	Other		4,203	4,964
<i>Payments:</i>				
(14,468)	Employee benefits and on-costs		(14,241)	(14,095)
(8,608)	Materials and contracts		(10,642)	(9,331)
(1,116)	Borrowing costs		(1,118)	(1,188)
–	Bonds, deposits and retention amounts refunded		(415)	(1,134)
(3,720)	Other		(3,983)	(4,641)
10,526	<b>Net cash provided (or used in) operating activities</b>	16b	10,205	13,021
<b>Cash flows from investing activities</b>				
<i>Receipts:</i>				
–	Sale of investment securities		24,286	23,286
–	Sale of real estate assets		607	1,282
44	Sale of infrastructure, property, plant and equipment		304	402
58	Deferred debtors receipts		2	5
<i>Payments:</i>				
–	Purchase of investment securities		(25,286)	(24,286)
(14,735)	Purchase of infrastructure, property, plant and equipment		(11,599)	(9,211)
–	Purchase of real estate assets		–	(305)
–	Deferred debtors and advances made		33	31
(14,633)	<b>Net cash provided (or used in) investing activities</b>		(11,653)	(8,796)
<b>Cash flows from financing activities</b>				
<i>Receipts:</i>				
3,173	Proceeds from borrowings and advances		2,450	–
<i>Payments:</i>				
(1,147)	Repayment of borrowings and advances		(1,147)	(1,289)
2,026	<b>Net cash flow provided (used in) financing activities</b>		1,303	(1,289)
(2,081)	<b>Net increase/(decrease) in cash and cash equivalents</b>		(145)	2,936
3,292	Plus: cash and cash equivalents – beginning of year	16a	6,314	3,378
1,211	<b>Cash and cash equivalents – end of the year</b>	16a	6,169	6,314
22,000	plus: Investments on hand – end of year	7(b)	25,286	24,286
23,211	<b>Total cash, cash equivalents and investments</b>		31,455	30,600

The Council has not restated comparatives when initially applying AASB 1058 *Income of Not-for-Profit Entities*, AASB 15 *Revenue from Contracts with Customers* and AASB 16 *Leases*. The comparative information has been prepared under AASB 111 *Construction Contracts*, AASB 118 *Revenue*, AASB 1004 *Contributions*, AASB 117 *Leases* and related Accounting Interpretations.

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

## Cowra Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2020

#### Contents of the Notes accompanying the General Purpose Financial Statements

Note	Details	Page
1	Basis of preparation	11
2(a)	Council functions/activities – financial information	14
2(b)	Council functions/activities – component descriptions	15
3	Revenue from continuing operations	16
4	Interest and investment income	23
5	Expenses from continuing operations	24
6	Gain or loss from disposal of assets	28
7(a)	Cash and cash equivalents	29
7(b)	Investments	29
7(c)	Restricted cash, cash equivalents and investments	30
8	Receivables	32
9	Inventories and other assets	34
10	Infrastructure, property, plant and equipment	36
11	Contract assets and liabilities	40
12	Leases	42
13	Payables and borrowings	45
14	Provisions	47
15	Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors	49
16	Statement of cash flow information	54
17	Interests in other entities	55
18	Commitments	56
19	Contingencies	57
20	Financial risk management	60
21	Material budget variations	63
22	Fair Value Measurement	64
23	Related party disclosures	71
24	Statement of developer contributions	72
25	Result by fund	74
26(a)	Statement of performance measures – consolidated results	76
26(b)	Statement of performance measures – by fund	77
 <b>Additional Council disclosures (unaudited)</b>		
26(c)	Statement of performance measures – consolidated results (graphs)	78
27	Council information and contact details	80

## Cowra Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 1. Basis of preparation

These financial statements were authorised for issue by Council on 03 November 2020. Council has the power to amend and reissue these financial statements in cases where critical information is received from public submissions or where the OLG directs Council to amend the 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.

**(a) 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.

**(b) Significant accounting estimates and judgements**

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

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

**Critical accounting estimates and assumptions**

Council makes estimates and assumptions concerning the future.

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

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

- (i) estimated fair values of infrastructure, property, plant and equipment – refer Note 10
- (ii) estimated tip remediation provisions – refer Note 14
- (iii) employee benefit provisions – refer Note 14.

**COVID-19 Impacts**

COVID-19 has caused a disruption to council's business practices with a number of staff working remotely from home or at other council facilities away from the main administration building. Whilst this has caused some inconvenience it has not resulted in significant additional cost. Some costs have been incurred for additional equipment and staff salaries for employees required to isolate.

Income from the Cowra Van Park is down due to the compulsory lockdown and some additional costs have been incurred in cleaning of council facilities.

Rate collections are marginally less than the previous year's which may be a consequence of COVID-19 or attributable to the prolonged drought. Other receivables have not been impacted.

Overall the financial impact has not been significant and is not anticipated to increase in future years.

Council is of the view that physical non-current assets will not experience substantial declines in value due to COVID-19. Fair value for the majority of Council's non-current assets is determined by replacement cost where there is no anticipated material change in value due to COVID-19.

## Cowra Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 1. Basis of preparation (continued)

For assets where fair value is determined by market value Council has no evidence of material changes to these values. With COVID-19 emerging late in the financial reporting cycle it is not practical to obtain external valuations of these assets at 30 June 2020.

**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 8.

**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.

**Volunteer services**

Council does not make use of volunteer services for its operations and therefore no income or expenses have been bought in.

**New accounting standards and interpretations issued not yet effective**

Certain new accounting standards and interpretations (ie. pronouncements) have been published by the Australian Accounting Standards Board that are not mandatory for the 30 June 2020 reporting period.

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

## Cowra Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2020

#### Note 1. Basis of preparation (continued)

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

**AASB 1059 Service Concession Arrangements: Grantors**

**AASB 2018–5 Amendments to Australian Accounting Standards - Deferral of AASB 1059**

**AASB 2019-2 Amendments to Australian Accounting Standards – Implementation of AASB 1059**

This standard provides guidance for public sector entities (grantors) who have entered into service concession arrangements with private sector operators.

AASB 1059 requires grantors to recognise a service concession asset and, in most cases, a corresponding liability on the balance sheet.

A control approach is used to assess the service concession arrangements in place.

On initial recognition the asset is measured at current replacement cost based on AASB 13 Fair Value Measurement and existing assets of the grantors are reclassified at the date of transition.

After initial recognition, the grantor accounts for the assets under either AASB 116 Property, Plant and Equipment or AASB 138 Intangible Assets.

The nature of the consideration given to the operator will affect whether the grantor applies either the 'financial liability' or the 'grant of right' model for the recognition of the liability.

AASB 2019-2 makes amendments to the recognition and measurement of the asset and liability where the modified retrospective approach to transition is being used and provides a practical expedient due to the different effective dates of AASB 16 and AASB 1059.

Council does not expect any material impact to future financial statements as we do not generally enter into service concession arrangements.

This standard has an effective date for the 30 June 2021 reporting period.

#### **New accounting standards adopted during the year**

During the year Council adopted the following accounting standards and interpretations (as issued by the Australian Accounting Standards Board) which were mandatorily effective from 1 July 2019:

- AASB 16 Leases
- AASB 15 Revenue from contracts with customers and associated amending standards.
- AASB 1058 Income of Not-for-profit entities

Further information on the newly adopted standards which had a material impact on Council's reported financial position, financial performance and/or associated financial statement disclosures can be found at Note 15.

**Cowra Shire Council**

**Notes to the Financial Statements**  
for the year ended 30 June 2020

**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		Carrying amount of assets	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
<b>Functions or activities</b>										
Civic Activities	18	1	425	352	(407)	(351)	–	–	–	–
Administration	573	637	6,335	4,163	(5,762)	(3,526)	–	75	29,031	22,917
Public Order and Safety	496	125	713	631	(217)	(506)	4	–	3,605	3,477
Health	47	14	39	3	8	11	36	–	878	604
Environment	5,288	4,055	4,141	3,724	1,147	331	140	285	28,540	31,052
Community Services and Education	193	19	376	194	(183)	(175)	191	11	591	550
Housing and community amenities	682	785	2,479	2,124	(1,797)	(1,339)	144	196	992	989
Water Supplies	7,303	7,721	5,605	7,426	1,698	295	184	56	73,830	73,232
Sewerage services	3,847	3,703	2,393	3,262	1,454	441	34	–	40,800	40,043
Recreation and culture	1,086	448	3,898	3,475	(2,812)	(3,027)	752	561	26,452	26,704
Mining, manufacture and construction	193	188	77	51	116	137	–	–	359	492
Transport and communications	2,811	1,440	3,955	4,025	(1,144)	(2,585)	2,733	1,386	429,087	418,463
Economic affairs	4,171	7,975	4,084	5,721	87	2,254	538	58	4,541	4,538
General purpose income	12,202	12,329	–	–	12,202	12,329	4,809	4,771	–	–
<b>Total functions and activities</b>	<b>38,910</b>	<b>39,440</b>	<b>34,520</b>	<b>35,151</b>	<b>4,390</b>	<b>4,289</b>	<b>9,565</b>	<b>7,399</b>	<b>638,706</b>	<b>623,061</b>

## Cowra Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2020

#### 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.



## Cowra Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2020

#### Note 3. Revenue from continuing operations

\$ '000	AASB	2020	2019
<b>(a) Rates and annual charges</b>			
<b>Ordinary rates</b>			
Residential	1058 (1)	2,531	2,449
Farmland	1058 (1)	3,058	2,985
Mining	1058 (1)	20	20
Business	1058 (1)	1,342	1,292
Less: pensioner rebates (mandatory)	1058 (1)	(186)	(185)
<b>Rates levied to ratepayers</b>		<b>6,765</b>	<b>6,561</b>
Pensioner rate subsidies received	1058 (1)	102	102
<b>Total ordinary rates</b>		<b>6,867</b>	<b>6,663</b>
<b>Annual charges</b>			
<small>(pursuant to s.496, s.496A, s.496B, s.501 &amp; s.611)</small>			
Domestic waste management services	1058 (1)	2,495	2,408
Water supply services	1058 (1)	1,748	1,694
Sewerage services	1058 (1)	2,736	2,652
Waste management services (non-domestic)	1058 (1)	240	233
Less: pensioner rebates (mandatory)	1058 (1)	(354)	(354)
<b>Annual charges levied</b>		<b>6,865</b>	<b>6,633</b>
Pensioner subsidies received:			
– Water	1058 (1)	64	64
– Sewerage	1058 (1)	42	42
– Domestic waste management	1058 (1)	89	89
<b>Total annual charges</b>		<b>7,060</b>	<b>6,828</b>
<b>TOTAL RATES AND ANNUAL CHARGES</b>		<b>13,927</b>	<b>13,491</b>

The **AASB** notation (above) identifies the revenue recognition pattern for material items of Council revenue:

- 15 (1)** indicates income recognised under AASB 15 “at a point in time”,
- 15 (2)** indicates income recognised under AASB 15 “over time”,
- 1058 (1)** indicates income recognised under AASB 1058 “at a point in time”, while
- 1058 (2)** indicates income recognised under AASB 1058 “over time”.

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 which is the beginning of the rating period to which they relate.

Prepaid rates are recognised as a financial liability until the beginning of the rating period.

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 and are in substance a rates payment.

#### 2019 accounting policy

Control over assets acquired from rates and annual charges is obtained at the commencement of the rating year as it is an enforceable debt linked to the rateable property or, where earlier, upon receipt of the rates.

## Cowra Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	AASB	2020	2019
<b>(b) User charges and fees</b>			
<b>Specific user charges</b>			
(per s.502 - specific 'actual use' charges)			
Water supply services	15 (1)	5,258	5,140
Sewerage services	15 (1)	779	784
<b>Total specific user charges</b>		<b>6,037</b>	<b>5,924</b>
<b>Other user charges and fees</b>			
<b>(i) Fees and charges – statutory and regulatory functions (per s.608)</b>			
Planning and building regulation	15 (1)	344	317
Private works – section 67	15 (1)	59	85
<b>Total fees and charges – statutory/regulatory</b>		<b>403</b>	<b>402</b>
<b>(ii) Fees and charges – other (incl. general user charges (per s.608))</b>			
Aerodrome	15 (1)	30	30
Caravan park	15 (1)	442	574
Cemeteries	15 (1)	313	319
Community centres	15 (1)	3	–
RMS (formerly RTA) charges (state roads not controlled by Council)	15 (1)	2,451	4,634
Saleyards	15 (1)	513	418
Swimming centres	15 (1)	220	207
Waste disposal tipping fees	15 (1)	547	609
Water connection fees	15 (1)	76	65
Other	15 (1)	130	105
<b>Total fees and charges – other</b>		<b>4,725</b>	<b>6,961</b>
<b>TOTAL USER CHARGES AND FEES</b>		<b>11,165</b>	<b>13,287</b>

The **AASB** notation (above) identifies the revenue recognition pattern for material items of Council revenue:

**15 (1)** indicates income recognised under AASB 15 “at a point in time”,

**15 (2)** indicates income recognised under AASB 15 “over time”,

**1058 (1)** indicates income recognised under AASB 1058 “at a point in time”, while

**1058 (2)** indicates income recognised under AASB 1058 “over time”.

#### Accounting policy for user charges and fees

Revenue arising from user charges and fees is recognised when or as the performance obligation is completed and the customer receives the benefit of the goods / services being provided.

The performance obligation relates to the specific services which are provided to the customers and generally the payment terms are within 30 days of the provision of the service or in some cases such as caravan parks, the customer is required to pay on arrival. There is no material obligation for Council in relation to refunds or returns.

Licences granted by Council are all either short-term or low value and all revenue from licences is recognised at the time that the licence is granted rather than the term of the licence.

#### 2019 accounting policy

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

## Cowra Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	AASB	2020	2019
<b>(c) Other revenues</b>			
Rental income – other council properties (2019 only)		–	220
Fines	1058 (1)	36	49
Legal fees recovery – rates and charges (extra charges)	1058 (1)	–	4
Diesel rebate	1058 (1)	92	96
Recycling income (non-domestic)	15 (1)	1,386	1,019
Cultural and community activities	15 (1)	20	71
Insurance rebate	1058 (1)	86	75
Lease back contributions	15 (1)	135	113
Central West Library Equity Distribution		–	56
Rural Fire Service reimbursement	15 (1)	75	–
Other	15 (1)	41	63
<b><u>TOTAL OTHER REVENUE</u></b>		<b><u>1,871</u></b>	<b><u>1,766</u></b>

The **AASB** notation (above) identifies the revenue recognition pattern for material items of Council revenue:

**15 (1)** indicates income recognised under AASB 15 “at a point in time”,

**15 (2)** indicates income recognised under AASB 15 “over time”,

**1058 (1)** indicates income recognised under AASB 1058 “at a point in time”, while

**1058 (2)** indicates income recognised under AASB 1058 “over time”.

#### Accounting policy for other revenue

Where the revenue relates to a contract with customer, the revenue is recognised when or as the performance obligation is completed and the customer receives the benefit of the goods / services being provided.

Where the revenue relates to a contract which is not enforceable or does not contain sufficiently specific performance obligations then revenue is recognised when an unconditional right to a receivable arises or the cash is received, which is earlier.

#### 2019 accounting policy:

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.

Parking fees and fines are recognised as revenue when the service has been provided, or when the penalty has been applied, whichever occurs first.

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

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

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

## Cowra Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	AASB	Operating 2020	Operating 2019	Capital 2020	Capital 2019
<b>(d) Grants</b>					
<b>General purpose (untied)</b>					
<b>Current year allocation</b>					
Financial assistance – general component	1058 (1)	1,610	1,590	–	–
Financial assistance – local roads component	1058 (1)	724	752	–	–
<b>Payment in advance - future year allocation</b>					
Financial assistance – general component	1058 (1)	1,703	1,675	–	–
Financial assistance – local roads component	1058 (1)	772	754	–	–
<b>Total general purpose</b>		<b>4,809</b>	<b>4,771</b>	<b>–</b>	<b>–</b>
<b>Specific purpose</b>					
Water supplies	1058 (2)	90	–	74	–
Sewerage services	1058 (1)	214	–	–	–
Waste Management	1058 (2)	–	–	–	60
Community care	1058 (1)	38	11	–	–
Community centres	1058 (2)	189	–	–	–
Economic development	1058 (1)	–	–	–	58
Employment and training programs	1058 (1)	18	15	–	–
Environmental programs	1058 (1)	157	202	–	6
Library	1058 (1)	69	39	25	7
Heritage and cultural	1058 (1)	14	18	–	–
LIRS subsidy	1058 (1)	48	56	–	–
NSW rural fire services	1058 (1)	–	–	301	52
Recreation and culture	1058 (2)	31	23	637	554
Street lighting	1058 (1)	66	66	–	–
Transport (roads to recovery)	1058 (1)	1,449	1,367	–	–
Transport (other roads and bridges funding)	1058 (2)	51	16	1,281	19
Other		–	59	4	–
<b>Total specific purpose</b>		<b>2,434</b>	<b>1,872</b>	<b>2,322</b>	<b>756</b>
<b>Total grants</b>		<b>7,243</b>	<b>6,643</b>	<b>2,322</b>	<b>756</b>
<b>Grant revenue is attributable to:</b>					
– Commonwealth funding		6,258	6,138	1,090	–
– State funding		985	505	1,232	756
		<b>7,243</b>	<b>6,643</b>	<b>2,322</b>	<b>756</b>

The **AASB** notation (above) identifies the revenue recognition pattern for material items of Council revenue:

**15 (1)** indicates income recognised under AASB 15 “at a point in time”,

**15 (2)** indicates income recognised under AASB 15 “over time”,

**1058 (1)** indicates income recognised under AASB 1058 “at a point in time”, while

**1058 (2)** indicates income recognised under AASB 1058 “over time”.

## Cowra Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	Notes	AASB	Operating 2020	Operating 2019	Capital 2020	Capital 2019
<b>(e) Contributions</b>						
<b>Developer contributions: (s7.4 &amp; s7.11 - EP&amp;A Act, s64 of the LGA):</b>						
<b>Cash contributions</b>						
S 7.11 – contributions towards amenities/services		1058 (1)	–	–	17	13
S 7.12 – fixed development consent levies		1058 (1)	–	–	100	75
S 64 – water supply contributions		1058 (1)	–	–	20	92
S 64 – sewerage service contributions		1058 (1)	–	–	34	127
<b>Total developer contributions – cash</b>			<b>–</b>	<b>–</b>	<b>171</b>	<b>307</b>
<b>Total developer contributions</b>	24		<b>–</b>	<b>–</b>	<b>171</b>	<b>307</b>
<b>Other contributions:</b>						
<b>Cash contributions</b>						
Heritage/cultural		1058 (1)	17	35	10	40
Recreation and culture		1058 (1)	–	–	49	15
Roads and bridges		1058 (1)	11	–	4	–
RMS contributions (regional roads, block grant)		1058 (1)	535	1,042	–	–
<b>Total other contributions – cash</b>			<b>563</b>	<b>1,077</b>	<b>63</b>	<b>55</b>
<b>Non-cash contributions</b>						
Bushfire services			–	–	60	–
<b>Total other contributions – non-cash</b>			<b>–</b>	<b>–</b>	<b>60</b>	<b>–</b>
<b>Total other contributions</b>			<b>563</b>	<b>1,077</b>	<b>123</b>	<b>55</b>
<b>Total contributions</b>			<b>563</b>	<b>1,077</b>	<b>294</b>	<b>362</b>
<b>TOTAL GRANTS AND CONTRIBUTIONS</b>			<b>7,806</b>	<b>7,720</b>	<b>2,616</b>	<b>1,118</b>

The **AASB** notation (above) identifies the revenue recognition pattern for material items of Council revenue:

**15 (1)** indicates income recognised under AASB 15 “at a point in time”,

**15 (2)** indicates income recognised under AASB 15 “over time”,

**1058 (1)** indicates income recognised under AASB 1058 “at a point in time”, while

**1058 (2)** indicates income recognised under AASB 1058 “over time”.

#### Accounting policy for grants and contributions

##### Accounting policy from 1 July 2019

##### Grant income under AASB 15

Where grant income arises from an agreement which is enforceable and contains sufficiently specific performance obligations then the revenue are recognised when control of each performance obligations is satisfied.

The performance obligations are varied based on the agreement but include [provide details of performance obligations within AASB 15 grants e.g. events, vaccinations]. Payment terms vary depending on the terms of the grant, cash is received upfront for some grants and on the achievement of certain payment milestones for others.

## Cowra Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2020

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

Each performance obligation is considered to ensure that the revenue recognition reflects the transfer of control and within grant agreements there may be some performance obligations where control transfers at a point in time and others which have continuous transfer of control over the life of the contract.

Where control is transferred over time, generally the input methods being either costs or time incurred are deemed to be the most appropriate methods to reflect the transfer of benefit.

**Grant income**

Assets arising from grants in the scope of AASB 1058 is recognised at the assets fair value when the asset is received. Councils considers whether there are any related liability or equity items associated with the asset which are recognised in accordance with the relevant accounting standard.

Once the assets and liabilities have been recognised then income is recognised for any remaining asset value at the time that the asset is received

**Capital grants**

Capital grants received to enable Council to acquire or construct an item of infrastructure, property, plant and equipment to identified specifications which will be under Council's control and which is enforceable are recognised as revenue as and when the obligation to construct or purchase is completed.

For construction projects, this is generally as the construction progresses in accordance with costs incurred since this is deemed to be the most appropriate measure of the completeness of the construction project as there is no profit margin.

For acquisitions of assets, the revenue is recognised when the asset is acquired and controlled by the Council.

**Contributions**

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

**Accounting policy prior to 1 July 2019**

Control over grants and contributions is normally obtained upon their receipt (or acquittal) and revenue is recognised at this time 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.

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

## Cowra Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	2020	2019
<b>(f) Unspent grants and contributions – external restrictions</b>		
Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner due to externally imposed restrictions.		
<b>Operating grants</b>		
Unexpended at the close of the previous reporting period	716	896
<b>Add:</b> operating grants recognised as income in the current period but not yet spent	35	68
<b>Less:</b> operating grants recognised in a previous reporting period now spent	(664)	(248)
<b>Unexpended and held as externally restricted assets (operating grants)</b>	<u>87</u>	<u>716</u>
<b>Capital grants</b>		
Unexpended at the close of the previous reporting period	393	209
<b>Add:</b> capital grants recognised as income in the current period but not yet spent	4	345
<b>Less:</b> capital grants recognised in a previous reporting period now spent	(377)	(161)
<b>Unexpended and held as externally restricted assets (capital grants)</b>	<u>20</u>	<u>393</u>
<b>Contributions</b>		
Unexpended at the close of the previous reporting period	219	665
<b>Add:</b> contributions recognised as income in the current period but not yet spent	117	93
<b>Less:</b> contributions recognised in a previous reporting period now spent	(145)	(539)
<b>Unexpended and held as externally restricted assets (contributions)</b>	<u>191</u>	<u>219</u>

## Cowra Shire Council

### Notes to the Financial Statements for the year ended 30 June 2020

#### Note 4. Interest and investment income

\$ '000	2020	2019
<b>Interest on financial assets measured at amortised cost</b>		
– Overdue rates and annual charges (incl. special purpose rates)	125	98
– Cash and investments	511	727
<b>Amortisation of premiums and discounts</b>		
– Interest free (and interest reduced) loans provided	33	31
<b>Total Interest and investment income</b>	<b>669</b>	<b>856</b>
<b>Interest revenue is attributable to:</b>		
<b>Unrestricted investments/financial assets:</b>		
Overdue rates and annual charges (general fund)	48	36
General Council cash and investments	509	706
<b>Restricted investments/funds – external:</b>		
Development contributions		
– Section 7.11	3	5
Water fund operations	37	28
Sewerage fund operations	54	65
Domestic waste management operations	18	16
<b>Total interest and investment revenue</b>	<b>669</b>	<b>856</b>

#### 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.



## Cowra Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2020

#### Note 5. Expenses from continuing operations

\$ '000	2020	2019
<b>(a) Employee benefits and on-costs</b>		
Salaries and wages	11,789	11,208
Employee leave entitlements (ELE)	2,529	2,362
Superannuation – defined contribution plans	1,134	1,072
Superannuation – defined benefit plans	275	257
Workers' compensation insurance	280	247
Fringe benefit tax (FBT)	30	32
<b>Total employee costs</b>	<b>16,037</b>	<b>15,178</b>
Less: capitalised costs	(1,231)	(1,229)
<b>TOTAL EMPLOYEE COSTS EXPENSED</b>	<b>14,806</b>	<b>13,949</b>
Number of 'full-time equivalent' employees (FTE) at year end	189	180
Number of 'full-time equivalent' employees (FTE) at year end (incl. vacancies)	197	187

#### 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 13 for more information.

\$ '000	Notes	2020	2019
<b>(b) Borrowing costs</b>			
<b>(i) Interest bearing liability costs</b>			
Interest on loans		1,122	1,180
<b>Total interest bearing liability costs</b>		<b>1,122</b>	<b>1,180</b>
<b>Total interest bearing liability costs expensed</b>		<b>1,122</b>	<b>1,180</b>
<b>(ii) Other borrowing costs</b>			
Discount adjustments relating to movements in provisions (other than ELE)			
– Remediation liabilities	14	24	23
<b>Total other borrowing costs</b>		<b>24</b>	<b>23</b>
<b>TOTAL BORROWING COSTS EXPENSED</b>		<b>1,146</b>	<b>1,203</b>

#### 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 as incurred.

## Cowra Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2020

#### Note 5. Expenses from continuing operations (continued)

\$ '000	2020	2019
<b>(c) Materials and contracts</b>		
Raw materials and consumables	5,832	6,561
Contractor and consultancy costs	1,407	2,363
Auditors remuneration <sup>2</sup>	72	74
<b>Legal expenses:</b>		
– Legal expenses: planning and development	67	35
– Legal expenses: other	81	26
Expenses from short-term leases (2020 only)	9	–
Expenses from leases of low value assets (2020 only)	85	–
<b>Operating leases expense (2019 only):</b>		
– Operating lease rentals: minimum lease payments <sup>1</sup>	–	115
<b>Total materials and contracts</b>	<b>7,553</b>	<b>9,174</b>
<b>TOTAL MATERIALS AND CONTRACTS</b>	<b>7,553</b>	<b>9,174</b>

#### Accounting policy for materials and contracts

Expenses are recorded on an accruals basis as the council receives the goods or services.

#### Operating leases (2019 only)

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
Other	–	41
	<b>–</b>	<b>115</b>

#### 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	51	49
<b>Remuneration for audit and other assurance services</b>	<b>51</b>	<b>49</b>
<b>Total Auditor-General remuneration</b>	<b>51</b>	<b>49</b>

#### Non NSW Auditor-General audit firms

##### (i) Audit and other assurance services

Other audit and assurance services	21	25
<b>Remuneration for audit and other assurance services</b>	<b>21</b>	<b>25</b>
<b>Total remuneration of non NSW Auditor-General audit firms</b>	<b>21</b>	<b>25</b>
<b>Total Auditor remuneration</b>	<b>72</b>	<b>74</b>

## Cowra Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2020

#### Note 5. Expenses from continuing operations (continued)

\$ '000	Notes	2020	2019
<b>(d) Depreciation, amortisation and impairment of non-financial assets</b>			
<b>Depreciation and amortisation</b>			
Plant and equipment		1,386	1,251
Office equipment		18	14
Furniture and fittings		6	12
<b>Infrastructure:</b>	10		
– Buildings		699	693
– Roads		1,323	1,348
– Bridges		143	159
– Footpaths		80	62
– Other road assets		48	93
– Stormwater drainage		277	259
– Water supply network		1,895	1,843
– Sewerage network		714	698
– Swimming pools		73	89
– Other open space/recreational assets		136	137
- Aerodrome		50	–
<b>Other assets:</b>			
– Other		240	269
<b>Reinstatement, rehabilitation and restoration assets:</b>			
– Quarry asset	14,10	6	5
<b>Total gross depreciation and amortisation costs</b>		<u>7,094</u>	<u>6,932</u>
Total depreciation and amortisation costs		<u>7,094</u>	<u>6,932</u>
<b><u>TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT FOR NON-FINANCIAL ASSETS</u></b>		<u>7,094</u>	<u>6,932</u>

#### Accounting policy for depreciation, amortisation and impairment expenses of non-financial assets

##### 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 10 for IPPE assets.

##### Impairment of non-financial assets

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

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

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

## Cowra Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2020

#### Note 5. Expenses from continuing operations (continued)

\$ '000	2020	2019
<b>(e) Other expenses</b>		
Advertising	80	114
Training costs (other than salaries and wages)	184	217
Travel expenses	37	42
Bad and doubtful debts	–	11
Bank charges	48	52
Contributions/levies to other levels of government	871	895
– Emergency services levy (includes FRNSW, SES, and RFS levies)	302	287
Contributions to community groups	210	–
Councillor expenses – mayoral fee	27	26
Councillor expenses – councillors' fees	109	107
Councillors' expenses (incl. mayor) – other (excluding fees above)	50	44
Electricity and heating	1,022	1,062
Insurance	427	446
Street lighting	298	375
Telephone and communications	199	150
Valuation fees	57	65
<b>Total other expenses</b>	<b>3,921</b>	<b>3,893</b>
<b>TOTAL OTHER EXPENSES</b>	<b>3,921</b>	<b>3,893</b>

#### Accounting policy for other expenses

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

## Cowra Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2020

#### Note 6. Gain or loss from disposal of assets

\$ '000	Notes	2020	2019
<b>Property (excl. investment property)</b>			
Proceeds from disposal – property		–	128
Less: carrying amount of property assets sold/written off		–	(148)
<b>Net gain/(loss) on disposal</b>		<b>–</b>	<b>(20)</b>
<b>Plant and equipment</b>			
	10		
Proceeds from disposal – plant and equipment		304	274
Less: carrying amount of plant and equipment assets sold/written off		(88)	(98)
<b>Net gain/(loss) on disposal</b>		<b>216</b>	<b>176</b>
<b>Real estate assets held for sale</b>			
	9		
Proceeds from disposal – real estate assets		607	1,282
Less: carrying amount of real estate assets sold/written off		(121)	(236)
<b>Net gain/(loss) on disposal</b>		<b>486</b>	<b>1,046</b>
<b>Investments</b>			
	7(b)		
Proceeds from disposal/redemptions/maturities – investments		24,286	23,286
Less: carrying amount of investments sold/redeemed/matured		(24,286)	(23,286)
<b>Net gain/(loss) on disposal</b>		<b>–</b>	<b>–</b>
<b><u>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</u></b>		<b><u>702</u></b>	<b><u>1,202</u></b>

#### **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.

## Cowra Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2020

#### Note 7(a). Cash and cash equivalents

\$ '000	2020	2019
<b>Cash and cash equivalents</b>		
Cash on hand and at bank	1,169	1,814
Cash-equivalent assets		
– Deposits at call	3,500	3,500
– Short-term deposits	1,500	1,000
<b>Total cash and cash equivalents</b>	<b>6,169</b>	<b>6,314</b>

#### 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 7(b). Investments

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
<b>Investments</b>				
b. 'Financial assets at amortised cost'	25,286	–	24,286	–
<b>Total Investments</b>	<b>25,286</b>	<b>–</b>	<b>24,286</b>	<b>–</b>
<b>TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS</b>	<b>31,455</b>	<b>–</b>	<b>30,600</b>	<b>–</b>
<b>Financial assets at amortised cost</b>				
Long term deposits	25,286	–	24,286	–
<b>Total</b>	<b>25,286</b>	<b>–</b>	<b>24,286</b>	<b>–</b>

#### Accounting policy for investments

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.

Council's financial assets measured at amortised cost comprise trade and other receivables, term deposits 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.

## Cowra Shire Council

### Notes to the Financial Statements for the year ended 30 June 2020

#### Note 7(b). Investments (continued)

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

#### Note 7(c). Restricted cash, cash equivalents and investments

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Total cash, cash equivalents and investments	31,455	–	30,600	–
<b>attributable to:</b>				
External restrictions	18,837	–	17,632	–
Internal restrictions	12,266	–	12,608	–
Unrestricted	352	–	360	–
	<u>31,455</u>	<u>–</u>	<u>30,600</u>	<u>–</u>

\$ '000	2020	2019
---------	------	------

#### Details of restrictions

##### External restrictions – included in liabilities

Specific purpose unexpended grants – general fund (2020 only)	1,051	–
Specific purpose unexpended loans – general	430	140
<b>External restrictions – included in liabilities</b>	<u>1,481</u>	<u>140</u>

##### External restrictions – other

Developer contributions – general	191	219
Specific purpose unexpended grants (recognised as revenue) – general fund	107	1,109
Water supplies	6,869	6,172
Sewerage services	7,678	7,482
Sewerage services – Wyangala Sewerage Treatment Plant	1,813	1,689
Domestic waste management	698	821
<b>External restrictions – other</b>	<u>17,356</u>	<u>17,492</u>
<b>Total external restrictions</b>	<u>18,837</u>	<u>17,632</u>

**Cowra Shire Council**

**Notes to the Financial Statements**

for the year ended 30 June 2020

**Note 7(c). Restricted cash, cash equivalents and investments (continued)**

<b>\$ '000</b>	<b>2020</b>	<b>2019</b>
<b>Internal restrictions</b>		
Plant and vehicle replacement	2,633	3,204
Infrastructure (Built Asset) replacement	2,718	2,735
Employees leave entitlement	750	396
Carry over works	822	568
Deposits, retentions and bonds	448	438
Aerodrome	–	25
Art gallery	3	9
Bad debts	52	44
Business assistance	131	164
Caravan park	566	554
Depot redevelopment	121	121
Election	80	55
Environmental projects	8	8
Financial assistance advance payment	2,475	2,429
Fire mitigation	16	16
Gravel rehabilitation	305	316
IT equipment	–	67
Lachlan River precinct	141	128
Main St improvements	161	161
Pedestrian and cycle plan	50	50
Saleyards	49	53
Section 611	155	204
RMS Warranty	250	250
Waste	–	270
Waste Long Service Leave	24	75
Statewide	124	116
Statecover	172	148
Rural Roads	3	3
Street Trees	1	1
Peace Precinct	8	–
<b>Total internal restrictions</b>	<b>12,266</b>	<b>12,608</b>
<b>TOTAL RESTRICTIONS</b>	<b>31,103</b>	<b>30,240</b>



## Cowra Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2020

#### Note 8. Receivables

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
<b>Purpose</b>				
Rates and annual charges	2,293	–	1,519	–
User charges and fees	2,773	–	2,222	–
Accrued revenues				
– Interest on investments	107	–	201	–
– Other income accruals	–	–	16	–
Deferred debtors	6	–	8	–
Government grants and subsidies	70	–	71	–
Net GST receivable	76	–	169	–
Due from RMS – State Roads Contract	–	–	417	–
<b>Total</b>	<b>5,325</b>	<b>–</b>	<b>4,623</b>	<b>–</b>
<b>Less: provision of impairment</b>				
Other debtors	(13)	–	(13)	–
<b>Total provision for impairment – receivables</b>	<b>(13)</b>	<b>–</b>	<b>(13)</b>	<b>–</b>
<b><u>TOTAL NET RECEIVABLES</u></b>	<b><u>5,312</u></b>	<b><u>–</u></b>	<b><u>4,610</u></b>	<b><u>–</u></b>

\$ '000	2020	2019
<b>Movement in provision for impairment of receivables</b>		
Balance at the beginning of the year (calculated in accordance with AASB 139)	13	13
<b>Balance at the end of the year</b>	<b>13</b>	<b>13</b>

#### 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 8) 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.

## Cowra Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2020

#### Note 8. 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.

#### **Covid 19**

Council's rate and user charges collections have not been significantly impacted by the Covid 19 pandemic and are comparable to prior years, therefore no adjustment has been made to the impairment provision. Cashflows and interest income may be impacted in 2020/21 due to the State Government legislating that rate instalments can be deferred until September 30 and no interest can be charged for the first 6 months. The impact this may have is not able to be measured at this stage however it is not expected to be significant.

## Cowra Shire Council

### Notes to the Financial Statements for the year ended 30 June 2020

#### Note 9. Inventories and other assets

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
<b>(a) Inventories</b>				
<b>(i) Inventories at cost</b>				
Real estate for resale	654	148	775	148
Stores and materials	1,084	–	902	–
Other	89	–	–	–
<b>Total inventories at cost</b>	<b>1,827</b>	<b>148</b>	<b>1,677</b>	<b>148</b>
<b><u>TOTAL INVENTORIES</u></b>	<b><u>1,827</u></b>	<b><u>148</u></b>	<b><u>1,677</u></b>	<b><u>148</u></b>

#### (b) Other assets

Equity in StateCover Mutual	–	174	–	174
<b><u>TOTAL OTHER ASSETS</u></b>	<b><u>–</u></b>	<b><u>174</u></b>	<b><u>–</u></b>	<b><u>174</u></b>

#### (i) Other disclosures

\$ '000	Notes	2020 Current	2020 Non-current	2019 Current	2019 Non-current
<b>(a) Details for real estate development</b>					
Residential		72	148	177	148
Industrial/commercial		582	–	598	–
<b>Total real estate for resale</b>		<b>654</b>	<b>148</b>	<b>775</b>	<b>148</b>
(Valued at the lower of cost and net realisable value)					
<b>Represented by:</b>					
Acquisition costs		52	148	65	148
Development costs		602	–	710	–
<b>Total costs</b>		<b>654</b>	<b>148</b>	<b>775</b>	<b>148</b>
<b>Total real estate for resale</b>		<b>654</b>	<b>148</b>	<b>775</b>	<b>148</b>
<b>Movements:</b>					
Real estate assets at beginning of the year		775	148	–	195
– Purchases and other costs		–	–	305	–
– Transfers in from (out to) Note 11		–	–	659	–
– WDV of sales (expense)	6	(121)	–	(236)	–
– Transfer between current/non-current		–	–	47	(47)
<b>Total real estate for resale</b>		<b>654</b>	<b>148</b>	<b>775</b>	<b>148</b>

## Cowra Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2020

#### Note 9. Inventories and other assets (continued)

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

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

\$ '000	2020	2019
Real estate for resale	392	463
	392	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.

###### Land held for resale/capitalisation of borrowing costs

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

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

Cowra Shire Council

Notes to the Financial Statements  
for the year ended 30 June 2020

Note 10. Infrastructure, property, plant and equipment

	as at 30/06/19			Asset movements during the reporting period								as at 30/06/20		
	Gross carrying amount	Accumulated depreciation	Net carrying amount	Additions renewals <sup>1</sup>	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
<b>\$ '000</b>														
Capital work in progress	1,447	–	1,447	4,523	556	–	–	(638)	(42)	–	–	5,846	–	5,846
Plant and equipment	23,745	(16,873)	6,872	–	1,135	(88)	(1,386)	72	–	–	–	24,021	(17,416)	6,605
Office equipment	127	(35)	92	–	11	–	(18)	–	–	–	–	138	(53)	85
Furniture and fittings	153	(134)	19	–	–	–	(6)	–	–	–	–	55	(42)	13
<b>Land:</b>														
– Operational land	5,568	–	5,568	–	63	–	–	–	–	–	–	5,631	–	5,631
– Community land	14,468	–	14,468	–	–	–	–	–	–	–	–	14,468	–	14,468
<b>Infrastructure:</b>														
– Buildings	34,961	(16,675)	18,286	114	138	–	(699)	102	–	–	–	35,316	(17,375)	17,941
– Roads	134,862	(17,475)	117,387	3,062	137	–	(1,323)	60	(1,119)	(19,725)	–	134,563	(36,084)	98,479
– Bridges	25,936	(2,711)	23,225	184	–	–	(143)	–	–	(1,580)	–	26,721	(5,035)	21,686
– Footpaths	9,144	(1,042)	8,102	–	341	–	(80)	7	27	(1,270)	–	9,840	(2,713)	7,127
– Other road assets	2,772	(1,226)	1,546	18	–	–	(48)	113	1,449	(1,221)	–	2,494	(637)	1,857
– Bulk ear hworks (non-depreciable)	258,377	–	258,377	–	–	–	–	36	(785)	–	32,104	289,732	–	289,732
– Stormwater drainage	32,589	(5,136)	27,453	11	–	–	(277)	1	–	(1,065)	–	36,864	(10,741)	26,123
– Water supply network	124,492	(60,399)	64,093	491	64	–	(1,895)	111	–	–	609	126,340	(62,867)	63,473
– Sewerage network	52,746	(24,239)	28,507	369	155	–	(714)	13	–	–	271	53,784	(25,183)	28,601
– Swimming pools	2,293	(1,387)	906	27	–	–	(73)	–	–	–	–	2,319	(1,459)	860
– Other open space/recreational assets	4,008	(2,105)	1,903	38	–	–	(136)	20	–	–	–	4,066	(2,241)	1,825
Aerodrome	–	–	–	–	–	–	(50)	–	2,646	–	815	4,603	(1,192)	3,411
<b>Other assets:</b>														
– Other	10,112	(2,604)	7,508	172	92	–	(240)	103	(2,218)	–	–	7,733	(2,316)	5,417
<b>Reinstatement, rehabilitation and restoration assets (refer Note 17):</b>														
– Quarry assets	175	(82)	93	–	–	–	(6)	–	–	–	–	174	(87)	87
<b>Total Infrastructure, property, plant and equipment</b>	<b>737,975</b>	<b>(152,123)</b>	<b>585,852</b>	<b>9,009</b>	<b>2,692</b>	<b>(88)</b>	<b>(7,094)</b>	<b>–</b>	<b>(42)</b>	<b>(24,861)</b>	<b>33,799</b>	<b>784,708</b>	<b>(185,441)</b>	<b>599,267</b>

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

Cowra Shire Council

Notes to the Financial Statements  
for the year ended 30 June 2020

Note 10. Infrastructure, property, plant and equipment (continued)

\$ '000	as at 30/06/18			Asset movements during the reporting period							as at 30/06/19		
	Gross carrying amount	Accumulated depreciation	Net carrying amount	Additions renewals <sup>1</sup>	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Tfrs from/(to) real estate assets (Note 9)	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
<b>Land:</b>													
– 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
<b>Infrastructure:</b>													
– 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
<b>Other assets:</b>													
– Other	10,772	(3,394)	7,378	256	68	–	(269)	75	–	–	10,112	(2,604)	7,508
<b>Reinstatement, rehabilitation and restoration assets (refer Note 17):</b>													
– Quarry assets	174	(76)	98	–	–	–	(5)	–	–	–	175	(82)	93
<b>Total Infrastructure, property, plant and equipment</b>	<b>731,216</b>	<b>(147,006)</b>	<b>584,210</b>	<b>5,060</b>	<b>4,151</b>	<b>(246)</b>	<b>(6,932)</b>	<b>–</b>	<b>(659)</b>	<b>268</b>	<b>737,975</b>	<b>(152,123)</b>	<b>585,852</b>

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

## Cowra Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2020

#### Note 10. 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:

<b>Plant and equipment</b>	Years	<b>Other equipment</b>	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	<b>Buildings</b>	
Heavy plant/road making equipment	5 to 8	Buildings: masonry	50 to 100
Other plant and equipment	3 to 15		
<b>Water and sewer assets</b>		<b>Stormwater assets</b>	
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		
<b>Transportation assets</b>		<b>Other infrastructure assets</b>	
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.

## Cowra Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2020

#### Note 10. 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.



## Cowra Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2020

#### Note 11. Contract assets and liabilities

\$ '000	2020 Current	2020 Non-current
<b>(a) Contract assets</b>		
Other	523	–
<b>Total Contract assets</b>	<b>523</b>	<b>–</b>

\$ '000	Notes	2020 Current	2020 Non-current
<b>(b) Contract liabilities</b>			
<b>Grants and contributions received in advance:</b>			
Unexpended capital grants (to construct Council controlled assets)	(i)	582	–
Unexpended operating grants (received prior to performance obligation being satisfied)	(ii)	469	–
<b>Total grants received in advance</b>		<b>1,051</b>	<b>–</b>
<b>Total contract liabilities</b>		<b>1,051</b>	<b>–</b>

#### Notes

(i) Council has received funding to construct assets including sporting facilities and other infrastructure. The funds received are under an enforceable contract which require Council to construct an identified asset which will be under Council's control on completion. The revenue is recognised as Council constructs the asset and the contract liability reflects the funding received which cannot yet be recognised as revenue. The revenue is expected to be recognised in the next 12 months.

(ii) The contract liability relates to grants received prior to the revenue recognition criteria in AASB 15 being satisfied since the performance obligations are ongoing.

\$ '000	2020
<b>(ii) Revenue recognised (during the financial year) from opening contract liability balances</b>	
<b>Grants and contributions received in advance:</b>	
Capital grants (to construct Council controlled assets)	224
Operating grants (received prior to performance obligation being satisfied)	136
<b>Total Revenue recognised during the financial year that was included in the contract liability balance at the beginning of the period</b>	<b>360</b>

#### Significant changes in contract assets and liabilities

The contract liabilities have arisen on adoption of AASB 15 and AASB 1058. Previously income received in advance was recognised for reciprocal contracts. The increase in a contract liability is primarily due to grants in the scope of AASB 15 and capital grants received by Council to acquire or construct assets which will be under Council's control. Previously, revenue was recognised on receipt of the funds.

#### Accounting policy for contract assets and liabilities

Where the amounts billed to customers are based on the achievement of various milestones established in the contract, the amounts recognised as revenue in a given period do not necessarily coincide with the amounts billed to or certified by the customer.

## Cowra Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2020

#### Note 11. Contract assets and liabilities (continued)

---

When a performance obligation is satisfied by transferring a promised good or service to the customer before the customer pays consideration or before the payment is due, Council presents the work in progress as a contract asset, unless the rights to that amount of consideration are unconditional, in which case Council recognises a receivable.

When an amount of consideration is received from a customer / fund provider prior to Council transferring a good or service to the customer, Council presents the funds which exceed revenue recognised as a contract liability.

## Cowra Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2020

#### Note 12. Leases

The Council has applied AASB 16 using the modified retrospective (cumulative catch-up) method and therefore the comparative information has not been restated and continues to be reported under AASB 117 and related Interpretations.

##### (i) Council as a lessee

Council has leases over a range of assets including survey and IT equipment. Information relating to the leases in place and associated balances and transactions is provided below.

##### Terms and conditions of leases

##### Office and IT equipment

Leases for photocopiers and IT equipment are considered low value assets. The leases range from 4 to 5 years with no renewal option, the payments are fixed, however some of the leases include variable payments based on usage.

The lease for survey equipment has now reached maturity and was classified as short term.

<b>\$ '000</b>	<b>2020</b>
----------------	-------------

##### (a) Income Statement

The amounts recognised in the Income Statement relating to leases where Council is a lessee are shown below:

Expenses relating to short-term leases	9
Expenses relating to low-value leases	85
	94

##### (b) Statement of Cash Flows

Total cash outflow for leases	94
	94

##### Leases at significantly below market value – concessionary / peppercorn leases

Council has a lease at significantly below market for a parcel of land used as a carpark.

The lease fee is \$10 per annum. The use of the right-to-use asset is restricted by the lessors to specified for carparking which Council must provide, these services are detailed in the leases.

Council does not believe that the lease is material from a statement of financial position or performance perspective.

##### Accounting policy

##### Accounting policies under AASB 16 – applicable from 1 July 2019

At inception of a contract, Council assesses whether a lease exists – i.e. does the contract convey the right to control the use of an identified asset for a period of time in exchange for consideration?

Council has elected not to separate non-lease components from lease components for any class of asset and has accounted for payments as a single component.

At the lease commencement, Council recognises a right-of-use asset and associated lease liability for the lease term. The lease term includes extension periods where Council believes it is reasonably certain that the option will be exercised.

The right-of-use asset is measured using the cost model where cost on initial recognition comprises: the lease liability, initial direct costs, prepaid lease payments, estimated cost of removal and restoration, less any lease incentives. The right-of-use

## Cowra Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2020

#### Note 12. Leases (continued)

is depreciated over the lease term on a straight-line basis and assessed for impairment in accordance with the impairment of asset accounting policy.

The lease liability is initially recognised at the present value of the remaining lease payments at the commencement of the lease. The discount rate is the rate implicit in the lease, however where this cannot be readily determined then the Council's incremental borrowing rate for a similar term with similar security is used.

Subsequent to initial recognition, the lease liability is measured at amortised cost using the effective interest rate method. The lease liability is re-measured when there is a lease modification, or change in estimate of the lease term or index upon which the lease payments are based (e.g. CPI).

Where the lease liability is re-measured, the right-of-use asset is adjusted to reflect the re-measurement.

#### **Exceptions to lease accounting**

Council has applied the exceptions to lease accounting for both short-term leases (i.e. leases with a term of less than or equal to 12 months) and leases of low-value assets. Council recognises the payments associated with these leases as an expense on a straight-line basis over the lease term.

#### **Leases at significantly below market value / concessionary leases**

Council has elected to measure the right of use asset arising from the concessionary leases at cost which is based on the associated lease liability at initial recognition.

#### **Accounting policy under AASB 117 and associated Accounting Interpretations (2019 only)**

Refer to Note 5c and Note 18.

#### (ii) Council as a lessor

#### (c) Operating leases

Council leases out a number of properties to community groups and to private individuals for grazing purposes; these leases have been classified as operating leases for financial reporting purposes and the assets are included as IPP&E.

The amounts recognised in the Income Statement relating to operating leases where Council is a lessor are shown below:

\$ '000	2020
<b>(i) Operating lease income</b>	
<b>Other lease income</b>	
Treatment Works land	20
Housing	9
Visitors Centre & Cafe	76
Fire Control Centre	8
Other Council properties	41
<b>Total income relating to operating leases</b>	<b>154</b>

#### (iv) Maturity analysis of contractual lease income

Maturity analysis of future lease income receivable showing the undiscounted lease payments to be received after reporting date for operating leases:

< 1 year	154
1–2 years	43
2–3 years	41
3–4 years	29
4–5 years	28
> 5 years	68
<b>Total undiscounted contractual lease income receivable</b>	<b>363</b>

continued on next page ...

## Cowra Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2020

#### Note 12. Leases (continued)

---

##### Accounting policy

When Council is a lessor, the lease is classified as either an operating or finance lease at inception date, based on whether substantially all of the risks and rewards incidental to ownership of the asset have been transferred to the lessee. If the risks and rewards have been transferred then the lease is classified as a finance lease, otherwise it is an operating lease.

When Council has a sub-lease over an asset and is the intermediate lessor then the head lease and sub-lease are accounted for separately. The classification of the sub-lease is based on the right-of-use asset which arises from the head lease rather than the useful life of the underlying asset.

If the lease contains lease and non-lease components then the non-lease components are accounted for in accordance with AASB 15 *Revenue from Contracts with Customers*.

The lease income is recognised on a straight-line basis over the lease term.

## Cowra Shire Council

### Notes to the Financial Statements for the year ended 30 June 2020

#### Note 13. Payables and borrowings

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
<b>Payables</b>				
Goods and services – operating expenditure	1,126	–	2,026	–
Accrued expenses:				
– Borrowings	83	–	79	–
– Other expenditure accruals	637	–	510	–
Security bonds, deposits and retentions	469	–	438	–
Prepaid rates	597	–	–	–
<b>Total payables</b>	<b>2,912</b>	<b>–</b>	<b>3,053</b>	<b>–</b>
<b>Borrowings</b>				
Loans – secured <sup>1</sup>	1,309	16,683	1,147	15,542
<b>Total borrowings</b>	<b>1,309</b>	<b>16,683</b>	<b>1,147</b>	<b>15,542</b>
<b>TOTAL PAYABLES AND BORROWINGS</b>	<b>4,221</b>	<b>16,683</b>	<b>4,200</b>	<b>15,542</b>

(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	2020	2019
<b>(a) Current payables and borrowings not anticipated to be settled within the next twelve months</b>		
The following liabilities, even though classified as current, are not expected to be settled in the next 12 months.		
Payables – security bonds, deposits and retentions	200	200
<b>Total payables and borrowings</b>	<b>200</b>	<b>200</b>

#### (b) Changes in liabilities arising from financing activities

\$ '000	as at 30/06/19		Non-cash changes				as at 30/06/20
	Opening Balance	Cash flows	Acquisition	Fair value changes	Acquisition due to change in accounting policy	Other non-cash movement	Closing balance
Loans – secured	16,689	(1,147)	2,450	–	–	–	17,992
<b>TOTAL</b>	<b>16,689</b>	<b>(1,147)</b>	<b>2,450</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>17,992</b>

\$ '000	as at 30/06/18		Non-cash changes			as at 30/06/19
	Opening Balance	Cash flows	Acquisition	Fair value changes	Other non-cash movement	Closing balance
Loans – secured	17,978	(1,289)	–	–	–	16,689
<b>TOTAL</b>	<b>17,978</b>	<b>(1,289)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>16,689</b>

## Cowra Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2020

#### Note 13. Payables and borrowings (continued)

\$ '000	2020	2019
<b>(c) Financing arrangements</b>		
<b>(i) Unrestricted access was available at balance date to the following lines of credit:</b>		
Bank overdraft facilities <sup>1</sup>	500	500
Credit cards/purchase cards	60	60
<b>Total financing arrangements</b>	<b>560</b>	<b>560</b>
<b>Drawn facilities as at balance date:</b>		
– Credit cards/purchase cards	15	13
<b>Total drawn financing arrangements</b>	<b>15</b>	<b>13</b>
<b>Undrawn facilities as at balance date:</b>		
– Bank overdraft facilities	500	500
– Credit cards/purchase cards	45	47
<b>Total undrawn financing arrangements</b>	<b>545</b>	<b>547</b>

(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.

## Cowra Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2020

#### Note 14. Provisions

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
<b>Provisions</b>				
<b>Employee benefits</b>				
Annual leave	1,553	–	1,390	–
Long service leave	3,411	191	2,987	185
<b>Sub-total – aggregate employee benefits</b>	<b>4,964</b>	<b>191</b>	<b>4,377</b>	<b>185</b>
<b>Asset remediation/restoration:</b>				
Asset remediation/restoration (future works)	–	434	–	410
<b>Sub-total – asset remediation/restoration</b>	<b>–</b>	<b>434</b>	<b>–</b>	<b>410</b>
<b><u>TOTAL PROVISIONS</u></b>	<b><u>4,964</u></b>	<b><u>625</u></b>	<b><u>4,377</u></b>	<b><u>595</u></b>

\$ '000	2020	2019
---------	------	------

#### (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	3,700	3,400
	<b>3,700</b>	<b>3,400</b>

#### (b) Description of and movements in provisions

\$ '000	Other provisions		Total
	Asset remediation	Legal Liability	
<b>2020</b>			
At beginning of year	410	–	410
Unwinding of discount	24	–	24
<b>Total other provisions at end of year</b>	<b>434</b>	<b>–</b>	<b>434</b>
<b>2019</b>			
At beginning of year	387	136	523
Amounts used (payments)	–	(136)	(136)
Unwinding of discount	23	–	23
<b>Total other provisions at end of year</b>	<b>410</b>	<b>–</b>	<b>410</b>



## Cowra Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 14. 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.

## Cowra Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2020

**Note 15. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors****(a) Nature and purpose of reserves****Infrastructure, property, plant and equipment revaluation reserve**

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

**(b) Changes in accounting policies due to adoption of new accounting standards (not-retrospective)**

During the year ended 30 June 2020, the Council has adopted AASB 15 *Revenue from Contracts with Customers*, AASB 1058 *Income of Not-for-profit Entities* and AASB 16 *Leases* using the modified retrospective (cumulative catch-up) method and therefore the comparative information for the year ended 30 June 2019 has not been restated and continues to comply with AASB 111 *Construction Contracts*, AASB 117 *Leases*, AASB 118 *Revenue*, AASB 1004 *Contributions* and associated Accounting Interpretations.

All adjustments on adoption of AASB 15 and AASB 1058 have been taken to retained earnings at 1 July 2019.

The impacts of adopting these standards and associated transition disclosures are provided below:

**(ii) AASB 15 and AASB 1058**

The following approach has been applied on transition to AASB 15 and AASB 1058:

- Council has not adopted the completed contract expedient and therefore has not excluded revenue which was fully recognised in previous years in accordance with the former accounting standards and pronouncements
- Council has retrospectively restated contracts for modifications that occurred before 1 July 2019 unless such contract modification were minor.

**Transfer of control to a customer – over time or at a point in time**

AASB 15 has specific criteria regarding whether control is transferred over time or at a point in time. The entity has reviewed its contracts and concluded that the criteria for recognition over time is not met in some circumstances. In such cases, revenue and related production costs will be recognised at the delivery of each separate performance obligation instead of over the contract using a single margin.

**Principal v agent**

Prior to adoption of AASB 15, the Council had assessed that they were a principal in transactions where another party was involved in providing the goods or services including pass-through grants.

Under AASB 15, the indicators of a principal have changed and there are now a number of performance obligations within grant agreements where the Council is acting as an agent since the only obligation is to transfer the funds to a third party. The result is that Council can only recognise the “commission” to which they are entitled rather than the gross revenue and expenses. There is no change to reported profit.

**Licences**

Council has reviewed the licences it grants and considers that all licences are either short-term or low value and elects to recognise all revenue from licences up-front rather than spreading them over the life of the licence.

**Prepaid rates**

Under AASB 1004, rates were recorded as revenue at the earliest of receipt of the funds from the ratepayer and the beginning of the rating period. Under AASB 1058, prepaid rates are recognised as a financial liability until the beginning of the rating period.

**Grants – operating**

Under AASB 1004, most grant income was recognised as revenue on receipt. Under AASB 15, where an agreement is enforceable and contains sufficiently specific performance obligations, the revenue is either recognised over time as the work is performed, or recognised at the point in time that the control of the services passes to the customer.

## Cowra Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2020

#### Note 15. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)

##### Grants – capital

Under AASB 1004, most grant monies were recorded as revenue on receipt. Under AASB 1058, where Council has received assets (including cash) to acquire or construct a non-financial asset, the asset is to be controlled by Council and the contract is enforceable, then the asset is recognised as a contract liability on receipt and recorded as revenue as the performance obligation to acquire or construct the asset is completed.

##### Changes in presentation

In addition to the above changes in accounting policies, the Council has also amended the presentation of certain items to align them with the requirements of AASB 15 and AASB 1058:

- Additional line items of contract assets and contract liabilities have been created.

\$ '000	<b>Balance at 1 July 2019</b>
<b>Opening contract balances at 1 July 2019</b>	
<b>Contract liabilities</b>	
– Under AASB 15	136
– Under AASB 1058	377
<b>Total Contract liabilities</b>	<b>513</b>

## Cowra Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2020

#### Note 15. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)

##### Comparison of financial statement line items under AASB 15 compared to previous standards for the current year

The following tables show the impact of adopting AASB 15 and AASB 1058 on the Council's financial statements for the year ended 30 June 2020.

##### Statement of Financial Position

\$ '000	Carrying amount per Statement of Financial Position under AASB 15 and AASB 1058	Reclassific- ation	Remeasur- ement	Carrying amount under previous revenue standards	Notes
<b>Current assets</b>					
Cash and cash equivalents	6,169	–	–	6,169	
Investments	25,286	–	–	25,286	
Receivables	5,312	523	–	5,835	
Inventories	1,827	–	–	1,827	
Contract assets	523	(523)	–	–	
<b>Total current assets</b>	<b>39,117</b>	<b>–</b>	<b>–</b>	<b>39,117</b>	
<b>Current liabilities</b>					
Payables	2,912	–	–	2,912	
Contract liabilities	1,051	–	(1,051)	–	
Borrowings	1,309	–	–	1,309	
Provisions	4,964	–	–	4,964	
<b>Total current liabilities</b>	<b>10,236</b>	<b>–</b>	<b>(1,051)</b>	<b>9,185</b>	
<b>Non-current assets</b>					
Inventories	148	–	–	148	
Infrastructure, property, plant and equipment	599,267	–	–	599,267	
Other	174	–	–	174	
<b>Total non-current assets</b>	<b>599,589</b>	<b>–</b>	<b>–</b>	<b>599,589</b>	
<b>Non-current liabilities</b>					
Borrowings	16,683	–	–	16,683	
Provisions	625	–	–	625	
<b>Total Non-current liabilities</b>	<b>17,308</b>	<b>–</b>	<b>–</b>	<b>17,308</b>	
<b>Net assets</b>	<b>611,162</b>	<b>–</b>	<b>1,051</b>	<b>612,213</b>	
<b>Equity</b>					
Accumulated surplus	197,846	–	1,051	198,897	
Revaluation reserves	413,316	–	–	413,316	
<b>Council equity interest</b>	<b>611,162</b>	<b>–</b>	<b>1,051</b>	<b>612,213</b>	
<b>Total equity</b>	<b>611,162</b>	<b>–</b>	<b>1,051</b>	<b>612,213</b>	

Funds under AASB 15 and AASB 1058 which have been received prior to the satisfaction of the performance obligation.

## Cowra Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2020

#### Note 15. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)

##### Income Statement

\$ '000	Income Statement and comprehensive income under AASB 15 and AASB 1058	Reclassification	Remeasurement	Income Statement and comprehensive income under previous revenue standards	Notes
<u>Income from continuing operations</u>					
Rates and annual charges	13,927	–	–	13,927	
User charges and fees	11,165	–	–	11,165	
Other revenues	1,871	–	–	1,871	
Grants and contributions provided for operating purposes	7,806	–	469	8,275	
Grants and contributions provided for capital purposes	2,616	–	582	3,198	
Interest and investment income	669	–	–	669	
Net gains from the disposal of assets	702	–	–	702	
Rental income	154	–	–	154	
<b>Total Income from continuing operations</b>	<b>38,910</b>	<b>–</b>	<b>1,051</b>	<b>39,961</b>	
<u>Expenses from continuing operations</u>					
Employee benefits and on-costs	14,806	–	–	14,806	
Borrowing costs	1,146	–	–	1,146	
Materials and contracts	7,553	–	–	7,553	
Depreciation and amortisation	7,094	–	–	7,094	
Other expenses	3,921	–	–	3,921	
<b>Total Expenses from continuing operations</b>	<b>34,520</b>	<b>–</b>	<b>–</b>	<b>34,520</b>	
<b>Total Operating result from continuing operations</b>	<b>4,390</b>	<b>–</b>	<b>1,051</b>	<b>5,441</b>	
<b>Net operating result for the year</b>	<b>4,390</b>	<b>–</b>	<b>1,051</b>	<b>5,441</b>	
<b>Total comprehensive income</b>	<b>13,328</b>	<b>–</b>	<b>1,051</b>	<b>14,379</b>	

Difference in revenue between recognition on receipt under the old standards and as/when performance obligations are met under the new standards.

#### Adjustments to the current year figures for the year ended 30 June 2020

##### Statement of Financial Position

\$ '000	Original Balance 1 July, 2019	Impact Increase/ (decrease)	Restated Balance 1 July, 2019
<b>Total assets</b>	<b>623,061</b>	<b>–</b>	<b>623,061</b>
Contract liabilities	–	513	513
<b>Total liabilities</b>	<b>24,714</b>	<b>513</b>	<b>25,227</b>

**Cowra Shire Council**

**Notes to the Financial Statements**

for the year ended 30 June 2020

**Note 15. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)**

\$ '000	Original Balance 1 July, 2019	Impact Increase/ (decrease)	Restated Balance 1 July, 2019
Accumulated surplus	193,969	(513)	193,456
<b>Total equity</b>	<b>598,347</b>	<b>(513)</b>	<b>597,834</b>

**(iii) AASB 16 Leases**

**Council as a lessee**

Under AASB 117, Council assessed whether leases were operating or finance leases, based on its assessment of whether the significant risks and rewards of ownership had been transferred to Council or remained with the lessor. Under AASB 16, there is no differentiation between finance and operating leases for the lessee and therefore all leases which meet the definition of a lease are recognised on the statement of financial position (except for short-term leases and leases of low-value assets).

Council has used the exception to lease accounting for short-term leases and leases of low-value assets, and the lease expense relating to these leases is recognised in the Income Statement on a straight-line basis.

**Financial statement impact of adoption of AASB 16**

Council has made no adjustment for leases as at 1 July 2019 as the commitments are for IT and Survey equipment which are low value or short term leases.

\$ '000	Balance at 1 July 2019
<b>Operating lease commitments at 30 June 2019 per Council financial statements</b>	<b>170</b>

**Reconciliation of lease liabilities recognised on adoption of AASB 16 Leases**

<b>Operating lease commitments discounted using the incremental borrowing rate at 1 July 2019</b>	<b>170</b>
Short-term leases included in commitments note	(9)
Leases for low-value assets included in commitments note	(161)
<b>Lease liabilities recognised at 1 July 2019</b>	<b>—</b>

**Council as a lessor**

For the arrangements where Council is a lessor, there are no significant accounting policy changes on adoption of AASB 16 except for sub-leases, which have now been classified in relation to the right-of-use asset under the head lease rather than the underlying asset.

## Cowra Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2020

#### Note 16. Statement of cash flow information

\$ '000	Notes	2020	2019
<b>(a) Reconciliation of cash and cash equivalents</b>			
Total cash and cash equivalents per Statement of Financial Position	7(a)	6,169	6,314
<b>Balance as per the Statement of Cash Flows</b>		<b>6,169</b>	<b>6,314</b>
<b>(b) Reconciliation of net operating result to cash provided from operating activities</b>			
<b>Net operating result from Income Statement</b>		4,390	4,289
<b>Adjust for non-cash items:</b>			
Depreciation and amortisation		7,094	6,932
Net losses/(gains) on disposal of assets		(702)	(1,202)
Non-cash capital grants and contributions		(60)	–
Adoption of AASB 15/1058		(513)	–
Amortisation of premiums, discounts and prior period fair valuations			
– Interest on all fair value adjusted interest free advances made by Council		(33)	(31)
Unwinding of discount rates on reinstatement provisions		24	23
<b>+/- Movement in operating assets and liabilities and other cash items:</b>			
Decrease/(increase) in receivables		(704)	2,120
Decrease/(increase) in inventories		(271)	(66)
Decrease/(increase) in contract assets		(523)	–
Increase/(decrease) in payables		(900)	873
Increase/(decrease) in accrued interest payable		4	(8)
Increase/(decrease) in other accrued expenses payable		127	3
Increase/(decrease) in other liabilities		628	65
Increase/(decrease) in contract liabilities		1,051	–
Increase/(decrease) in provision for employee benefits		593	159
Increase/(decrease) in other provisions		–	(136)
<b>Net cash provided from/(used in) operating activities from the Statement of Cash Flows</b>		<b>10,205</b>	<b>13,021</b>

## Cowra Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2020

#### Note 17. Interests in other entities

##### Unconsolidated structured entities

Council did not consolidate the following structured entities:

\$ '000	2020	2019
---------	------	------

##### **Cowra Tourism**

Council contributes to the operation of Cowra Tourism and has an agreement to provide financial support. The agreement expires on 30 June 2022.

##### **Nature of risks relating to the Unconsolidated Structured Entity**

Council currently contributes \$307,710 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	307	300
--	-----	-----



## Cowra Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2020

#### Note 18. Commitments

\$ '000	2020	2019
---------	------	------

#### (a) Capital commitments (exclusive of GST)

Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:

##### Property, plant and equipment

Road infrastructure	1,357	–
<b>Total commitments</b>	<b>1,357</b>	<b>–</b>

##### These expenditures are payable as follows:

Within the next year	1,357	–
<b>Total payable</b>	<b>1,357</b>	<b>–</b>

##### Sources for funding of capital commitments:

Unrestricted general funds	127	–
Future grants and contributions	1,128	–
Unexpended loans	102	–
<b>Total sources of funding</b>	<b>1,357</b>	<b>–</b>

##### Details of capital commitments

Commitments consist of:

- Contract with ActivEnergy Pty Ltd for reconstruction of the CBD footpath
- Contract with Dearnu Constructions Pty Ltd for replacement of Bangaroo Bridge

\$ '000	2020	2019
---------	------	------

#### (b) Non-cancellable operating lease commitments (2019 only)

##### a. Commitments under non-cancellable operating leases at the reporting date, but not recognised as liabilities are payable:

Within the next year	–	87
Later than one year and not later than 5 years	–	83
<b>Total non-cancellable operating lease commitments</b>	<b>–</b>	<b>170</b>

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

Refer to Note 15 for information relating to leases for 2020.

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.

## Cowra Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 19. Contingencies

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 future service 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 2019 to 30 June 2021, apportioned according to each employer's share of the accrued liabilities as at 30 June 2019. 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 2020 was \$ 229,333. The last valuation of the Scheme was performed by Mr Richard Boyfield, FIAA as at 30 June 2019.

## Cowra Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2020

#### Note 19. Contingencies (continued)

The amount of additional contributions included in the total employer contribution advised above is \$109,600. Council's expected contribution to the plan for the next annual reporting period is \$225,417

The estimated employer reserves financial position for the Pooled Employers at 30 June 2020 is:

Employer reserves only *	\$millions	Asset Coverage
Assets	1,695.2	
Past Service Liabilities	1,773.2	95.6%
Vested Benefits	1,757.5	96.5%

\* 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 0.27%.

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.

## Cowra Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2020

#### Note 19. Contingencies (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.

## Cowra Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2020

#### Note 20. 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.

## Cowra Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2020

#### Note 20. 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
<b>2020</b>				
Possible impact of a 1% movement in interest rates	314	314	(314)	(314)
<b>2019</b>				
Possible impact of a 1% movement in interest rates	306	306	(306)	(306)

##### (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
<b>2020</b>						
Gross carrying amount	628	997	334	262	72	2,293
<b>2019</b>						
Gross carrying amount	387	658	241	166	67	1,519

## Cowra Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2020

#### Note 20. Financial risk management (continued)

##### 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 2020 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
<b>2020</b>						
Gross carrying amount	2,665	215	71	40	41	3,032
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	31.70%	0.43%
<b>ECL provision</b>	-	-	-	-	13	13
<b>2019</b>						
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%
<b>ECL provision</b>	-	-	-	-	13	13

##### (c) Liquidity risk

Payables, lease liabilities 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 for non-lease liabilities 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: ≤ 1 Year	1 - 5 Years	> 5 Years	Total cash outflows	Actual carrying values
<b>2020</b>							
Trade/other payables	0.00%	469	1,846	-	-	2,315	2,315
Loans and advances	5.65%	-	2,405	8,798	17,448	28,651	17,992
<b>Total financial liabilities</b>		<b>469</b>	<b>4,251</b>	<b>8,798</b>	<b>17,448</b>	<b>30,966</b>	<b>20,307</b>
<b>2019</b>							
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
<b>Total financial liabilities</b>		<b>438</b>	<b>4,865</b>	<b>8,831</b>	<b>16,725</b>	<b>30,859</b>	<b>19,742</b>

## Cowra Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2020

#### Note 21. Material budget variations

Council's original financial budget for 19/20 was adopted by the Council on 24/06/2019 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	2020 Budget	2020 Actual	2020 ----- Variance -----	
---------	----------------	----------------	------------------------------	--

#### REVENUES

<b>Operating grants and contributions</b>	<b>6,414</b>	<b>7,806</b>	<b>1,392</b>	<b>22%</b>	<b>F</b>
---	--------------	--------------	--------------	------------	----------

Council received additional grant funding for;

- Roads to Recovery - \$717,022 due to commencement of a new program and additional funding due to drought conditions.
- Financial Assistance Grant - \$219,185.
- Handover of Wyangala Sewer to Council - \$213,558.

<b>Net gains from disposal of assets</b>	<b>793</b>	<b>702</b>	<b>(91)</b>	<b>(11)%</b>	<b>U</b>
--	------------	------------	-------------	--------------	----------

Council did not achieve the budgeted sales for the airport land.

#### EXPENSES

<b>Materials and contracts</b>	<b>8,608</b>	<b>7,553</b>	<b>1,055</b>	<b>12%</b>	<b>F</b>
--------------------------------	--------------	--------------	--------------	------------	----------

Council's budget is based on a "normal" mix of self-constructed and contract works. The process of calling and accepting tenders during the year can impact significantly on the mix, resulting in the variation of this item.

#### STATEMENT OF CASH FLOWS

<b>Cash flows from investing activities</b>	<b>(14,633)</b>	<b>(11,653)</b>	<b>2,980</b>	<b>(20)%</b>	<b>F</b>
---	-----------------	-----------------	--------------	--------------	----------

Council did not complete a number of capital works projects resulting in reduced cash outflows.

<b>Cash flows from financing activities</b>	<b>2,026</b>	<b>1,303</b>	<b>(723)</b>	<b>(36)%</b>	<b>U</b>
---	--------------	--------------	--------------	--------------	----------

Loan funding was reduced by \$750,000 due to grant funding being received for the CBD Footpath Redevelopment.



## Cowra Shire Council

### Notes to the Financial Statements for the year ended 30 June 2020

#### Note 22. 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

2020	Date of latest valuation	Fair value measurement hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
<b>Recurring fair value measurements</b>					
<b>Infrastructure, property, plant and equipment</b>					
Plant and equipment	30/06/20	–	–	6,605	6,605
Office furniture	30/06/20	–	–	85	85
Furniture and fittings	30/06/20	–	–	13	13
Operational land	30/06/20	–	1,729	3,902	5,631
Community land	30/06/16	–	–	14,468	14,468
Buildings	30/06/18	–	595	17,346	17,941
Roads	30/06/20	–	–	98,479	98,479
Bridges	30/06/20	–	–	21,686	21,686
Footpaths	30/06/20	–	–	7,127	7,127
Other Road Assets	30/06/20	–	–	1,857	1,857
Bulk earthworks	30/06/20	–	–	289,732	289,732
Stormwater drainage	30/06/20	–	–	26,123	26,123
Water supply	30/06/17	–	–	63,473	63,473
Sewerage network	30/06/17	–	–	28,601	28,601
Swimming pools	30/06/16	–	–	860	860
Other recreational assets	30/06/16	–	–	1,825	1,825
Other assets	30/06/16	–	–	5,417	5,417
Quarry assets	30/06/20	–	–	87	87
Aerodrome	30/06/20	–	–	3,411	3,411
Work in Progress	30/06/20	–	–	5,846	5,846
<b>Total infrastructure, property, plant and equipment</b>		<b>–</b>	<b>2,324</b>	<b>596,943</b>	<b>599,267</b>

## Cowra Shire Council

### Notes to the Financial Statements for the year ended 30 June 2020

#### Note 22. Fair Value Measurement (continued)

2019	Date of latest valuation	Fair value measurement hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
<b>Recurring fair value measurements</b>					
<b>Infrastructure, property, plant and equipment</b>					
Plant and equipment	30/06/19	–	–	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
Aerodrome		–	–	–	–
Work in Progress	30/06/19	–	–	1,447	1,447
<b>Total infrastructure, property, plant and equipment</b>		<b>–</b>	<b>2,283</b>	<b>583,569</b>	<b>585,852</b>

#### (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.

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

Valuation Techniques: 'Cost approach'

## Cowra Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2020

## Note 22. Fair Value Measurement (continued)

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.

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

Valuation Techniques: 'Cost approach'

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

Council's buildings were valued at fair value as at 30th June 2018 in accordance with Compiled Accounting Standard AASB116 Property, Plant and Equipment, the guidance contained in the NSW Treasury Accounting Policy tpp 07-1 and the NSW Department of Local Government Guidelines. 'Fair value' is the best estimate of the price reasonably obtainable in the market at the date of valuation. As defined in AASB 116, it is "the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction".

Council's Buildings were valued by Australis Asset Advisory Group as at 30 June 2018. Australis provided a valuation for each building based on applying a unit rate to a structure or a square metre rate to a building, based on its current replacement cost, which is the lowest cost of replacing the economic benefits of the existing asset using modern technology.

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

**Roads** – Road surface, pavement, formation, major earthworks

## Cowra Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2020

#### Note 22. Fair Value Measurement (continued)

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 30 June 2020 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 30 June 2020 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 30 June 2020 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 30 June 2020 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.

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'

## Cowra Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2020

#### Note 22. Fair Value Measurement (continued)

---

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.

## Cowra Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2020

#### Note 22. 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
<b>2019</b>	
<b>Opening balance</b>	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
<b>Closing balance</b>	<b>583,569</b>
<b>2020</b>	
<b>Opening balance</b>	583,569
Transfers from/(to) another asset class	(42)
Purchases (GBV)	11,638
Disposals (WDV)	(88)
Depreciation and impairment	(7,072)
FV gains – other comprehensive income	8,938
<b>Closing balance</b>	<b>596,943</b>

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

The following table summarises the quantitative information relating to the significant unobservable inputs used in deriving the various level 3 asset class fair values.

\$ '000	Fair value (30/6/20)	Valuation technique/s	Unobservable inputs
<b>Infrastructure, property, plant and equipment</b>			
Plant and equipment	6,605	Cost used to approximate fair value	Gross replacement cost, residual value, remaining useful life
Office furniture	85	Cost used to approximate fair value	Gross replacement cost, residual value, remaining useful life
Furniture and fittings	13	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	17,346	Cost used to approximate fair value	Unit rates, asset condition, remaining useful life
Roads	98,479	Cost used to approximate fair value	Unit rates, asset condition, remaining useful life
Bridges	21,686	Cost used to approximate fair value	Unit rates, asset condition, remaining useful life
Footpaths	7,127	Cost used to approximate fair value	Unit rates, asset condition, remaining useful life
Other Road Assets	1,857	Cost used to approximate fair value	Unit rates, asset condition, remaining useful life
Bulk earthworks	289,732	Cost used to approximate fair value	Unit rates, asset condition, remaining useful life
Stormwater drainage	26,123	Cost used to approximate fair value	Unit rates, asset condition, remaining useful life

## Cowra Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2020

#### Note 22. Fair Value Measurement (continued)

\$ '000	Fair value (30/6/20)	Valuation technique/s	Unobservable inputs
Water supply	63,473	NSW Reference Rates Manual	Unit rates, asset condition, remaining useful life
Sewerage network	28,601	NSW Reference Rates Manual	Unit rates, asset condition, remaining useful life
Swimming pools	860	Cost used to approximate fair value	Gross replacement cost, asset condition, remaining useful life
Other recreational assets	1,825	Cost used to approximate fair value	Gross replacement cost, asset condition, remaining useful life
Aerodrome	3,411	Cost used to approximate fair value	Gross replacement cost, residual value, remaining useful life
Other assets	5,417	Cost used to approximate fair value	Gross replacement cost, asset condition, remaining useful life
Quarry assets	87	Cost used to approximate fair value	Discounted Future Cash Flow, remaining life, remediation cost estimates
Work in Progress	5,846	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.

## Cowra Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2020

#### Note 23. Related party disclosures

##### (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	2020	2019
<b>Compensation:</b>		
Short-term benefits	977	968
Other long-term benefits	18	99
<b>Total</b>	<b>995</b>	<b>1,067</b>

##### (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
<b>2020</b>					
Employee expenses relating to close family members of KMP	61	9	Council staff award	-	-
<b>2019</b>					
Employee expenses relating to close family members of KMP	55	7	Council staff award	-	-

Council owes \$8,717 for 10 days payroll and accrued leave balances.



Cowra Shire Council

Notes to the Financial Statements  
for the year ended 30 June 2020

Note 24. 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 30/06/19						as at 30/06/20	
	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					
Roads	–	2	–	–	(2)	–	–	–
Parking	11	–	–	–	(11)	–	–	–
Community facilities	4	2	–	–	(6)	–	–	–
Other	96	14	–	1	(77)	–	34	–
Bushfire	–	–	–	–	–	–	–	–
<b>S7.11 contributions – under a plan</b>	<b>111</b>	<b>18</b>	<b>–</b>	<b>1</b>	<b>(96)</b>	<b>–</b>	<b>34</b>	<b>–</b>
<b>S7.12 levies – under a plan</b>	<b>108</b>	<b>99</b>	<b>–</b>	<b>2</b>	<b>(52)</b>	<b>–</b>	<b>157</b>	<b>–</b>
<b>Total S7.11 and S7.12 revenue under plans</b>	<b>219</b>	<b>117</b>	<b>–</b>	<b>3</b>	<b>(148)</b>	<b>–</b>	<b>191</b>	<b>–</b>
S64 contributions	–	54	–	–	(54)	–	–	–
<b>Total contributions</b>	<b>219</b>	<b>171</b>	<b>–</b>	<b>3</b>	<b>(202)</b>	<b>–</b>	<b>191</b>	<b>–</b>

S7.11 Contributions – under a plan

CONTRIBUTION PLAN NUMBER – COWRA SHIRE COUNCIL

Roads	–	2	–	–	(2)	–	–	–
Parking	11	–	–	–	(11)	–	–	–
Community facilities	4	2	–	–	(6)	–	–	–
Other	96	14	–	1	(77)	–	34	–
<b>Total</b>	<b>111</b>	<b>18</b>	<b>–</b>	<b>1</b>	<b>(96)</b>	<b>–</b>	<b>34</b>	<b>–</b>

Cowra Shire Council

Notes to the Financial Statements  
for the year ended 30 June 2020

Note 24. Statement of developer contributions (continued)

	as at 30/06/19			Interest earned in year	Expenditure during year	Internal borrowing (to)/from	as at 30/06/20	
	Opening Balance	Contributions received during the year	Cumulative internal borrowings due/(payable)				Held as restricted asset	
\$ '000		Cash	Non-cash					
<b>S7.12 Levies – under a plan</b>								
<b>CONTRIBUTION PLAN NUMBER – COWRA SHIRE COUNCIL</b>								
Other	108	99	–	2	(52)	–	157	–
<b>Total</b>	<b>108</b>	<b>99</b>	<b>–</b>	<b>2</b>	<b>(52)</b>	<b>–</b>	<b>157</b>	<b>–</b>

## Cowra Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2020

#### Note 25. Result by fund

\$ '000	General <sup>1</sup> 2020	Water 2020	Sewer 2020
<b>Income Statement by fund</b>			
<b>Income from continuing operations</b>			
Rates and annual charges	9,530	1,695	2,702
User charges and fees	5,182	5,214	769
Interest and investment revenue	578	37	54
Other revenues	723	904	244
Grants and contributions provided for operating purposes	7,454	138	214
Grants and contributions provided for capital purposes	2,488	94	34
Net gains from disposal of assets	702	–	–
Rental income	154	–	–
<b>Total income from continuing operations</b>	<b>26,811</b>	<b>8,082</b>	<b>4,017</b>
<b>Expenses from continuing operations</b>			
Employee benefits and on-costs	13,350	1,091	365
Borrowing costs	283	338	525
Materials and contracts	2,511	3,449	1,593
Depreciation and amortisation	4,429	1,935	730
Other expenses	2,941	787	193
<b>Total expenses from continuing operations</b>	<b>23,514</b>	<b>7,600</b>	<b>3,406</b>
<b>Operating result from continuing operations</b>	<b>3,297</b>	<b>482</b>	<b>611</b>
<b>Net operating result for the year</b>	<b>3,297</b>	<b>482</b>	<b>611</b>
<b>Net operating result attributable to each council fund</b>	<b>3,297</b>	<b>482</b>	<b>611</b>
<b>Net operating result for the year before grants and contributions provided for capital purposes</b>	<b>809</b>	<b>388</b>	<b>577</b>

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.

## Cowra Shire Council

### Notes to the Financial Statements for the year ended 30 June 2020

#### Note 25. Result by fund (continued)

\$ '000	General <sup>1</sup> 2020	Water 2020	Sewer 2020
<b>Statement of Financial Position by fund</b>			
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	2,495	1,869	1,805
Investments	12,600	5,000	7,686
Receivables	2,291	2,184	837
Inventories	1,827	–	–
Contract assets	523	–	–
<b>Total current assets</b>	<b>19,736</b>	<b>9,053</b>	<b>10,328</b>
<b>Non-current assets</b>			
Inventories	148	–	–
Infrastructure, property, plant and equipment	503,885	64,910	30,472
Other	174	–	–
<b>Total non-current assets</b>	<b>504,207</b>	<b>64,910</b>	<b>30,472</b>
<b>TOTAL ASSETS</b>	<b>523,943</b>	<b>73,963</b>	<b>40,800</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	2,638	220	54
Contract liabilities	1,051	–	–
Borrowings	610	568	131
Provisions	4,585	331	48
<b>Total current liabilities</b>	<b>8,884</b>	<b>1,119</b>	<b>233</b>
<b>Non-current liabilities</b>			
Borrowings	5,695	4,743	6,245
Provisions	625	–	–
<b>Total non-current liabilities</b>	<b>6,320</b>	<b>4,743</b>	<b>6,245</b>
<b>TOTAL LIABILITIES</b>	<b>15,204</b>	<b>5,862</b>	<b>6,478</b>
<b>Net assets</b>	<b>508,739</b>	<b>68,101</b>	<b>34,322</b>
<b>EQUITY</b>			
Accumulated surplus	156,992	17,649	23,205
Revaluation reserves	351,747	50,452	11,117
<b>Council equity interest</b>	<b>508,739</b>	<b>68,101</b>	<b>34,322</b>
<b>Total equity</b>	<b>508,739</b>	<b>68,101</b>	<b>34,322</b>

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.

## Cowra Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2020

#### Note 26(a). Statement of performance measures – consolidated results

\$ '000	Amounts 2020	Indicator 2020	Prior periods		Benchmark
			2019	2018	
<b>1. Operating performance ratio</b>					
Total continuing operating revenue excluding capital grants and contributions less operating expenses <sup>1,2</sup>	<b>1,072</b>	<b>3.01%</b>	5.30%	8.14%	>0.00%
Total continuing operating revenue excluding capital grants and contributions <sup>1</sup>	<b>35,592</b>				
<b>2. Own source operating revenue ratio</b>					
Total continuing operating revenue excluding all grants and contributions <sup>1</sup>	<b>27,786</b>	<b>72.72%</b>	76.11%	77.73%	>60.00%
Total continuing operating revenue <sup>1</sup>	<b>38,208</b>				
<b>3. Unrestricted current ratio</b>					
Current assets less all external restrictions	<b>16,554</b>	<b>4.21x</b>	4.19x	4.57x	>1.50x
Current liabilities less specific purpose liabilities	<b>3,933</b>				
<b>4. Debt service cover ratio</b>					
Operating result before capital excluding interest and depreciation/impairment/amortisation <sup>1</sup>	<b>9,312</b>	<b>4.06x</b>	4.05x	4.13x	>2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	<b>2,293</b>				
<b>5. Rates, annual charges, interest and extra charges outstanding percentage</b>					
Rates, annual and extra charges outstanding	<b>2,293</b>	<b>14.73%</b>	10.43%	9.01%	<10.00%
Rates, annual and extra charges collectible	<b>15,571</b>				
<b>6. Cash expense cover ratio</b>					
Current year's cash and cash equivalents plus all term deposits	<b>31,455</b>	<b>11.97</b>	11.59	10.60	>3.00
Monthly payments from cash flow of operating and financing activities	<b>2,629</b>	<b>mths</b>	mths	mths	mths

(1) Excludes fair value increments on investment properties, reversal of revaluation decrements, reversal of impairment losses on receivables, net gain on sale of assets and net share of interests in joint ventures and associates using the equity method and includes pensioner rate subsidies

(2) Excludes impairment/revaluation decrements of IPPE, fair value decrements on investment properties, net loss on disposal of assets and net loss on share of interests in joint ventures and associates using the equity method

## Cowra Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2020

#### Note 26(b). Statement of performance measures – by fund

\$ '000	General Indicators <sup>3</sup>		Water Indicators		Sewer Indicators		Benchmark
	2020	2019	2020	2019	2020	2019	
<b>1. Operating performance ratio</b>							
Total continuing operating revenue excluding capital grants and contributions less operating expenses <sup>1,2</sup>	<b>0.45%</b>	4.80%	<b>4.86%</b>	3.82%	<b>14.49%</b>	11.91%	>0.00%
Total continuing operating revenue excluding capital grants and contributions <sup>1</sup>							
<b>2. Own source operating revenue ratio</b>							
Total continuing operating revenue excluding capital grants and contributions <sup>1</sup>	<b>61.92%</b>	67.08%	<b>97.13%</b>	97.29%	<b>93.83%</b>	95.59%	>60.00%
Total continuing operating revenue <sup>1</sup>							
<b>3. Unrestricted current ratio</b>							
Current assets less all external restrictions	<b>4.21x</b>	4.10x	<b>8.09x</b>	9.16x	<b>44.33x</b>	42.80x	>1.50x
Current liabilities less specific purpose liabilities							
<b>4. Debt service cover ratio</b>							
Operating result before capital excluding interest and depreciation/impairment/amortisation <sup>1</sup>	<b>6.29x</b>	6.08x	<b>3.02x</b>	2.90x	<b>2.82x</b>	2.59x	>2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)							
<b>5. Rates, annual charges, interest and extra charges outstanding percentage</b>							
Rates, annual and extra charges outstanding	<b>12.41%</b>	5.57%	<b>25.73%</b>	30.18%	<b>13.79%</b>	11.34%	<10.00%
Rates, annual and extra charges collectible							
<b>6. Cash expense cover ratio</b>							
Current year's cash and cash equivalents plus all term deposits	<b>8.03</b>	7.97	<b>13.29</b>	12.25	<b>40.70</b>	41.34	>3.00
Payments from cash flow of operating and financing activities	<b>mths</b>	mths	<b>mths</b>	mths	<b>mths</b>	mths	mths

(1) - (2) Refer to Notes at Note 31a above.

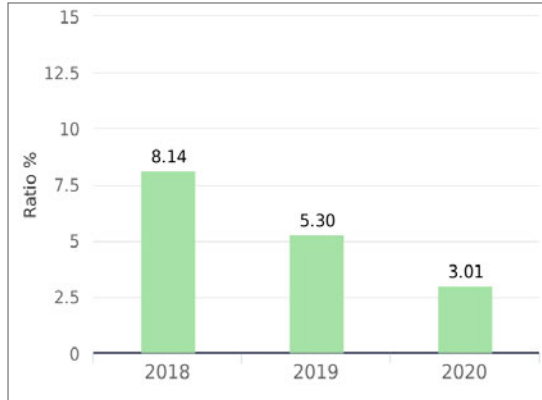
(3) General fund refers to all of Council's activities except for its water and sewer activities which are listed separately.

Cowra Shire Council

Notes to the Financial Statements  
for the year ended 30 June 2020

Note 26(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 2019/20 result

2019/20 ratio 3.01%

Council's Operating Performance Ratio is again very sound and has now been above the benchmark for the past 7 years.

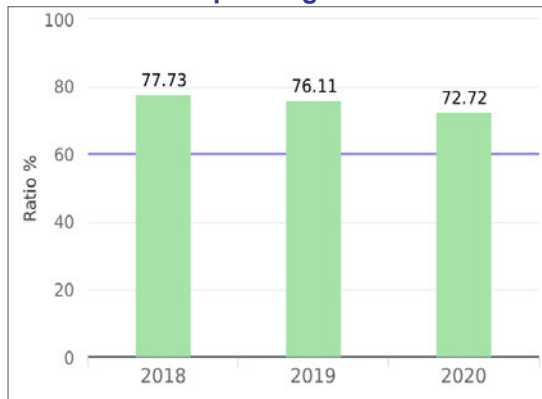
Benchmark: — > 0.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting #28

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 2019/20 result

2019/20 ratio 72.72%

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

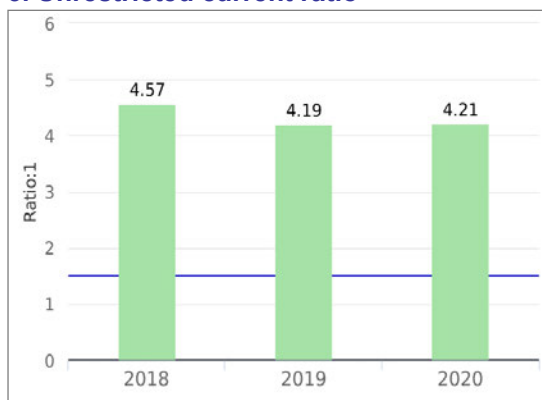
Benchmark: — > 60.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting #28

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 2019/20 result

2019/20 ratio 4.21x

The Unrestricted Current Ratio is again well above the benchmark.

Benchmark: — > 1.50x

Source of benchmark: Code of Accounting Practice and Financial Reporting #28

Ratio achieves benchmark

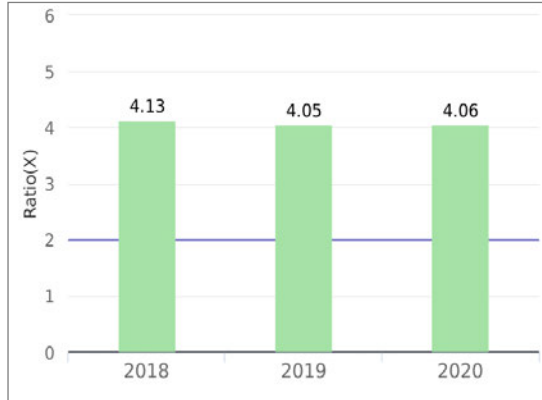
Ratio is outside benchmark

Cowra Shire Council

Notes to the Financial Statements  
for the year ended 30 June 2020

Note 26(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 2019/20 result

2019/20 ratio 4.06x

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

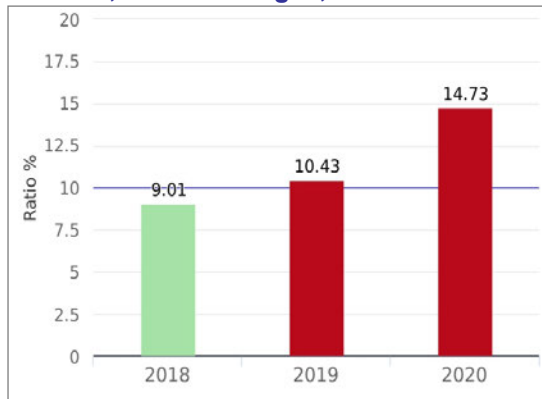
Benchmark: — > 2.00x

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting #28

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 2019/20 result

2019/20 ratio 14.73%

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. The new accounting standards where overpaid rates must now be shown as a liability has also significantly impacted the ratio.

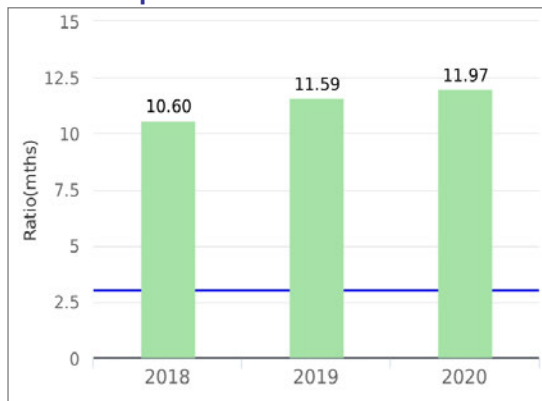
Benchmark: — < 10.00%

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting #28

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 2019/20 result

2019/20 ratio 11.97 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

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting #28

Ratio is outside benchmark



## Cowra Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2020

#### Note 27. Council information and contact details

#### Note 27. 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](http://www.cowracouncil.com.au)

**Email:** [council@cowra.nsw.gov.au](mailto: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 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 Cowra Shire Council

### Opinion

I have audited the accompanying financial statements of Cowra Shire Council (the Council), which comprise the Statement by Councillors and Management, the Income Statement and Statement of Comprehensive Income for the year ended 30 June 2020, the Statement of Financial Position as at 30 June 2020, the Statement of Changes in Equity and Statement of Cash Flows for the year then ended and notes comprising a summary of significant accounting policies and other explanatory information.

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 prepared, 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 2020, 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 (including Independence Standards)' (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 2020 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.

### **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](http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf). The description forms part of my auditor's report.

The scope of my audit does not include, nor 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 21 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

Delegate of the Auditor-General for New South Wales

3 November 2020  
SYDNEY



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

Contact: Karen Taylor  
Phone no: 02 9275 7311  
Our ref: D2025540/1718

3 November 2020

Dear Mayor

**Report on the Conduct of the Audit  
for the year ended 30 June 2020  
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 2020 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 2020 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

	2020	2019*	Variance
	\$m	\$m	%
Rates and annual charges revenue	13.9	13.5	↑ 3.0
Grants and contributions revenue	10.4	8.8	↑ 18.1
Operating result from continuing operations	4.4	4.3	↑ 2.3
Net operating result before capital grants and contributions	1.8	3.2	↓ 43.7

The Council's operating result from continuing operations (\$4.4 million including depreciation and amortisation expense of \$7.1 million) was \$0.1 million higher than the 2018–19 result.

The net operating result before capital grants and contributions (\$1.8 million) was \$1.4 million lower than the 2018–19 result.

Rates and annual charges revenue (\$13.9 million) increased by \$0.4 million (3.0 per cent) in 2019–20 due to approved rate pegging of 2.7 per cent and new development within the Council area resulting in additional rateable properties.

Revenue from user charges and fees was \$2.1 million lower than 2018–19, primarily due to less work performed by Council on State roads, which is recoverable from Transport for NSW. This was offset by reduced costs to undertake this work resulting in minimal net impact on Council's operating result.

Grants and contributions revenue (\$10.4 million) increased by \$1.6 million (18.1 per cent) in 2019–20 mainly due to recognising the following grants received:

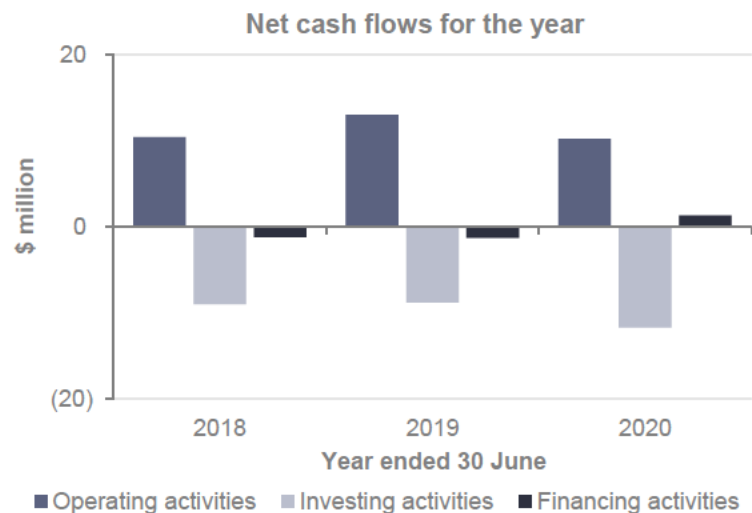
- \$0.9 million under the Drought Communities Programme
- \$0.6 million under the Building Better Regions and Growing Country Communities Programmes to the upgrade of the main street of Cowra.

## STATEMENT OF CASH FLOWS

Lower revenue from user fees and charges during the 2019–20 financial year was a key contributor to the lower level of cash flows from operating activities compared to the prior year.

Higher spending on infrastructure, property, plant and equipment led to net cash outflows for investing activities.

Council drew \$2.4 million in borrowings during the current year, which saw an increase in the net cash flows from financing activities in 2020.



## FINANCIAL POSITION

### Cash and investments

Cash and investments	2020	2019	Commentary
	\$m	\$m	
External restrictions	18.8	17.6	Most of Council's externally restricted cash remains related to water and sewer funds. The increase is due to new grant funding determined to be externally restricted.
Internal restrictions	12.3	12.6	
Unrestricted	0.4	0.4	
<b>Cash and investments</b>	<b>31.5</b>	<b>30.6</b>	Council's internally restricted cash has remained at a consistent level

### Debt

Council has an approved overdraft facility of \$0.5 million and an approved credit card facility of \$60,000. At 30 June 2020, Council had utilised \$15,000 of its approved credit card facility and none of its approved overdraft facility.

## PERFORMANCE

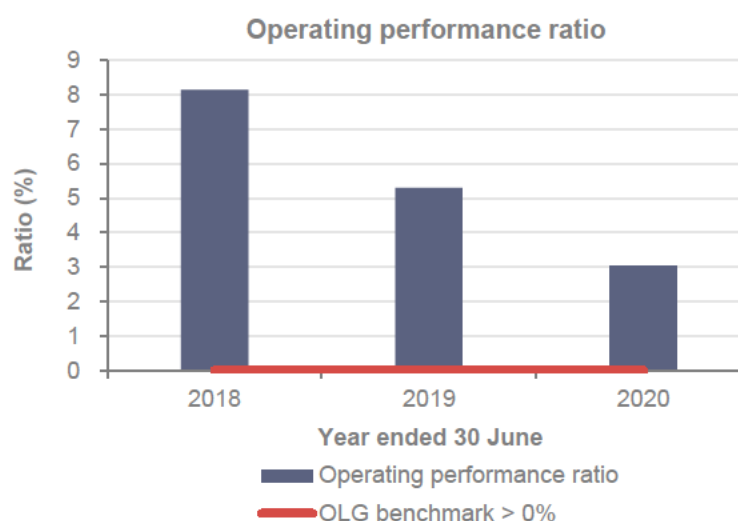
### Performance measures

The following section provides an overview of the Council's performance against the performance measures and performance benchmarks set by the Office of Local Government (OLG) within the Department of Planning, Industry and Environment.

#### Operating performance ratio

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 OLG is greater than zero per cent.

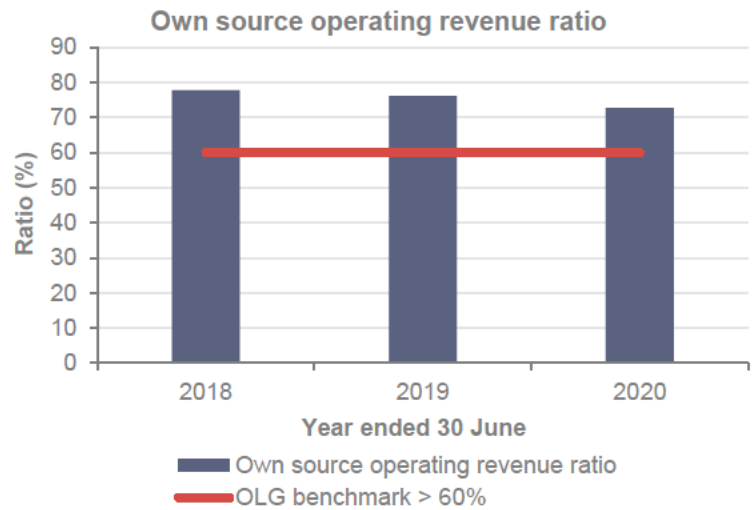
The Council exceeded the OLG benchmark for the current reporting period.



**Own source operating revenue ratio**

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

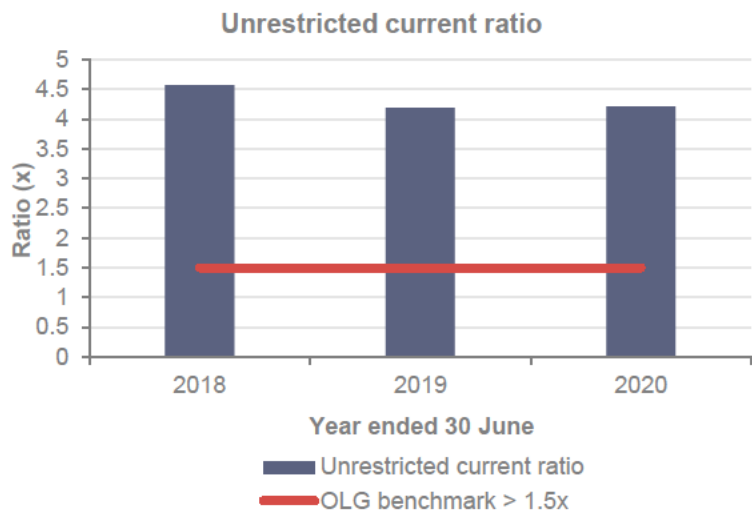
The Council exceeded the OLG benchmark for the current reporting period.



**Unrestricted current ratio**

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

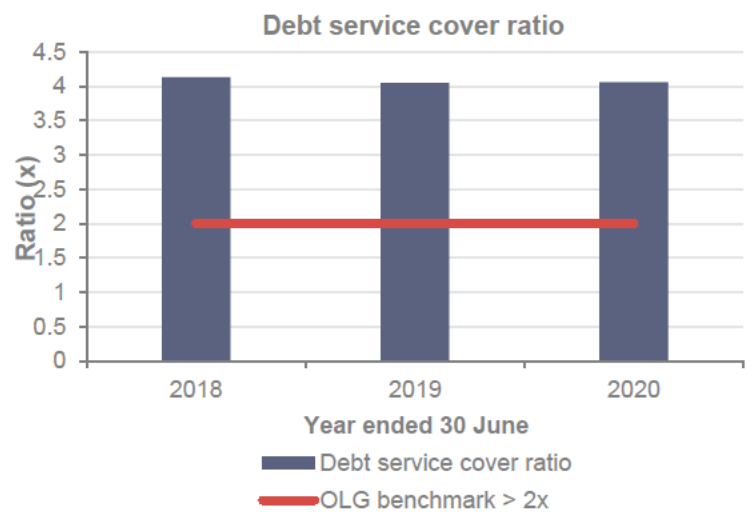
The Council exceeded the OLG benchmark for the current reporting period.



**Debt service cover ratio**

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

The Council exceeded the OLG benchmark for the current reporting period.





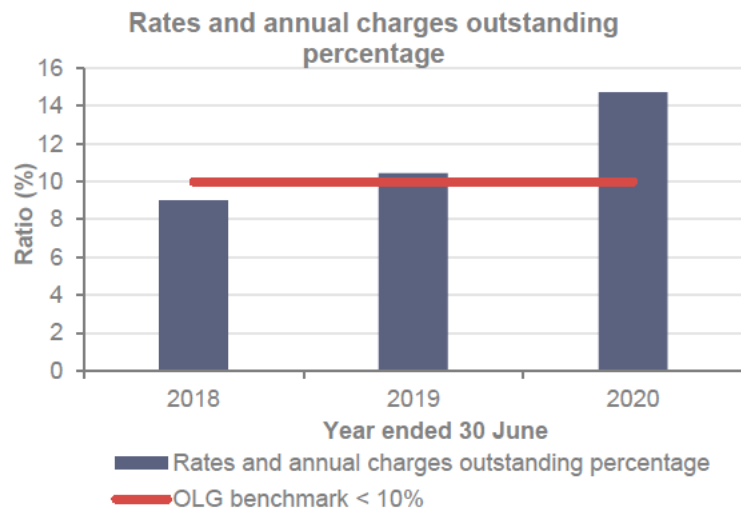
### Rates and annual charges outstanding per centage

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 OLG is less than 10 per cent for regional and rural councils.

The Council did not meet the OLG benchmark for the current reporting period. This ratio is adversely impacted each year as water billing for quarter ending 30 June is completed immediately before year end.

For the 2020 year, this ratio has also increased due to the first-time adoption of new revenue standards resulting in re-classifying rates received in advance as a liability. In prior years this was reported as a reduction in rates and annual charges receivable.

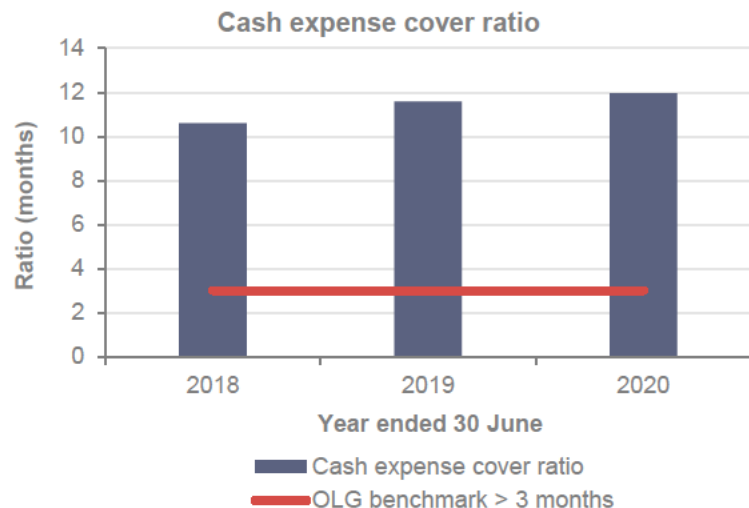
In addition, changes to legislation preventing Council from taking legal action to collect outstanding rates and charges.



### Cash expense cover ratio

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

The Council exceeded the OLG benchmark for the current reporting period.



### Infrastructure, property, plant and equipment renewals

Council has renewed \$9.0 million of assets in the 2019–20 year compared to \$5.1m in the 2018–19 year. As in prior years, the majority of this (2020: \$3.1 million, 2019: \$3.6 million) was spent on renewing roads within the Shire area which were completed during the year. Council had a further \$4.5m of renewals which were still considered work in progress at year end, of which \$3.1 million relates to the ongoing upgrade of Kendal Street in Cowra.

## OTHER MATTERS

### Impact of new accounting standards

#### **AASB 15 'Revenue from Contracts with Customers' and AASB 1058 'Income for Not-for-Profit Entities'**

The Council adopted the new accounting standards AASB 15 'Contracts with Customers' and AASB 1058 'Income of Not-for-Profit Entities' (collectively referred to as the Revenue Standards) for the first time in its 2019–20 financial statements.

AASB 15 introduces a new approach to recognising revenue based on the principle that revenue is recognised when control of a good or service transfers to a customer. AASB 15 impacts the timing and amount of revenue recorded in a councils' financial statements, particularly for grant revenue. AASB 15 also increases the amount of disclosures required.

AASB 1058 prescribes how not-for-profit entities account for transactions conducted on non-commercial terms and the receipt of volunteer services. AASB 1058 significantly impacts the timing and amount of income recorded in a councils' financial statements, particularly for grant income and rates which are paid before the commencement of the rating period.

The Council recognised a \$0.5 million adjustment to opening accumulated surplus at 1 July 2019 on adoption of the new Revenue Standards.

The Council disclosed the impact of adopting the new Revenue Standards in Note 15.

#### **AASB 16 'Leases'**

The Council adopted the new accounting standard AASB 16 'Leases' for the first time in its 2019–20 financial statements.

AASB 16 changes the way lessees treat operating leases for financial reporting. With a few exceptions, operating leases will now be recorded in the Statement of Financial Position as a right-of-use asset, with a corresponding lease liability.

AASB 16 results in lessees recording more assets and liabilities in the Statement of Financial Position and changes the timing and pattern of expenses recorded in the Income Statement.

Council determined it did not have any right-of-use assets or lease liabilities either at 1 July 2019 or at 30 June 2020 which required recognition on adoption of AASB 16.

## 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.

The Council's:

- accounting records were maintained in a manner and form that facilitated the preparation and the effective audit of the general purpose financial statements
- staff provided all accounting records and information relevant to the audit.

Karen Taylor  
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

# Cowra Shire Council

SPECIAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2020

---



## Cowra Shire Council

### Special Purpose Financial Statements for the year ended 30 June 2020

---

Contents	Page
<b>Statement by Councillors &amp; Management</b>	<b>3</b>
<b>Special Purpose Financial Statements</b>	
Income Statement – Water Supply Business Activity	4
Income Statement – Sewerage Business Activity	5
Statement of Financial Position – Water Supply Business Activity	6
Statement of Financial Position – Sewerage Business Activity	7
<b>Note 1 – Significant Accounting Policies</b>	<b>8</b>
<b>Auditor's Report on Special Purpose Financial Statements</b>	<b>11</b>

---

#### 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 2020

#### 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 28 September 2020.

  
Cr WJ West  
Mayor  
28 September 2020

  
Cr JA Smith  
Councillor  
28 September 2020

  
Mr P Devery  
General Manager  
28 September 2020

  
Mr M Jones  
Responsible Accounting Officer  
28 September 2020

**Cowra Shire Council**

**Income Statement – Water Supply Business Activity**  
for the year ended 30 June 2020

\$ '000	2020	2019
<b>Income from continuing operations</b>		
Access charges	1,695	1,641
User charges	5,138	5,084
Fees	76	65
Interest	37	28
Grants and contributions provided for non-capital purposes	138	56
Other income	904	847
<b>Total income from continuing operations</b>	<b>7,988</b>	<b>7,721</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	1,091	1,052
Borrowing costs	338	364
Materials and contracts	3,449	3,228
Depreciation, amortisation and impairment	1,935	1,889
Water purchase charges	216	262
Calculated taxation equivalents	14	15
Other expenses	571	631
<b>Total expenses from continuing operations</b>	<b>7,614</b>	<b>7,441</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>374</b>	<b>280</b>
Grants and contributions provided for capital purposes	94	92
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>468</b>	<b>372</b>
<b>Surplus (deficit) from all operations before tax</b>	<b>468</b>	<b>372</b>
Less: corporate taxation equivalent (27.5%) [based on result before capital]	(103)	(77)
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>365</b>	<b>295</b>
<b>Plus accumulated surplus</b>	<b>17,167</b>	<b>16,780</b>
<b>Plus adjustments for amounts unpaid:</b>		
– Taxation equivalent payments	14	15
– Corporate taxation equivalent	103	77
<b>Closing accumulated surplus</b>	<b>17,649</b>	<b>17,167</b>
<b>Return on capital %</b>	<b>1.1%</b>	<b>1.0%</b>
<b>Subsidy from Council</b>	<b>–</b>	<b>212</b>
<b>Calculation of dividend payable:</b>		
Surplus (deficit) after tax	365	295
Less: capital grants and contributions (excluding developer contributions)	(94)	(92)
<b>Surplus for dividend calculation purposes</b>	<b>271</b>	<b>203</b>
<b>Potential dividend calculated from surplus</b>	<b>136</b>	<b>102</b>

**Cowra Shire Council**

**Income Statement – Sewerage Business Activity**  
for the year ended 30 June 2020

\$ '000	2020	2019
<b>Income from continuing operations</b>		
Access charges	2,702	2,618
User charges	682	656
Liquid trade waste charges	87	118
Interest	54	65
Grants and contributions provided for non-capital purposes	214	–
Other income	244	246
<b>Total income from continuing operations</b>	<b>3,983</b>	<b>3,703</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	365	323
Borrowing costs	525	534
Materials and contracts	1,593	1,501
Depreciation, amortisation and impairment	730	715
Calculated taxation equivalents	9	10
Other expenses	193	189
<b>Total expenses from continuing operations</b>	<b>3,415</b>	<b>3,272</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>568</b>	<b>431</b>
Grants and contributions provided for capital purposes	34	127
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>602</b>	<b>558</b>
<b>Surplus (deficit) from all operations before tax</b>	<b>602</b>	<b>558</b>
Less: corporate taxation equivalent (27.5%) [based on result before capital]	(156)	(119)
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>446</b>	<b>439</b>
<b>Plus accumulated surplus</b>	<b>22,594</b>	<b>22,026</b>
<b>Plus adjustments for amounts unpaid:</b>		
– Taxation equivalent payments	9	10
– Corporate taxation equivalent	156	119
<b>Closing accumulated surplus</b>	<b>23,205</b>	<b>22,594</b>
<b>Return on capital %</b>	<b>3.6%</b>	<b>3.2%</b>
<b>Subsidy from Council</b>	<b>–</b>	<b>–</b>
<b>Calculation of dividend payable:</b>		
Surplus (deficit) after tax	446	439
Less: capital grants and contributions (excluding developer contributions)	(34)	(127)
<b>Surplus for dividend calculation purposes</b>	<b>412</b>	<b>312</b>
<b>Potential dividend calculated from surplus</b>	<b>206</b>	<b>156</b>



**Cowra Shire Council**

**Statement of Financial Position – Water Supply Business Activity**

as at 30 June 2020

<b>\$ '000</b>	<b>2020</b>	<b>2019</b>
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	1,869	1,347
Investments	5,000	4,825
Receivables	2,184	2,175
<b>Total current assets</b>	<b>9,053</b>	<b>8,347</b>
<b>Non-current assets</b>		
Infrastructure, property, plant and equipment	64,910	64,885
<b>Total non-current assets</b>	<b>64,910</b>	<b>64,885</b>
<b>TOTAL ASSETS</b>	<b>73,963</b>	<b>73,232</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Payables	220	83
Borrowings	568	538
Provisions	331	290
<b>Total current liabilities</b>	<b>1,119</b>	<b>911</b>
<b>Non-current liabilities</b>		
Borrowings	4,743	5,311
<b>Total non-current liabilities</b>	<b>4,743</b>	<b>5,311</b>
<b>TOTAL LIABILITIES</b>	<b>5,862</b>	<b>6,222</b>
<b>NET ASSETS</b>	<b>68,101</b>	<b>67,010</b>
<b>EQUITY</b>		
Accumulated surplus	17,649	17,167
Revaluation reserves	50,452	49,843
<b>TOTAL EQUITY</b>	<b>68,101</b>	<b>67,010</b>

**Cowra Shire Council**

**Statement of Financial Position – Sewerage Business Activity**

as at 30 June 2020

<b>\$ '000</b>	<b>2020</b>	<b>2019</b>
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	1,805	1,634
Investments	7,686	7,537
Receivables	837	544
<b>Total current assets</b>	<b>10,328</b>	<b>9,715</b>
<b>Non-current assets</b>		
Infrastructure, property, plant and equipment	30,472	30,328
<b>Total non-current assets</b>	<b>30,472</b>	<b>30,328</b>
<b>TOTAL ASSETS</b>	<b>40,800</b>	<b>40,043</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Payables	54	73
Borrowings	131	122
Provisions	48	32
<b>Total current liabilities</b>	<b>233</b>	<b>227</b>
<b>Non-current liabilities</b>		
Borrowings	6,245	6,376
<b>Total non-current liabilities</b>	<b>6,245</b>	<b>6,376</b>
<b>TOTAL LIABILITIES</b>	<b>6,478</b>	<b>6,603</b>
<b>NET ASSETS</b>	<b>34,322</b>	<b>33,440</b>
<b>EQUITY</b>		
Accumulated surplus	23,205	22,594
Revaluation reserves	11,117	10,846
<b>TOTAL EQUITY</b>	<b>34,322</b>	<b>33,440</b>

## Cowra Shire Council

# Notes to the Special Purpose Financial Statements

for the year ended 30 June 2020

## 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 2093 (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

## Cowra Shire Council

# Notes to the Special Purpose Financial Statements for the year ended 30 June 2020

## 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 \$734,000 of combined land values attracts **0%**. For the combined land values in excess of \$734,001 up to \$4,488,000 the rate is **1.6% + \$100**. For the remaining combined land value that exceeds \$4,488,000 a premium marginal rate of **2.0%** applies.

Payroll tax – **5.45%** on the value of taxable salaries and wages in excess of \$900,000.

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 Best Practice Management of Water Supply and Sewer 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.

## Cowra Shire Council

### Notes to the Special Purpose Financial Statements for the year ended 30 June 2020

#### 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 0.88% at 30/6/20.

##### **(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 2020 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 Cowra Shire Council

### Opinion

I have audited the accompanying special purpose financial statements (the financial statements) of Cowra Shire Council's (the Council) Declared Business Activities, which comprise the Statement by Councillors and Management, the Income Statement of each Declared Business Activity for the year ended 30 June 2020, the Statement of Financial Position of each Declared Business Activity as at 30 June 2020 and Note 1 Significant accounting policies for the Business Activities declared by Council.

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 2020, and their financial performance for the year then ended, in accordance with the Australian Accounting Standards described in Note 1 and the Local Government Code of Accounting Practice and Financial Reporting – update number 28 (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 (including Independence Standards)' (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 2020 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.

## 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](http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf). The description forms part of my auditor's report.

The scope of my audit does not include, nor 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

Delegate of the Auditor-General for New South Wales

3 November 2020  
SYDNEY



# Cowra Shire Council

SPECIAL SCHEDULES  
for the year ended 30 June 2020

---



## Cowra Shire Council

### Special Schedules

for the year ended 30 June 2020

---

Contents	Page
<b>Special Schedules</b>	
Permissible income for general rates	3
Report on Infrastructure Assets - Values	7

## Cowra Shire Council

### Permissible income for general rates

\$ '000	Notes	Calculation 2020/21	Calculation 2019/20
<b>Notional general income calculation <sup>1</sup></b>			
Last year notional general income yield	a	6,967	6,753
Plus or minus adjustments <sup>2</sup>	b	15	39
<b>Notional general income</b>	c = a + b	<b>6,982</b>	<b>6,792</b>
<b>Permissible income calculation</b>			
Or rate peg percentage	e	2.60%	2.70%
Or plus rate peg amount	i = e x (c + g)	182	183
<b>Sub-total</b>	k = (c + g + h + i + j)	<b>7,164</b>	<b>6,975</b>
Plus (or minus) last year's carry forward total	l	-	(8)
<b>Sub-total</b>	n = (l + m)	<b>-</b>	<b>(8)</b>
<b>Total permissible income</b>	o = k + n	<b>7,164</b>	<b>6,967</b>
Less notional general income yield	p	7,161	6,967
<b>Catch-up or (excess) result</b>	q = o - p	<b>3</b>	<b>-</b>
<b>Carry forward to next year <sup>6</sup></b>	t = q + r + s	<b>3</b>	<b>-</b>

#### Notes

- (1) The notional general income will not reconcile with rate income in the financial statements in the corresponding year. The statements are reported on an accrual accounting basis which include amounts that relate to prior years' rates income.
- (2) Adjustments account for changes in the number of assessments and any increase or decrease in land value occurring during the year. The adjustments are called 'supplementary valuations' as defined in the Valuation of Land Act 1916.
- (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 2021.

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 28 (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 (including Independence Standards)' (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 2020 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 2020.

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.

## 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](http://www.auasb.gov.au/auditors_responsibilities/ar8.pdf). The description forms part of my auditor's report.

The scope of my audit does not include, nor 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

3 November 2020  
SYDNEY

## Cowra Shire Council

### Report on Infrastructure Assets as at 30 June 2020

Asset Class	Asset Category	Estimated cost		2019/20 Required maintenance <sup>a</sup>	2019/20 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
		\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000					
<b>(a) Report on Infrastructure Assets - Values</b>												
<b>Buildings</b>	Council Offices/ Administration Centres	–	–	166	161	2,968	6,202	0.0%	100.0%	0.0%	0.0%	0.0%
	Council Works Depot	–	–	108	133	633	1,554	0.0%	50.0%	50.0%	0.0%	0.0%
	Public Halls	–	–	140	145	1,913	3,906	0.0%	95.0%	5.0%	0.0%	0.0%
	Libraries	–	–	121	123	2,089	4,201	0.0%	100.0%	0.0%	0.0%	0.0%
	Houses	–	–	11	6	260	594	0.0%	0.0%	100.0%	0.0%	0.0%
	RFS Sheds	–	–	3	3	2,240	2,893	25.0%	25.0%	50.0%	0.0%	0.0%
	Amenities/Toilets	–	–	193	171	2,455	5,598	12.0%	52.0%	28.0%	8.0%	0.0%
	Other	–	–	191	174	5,383	10,368	21.0%	36.0%	38.0%	5.0%	0.0%
	<b>Sub-total</b>	<b>–</b>	<b>–</b>	<b>933</b>	<b>916</b>	<b>17,941</b>	<b>35,316</b>	<b>10.1%</b>	<b>63.0%</b>	<b>24.1%</b>	<b>2.7%</b>	<b>0.0%</b>
<b>Roads</b>	Sealed roads structure	–	–	420	536	38,235	51,998	61.0%	33.0%	6.0%	0.0%	0.0%
	Sealed roads surface	–	–	766	656	22,298	26,934	90.0%	7.0%	2.0%	1.0%	0.0%
	Unsealed roads	–	–	958	1,175	14,163	17,444	63.0%	23.0%	11.0%	3.0%	0.0%
	Bridges	–	–	38	32	21,686	26,721	70.0%	25.0%	5.0%	0.0%	0.0%
	Footpaths	–	–	42	57	7,127	9,840	81.0%	14.0%	5.0%	0.0%	0.0%
	Other road assets	–	–	390	335	1,762	2,245	0.0%	50.0%	50.0%	0.0%	0.0%
	Bulk earthworks	–	–	–	–	289,732	289,732	100.0%	0.0%	0.0%	0.0%	0.0%
	Kerb & Gutter	–	–	48	68	13,729	19,592	68.0%	28.0%	4.0%	0.0%	0.0%
	Culverts & pipes	–	–	78	88	10,053	18,595	39.0%	42.0%	17.0%	2.0%	0.0%
	Road Furniture	–	–	60	46	96	250	0.0%	0.0%	100.0%	0.0%	0.0%
	<b>Sub-total</b>	<b>–</b>	<b>–</b>	<b>2,800</b>	<b>2,993</b>	<b>418,881</b>	<b>463,351</b>	<b>87.2%</b>	<b>9.8%</b>	<b>2.7%</b>	<b>0.3%</b>	<b>0.0%</b>
<b>Water supply network</b>	Mains	784	784	726	769	40,060	78,402	18.0%	15.0%	39.0%	27.0%	1.0%
	Reservoirs	–	–	79	76	7,264	17,952	0.0%	3.0%	69.0%	28.0%	0.0%
	Pumping Stations	–	–	512	508	4,217	8,114	8.0%	30.0%	59.0%	3.0%	0.0%
	Treatment Plant	–	–	1,299	1,233	10,853	20,582	26.0%	42.0%	14.0%	18.0%	0.0%
	Meters	–	–	178	195	1,079	1,290	0.0%	25.0%	65.0%	10.0%	0.0%
	<b>Sub-total</b>	<b>784</b>	<b>784</b>	<b>2,794</b>	<b>2,781</b>	<b>63,473</b>	<b>126,340</b>	<b>15.9%</b>	<b>18.8%</b>	<b>40.7%</b>	<b>24.0%</b>	<b>0.6%</b>

## Cowra Shire Council

### Report on Infrastructure Assets - Values (continued)

as at 30 June 2020

Asset Class	Asset Category	Estimated cost		2019/20 Required maintenance <sup>a</sup>	2019/20 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	
		\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000						
<b>Sewerage network</b>	Mains	–	–	293	288	13,366	32,900	16.0%	11.0%	62.0%	11.0%	0.0%	
	Pumping Stations	–	–	109	82	1,358	2,323	22.0%	25.0%	43.0%	10.0%	0.0%	
	Treatment Plant	–	–	536	510	13,877	18,561	88.0%	12.0%	0.0%	0.0%	0.0%	
	<b>Sub-total</b>	<b>–</b>	<b>–</b>	<b>938</b>	<b>880</b>	<b>28,601</b>	<b>53,784</b>	<b>41.1%</b>	<b>11.9%</b>	<b>39.8%</b>	<b>7.2%</b>	<b>0.0%</b>	
<b>Stormwater drainage</b>	Conduits	–	–	44	49	19,614	27,188	40.0%	47.0%	12.0%	1.0%	0.0%	
	Inlet & Junction Pits	–	–	15	16	6,509	9,676	59.0%	32.0%	9.0%	0.0%	0.0%	
	<b>Sub-total</b>	<b>–</b>	<b>–</b>	<b>59</b>	<b>65</b>	<b>26,123</b>	<b>36,864</b>	<b>45.0%</b>	<b>43.1%</b>	<b>11.2%</b>	<b>0.7%</b>	<b>0.0%</b>	
<b>Open space / recreational assets</b>	Swimming pools	–	–	260	270	860	2,319	0.0%	0.0%	100.0%	0.0%	0.0%	
	Other Recreational Assets	–	–	1,189	1,151	1,825	4,066	19.4%	64.2%	13.2%	3.2%	0.0%	
	<b>Sub-total</b>	<b>–</b>	<b>–</b>	<b>1,449</b>	<b>1,421</b>	<b>2,685</b>	<b>6,385</b>	<b>12.4%</b>	<b>40.9%</b>	<b>44.7%</b>	<b>2.0%</b>	<b>0.0%</b>	
<b>Aerodrome</b>	Aerodrome	–	–	174	106	3,411	4,603	0.0%	50.0%	50.0%	0.0%	0.0%	
	<b>Sub-total</b>	<b>–</b>	<b>–</b>	<b>174</b>	<b>106</b>	<b>3,411</b>	<b>4,603</b>	<b>0.0%</b>	<b>50.0%</b>	<b>50.0%</b>	<b>0.0%</b>	<b>0.0%</b>	
<b>TOTAL - ALL ASSETS</b>		<b>784</b>	<b>784</b>	<b>9,147</b>	<b>9,162</b>	<b>561,115</b>	<b>726,643</b>	<b>64.3%</b>	<b>16.3%</b>	<b>14.2%</b>	<b>5.0%</b>	<b>0.1%</b>	

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

#### Infrastructure asset condition assessment 'key'

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



**Cowra Shire Council**

**Report on Infrastructure Assets (continued)**  
as at 30 June 2020

\$ '000	Amounts 2020	Indicator 2020	Prior periods		Benchmark
			2019	2018	
<b>Infrastructure asset performance indicators (consolidated) *</b>					
<b>Buildings and infrastructure renewals ratio <sup>1</sup></b>					
Asset renewals <sup>2</sup>	<b>4,486</b>	<b>83.26%</b>	80.82%	81.88%	>=100.00%
Depreciation, amortisation and impairment	<b>5,388</b>				
<b>Infrastructure backlog ratio <sup>1</sup></b>					
Estimated cost to bring assets to a satisfactory standard	<b>784</b>	<b>0.14%</b>	0.47%	0.46%	<2.00%
Net carrying amount of infrastructure assets	<b>561,115</b>				
<b>Asset maintenance ratio</b>					
Actual asset maintenance	<b>9,162</b>	<b>100.16%</b>	102.67%	108.85%	>100.00%
Required asset maintenance	<b>9,147</b>				
<b>Cost to bring assets to agreed service level</b>					
Estimated cost to bring assets to an agreed service level set by Council	<b>784</b>	<b>0.11%</b>	0.38%	0.37%	
Gross replacement cost	<b>726,643</b>				

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

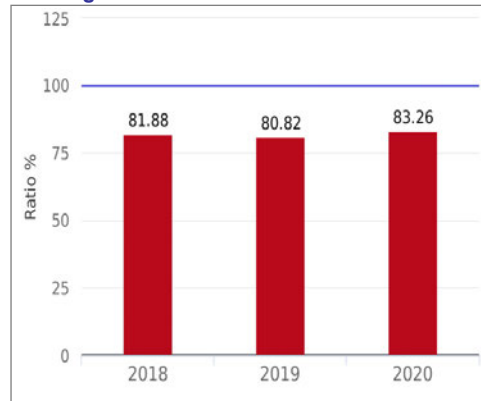
(1) Excludes Work In Progress (WIP)

(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.

Cowra Shire Council

Report on Infrastructure Assets (continued)  
as at 30 June 2020

Buildings and infrastructure renewals ratio



**Buildings and infrastructure renewals ratio**

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

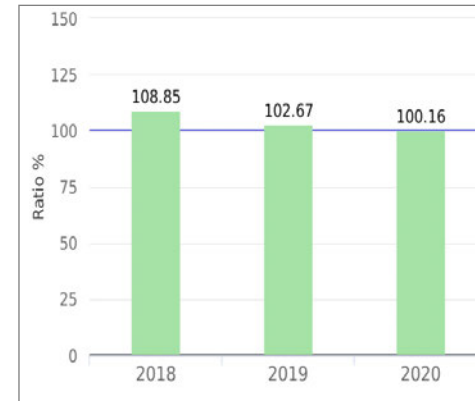
**Commentary on result**

19/20 ratio 83.26%

The building and infrastructure renewals ratio is not a true indication of Council's asset renewal due to exclusion of capital works in progress. 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 ■ Ratio is outside benchmark  
Source of benchmark: Code of Accounting Practice and Financial Reporting #28

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.

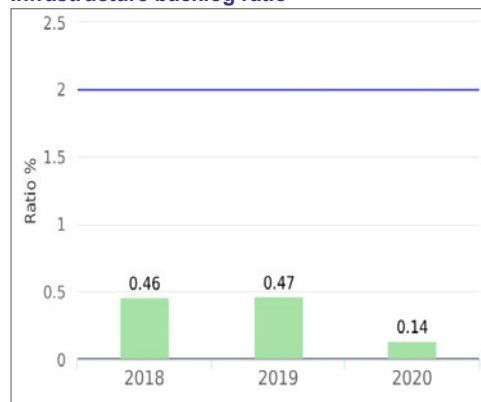
**Commentary on result**

19/20 ratio 100.16%

Council's maintenance expenditure is at the required level.

Benchmark: —  $> 100.00\%$  ■ Ratio achieves benchmark ■ Ratio is outside benchmark  
Source of benchmark: Code of Accounting Practice and Financial Reporting #28

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**

19/20 ratio 0.14%

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 ■ Ratio is outside benchmark  
Source of benchmark: Code of Accounting Practice and Financial Reporting #28

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**

19/20 ratio 0.11%

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

Cowra Shire Council

Report on Infrastructure Assets (continued)

as at 30 June 2020

\$ '000	General fund		Water fund		Sewer fund		Benchmark
	2020	2019	2020	2019	2020	2019	
<b>Infrastructure asset performance indicators (by fund)</b>							
<b>Buildings and infrastructure renewals ratio <sup>1</sup></b>							
Asset renewals <sup>2</sup>							
Depreciation, amortisation and impairment	<b>108.34%</b>	138.87%	<b>56.41%</b>	19.59%	<b>57.60%</b>	8.19%	>=100.00%
<b>Infrastructure backlog ratio <sup>1</sup></b>							
Estimated cost to bring assets to a satisfactory standard							
Net carrying amount of infrastructure assets	<b>0.00%</b>	0.01%	<b>1.24%</b>	3.94%	<b>0.00%</b>	0.00%	<2.00%
<b>Asset maintenance ratio</b>							
Actual asset maintenance							
Required asset maintenance	<b>101.59%</b>	108.97%	<b>99.53%</b>	98.74%	<b>93.82%</b>	84.05%	>100.00%
<b>Cost to bring assets to agreed service level</b>							
Estimated cost to bring assets to an agreed service level set by Council							
Gross replacement cost	<b>0.00%</b>	0.01%	<b>0.62%</b>	2.03%	<b>0.00%</b>	0.00%	

(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.