

# Cobar Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2016



## Cobar Shire Council

### General Purpose Financial Statements

for the year ended 30 June 2016

Contents	Page
<b>1. Statement by Councillors and Management</b>	<b>3</b>
<b>2. Primary Financial Statements:</b>	
– Income Statement	4
– Statement of Comprehensive Income	5
– Statement of Financial Position	6
– Statement of Changes in Equity	7
– Statement of Cash Flows	8
<b>3. Notes to the Financial Statements</b>	<b>9</b>
<b>4. Independent Auditor’s Reports:</b>	
– On the Financial Statements (Sect 417 [2])	76
– On the Conduct of the Audit (Sect 417 [3])	78

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#### Overview

- (i) These financial statements are General Purpose Financial Statements and cover the operations for Cobar Shire Council.
- (ii) Cobar Shire Council is a body politic of NSW, Australia – being constituted as a local government area by proclamation and is duly empowered by the *Local Government Act 1993* (LGA).

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

- the ability to provide goods, services and facilities, and to carry out activities appropriate to the current and future needs of the local community and of the wider public,
- the responsibility for administering regulatory requirements under the LGA and
- a role in the management, improvement and development of the resources in the area.

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

- (iii) All figures presented in these financial statements are presented in Australian currency.
- (iv) These financial statements were authorised for issue by the Council on 28 October 2016. Council has the power to amend and reissue these financial statements.
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## Cobar Shire Council

### General Purpose Financial Statements for the year ended 30 June 2016

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

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

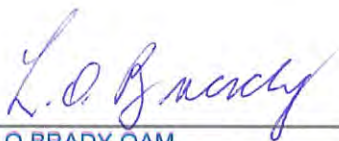
- the *Local Government Act 1993 (NSW)* (as amended) and the regulations made thereunder,
- the Australian Accounting Standards and professional pronouncements, and
- the Local Government Code of Accounting Practice and Financial Reporting.

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

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

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

**Signed in accordance with a resolution of Council made on 27 October 2016.**



LILLIANE O BRADY OAM  
Mayor



PETER ABBOTT  
Councillor



PETER VLATKO  
General manager



NEIL MITCHELL  
Responsible accounting officer

## Cobar Shire Council

## Income Statement

for the year ended 30 June 2016

Budget <sup>1</sup> 2016	\$ '000	Notes	Actual 2016	Actual 2015
<b>Income from continuing operations</b>				
<b>Revenue:</b>				
5,609	Rates and annual charges	3a	5,649	5,374
11,412	User charges and fees	3b	8,600	9,481
198	Interest and investment revenue	3c	338	295
439	Other revenues	3d	211	257
10,939	Grants and contributions provided for operating purposes	3e,f	13,461	11,178
6,667	Grants and contributions provided for capital purposes	3e,f	1,257	3,635
<b>Other income:</b>				
–	Net gains from the disposal of assets	5	59	–
<b>35,264</b>	<b>Total income from continuing operations</b>		<b>29,575</b>	<b>30,220</b>
<b>Expenses from continuing operations</b>				
11,392	Employee benefits and on-costs	4a	12,530	11,658
135	Borrowing costs	4b	130	172
6,000	Materials and contracts	4c	5,670	5,590
4,416	Depreciation and amortisation	4d	6,740	4,580
5,187	Other expenses	4e	2,792	2,730
–	Net losses from the disposal of assets	5	–	81
<b>27,130</b>	<b>Total expenses from continuing operations</b>		<b>27,862</b>	<b>24,811</b>
<b>8,134</b>	<b>Operating result from continuing operations</b>		<b>1,713</b>	<b>5,409</b>
<b>Discontinued operations</b>				
–	Net profit/(loss) from discontinued operations	24	–	–
<b>8,134</b>	<b>Net operating result for the year</b>		<b>1,713</b>	<b>5,409</b>
8,134	Net operating result attributable to Council		1,713	5,409
–	Net operating result attributable to non-controlling interests		–	–
<b>1,467</b>	<b>Net operating result for the year before grants and contributions provided for capital purposes</b>		<b>456</b>	<b>1,774</b>

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

## Cobar Shire Council

Statement of Comprehensive Income  
for the year ended 30 June 2016

\$ '000	Notes	Actual 2016	Actual 2015
<b>Net operating result for the year</b> (as per Income Statement)		<b>1,713</b>	<b>5,409</b>
<b>Other comprehensive income:</b>			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of I,PP&E	20b (ii)	(954)	107,365
<b>Total items which will not be reclassified subsequently to the operating result</b>		<b>(954)</b>	<b>107,365</b>
Amounts which will be reclassified subsequently to the operating result when specific conditions are met			
Nil			
<b>Total other comprehensive income for the year</b>		<b>(954)</b>	<b>107,365</b>
<b>Total comprehensive income for the year</b>		<b>759</b>	<b>112,774</b>
<b>Total comprehensive income attributable to Council</b>		<b>759</b>	<b>112,774</b>
<b>Total comprehensive income attributable to non-controlling interests</b>		<b>–</b>	<b>–</b>

## Cobar Shire Council

Statement of Financial Position  
as at 30 June 2016

\$ '000	Notes	Actual 2016	Actual 2015
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	6a	3,498	2,772
Investments	6b	7,103	7,610
Receivables	7	1,746	2,591
Inventories	8	668	620
Other	8	9	7
<b>Total current assets</b>		<b>13,024</b>	<b>13,600</b>
<b>Non-current assets</b>			
Investments	6b	–	–
Receivables	7	–	–
Inventories	8	–	–
Infrastructure, property, plant and equipment	9	295,640	295,684
Investments accounted for using the equity method	19	–	–
Investment property	14	–	–
Intangible assets	25	–	–
<b>Total non-current assets</b>		<b>295,640</b>	<b>295,684</b>
<b>TOTAL ASSETS</b>		<b>308,664</b>	<b>309,284</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	10	1,261	1,979
Borrowings	10	257	341
Provisions	10	2,029	1,972
<b>Total current liabilities</b>		<b>3,547</b>	<b>4,292</b>
<b>Non-current liabilities</b>			
Payables	10	–	–
Borrowings	10	1,553	2,210
Provisions	10	168	145
<b>Total non-current liabilities</b>		<b>1,721</b>	<b>2,355</b>
<b>TOTAL LIABILITIES</b>		<b>5,268</b>	<b>6,647</b>
<b>Net assets</b>		<b>303,396</b>	<b>302,637</b>
<b>EQUITY</b>			
Retained earnings	20	87,525	85,812
Revaluation reserves	20	215,871	216,825
<b>Council equity interest</b>		<b>303,396</b>	<b>302,637</b>
<b>Non-controlling equity interests</b>		<b>–</b>	<b>–</b>
<b>Total equity</b>		<b>303,396</b>	<b>302,637</b>

## Cobar Shire Council

Statement of Changes in Equity  
for the year ended 30 June 2016

\$ '000	Notes	Retained earnings	Reserves (Refer 20b)	Council interest	Non-controlling Interest	Total equity
<b>2016</b>						
<b>Opening balance</b> (as per last year's audited accounts)		85,812	216,825	<b>302,637</b>	–	<b>302,637</b>
a. Correction of prior period errors	20 (c)	–	–	–	–	–
b. Changes in accounting policies (prior year effects)	20 (d)	–	–	–	–	–
<b>Revised opening balance (as at 1/7/15)</b>		<b>85,812</b>	<b>216,825</b>	<b>302,637</b>	–	<b>302,637</b>
<b>c. Net operating result for the year</b>		<b>1,713</b>	–	<b>1,713</b>	–	<b>1,713</b>
d. Other comprehensive income						
– Revaluations: IPP&E asset revaluation rsve	20b (ii)	–	(954)	<b>(954)</b>	–	<b>(954)</b>
<b>Other comprehensive income</b>		–	<b>(954)</b>	<b>(954)</b>	–	<b>(954)</b>
<b>Total comprehensive income (c&amp;d)</b>		<b>1,713</b>	<b>(954)</b>	<b>759</b>	–	<b>759</b>
e. Distributions to/(contributions from) non-controlling Interests		–	–	–	–	–
f. Transfers between equity		–	–	–	–	–
<b>Equity – balance at end of the reporting period</b>		<b>87,525</b>	<b>215,871</b>	<b>303,396</b>	–	<b>303,396</b>

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council interest	Non-controlling Interest	Total Equity
<b>2015</b>						
<b>Opening balance</b> (as per last year's audited accounts)		80,403	109,460	<b>189,863</b>	–	<b>189,863</b>
a. Correction of prior period errors	20 (c)	–	–	–	–	–
b. Changes in accounting policies (prior year effects)	20 (d)	–	–	–	–	–
<b>Revised opening balance (as at 1/7/14)</b>		<b>80,403</b>	<b>109,460</b>	<b>189,863</b>	–	<b>189,863</b>
<b>c. Net operating result for the year</b>		<b>5,409</b>	–	<b>5,409</b>	–	<b>5,409</b>
d. Other comprehensive income						
– Revaluations: IPP&E asset revaluation rsve	20b (ii)	–	107,365	<b>107,365</b>	–	<b>107,365</b>
<b>Other comprehensive income</b>		–	<b>107,365</b>	<b>107,365</b>	–	<b>107,365</b>
<b>Total comprehensive income (c&amp;d)</b>		<b>5,409</b>	<b>107,365</b>	<b>112,774</b>	–	<b>112,774</b>
e. Distributions to/(contributions from) non-controlling Interests		–	–	–	–	–
f. Transfers between equity		–	–	–	–	–
<b>Equity – balance at end of the reporting period</b>		<b>85,812</b>	<b>216,825</b>	<b>302,637</b>	–	<b>302,637</b>

## Cobar Shire Council

## Statement of Cash Flows

for the year ended 30 June 2016

Budget 2016	\$ '000	Notes	Actual 2016	Actual 2015
<b>Cash flows from operating activities</b>				
<b>Receipts:</b>				
5,800	Rates and annual charges		5,559	5,447
12,131	User charges and fees		9,048	9,097
198	Investment and interest revenue received		401	163
17,606	Grants and contributions		15,230	14,835
–	Bonds, deposits and retention amounts received		30	–
450	Other		1,607	1,423
<b>Payments:</b>				
(11,500)	Employee benefits and on-costs		(12,664)	(11,810)
(6,000)	Materials and contracts		(7,051)	(5,613)
(135)	Borrowing costs		(130)	(168)
(6,000)	Other		(3,479)	(3,578)
<u>12,550</u>	<b>Net cash provided (or used in) operating activities</b>	11b	<u>8,551</u>	<u>9,796</u>
<b>Cash flows from investing activities</b>				
<b>Receipts:</b>				
–	Sale of investment securities		14,402	14,667
567	Sale of infrastructure, property, plant and equipment		560	486
<b>Payments:</b>				
–	Purchase of investment securities		(13,895)	(19,268)
(11,797)	Purchase of infrastructure, property, plant and equipment		(8,151)	(6,002)
<u>(11,230)</u>	<b>Net cash provided (or used in) investing activities</b>		<u>(7,084)</u>	<u>(10,117)</u>
<b>Cash flows from financing activities</b>				
<b>Receipts:</b>				
Nil				
<b>Payments:</b>				
(365)	Repayment of borrowings and advances		(663)	(241)
(81)	Repayment of finance lease liabilities		(78)	(71)
<u>(446)</u>	<b>Net cash flow provided (used in) financing activities</b>		<u>(741)</u>	<u>(312)</u>
874	<b>Net increase/(decrease) in cash and cash equivalents</b>		726	(633)
2,500	Plus: cash and cash equivalents – beginning of year	11a	2,772	3,405
<u>3,374</u>	<b>Cash and cash equivalents – end of the year</b>	11a	<u>3,498</u>	<u>2,772</u>
Additional Information:				
	plus: Investments on hand – end of year	6b	7,103	7,610
<b>Total cash, cash equivalents and investments</b>			<u>10,601</u>	<u>10,382</u>

**Please refer to Note 11 for information on the following:**

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



## Cobar Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2016

### Contents of the notes accompanying the financial statements

Note	Details	Page
1	Summary of significant accounting policies	9
2(a)	Council functions/activities – financial information	26
2(b)	Council functions/activities – component descriptions	27
3	Income from continuing operations	28
4	Expenses from continuing operations	33
5	Gains or losses from the disposal of assets	36
6(a)	Cash and cash equivalent assets	37
6(b)	Investments	37
6(c)	Restricted cash, cash equivalents and investments – details	38
7	Receivables	40
8	Inventories and other assets	41
9(a)	Infrastructure, property, plant and equipment	43
9(b)	Externally restricted infrastructure, property, plant and equipment	44
9(c)	Infrastructure, property, plant and equipment – current year impairments	44 n/a
10(a)	Payables, borrowings and provisions	45
10(b)	Description of (and movements in) provisions	46
11	Statement of cash flows – additional information	47
12	Commitments for expenditure	48
13	Statement of performance measures:	
	13a (i) Local government industry indicators (consolidated)	49
	13a (ii) Local government industry graphs (consolidated)	50
	13b Local government industry indicators (by fund)	52
14	Investment properties	53 n/a
15	Financial risk management	53
16	Material budget variations	57
17	Statement of developer contributions	59
18	Contingencies and other liabilities/assets not recognised	61
19	Interests in other entities	63
20	Retained earnings, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors	64
21	Financial result and financial position by fund	65
22	'Held for sale' non-current assets and disposal groups	67 n/a
23	Events occurring after the reporting date	67 n/a
24	Discontinued operations	67 n/a
25	Intangible assets	67 n/a
26	Reinstatement, rehabilitation and restoration liabilities	68
27	Fair value measurement	69
 <b>Additional council disclosures</b>		
28	Council information and contact details	75

n/a – not applicable

## Cobar Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2016

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

The principal accounting policies adopted by Council in the preparation of these consolidated financial statements are set out below in order to assist in its general understanding.

Under Australian Accounting Standards (AASBs), accounting policies are defined as those specific principles, bases, conventions, rules and practices applied by a reporting entity (in this case Council) in preparing and presenting its financial statements.

##### (a) Basis of preparation

###### (i) Background

These financial statements are general purpose financial statements, which have been prepared in accordance with:

- Australian Accounting Standards and Australian Accounting Interpretations issued by the Australian Accounting Standards Board,
- the *Local Government Act (1993)* and Regulation, and
- the Local Government Code of Accounting Practice and Financial Reporting.

For the purpose of preparing these financial statements, Council has been deemed to be a not-for-profit entity.

###### (ii) Compliance with International Financial Reporting Standards (IFRSs)

Because AASBs are sector neutral, some standards either:

- (a) have local Australian content and prescription that is specific to the not-for-profit sector (including local government) which are not in compliance with IFRSs, or
- (b) specifically exclude application by not-for-profit entities.

Accordingly, in preparing these financial statements and accompanying notes, Council has been unable to comply fully with International Accounting Standards, but has complied fully with Australian Accounting Standards.

Under the *Local Government Act (LGA)*, Regulation and Local Government Code of Accounting Practice and Financial Reporting, it should be noted that Councils in NSW only have a requirement to comply with AASBs.

###### (iii) New and amended standards adopted by Council

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

###### (iv) Early adoption of accounting standards

Council has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 1 July 2015, except for AASB2015-7 Amendments to Australian Accounting Standards – Fair Value Disclosures of Not-for-Profit Public Sector Entities, which has reduced the fair value disclosures for Level 3 assets.

For summary information relating to the effects of standards with future operative dates refer further to paragraph (ab).

###### (v) Basis of accounting

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

- (i) certain financial assets and liabilities at fair value through profit or loss and available-for-sale financial assets, which are all valued at fair value,
- (ii) the write down of any asset on the basis of impairment (if warranted), and
- (iii) certain classes of non-current assets (eg. infrastructure, property, plant and equipment and investment property) that are accounted for at fair valuation.

The accrual basis of accounting has also been applied in their preparation.

###### (vi) Changes in accounting policies

Council's accounting policies have been consistently applied to all the years presented, unless otherwise stated.

## Cobar Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2016

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

There have also been no changes in accounting policies when compared with previous financial statements unless otherwise stated [refer Note 20 (d)].

##### (vii) Critical accounting estimates

The preparation of financial statements requires the use of certain critical accounting estimates (in conformity with AASBs).

Accordingly this requires management to exercise its judgement in the process of applying the Council's accounting policies.

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

##### **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 are set out below:

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

##### (b) Revenue recognition

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

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

Revenue is measured at the fair value of the consideration received or receivable.

Revenue is measured on major income categories as follows:

##### **Rates, Annual Charges, Grants and Contributions**

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

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

A provision for the impairment on rates receivables has not been established as unpaid rates represent a charge against the rateable property that will be recovered when the property is next sold.

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

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

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

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

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

Whilst Council generally incorporates these amounts as part of a Development Consents Order, such developer contributions are only recognised as income upon their physical receipt by Council, due to

## Cobar Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2016

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

the possibility that individual development consents may not be acted upon by the applicant and accordingly would not be payable to Council.

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

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

#### User charges, fees and other Income

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

A provision for the impairment of these receivables is recognised when collection in full is no longer probable.

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

#### Sale of infrastructure, property, plant and equipment

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

#### Interest and rents

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

Interest income from cash and investments is accounted for using the effective interest rate at the date that interest is earned.

#### Dividend income

Revenue is recognised when the Council's right to receive the payment is established, which is generally when shareholders approve the dividend.

#### Other Income

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

#### (c) Principles of consolidation

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

##### (i) The Consolidated Fund

In accordance with the provisions of section 409(1) of the LGA 1993, all money and property received by Council is held in the Council's consolidated fund unless it is required to be held in the Council's trust fund.

The consolidated fund and other entities through which the Council controls resources to carry on its functions have been included in the financial statements forming part of this report.

The following entities have been included as part of the consolidated fund:

- *General Purpose Operations*
- *Cobar Water Supply*
- *Cobar Sewerage Service*
- *Domestic Waste Services*

##### (ii) The trust fund

In accordance with the provisions of section 411 of the *Local Government Act 1993* (as amended), a separate and distinct trust fund is maintained to account for all money and property received by the Council in trust that must be applied only for the purposes of or in accordance with the trusts relating to those monies.

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

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

## Cobar Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2016

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

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

#### (iii) Interests in other entities

##### Subsidiaries

Council has no interest in any subsidiaries.

##### Joint arrangements

Council has no interest in any joint arrangements.

##### Associates

Council has no interest in any associates.

##### County councils

Council is not a member of any county councils.

##### Unconsolidated structured entities

Council has no interest in any unconsolidated structured entities.

#### (d) Leases

All leases entered into by Council are reviewed and classified on inception date as either a finance lease or an operating lease.

##### Finance leases

Leases of property, plant and equipment where the Council has substantially all the risks and rewards of ownership are classified as finance leases.

Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased property and the present value of the minimum lease payments.

The corresponding rental obligations, net of finance charges, are included in borrowings.

Each lease payment is allocated between the liability outstanding and the recognition of a finance charge.

The interest element of the finance charge is costed to the income statement over the lease period so as

to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Property, plant and equipment acquired under finance leases is depreciated over the shorter of each leased asset's useful life and the lease term.

##### Operating Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

Lease income from operating leases is recognised in income on a straight-line basis over the lease term.

#### (e) Cash and Cash Equivalents

For Statement of Cash Flows (and Statement of Financial Position) presentation purposes, cash and cash equivalents includes;

- cash on hand,
- deposits held at call with financial institutions,
- other short-term, highly liquid investments with **original maturities of three months or less** that are readily convertible to known amounts of cash and that are subject to an insignificant risk of changes in value, and
- bank overdrafts.

Bank overdrafts are shown within borrowings in current liabilities on the Statement of Financial Position but are incorporated into cash and cash equivalents for presentation of the Statement of Cash Flows.

#### (f) Investments and other financial assets

Council (in accordance with AASB 139) classifies each of its investments into one of the following categories for measurement purposes:

## Cobar Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2016

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

- **financial assets at fair value through profit or loss,**
- **loans and receivables,**
- **held-to-maturity investments,** and
- **available-for-sale financial assets.**

Each classification depends on the purpose or intention for which the investment was acquired and at the time it was acquired.

Management determines each investment classification at the time of initial recognition and re-evaluates this designation at each reporting date.

##### **(i) Financial assets at fair value through profit or loss**

Financial assets at fair value through profit or loss include financial assets that are 'held for trading'.

A financial asset is classified in the 'held for trading' category if it is acquired principally for the purpose of selling in the short term.

Assets in this category are primarily classified as current assets as they are primarily held for trading and/or are expected to be realised within 12 months of the Statement of Financial Position date.

##### **(ii) Loans and receivables**

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

They arise when the Council provides money, goods or services directly to a debtor with no intention (or in some cases ability) of selling the resulting receivable.

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

##### **(iii) Held-to-maturity investments**

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Council's management has the positive intention and ability to hold to maturity.

In contrast to the 'loans and receivables' classification, these investments are generally quoted in an active market.

Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the reporting date, which are classified as current assets.

##### **(iv) Available-for-sale financial assets**

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories.

Investments must be designated as available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long term.

Accordingly, this classification principally comprises marketable equity securities, but can include all types of financial assets that could otherwise be classified in one of the other investment categories.

They are generally included in non-current assets unless management intends to dispose of the investment within 12 months of the Statement of Financial Position date or the term to maturity from the reporting date is less than 12 months.

##### **Financial assets – reclassification**

Council may choose to reclassify a non-derivative trading financial asset out of the held-for-trading category if the financial asset is no longer held for the purpose of selling it in the near term.

Financial assets other than loans and receivables are permitted to be reclassified out of the held-for-trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near term.

Council may also choose to reclassify financial assets that would meet the definition of loans and receivables out of the held-for-trading or available-for-sale categories if it has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortised cost as applicable, and no



## Cobar Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2016

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

reversals of fair value gains or losses recorded before reclassification date are subsequently made.

Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories are determined at the reclassification date. Further increases in estimates of cash flows adjust effective interest rates prospectively.

#### General accounting and measurement of financial instruments:

##### (i) Initial recognition

Investments are initially recognised (and measured) at fair value, plus in the case of investments not at 'fair value through profit or loss', directly attributable transactions costs.

Purchases and sales of investments are recognised on trade-date – the date on which the Council commits to purchase or sell the asset.

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

##### (ii) Subsequent measurement

**Available-for-sale financial assets and financial assets at fair value through profit and loss** are subsequently carried at fair value.

**Loans and receivables and held-to-maturity** investments are carried at amortised cost using the effective interest method.

Realised and unrealised gains and losses arising from changes in the fair value of the financial assets classified as '**fair value through profit or loss**' category are included in the income statement in the period in which they arise.

Unrealised gains and losses arising from changes in the fair value of non-monetary securities classified as '**available-for-sale**' are recognised in equity in the available-for-sale investments revaluation reserve.

When securities classified as '**available-for-sale**' are sold or impaired, the accumulated fair value

adjustments are included in the income statement as gains and losses from investment securities.

#### Impairment

Council assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired.

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

##### (iii) Types of investments

Council has an approved Investment Policy in order to invest in accordance with (and to comply with) section 625 of the *Local Government Act* and s212 of the LG (General) Regulation 2005.

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

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

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

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

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

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques.

## Cobar Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2016

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

Council uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date.

Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held.

If the market for a financial asset is not active (and for unlisted securities), the Council establishes fair value by using valuation techniques.

These include reference to the fair values of recent arm's length transactions, involving the same instruments or other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values.

The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Council for similar financial instruments.

#### **(h) Receivables**

Receivables are initially recognised at fair value and subsequently measured at amortised cost, less any provision for impairment.

Receivables (excluding rates and annual charges) are generally due for settlement no more than 30 days from the date of recognition.

The collectibility of receivables is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off in accordance with Council's policy.

A provision for impairment (i.e. an allowance account) relating to receivables is established when objective evidence shows that Council will not be able to collect all amounts due according to the original terms of each receivable.

The amount of the provision is the difference between the asset's carrying amount and the

present value of estimated future cash flows, discounted at the effective interest rate.

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

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

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

#### **(i) Inventories**

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

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

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

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

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

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

##### **(ii) 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.



## Cobar Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2016

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

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.

#### (j) Infrastructure, property, plant and equipment (I,PP&E)

##### Acquisition of assets

Council's non-current assets are continually revalued (over a 5-year period) in accordance with the fair valuation policy as mandated by the Office of Local Government.

At balance date, the following classes of I,PP&E were stated at their fair value:

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

- **Other infrastructure** (external valuation)
- **Other assets**  
(as approximated by depreciated historical cost)
- **Investment properties** – refer Note 1(p),

##### Initial recognition

On initial recognition, an asset's cost is measured at its fair value, plus all expenditure that is directly attributable to the acquisition.

Where settlement of any part of an asset's cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of recognition (i.e. date of exchange) of the asset to arrive at fair value.

The discount rate used is the Council's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Where infrastructure, property, plant and equipment assets are acquired for no cost or for an amount other than cost, the assets are recognised in the financial statements at their fair value at acquisition date – being the amount that the asset could have been exchanged between knowledgeable willing parties in an arm's length transaction.

##### Subsequent costs

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to Council and the cost of the item can be measured reliably.

All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

##### Asset revaluations (including indexation)

In accounting for asset revaluations relating to infrastructure, property, plant and equipment:

- increases in the combined carrying amounts of asset classes arising on revaluation are credited to the asset revaluation reserve,

## Cobar Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2016

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

- to the extent that a net asset class increase reverses a decrease previously recognised via the profit or loss, then increase is first recognised in profit or loss,
- net decreases that reverse previous increases of the same asset class are first charged against revaluation reserves directly in equity to the extent of the remaining reserve attributable to the asset, with all other decreases charged to the Income Statement.

Water and sewerage network assets are indexed annually between full revaluations in accordance with the latest indices provided in the NSW Office of Water – Rates Reference Manual.

For all other assets, Council assesses at each reporting date whether there is any indication that a revalued asset's carrying amount may differ materially from that which would be determined if the asset were revalued at the reporting date.

If any such indication exists, Council determines the asset's fair value and revalues the asset to that amount.

Full revaluations are undertaken for all assets on a 5-year cycle.

#### Capitalisation thresholds

Items of infrastructure, property, plant and equipment are not capitalised unless their cost of acquisition exceeds the following;

##### Land

- council land	100% Capitalised
- open space	100% Capitalised
- land under roads (purchases after 30/6/08)	100% Capitalised

##### Plant and Equipment

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

##### Buildings and Land Improvements

Park Furniture and Equipment	> \$2,000
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##### Building

- construction/extensions	100% Capitalised
- renovations	> \$10,000

##### Buildings and Land Improvements (continued)

Other Structures	> \$2,000
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##### Water and Sewer Assets

Reticulation extensions	> \$5,000
Other	> \$5,000

##### Stormwater Assets

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

##### Transport Assets

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

Bridge construction and reconstruction	> \$10,000
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#### Depreciation

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

Land is not depreciated.

Estimated useful lives for Council's Property, Plant and Equipment include:

##### Plant and Equipment

- Office Equipment	10 years
- Office furniture	10 years
- Computer Equipment	4 years
- Vehicles	4 years
- Heavy Plant/Road Making equip.	10 years
- Other plant and equipment	10 years

##### Other Equipment

- Playground equipment	5 to 15 years
- Benches, seats etc.	10 to 20 years

##### Buildings

- Buildings: Masonry	50 to 100 years
- Buildings: Other	20 to 40 years

##### Stormwater Drainage

- Drains	100 years
- Culverts	100 years

## Cobar Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2016

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

##### Transportation Assets

Roads:	
- Sealed Formation	500 years
- Unsealed Formation	50 years
- Road Pavements	10 to 60 years
- Road Seals	20 years
- Bridges	100 years
- Kerb, Gutter and Paths	80 years

##### Water and Sewer Assets

- Dams and reservoirs	80 to 100 years
- Bores	20 to 40 years
- Reticulation pipes: PVC	80 years
- Reticulation pipes: Other	25 to 75 years
- Pumps and telemetry	15 to 20 years

##### Other Infrastructure Assets

- Bulk earthworks	Infinite
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All asset residual values and useful lives are reviewed and adjusted (if appropriate) at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount – refer Note 1 (s) on asset impairment.

##### Disposal and De-recognition

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in Council's Income Statement in the year the asset is derecognised.

##### (k) Land

Land (other than land under roads) is in accordance with Part 2 of Chapter 6 of the *Local Government Act (1993)* classified as either operational or community.

This classification of land is disclosed in Note 9 (a).

##### (l) Land under roads

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

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

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

##### (m) Intangible assets

Council has not classified any assets as intangible.

##### (n) Crown reserves

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

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

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

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

##### (o) Rural fire service assets

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

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

## Cobar Shire Council

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

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

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

#### **(p) Investment property**

Council has no investment properties.

#### **(q) Provisions for close down, restoration and for environmental clean-up costs – including tips and quarries**

Close down, restoration and remediation costs include the dismantling and demolition of infrastructure, the removal of residual materials and the remediation of disturbed areas.

Estimated close down and restoration costs are provided for in the accounting period when the obligation arising from the related disturbance occurs, whether this occurs during the development or during the operation phase, based on the net present value of estimated future costs.

Provisions for close down and restoration costs do not include any additional obligations that are expected to arise from future disturbance.

Costs are estimated on the basis of a closure plan.

The cost estimates are calculated annually during the life of the operation to reflect known developments, e.g. updated cost estimates and revisions to the estimated lives of operations, and are subject to formal review at regular intervals.

Close down, restoration and remediation costs are a normal consequence of tip and quarry operations, and the majority of close down and restoration expenditure is incurred at the end of the life of the operations.

Although the ultimate cost to be incurred is uncertain, Council estimates the respective costs based on feasibility and engineering studies using current restoration standards and techniques.

The amortisation or 'unwinding' of the discount applied in establishing the net present value of provisions is charged to the Income Statement in each accounting period.

This amortisation of the discount is disclosed as a borrowing cost in Note 4 (b).

Other movements in the provisions for close down, restoration and remediation costs including those resulting from new disturbance, updated cost estimates, changes to the estimated lives of operations and revisions to discount rates are capitalised within property, plant and equipment.

These costs are then depreciated over the lives of the assets to which they relate.

Where rehabilitation is conducted systematically over the life of the operation, rather than at the time of closure, provision is made for the estimated outstanding continuous rehabilitation work at each Statement of Financial Position date and the cost is charged to the Income Statement.

Provision is made for the estimated present value of the costs of environmental clean-up obligations outstanding at the Statement of Financial Position date.

These costs are charged to the Income Statement.

Movements in the environmental clean-up provisions are presented as an operating cost, except for the unwinding of the discount, which is shown as a borrowing cost.

Remediation procedures generally commence soon after the time the damage, remediation process and estimated remediation costs become known, but may continue for many years depending on the nature of the disturbance and the remediation techniques.

As noted above, the ultimate cost of environmental remediation is uncertain and cost estimates can vary in response to many factors, including changes to the relevant legal requirements, the emergence of new restoration techniques or experience at other locations.

The expected timing of expenditure can also change, for example, in response to changes in quarry reserves or production rates.

## Cobar Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2016

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

As a result there could be significant adjustments to the provision for close down and restoration and environmental clean-up, which would affect future financial results.

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

#### **(r) Non-current assets (or disposal groups) 'held for sale' and discontinued operations**

Non-current assets (or disposal groups) are classified as held for sale and stated at the lower of either **(i)** their carrying amount and **(ii)** fair value less costs to sell, if their carrying amount will be recovered principally through a sale transaction rather than through continuing use.

The exception to this is plant and motor vehicles, which are turned over on a regular basis. Plant and motor vehicles are retained in non-current assets under the classification of infrastructure, property, plant and equipment – unless the assets are to be traded in after 30 June and the replacement assets were already purchased and accounted for as at 30 June.

For any assets or disposal groups classified as non-current assets 'held for sale', an impairment loss is recognised at any time when the assets carrying value is greater than its fair value less costs to sell.

Non-current assets 'held for sale' are not depreciated or amortised while they are classified as 'held for sale'.

Non-current assets classified as 'held for sale' are presented separately from the other assets in the Statement of Financial Position.

A discontinued operation is a component of Council that has been disposed of or is classified as 'held for sale' and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale.

The results of discontinued operations are presented separately on the face of the Income Statement.

#### **(s) Impairment of assets**

All Council's I,PP&E is subject to an annual assessment of impairment.

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Where an asset is not held principally for cash-generating purposes (for example infrastructure assets) and would be replaced if the Council was deprived of it, then depreciated replacement cost is used as value in use, otherwise value in use is estimated by using a discounted cash flow model.

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

Goodwill and other intangible assets that have an indefinite useful life and are not subject to amortisation are tested annually for impairment.

#### **(t) Payables**

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

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

#### **(u) Borrowings**

Borrowings are initially recognised at fair value, net of transaction costs incurred.

Borrowings are subsequently measured at amortised cost.

Amortisation results in any difference between the proceeds (net of transaction costs) and the



## Cobar Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2016

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

redemption amount being recognised in the Income Statement over the period of the borrowings using the effective interest method.

Borrowings are removed from the Statement of Financial Position when the obligation specified in the contract is discharged, cancelled or expired.

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

#### (v) Borrowing costs

Borrowing costs are expensed except to the extent that they are incurred during the construction of qualifying assets.

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.

#### (w) Provisions

Provisions for legal claims, service warranties and other like liabilities are recognised when:

- Council has a present legal or constructive obligation as a result of past events,
- it is more likely than not that an outflow of resources will be required to settle the obligation, and
- the amount has been reliably estimated.

Provisions are not recognised for future operating losses.

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.

#### (x) Employee benefits

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

Short-term employee benefit obligations include liabilities for wages and salaries (including non-monetary benefits), annual leave and vesting sick leave expected to be wholly settled within the 12 months after the reporting period.

Leave liabilities are recognised in the provision for employee benefits in respect of employees' services up to the reporting date with other short term employee benefit obligations disclosed under payables.

These provisions are measured at the amounts expected to be paid when the liabilities are settled.

All other short-term employee benefit obligations are presented as payables.

Liabilities for non-vesting sick leave are recognised at the time when the leave is taken and measured at the rates paid or payable, and accordingly no Liability has been recognised in these reports.

Wages and salaries, annual leave and vesting sick leave are all classified as current liabilities.

##### (ii) Other long-term obligations

The liability for all long service and annual leave in respect of services provided by employees up to the reporting date (which is not expected to be wholly settled within the 12 months after the reporting period) are recognised in the provision for employee benefits.

These liabilities are measured at the present value of the expected future payments to be made using the projected unit credit method.

## Cobar Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2016

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

Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service.

Expected future payments are then discounted using market yields at the reporting date based on national government bonds with terms to maturity and currency that match as closely as possible the estimated future cash outflows.

Due to the nature of when and how long service leave can be taken, all long service leave for employees with 4 or more years of service has been classified as current, as it has been deemed that Council does not have the unconditional right to defer settlement beyond 12 months – even though it is not anticipated that all employees with more than 4 years service (as at reporting date) will apply for and take their leave entitlements in the next 12 months.

#### (iii) Retirement benefit obligations

All employees of the Council are entitled to benefits on retirement, disability or death.

Council contributes to various defined benefit plans and defined contribution plans on behalf of its employees.

#### Defined benefit plans

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

The present value of the defined benefit obligation is based on expected future payments which arise from membership of the fund to the reporting date, calculated annually by independent actuaries using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service.

However, when this information is not reliably available, Council can account for its obligations to defined benefit plans on the same basis as its

obligations to defined contribution plans – i.e. as an expense when they become payable.

Council is party to an Industry Defined Benefit Plan under the Local Government Superannuation Scheme, named the 'Local Government Superannuation Scheme – Pool B'.

This scheme has been deemed to be a 'multi-employer fund' for the purposes of AASB 119.

Sufficient information is not available to account for the Scheme as a defined benefit plan (in accordance with AASB 119) because the assets to the scheme are pooled together for all Councils.

Accordingly, Council's contributions to the scheme for the current reporting year have been recognised as an expense and disclosed as part of Superannuation Expenses at Note 4(a).

The Local Government Superannuation Scheme has advised member councils that, as a result of the global financial crisis, it has a significant deficiency of assets over liabilities.

As a result Council has been asked for significant increases in future contributions to recover that deficiency.

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 these financial statements.

Council has, however, disclosed a contingent liability in Note 18 to reflect the possible obligation that may arise should the Scheme require immediate payment to correct the deficiency.

#### Defined contribution plans

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

## Cobar Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2016

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

##### (iv) Employee benefit on-costs

Council has recognised at year end the aggregate on-cost liabilities arising from employee benefits, and in particular those on-cost liabilities that will arise when payment of current employee benefits is made in future periods.

These amounts include superannuation and workers compensation expenses which will be payable upon the future payment of certain leave liabilities accrued as at 30/06/16.

##### (y) Self-insurance

Council does not self-insure.

##### (z) Allocation between current and non-current assets and liabilities

In the determination of whether an asset or liability is classified as current or non-current, consideration is given to the time when each asset or liability is expected to be settled.

The asset or liability is classified as current if it is expected to be settled within the next 12 months, being the Council's operational cycle.

##### Exceptions

In the case of liabilities where Council does not have the unconditional right to defer settlement beyond 12 months (such as vested long service leave), the liability is classified as current even if it is not expected to be settled within the next 12 months.

In the case of inventories that are 'held for trading', these are also classified as current even if not expected to be realised in the next 12 months.

##### (aa) Taxes

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

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

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

Income, expenses and assets are all recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO).

In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of the revenue / expense.

Receivables and payables within the Statement of Financial Position are stated inclusive of any applicable GST.

The net amount of GST recoverable from or payable to the ATO is included as a current asset or current liability in the Statement of Financial Position.

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

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

Commitments and contingencies are disclosed net of the amount of GST recoverable from (or payable to) the ATO.

##### (ab) New accounting standards and Interpretations issued (not yet effective)

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

Council has not adopted any of these standards early.

Apart from the AASB disclosures below, there are no other standards that are 'not yet effective' that are expected to have a material impact on Council in the current or future reporting periods and on foreseeable future transactions.



## Cobar Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2016

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

Council's assessment of the impact of upcoming new standards and interpretations that are likely to have an effect are set out below.

##### **AASB 9 – Financial Instruments**

AASB 9 replaces AASB 139 Financial Instruments: Recognition and Measurement and has an effective date for reporting periods beginning on or after 1 January 2018 (and must be applied retrospectively).

The overriding impact of AASB 9 is to change the requirements for the classification, measurement and disclosures associated with financial assets and financial liabilities.

These requirements are designed to improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139.

Under the new requirements the four current categories of financial assets stipulated in AASB 139 will be replaced with two measurement categories:

- fair value, and
- amortised cost (where financial assets will only be able to be measured at amortised cost when very specific conditions are met).

Council is yet to undertake a detailed assessment of the impact of AASB 9.

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

AASB 15 will replace AASB 118 which covers contracts for goods and services and AASB 111 which covers construction contracts.

AASB 15 will introduce a 5-step process for revenue recognition with the core principle of the new standard being that entities recognise revenue so as to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the entity expects to be entitled in exchange for those goods or services.

The changes in revenue recognition requirements in AASB 15 may cause changes to accounting policies relating to the timing and amount of revenue recorded in the financial statements, as well as additional disclosures.

The effective date of this standard is for annual reporting periods beginning on or after 1 January 2018.

Council is yet to undertake a detailed assessment of the impact of AASB 15.

##### **AASB ED 260 Income of Not-for-Profit Entities**

The AASB previously issued exposure draft AASB ED 260 on Income of Not-for-Profit Entities in April 2015.

The exposure draft proposed specific not-for-profit entity requirements and guidance when applying the principles of AASB 15 to income from certain transactions.

Much of the material in AASB 1004 is expected to be replaced by material included in AASB ED 260.

Specific revenue items that may considerably change are Grants and Contributions.

The most likely financial statement impact is the deferred recognition of Grants and Contributions (i.e. recognition as unearned revenue [liability]) until Council has met the associated performance obligation/s relating to the Grants or Contribution.

At this stage there is no specific date of release for a standard nor a date of applicability.

##### **AASB16 – Leases**

AASB 116 Leases replaces AASB 117 Leases and some associated lease-related Interpretations.

AASB 16 introduces a single lease accounting model (for lessees) that will require all leases to be accounted for on the Statement of Financial Position (ie. recognition of both a right-of-use asset and a corresponding lease) for all leases with a term of more than 12 months unless the underlying assets are determined to be of 'low value'. There will also be detailed disclosure requirements for all lessees.

The effective date of this standard is for annual reporting periods beginning on or after 1 January 2019.

Council is yet to undertake a detailed assessment of the accounting impacts from AASB 16. However, based on preliminary assessments, impacts from the

## Cobar Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2016

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

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first time adoption of the standard are likely to include:

- a significant increase in lease assets and financial liabilities recognised on the Statement of Financial Position,
- a reduction in reported equity as the carrying amount of lease assets will reduce more quickly than the carrying amount of lease liabilities,
- lower operating cash outflows and higher financing cash flows in the statement of cash flows as principal repayments on all lease liabilities will now be included in financing activities rather than operating activities.

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

From 1 July 2016, AASB 124 Related Party Disclosures will apply to Council.

This means that Council will be required to disclose information about related parties and Council transactions with those related parties.

Related parties will more than likely include the Mayor, Councillors and certain Council staff. In addition, the close family members of those people and any organisations that they control or are associated with will be classified as related parties (and fall under the related party reporting requirements).

#### **(ac) Rounding of amounts**

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

#### **(ad) Comparative figures**

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

## Cobar Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2016

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

Functions/activities	Income, expenses and assets have been directly attributed to the following functions/activities. Details of these functions/activities are provided in Note 2(b).												
	Income from continuing operations			Expenses from continuing operations			Operating result from continuing operations			Grants included in income from continuing operations		Total assets held (current & non-current)	
	Original budget	Actual	Actual	Original budget	Actual	Actual	Original budget	Actual	Actual	Actual	Actual	Actual	Actual
	2016	2016	2015	2016	2016	2015	2016	2016	2015	2016	2015	2016	2015
Governance	3	3	5	709	709	576	(706)	(706)	(571)	–	–	–	–
Administration	474	709	459	4,648	1,790	1,503	(4,174)	(1,081)	(1,044)	73	30	16,264	17,972
Public order and safety	240	1,016	342	526	365	655	(286)	651	(313)	–	168	1,833	1,430
Health	207	19	66	437	240	253	(230)	(221)	(187)	–	–	–	–
Environment	892	824	897	529	670	652	363	154	245	60	234	–	864
Community services and education	4,494	4,605	4,366	4,285	4,569	4,253	209	36	113	2,967	3,059	8,378	8,689
Housing and community amenities	299	284	219	684	651	468	(385)	(367)	(249)	–	–	5,937	6,874
Water supplies	7,116	3,391	4,339	2,307	3,012	2,622	4,809	379	1,717	4,443	801	14,159	13,477
Sewerage services	2,129	838	738	623	623	848	1,506	215	(110)	363	25	10,703	10,508
Recreation and culture	283	590	686	2,089	2,840	2,735	(1,806)	(2,250)	(2,049)	10	305	15,423	15,294
Mining, manufacturing and construction	39	5	23	40	5	23	(1)	–	–	–	–	–	–
Transport and communication	8,005	7,428	8,675	9,334	11,568	9,341	(1,329)	(4,140)	(666)	–	3,272	235,967	234,175
Economic affairs	869	935	708	919	820	882	(50)	115	(174)	–	–	–	1
<b>Total functions and activities</b>	<b>25,050</b>	<b>20,647</b>	<b>21,523</b>	<b>27,130</b>	<b>27,862</b>	<b>24,811</b>	<b>(2,080)</b>	<b>(7,215)</b>	<b>(3,288)</b>	<b>7,916</b>	<b>7,894</b>	<b>308,664</b>	<b>309,284</b>
Share of gains/(losses) in associates and joint ventures (using the equity method)	–	–	–	–	–	–	–	–	–	–	–	–	–
General purpose income <sup>1</sup>	10,214	8,928	8,697	–	–	–	10,214	8,928	8,697	5,057	4,910	–	–
<b>Operating result from continuing operations</b>	<b>35,264</b>	<b>29,575</b>	<b>30,220</b>	<b>27,130</b>	<b>27,862</b>	<b>24,811</b>	<b>8,134</b>	<b>1,713</b>	<b>5,409</b>	<b>12,973</b>	<b>12,804</b>	<b>308,664</b>	<b>309,284</b>

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

## Cobar Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2016

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

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

##### **GOVERNANCE**

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

##### **HEALTH**

Includes immunisation, food control, health centres etc.

##### **ENVIRONMENT**

Includes noxious plants and insect/vermin control; other environmental protection; solid waste management, including domestic waste; other waste management; other sanitation; and garbage, street cleaning, drainage and stormwater management.

##### **COMMUNITY SERVICES AND EDUCATION**

Includes administration and education; social protection (welfare); migrant, Aboriginal and other community services and administration (excluding accommodation – as it is covered under 'housing and community amenities'); youth services; aged and disabled persons services; children's services, including family day care; child care; and other family and children services.

##### **HOUSING AND COMMUNITY AMENITIES**

Includes public cemeteries; public conveniences; street lighting; town planning; other community amenities, including housing development and accommodation for families and children, aged persons, disabled persons, migrants and Indigenous persons.

##### **WATER SUPPLIES**

##### **SEWERAGE SERVICES**

##### **RECREATION AND CULTURE**

Includes public libraries; museums; art galleries; community centres and halls, including public halls and performing arts venues; sporting grounds and venues; swimming pools; parks; gardens; lakes; and other sporting, recreational and cultural services.

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

Includes building control, quarries and pits and mineral resources.

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

Urban local, urban regional, includes sealed and unsealed roads, bridges, footpaths, parking areas, and aerodromes.

##### **ECONOMIC AFFAIRS**

Includes camping areas and caravan parks; tourism and area promotion; industrial development promotion; sale yards and markets; real estate development; commercial nurseries; and other business undertakings.

## Cobar Shire Council

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

## Note 3. Income from continuing operations

\$ '000	Notes	Actual 2016	Actual 2015
<b>(a) Rates and annual charges</b>			
<b>Ordinary rates</b>			
Residential		1,071	1,045
Farmland		633	622
Mining		1,562	1,523
Business		373	361
<b>Total ordinary rates</b>		<b>3,639</b>	<b>3,551</b>
<b>Special rates</b>			
Water supplies		689	662
Sewerage services		770	655
<b>Total special rates</b>		<b>1,459</b>	<b>1,317</b>
<b>Annual charges</b> (pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Domestic waste management services		551	506
<b>Total annual charges</b>		<b>551</b>	<b>506</b>
<b>TOTAL RATES AND ANNUAL CHARGES</b>		<b>5,649</b>	<b>5,374</b>

Council has used 2015 year valuations provided by the NSW Valuer General in calculating its rates.

## Cobar Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2016

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

\$ '000	Notes	Actual 2016	Actual 2015
<b>(b) User charges and fees</b>			
<b>Specific user charges</b> (per s.502 – specific 'actual use' charges)			
Water supply services		2,260	2,261
Sewerage services		16	16
Waste management services (non-domestic)		136	133
<b>Total user charges</b>		<b>2,412</b>	<b>2,410</b>
<b>Other user charges and fees</b>			
<b>(i) Fees and charges – statutory and regulatory functions (per s.608)</b>			
Cobar Water Board Service Fee		185	182
Inspection services		–	4
Planning and building regulation		42	99
Private works – section 67		796	379
Regulatory/ statutory fees		5	5
Registration fees		23	29
Regulatory fees		2	–
Section 149 certificates (EPA Act)		19	14
Section 603 certificates		9	5
Tapping fees		–	2
Town planning		1	4
<b>Total fees and charges – statutory/regulatory</b>		<b>1,082</b>	<b>723</b>
<b>(ii) Fees and charges – other (incl. general user charges (per s.608))</b>			
Aerodrome		106	88
Aged care		722	888
Caravan park		135	139
Cemeteries		20	27
Child care		153	126
Leaseback fees – Council vehicles		35	36
Library and art gallery		2	2
Livestock control		–	3
Museum		101	101
Recycling income (non-domestic)		–	23
Refuse and effluent disposal		4	1
Rent and hire of non-investment property		214	208
RMS (formerly RTA) charges (state roads not controlled by Council)		3,325	4,434
Swimming centres		81	84
Tourism		4	3
Sporting ground fees		19	17
Sport stadium		102	107
Youth centre		2	1
Other		81	60
<b>Total fees and charges – other</b>		<b>5,106</b>	<b>6,348</b>
<b>TOTAL USER CHARGES AND FEES</b>		<b>8,600</b>	<b>9,481</b>

## Cobar Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2016

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

\$ '000	Notes	Actual 2016	Actual 2015
<b>(c) Interest and investment revenue (including losses)</b>			
<b>Interest</b>			
– Interest on overdue rates and annual charges (incl. special purpose rates)		33	32
– Interest earned on investments (interest and coupon payment income)		203	210
– Interest (other)		102	53
<b><u>TOTAL INTEREST AND INVESTMENT REVENUE</u></b>		<b><u>338</u></b>	<b><u>295</u></b>
<b>Interest revenue is attributable to:</b>			
<b>Unrestricted investments/financial assets:</b>			
Overdue rates and annual charges (general fund)		33	32
General Council cash and investments		199	204
<b>Restricted investments/funds – external:</b>			
Development contributions			
– Section 94		4	5
– Section 64		2	1
Water fund operations		66	18
Sewerage fund operations		34	35
<b><u>Total interest and investment revenue recognised</u></b>		<b><u>338</u></b>	<b><u>295</u></b>
<b>(d) Other revenues</b>			
Fines		6	5
Legal fees recovery – rates and charges (extra charges)		16	36
Commissions and agency fees		175	134
Insurance claim recoveries		–	71
Reimbursements		14	11
<b><u>TOTAL OTHER REVENUE</u></b>		<b><u>211</u></b>	<b><u>257</u></b>

## Cobar Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2016

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

\$ '000	2016 Operating	2015 Operating	2016 Capital	2015 Capital
<b>(e) Grants</b>				
<b>General purpose (untied)</b>				
Financial assistance – general component	3,411	3,255	–	–
Financial assistance – local roads component	1,606	1,615	–	–
Pensioners' rates subsidies – general component	40	40	–	–
<b>Total general purpose</b>	<b>5,057</b>	<b>4,910</b>	<b>–</b>	<b>–</b>
<b>Specific purpose</b>				
Pensioners' rates subsidies:				
– Water	14	14	–	–
– Sewerage	12	11	–	–
Water supplies	–	–	–	788
Sewerage services	–	–	–	14
Aged care	2,088	1,689	–	–
Bushfire and emergency services	122	140	422	–
Child care	1,606	1,368	–	–
Community centres	–	–	26	–
Diesel fuel rebate	74	60	–	–
Emergency services	24	28	–	–
Employment and training programs	–	29	–	–
Environmental protection	–	20	(60)	137
Heritage and cultural	–	2	–	–
Library	22	21	–	–
Library – special projects	125	10	–	–
Environmental	164	77	–	–
Recreation and culture	–	–	–	225
Street lighting	28	28	–	–
Traffic route subsidy	19	54	–	–
Transport (roads to recovery)	2,178	760	–	–
Transport (other roads and bridges funding)	–	–	–	2,370
Seniors week	1	–	–	–
Youth services	91	49	–	–
Fixing Country Roads	–	–	663	–
Resources for Regions	163	–	134	–
<b>Total specific purpose</b>	<b>6,731</b>	<b>4,360</b>	<b>1,185</b>	<b>3,534</b>
<b>Total grants</b>	<b>11,788</b>	<b>9,270</b>	<b>1,185</b>	<b>3,534</b>
<b>Grant revenue is attributable to:</b>				
– Commonwealth funding	6,109	2,275	797	200
– State funding	5,679	6,995	388	3,334
	<b>11,788</b>	<b>9,270</b>	<b>1,185</b>	<b>3,534</b>



## Cobar Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2016

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

\$ '000	2016 Operating	2015 Operating	2016 Capital	2015 Capital
<b>(f) Contributions</b>				
<b>Developer contributions:</b>				
<b>(s93 &amp; s94 – EP&amp;A Act, s64 of the LGA):</b>				
S 94 – contributions towards amenities/services	–	34	–	15
S 94A – fixed development consent levies	–	–	8	21
Other developer contributions – VPA	–	–	64	64
<b>Total developer contributions</b>	<b>–</b>	<b>34</b>	<b>72</b>	<b>100</b>
<b>Other contributions:</b>				
Community services	31	291	–	–
Other councils – joint works/services	–	12	–	–
RMS contributions (regional roads, block grant)	1,642	1,571	–	–
Other – VPA contributions	–	–	–	1
<b>Total other contributions</b>	<b>1,673</b>	<b>1,874</b>	<b>–</b>	<b>1</b>
<b>Total contributions</b>	<b>1,673</b>	<b>1,908</b>	<b>72</b>	<b>101</b>
<b>TOTAL GRANTS AND CONTRIBUTIONS</b>	<b>13,461</b>	<b>11,178</b>	<b>1,257</b>	<b>3,635</b>

\$ '000	Actual 2016	Actual 2015
<b>(g) Restrictions relating to grants and contributions</b>		
<b>Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner:</b>		
Unexpended at the close of the previous reporting period	1,877	829
<b>Add:</b> grants and contributions recognised in the current period but not yet spent:	295	1,337
<b>Less:</b> grants and contributions recognised in a previous reporting period now spent:	(1,366)	(289)
<b>Net increase (decrease) in restricted assets during the period</b>	<b>(1,071)</b>	<b>1,048</b>
<b>Unexpended and held as restricted assets</b>	<b>806</b>	<b>1,877</b>
<b>Comprising:</b>		
– Specific purpose unexpended grants	325	1,378
– Developer contributions	481	499
	<b>806</b>	<b>1,877</b>

## Cobar Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2016

## Note 4. Expenses from continuing operations

\$ '000	Notes	Actual 2016	Actual 2015
<b>(a) Employee benefits and on-costs</b>			
Salaries and wages		9,706	8,618
Travel expenses		70	158
Employee leave entitlements (ELE)		1,286	1,169
Superannuation		967	968
Workers' compensation insurance		625	525
Fringe benefit tax (FBT)		64	62
Training costs (other than salaries and wages)		277	236
Protective clothing		17	15
Recruitment		41	22
Medical expenses		8	13
<b>Total employee costs</b>		<b>13,061</b>	<b>11,786</b>
Less: capitalised costs		(531)	(128)
<b>TOTAL EMPLOYEE COSTS EXPENSED</b>		<b>12,530</b>	<b>11,658</b>
Number of 'full-time equivalent' employees (FTE) at year end		131	131
Number of 'full-time equivalent' employees (FTE) at year end (incl. vacancies)		152	152
<b>(b) Borrowing costs</b>			
<b>(i) Interest bearing liability costs</b>			
Interest on loans		112	145
Charges relating to finance leases		18	23
<b>Total interest bearing liability costs expensed</b>		<b>130</b>	<b>168</b>
<b>(ii) Other borrowing costs</b>			
Discount adjustments relating to movements in provisions (other than ELE)			
– Remediation liabilities	26	–	4
<b>Total other borrowing costs</b>		<b>–</b>	<b>4</b>
<b>TOTAL BORROWING COSTS EXPENSED</b>		<b>130</b>	<b>172</b>

## Cobar Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2016

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

\$ '000	Notes	Actual 2016	Actual 2015
<b>(c) Materials and contracts</b>			
Raw materials and consumables		2,636	2,523
Contractor and consultancy costs		13	21
– Information technology		114	165
– Printing and copy services		136	135
– Roadworks – line marking		–	177
– Roadworks – pavement stabilisation		44	235
– Roadworks – spray sealing		1,690	1,317
– Swimming pool		182	175
– Contractor and consultancy costs		97	–
Auditors remuneration <sup>(1)</sup>		67	59
Legal expenses:			
– Legal expenses: debt recovery		20	30
– Legal expenses: other		36	22
Concreting and construction		183	175
Fuel		452	556
<b><u>TOTAL MATERIALS AND CONTRACTS</u></b>		<b><u>5,670</u></b>	<b><u>5,590</u></b>
<b>Auditor remuneration</b>			
During the year, the following fees were incurred for services provided by the Council's Auditor:			
<b>Audit and other assurance services</b>			
– Audit and review of financial statements: Council's Auditor		56	48
– Other audit and assurance services (internal audit)		11	11
<b>Remuneration for audit and other assurance services</b>		<b><u>67</u></b>	<b><u>59</u></b>
<b>Total Auditor remuneration</b>		<b><u>67</u></b>	<b><u>59</u></b>

## Cobar Shire Council

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

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

\$ '000	Notes	Impairment costs		Depreciation/amortisation	
		Actual 2016	Actual 2015	Actual 2016	Actual 2015
Plant and equipment		–	–	843	816
Office equipment		–	–	42	48
Furniture and fittings		–	–	4	3
Property, plant and equipment – leased		–	–	53	18
Land improvements (depreciable)		–	–	184	261
Infrastructure:					
– Buildings – non-specialised		–	–	257	257
– Buildings – specialised		–	–	497	498
– Other structures		–	–	102	101
– Roads		–	–	3,923	1,808
– Stormwater drainage		–	–	64	21
– Water supply network		–	–	342	330
– Sewerage network		–	–	366	368
Other assets					
– Library books		–	–	61	48
– Other		–	–	2	3
<b><u>TOTAL DEPRECIATION AND IMPAIRMENT COSTS EXPENSED</u></b>		<b>–</b>	<b>–</b>	<b>6,740</b>	<b>4,580</b>

## Cobar Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2016

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

\$ '000	Notes	Actual 2016	Actual 2015
<b>(e) Other expenses</b>			
Other expenses for the year include the following:			
Advertising		43	46
Bad and doubtful debts		25	59
Bank charges		16	17
Child care – parent fees		1,200	1,039
Computer software charges		48	43
Contributions/levies to other levels of government			
– Emergency Services levy (includes FRNSW, SES, and RFS levies)		16	15
– NSW Fire Brigade Levy		23	22
– NSW Rural Fire Service Levy		155	138
Councillor expenses – mayoral fee		23	23
Councillor expenses – councillors' fees		123	124
Councillors' expenses (incl. mayor) – other (excluding fees above)		6	16
Donations, contributions and assistance to other organisations (Section 356)		27	7
Election expenses		–	19
Electricity and heating		414	449
Fire control expenses		96	98
Insurance		177	181
Integrated planning and reporting		8	8
Licenses		28	33
Office expenses		35	36
Street lighting		108	117
Subscriptions and publications		67	64
Telephone and communications		129	151
Valuation fees		25	25
<b><u>TOTAL OTHER EXPENSES</u></b>		<b><u>2,792</u></b>	<b><u>2,730</u></b>

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

<b>Plant and equipment</b>			
Proceeds from disposal – plant and equipment		560	486
Less: carrying amount of plant and equipment assets sold/written off		(501)	(567)
<b>Net gain/(loss) on disposal</b>		<b>59</b>	<b>(81)</b>
<b>Financial assets *</b>			
Proceeds from disposal/redemptions/maturities – financial assets		14,402	14,677
Less: carrying amount of financial assets sold/redeemed/matured		(14,402)	(14,677)
<b>Net gain/(loss) on disposal</b>		<b>–</b>	<b>–</b>
<b><u>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</u></b>		<b><u>59</u></b>	<b><u>(81)</u></b>

## Cobar Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2016

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

\$ '000	Notes	2016	2016	2015	2015
		Actual Current	Actual Non-current	Actual Current	Actual Non-current
<b>Cash and cash equivalents (Note 6a)</b>					
Cash on hand and at bank		37	–	3	–
Cash-equivalent assets <sup>1</sup>					
– Deposits at call		2,461	–	2,769	–
– Short-term deposits		1,000	–	–	–
<b>Total cash and cash equivalents</b>		<b>3,498</b>	<b>–</b>	<b>2,772</b>	<b>–</b>
<b>Investments (Note 6b)</b>					
– Long term deposits		7,103	–	7,610	–
<b>Total investments</b>		<b>7,103</b>	<b>–</b>	<b>7,610</b>	<b>–</b>
<b>TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS</b>		<b>10,601</b>	<b>–</b>	<b>10,382</b>	<b>–</b>

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

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

**Cash and cash equivalents**

a. 'At fair value through the profit and loss'		<b>3,498</b>	<b>–</b>	<b>2,772</b>	<b>–</b>
--	--	--------------	----------	--------------	----------

**Investments**

a. 'Held to maturity'	6(b-i)	7,103	–	7,610	–
<b>Investments</b>		<b>7,103</b>	<b>–</b>	<b>7,610</b>	<b>–</b>

**Note 6(b-i)**

**Reconciliation of investments classified as 'held to maturity'**

Balance at the beginning of the year		7,610	–	3,009	–
Additions		13,895	–	19,268	–
Disposals (sales and redemptions)		(14,402)	–	(14,667)	–
<b>Balance at end of year</b>		<b>7,103</b>	<b>–</b>	<b>7,610</b>	<b>–</b>
<b>Comprising:</b>					
– Long term deposits		7,103	–	7,610	–
<b>Total</b>		<b>7,103</b>	<b>–</b>	<b>7,610</b>	<b>–</b>

Refer to Note 27. Fair value measurement for information regarding the fair value of investments held.

## Cobar Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2016

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

\$ '000	2016	2016	2015	2015
	Actual Current	Actual Non-current	Actual Current	Actual Non-current
Total cash, cash equivalents and investments	10,601	–	10,382	–
<b>attributable to:</b>				
External restrictions (refer below)	6,186	–	6,619	–
Internal restrictions (refer below)	2,912	–	2,085	–
Unrestricted	1,503	–	1,678	–
	<b>10,601</b>	<b>–</b>	<b>10,382</b>	<b>–</b>

2016 \$ '000	Opening balance	Transfers to restrictions	Transfers from restrictions	Closing balance
-----------------	--------------------	------------------------------	--------------------------------	--------------------

## Details of restrictions

## External restrictions – included in liabilities

Nil

## External restrictions – other

Developer contributions – general	(D)	401	77	(96)	382
Developer contributions – water fund	(D)	12	–	–	12
Developer contributions – sewer fund	(D)	86	1	–	87
Specific purpose unexpended grants	(F)	1,378	–	(1,053)	325
Water supplies	(G)	2,087	165	–	2,252
Sewerage services	(G)	1,444	488	–	1,932
Domestic waste management	(G)	1,041	841	(710)	1,172
Land sale monies held in trust		9	–	(9)	–
eTrust stream 1		13	–	(13)	–
eTrust stream 2		124	–	(124)	–
EHC project		24	–	–	24
<b>External restrictions – other</b>		<b>6,619</b>	<b>1,572</b>	<b>(2,005)</b>	<b>6,186</b>
<b>Total external restrictions</b>		<b>6,619</b>	<b>1,572</b>	<b>(2,005)</b>	<b>6,186</b>

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

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

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

## Cobar Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2016

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

2016 \$ '000	Opening balance	Transfers to restrictions	Transfers from restrictions	Closing balance
<b>Internal restrictions</b>				
Plant and vehicle replacement	782	689	(782)	689
Library Works	–	10	–	10
Employees leave entitlement	309	12	–	321
Cobar Heritage Centre	–	36	–	36
Mobile Ablutions Block	–	5	–	5
Airport terminal sewerage system	25	–	–	25
Building renewal	25	–	(19)	6
Children's services	37	1,763	(1,722)	78
Cobar youth council	3	26	(22)	7
Community sign	5	–	–	5
Computer & IT	–	130	–	130
eTrust stream 1 and 2 (Council contribution)	59	–	(59)	–
Euabalong depot refurbishment	10	–	(10)	–
Flood study	23	–	–	23
Grant contributions	20	–	(20)	–
Water Capital Projects	–	50	–	50
Noxious Weeds	–	4	–	4
LBV operational	200	2,843	(2,828)	215
Parks, Gardens, etc.	–	71	–	71
OROC shared consultancy	10	–	(10)	–
RFS allocation	20	–	(20)	–
Risk management (WH&S manual)	7	–	(7)	–
Road works – shire roads	100	886	(100)	886
Sewerage works improvements	125	45	(125)	45
SRV	132	–	(132)	–
Waste Management Capital	–	80	–	80
Truck wash	90	90	–	180
Youthie accessible toilets and storage	20	26	–	46
Water mains replacement	83	–	(83)	–
<b>Total internal restrictions</b>	<b>2,085</b>	<b>6,766</b>	<b>(5,939)</b>	<b>2,912</b>
<b>TOTAL RESTRICTIONS</b>	<b>8,704</b>	<b>8,338</b>	<b>(7,944)</b>	<b>9,098</b>



## Cobar Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2016

## Note 7. Receivables

\$ '000	Notes	2016		2015	
		Current	Non-current	Current	Non-current
<b>Purpose</b>					
Rates and annual charges		345	203	255	180
Interest and extra charges		91	–	74	–
User charges and fees		552	51	904	51
Accrued revenues					
– Interest on investments		15	–	95	–
– Other income accruals		472	–	417	–
Government grants and subsidies		165	–	677	–
Net GST receivable		103	–	162	–
Other debtors		3	–	7	–
<b>Total</b>		<b>1,746</b>	<b>254</b>	<b>2,591</b>	<b>231</b>
<b>Less: provision for impairment</b>					
Rates and annual charges		–	(203)	–	(180)
User charges and fees		–	(51)	–	(51)
<b>Total provision for impairment – receivables</b>		<b>–</b>	<b>(254)</b>	<b>–</b>	<b>(231)</b>
<b>TOTAL NET RECEIVABLES</b>		<b>1,746</b>	<b>–</b>	<b>2,591</b>	<b>–</b>
<b>Externally restricted receivables</b>					
<b>Water supply</b>					
– Rates and availability charges		54	–	43	–
– Other		469	–	501	–
<b>Sewerage services</b>					
– Rates and availability charges		102	–	43	–
<b>Total external restrictions</b>		<b>625</b>	<b>–</b>	<b>587</b>	<b>–</b>
<b>Internally restricted receivables</b>					
Nil					
<b>Unrestricted receivables</b>		<b>1,121</b>	<b>–</b>	<b>2,004</b>	<b>–</b>
<b>TOTAL NET RECEIVABLES</b>		<b>1,746</b>	<b>–</b>	<b>2,591</b>	<b>–</b>

**Notes on debtors above:**

- (i) Rates and annual charges outstanding are secured against the property.
- (ii) Doubtful rates debtors are provided for where the value of the property is less than the debt outstanding and where the ratepayer is unknown. An allowance for other doubtful debts is made when there is objective evidence that a receivable is impaired.
- (iii) Interest was charged on overdue rates and charges at 8.50% (2015 8.50%).  
Generally all other receivables are non-interest bearing.
- (iv) Please refer to Note 15 for issues concerning credit risk and fair value disclosures.

## Cobar Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2016

## Note 8. Inventories and other assets

\$ '000	Notes	2016		2015	
		Current	Non-current	Current	Non-current
<b>(a) Inventories</b>					
<b>(i) Inventories at cost</b>					
Real estate for resale (refer below)		82	–	82	–
Stores and materials		526	–	477	–
Trading stock		60	–	61	–
<b>Total inventories at cost</b>		<b>668</b>	<b>–</b>	<b>620</b>	<b>–</b>
<b>(ii) Inventories at net realisable value (NRV)</b>					
Nil					
<b>TOTAL INVENTORIES</b>		<b>668</b>	<b>–</b>	<b>620</b>	<b>–</b>
<b>(b) Other assets</b>					
Prepayments		–	–	5	–
Work in progress (Private Works)		9	–	2	–
<b>TOTAL OTHER ASSETS</b>		<b>9</b>	<b>–</b>	<b>7</b>	<b>–</b>
<b>Externally restricted assets</b>					
<b>Water</b>					
Stores and materials		34	–	109	–
<b>Total water</b>		<b>34</b>	<b>–</b>	<b>109</b>	<b>–</b>
<b>Sewerage</b>					
Stores and materials		–	–	26	–
<b>Total sewerage</b>		<b>–</b>	<b>–</b>	<b>26</b>	<b>–</b>
<b>Domestic waste management</b>					
Nil					
<b>Other</b>					
Nil					
<b>Total externally restricted assets</b>		<b>34</b>	<b>–</b>	<b>135</b>	<b>–</b>
<b>Total internally restricted assets</b>		<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Total unrestricted assets</b>		<b>643</b>	<b>–</b>	<b>492</b>	<b>–</b>
<b>TOTAL INVENTORIES AND OTHER ASSETS</b>		<b>677</b>	<b>–</b>	<b>627</b>	<b>–</b>

## Cobar Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2016

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

\$ '000	2016		2015	
	Current	Non-current	Current	Non-current
<b>(i) Other disclosures</b>				
<b>(a) Details for real estate development</b>				
Residential	82	–	82	–
<b>Total real estate for resale</b>	<b>82</b>	<b>–</b>	<b>82</b>	<b>–</b>
(Valued at the lower of cost and net realisable value)				
<b>Represented by:</b>				
Acquisition costs	82	–	82	–
<b>Total costs</b>	<b>82</b>	<b>–</b>	<b>82</b>	<b>–</b>
<b>Total real estate for resale</b>	<b>82</b>	<b>–</b>	<b>82</b>	<b>–</b>
<b>Movements:</b>				
Real estate assets at beginning of the year	82	–	82	–
<b>Total real estate for resale</b>	<b>82</b>	<b>–</b>	<b>82</b>	<b>–</b>

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

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

	2016	2015
Real estate for resale	82	82
	<b>82</b>	<b>82</b>

**(c) Inventory write downs**

There were no amounts recognised as an expense relating to the write down of inventory balances held during the year.

Refer to Note 27. Fair value measurement for information regarding the fair value of other assets held.

## Cobar Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2016

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

\$ '000	as at 30/6/2015					Asset movements during the reporting period							as at 30/6/2016					
	At cost	At fair value	Accumulated		Carrying value	Additions renewals	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Revaluation decrements to equity (ARR)	Revaluation increments to equity (ARR)	At cost	At fair value	Accumulated		Carrying value	
			depreciation	impairment											depreciation	impairment		
Capital work in progress	3,211	–	–	–	3,211	–	1,342	–	–	(2,756)	–	–	1,797	–	–	–	–	1,797
Plant and equipment	–	13,189	8,666	–	4,523	–	1,434	(501)	(843)	–	–	–	–	13,752	9,139	–	–	4,613
Office equipment	–	1,381	1,231	–	150	–	–	–	(42)	–	–	–	–	1,388	1,280	–	–	108
Furniture and fittings	–	146	107	–	39	–	12	–	(4)	–	–	–	–	157	110	–	–	47
Plant and equipment (under finance lease)	–	487	85	–	402	–	–	–	(53)	–	–	–	–	487	138	–	–	349
<b>Land:</b>																		
– Operational land	–	4,374	–	–	4,374	–	140	–	–	–	(483)	–	–	4,031	–	–	–	4,031
– Community land	–	1,673	–	–	1,673	–	–	–	–	–	–	1,156	–	2,829	–	–	–	2,829
Land improvements – depreciable	–	9,294	2,143	–	7,151	190	131	–	(184)	2,409	(2,970)	–	–	9,687	2,960	–	–	6,727
<b>Infrastructure:</b>																		
– Buildings – non-specialised	–	12,801	6,884	–	5,917	24	–	–	(257)	–	–	194	–	12,854	6,976	–	–	5,878
– Buildings – specialised	–	36,737	17,840	–	18,897	136	–	–	(497)	–	–	653	–	37,526	18,337	–	–	19,189
– Other structures	–	2,384	1,100	–	1,284	–	16	–	(102)	–	–	256	–	2,636	1,182	–	–	1,454
– Roads	–	251,946	42,940	–	209,006	4,257	–	–	(3,923)	325	–	–	–	256,528	46,863	–	–	209,665
– Bulk earthworks (non-depreciable)	–	14,031	–	–	14,031	–	–	–	–	–	–	–	–	14,031	–	–	–	14,031
– Stormwater drainage	–	6,449	1,580	–	4,869	–	–	–	(64)	–	–	–	–	6,450	1,645	–	–	4,805
– Water supply network	–	26,167	15,030	–	11,137	–	440	–	(342)	22	–	168	–	27,027	15,602	–	–	11,425
– Sewerage network	–	17,268	8,449	–	8,819	–	–	–	(366)	–	–	127	–	17,527	8,947	–	–	8,580
<b>Other assets:</b>																		
– Library books	–	597	490	–	107	–	29	–	(61)	–	–	–	–	625	550	–	–	75
– Other	–	120	26	–	94	–	–	–	(2)	–	(55)	–	–	55	18	–	–	37
<b>TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIP.</b>	<b>3,211</b>	<b>399,044</b>	<b>106,571</b>	<b>–</b>	<b>295,684</b>	<b>4,607</b>	<b>3,544</b>	<b>(501)</b>	<b>(6,740)</b>	<b>–</b>	<b>(3,508)</b>	<b>2,554</b>	<b>1,797</b>	<b>407,590</b>	<b>113,747</b>	<b>–</b>	<b>–</b>	<b>295,640</b>

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

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

## Cobar Shire Council

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

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

\$ '000 Class of asset	Actual 2016				Actual 2015			
	At cost	At fair value	A/Dep & impairm't	Carrying value	At cost	At fair value	A/Dep & impairm't	Carrying value
<b>Water supply</b>								
WIP	534	–	–	<b>534</b>	362	–	–	<b>362</b>
Land								
– Operational land	–	90	–	<b>90</b>	–	90	–	<b>90</b>
Infrastructure	–	27,027	15,602	<b>11,425</b>	–	26,167	15,030	<b>11,137</b>
<b>Total water supply</b>	<b>534</b>	<b>27,117</b>	<b>15,602</b>	<b>12,049</b>	<b>362</b>	<b>26,257</b>	<b>15,030</b>	<b>11,589</b>
<b>Sewerage services</b>								
WIP	158	–	–	<b>158</b>	–	–	–	<b>–</b>
Land								
– Operational land	–	90	–	<b>90</b>	–	90	–	<b>90</b>
Infrastructure	–	17,527	8,947	<b>8,580</b>	–	17,268	8,449	<b>8,819</b>
<b>Total sewerage services</b>	<b>158</b>	<b>17,617</b>	<b>8,947</b>	<b>8,828</b>	<b>–</b>	<b>17,358</b>	<b>8,449</b>	<b>8,909</b>
<b>TOTAL RESTRICTED I,PP&amp;E</b>	<b>692</b>	<b>44,734</b>	<b>24,549</b>	<b>20,877</b>	<b>362</b>	<b>43,615</b>	<b>23,479</b>	<b>20,498</b>

Note 9c. Infrastructure, property, plant and equipment – current year  
impairments

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Council has recognised no impairment losses during the reporting period nor reversed any prior period losses.

## Cobar Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2016

## Note 10a. Payables, borrowings and provisions

\$ '000	Notes	2016		2015	
		Current	Non-current	Current	Non-current
<b>Payables</b>					
Goods and services – operating expenditure		687	–	1,453	–
Payments received In advance		157	–	141	–
Accrued expenses:					
– Salaries and wages		172	–	327	–
– Other expenditure accruals		187	–	49	–
Security bonds, deposits and retentions		30	–	–	–
Monies held in trust		9	–	9	–
Miners' Memorial		19	–	–	–
<b>Total payables</b>		<b>1,261</b>	<b>–</b>	<b>1,979</b>	<b>–</b>
<b>Borrowings</b>					
Loans – secured <sup>1</sup>		174	1,410	263	1,984
Finance lease liabilities		83	143	78	226
<b>Total borrowings</b>		<b>257</b>	<b>1,553</b>	<b>341</b>	<b>2,210</b>
<b>Provisions</b>					
<b>Employee benefits:</b>					
Annual leave		847	–	858	–
Long service leave		1,110	112	1,037	89
Time in lieu		72	–	77	–
Sub-total – aggregate employee benefits		<b>2,029</b>	<b>112</b>	<b>1,972</b>	<b>89</b>
Asset remediation/restoration (future works)	26	–	56	–	56
<b>Total provisions</b>		<b>2,029</b>	<b>168</b>	<b>1,972</b>	<b>145</b>
<b><u>TOTAL PAYABLES, BORROWINGS AND PROVISIONS</u></b>		<b><u>3,547</u></b>	<b><u>1,721</u></b>	<b><u>4,292</u></b>	<b><u>2,355</u></b>
<b>(i) Liabilities relating to restricted assets</b>					
		2016		2015	
		Current	Non-current	Current	Non-current
<b>Externally restricted assets</b>					
Water		179	–	197	–
Sewer		34	–	8	–
Liabilities relating to externally restricted assets		<b>213</b>	<b>–</b>	<b>205</b>	<b>–</b>
<b>Internally restricted assets</b>					
Nil		–	–	–	–
<b>Total liabilities relating to restricted assets</b>		<b>213</b>	<b>–</b>	<b>205</b>	<b>–</b>
<b>Total liabilities relating to unrestricted assets</b>		<b>3,334</b>	<b>1,721</b>	<b>4,087</b>	<b>2,355</b>
<b><u>TOTAL PAYABLES, BORROWINGS AND PROVISIONS</u></b>		<b><u>3,547</u></b>	<b><u>1,721</u></b>	<b><u>4,292</u></b>	<b><u>2,355</u></b>

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

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

## Cobar Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2016

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

\$ '000	Actual 2016	Actual 2015
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**(ii) Current liabilities not anticipated to be settled within the next twelve months**

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

Provisions – employees benefits	1,420	1,388
	<u>1,420</u>	<u>1,388</u>

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

Class of provision	2015		2016			
	Opening balance as at 1/7/15	Additional provisions	Decrease due to payments	Remeasurement effects due to discounting	Unused amounts reversed	Closing balance as at 30/6/16
Annual leave	858	641	(652)	–	–	847
Long service leave	1,126	321	(225)	–	–	1,222
Time in lieu	77	125	(130)	–	–	72
Asset remediation	56	–	–	–	–	56
<b>TOTAL</b>	<b>2,117</b>	<b>1,087</b>	<b>(1,007)</b>	<b>–</b>	<b>–</b>	<b>2,197</b>

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



## Cobar Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2016

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

\$ '000	Notes	Actual 2016	Actual 2015
<b>(a) Reconciliation of cash assets</b>			
Total cash and cash equivalent assets	6a	3,498	2,772
Less bank overdraft	10	–	–
<b>Balance as per the Statement of Cash Flows</b>		<b>3,498</b>	<b>2,772</b>
<b>(b) Reconciliation of net operating result to cash provided from operating activities</b>			
<b>Net operating result from Income Statement</b>		<b>1,713</b>	<b>5,409</b>
Adjust for non-cash items:			
Depreciation and amortisation		6,740	4,580
Net losses/(gains) on disposal of assets		(59)	81
Unwinding of discount rates on reinstatement provisions		–	4
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		822	(469)
Increase/(decrease) in provision for doubtful debts		23	(16)
Decrease/(increase) in inventories		(48)	62
Decrease/(increase) in other assets		(2)	36
Increase/(decrease) in payables		(766)	423
Increase/(decrease) in other accrued expenses payable		(17)	(138)
Increase/(decrease) in other liabilities		65	(80)
Increase/(decrease) in employee leave entitlements		80	(96)
<b>Net cash provided from/(used in) operating activities from the Statement of Cash Flows</b>		<b>8,551</b>	<b>9,796</b>
<b>(c) Non-cash investing and financing activities</b>			
Nil			
<b>(d) Financing arrangements</b>			
<b>(i) Unrestricted access was available at balance date to the following lines of credit:</b>			
Credit cards/purchase cards		60	60
<b>Total financing arrangements</b>		<b>60</b>	<b>60</b>
<b>Amounts utilised as at balance date:</b>			
– Credit cards/purchase cards		19	26
<b>Total financing arrangements utilised</b>		<b>19</b>	<b>26</b>
<b>(ii) Secured loan liabilities</b>			

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

## Cobar Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2016

## Note 12. Commitments for expenditure

\$ '000	Notes	Actual 2016	Actual 2015	
<b>(a) Capital commitments (exclusive of GST)</b>				
Nil				
<b>(b) Finance lease commitments</b>				
<b>(i) Commitments under finance leases at the reporting date are payable as follows:</b>				
Within the next year		87	51	
Later than one year and not later than 5 years		160	291	
Later than 5 years		–	–	
<b>Total minimum lease payments</b>		<b>247</b>	<b>342</b>	
Less: future finance charges		(21)	(38)	
<b>Amount recognised as a liability</b>		<b>226</b>	<b>304</b>	
<b>(ii) Finance lease liability recognised represent;</b>				
Current liabilities		83	78	
Non-current liabilities		143	226	
<b>Total finance lease liabilities disclosed</b>		<b>226</b>	<b>304</b>	
<b>(iii) General details</b>				
Council leases the following property, plant and equipment under finance leases:				
	Term (years)	Option to purchase	Contingent rent clauses	
Heavy plant – carrying value	5	Y/N	Y/N	
<b>Total carrying value at year end</b>				<b>226</b> <b>304</b>

**(c) Operating lease commitments (non-cancellable)**

Nil

**(d) Investment property commitments**

Nil

## Cobar Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2016

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

\$ '000	Amounts 2016	Indicator 2016	Prior periods	
			2015	2014
<b>Local government industry indicators – consolidated</b>				
<b>1. Operating performance ratio</b>				
Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions less operating expenses	<u>397</u>	<b>1.40%</b>	6.98%	-6.51%
Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions	<u>28,259</u>			
<b>2. Own source operating revenue ratio</b>				
Total continuing operating revenue <sup>(1)</sup> excluding all grants and contributions	<u>14,798</u>	<b>50.14%</b>	50.98%	63.00%
Total continuing operating revenue <sup>(1)</sup>	<u>29,516</u>			
<b>3. Unrestricted current ratio</b>				
Current assets less all external restrictions <sup>(2)</sup>	<u>6,097</u>	<b>3.19x</b>	2.29x	1.91x
Current liabilities less specific purpose liabilities <sup>(3, 4)</sup>	<u>1,914</u>			
<b>4. Debt service cover ratio</b>				
Operating result <sup>(1)</sup> before capital excluding interest and depreciation/impairment/amortisation	<u>7,267</u>	<b>8.34x</b>	13.65x	4.06x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	<u>871</u>			
<b>5. Rates, annual charges, interest and extra charges outstanding percentage</b>				
Rates, annual and extra charges outstanding	<u>436</u>	<b>7.23%</b>	5.68%	6.51%
Rates, annual and extra charges collectible	<u>6,027</u>			
<b>6. Cash expense cover ratio</b>				
Current year's cash and cash equivalents plus all term deposits	<u>10,601</u>	<b>5.29 mths</b>	5.8 mths	3.7 mths
Payments from cash flow of operating and financing activities	<u>2,005</u>			

## Notes

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

(2) Refer Notes 6-8 inclusive.

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

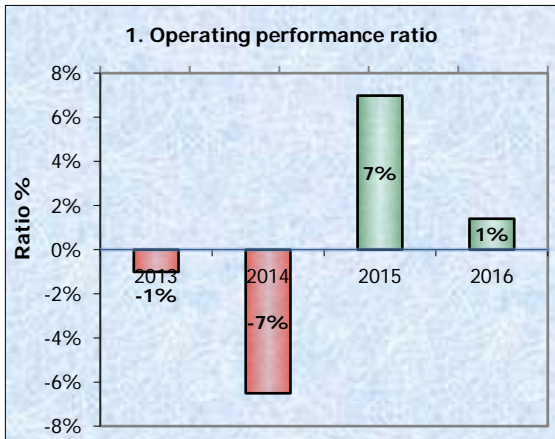
(3) Refer to Note 10(a).

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

# Cobar Shire Council

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

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



**Purpose of operating performance ratio**

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

**Commentary on 2015/16 result**

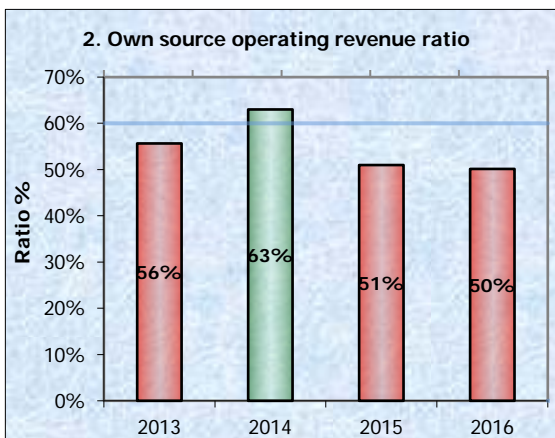
**2015/16 ratio 1.40%**

On balance, Cobar Shire Council has a break-even budget and has performed to that level. The average ratio over the past 2 years is 3.5%.

Benchmark: — Minimum  $\geq 0.00\%$

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

Ratio achieves benchmark  
 Ratio is outside benchmark



**Purpose of own source operating revenue ratio**

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

**Commentary on 2015/16 result**

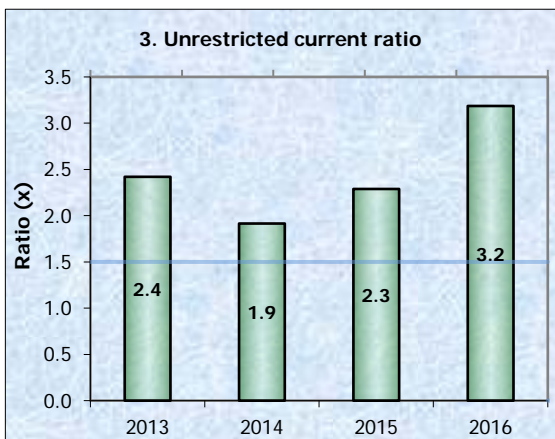
**2015/16 ratio 50.14%**

The business model of Cobar Shire Council with a low rate-base makes achievement of the benchmark difficult to reach.

Benchmark: — Minimum  $\geq 60.00\%$

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

Ratio achieves benchmark  
 Ratio is outside benchmark



**Purpose of unrestricted current ratio**

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

**Commentary on 2015/16 result**

**2015/16 ratio 3.19x**

Cobar Shire Council has a deliberate policy of keeping liabilities low so as to enhance its financial health. Council strives to keep a sound working capital buffer.

Benchmark: — Minimum  $\geq 1.50$

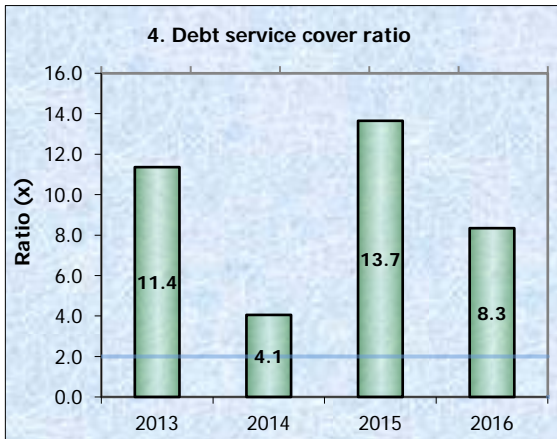
Source for benchmark: Code of Accounting Practice and Financial Reporting #24

Ratio achieves benchmark  
 Ratio is outside benchmark

Cobar Shire Council

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

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



**Purpose of debt service cover ratio**

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

**Commentary on 2015/16 result**

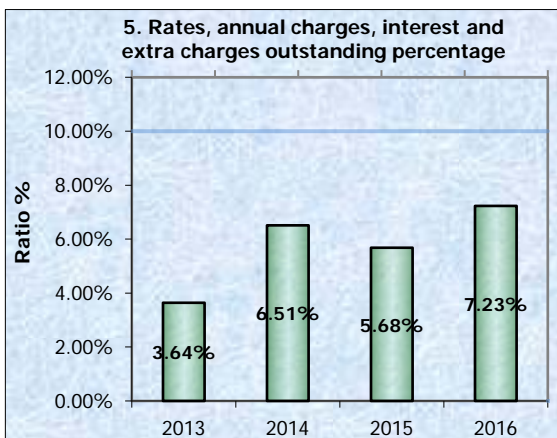
**2015/16 ratio 8.34x**

Council has reduced its existing debts and not undertaken any fresh loans as part of a deliberate strategy to strengthen its financial health. A conservative borrowing policy was adopted in 2015.

Benchmark: Minimum >=2.00

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

Ratio achieves benchmark  
 Ratio is outside benchmark



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

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

**Commentary on 2015/16 result**

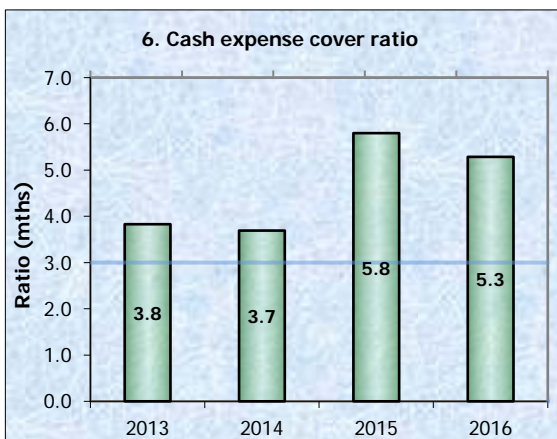
**2015/16 ratio 7.23%**

Whilst within the benchmark, Council's comfort range is considered to be 6%. This ratio is negatively impacted by approximately 2% due to rates on unidentified ownership. Such rates have resulted from changes of ownership where not all parcels have been included in the transfer documents.

Benchmark: Maximum <10.00%

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

Ratio is within Benchmark  
 Ratio is outside Benchmark



**Purpose of cash expense cover ratio**

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

**Commentary on 2015/16 result**

**2015/16 ratio 5.29 mths**

Council has planned its cash outflows to achieve a balance between service levels of cash retention in a deliberate strategy to improve its financial health. Carried forward works for which cash is restricted have enhanced the ratio as at 30 June 2016.

Benchmark: Minimum >=3.00

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

Ratio achieves benchmark  
 Ratio is outside benchmark

## Cobar Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2016

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

\$ '000	Water 2016	Sewer 2016	General <sup>5</sup> 2016
<b>Local government industry indicators – by fund</b>			
<b>1. Operating performance ratio</b>			
<u>Total continuing operating revenue<sup>(1)</sup> excluding capital grants and contributions less operating expenses</u>	<b>12.11%</b>	<b>14.92%</b>	<b>-0.38%</b>
Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions	prior period: 39.56%	-13.51%	1.09%
<b>2. Own source operating revenue ratio</b>			
<u>Total continuing operating revenue<sup>(1)</sup> excluding all grants and contributions</u>	<b>87.55%</b>	<b>82.52%</b>	<b>44.42%</b>
Total continuing operating revenue <sup>(1)</sup>	prior period: 67.81%	98.47%	46.73%
<b>3. Unrestricted current ratio</b>			
<u>Current assets less all external restrictions<sup>(2)</sup></u>	<b>16.63x</b>	<b>63.56x</b>	<b>3.03x</b>
Current liabilities less specific purpose liabilities <sup>(3, 4)</sup>	prior period: 13.91x	189.13x	2.29x
<b>4. Debt service cover ratio</b>			
<u>Operating result<sup>(1)</sup> before capital excluding interest and depreciation/impairment/amortisation</u>	<b>0.00</b>	<b>0.00</b>	<b>6.97x</b>
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	prior period: 0.00x	0.00x	8.86x
<b>5. Rates, annual charges, interest and extra charges outstanding percentage</b>			
<u>Rates, annual and extra charges outstanding</u>	<b>7.68%</b>	<b>13.04%</b>	<b>6.16%</b>
Rates, annual and extra charges collectible	prior period: 6.37%	6.46%	5.45%
<b>6. Cash expense cover ratio</b>			
<u>Current year's cash and cash equivalents plus all term deposits</u> x12	<b>0.00</b>	<b>0.00</b>	<b>3.15 mths</b>
Payments from cash flow of operating and financing activities	prior period: 0.00 mths	0.00 mths	3.77 mths

## Notes

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

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



## Cobar Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2016

#### Note 14. Investment properties

\$ '000

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

#### Note 15. Financial risk management

##### Risk management

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

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

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

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

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

	Carrying value		Fair value	
	2016	2015	2016	2015
<b>Financial assets</b>				
Cash and cash equivalents	3,498	2,772	3,498	2,772
Investments				
– 'Held to maturity'	7,103	7,610	7,103	7,610
Receivables	1,746	2,591	1,746	2,591
<b>Total financial assets</b>	<b>12,347</b>	<b>12,973</b>	<b>12,347</b>	<b>12,973</b>
<b>Financial liabilities</b>				
Payables	1,104	1,838	1,104	1,838
Loans/advances	1,584	2,247	1,584	2,247
Lease liabilities	226	304	226	304
<b>Total financial liabilities</b>	<b>2,914</b>	<b>4,389</b>	<b>2,914</b>	<b>4,389</b>

Fair value is determined as follows:

- **Cash and cash equivalents, receivables, payables** – are estimated to be the carrying value that approximates market value.
- **Borrowings and held-to-maturity investments** – 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.
- Financial assets classified (i) '**at fair value through profit and loss**' or (ii) '**available-for-sale**' – are based upon quoted market prices (in active markets for identical investments) at the reporting date or independent valuation.

Refer to Note 27. Fair value measurement for information regarding the fair value of financial assets and liabilities.



## Cobar Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2016

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

\$ '000

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

Council's finance area manages the cash and Investments portfolio with the assistance of independent advisors.

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

The risks associated with the investments held are:

- **Price risk** – the risk that the capital value of investments may fluctuate due to changes in market prices, whether the changes are caused by factors specific to individual financial instruments or their issuers or are caused by factors affecting similar instruments traded in a market.
- **Interest rate risk** – the risk that movements in interest rates could affect returns and income.
- **Credit risk** – the risk that the investment counterparty will not complete their obligations particular to a financial instrument, resulting in a financial loss to Council – be it of a capital or income nature.

Council manages these risks by diversifying its portfolio and only purchasing investments with high credit ratings or capital guarantees.

Council also seeks advice from independent advisers before placing any funds in cash equivalents and investments.

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

The following represents a summary of the sensitivity of Council's Income Statement and accumulated surplus (for the reporting period) due to a change in either the price of a financial asset or the interest rates applicable.

It is assumed that the change in interest rates would have been constant throughout the reporting period.

	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
<b>2016</b>				
Possible impact of a 10% movement in market values	–	–	–	–
Possible impact of a 1% movement in interest rates	105	105	(105)	(105)
<b>2015</b>				
Possible impact of a 10% movement in market values	–	–	–	–
Possible impact of a 1% movement in interest rates	84	84	(84)	(84)

## Cobar Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2016

## Note 15. Financial risk management (continued)

\$ '000

**(b) Credit risk**

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

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

Council manages this risk by monitoring outstanding debt and employing stringent debt recovery procedures.

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

There are no significant concentrations of credit risk, whether through exposure to individual customers, specific industry sectors and/or regions.

The level of outstanding rate receivables is reported to Council monthly and benchmarks are set and monitored for acceptable collection performance.

Council makes suitable provision for doubtful receivables as required and carries out credit checks on most non-rate debtors.

There are no material receivables that have been subjected to a re-negotiation of repayment terms.

A profile of Council's receivables credit risk at balance date follows:

	2016 Rates and annual charges	2016 Other receivables	2015 Rates and annual charges	2015 Other receivables
<b>(i) Ageing of receivables – %</b>				
Current (not yet overdue)	63%	96%	59%	95%
Overdue	37%	4%	41%	5%
	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

		2016 Rates and annual charges	2016 Other receivables	2015 Rates and annual charges	2015 Other receivables
<b>(ii) Ageing of receivables – value</b>					
<b>Rates and annual charges</b>	<b>Other receivables</b>				
Current	Current	345	1,401	255	2,336
< 1 year overdue	0 – 30 days overdue	–	–	–	51
1 – 2 years overdue	30 – 60 days overdue	–	51	–	–
2 – 5 years overdue	60 – 90 days overdue	10	–	–	–
> 5 years overdue	> 90 days overdue	193	–	180	–
		<b>548</b>	<b>1,452</b>	<b>435</b>	<b>2,387</b>

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

	2016	2015
Balance at the beginning of the year	231	247
+ new provisions recognised during the year	23	26
– amounts already provided for and written off this year	–	(42)
<b>Balance at the end of the year</b>	<b>254</b>	<b>231</b>

## Cobar Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2016

## Note 15. Financial risk management (continued)

\$ '000

## (c) Liquidity risk

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

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

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

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

\$ '000	Subject to no maturity	payable in:						Total cash outflows	Actual carrying values
		≤ 1 Year	1-2 Yrs	2-3 Yrs	3-4 Yrs	4-5 Yrs	> 5 Yrs		
<b>2016</b>									
Trade/other payables	30	1,074	–	–	–	–	–	1,104	1,104
Loans and advances	–	267	267	267	267	267	645	1,980	1,584
Lease liabilities	–	96	96	41	–	–	–	233	226
<b>Total financial liabilities</b>	<b>30</b>	<b>1,437</b>	<b>363</b>	<b>308</b>	<b>267</b>	<b>267</b>	<b>645</b>	<b>3,317</b>	<b>2,914</b>
<b>2015</b>									
Trade/other payables	–	1,979	–	–	–	–	–	1,979	1,838
Loans and advances	–	481	472	267	267	267	913	2,667	2,247
Lease liabilities	–	96	96	96	41	–	–	329	304
<b>Total financial liabilities</b>	<b>–</b>	<b>2,556</b>	<b>568</b>	<b>363</b>	<b>308</b>	<b>267</b>	<b>913</b>	<b>4,975</b>	<b>4,389</b>

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

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

	2016		2015	
	Carrying value	Average interest rate	Carrying value	Average interest rate
Trade/other payables	1,104	0.00%	1,838	0.00%
Loans and advances – fixed interest rate	1,584	6.22%	2,247	5.20%
Lease liabilities	226	6.61%	304	6.30%
	<u>2,914</u>		<u>4,389</u>	

## Cobar Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2016

## Note 16. Material budget variations

\$ '000

Council's original financial budget for 15/16 was adopted by the Council on 25 June 2015.

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

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

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

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

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

\$ '000	2016 Budget	2016 Actual	2016 Variance*	-----	-----
<b>REVENUES</b>					
Rates and annual charges	5,609	5,649	40	1%	<b>F</b>
User charges and fees	11,412	8,600	(2,812)	(25%)	<b>U</b>
The following items were less than budget estimates: RMS income (\$1.2m), Museum entrance fees (\$18k), application fees (\$85k) and Airport landing fees (\$18k).					
Interest and investment revenue	198	338	140	71%	<b>F</b>
Higher than planned cash balances of approximately \$4.6m generated interest above budget.					
Other revenues	439	211	(228)	(52%)	<b>U</b>
The RFS budget income was overstated by \$46k and Development revenue was \$92k less than the budget due to a downturn in mining.					
Operating grants and contributions	10,939	13,461	2,522	23%	<b>F</b>
Child Care was up by \$300k and Aged Care was up by \$400k. R2R was classified as Operating, but was budgeted in Capital Revenue.					
Capital grants and contributions	6,667	1,257	(5,410)	(81%)	<b>U</b>
Major project revenue to be funded by the NSW Government was expected to be received during the financial year; however, this has been postponed to the 2016/2017 financial year.					
Net gains from disposal of assets	–	59	59	0%	<b>F</b>

## Cobar Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2016

## Note 16. Material budget variations (continued)

\$ '000	2016 Budget	2016 Actual	2016 Variance*		
<b>EXPENSES</b>					
Employee benefits and on-costs	11,392	12,530	(1,138)	(10%)	U
Borrowing costs	135	130	5	4%	F
Materials and contracts	6,000	5,670	330	6%	F
Depreciation and amortisation	4,416	6,740	(2,324)	(53%)	U
The 2015/2016 budget was adopted prior to the revaluation of the Road network, and the eventual increase in value resulted in much higher depreciation than anticipated. This was corrected with the Quarter 1 Budget Review.					
Other expenses	5,187	2,792	2,395	46%	F
Due to major project funding from grants being deferred for one year (\$3.0m), the budgeted expenditure did not eventuate. The RMS allocation for road works was reduced compared to the budget, which had a \$1.2m reduction in associated expenditure.					

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

Cash flows from operating activities	12,550	8,551	(3,999)	(31.9%)	U
Major project funding from grants was deferred until the following year, which amounted to \$3m. The revenue from RMS works was \$1.2m less than expected.					
Cash flows from investing activities	(11,230)	(7,084)	4,146	(36.9%)	F
Due to strong liquidity, a variable loan was paid out. Budgeted expenditure on items of Plant and Equipment was postponed until the 16/17 financial year. Budgeted expenditure for Water and Sewer capital works was postponed for one year.					
Cash flows from financing activities	(446)	(741)	(295)	66.1%	U
Due to the strong liquidity a variable loan was paid out during the financial year.					

## Cobar Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2016

## Note 17. Statement of developer contributions

\$ '000

Council recovers contributions, raises levies and enters into planning agreements on development works that are subject to a development consent issued by Council. All contributions must be spent/utilised for the specific purpose for which they were levied and any interest applicable to unspent funds must be attributed to remaining funds.

The following tables detail the receipt, interest and use of the above contributions and levies and the value of all remaining funds which are 'restricted' in their future use.

## SUMMARY OF CONTRIBUTIONS AND LEVIES

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Open space	11	–	–	–	(1)	–	10	–
Community facilities	153	–	–	3	–	–	156	–
S94 contributions 2012	102	8	–	1	–	–	111	–
<b>S94 contributions – under a plan</b>	<b>266</b>	<b>8</b>	<b>–</b>	<b>4</b>	<b>(1)</b>	<b>–</b>	<b>277</b>	<b>–</b>
<b>Total S94 revenue under plans</b>	<b>266</b>	<b>8</b>	<b>–</b>	<b>4</b>	<b>(1)</b>	<b>–</b>	<b>277</b>	<b>–</b>
S93F planning agreements	132	64	–	–	(95)	–	101	–
S64 contributions	101	–	–	2	–	–	103	–
<b>Total contributions</b>	<b>499</b>	<b>72</b>	<b>–</b>	<b>6</b>	<b>(96)</b>	<b>–</b>	<b>481</b>	<b>–</b>

## Cobar Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2016

## Note 17. Statement of developer contributions (continued)

\$ '000

## S94 CONTRIBUTIONS – UNDER A PLAN

## CONTRIBUTION PLAN NUMBER 1

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Open space	11	–	–	–	(1)	–	10	–
Community facilities	153	–	–	3	–	–	156	–
S94 contributions 2012	102	8	–	1	–	–	111	–
<b>Total</b>	<b>266</b>	<b>8</b>	<b>–</b>	<b>4</b>	<b>(1)</b>	<b>–</b>	<b>277</b>	<b>–</b>



## Cobar Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2016

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

\$ '000

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

#### LIABILITIES NOT RECOGNISED:

##### 1. Guarantees

###### (i) Defined benefit superannuation contribution plans

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

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

The schemes most recent full actuarial review indicated that the net assets of the scheme were not sufficient to meet the accrued benefits of the schemes defined benefit member category with member councils required to make significantly higher contributions in future years.

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

Future contributions made to the defined benefit scheme to rectify the net deficit position will be recognised as an expense when they become payable – similar to the accounting for defined contributions plans.

###### (ii) Statewide Mutual 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 June 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 Mutual 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.

## Cobar Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2016

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

\$ '000

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

##### **2. Other liabilities**

##### **(i) Third party claims**

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

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

##### **(ii) S94 plans**

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

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

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

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

##### **Contingent Separation of Aged Care Facility**

Cobar Shire Council has entered into a Memorandum of Understanding to transfer the Assets and Operation of the aged care facility known as the Lilliane Brady Village to the NSW State Government. This is to enable the Government to combine this facility with the Cobar Hospital to create a single entity which will operate as a multipurpose Health Service. It is anticipated that an exchange of formal documents

will occur in early 2017 and that the project will be completed in 2018. It is too early to quantify the effect of this transaction at this time.

##### **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.

##### **Contingent Liability Relating to Bankruptcy**

Brindabella Airlines Pty Ltd went into liquidation in on 15th December 2013. The Liquidators for Brindabella and the associated companies is seeking the return of certain debtor payments made to Council for a number of months prior to the date of liquidation. While it is believed there may be some exposure to repay some amounts, Council is challenging the total funds sought by the liquidator. Consequently, it is too early to quantify the exposure at this time.

## Cobar Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2016

#### Note 19. Interests in other entities

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\$ '000

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

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

##### (b) Joint ventures and associates

Council has no interest in any joint ventures or associates.

##### (c) Joint operations

Cobar Water Board has a Board comprising of an independent community person as President and a member from each of its major customers. Council provides technical and administration services to the Cobar Water Board. It has no financial interest in the Cobar Water Board and therefore has no Accounting Recognition to disclose.

##### (a) Council is involved in the following joint operations (JO's)

Name of joint operation	Principal activity	Place of business	Interest in ownership		Interest in voting	
			2016	2015	2016	2015
Cobar Water Board	Supply of raw water	Cobar	0%	0%	43%	43%

##### (d) Unconsolidated structured entities

Council has no unconsolidated structured entities

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

All subsidiaries, joint arrangements and associates have been recognised in this financial report.

## Cobar Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2016

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

\$ '000	Notes	Actual 2016	Actual 2015
<b>(a) Retained earnings</b>			
<b>Movements in retained earnings were as follows:</b>			
Balance at beginning of year (from previous years audited accounts)		85,812	80,403
a. Net operating result for the year		1,713	5,409
<b>Balance at end of the reporting period</b>		<b>87,525</b>	<b>85,812</b>
<b>(b) Revaluation reserves</b>			
<b>(i) Reserves are represented by:</b>			
– Infrastructure, property, plant and equipment revaluation reserve		215,871	216,825
<b>Total</b>		<b>215,871</b>	<b>216,825</b>
<b>(ii) Reconciliation of movements in reserves:</b>			
<b>Infrastructure, property, plant and equipment revaluation reserve</b>			
– Opening balance		216,825	109,460
– Revaluations for the year	9(a)	(954)	107,365
– (Impairment of revalued assets)/impairment reversals	9(a),(c)	–	–
<b>– Balance at end of year</b>		<b>215,871</b>	<b>216,825</b>
<b>TOTAL VALUE OF RESERVES</b>		<b>215,871</b>	<b>216,825</b>

**(iii) Nature and purpose of reserves****Infrastructure, property, plant and equipment revaluation reserve**

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

**(c) Correction of error/s relating to a previous reporting period**

Council made no correction of errors during the current reporting period.

**(d) Voluntary changes in accounting policies**

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

## Cobar Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2016

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

Income Statement by fund \$ '000	Actual 2016	Actual 2016	Actual 2016
<b><u>Continuing operations</u></b>	<b>Water</b>	<b>Sewer</b>	<b>General<sup>1</sup></b>
<b>Income from continuing operations</b>			
Rates and annual charges	703	782	4,164
User charges and fees	2,260	20	6,320
Interest and investment revenue	66	36	236
Other revenues	–	–	211
Grants and contributions provided for operating purposes	–	–	13,461
Grants and contributions provided for capital purposes	–	163	1,094
<b>Other income</b>			
Net gains from disposal of assets	–	–	59
<b>Total income from continuing operations</b>	<b>3,029</b>	<b>1,001</b>	<b>25,545</b>
<b>Expenses from continuing operations</b>			
Employee benefits and on-costs	242	4	12,284
Borrowing costs	–	–	130
Materials and contracts	671	328	4,671
Depreciation and amortisation	342	367	6,031
Impairment	–	–	–
Other expenses	1,395	14	1,383
<b>Total expenses from continuing operations</b>	<b>2,650</b>	<b>713</b>	<b>24,499</b>
<b>Operating result from continuing operations</b>	<b>379</b>	<b>288</b>	<b>1,046</b>
<b><u>Discontinued operations</u></b>			
Net profit/(loss) from discontinued operations	–	–	–
<b>Net operating result for the year</b>	<b>379</b>	<b>288</b>	<b>1,046</b>
<b>Net operating result attributable to each council fund</b>	<b>379</b>	<b>288</b>	<b>1,046</b>
<b>Net operating result attributable to non-controlling interests</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Net operating result for the year before grants and contributions provided for capital purposes</b>	<b>379</b>	<b>125</b>	<b>(48)</b>

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

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

## Cobar Shire Council

## Notes to the Financial Statements

as at 30 June 2016

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

Statement of Financial Position by fund \$ '000	Actual 2016	Actual 2016	Actual 2016
<b>ASSETS</b>	<b>Water</b>	<b>Sewer</b>	<b>General<sup>1</sup></b>
<b>Current assets</b>			
Cash and cash equivalents	2,264	2,019	(785)
Investments	–	–	7,103
Receivables	523	102	1,121
Inventories	34	–	634
Other	–	–	9
Non-current assets classified as 'held for sale'	–	–	–
<b>Total current assets</b>	<b>2,821</b>	<b>2,121</b>	<b>8,082</b>
<b>Non-current assets</b>			
Investments	–	–	–
Receivables	–	–	–
Inventories	–	–	–
Infrastructure, property, plant and equipment	12,049	8,828	274,763
Investments accounted for using the equity method	–	–	–
Investment property	–	–	–
Intangible assets	–	–	–
<b>Total non-current assets</b>	<b>12,049</b>	<b>8,828</b>	<b>274,763</b>
<b>TOTAL ASSETS</b>	<b>14,870</b>	<b>10,949</b>	<b>282,845</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	179	32	1,050
Borrowings	–	–	257
Provisions	–	–	2,029
<b>Total current liabilities</b>	<b>179</b>	<b>32</b>	<b>3,336</b>
<b>Non-current liabilities</b>			
Payables	–	–	–
Borrowings	–	2	1,551
Provisions	–	–	168
<b>Total non-current liabilities</b>	<b>–</b>	<b>2</b>	<b>1,719</b>
<b>TOTAL LIABILITIES</b>	<b>179</b>	<b>34</b>	<b>5,055</b>
<b>Net assets</b>	<b>14,691</b>	<b>10,915</b>	<b>277,790</b>
<b>EQUITY</b>			
Retained earnings	14,182	3,661	69,682
Revaluation reserves	509	7,254	208,108
<b>Total equity</b>	<b>14,691</b>	<b>10,915</b>	<b>277,790</b>

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

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

## Cobar Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2016

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

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\$ '000

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

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

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Events that occur between the end of the reporting period (30 June 2016) and the date when the financial statements are 'authorised for issue' have been taken into account in preparing these statements.

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

Accordingly, the 'authorised for issue' date is 28/10/16.

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

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

These financial statements (and the figures therein) incorporate all 'adjusting events' that provided evidence of conditions that existed at 30 June 2016.

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

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

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

#### Note 24. Discontinued operations

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

#### Note 25. Intangible assets

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

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



## Cobar Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2016

## Note 26. Reinstatement, rehabilitation and restoration liabilities

\$ '000

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

Asset/operation	Estimated year of restoration	NPV of provision	
		2016	2015
Landfill	2034	56	56
<b>Balance at end of the reporting period</b>	10(a)	<u>56</u>	<u>56</u>

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

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

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

**Reconciliation of movement in provision for year:**

Balance at beginning of year	56	52
Amounts capitalised to new or existing assets:		
Amortisation of discount (expensed to borrowing costs)	–	4
<b>Total – reinstatement, rehabilitation and restoration provision</b>	<u>56</u>	<u>56</u>

## Cobar Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2016

## Note 27. Fair value measurement

\$ '000

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

- Infrastructure, property, plant and equipment
- Financial assets and liabilities

The fair value of assets and liabilities must be estimated in accordance with various accounting standards for either recognition and measurement requirements or for disclosure purposes.

AASB 13 Fair Value Measurement requires all assets and liabilities measured at fair value to be assigned to a 'level' in the fair value hierarchy as follows:

**Level 1:** Unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date.

**Level 2:** Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

**Level 3:** Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

2016	Date of latest valuation	Fair value measurement hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
<b>Recurring fair value measurements</b>					
<b>Financial liabilities</b>					
Loans/advances	30/06/16	–	1,584	–	1,584
Lease liabilities	30/06/16	–	226	–	226
Payables	30/06/16	–	1,261	–	1,261
<b>Total financial liabilities</b>		<b>–</b>	<b>3,071</b>	<b>–</b>	<b>3,071</b>
<b>Infrastructure, property, plant and equipment</b>					
Capital works in progress	30/09/16	–	–	1,797	1,797
Plant and equipment	30/06/13	–	4,613	–	4,613
Office equipment	30/06/10	–	108	–	108
Furniture and fittings	30/06/10	–	47	–	47
Plant and equipment (under finance lease)	30/06/10	–	349	–	349
Operational land	30/06/13	–	–	4,031	4,031
Community land	30/06/16	–	–	2,829	2,829
Land improvements – depreciable	30/06/16	–	6,727	–	6,727
Non-specialised buildings	30/06/13	–	–	5,878	5,878
Specialised buildings	30/06/13	–	–	19,189	19,189
Other structures	30/06/16	–	–	1,454	1,454
Roads	30/06/15	–	–	209,665	209,665
Bulk earthworks (non-depreciable)	30/06/15	–	–	14,031	14,031
Stormwater drainage	30/06/12	–	–	4,805	4,805
Water supply network	30/06/12	–	–	11,425	11,425
Sewerage network	30/06/12	–	–	8,580	8,580
Library books	30/06/16	–	75	–	75
Other assets	N/A	–	–	37	37
<b>Total infrastructure, property, plant and equipment</b>		<b>–</b>	<b>11,919</b>	<b>283,721</b>	<b>295,640</b>

## Cobar Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2016

## Note 27. Fair value measurement (continued)

\$ '000

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

2015	Date of latest valuation	Fair value measurement hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
<b>Recurring fair value measurements</b>					
<b>Financial liabilities</b>					
Loans/advances	30/06/15	–	2,247	–	2,247
Lease liabilities	30/06/15	–	304	–	304
Payables	30/06/15	–	1,979	–	1,979
<b>Total financial liabilities</b>		<b>–</b>	<b>4,530</b>	<b>–</b>	<b>4,530</b>
<b>Infrastructure, property, plant and equipment</b>					
Capital works in progress	30/06/15	–	–	3,211	3,211
Plant and equipment	30/06/13	–	4,523	–	4,523
Office equipment	30/06/10	–	150	–	150
Furniture and fittings	30/06/10	–	39	–	39
Plant and equipment (under finance lease)	30/06/13	–	402	–	402
Operational land	30/06/13	–	–	4,374	4,374
Community land	30/06/11	–	–	1,673	1,673
Land improvements – depreciable	30/06/10	–	7,151	–	7,151
Non-specialised buildings	30/06/13	–	–	5,917	5,917
Specialised buildings	30/06/13	–	–	18,897	18,897
Other structures	30/06/11	–	–	1,284	1,284
Roads	30/06/15	–	–	202,351	202,351
Bridges	30/06/15	–	–	3,493	3,493
Footpaths	30/06/15	–	–	3,162	3,162
Bulk earthworks (non-depreciable)	30/06/11	–	–	14,031	14,031
Stormwater drainage	30/06/12	–	–	4,869	4,869
Water supply network	30/06/12	–	–	11,137	11,137
Sewerage network	30/06/12	–	–	8,819	8,819
Library books	30/06/15	–	107	–	107
Other assets	n/a	–	–	94	94
<b>Total infrastructure, property, plant and equipment</b>		<b>–</b>	<b>12,372</b>	<b>283,312</b>	<b>295,684</b>

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

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

## Cobar Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2016

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

\$ '000

##### **(3) Valuation techniques used to derive level 2 and level 3 fair values**

Where Council is unable to derive fair valuations using quoted market prices of identical assets (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 & Equipment (including under Lease)**

While liquid second hand markets exist for Council's Plant & Equipment, subjectivity of prices in this market exists due to age and condition of equipment. Plant and Equipment, therefore, is classified as Level 2 inputs.

##### **Office Equipment & Furniture & Fittings**

The second hand market for these types of assets is not liquid enough to qualify for Level 1 classification. They are retained at their book value in Note 9 because these assets typically have short useful lives, are held to the end of their economic life and have no residual value. The written down value reflects their value in use rather than their market value.

##### **Operational Land**

There is an active, liquid market for most Operational Land owned/controlled by Council; however, the subjectivity of pricing these assets has lead this land to be classified as Level 2.

##### **Infrastructure, Property, Plant & Equipment**

While liquid second hand markets exist for Council's Plant & Equipment, subjectivity of prices in this market exists due to age and condition of equipment. Plant and Equipment, therefore, is classified as Level 2 inputs.

##### **Library Books**

Council has adopted the once and for all choice of the cost option instead of a revaluation option. As the library books are purchased in an active, liquid market, and because the market for second hand books is subjective, these assets are considered to be classified as Level 2.

##### **Capital Works in Progress**

The valuation method employed for capital works in progress is the historical construction cost of the asset as at 30 June. As there is no active market for any of the infrastructure assets which are partially constructed, the only valuation available is historic cost, or inputs into the construction work, which has been determined to be a Level 3 input.

## Cobar Shire Council

### Notes to the Financial Statements

for the year ended 30 June 2016

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

\$ '000

#### (3) Valuation techniques used to derive level 2 and level 3 fair values (continued)

##### Community Land

There is no, or few, active market for Community Land and Council therefore employs the services of external land valuers to provide fair value amounts. Because of the nature of much Community land and the lack of an active market, these assets have been determined to be a Level 3 input.

##### Land Improvements (depreciable)

Land Improvements - depreciable are valued at current replacement cost. This is a Level 3 Unobservable Input as the valuation method does not reflect market rates because there is no active markets for the sale of such assets.

##### Buildings - Specialised, Non-Specialised, Other Structures & Other Assets

Valuations of buildings was carried out by an external valuer, but the valuation was on the written down current replacement cost of the buildings rather than the market value; consequently, all buildings and other structures are categorised as Level 3 Unobservable Inputs.

##### Infrastructure - Roads, Bridges Footpaths Bulk Earthworks - Non Depreciable Stormwater Water & Sewerage

Valuation of roads was undertaken by a contracted Engineer based on the current written down value of the road assets within Council's network. This is based on the current costs of construction at the time of valuation and not on market value; therefore, they have been categorised as Level 3 Unobservable Inputs.

## Cobar Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2016

## Note 27. Fair value measurement (continued)

\$ '000

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

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

	Capital works in progress	Operational land	Community land	Non-specialised buildings	Specialised buildings	Other structures	Roads	Bulk Earthworks	Total
<b>Opening balance – 1/7/14</b>	314	4,374	1,673	6,166	18,997	1,281	102,821	14,031	149,657
Transfers from/(to) another asset class	(299)	–	–	–	–	–	3,169	–	2,870
Purchases (GBV)	3,196	–	–	8	398	104	834	–	4,540
Depreciation and impairment	–	–	–	(257)	(498)	(101)	(1,808)	–	(2,664)
Revaluation	–	–	–	–	–	–	103,990	–	103,990
<b>Closing balance – 30/6/15</b>	<b>3,211</b>	<b>4,374</b>	<b>1,673</b>	<b>5,917</b>	<b>18,897</b>	<b>1,284</b>	<b>209,006</b>	<b>14,031</b>	<b>258,393</b>
Transfers from/(to) another asset class	(2,756)	–	–	–	–	–	325	–	(2,431)
Purchases (GBV)	1,359	140	–	24	136	16	4,257	–	5,932
Depreciation and impairment	–	–	–	(257)	(497)	(102)	(3,923)	–	(4,779)
Revaluation Decrements to P&L	(17)	–	–	–	–	–	–	–	(17)
Revaluation Adjustments to ARR	–	(483)	1,156	195	653	256	–	–	1,777
<b>Closing balance – 30/6/16</b>	<b>1,797</b>	<b>4,031</b>	<b>2,829</b>	<b>5,879</b>	<b>19,189</b>	<b>1,454</b>	<b>209,665</b>	<b>14,031</b>	<b>258,875</b>

## Cobar Shire Council

## Notes to the Financial Statements

for the year ended 30 June 2016

## Note 27. Fair value measurement (continued)

\$ '000

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

## a. The following tables present the changes in level 3 fair value asset classes. (continued)

	Stormwater drainage	Water supply network	Sewerage network	Other assets	Total
<b>Opening balance – 1/7/14</b>	1,515	11,237	9,185	97	22,034
Purchases (GBV)	–	230	2	–	232
Depreciation and impairment	(21)	(330)	(368)	(3)	(722)
Revaluation	3,375	–	–	–	3,375
<b>Closing balance – 30/6/15</b>	<b>4,869</b>	<b>11,137</b>	<b>8,819</b>	<b>94</b>	<b>24,919</b>
Transfers from/(to) another asset class	–	22	–	–	22
Purchases (GBV)	–	440	–	–	440
Depreciation and impairment	(64)	(342)	(366)	(2)	(774)
Revaluation Adjustments to ARR	–	168	127	(55)	240
<b>Closing balance – 30/6/16</b>	<b>4,805</b>	<b>11,425</b>	<b>8,580</b>	<b>37</b>	<b>24,847</b>

## b. The valuation process for level 3 fair value measurements

The valuation process for Level 3 fair value measurements have been taken from the most recent valuations undertaken. Except for internal valuations, all valuations are put out to tender and the tender panel selects a successful tender, engages the valuer and assess the results given to Council by the valuer.

## (5). Highest and best use

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

## Cobar Shire Council

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

#### Note 28. Council information and contact details

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**Principal place of business:**

36 Linsley Street  
Cobar NSW 2835

**Contact details**

**Mailing address:**

PO Box 233  
Cobar NSW 2835

**Opening hours:**

8am to 4pm

**Telephone:** 02 6836 5888

**Facsimile:** 02 6836 5889

**Internet:** [www.cobar.nsw.gov.au](http://www.cobar.nsw.gov.au)

**Email:** [mail@cobar.nsw.gov.au](mailto:mail@cobar.nsw.gov.au)

**Officers**

**GENERAL MANAGER**

PETER VLATKO

**Elected member**

**MAYOR**

LILLIANE O BRADY OAM

**RESPONSIBLE ACCOUNTING OFFICER**

NEIL MITCHELL

**Other information**

**ABN:** 71 579 717 155



INDEPENDENT AUDITOR'S REPORT  
ON THE GENERAL PURPOSE FINANCIAL STATEMENTS OF  
COBAR SHIRE COUNCIL

## Report on the Financial Statements

We have audited the accompanying general purpose financial statements of Cobar Shire Council for the financial year ended 30 June 2016. The financial statements comprise the Statement by Council, Income Statement, Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows and accompanying Notes to the Financial Statements. Our audit responsibility does not extend to the original budget figures included in the Income Statement and Statement of Cash Flows, the original budget disclosures in Notes 2(a) and 16, and accordingly, we express no opinion on them.

## Council's Responsibility for the Financial Statements

The Council is responsible for the preparation and fair presentation of the financial statements in accordance with the Local Government Act 1993. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

## Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Council, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements.

## Matters Relating to the Electronic Presentation of the Audited Financial Statements

This auditor's report relates to the financial statements of Cobar Shire Council for the year ended 30 June 2016 included on Council's web site. Council is responsible for the integrity of Council's web site. We have not been engaged to report on the integrity of the web site. The auditor's report refers only to the statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial statements to confirm the information included in the audited financial statements presented on this web site.

### Audit Opinion

In our opinion:

- (a) the Council's accounting records have been kept in accordance with the requirements of the Local Government Act 1993, Chapter 13, Part 3, Division 2;
- (b) the Council's financial statements:
  - (i) has been prepared in accordance with the requirements of this Division;
  - (ii) is consistent with the Council's accounting records;
  - (iii) presents fairly the Council's financial position, the results of its operations and cashflows; and
  - (iv) is in accordance with applicable Australian Accounting Standards, and other mandatory professional reporting requirements.
- (c) all information relevant to the conduct of the audit has been obtained; and
- (d) there are no material deficiencies in the accounting records or financial statements that have come to light in the course of the audit.



LUKA GROUP

2 River Street  
Dubbo  
Dated: 28 October 2016



JM SHANKS  
PARTNER

28 October 2016

The Mayor  
Councillor Lilliane Brady OAM  
Cobar Shire Council  
PO Box 223  
COBAR NSW 2835

Dear Madam Mayor

## INDEPENDENT AUDITOR'S REPORT ON THE CONDUCT OF THE AUDIT – Section 417(3) COBAR SHIRE COUNCIL

We have audited the financial statements of Cobar Shire Council for the financial year ended 30 June 2016. The financial statements include the general purpose consolidated accounts of the economic entity comprising the Council and its controlled entities and the special purpose financial statements, detailing the income and expenditure of Council's business units and their financial position at reporting date. The contents of both of these statements include the Council's Certificate as required by section 413(2)(c) of the Local Government Act 1993. The Council is responsible for the preparation and presentation of the financial statements and the information they contain. Our audit resulted in the issuing of an unmodified audit report for both the general purpose financial statements and special purpose financial statements of Council.

In accordance with section 417 of the Local Government Act 1993 we submit our report on the conduct of the audit of Cobar Shire Council for the year ended 30 June 2016. Our audit reports on the general purpose financial statements of Council and the special purpose financial statements on Council's business units outline the legislative framework of our audit and should be referred to in order to establish the context in which our comments are made.

### Council's Responsibility for the Financial Statements

The Council is responsible for the preparation and fair presentation of the financial statements in accordance with the Local Government Act 1993. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Council, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Review of the Financial Statements*

#### **(a) Result from Continuing Operations**

As disclosed in Council's Income Statement the year's operations resulted in a surplus from continuing operations after capital amounts of \$1,713,000 (2015 - \$5,409,000). Some items of note in the income statement include:

- The operating surplus from continuing operations *before* capital amounts was \$456,000 (2015 - \$1,774,000).
- Rates and annual charges increased by \$275,000 to \$5,649,000 (2015 - \$5,374,000). Ordinary rates increased by \$88,000 to \$3,639,000 which is consistent with the approved variation increase for general rates and the movement in land values. Sewerage services special rate increased by \$115,000 to \$770,000 due to the introduction of a sewerage discharge factor.
- User charges and fees decreased by \$881,000 to \$8,600,000 (2015 - \$9,481,000). Private works increased by \$417,000 to \$796,000 due to a number of large private works jobs undertaken during the year. Aged care decreased by \$166,000 to \$722,000 due to a decrease in occupancy during the year. RMS charges - state roads decreased by \$1,109,000 to \$3,325,000 due to less ordered works this year with a major project pushed out to the following year.
- Interest revenue increased by \$43,000 to \$338,000 (2015 - \$295,000) due to an increase in the level of investments held across the course of the year.
- Grants and contributions provided for operating purposes increased by \$2,283,000 to \$13,461,000 (2015 - \$11,178,000). The financial assistance grant increased by \$147,000 to \$5,017,000 due to 3% increase in funding. Aged care increased by \$399,000 to \$2,088,000 which has returned funding to levels comparable to the 2014 financial year. Child care increased by \$238,000 to \$1,606,000 due to continued growth in child care participants. Roads to recovery increased by \$1,418,000 to \$2,178,000 due the new program commencing during the year. Resources for Regions increased by \$163,000 due to a new funding program. Community services contributions decreased by \$260,000 due to a donation from the Lilliane Brady Village Pink Ladies in the prior year.
- Grants and contributions provided for capital purposes decreased by \$2,378,000 to \$1,257,000 (2015 - \$3,635,000). Transport - other roads and bridges decreased by \$2,370,000 due to funding to upgrade the airport runway and lighting in the prior year. Water supplies decreased by \$788,000 due to funding to upgrade water services in the prior year. Environmental protection decreased by \$197,000 due to a one off environmental grant of \$137,000 in the prior year of which \$60,000 was refunded to the grant body this year. Recreation and culture decreased by \$225,000 due funding for a skate park in the prior year. Bushfire and emergency services increased by \$422,000 due to funding for a new Rural Fire Service shed. Fixing Country Roads increased by \$663,000 and Resources for Regions increased by \$134,000 due to new grants received this year.
- Employee costs increased by \$872,000 to \$12,530,000 (2015 - \$11,658,000). Salary and wages increased by \$1,088,000 to \$9,706,000 due to a few large termination payouts and the usual wage increase and normal movements in grades and skill steps. Workers compensation insurance increased by \$100,000 to \$625,000 due to higher premiums as a result of the rolling three year claims period and increased salaries and wages.
- Borrowing costs decreased by \$42,000 to \$130,000 (2015 - \$172,000). Interest on loans decreased by \$33,000 to \$112,000 in accordance with Council's loan schedule.
- Depreciation expense increased by \$2,160,000 to \$6,740,000 (2015 - \$4,580,000) due to depreciation on roads increasing by \$2,115,000 as a result of the revaluation performed in the prior year.

- Materials and contract costs increased by \$80,000 to \$5,670,000 (2015 - \$5,590,000). This is consistent with Council's work programme for the year which has been influenced by the timing and extent of various projects.
- Other expenses increased by \$62,000 to \$2,792,000 (2015 - \$2,730,000). Child care - parents fees increased by \$161,000 to \$1,200,000 due to increased participation during the year compared to the prior year. Electricity and heating decreased by \$35,000 to \$414,000 due to a reduction in the general tariff.

**(b) Financial Position**

The Statement of Financial Position disclosed that for the year ended 30 June 2016 Council's net assets stood at \$303,396,000 (2015 - \$302,637,000) which represents an increase of \$759,000 being the surplus from continuing operations after capital amounts of \$1,713,000 and an overall revaluation decrement of \$954,000 due to revaluation of land and buildings and indexation of the water and sewerage networks.

To assess the appropriateness or otherwise of Council's net current asset position (available working capital) it is necessary to review the level of restrictions placed against the use of Council's assets. The notes to the financial statements indicate clearly where restrictions exist and the effect of the restrictions is summarised as follows:-

	2016 \$'000	2015 \$'000
Net current assets	9,477	9,308
Less: Amounts externally restricted for special purposes (refer Notes 6; 7; & 8 of financial statements)	(6,845)	(7,341)
Less: Council internally imposed restrictions (refer Note 6 of financial statements)	(2,912)	(2,085)
Add: Applicable liabilities (refer Note 10) matched by a current cash restriction		
- Water	179	197
- Sewerage	34	8
Add: Employee leave entitlements classified as current, but not expected to be settled within 12 months	1,420	1,388
Less: Real estate held for resale classified as current but not expected to be sold within 12 months	(82)	(82)
Unrestricted net current asset surplus/(deficit)	1,271	1,393
Unrestricted net current assets comprise:		
<i>Unrestricted Current Assets</i>		
Cash and Investments	1,503	1,678
Receivables	1,121	2,004
Inventories	634	485
Other assets	9	7
Less:	3,267	4,174
<i>Unrestricted Current Liabilities</i>		
Payables	(1,048)	(1,774)
Borrowing	(257)	(341)
Provisions	(2,029)	(1,972)
	(3,334)	(4,087)

	2016 \$'000	2015 \$'000
Add: Employee leave entitlements classified as current but not expected to be settled within 12 months	1,420	1,388
Less: Real estate held for resale classified as current but not expected to be sold within 12 months	(82)	(82)
Unrestricted net current asset surplus/(deficit)	1,271	1,393

The unrestricted net current asset position has deteriorated slightly to \$1,271,000. This is still a good result and highlights the strength of Council's position. Council needs to ensure it continues to maintain a surplus of unrestricted net current assets, as it needs to be mindful that a deficit position means that Council may need to fund restrictions by relying on future revenues or loan funding from external or internal sources.

### *Liquidity*

Note 6 to the accounts discloses total cash and investments of \$10,601,000 (2015 - \$10,382,000). Of this amount \$6,186,000 (2015 - \$6,619,000) is subject to external restrictions requiring Council to commit those funds to the purposes for which they were provided and \$2,912,000 (2015 - \$2,085,000) is subject to internal restrictions agreed upon by Council for designated purposes which may be altered at the discretion of Council, consistent with their management plan.

There is \$1,503,000 held in unrestricted cash (2015 - \$1,678,000) which represents funds available to cover non-budgeted discretionary expenditure and short-term cash flow requirements.

The overall level of unrestricted cash and internal restrictions is higher than the prior year, and indicates a further strengthening of Council's overall cash position.

### **(c) Performance Indicators**

Note 13 to the Financial Statements provides a measure of Council's performance using a number of selected ratios as follows:

#### *Operating Performance Ratio*

This ratio measures a Council's ability to contain operating expenditure within operating revenue.

The ratio of 1.40% (2015 - 6.98%) exceeds the benchmark of 0%. This is the second year in the past three years that Council has exceeded the benchmark. Council needs to ensure this continues to occur, however, this is difficult to achieve when depreciation expense represents 24.2% of Council's expenditure in the income statement.

We stress the importance of considering these ratios in conjunction with other performance indicators and not in isolation. The fact that these ratios are based upon consolidated funds should also be kept in mind as the ratios for individual funds (i.e General, Water, Sewer, etc.) may vary significantly.

#### *Own Source Operating Revenue Ratio*

This ratio measures the fiscal flexibility of Council and its degree of reliance on external funding sources such as operating grants and contributions. A Council's financial flexibility improves the higher the level of its own source revenue.

The ratio of 50.14% (2015 - 50.98%) is below the benchmark of 60%, and indicates Council has some reliance on government grants and contributions to provide services to the community. However, overall for a far west Council, this is a sound result.

### *Unrestricted Current Ratio*

The unrestricted current ratio is a measure of Council's liquidity and demonstrates Council's ability to satisfy obligations out of short-term and immediate asset balances.

Council's ratio of 3.19:1 (2015 – 2.29:1) is considered strong. The benchmark is a minimum of 1.5:1 and Council has been consistently above this benchmark over the past few years.

### *Debt Service Cover Ratio*

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

Council's ratio of 8.34:1 (2015 – 13.65:1) is considered sound as the benchmark is a minimum of 2:1. This result means that Council has \$8.34 of cash to meet every \$1 of debt. This indicates that Council has the ability to borrow further if required.

### *Rates and Annual Charges Outstanding Ratio*

The rates and annual charges outstanding percentage is a measure of management efficiency. Whilst prevailing economic conditions may influence Council's ability to collect revenue, the efficiency and application of collection procedures are still the largest determinant of this ratio.

Council's rates and annual charges outstanding percentage of 7.23% has deteriorated over the past year (2015 – 5.68%) and has been impacted by unidentified ownership. However, by achieving a rates recovery ratio of 92.77%, it indicates that Council is maintaining good recovery procedures.

### *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.

Council's ratio of 5.29 months (2015 – 5.8 months) is above the minimum benchmark of 3 months but highlights that Council needs to continue to strengthen its cash position. Rural councils should be aiming for a minimum of 6 months to allow for any unexpected expenditure that may occur.

### **(d) Statement of Cash Flows**

The Statement of Cash Flows reports a net increase in cash assets held of \$726,000 (2015 - \$633,000 decrease) as follows:

	2016 \$'000	2015 \$'000	Movement \$'000
<b>Cash flow provided by / (used in)</b>			
Operating activities	8,551	9,796	(1,245)
Investing activities	(7,084)	(10,117)	3,033
Financing activities	(741)	(312)	(429)
	<hr/>	<hr/>	<hr/>
Net movement in cash held during the year	726	(633)	1,359
	<hr/>	<hr/>	<hr/>

### *Cash Flows from Operating Activities*

The net cash flow provided by operating activities totalled \$8,551,000 (2015 - \$9,796,000). Receipts from rates and annual charges have increased by \$112,000, user charges and fees have increased by \$111,000 and grants and contributions have increased by \$395,000. Payments for employee benefits and on-costs have increased by \$854,000 and materials and contracts have increased by \$1,614,000.

### *Cash Flows from Investing Activities*

The net cash flow used in investing activities totalled \$7,084,000 (2015 – \$10,117,000). These cash outflows mainly related to the acquisition of property, plant and equipment by Council of \$8,151,000 (2015 – \$6,002,000). This was partially offset by sale of infrastructure, property, plant and equipment of \$560,000 (2015 – \$486,000).

Major additions to property, plant and equipment during the year included \$1,342,000 on capital works in progress, \$4,257,000 on roads, bridges and footpaths and \$1,434,000 on plant and equipment.

### *Cash Flows from Financing Activities*

The net cash flows used in financing activities was \$741,000 (2015 – \$312,000). There were no new borrowings during the year (2015 – \$Nil). Repayments during the year were in line with the requirements of the loans.

#### **(e) Comparison of Actual and Budgeted Performance**

Council's change in net assets from operations for the year was a surplus of \$1,713,000 compared to a budgeted surplus of \$8,134,000.

The nature of this report does not lend itself to detailed analysis of individual budget variations. Council's financial statements include Note 16, which addresses the contributing factors to these variations in detail.

### *Other Matters*

#### **(a) National Competition Policy**

In accordance with the requirements of National Competition Policy guidelines, Cobar Shire Council has prepared special purpose financial statements on its business units for the year ended 30 June 2016. Council has determined that it has two business units within its operations: Water and Sewerage.

The Division of Local Government's July 1997 guidelines 'Pricing and Costing for Council Businesses: A Guide to Competitive Neutrality' outlines the process for identifying and allocating costs of activities and provide a standard of disclosure requirements. These disclosures are reflected in Council's pricing and/or financial reporting systems and include taxation equivalents, Council subsidies, rate of return on investments in business units and dividends paid.

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

#### **(b) Management Letters**

An interim management letter was issued during the year and a final management letter will be issued within the next few weeks.

#### **(c) Legislative Compliance**

As a result of our audit we advise that there are no material deficiencies in the accounting records or financial statements that have come to our attention during the conduct of the audit and that Cobar Shire Council's accounting records have been kept in accordance with the requirements of the Local Government Act, 1993 and regulations.

#### **(d) Matters Relating to the Electronic Presentation of the Audited Financial Statements**

This auditor's report relates to the financial statements of Cobar Shire Council for the year ended 30 June 2016 included on Council's web site. Council is responsible for the integrity of Council's web site. We have not been engaged to report on the integrity of the web site. The auditor's report refers only to the statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial statements to confirm the information included in the audited financial statements presented on this web site.




**Conclusion**

- (a) Cobar Shire Council's accounting records have been kept in a manner and form that facilitated the preparation of the general purpose financial statements and allowed proper and effective audit of this report;
- (b) Cobar Shire Council's accounting records have been kept in a manner and form that facilitated the preparation of the special purpose financial statements and allowed proper and effective audit of this report; and
- (c) all information relevant to the conduct of the audit has been obtained.



**LUKA GROUP**

2 River Street  
Dubbo  
Dated: 28 October 2016



**JM SHANKS**  
**PARTNER**