

# Cabonne Council

GENERAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2014

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*“...providing sustainable local government to our rural communities  
through consultation and sound financial management”*



# Cabonne Council

## General Purpose Financial Statements for the financial year ended 30 June 2014

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### Overview

(i) These financial statements are General Purpose Financial Statements and cover the consolidated operations for Cabonne Council.

(ii) Cabonne 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 (LGA) 1993 of NSW.

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

- the ability to provide goods, services & facilities, and to carry out activities appropriate to the current & 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 30 September 2014. Council has the power to amend and reissue these financial statements.

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## Cabonne Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

## Understanding Council's Financial Statements

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### Introduction

Each year, individual Local Governments across NSW are required to present a set of audited financial statements to their Council & Community.

### What you will find in the Statements

The financial statements set out the financial performance, financial position & cash flows of Council for the financial year ended 30 June 2014.

The format of the financial statements is standard across all NSW Councils and complies with both the accounting & reporting requirements of Australian Accounting Standards and requirements as set down by the Office of Local Government.

### About the Councillor/Management Statement

The financial statements must be certified by Senior staff as "presenting fairly" the Council's financial results for the year, and are required to be adopted by Council - ensuring both responsibility for & ownership of the financial statements.

### About the Primary Financial Statements

The financial statements incorporate 5 "primary" financial statements:

#### 1. The Income Statement

Summarises Council's financial performance for the year, listing all income & expenses.

This statement also displays Council's original adopted budget to provide a comparison between what was projected and what actually occurred.

#### 2. The Statement of Comprehensive Income

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

#### 3. The Statement of Financial Position

A 30 June snapshot of Council's financial position indicating its Assets, Liabilities & "Net Wealth".

#### 4. The Statement of Changes in Equity

The overall change for the year (in dollars) of Council's "Net Wealth".

#### 5. The Statement of Cash Flows

Indicates where Council's cash came from and where it was spent.

This statement also displays Council's original adopted budget to provide a comparison between what was projected and what actually occurred.

### About the Notes to the Financial Statements

The Notes to the financial statements provide greater detail and additional information on the 5 primary financial statements.

### About the Auditor's Reports

Council's financial statements are required to be audited by external accountants (that generally specialize in Local Government).

In NSW, the Auditor provides 2 audit reports:

1. An opinion on whether the financial statements present fairly the Council's financial performance & position, &
2. Their observations on the conduct of the Audit including commentary on the Council's financial performance & financial position.

### Who uses the Financial Statements ?

The financial statements are publicly available documents & must be presented at a Council meeting between 7 days & 5 weeks after the date of the Audit Report.

Submissions from the public can be made to Council up to 7 days subsequent to the public presentation of the financial statements.

Council is required to forward an audited set of financial statements to the Office of Local Government.

### More information

A review of Council's financial performance and position for the 13/14 financial year (and previous 4 years) can be found at Note 28 of the financial statements.

## Cabonne Council

### General Purpose Financial Statements for the financial year ended 30 June 2014

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

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

- The Local Government Act 1993 (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
- accords with Council's accounting and other records.

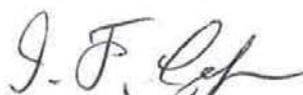
**We are not aware of any matter that would render the Reports false or misleading in any way.**

**Signed in accordance with a resolution of Council made on 16th September 2014.**



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Michael Hayes  
**MAYOR**



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Ian Gosper  
**COUNCILLOR**



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Andrew L Hopkins  
**GENERAL MANAGER**



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Stephen Harding  
**RESPONSIBLE ACCOUNTING OFFICER**

## Cabonne Council

## Income Statement

for the financial year ended 30 June 2014

Budget <sup>1</sup> 2014	\$ '000	Notes	Actual 2014	Actual 2013
<b>Income from Continuing Operations</b>				
<i>Revenue:</i>				
12,993	Rates & Annual Charges	3a	11,989	11,827
6,487	User Charges & Fees	3b	10,124	9,982
981	Interest & Investment Revenue	3c	1,660	1,986
429	Other Revenues	3d	540	836
9,463	Grants & Contributions provided for Operating Purposes	3e,f	8,325 <sup>2</sup>	9,996
9,733	Grants & Contributions provided for Capital Purposes	3e,f	6,473	2,943
<i>Other Income:</i>				
-	Net gains from the disposal of assets	5	461	74
-	Net Share of interests in Joint Ventures & Associated Entities using the equity method	19	-	-
<b>40,086</b>	<b>Total Income from Continuing Operations</b>		<b>39,572</b>	<b>37,644</b>
<b>Expenses from Continuing Operations</b>				
12,358	Employee Benefits & On-Costs	4a	11,804	11,652
274	Borrowing Costs	4b	248	187
3,237	Materials & Contracts	4c	4,739	4,811
9,560	Depreciation & Amortisation	4d	9,381	9,245
-	Impairment	4d	-	20
6,321	Other Expenses	4e	6,113	6,388
<b>31,750</b>	<b>Total Expenses from Continuing Operations</b>		<b>32,285</b>	<b>32,303</b>
<b>8,336</b>	<b>Operating Result from Continuing Operations</b>		<b>7,287</b>	<b>5,341</b>
<b>Discontinued Operations</b>				
-	Net Profit/(Loss) from Discontinued Operations	24	-	-
<b>8,336</b>	<b>Net Operating Result for the Year</b>		<b>7,287</b>	<b>5,341</b>
8,336	Net Operating Result attributable to Council		7,287	5,341
-	Net Operating Result attributable to Non-controlling Interests		-	-
<b>(1,397)</b>	<b>Net Operating Result for the year before Grants and Contributions provided for Capital Purposes</b>		<b>814</b>	<b>2,398</b>

<sup>1</sup> Original Budget as approved by Council - refer Note 16

<sup>2</sup> Financial Assistance Grants for 13/14 are lower, reflecting a timing difference due to a change in how the grant is paid - refer Note 3 (e)

## Cabonne Council

## Statement of Comprehensive Income

for the financial year ended 30 June 2014

\$ '000	Notes	Actual 2014	Actual 2013
<b>Net Operating Result for the year</b> (as per Income statement)		<b>7,287</b>	<b>5,341</b>
<b>Other Comprehensive Income:</b>			
<i>Amounts which will not be reclassified subsequently to the Operating Result</i>			
Gain (loss) on revaluation of I,PP&E	20b (ii)	14,301	1,221
Impairment (loss) reversal relating to I,PP&E	20b (ii)	(48)	-
<b>Total Items which will not be reclassified subsequently to the Operating Result</b>		<b>14,253</b>	<b>1,221</b>
<i>Amounts which will be reclassified subsequently to the Operating Result when specific conditions are met</i>			
Nil			
<b>Total Other Comprehensive Income for the year</b>		<b>14,253</b>	<b>1,221</b>
<b>Total Comprehensive Income for the Year</b>		<b>21,540</b>	<b>6,562</b>
<b>Total Comprehensive Income attributable to Council</b>		<b>21,540</b>	<b>6,562</b>
<b>Total Comprehensive Income attributable to Non-controlling Interests</b>		<b>-</b>	<b>-</b>

## Cabonne Council

Statement of Financial Position  
as at 30 June 2014

\$ '000	Notes	Actual 2014	Actual 2013
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash & Cash Equivalents	6a	9,969	21,380
Investments	6b	29,600	18,592
Receivables	7	4,317	4,555
Inventories	8	1,258	1,252
Other	8	12	15
Non-current assets classified as "held for sale"	22	-	-
<b>Total Current Assets</b>		<b>45,156</b>	<b>45,794</b>
<b>Non-Current Assets</b>			
Investments	6b	-	-
Receivables	7	694	736
Inventories	8	410	162
Infrastructure, Property, Plant & Equipment	9	466,040	443,605
Investments accounted for using the equity method	19	-	-
Investment Property	14	-	-
Intangible Assets	25	203	254
Other	8	282	281
<b>Total Non-Current Assets</b>		<b>467,629</b>	<b>445,038</b>
<b>TOTAL ASSETS</b>		<b>512,785</b>	<b>490,832</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Payables	10	2,951	2,256
Borrowings	10	180	170
Provisions	10	3,405	3,596
<b>Total Current Liabilities</b>		<b>6,536</b>	<b>6,022</b>
<b>Non-Current Liabilities</b>			
Payables	10	26	14
Borrowings	10	2,712	2,892
Provisions	10	1,529	1,462
<b>Total Non-Current Liabilities</b>		<b>4,267</b>	<b>4,368</b>
<b>TOTAL LIABILITIES</b>		<b>10,803</b>	<b>10,390</b>
<b>Net Assets</b>		<b>501,982</b>	<b>480,442</b>
<b>EQUITY</b>			
Retained Earnings	20	294,161	286,874
Revaluation Reserves	20	207,821	193,568
<b>Council Equity Interest</b>		<b>501,982</b>	<b>480,442</b>
<b>Non-controlling Interests</b>		<b>-</b>	<b>-</b>
<b>Total Equity</b>		<b>501,982</b>	<b>480,442</b>

## Cabonne Council

Statement of Changes in Equity  
for the financial year ended 30 June 2014

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council Interest	Non- controlling Interest	Total Equity
<b>2014</b>						
<b>Opening Balance</b> (as per Last Year's Audited Accounts)		286,874	193,568	480,442	-	480,442
a. Correction of Prior Period Errors	20 (c)	-	-	-	-	-
b. Changes in Accounting Policies (prior year effects)	20 (d)	-	-	-	-	-
<b>Revised Opening Balance (as at 1/7/13)</b>		<b>286,874</b>	<b>193,568</b>	<b>480,442</b>	<b>-</b>	<b>480,442</b>
<b>c. Net Operating Result for the Year</b>		<b>7,287</b>	<b>-</b>	<b>7,287</b>	<b>-</b>	<b>7,287</b>
<b>d. Other Comprehensive Income</b>						
- Revaluations : IPP&E Asset Revaluation Rsve	20b (ii)	-	14,301	14,301	-	14,301
- Revaluations: Other Reserves	20b (ii)	-	-	-	-	-
- Transfers to Income Statement	20b (ii)	-	-	-	-	-
- Impairment (loss) reversal relating to I,PP&E	20b (ii)	-	(48)	(48)	-	(48)
<b>Other Comprehensive Income</b>		<b>-</b>	<b>14,253</b>	<b>14,253</b>	<b>-</b>	<b>14,253</b>
<b>Total Comprehensive Income (c&amp;d)</b>		<b>7,287</b>	<b>14,253</b>	<b>21,540</b>	<b>-</b>	<b>21,540</b>
e. Distributions to/(Contributions from) Non-controlling Interests		-	-	-	-	-
f. Transfers between Equity		-	-	-	-	-
<b>Equity - Balance at end of the reporting period</b>		<b>294,161</b>	<b>207,821</b>	<b>501,982</b>	<b>-</b>	<b>501,982</b>
<b>2013</b>						
<b>Opening Balance</b> (as per Last Year's Audited Accounts)		281,533	192,347	473,880	-	473,880
a. Correction of Prior Period Errors	20 (c)	-	-	-	-	-
b. Changes in Accounting Policies (prior year effects)	20 (d)	-	-	-	-	-
<b>Revised Opening Balance (as at 1/7/12)</b>		<b>281,533</b>	<b>192,347</b>	<b>473,880</b>	<b>-</b>	<b>473,880</b>
<b>c. Net Operating Result for the Year</b>		<b>5,341</b>	<b>-</b>	<b>5,341</b>	<b>-</b>	<b>5,341</b>
<b>d. Other Comprehensive Income</b>						
- Revaluations : IPP&E Asset Revaluation Rsve	20b (ii)	-	1,221	1,221	-	1,221
- Revaluations: Other Reserves	20b (ii)	-	-	-	-	-
- Transfers to Income Statement	20b (ii)	-	-	-	-	-
- Impairment (loss) reversal relating to I,PP&E	20b (ii)	-	-	-	-	-
<b>Other Comprehensive Income</b>		<b>-</b>	<b>1,221</b>	<b>1,221</b>	<b>-</b>	<b>1,221</b>
<b>Total Comprehensive Income (c&amp;d)</b>		<b>5,341</b>	<b>1,221</b>	<b>6,562</b>	<b>-</b>	<b>6,562</b>
e. Distributions to/(Contributions from) Non-controlling Interests		-	-	-	-	-
f. Transfers between Equity		-	-	-	-	-
<b>Equity - Balance at end of the reporting period</b>		<b>286,874</b>	<b>193,568</b>	<b>480,442</b>	<b>-</b>	<b>480,442</b>

## Cabonne Council

## Statement of Cash Flows

for the financial year ended 30 June 2014

Budget 2014	\$ '000	Notes	Actual 2014	Actual 2013
<b>Cash Flows from Operating Activities</b>				
<b>Receipts:</b>				
12,993	Rates & Annual Charges		13,137	10,654
6,487	User Charges & Fees		9,975	11,644
981	Investment & Interest Revenue Received		1,414	1,774
19,196	Grants & Contributions		15,457	14,316
-	Bonds, Deposits & Retention amounts received		273	90
429	Other		1,429	1,339
<b>Payments:</b>				
(12,358)	Employee Benefits & On-Costs		(12,084)	(12,501)
(3,237)	Materials & Contracts		(5,128)	(6,086)
(274)	Borrowing Costs		(182)	(118)
-	Bonds, Deposits & Retention amounts refunded		-	(42)
(6,321)	Other		(7,898)	(8,090)
<b>17,896</b>	<b>Net Cash provided (or used in) Operating Activities</b>	11b	<b>16,393</b>	<b>12,980</b>
<b>Cash Flows from Investing Activities</b>				
<b>Receipts:</b>				
-	Sale of Investment Securities		18,569	301
-	Sale of Real Estate Assets		38	-
-	Sale of Infrastructure, Property, Plant & Equipment		784	619
-	Deferred Debtors Receipts		210	50
<b>Payments:</b>				
(10,000)	Purchase of Investment Securities		(29,500)	(8,500)
(18,123)	Purchase of Infrastructure, Property, Plant & Equipment		(17,492)	(12,365)
-	Purchase of Real Estate Assets		(243)	(68)
<b>(28,123)</b>	<b>Net Cash provided (or used in) Investing Activities</b>		<b>(27,634)</b>	<b>(19,963)</b>
<b>Cash Flows from Financing Activities</b>				
<b>Receipts:</b>				
-	Proceeds from Borrowings & Advances		-	2,455
<b>Payments:</b>				
(170)	Repayment of Borrowings & Advances		(170)	(75)
<b>(170)</b>	<b>Net Cash Flow provided (used in) Financing Activities</b>		<b>(170)</b>	<b>2,380</b>
<b>(10,397)</b>	<b>Net Increase/(Decrease) in Cash &amp; Cash Equivalents</b>		<b>(11,411)</b>	<b>(4,603)</b>
22,385	plus: Cash & Cash Equivalents - beginning of year	11a	21,380	25,983
<b>11,988</b>	<b>Cash &amp; Cash Equivalents - end of the year</b>	11a	<b>9,969</b>	<b>21,380</b>
Additional Information:				
	plus: Investments on hand - end of year	6b	29,600	18,592
<b>Total Cash, Cash Equivalents &amp; Investments</b>			<b>39,569</b>	<b>39,972</b>

Please refer to Note 11 for additional cash flow information

## Cabonne Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

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tbd - to be done

n/a - not applicable

## Cabonne Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

#### 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) & 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 IFRS's, 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), Regulations and Local Government Code of Accounting Practice & 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

During the current year, the following relevant standards became mandatory for Council and have been adopted:

- AASB 13 Fair Value Measurement
- AASB 119 Employee Benefits

AASB 13 Fair Value Measurement has not affected the assets or liabilities which are to be measured at fair value, however it provides detailed guidance on how to measure fair value in accordance with the accounting standards.

It introduces the concept of highest and best use for non-financial assets and has caused the Council to review their valuation methodology.

The level of disclosures regarding fair value have increased significantly and have been included in the financial statements at Note 27.

AASB 119 Employee Benefits introduced revised definitions for short-term employee benefits.

Whilst the Council has reviewed the annual leave liability to determine the level of annual leave which is expected to be paid more than 12 months after the end of the reporting period, there has been no effect on the amounts disclosed as leave liabilities since Council's existing valuation policy was to discount annual leave payable more than 12 months after the end of the reporting period to present values.

###### (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 2013.

Refer further to paragraph (ab) relating to a summary of the effects of Standards with future operative dates.

## Cabonne Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

## Note 1. Summary of Significant Accounting Policies

### (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 & 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.

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 investment properties
- (ii) Estimated fair values of infrastructure, property, plant and equipment.
- (iii) Estimated remediation provisions.

#### **Critical judgements in applying Council's accounting policies**

- (i) Impairment of Receivables - Council has made a significant judgement about the impairment of a number of its receivables in Note 7.
- (ii) Projected Section 94 Commitments - Council has used significant judgement in determining future Section 94 income and expenditure in Note 17.

### (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.

## Cabonne Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

#### Note 1. Summary of Significant Accounting Policies

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 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 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 & 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 financial statements incorporate **(i)** the assets and liabilities of Council and any entities (or operations) that it **controls** (as at 30 June 2014) and **(ii)** all the related operating results (for the financial year ended the 30th June 2014).

The financial statements also include Council's share of the assets, liabilities, income and expenses of any **Jointly Controlled Operations** under the appropriate headings.

## Cabonne Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

#### Note 1. Summary of Significant Accounting Policies

In the process of reporting on Council's activities as a single unit, all inter-entity year end balances and reporting period transactions have been eliminated in full between Council and its controlled entities.

##### (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*
- *Cabonne Water Fund*  
(*Molong, Cumnock & Yeoval*)
- *Cabonne Sewer Fund*  
(*Molong, Canowindra & Eugowra*)
- *Small Town Sewer Fund*  
(*Cudal, Manildra, Cumnock & Yeoval*)

Due to their immaterial value and nature, the following Committees, Entities & Operations have been excluded from consolidation:

- *Acacia Lodge Management Committee*
- *Cudal Homes for Aged Persons Committee*
- *Eugowra Self Care Units Committee*
- *Age of Fishes Museum Committee*
- *Amusu Theatre Heritage Trust Inc*
- *Eugowra Community Children's Centre Committee*
- *Cudal Community Children's Centre Committee*
- *Canowindra Preschool Kindergarten Inc*
- *Canowindra Sports Trust*
- *Manildra Sports Council*
- *Cargo Community Centre Committee*
- *Cumnock Community Centre*
- *Manildra Memorial Hall Committee*
- *Yeoval Memorial Hall Committee*
- *Moorbel Hall Committee*
- *Cudal Memorial Pool Committee*
- *Cumnock Pool Committee*
- *Eugowra War Memorial Pool Committee*
- *Manildra Memorial Pool Committee*

- *Yeoval Pool Committee*
- *Eugowra Medical Centre Committee*
- *Molong & District Health Watch*
- *Doctor for Cudal Committee*
- *Eugowra Promotion and Progress Association Inc*
- *Cumnock & District Progress Association Inc*
- *Yeoval Progress Association*
- *Canowindra Beautification Committee*
- *Molong Town Beautification Committee*

The (i) total income and expenditure from continuing operations and (ii) the net assets held by these excluded Committees & Operations is as follows:

<b>Total income from continuing operations</b>	\$1,432k
<b>Total expenditure from continuing operations</b>	\$1,338k
<b>Total net assets held (ie Equity)</b>	\$1,998k

##### Note:

Where actual figures are not known, best estimates have been applied.

##### (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 which must be applied only for the purposes of or in accordance with the trusts relating to those monies.

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

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

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) Joint Ventures

Council has no interest in any Joint Venture Entities, Assets or Operations.

## Cabonne Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

#### Note 1. Summary of Significant Accounting Policies

##### (iv) Associated Entities

Where Council has the power to participate in the financial and operating decisions (of another entity), ie. where Council is deemed to have "significant influence" over the other entities operations but neither controls nor jointly controls the entity, then Council accounts for such interests using the equity method of accounting – in a similar fashion to Joint Venture Entities & Partnerships.

Such entities are usually termed Associates.

##### (v) County Councils

Council is not a member of any County Councils.

##### (vi) Additional Information

Note 19 provides more information in relation to Joint Venture Entities, Associated Entities and Joint Venture Operations where applicable.

##### (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 which are subject to an insignificant risk of changes in value, and
- bank overdrafts.

Bank overdrafts are shown within borrowings in current liabilities on the balance sheet but are incorporated into Cash & Cash Equivalents for presentation of the Cash Flow Statement.

##### (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:

- **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/intention for which the investment was acquired & at the time it was acquired.

## Cabonne Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

#### Note 1. Summary of Significant Accounting Policies

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.

Derivatives are classified as held for trading unless they are designated as hedges.

Assets in this category are primarily classified as current assets as they are primarily held for trading &/or are expected to be realised within 12 months of the balance sheet 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 balance sheet 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 & 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 balance sheet 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 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.

## Cabonne Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

## Note 1. Summary of Significant Accounting Policies

### General Accounting & 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.

If there is evidence of impairment for any of Council's financial assets carried at amortised cost (eg. loans and receivables), the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate.

The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

As a practical expedient, the group may measure impairment on the basis of an instrument's fair value using an observable market price.

#### (iii) Types of Investments

Council has an approved Investment Policy in order to undertake its investment of money 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.

Council amended its policy following revisions to the Ministerial Local Government Investment Order arising from the Cole Inquiry recommendations. Certain investments that Council holds are no longer prescribed (eg. managed funds, CDOs, and equity linked notes), however they have been retained under grandfathering provisions of the Order. These will be disposed of when most financially advantageous to Council.

## Cabonne Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

#### Note 1. Summary of Significant Accounting Policies

##### **(g) Fair value estimation**

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 balance sheet date.

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

Council uses a variety of methods and makes assumptions that are based on market conditions existing at each 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 & 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 which are known to be uncollectible are written off in accordance with Council's policy.

A provision for impairment (ie. an allowance account) relating to receivables is established when there is objective evidence that the 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**

###### **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.

## Cabonne Council

### Notes to the Financial Statements for the financial year ended 30 June 2014

#### Note 1. Summary of Significant Accounting Policies

##### Land Held for Resale/Capitalisation of Borrowing Costs

Land held for resale is stated at the lower of cost and net realisable value.

Cost is assigned by specific identification and includes the cost of acquisition, and development and borrowing costs during development.

When development is completed borrowing costs and other holding charges are expensed as incurred.

Borrowing costs included in the cost of land held for resale are those costs that would have been avoided if the expenditure on the acquisition and development of the land had not been made.

Borrowing costs incurred while active development is interrupted for extended periods are recognised as expenses.

##### (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;

- **Investment Properties** – refer Note 1(p),
- **Water and Sewerage Networks** (External Valuation)
- **Operational Land** (External Valuation)
- **Buildings – Specialised/Non Specialised** (External Valuation)
- **Plant and Equipment** (as approximated by depreciated historical cost)
- **Roads Assets incl. roads, bridges & footpaths** (Internal Valuation)
- **Drainage Assets** (Internal Valuation)
- **Bulk Earthworks** (Internal Valuation)
- **Community Land** (Internal Valuation)

- **Land Improvements** (a combination of External valuations and approximated by depreciated historical cost)

- **Other Structures** (a combination of External valuations and approximated by depreciated historical cost)

- **Other Assets** (as approximated by depreciated historical cost)

###### Initial Recognition

On initial recognition, an assets 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 (ie. 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 & Equipment:

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

## Cabonne Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

#### Note 1. Summary of Significant Accounting Policies

- 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 & Equipment

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

##### Buildings & Land Improvements

Park Furniture & Equipment	> \$1,000
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##### Building

- construction/extensions	100% Capitalised
- renovations	> \$1,000
Other Structures	> \$1,000

##### Water & Sewer Assets

Reticulation extensions	> \$1,000
Other	> \$1,000

##### Stormwater Assets

Drains & Culverts	> \$1,000
Other	> \$1,000

##### Transport Assets

Road construction & reconstruction	> \$1,000
Reseal/Re-sheet & major repairs:	> \$1,000
Bridge construction & reconstruction	> \$1,000

#### Depreciation

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

Land is not depreciated.

Estimated useful lives for Council's I,PP&E include:

##### Plant & Equipment

- Office Equipment	10 years
- Office furniture	10 years
- Computer Equipment	5 years
- Vehicles	5 to 10 years
- Heavy Plant/Road Making equip.	7 to 10 years
- Other plant and equipment	5 to 7 years

##### Other Equipment

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

##### Buildings

- Buildings : Masonry	100 years
- Buildings : Other	33 to 50 years

##### Stormwater Drainage

- Drains	60 years
- Culverts	60 years

##### Transportation Assets

- Sealed Roads : Surface	50 years
- Sealed Roads : Structure	50 years
- Unsealed roads	50 years
- Bridge : Concrete	100 years
- Bridge : Other	50 years

## Cabonne Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

#### Note 1. Summary of Significant Accounting Policies

- Road Pavements	60 years
- Kerb, Gutter & Paths	70 years

##### Water & Sewer Assets

- Dams and reservoirs	100 years
- Bores	30 years
- Reticulation pipes : PVC	40 to 80 years
- Reticulation pipes : Other	25 to 75 years
- Pumps and telemetry	10 to 70 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

###### IT Development and Software

Costs incurred in developing products or systems and costs incurred in acquiring software and licenses that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to software and systems.

Costs capitalised include external direct costs of materials and service, direct payroll and payroll related costs of employees' time spent on the project.

Amortisation is calculated on a straight line bases over periods generally ranging from 3 to 5 years.

IT development costs include only those costs directly attributable to the development phase and are only recognised following completion of technical feasibility and where Council has an intention and ability to use the asset.

##### (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 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.

## Cabonne Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

#### Note 1. Summary of Significant Accounting Policies

##### (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.

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 exclude the assets, their values and depreciation charges from these financial statements.

##### (p) Investment property

Investment property comprises land &/or buildings that are principally held for long-term rental yields, capital gains or both that is not occupied by Council.

Investment property is carried at fair value, representing an open-market value determined annually by external valuers.

Annual changes in the fair value of Investment Properties are recorded in the Income Statement as part of “Other Income”.

Every three years with an appropriate index utilised each year in between the full revaluations.

##### (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 which 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, eg 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 balance sheet 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 balance sheet date.

These costs are charged to the income statement.

## Cabonne Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

#### Note 1. Summary of Significant Accounting Policies

Movements in the environmental clean up provisions are presented as an operating cost, except for the unwind 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.

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 relating to 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" & 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 balance sheet.

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.

## Cabonne Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

#### Note 1. Summary of Significant Accounting Policies

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

Borrowings are removed from the balance sheet 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 balance sheet date.

##### **(v) Borrowing costs**

Borrowing costs are expensed.

##### **(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 & salaries, annual leave and vesting sick leave are all classified as Current Liabilities.

## Cabonne Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

#### Note 1. Summary of Significant Accounting Policies

##### (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.

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 balance sheet, 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.

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.

##### 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.

##### (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.

## Cabonne Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

#### Note 1. Summary of Significant Accounting Policies

These amounts include Superannuation and Workers Compensation expenses which will be payable upon the future payment of certain Leave Liabilities accrued as at 30/6/14.

##### (y) Self insurance

Council does not self insure.

##### (z) Allocation between current and non-current assets & 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 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 & 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 Balance Sheet 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 Balance Sheet.

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

Investing and Financing cash flows are treated on a net basis (where recoverable from the ATO), ie. they are exclusive of GST. Instead, the GST component of investing and financing activity cash flows which 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

Certain new (or amended) accounting standards and interpretations have been published that are not mandatory for reporting periods ending 30 June 2014.

**Council has not adopted any of these standards early.**

Council's assessment of the impact of these new standards and interpretations is set out below.

##### Applicable to Local Government with implications:

***AASB 9 Financial Instruments, associated standards, AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 and AASB 2012-6 Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and transitional disclosures and AASB 2013-9 Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments (effective from 1 January 2017)***

AASB 9 Financial Instruments addresses the classification, measurement and de-recognition of financial assets and financial liabilities.

## Cabonne Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

#### Note 1. Summary of Significant Accounting Policies

The standard is not applicable until 1 January 2015 but is available for early adoption.

When adopted, the standard will affect in particular Council's accounting for its available-for-sale financial assets, since AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading.

Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognised directly in profit or loss although there is currently a proposal by the IASB to introduce a Fair value through Other Comprehensive Income category for debt instruments.

There will be no impact on Council's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and Council does not have any such liabilities.

The de-recognition rules have been transferred from AASB 139 Financial Instruments: Recognition and Measurement and have not been changed.

The Council has not yet fully assessed the impact on the reporting financial position and performance on adoption of AASB 9.

**Applicable to Local Government but no implications for Council;**

**AASB 2013-3 Amendments to AASB 136 Recoverable Amount Disclosures for Non-Financial Assets** (effective for 30 June 2015 Financial Statements)

There are no changes to reported financial position or performance from AASB 2013 – 3, however additional disclosures may be required.

**Applicable to Local Government but not relevant to Council at this stage;**

**AASB 10 Consolidated Financial Statements, AASB 11 Joint Arrangements, AASB 12 Disclosure of Interests in Other Entities, revised AASB 127 Separate Financial Statements and AASB 128 Investments in Associates and Joint Ventures and AASB 2011-7 Amendments to Australian Accounting Standards arising from**

**the Consolidation and Joint Arrangements Standards** (effective for 30 June 2015 Financial Statements for not-for-profit entities)

This suite of five new and amended standards address the accounting for joint arrangements, consolidated financial statements and associated disclosures.

AASB 10 replaces all of the guidance on control and consolidation in AASB 127 Consolidated and Separate Financial Statements, and Interpretation 12 Consolidation – Special Purpose Entities.

The core principle that a consolidated entity presents a parent and its subsidiaries as if they are a single economic entity remains unchanged, as do the mechanics of consolidation. However, the standard introduces a single definition of control that applies to all entities.

It focuses on the need to have both power and rights or exposure to variable returns.

Power is the current ability to direct the activities that significantly influence returns. Returns must vary and can be positive, negative or both.

Control exists when the investor can use its power to affect the amount of its returns.

There is also new guidance on participating and protective rights and on agent/principal relationships. Council does not expect the new standard to have a significant impact on its composition.

AASB 11 introduces a principles based approach to accounting for joint arrangements.

The focus is no longer on the legal structure of joint arrangements, but rather on how rights and obligations are shared by the parties to the joint arrangement.

Based on the assessment of rights and obligations, a joint arrangement will be classified as either a joint operation or a joint venture.

Joint ventures are accounted for using the equity method, and the choice to proportionately consolidate will no longer be permitted.

## Cabonne Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

#### Note 1. Summary of Significant Accounting Policies

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Parties to a joint operation will account their share of revenues, expenses, assets and liabilities in much the same way as under the previous standard.

AASB 11 also provides guidance for parties that participate in joint arrangements but do not share joint control.

Council's investment in the joint venture partnership will be classified as a joint venture under the new rules.

As Council already applies the equity method in accounting for this investment, AASB 11 will not have any impact on the amounts recognised in its financial statements.

AASB 12 sets out the required disclosures for entities reporting under the two new standards, AASB 10 and AASB 11, and replaces the disclosure requirements currently found in AASB 127 and AASB 128.

Application of this standard by Council will not affect any of the amounts recognised in the financial statements, but will impact the type of information disclosed in relation to Council's investments.

Amendments to AASB 128 provide clarification that an entity continues to apply the equity method and does not remeasure its retained interest as part of ownership changes where a joint venture becomes an associate, and vice versa.

The amendments also introduce a "partial disposal" concept.

Council is still assessing the impact of these amendments.

Council does not expect to adopt the new standards before their operative date.

They would therefore be first applied in the financial statements for the annual reporting period ending 30 June 2015.

#### **Not applicable to Local Government per se;**

None

There are no other standards that are "not yet effective" and expected to have a material impact on

Council in the current or future reporting periods and on foreseeable future transactions.

#### **(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.

#### **(ae) Disclaimer**

Nothing contained within these statements may be taken to be an admission of any liability to any person under any circumstance.

# Cabonne Council

## Notes to the Financial Statements

for the financial year ended 30 June 2014

### 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
	2014	2014	2013	2014	2014	2013	2014	2014	2013	2014	2013	2014	2013
Governance	142	130	162	651	583	915	(509)	(453)	(753)	3,884	-	38,065	33,169
Administration	453	856	760	10,606	4,551	2,223	(10,153)	(3,695)	(1,463)	6	13	17,623	14,616
Public Order & Safety	10	283	485	487	722	1,175	(477)	(439)	(690)	-	-	4,176	3,461
Health	104	97	75	535	458	456	(431)	(361)	(381)	-	-	3,102	3,464
Environment	2,979	3,246	2,970	2,872	3,117	2,984	107	129	(14)	1,245	1,250	2,213	1,936
Community Services & Education	1,535	1,669	1,381	1,615	1,941	1,495	(80)	(272)	(114)	-	713	3,615	2,331
Housing & Community Amenities	285	318	267	847	698	1,030	(562)	(380)	(763)	697	38	3,817	2,886
Water Supplies	964	1,036	936	647	1,122	1,332	317	(86)	(396)	-	13	28,768	27,685
Sewerage Services	10,137	4,974	2,430	1,403	1,852	1,991	8,734	3,122	439	-	777	43,684	40,563
Recreation & Culture	102	103	207	1,263	2,092	1,948	(1,161)	(1,989)	(1,741)	63	144	28,249	21,627
Mining, Manufacturing & Construction	1,699	2,044	1,773	1,524	1,651	1,650	175	393	123	-	-	2,451	2,067
Transport & Communication	6,757	11,464	10,682	8,255	12,588	13,992	(1,498)	(1,124)	(3,310)	1,251	2,380	333,136	332,057
Economic Affairs	470	522	675	1,045	910	1,112	(575)	(388)	(437)	-	7	3,886	4,970
<b>Total Functions &amp; Activities</b>	<b>25,637</b>	<b>26,742</b>	<b>22,803</b>	<b>31,750</b>	<b>32,285</b>	<b>32,303</b>	<b>(6,113)</b>	<b>(5,543)</b>	<b>(9,500)</b>	<b>7,146</b>	<b>5,335</b>	<b>512,785</b>	<b>490,832</b>
Share of gains/(losses) in Associates & Joint Ventures (using the Equity Method)	-	-	-	-	-	-	-	-	-	-	-	-	-
General Purpose Income <sup>1</sup>	14,449	12,830	14,841	-	-	-	14,449	12,830	14,841	2,314	4,303	-	-
<b>Operating Result from Continuing Operations</b>	<b>40,086</b>	<b>39,572</b>	<b>37,644</b>	<b>31,750</b>	<b>32,285</b>	<b>32,303</b>	<b>8,336</b>	<b>7,287</b>	<b>5,341</b>	<b>9,460</b>	<b>9,638</b>	<b>512,785</b>	<b>490,832</b>

1. Includes: Rates & Annual Charges (incl. Ex-Gratia), Untied General Purpose Grants & Unrestricted Interest & Investment Income.

## Cabonne Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

### 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**

Costs relating to the 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, area representation and public disclosure and compliance.

#### **ADMINISTRATION**

Corporate Support and Other Support Services (not otherwise attributed to the listed functions / activities).

#### **PUBLIC ORDER & SAFETY**

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

#### **HEALTH**

Inspection, immunisations, food control, health centres, other, administration.

#### **ENVIRONMENT**

Noxious plants and insect/vermin control, other environmental protection, solid waste management, street cleaning, drainage, stormwater management.

#### **COMMUNITY SERVICES & EDUCATION**

Administration, family day care, child care, youth services, other family and children, aged and disabled, migrant services, Aboriginal services, other community services, education.

#### **HOUSING & COMMUNITY AMENITIES**

Housing, town planning, street lighting, other sanitation and garbage, public cemeteries, public conveniences,

#### **WATER SUPPLIES**

#### **SEWERAGE SERVICES**

#### **RECREATION & CULTURE**

Public libraries, museums, art galleries, community centres, public halls, other cultural services, swimming pools, sporting grounds, parks and gardens (lakes), other sport and recreation.

#### **MINING, MANUFACTURING & CONSTRUCTION**

Building control, quarries & pits, other.

#### **TRANSPORT & COMMUNICATION**

Urban roads, sealed rural roads, unsealed rural roads, bridges, footpaths, aerodromes, parking areas, bus shelters and services, water transport, RMS works, other.

#### **ECONOMIC AFFAIRS**

Camping areas, caravan parks, tourism and area promotion, industrial development promotion, saleyards and markets, real estate development, commercial nurseries, other business undertakings.

## Cabonne Council

### Notes to the Financial Statements for the financial year ended 30 June 2014

#### Note 3. Income from Continuing Operations

\$ '000	Notes	Actual 2014	Actual 2013
<b>(a) Rates &amp; Annual Charges</b>			
<b>Ordinary Rates</b>			
Residential		2,489	2,749
Farmland		4,573	4,285
Mining		1,843	1,719
Business		211	210
<b>Total Ordinary Rates</b>		<b>9,116</b>	<b>8,963</b>
<b>Special Rates</b>			
Nil			
<b>Annual Charges</b> (pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Domestic Waste Management Services		929	969
Water Supply Services		312	309
Sewerage Services		1,325	1,310
Waste Management Services (non-domestic)		209	202
Section 611 Charges		24	1
Stormwater Levy		74	73
<b>Total Annual Charges</b>		<b>2,873</b>	<b>2,864</b>
<b>TOTAL RATES &amp; ANNUAL CHARGES</b>		<b>11,989</b>	<b>11,827</b>

Council has used 2011 year valuations provided by the NSW Valuer General in calculating its rates.

## Cabonne Council

Notes to the Financial Statements  
for the financial year ended 30 June 2014

## Note 3. Income from Continuing Operations (continued)

\$ '000	Notes	Actual 2014	Actual 2013
<b>(b) User Charges &amp; Fees</b>			
<b>Specific User Charges</b> (per s.502 - Specific "actual use" charges)			
Water Supply Services		550	461
Sewerage Services		43	74
<b>Total User Charges</b>		<b>593</b>	<b>535</b>
<b>Other User Charges &amp; Fees</b>			
<b>(i) Fees &amp; Charges - Statutory &amp; Regulatory Functions</b> (per s.608)			
Discretionary Fees - Other		338	168
Planning & Building Regulation		289	266
Private Works - Section 67		376	454
Section 603 Certificates		22	19
Waste Management		108	120
<b>Total Fees &amp; Charges - Statutory/Regulatory</b>		<b>1,133</b>	<b>1,027</b>
<b>(ii) Fees &amp; Charges - Other (incl. General User Charges)</b> (per s.608)			
Caravan Park		116	131
Cemeteries		75	60
Child Care		503	485
Lease Rentals		110	36
Quarry Revenues		1,848	1,561
Recycling Income (Non Domestic)		-	38
RMS (formerly RTA) Charges (State Roads not controlled by Council)		5,737	6,109
Trade Waste		8	-
Other		1	-
<b>Total Fees &amp; Charges - Other</b>		<b>8,398</b>	<b>8,420</b>
<b>TOTAL USER CHARGES &amp; FEES</b>		<b>10,124</b>	<b>9,982</b>

## Cabonne Council

## Notes to the Financial Statements

for the financial year ended 30 June 2014

## Note 3. Income from Continuing Operations (continued)

\$ '000	Notes	Actual 2014	Actual 2013
<b>(c) Interest &amp; Investment Revenue (incl. losses)</b>			
<b>Interest &amp; Dividends</b>			
- Interest on Overdue Rates & Annual Charges (incl. Special Purpose Rates)		89	67
- Interest earned on Investments (interest & coupon payment income)		1,452	1,856
- Interest & Dividend Income (Other)		42	-
<b>Fair Value Adjustments</b>			
- Fair Valuation movements in Investments (at FV or Held for Trading)		77	63
<b><u>TOTAL INTEREST &amp; INVESTMENT REVENUE</u></b>		<b><u>1,660</u></b>	<b><u>1,986</u></b>
<b>Interest Revenue is attributable to:</b>			
<b>Unrestricted Investments/Financial Assets:</b>			
Overdue Rates & Annual Charges (General Fund)		60	67
General Council Cash & Investments		1,340	1,508
<b>Restricted Investments/Funds - External:</b>			
Development Contributions			
- Section 94		16	15
Water Fund Operations		113	138
Sewerage Fund Operations		64	183
Domestic Waste Management operations		34	41
Other Externally Restricted Assets		33	34
<b><u>Total Interest &amp; Investment Revenue Recognised</u></b>		<b><u>1,660</u></b>	<b><u>1,986</u></b>
<b>(d) Other Revenues</b>			
Rental Income - Other Council Properties		-	127
Legal Fees Recovery - Rates & Charges (Extra Charges)		13	6
After School Care		-	17
Commissions & Agency Fees		139	139
Diesel Rebate		96	147
Gravel Pit Restoration		23	55
Insurance Claim Recoveries		46	87
Rebates Received		67	176
Recycling Income (non domestic)		113	-
Other		43	82
<b><u>TOTAL OTHER REVENUE</u></b>		<b><u>540</u></b>	<b><u>836</u></b>

## Cabonne Council

## Notes to the Financial Statements

for the financial year ended 30 June 2014

## Note 3. Income from Continuing Operations (continued)

\$ '000	2014 Operating	2013 Operating	2014 Capital	2013 Capital
<b>(e) Grants</b>				
<b>General Purpose (Untied)</b>				
Financial Assistance - General Component	1,240	2,352	-	-
Financial Assistance - Local Roads Component	976	1,855	-	-
Pensioners' Rates Subsidies - General Component	98	96	-	-
<b>Total General Purpose</b>	<b>2,314</b>	<b>4,303</b>	<b>-</b>	<b>-</b>

<sup>1</sup> The Financial Assistance Grant for 13/14 reflects a one off reduction due to the fact that this grant is no longer being paid in advance by up to 50% as has occurred in previous years - it does not represent a loss of income but is instead a timing difference.

**Specific Purpose**

## Pensioners' Rates Subsidies:

- Water	13	13	-	-
- Sewerage	26	28	-	-
- Domestic Waste Management	40	40	-	-
Sewerage Services	-	-	3,329	749
Administration	4	13	-	-
Community Services	711	713	-	-
Economic Affairs	6	7	-	-
Environment	1,529	1,210	56	-
Recreation & Culture	71	51	-	93
Street Lighting	38	38	-	-
Transport & Communication	89	230	234	971
- Roads to Recovery	965	1,179	-	-
Housing & Community Amenities	35	-	-	-
<b>Total Specific Purpose</b>	<b>3,527</b>	<b>3,522</b>	<b>3,619</b>	<b>1,813</b>
<b>Total Grants</b>	<b>5,841</b>	<b>7,825</b>	<b>3,619</b>	<b>1,813</b>

**Grant Revenue is attributable to:**

- Commonwealth Funding	3,519	5,522	-	-
- State Funding	2,322	2,303	3,619	1,813
	<b>5,841</b>	<b>7,825</b>	<b>3,619</b>	<b>1,813</b>

## Cabonne Council

## Notes to the Financial Statements

for the financial year ended 30 June 2014

## Note 3. Income from Continuing Operations (continued)

\$ '000	2014 Operating	2013 Operating	2014 Capital	2013 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	52	36	-	-
<b>Total Developer Contributions</b>	<b>52</b>	<b>36</b>	<b>-</b>	<b>-</b>
<b>Other Contributions:</b>				
Administration	9	15	-	-
Community Services	131	100	75	-
Economic Affairs	8	24	-	-
Environment	55	45	-	183
Governance	112	144	-	-
Health	66	55	-	-
Housing & Community Amenities	4	1	-	-
LIRS Subsidy	97	-	-	-
Public Order & Safety	-	277	256	184
Recreation & Culture	11	12	-	-
Sewerage (excl. Section 64 contributions)	-	-	73	78
Transport & Communication	474	102	2,415	671
- Regional Roads Block Grant	1,465	1,360	-	-
Water Supplies (excl. Section 64 contributions)	-	-	35	14
<b>Total Other Contributions</b>	<b>2,432</b>	<b>2,135</b>	<b>2,854</b>	<b>1,130</b>
<b>Total Contributions</b>	<b>2,484</b>	<b>2,171</b>	<b>2,854</b>	<b>1,130</b>
<b>TOTAL GRANTS &amp; CONTRIBUTIONS</b>	<b>8,325</b>	<b>9,996</b>	<b>6,473</b>	<b>2,943</b>

\$ '000	Actual 2014	Actual 2013
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## (g) Restrictions relating to Grants and Contributions

**Certain grants & contributions are obtained by Council on condition that they be spent in a specified manner:**

Unexpended at the Close of the Previous Reporting Period	5,069	7,469
add: Grants & contributions recognised in the current period but not yet spent:	1,104	3,551
less: Grants & contributions recognised in a previous reporting period now spent:	(2,994)	(5,951)
<b>Net Increase (Decrease) in Restricted Assets during the Period</b>	<b>(1,890)</b>	<b>(2,400)</b>
<b>Unexpended and held as Restricted Assets</b>	<b>3,179</b>	<b>5,069</b>
<b>Comprising:</b>		
- Specific Purpose Unexpended Grants	1,216	3,135
- Developer Contributions	720	653
- Other Contributions	1,243	1,281
	<b>3,179</b>	<b>5,069</b>

## Cabonne Council

## Notes to the Financial Statements

for the financial year ended 30 June 2014

## Note 4. Expenses from Continuing Operations

\$ '000	Notes	Actual 2014	Actual 2013
<b>(a) Employee Benefits &amp; On-Costs</b>			
Salaries and Wages		8,807	8,515
Travelling		482	486
Employee Leave Entitlements (ELE)		1,088	1,134
Superannuation		1,127	1,154
Workers' Compensation Insurance		726	729
Fringe Benefit Tax (FBT)		86	65
Training Costs (other than Salaries & Wages)		188	149
Protective Clothing		52	53
Pre Employment Medicals		-	1
Other		99	92
<b>Total Employee Costs</b>		<b>12,655</b>	<b>12,378</b>
less: Capitalised Costs		(851)	(726)
<b>TOTAL EMPLOYEE COSTS EXPENSED</b>		<b>11,804</b>	<b>11,652</b>
Number of "Equivalent Full Time" Employees at year end		<b>170</b>	<b>173</b>
<b>(b) Borrowing Costs</b>			
<b>(i) Interest Bearing Liability Costs</b>			
Interest on Loans		180	121
Interest on Advances		1	1
<b>Total Interest Bearing Liability Costs Expensed</b>		<b>181</b>	<b>122</b>
<b>(ii) Other Borrowing Costs</b>			
Discount adjustments relating to movements in Provisions (other than ELE)			
- Remediation Liabilities	26	67	65
<b>Total Other Borrowing Costs</b>		<b>67</b>	<b>65</b>
<b>TOTAL BORROWING COSTS EXPENSED</b>		<b>248</b>	<b>187</b>

## Cabonne Council

## Notes to the Financial Statements

for the financial year ended 30 June 2014

## Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Actual 2014	Actual 2013
<b>(c) Materials &amp; Contracts</b>			
Raw Materials & Consumables		3,188	2,948
Contractor & Consultancy Costs			
- Consultancy Costs		105	23
- Caretaker Fees		67	61
- Cleaning		96	106
- Internal Auditor		3	2
- Licence Agreements		194	115
- Service Contracts		927	1,352
- Valuation Fees		81	71
Auditors Remuneration <sup>(1)</sup>		37	35
Legal Expenses:			
- Legal Expenses: Planning & Development		10	3
- Legal Expenses: Other		26	90
Operating Leases:			
- Operating Lease Rentals: Minimum Lease Payments <sup>(2)</sup>		5	5
<b><u>TOTAL MATERIALS &amp; CONTRACTS</u></b>		<b><u>4,739</u></b>	<b><u>4,811</u></b>
<b>1. Auditor Remuneration</b>			
During the year, the following fees were incurred for services provided by the Council's Auditor (& the Auditors of other Consolidated Entities):			
<b>(i) Audit and Other Assurance Services</b>			
- Audit & review of financial statements: Council's Auditor		37	35
<b>Remuneration for audit and other assurance services</b>		<b><u>37</u></b>	<b><u>35</u></b>
<b>Total Auditor Remuneration</b>		<b><u>37</u></b>	<b><u>35</u></b>
<b>2. Operating Lease Payments are attributable to:</b>			
Computers		4	4
Other		1	1
		<b><u>5</u></b>	<b><u>5</u></b>

## Cabonne Council

## Notes to the Financial Statements

for the financial year ended 30 June 2014

## Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Impairment Costs		Depreciation/Amortisation	
		Actual 2014	Actual 2013	Actual 2014	Actual 2013
Plant and Equipment		-	-	2,398	2,399
Office Equipment		-	20	241	230
Furniture & Fittings		-	-	40	34
Land Improvements (depreciable)		-	-	130	139
Buildings - Non Specialised		-	-	42	6
Buildings - Specialised		-	-	660	725
Other Structures		-	-	249	277
Infrastructure:					
- Roads		-	-	3,992	4,293
- Bridges		-	-	367	-
- Footpaths		-	-	56	-
- Stormwater Drainage		-	-	95	94
- Water Supply Network		-	-	404	447
- Sewerage Network		-	-	549	530
- Swimming Pools		-	-	55	-
Asset Reinstatement Costs	9 & 26	-	-	52	52
Intangible Assets	25	-	-	51	19
<b>Total Depreciation &amp; Impairment Costs</b>		-	<b>20</b>	<b>9,381</b>	<b>9,245</b>
less: Impairments (to)/from ARR [Equity]	9a	-	-	-	-
<b>TOTAL DEPRECIATION &amp; IMPAIRMENT COSTS EXPENSED</b>		<b>-</b>	<b>20</b>	<b>9,381</b>	<b>9,245</b>

## Cabonne Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

#### Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Actual 2014	Actual 2013
<b>(e) Other Expenses</b>			
Other Expenses for the year include the following:			
Advertising		88	140
Bad & Doubtful Debts		15	15
Commissions Paid		125	116
Contributions/Levies to Other Levels of Government		1,605	1,389
- NSW Fire Brigade Levy		35	34
- NSW Rural Fire Service Levy		235	205
Councillor Expenses - Mayoral Fee		24	21
Councillor Expenses - Councillors' Fees		119	117
Councillors' Expenses (incl. Mayor) - Other (excluding fees above)		50	74
Donations, Contributions & Assistance to other organisations (Section 356)		17	17
Election Expenses		-	72
Electricity & Heating		708	630
External Hire		1,054	1,744
Insurance		580	612
Pensioner Rates Write Off		143	142
Postage		35	33
Printing & Stationery		132	141
Registrations		142	126
Rent Expense		18	8
Section 611 Charges		-	35
Service Subsidy Expense		17	13
Street Lighting		126	142
Subscriptions & Publications		55	75
Telephone & Communications		149	122
Volunteer Expenses		33	42
Rates Expense		243	-
Water / Sewer Sampling		42	21
Other		323	302
<b><u>TOTAL OTHER EXPENSES</u></b>		<b><u>6,113</u></b>	<b><u>6,388</u></b>

## Cabonne Council

Notes to the Financial Statements  
for the financial year ended 30 June 2014

## Note 5. Gains or Losses from the Disposal of Assets

\$ '000	Notes	Actual 2014	Actual 2013
<b>Plant &amp; Equipment</b>			
Proceeds from Disposal - Plant & Equipment		784	619
less: Carrying Amount of P&E Assets Sold / Written Off		(358)	(545)
<b>Net Gain/(Loss) on Disposal</b>		<b>426</b>	<b>74</b>
<b>Real Estate Assets Held For Sale</b>			
Proceeds from Disposal - Real Estate Assets		38	-
less: Carrying Amount of Real Estate Assets Sold / Written Off		(3)	-
<b>Net Gain/(Loss) on Disposal</b>		<b>35</b>	<b>-</b>
<b>Financial Assets*</b>			
Proceeds from Disposal / Redemptions / Maturities - Financial Assets		18,569	301
less: Carrying Amount of Financial Assets Sold / Redeemed / Matured		(18,569)	(301)
<b>Net Gain/(Loss) on Disposal</b>		<b>-</b>	<b>-</b>
<b><u>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</u></b>		<b><u>461</u></b>	<b><u>74</u></b>

## Cabonne Council

## Notes to the Financial Statements

for the financial year ended 30 June 2014

## Note 6a. - Cash Assets and Note 6b. - Investments

\$ '000	Notes	2014 Actual Current	2014 Actual Non Current	2013 Actual Current	2013 Actual Non Current
<b>Cash &amp; Cash Equivalents (Note 6a)</b>					
Cash on Hand and at Bank		563	-	208	-
Cash-Equivalent Assets <sup>1</sup>					
- Deposits at Call		4,906	-	1,922	-
- Short Term Deposits		4,500	-	19,250	-
<b>Total Cash &amp; Cash Equivalents</b>		<b>9,969</b>	<b>-</b>	<b>21,380</b>	<b>-</b>
<b>Investments (Note 6b)</b>					
- Long Term Deposits		29,500	-	18,500	-
- CDO's		100	-	92	-
<b>Total Investments</b>		<b>29,600</b>	<b>-</b>	<b>18,592</b>	<b>-</b>
<b>TOTAL CASH ASSETS, CASH EQUIVALENTS &amp; INVESTMENTS</b>		<b>39,569</b>	<b>-</b>	<b>39,972</b>	<b>-</b>

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

**Cash, Cash Equivalents & Investments were classified at year end in accordance with AASB 139 as follows:**

**Cash & Cash Equivalents**

a. "At Fair Value through the Profit & Loss"		<b>9,969</b>	<b>-</b>	<b>21,380</b>	<b>-</b>
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**Investments**

a. "At Fair Value through the Profit & Loss"					
- "Held for Trading"	6(b-i)	100	-	92	-
- "Designated at Fair Value on Initial Recognition"	6(b-i)	-	-	-	-
b. "Held to Maturity"	6(b-ii)	-	-	-	-
c. "Loans & Receivables"	6(b-iii)	29,500	-	18,500	-
d. "Available for Sale"	6(b-iv)	-	-	-	-
<b>Investments</b>		<b>29,600</b>	<b>-</b>	<b>18,592</b>	<b>-</b>

Refer to Note 27 - Fair Value Measurement for information regarding the fair value of investments held.

## Cabonne Council

## Notes to the Financial Statements

for the financial year ended 30 June 2014

## Note 6b. Investments (continued)

\$ '000	2014 Actual Current	2014 Actual Non Current	2013 Actual Current	2013 Actual Non Current
<b>Note 6(b-i)</b>				
<b>Reconciliation of Investments classified as "At Fair Value through the Profit &amp; Loss"</b>				
Balance at the Beginning of the Year	92	-	330	-
Revaluations (through the Income Statement)	77	-	63	-
Disposals (sales & redemptions)	(69)	-	(301)	-
<b>Balance at End of Year</b>	<b>100</b>	<b>-</b>	<b>92</b>	<b>-</b>
<b>Comprising:</b>				
- CDO's	100	-	92	-
<b>Total</b>	<b>100</b>	<b>-</b>	<b>92</b>	<b>-</b>
<b>Note 6(b-ii)</b>				
<b>Reconciliation of Investments classified as "Held to Maturity"</b>				
Nil				
<b>Note 6(b-iii)</b>				
<b>Reconciliation of Investments classified as "Loans &amp; Receivables"</b>				
Balance at the Beginning of the Year	18,500	-	10,000	-
Additions	29,500	-	8,500	-
Disposals (sales & redemptions)	(18,500)	-	-	-
<b>Balance at End of Year</b>	<b>29,500</b>	<b>-</b>	<b>18,500</b>	<b>-</b>
<b>Comprising:</b>				
- Long Term Deposits	29,500	-	18,500	-
<b>Total</b>	<b>29,500</b>	<b>-</b>	<b>18,500</b>	<b>-</b>
<b>Note 6(b-iv)</b>				
<b>Reconciliation of Investments classified as "Available for Sale"</b>				
Nil				

## Cabonne Council

## Notes to the Financial Statements

for the financial year ended 30 June 2014

## Note 6c. Restricted Cash, Cash Equivalents &amp; Investments - Details

\$ '000	2014	2014	2013	2013
	Actual Current	Actual Non Current	Actual Current	Actual Non Current
<b>Total Cash, Cash Equivalents and Investments</b>	<b>39,569</b>	<b>-</b>	<b>39,972</b>	<b>-</b>
<b>attributable to:</b>				
External Restrictions (refer below)	9,368	-	13,238	-
Internal Restrictions (refer below)	25,735	-	24,631	-
Unrestricted	4,466	-	2,103	-
	<b>39,569</b>	<b>-</b>	<b>39,972</b>	<b>-</b>

2014 \$ '000	Opening Balance	Transfers to Restrictions	Transfers from Restrictions	Closing Balance
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## Details of Restrictions

**External Restrictions - Included in Liabilities**

Specific Purpose Unexpended Loans-General (A)	25	-	(25)	-
<b>External Restrictions - Included in Liabilities</b>	<b>25</b>	<b>-</b>	<b>(25)</b>	<b>-</b>

**External Restrictions - Other**

Developer Contributions - General (D)	653	68	(1)	720
RMS (formerly RTA) Contributions (E)	1,281	1,480	(1,518)	1,243
Specific Purpose Unexpended Grants (F)	3,135	288	(4,638)	1,205
Specific Purpose Unexpended Grants-Sewer Fund (F)	-	11	-	11
Water Supplies (G)	3,301	215	(531)	3,093
Sewerage Services (G)	4,096	249	(2,094)	2,251
Domestic Waste Management (G)	747	98	-	845
<b>External Restrictions - Other</b>	<b>13,213</b>	<b>2,409</b>	<b>(8,782)</b>	<b>9,368</b>
<b>Total External Restrictions</b>	<b>13,238</b>	<b>2,409</b>	<b>(8,807)</b>	<b>9,368</b>

- A** Loan moneys which must be applied for the purposes for which the loans were raised.
- D** Development contributions which are not yet expended for the provision of services and amenities in accordance with contributions plans (refer Note 17).
- E** RMS Contributions which are not yet expended for the provision of services and amenities in accordance with those contributions.
- F** Grants which are not yet expended for the purposes for which the grants were obtained. (refer Note 1)
- G** Water, Sewerage, Domestic Waste Management (DWM) & other Special Rates/Levies/Charges are externally restricted assets and must be applied for the purposes for which they were raised.

## Cabonne Council

## Notes to the Financial Statements

for the financial year ended 30 June 2014

## Note 6c. Restricted Cash, Cash Equivalents &amp; Investments - Details (continued)

2014 \$ '000	Opening Balance	Transfers to Restrictions	Transfers from Restrictions	Closing Balance
<b>Internal Restrictions</b>				
Plant & Vehicle Replacement	2,662	5,010	(4,674)	2,998
Infrastructure Replacement	1,493	-	(15)	1,478
Employees Leave Entitlement	1,778	287	(102)	1,963
Capital Works	9,211	3,391	(3,405)	9,197
Community Services	46	-	(41)	5
Environment	672	-	(192)	480
Housing	157	-	-	157
Land Development	296	58	(99)	255
Limestone Quarry	1,510	107	-	1,617
Office Equipment	1,739	242	(232)	1,749
Recreation & Culture	187	3	(7)	183
Roadworks	1,124	1,464	(111)	2,477
Sewerage	15	-	-	15
Waste Management	746	1,428	(746)	1,428
Cadia Contributions	546	1,000	(27)	1,519
Other	2,449	-	(2,235)	214
<b>Total Internal Restrictions</b>	<b>24,631</b>	<b>12,990</b>	<b>(11,886)</b>	<b>25,735</b>
<b>TOTAL RESTRICTIONS</b>	<b>37,869</b>	<b>15,399</b>	<b>(20,693)</b>	<b>35,103</b>

## Cabonne Council

## Notes to the Financial Statements

for the financial year ended 30 June 2014

## Note 7. Receivables

\$ '000	Notes	2014		2013	
		Current	Non Current	Current	Non Current
<b>Purpose</b>					
Rates & Annual Charges		536	166	1,675	175
Interest & Extra Charges		36	103	142	-
User Charges & Fees		1,351	92	315	25
Accrued Revenues					
- Interest on Investments		338	-	166	-
- Other Income Accruals		1,346	-	1,136	-
Government Grants & Subsidies		347	-	471	-
Deferred Debtors		12	521	17	726
Loans to Non Profit Organisations		100	-	100	-
Amounts due from Other Councils		80	-	158	-
NSW Rural Fire Service		281	-	317	-
Other Debtors		260	-	438	-
<b>Total</b>		<b>4,687</b>	<b>882</b>	<b>4,935</b>	<b>926</b>
<b>less: Provision for Impairment</b>					
Rates & Annual Charges		-	(172)	-	(172)
User Charges & Fees		(370)	(16)	(380)	(18)
<b>Total Provision for Impairment - Receivables</b>		<b>(370)</b>	<b>(188)</b>	<b>(380)</b>	<b>(190)</b>
<b><u>TOTAL NET RECEIVABLES</u></b>		<b><u>4,317</u></b>	<b><u>694</u></b>	<b><u>4,555</u></b>	<b><u>736</u></b>
<b>Externally Restricted Receivables</b>					
<b>Water Supply</b>					
- Specific Purpose Grants		-	-	1	-
- Rates & Availability Charges		13	-	181	8
- Other		585	-	355	17
<b>Sewerage Services</b>					
- Specific Purpose Grants		341	-	341	-
- Rates & Availability Charges		25	-	810	-
- Other		978	-	637	89
<b>Total External Restrictions</b>		<b>1,942</b>	<b>-</b>	<b>2,325</b>	<b>114</b>
<b>Internally Restricted Receivables</b>					
Nil					
<b>Unrestricted Receivables</b>		<b>2,375</b>	<b>694</b>	<b>2,230</b>	<b>622</b>
<b>TOTAL NET RECEIVABLES</b>		<b>4,317</b>	<b>694</b>	<b>4,555</b>	<b>736</b>

**Notes on Debtors above:**

- (i) Rates & Annual Charges Outstanding are secured against the property.
- (ii) Doubtful Rates Debtors are provided for where the value of the property is less than the debt outstanding.  
An allowance for other doubtful debts is made when there is objective evidence that a receivable is impaired.
- (iii) Interest was charged on overdue rates & charges at 9.00% (2013 10.00%).  
Generally all other receivables are non interest bearing.
- (iv) Please refer to Note 15 for issues concerning Credit Risk and Fair Value disclosures.

## Cabonne Council

## Notes to the Financial Statements

for the financial year ended 30 June 2014

## Note 8. Inventories &amp; Other Assets

\$ '000	Notes	2014		2013	
		Current	Non Current	Current	Non Current
<b>Inventories</b>					
Real Estate for resale (refer below)		785	410	915	162
Stores & Materials		473	-	337	-
<b>Total Inventories</b>		<b>1,258</b>	<b>410</b>	<b>1,252</b>	<b>162</b>
<b>Other Assets</b>					
Prepayments		12	-	15	-
Shares in Unlisted Companies - StateCover		-	282	-	281
<b>Total Other Assets</b>		<b>12</b>	<b>282</b>	<b>15</b>	<b>281</b>
<b>TOTAL INVENTORIES / OTHER ASSETS</b>		<b>1,270</b>	<b>692</b>	<b>1,267</b>	<b>443</b>

**Externally Restricted Assets**

There are no restrictions applicable to the above assets.

**Other Disclosures****(a) Details for Real Estate Development**

Residential	-	-	794	107
Industrial/Commercial	702	195	121	55
Other Properties	83	215	-	-
<b>Total Real Estate for Resale</b>	<b>785</b>	<b>410</b>	<b>915</b>	<b>162</b>

(Valued at the lower of cost and net realisable value)

**Represented by:**

Acquisition Costs	-	-	413	118
Development Costs	355	366	502	44
Borrowing Costs	430	44	-	-
<b>Total Costs</b>	<b>785</b>	<b>410</b>	<b>915</b>	<b>162</b>
<b>Total Real Estate for Resale</b>	<b>785</b>	<b>410</b>	<b>915</b>	<b>162</b>

**Movements:**

Real Estate assets at beginning of the year	915	162	847	162
- Purchases and other costs	19	-	68	-
- Transfers in from (out to) Note 9	122	-	-	-
- WDV of Sales (exp)	(3)	-	-	-
- Transfer between Current/Non Current	(248)	248	-	-
- Other	(20)	-	-	-
<b>Total Real Estate for Resale</b>	<b>785</b>	<b>410</b>	<b>915</b>	<b>162</b>

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

The following Inventories &amp; Other Assets, even though classified as current are not expected to be recovered in the next 12 months;

Real Estate for Resale	2014	2013
	900	900
	<b>900</b>	<b>900</b>

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

Notes to the Financial Statements  
for the financial year ended 30 June 2014

Note 9a. Infrastructure, Property, Plant & Equipment

\$ '000	as at 30/6/2013					Asset Movements during the Reporting Period						as at 30/6/2014				
	At	At	Accumulated		Carrying	Asset Additions	WDV of Asset Disposals	Depreciation Expense	Adjustments & Transfers	Tfrs from/(to) Real Estate Assets (Note 8)	Revaluation Increments to Equity (ARR)	At	At	Accumulated		Carrying
	Cost	Fair Value	Dep'n	Impairment	Value							Cost	Fair Value	Dep'n	Impairment	Value
Capital Work in Progress	1,681	-	-	-	1,681	5,690	-	-	-	-	-	7,372	-	-	-	7,372
Plant & Equipment	-	38,769	24,120	-	14,649	2,705	(344)	(2,398)	-	-	-	-	39,241	24,629	-	14,612
Office Equipment	-	2,674	2,092	-	582	231	(14)	(241)	-	-	-	-	2,269	1,711	-	558
Furniture & Fittings	-	797	547	-	250	43	-	(40)	-	-	-	-	840	587	-	253
<b>Land:</b>																
- Operational Land	-	5,084	-	-	5,084	212	-	-	-	(122)	2,099	-	7,273	-	-	7,273
- Community Land	-	10,447	-	-	10,447	4	-	-	-	-	-	-	10,451	-	-	10,451
Land Improvements - non depreciable	-	1,071	-	-	1,071	-	-	-	-	-	-	-	1,071	-	-	1,071
Land Improvements - depreciable	-	4,043	2,127	-	1,916	447	-	(130)	-	-	-	-	4,490	2,257	-	2,233
Buildings - Non Specialised	-	340	45	-	295	-	-	(42)	1,088	-	486	-	4,282	2,455	-	1,827
Buildings - Specialised	-	39,918	19,822	-	20,096	482	-	(660)	(1,254)	-	10,320	-	57,488	28,504	-	28,984
Other Structures	-	11,019	5,268	-	5,751	355	-	(249)	(918)	-	-	-	8,902	3,963	-	4,939
<b>Infrastructure:</b>																
- Roads	-	259,433	98,582	-	160,851	2,760	-	(3,992)	(43,313)	-	-	-	204,713	88,407	-	116,306
- Bridges	-	-	-	-	-	1,771	-	(367)	39,725	-	-	-	54,411	13,282	-	41,129
- Footpaths	-	-	-	-	-	272	-	(56)	3,588	-	-	-	5,112	1,308	-	3,804
- Bulk Earthworks (non-depreciable)	-	165,715	-	-	165,715	720	-	-	-	-	-	-	166,435	-	-	166,435
- Stormwater Drainage	-	7,222	2,292	-	4,930	66	-	(95)	-	-	-	-	7,289	2,388	-	4,901
- Water Supply Network	-	41,715	19,395	-	22,320	531	-	(404)	-	-	628	-	43,429	20,354	-	23,075
- Sewerage Network	-	36,493	8,745	-	27,748	223	-	(549)	-	-	768	-	37,744	9,554	-	28,190
- Swimming Pools	-	-	-	-	-	1,431	-	(55)	1,083	-	-	-	4,192	1,733	-	2,459
<b>Reinstatement, Rehabilitation &amp; Restoration Assets (refer Note 26):</b>																
- Tip Assets	-	288	278	-	10	-	-	(1)	-	-	-	-	288	279	-	9
- Quarry Assets	-	656	447	-	209	-	-	(51)	-	-	-	-	657	498	-	159
<b>TOTAL INFRASTRUCTURE, PROPERTY, PLANT &amp; EQUIP.</b>	<b>1,681</b>	<b>625,684</b>	<b>183,760</b>	<b>-</b>	<b>443,605</b>	<b>17,943</b>	<b>(358)</b>	<b>(9,330)</b>	<b>(1)</b>	<b>(122)</b>	<b>14,301</b>	<b>7,372</b>	<b>660,577</b>	<b>201,909</b>	<b>-</b>	<b>466,040</b>

Additions to Buildings & Infrastructure Assets are made up of Asset Renewals (\$1,102K) and New Assets (\$6,825K). 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 & Equipment.

## Cabonne Council

## Notes to the Financial Statements

for the financial year ended 30 June 2014

## Note 9b. Externally Restricted Infrastructure, Property, Plant &amp; Equipment

\$ '000	Actual				Actual			
	2014				2013			
Class of Asset	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>								
Plant & Equipment	-	3,248	2,382	866	-	3,248	2,316	932
Land								
- Operational Land	-	767	-	767	-	190	-	190
- Community Land	-	268	-	268	-	268	-	268
- Improvements - depreciable	-	28	5	23	-	28	4	24
Buildings	-	117	19	98	-	-	-	-
Other Structures	-	239	66	173	-	239	61	178
Infrastructure	-	42,950	20,068	22,882	-	41,250	19,124	22,126
<b>Total Water Supply</b>	-	47,617	22,540	25,077	-	45,223	21,505	23,718
<b>Sewerage Services</b>								
WIP	-	7,372	-	7,372	1,681	-	-	1,681
Plant & Equipment		5,991	3,936	2,055		5,981	3,757	2,224
Land								
- Operational Land	-	755	-	755	-	254	-	254
- Community Land	-	67	-	67	-	64	-	64
- Improvements non-depreciable	-	999	-	999	-	999	-	999
- Improvements - depreciable	-	977	685	292	-	977	637	340
Buildings	-	463	128	335	-	200	29	171
Other Structures	-	15	2	13	-	15	2	13
Infrastructure	-	37,744	9,554	28,190	-	36,494	8,744	27,750
<b>Total Sewerage Services</b>	-	54,383	14,305	40,078	1,681	44,984	13,169	33,496
<b>Domestic Waste Management</b>								
Plant & Equipment	-	183	124	59	-	301	177	124
Office Equipment	-	52	10	42	-	46	1	45
Land								
- Operational Land	-	203	-	203	-	95	-	95
- Community Land	-	435	-	435	-	435	-	435
- Improvements - depreciable	-	322	69	253	-	240	57	183
Buildings	-	-	-	-	-	7	-	7
Other Structures	-	484	181	303	-	-	-	-
Other Assets	-	-	-	-	-	455	161	294
<b>Total DWM</b>	-	1,679	384	1,295	-	1,579	396	1,183
<b>TOTAL RESTRICTED I,PP&amp;E</b>	-	103,679	37,229	66,450	1,681	91,786	35,070	58,397

## Cabonne Council

Notes to the Financial Statements  
for the financial year ended 30 June 2014

## Note 9c. Infrastructure, Property, Plant &amp; Equipment - Current Year Impairments

\$ '000	Notes	Actual 2014	Actual 2013
<b>(i) Impairment Losses recognised in the Income Statement:</b>			
Other Assets impaired at 30/06/2011		-	(20)
<b>Total Impairment Losses</b>		<b>-</b>	<b>(20)</b>
<u>IMPAIRMENT of ASSETS - GAINS/(LOSSES) in P/L</u>	4(d)	<u>-</u>	<u>(20)</u>
<b>(ii) Impairment Losses recognised direct to Equity (ARR):</b>			
Moorbel Rural Fire Shed destroyed by fire.		(48)	-
<b>Total Impairment Losses</b>		<b>(48)</b>	<b>-</b>
<u>IMPAIRMENT of ASSETS - DIRECT to EQUITY (ARR)</u>	20 (ii)	<u>(48)</u>	<u>-</u>

## Cabonne Council

## Notes to the Financial Statements

for the financial year ended 30 June 2014

## Note 10a. Payables, Borrowings &amp; Provisions

\$ '000	Notes	2014		2013	
		Current	Non Current	Current	Non Current
<b>Payables</b>					
Goods & Services - operating expenditure		1,317	-	1,097	-
Payments Received In Advance		202	-	248	-
Accrued Expenses:					
- Borrowings		7	-	8	-
- Salaries & Wages		261	-	231	-
- Other Expenditure Accruals		443	-	312	-
Security Bonds, Deposits & Retentions		577	26	316	14
ATO - Net GST Payable		95	-	25	-
Other		49	-	19	-
<b>Total Payables</b>		<b>2,951</b>	<b>26</b>	<b>2,256</b>	<b>14</b>
<b>Borrowings</b>					
Loans - Secured <sup>1</sup>		177	2,707	167	2,884
Government Advances		3	5	3	8
<b>Total Borrowings</b>		<b>180</b>	<b>2,712</b>	<b>170</b>	<b>2,892</b>
<b>Provisions</b>					
<b>Employee Benefits;</b>					
Annual Leave		994	-	1,076	-
Long Service Leave		2,362	-	2,520	-
<b>Sub Total - Aggregate Employee Benefits</b>		<b>3,356</b>	<b>-</b>	<b>3,596</b>	<b>-</b>
Asset Remediation/Restoration (Future Works)	26	-	1,529	-	1,462
Other		49	-	-	-
<b>Total Provisions</b>		<b>3,405</b>	<b>1,529</b>	<b>3,596</b>	<b>1,462</b>
<b>Total Payables, Borrowings &amp; Provisions</b>		<b>6,536</b>	<b>4,267</b>	<b>6,022</b>	<b>4,368</b>
<b>(i) Liabilities relating to Restricted Assets</b>					
		2014		2013	
		Current	Non Current	Current	Non Current
<b>Externally Restricted Assets</b>					
Water		84	-	137	-
Sewer		422	2,707	536	2,884
<b>Liabilities relating to externally restricted assets</b>		<b>506</b>	<b>2,707</b>	<b>673</b>	<b>2,884</b>
<b>Internally Restricted Assets</b>					
Nil					
<b>Total Liabilities relating to restricted assets</b>		<b>506</b>	<b>2,707</b>	<b>673</b>	<b>2,884</b>
<b>Total Liabilities relating to Unrestricted Assets</b>		<b>6,030</b>	<b>1,560</b>	<b>5,349</b>	<b>1,484</b>
<b>TOTAL PAYABLES, BORROWINGS &amp; PROVISIONS</b>		<b>6,536</b>	<b>4,267</b>	<b>6,022</b>	<b>4,368</b>

<sup>1</sup> Loans are secured over the General Rating Income of Council

Disclosures on Liability Interest Rate Risk Exposures, Fair Value Disclosures & Security can be found in Note 15.

## Cabonne Council

## Notes to the Financial Statements

for the financial year ended 30 June 2014

## Note 10a. Payables, Borrowings &amp; Provisions (continued)

\$ '000	Actual 2014	Actual 2013
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**(ii) Current Liabilities not anticipated to be settled within the next 12 months**

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

Provisions - Employees Benefits	2,362	2,520
	<u>2,362</u>	<u>2,520</u>

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

Class of Provision	2013		2014			Closing Balance as at 30/6/14
	Opening Balance as at 1/7/13	Additional Provisions	Decrease due to Payments	Remeasurement effects due to Discounting	Unused amounts reversed	
Annual Leave	1,076	497	(740)	161	-	994
Long Service Leave	2,520	28	(379)	193	-	2,362
Asset Remediation	1,462	67	-	-	-	1,529
Other	-	49	-	-	-	49
<b>TOTAL</b>	<b>5,058</b>	<b>641</b>	<b>(1,119)</b>	<b>354</b>	<b>-</b>	<b>4,934</b>

- a. Employees Leave Entitlements & 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 & Restoration Provisions represent the Present Value estimate of future costs Council will incur in order to remove, restore & remediate assets &/or activities as a result of past operations.

## Cabonne Council

## Notes to the Financial Statements

for the financial year ended 30 June 2014

## Note 11. Statement of Cash Flows - Additional Information

\$ '000	Notes	Actual 2014	Actual 2013
<b>(a) Reconciliation of Cash Assets</b>			
Total Cash & Cash Equivalent Assets	6a	9,969	21,380
Less Bank Overdraft	10	-	-
<b>BALANCE as per the STATEMENT of CASH FLOWS</b>		<b>9,969</b>	<b>21,380</b>
<b>(b) Reconciliation of Net Operating Result to Cash provided from Operating Activities</b>			
<b>Net Operating Result from Income Statement</b>		<b>7,287</b>	<b>5,341</b>
<b>Adjust for non cash items:</b>			
Depreciation & Amortisation		9,381	9,245
Net Losses/(Gains) on Disposal of Assets		(461)	(74)
Non Cash Capital Grants and Contributions		(256)	(184)
Impairment Losses Recognition - I,PP&E		-	20
Losses/(Gains) recognised on Fair Value Re-measurements through the P&L:			
- Investments classified as "At Fair Value" or "Held for Trading"		(77)	(63)
Unwinding of Discount Rates on Reinstatement Provisions		67	65
<b>+/- Movement in Operating Assets and Liabilities &amp; Other Cash Items:</b>			
Decrease/(Increase) in Receivables		82	183
Increase/(Decrease) in Provision for Doubtful Debts		(12)	14
Decrease/(Increase) in Inventories		(136)	9
Decrease/(Increase) in Other Assets		2	(33)
Increase/(Decrease) in Payables		220	(733)
Increase/(Decrease) in accrued Interest Payable		(1)	4
Increase/(Decrease) in other accrued Expenses Payable		161	98
Increase/(Decrease) in Other Liabilities		327	(80)
Increase/(Decrease) in Employee Leave Entitlements		(240)	(832)
Increase/(Decrease) in Other Provisions		49	-
<b>NET CASH PROVIDED FROM/(USED IN) OPERATING ACTIVITIES from the STATEMENT of CASH FLOWS</b>		<b>16,393</b>	<b>12,980</b>

## Cabonne Council

## Notes to the Financial Statements

for the financial year ended 30 June 2014

## Note 11. Statement of Cash Flows - Additional Information (continued)

\$ '000	Notes	Actual 2014	Actual 2013
<b>(c) Non-Cash Investing &amp; Financing Activities</b>			
Bushfire Grants		256	184
<b>Total Non-Cash Investing &amp; Financing Activities</b>		<b>256</b>	<b>184</b>
<b>(d) Financing Arrangements</b>			
<b>(i) Unrestricted access was available at balance date to the following lines of credit:</b>			
Bank Overdraft Facilities <sup>(1)</sup>		450	450
Credit Cards / Purchase Cards		25	25
<b>Total Financing Arrangements</b>		<b>475</b>	<b>475</b>
<b>Amounts utilised as at Balance Date:</b>			
- Credit Cards / Purchase Cards		4	3
<b>Total Financing Arrangements Utilised</b>		<b>4</b>	<b>3</b>

1. The Bank overdraft facility may be drawn at any time and may be terminated by the bank without notice.  
Interest rates on overdrafts are Interest Rates on Loans & Other Payables are disclosed in Note 15.

**(ii) Secured Loan Liabilities**

Loans are secured by a mortgage over future years Rate Revenue only.

## Cabonne Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

#### Note 12. Commitments for Expenditure

\$ '000	Notes	Actual 2014	Actual 2013
<b>(a) Capital Commitments (exclusive of GST)</b>			
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:			
<b>Property, Plant &amp; Equipment</b>			
Buildings		10	15
Plant & Equipment		570	71
Sewer		17	2,704
Water		303	49
Roads Bridges & Footpaths		166	715
Other Structures		-	962
Land Improvements		45	-
<b>Investment Property</b>			
- Land		-	18
<b>Total Commitments</b>		<b>1,111</b>	<b>4,534</b>
<b>These expenditures are payable as follows:</b>			
Within the next year		1,111	4,534
<b>Total Payable</b>		<b>1,111</b>	<b>4,534</b>
<b>Sources for Funding of Capital Commitments:</b>			
Unrestricted General Funds		100	1,662
Externally Restricted Reserves		320	-
Internally Restricted Reserves		691	1,829
Unexpended Loans		-	1,043
<b>Total Sources of Funding</b>		<b>1,111</b>	<b>4,534</b>

#### (b) Finance Lease Commitments

Nil

#### (c) Operating Lease Commitments (Non Cancellable)

##### a. Commitments under Non Cancellable Operating Leases at the Reporting date, but not recognised as Liabilities are payable:

Within the next year		-	2
<b>Total Non Cancellable Operating Lease Commitments</b>		<b>-</b>	<b>2</b>

##### b. Non Cancellable Operating Leases include the following assets:

Photocopier for Family Day Care

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

##### Conditions relating to Operating Leases:

- All Operating Lease Agreements are secured only against the Leased Asset.

- No Lease Agreements impose any financial restrictions on Council regarding future debt etc.

## Cabonne Council

## Notes to the Financial Statements

for the financial year ended 30 June 2014

## Note 13a(i). Statement of Performance Measurement - Indicators (Consolidated)

\$ '000	Amounts 2014	Indicator 2014	Prior Periods 2013    2012	
<b>Local Government Industry Indicators - Consolidated</b>				
<b>1. Operating Performance Ratio</b>				
Total continuing operating revenue <sup>(1)</sup>				
<u>(excl. Capital Grants &amp; Contributions) - Operating Expenses</u>	<u>276</u>	<b>0.85%</b>	6.54%	6.74%
Total continuing operating revenue <sup>(1)</sup> (excl. Capital Grants & Contributions)	<b>32,561</b>			
<b>2. Own Source Operating Revenue Ratio</b>				
Total continuing operating revenue <sup>(1)</sup>				
<u>(less ALL Grants &amp; Contributions)</u>	<u>24,236</u>	<b>62.09%</b>	65.50%	65.55%
Total continuing operating revenue <sup>(1)</sup>	<b>39,034</b>			
<b>3. Unrestricted Current Ratio</b>				
Current Assets less all External Restrictions <sup>(2)</sup>	<u>32,946</u>	<b>8.98 : 1</b>	10.37	7.25
Current Liabilities less Specific Purpose Liabilities <sup>(3, 4)</sup>	<u>3,668</u>			
<b>4. Debt Service Cover Ratio</b>				
Operating Result <sup>(1)</sup> before capital excluding interest and depreciation / impairment / amortisation (EBITDA)	<u>9,905</u>	<b>23.70</b>	44.71	60.36
Principal Repayments (from the Statement of Cash Flows) + Borrowing Interest Costs (from the Income Statement)	<u>418</u>			
<b>5. Rates, Annual Charges, Interest &amp; Extra Charges Outstanding Percentage</b>				
Rates, Annual and Extra Charges Outstanding	<u>669</u>	<b>4.81%</b>	14.50%	5.18%
Rates, Annual and Extra Charges Collectible	<u>13,911</u>			
<b>6. Cash Expense Cover Ratio</b>				
Current Year's Cash and Cash Equivalents including All Term Deposits	<u>39,469</u>	<b>18.60</b>	17.78	16.67
Payments from cash flow of operating and financing activities	<u>2,122</u>			

## Notes

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

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

Also excludes any Real Estate & Land for resale not expected to be sold in the next 12 months

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

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

# Cabonne Council

## Notes to the Financial Statements for the financial year ended 30 June 2014

### 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 2013/14 Result**

**2013/14 Ratio 0.85%**

The 2014 Financial Assistance Grant payment timing has affected this ratio in the current year. If this timing change had not occurred the Operating Performance Ratio would have been above previous years.

— Minimum 0.00%

Source for Benchmark: Code of Accounting Practice and Financial Reporting



**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 & contributions.

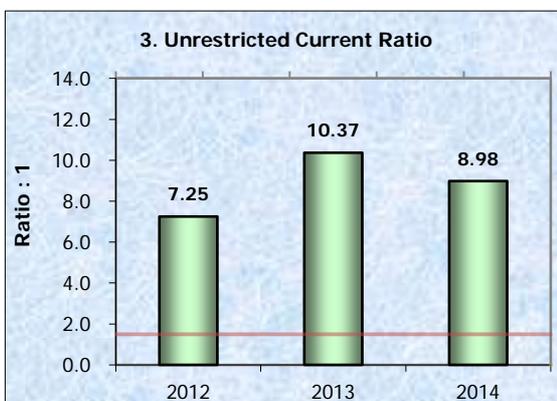
**Commentary on 2013/14 Result**

**2013/14 Ratio 62.09%**

This is a very positive result for Council, this ratio exceeds the industry benchmark of 60%. This shows Council in a strong fiscal position not being reliant on government funding.

— Minimum 60.00%

Source for Benchmark: Code of Accounting Practice and Financial Reporting



**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 2013/14 Result**

**2013/14 Ratio 8.98 : 1**

This ratio well exceeds the industry benchmark of 1.5%, showing that Council is in a strong and robust financial position able to satisfy all obligations as and when they fall due.

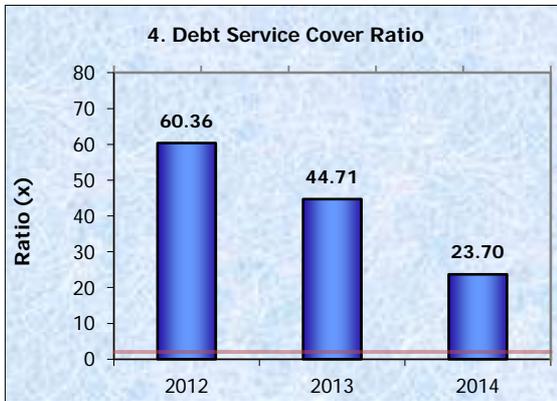
— Minimum 1.50

Source for Benchmark: Code of Accounting Practice and Financial Reporting

# Cabonne Council

## Notes to the Financial Statements for the financial year ended 30 June 2014

### Note 13a(ii). Local Government Industry Indicators - Graphs (Consolidated)



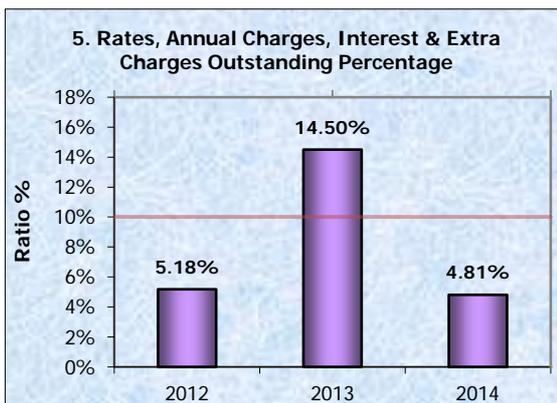
— Minimum 2.00

Source for Benchmark: NSW Treasury Corporation

**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 2013/14 Result	
<b>2013/14 Ratio</b>	<b>23.70</b>
<p>The Debt Service ratio shows that Council is well within its capacity to be able to ensure all interest and principal obligations are met, currently and well into the future.</p>	



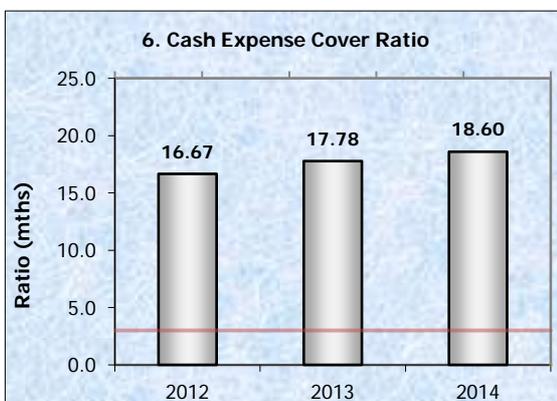
— Maximum 10.00%

Source for Benchmark: Office of Local Govt - Comparative Information (10/11)

**Purpose of Rates & 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 2013/14 Result	
<b>2013/14 Ratio</b>	<b>4.81%</b>
<p>Council's result for the 2013/2014 is a significant improvement from the previous year. Council Staff will continue to maintain its recovery efforts throughout 2014/2015. Council's result is well below the industry standard benchmark, which is a pleasing result.</p>	



— Minimum 3.00

Source for Benchmark: Code of Accounting Practice and Financial Reporting

**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 Result	
<b>2013/14 Ratio</b>	<b>18.60</b>
<p>This ratio is well above industry standard of 3 months indicating that Council has sufficient liquidity to mitigate any unforeseen future events.</p>	

## Cabonne Council

## Notes to the Financial Statements

for the financial year ended 30 June 2014

## Note 13b. Statement of Performance Measurement - Indicators (by Fund)

\$ '000	Water 2014	Sewer 2014	General <sup>5</sup> 2014
<b>Local Government Industry Indicators - by Fund</b>			
<b>1. Operating Performance Ratio</b>			
Total continuing operating revenue <sup>(1)</sup>			
<u>(excl. Capital Grants &amp; Contributions) - Operating Expenses</u>	<b>-7.33%</b>	<b>-19.70%</b>	<b>2.19%</b>
Total continuing operating revenue <sup>(1)</sup>			
(excl. Capital Grants & Contributions)	prior period: -40.66%	-24.13%	9.46%
<b>2. Own Source Operating Revenue Ratio</b>			
Total continuing operating revenue <sup>(1)</sup>			
<u>(less ALL Grants &amp; Contributions)</u>	<b>95.27%</b>	<b>29.13%</b>	<b>66.01%</b>
Total continuing operating revenue <sup>(1)</sup>			
	prior period: 97.12%	64.66%	64.69%
<b>3. Unrestricted Current Ratio</b>			
<u>Current Assets less all External Restrictions<sup>(2)</sup></u>	<b>43.94 : 1</b>	<b>8.52 : 1</b>	<b>8.98 : 1</b>
Current Liabilities less Specific Purpose Liabilities <sup>(3, 4)</sup>			
	prior period: 28.01	10.98	10.37
<b>4. Debt Service Cover Ratio</b>			
<u>Operating Result<sup>(1)</sup> before capital excluding interest and depreciation / impairment / amortisation (EBITDA)</u>	<b>0.00</b>	<b>5.02</b>	<b>27.97</b>
Principal Repayments (from the Statement of Cash Flows) + Borrowing Interest Costs (from the Income Statement)			
	prior period: 66.00	1.88	530.05
<b>5. Rates, Annual Charges, Interest &amp; Extra Charges Outstanding Percentage</b>			
<u>Rates, Annual and Extra Charges Outstanding</u>	<b>4.17%</b>	<b>1.89%</b>	<b>5.14%</b>
Rates, Annual and Extra Charges Collectible			
	prior period: 59.62%	60.72%	7.53%
<b>6. Cash Expense Cover Ratio</b>			
<u>Current Year's Cash and Cash Equivalents including All Term Deposits</u> x12	<b>0.00</b>	<b>0.00</b>	<b>16.08</b>
Payments from cash flow of operating and financing activities			
	prior period: 0.00	0.00	14.48

## 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 &amp; Sewer activities which are listed separately.

## Cabonne Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

#### 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 & Financial Liabilities recognised in the financial statements is presented below.

	Carrying Value		Fair Value	
	2014	2013	2014	2013
<b>Financial Assets</b>				
Cash and Cash Equivalents	9,969	21,380	9,969	18,880
Investments				
- "Held for Trading"	100	92	100	92
- "Loans & Receivables"	29,500	18,500	29,500	21,000
Receivables	5,011	5,291	5,224	5,292
Other Financial Assets	282	281	282	281
<b>Total Financial Assets</b>	<b>44,862</b>	<b>45,544</b>	<b>45,075</b>	<b>45,545</b>
<b>Financial Liabilities</b>				
Payables	2,775	2,022	2,763	2,022
Loans / Advances	2,892	3,062	2,892	3,062
<b>Total Financial Liabilities</b>	<b>5,667</b>	<b>5,084</b>	<b>5,655</b>	<b>5,084</b>

Fair Value is determined as follows:

- **Cash & Cash Equivalents, Receivables, Payables** - are estimated to be the carrying value which approximates mkt value.
- **Borrowings & Held to Maturity Investments** - are based upon estimated future cash flows discounted by the current market interest rates applicable to assets & liabilities with similar risk profiles, unless quoted market prices are available.
- Financial Assets classified (i) **"at fair value through profit & 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 & liabilities

## Cabonne Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

#### Note 15. Financial Risk Management (continued)

\$ '000

##### (a) Cash & Cash Equivalents, Financial assets 'at fair value through the profit & Loss' "Available-for-sale" financial assets & "Held-to-maturity" Investments

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

Council has an Investment Policy which complies with the Local Government Act & Minister's Investment Order. This Policy is regularly reviewed by Council and its staff and an Investment Report is tabled before Council on a monthly basis setting out the portfolio breakup and its performance.

The risks associated with the investments held are:

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

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

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>2014</b>				
Possible impact of a 10% movement in Market Values	-	10	-	(10)
Possible impact of a 1% movement in Interest Rates	200	200	(200)	(200)
<b>2013</b>				
Possible impact of a 10% movement in Market Values		9		(9)
Possible impact of a 1% movement in Interest Rates	124	124	(124)	(124)

## Cabonne Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

#### Note 15. Financial Risk Management (continued)

\$ '000

##### (b) Receivables

Council's major receivables comprise **(i)** Rates & Annual charges and **(ii)** User Charges & Fees.

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

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

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

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

Council makes suitable provision for doubtful receivables as required 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:

	2014 Rates & Annual Charges	2014 Other Receivables	2013 Rates & Annual Charges	2013 Other Receivables
<b>(i) Ageing of Receivables - %</b>				
Current (not yet overdue)	100%	100%	54%	0%
Overdue	0%	0%	46%	100%
	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>
<b>(ii) Ageing of Receivables - value</b>				
Current (not yet overdue)	702	4,867	991	-
Past due by up to 30 days	-	-	684	3,260
Past due between 31 and 60 days	-	-	175	25
Past due by more than 90 days	-	-	-	726
	<u>702</u>	<u>4,867</u>	<u>1,850</u>	<u>4,011</u>
<b>(iii) Movement in Provision for Impairment of Receivables</b>			<b>2014</b>	<b>2013</b>
Balance at the beginning of the year			570	556
+ new provisions recognised during the year			3	29
- amounts already provided for & written off this year			(15)	(15)
<b>Balance at the end of the year</b>			<u>558</u>	<u>570</u>

## Cabonne Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

#### Note 15. Financial Risk Management (continued)

\$ '000

##### (c) Payables & Borrowings

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

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

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

The contractual undiscounted cash outflows (ie. principal and interest) of Council's Payables & 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>2014</b>									
Trade/Other Payables	603	2,172	-	-	-	-	-	2,775	2,775
Loans & Advances	-	351	350	350	337	327	2,233	3,948	2,892
<b>Total Financial Liabilities</b>	<b>603</b>	<b>2,523</b>	<b>350</b>	<b>350</b>	<b>337</b>	<b>327</b>	<b>2,233</b>	<b>6,723</b>	<b>5,667</b>
<b>2013</b>									
Trade/Other Payables	330	1,692	-	-	-	-	-	2,022	2,022
Loans & Advances	-	351	351	351	350	337	2,560	4,300	3,062
<b>Total Financial Liabilities</b>	<b>330</b>	<b>2,043</b>	<b>351</b>	<b>351</b>	<b>350</b>	<b>337</b>	<b>2,560</b>	<b>6,322</b>	<b>5,084</b>

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

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

	2014		2013	
	Carrying Value	Average Interest Rate	Carrying Value	Average Interest Rate
Trade/Other Payables	2,775	0.0%	2,022	0.0%
Loans & Advances - Fixed Interest Rate	2,892	6.8%	3,062	6.8%
	<u>5,667</u>		<u>5,084</u>	

## Cabonne Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

#### Note 16. Material Budget Variations

\$ '000

Council's Original Financial Budget for 13/14 was adopted by the Council on 17th June 2014.

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

This Note sets out the details of MATERIAL VARIATIONS between Council's Original Budget and its Actual results for the year as per the Income Statement - even though such variations may have been adjusted for during each Quarterly Budget Review.

**Note that for Variations\* of Budget to Actual :**

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

**F** = Favourable Budget Variation, **U** = Unfavourable Budget Variation

\$ '000	2014 Budget	2014 Actual	2014 ----- Variance* -----		
<b>REVENUES</b>					
<b>Rates &amp; Annual Charges</b>	<b>12,993</b>	<b>11,989</b>	<b>(1,004)</b>	(8%)	<b>U</b>
<b>User Charges &amp; Fees</b>	<b>6,487</b>	<b>10,124</b>	<b>3,637</b>	56%	<b>F</b>
The main reason for the variation in Council's User Charges & fees is due to the Roads & Maritime Services (RMS) contribution. Council did not anticipate the addition funds that were received from the RMS until after Council's budget process had been completed.					
<b>Interest &amp; Investment Revenue</b>	<b>981</b>	<b>1,660</b>	<b>679</b>	69%	<b>F</b>
The reason for the large variation in Interest & Investment Revenue was due to a very conservative view by Council in regards to interest rates as a whole. With Interest rates being at all time low, Council was unaware if rates would continue to decline and therefore made the decision to very cautious and not over estimate interest revenue and be reliant on those funds.					
<b>Other Revenues</b>	<b>429</b>	<b>540</b>	<b>111</b>	26%	<b>F</b>
Other Revenues is showing an unfavourable result due to the fact that Council has reclassified "Rental Income - Other" Council Properties" back into User Charges & Fees. This is in line with Division of Local Government guidelines.					
<b>Operating Grants &amp; Contributions</b>	<b>9,463</b>	<b>8,325</b>	<b>(1,138)</b>	(12%)	<b>U</b>
Estimated Operating Grants & Contribution were not received as anticipated by Council.					
<b>Capital Grants &amp; Contributions</b>	<b>9,733</b>	<b>6,473</b>	<b>(3,260)</b>	(33%)	<b>U</b>
Estimated Capital Grants & Contribution were not received as anticipated by Council					
<b>Net Gains from Disposal of Assets</b>	-	<b>461</b>	<b>461</b>	0%	<b>F</b>
Council did not budget for its Net Gains from Disposal of Assets in 2013/2014 financial year. However, in the 2014/2015 financial year Council has applied an initial budget for this area.					

## Cabonne Council

Notes to the Financial Statements  
for the financial year ended 30 June 2014

## Note 16. Material Budget Variations (continued)

\$ '000	2014 Budget	2014 Actual	2014 ----- Variance* -----		
<b>EXPENSES</b>					
Employee Benefits & On-Costs	12,358	11,804	554	4%	<b>F</b>
Borrowing Costs	274	248	26	9%	<b>F</b>
Materials & Contracts	3,237	4,739	(1,502)	(46%)	<b>U</b>
Council is still fine tuning its new Corporate Software System and the distinction between some of the categories is still being worked on. It is anticipated that these will be more in line in the 2014/2015 financial year.					
Depreciation & Amortisation	9,560	9,381	179	2%	<b>F</b>
Other Expenses	6,321	6,113	208	3%	<b>F</b>
<b>Budget Variations relating to Council's Cash Flow Statement include:</b>					
Cash Flows from Operating Activities	17,896	16,393	(1,503)	(8.4%)	<b>U</b>
Cash Flows from Investing Activities	(28,123)	(27,634)	489	(1.7%)	<b>F</b>
Cash Flows from Financing Activities	(170)	(170)	-	0.0%	<b>F</b>

## Cabonne Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

#### Note 17. Statement of Developer Contributions

\$ '000

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

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

#### SUMMARY OF CONTRIBUTIONS & LEVIES

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Roads	469	42	-	12	-	-	523	21	(21)	523	-
Other	184	10	-	4	(1)	-	197	5	(1)	201	-
<b>S94 Contributions - under a Plan</b>	<b>653</b>	<b>52</b>	<b>-</b>	<b>16</b>	<b>(1)</b>	<b>-</b>	<b>720</b>	<b>26</b>	<b>(22)</b>	<b>724</b>	<b>-</b>
<b>Total S94 Revenue Under Plans</b>	<b>653</b>	<b>52</b>	<b>-</b>	<b>16</b>	<b>(1)</b>	<b>-</b>	<b>720</b>				<b>-</b>
<b>Total Contributions</b>	<b>653</b>	<b>52</b>	<b>-</b>	<b>16</b>	<b>(1)</b>	<b>-</b>	<b>720</b>	<b>26</b>	<b>(22)</b>	<b>724</b>	<b>-</b>

Cabonne Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 17. Statement of Developer Contributions (continued)

\$ '000

**S94 CONTRIBUTIONS - UNDER A PLAN**

CONTRIBUTION PLAN NUMBER 1 - SMALL RURAL HOLDINGS

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Roads	26	13	-	1	-	-	40	1	(1)	40	-
<b>Total</b>	<b>26</b>	<b>13</b>	<b>-</b>	<b>1</b>	<b>-</b>	<b>-</b>	<b>40</b>	<b>1</b>	<b>(1)</b>	<b>40</b>	<b>-</b>

CONTRIBUTION PLAN NUMBER - GENERAL RURAL ZONE

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Roads	443	29	-	11	-	-	483	20	(20)	483	-
<b>Total</b>	<b>443</b>	<b>29</b>	<b>-</b>	<b>11</b>	<b>-</b>	<b>-</b>	<b>483</b>	<b>20</b>	<b>(20)</b>	<b>483</b>	<b>-</b>

CONTRIBUTION PLAN NUMBER - BUSHFIRE EQUIPMENT

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Other	184	10	-	4	(1)	-	197	5	(1)	201	-
<b>Total</b>	<b>184</b>	<b>10</b>	<b>-</b>	<b>4</b>	<b>(1)</b>	<b>-</b>	<b>197</b>	<b>5</b>	<b>(1)</b>	<b>201</b>	<b>-</b>

## Cabonne Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

#### Note 18. Contingencies & 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 & 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 Limited

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

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

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

##### (iii) StateCover Limited

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

StateCover is a company providing workers compensation insurance cover to the NSW Local Government Industry and specifically Council.

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

These future equity contributions would be required to maintain the company's minimum level of Net Assets in accordance with its Licence Requirements.

## Cabonne Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

#### Note 18. Contingencies & Other Assets/Liabilities Not Recognised (continued)

\$ '000

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

##### (iv) Other Guarantees

Council has provided a Bank Guarantee of \$540,000 for rehabilitation works to be carried out upon closure of its Molong Limestone Quarry. The agreement is with the Department of Primary Industries.

##### (v) Other Guarantees

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

##### 2. Other Liabilities

##### (i) Third Party Claims

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

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

##### (ii) S94 Plans

Council levies Section 94/94A Contributions upon various development across the Council area through the required Contributions Plans.

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

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

##### 2. Other Liabilities (continued)

##### (ii) S94 Plans (continued)

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.

##### (iii) Potential Land Acquisitions due to Planning Restrictions imposed by Council

Council has classified a number of privately owned land parcels as Local Open Space or Bushland.

As a result, where notified in writing by the various owners, Council will be required to purchase these land parcels.

At reporting date, reliable estimates as to the value of any potential liability (& subsequent land asset) from such potential acquisitions has not been possible.

##### (iv) Gasworks Remediation

Council expects to undertake remediation of the Molong Gasworks site over the next four years.

At this stage Council is unable to estimate the total costs of remediation of the site.

Costs of remediation will be brought to account once a reliable estimate is able to be obtained.

## Cabonne Council

### Notes to the Financial Statements for the financial year ended 30 June 2014

#### Note 18. Contingencies & Other Assets/Liabilities Not Recognised (continued)

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\$ '000

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##### **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 & including 30/6/08.

##### **(ii) Infringement Notices/Fines**

Fines & Penalty Income, the result of Council issuing Infringement Notices is followed up and collected by the Infringement Processing Bureau.

Councils 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.

## Cabonne Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

#### Note 19. Controlled Entities, Associated Entities & Interests in Joint Ventures

\$ '000

Council's objectives can and in some cases are best met through the use of separate entities & operations.

These operations and entities range from 100% ownership and control through to lower levels of ownership and control via co-operative arrangements with other Councils, Bodies and other Outside Organisations.

##### (a) Subsidiaries, Associated Entities & Joint Venture Operations Not Recognised

The following Subsidiaries, Associated Entities & Joint Ventures have not been recognised in this Financial Report.

Name of Entity/Operation	Principal Activity/Type of Entity	2014	2014
		Net Profit	Net Assets
Central West Co-Operative Public library	Library Services to member Councils	2	120
Strategic Alliance Wellington, Blayney & Cabonne Councils	Investigation & provision of Economies of scale opportunities for Member Councils		
Southern Phone Company	Telecommunications		

## Cabonne Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

#### Note 20. Equity - Retained Earnings and Revaluation Reserves

\$ '000	Notes	Actual 2014	Actual 2013
<b>(a) Retained Earnings</b>			
<b>Movements in Retained Earnings were as follows:</b>			
Balance at beginning of Year (from previous years audited accounts)		286,874	281,533
a. Net Operating Result for the Year		<u>7,287</u>	<u>5,341</u>
<b>Balance at End of the Reporting Period</b>		<b><u>294,161</u></b>	<b><u>286,874</u></b>
<b>(b) Reserves</b>			
<b>(i) Reserves are represented by:</b>			
- Infrastructure, Property, Plant & Equipment Revaluation Reserve		<u>207,821</u>	<u>193,568</u>
<b>Total</b>		<b><u>207,821</u></b>	<b><u>193,568</u></b>
<b>(ii) Reconciliation of movements in Reserves:</b>			
<b>Infrastructure, Property, Plant &amp; Equipment Revaluation Reserve</b>			
- Opening Balance		193,568	192,347
- Revaluations for the year	9(a)	14,301	1,221
- (Impairment of revalued assets) / Impairment reversals	9(a),(c)	<u>(48)</u>	<u>-</u>
<b>- Balance at End of Year</b>		<b><u>207,821</u></b>	<b><u>193,568</u></b>
<b>TOTAL VALUE OF RESERVES</b>		<b><u>207,821</u></b>	<b><u>193,568</u></b>

#### (iii) Nature & Purpose of Reserves

##### Infrastructure, Property, Plant & Equipment Revaluation Reserve

- The Infrastructure, Property, Plant & 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.

## Cabonne Council

## Notes to the Financial Statements

for the financial year ended 30 June 2014

## Note 21. Financial Result &amp; Financial Position by Fund

Income Statement by Fund \$ '000	Actual 2014	Actual 2014	Actual 2014
<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 & Annual Charges	312	1,325	10,352
User Charges & Fees	551	60	9,513
Interest & Investment Revenue	113	64	1,483
Other Revenues	13	-	527
Grants & Contributions provided for Operating Purposes	13	124	8,188
Grants & Contributions provided for Capital Purposes	35	3,402	3,036
<b>Other Income</b>			
Net Gains from Disposal of Assets	-	-	461
Share of interests in Joint Ventures & Associates using the Equity Method	-	-	-
<b>Total Income from Continuing Operations</b>	<b>1,037</b>	<b>4,975</b>	<b>33,560</b>
<b>Expenses from Continuing Operations</b>			
Employee Benefits & on-costs	169	220	11,415
Borrowing Costs	-	180	68
Materials & Contracts	381	417	3,941
Depreciation & Amortisation	469	782	8,130
Impairment	-	-	-
Other Expenses	94	254	5,765
<b>Total Expenses from Continuing Operations</b>	<b>1,113</b>	<b>1,853</b>	<b>29,319</b>
<b>Operating Result from Continuing Operations</b>	<b>(76)</b>	<b>3,122</b>	<b>4,241</b>
<b><u>Discontinued Operations</u></b>			
Net Profit/(Loss) from Discontinued Operations	-	-	-
<b>Net Operating Result for the Year</b>	<b>(76)</b>	<b>3,122</b>	<b>4,241</b>
<b>Net Operating Result attributable to each Council Fund</b>	<b>(76)</b>	<b>3,122</b>	<b>4,241</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>(111)</b>	<b>(280)</b>	<b>1,205</b>

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

NB. All amounts disclosed above are Gross - that is, they include internal charges & recoveries made between the Funds.

## Cabonne Council

## Notes to the Financial Statements

as at 30 June 2014

## Note 21. Financial Result &amp; Financial Position by Fund (continued)

Statement of Financial Position by Fund \$ '000	Actual 2014	Actual 2014	Actual 2014
<b>ASSETS</b>	<b>Water</b>	<b>Sewer</b>	<b>General<sup>1</sup></b>
<b>Current Assets</b>			
Cash & Cash Equivalents	3,093	2,262	4,614
Investments	-	-	29,600
Receivables	598	1,344	2,375
Inventories	-	-	1,258
Other	-	-	12
Non-current assets classified as 'held for sale'	-	-	-
<b>Total Current Assets</b>	<b>3,691</b>	<b>3,606</b>	<b>37,859</b>
<b>Non-Current Assets</b>			
Investments	-	-	-
Receivables	-	-	694
Inventories	-	-	410
Infrastructure, Property, Plant & Equipment	25,077	40,078	400,885
Investments Accounted for using the equity method	-	-	-
Investment Property	-	-	-
Intangible Assets	-	-	203
Other	-	-	282
<b>Total Non-Current Assets</b>	<b>25,077</b>	<b>40,078</b>	<b>402,474</b>
<b>TOTAL ASSETS</b>	<b>28,768</b>	<b>43,684</b>	<b>440,333</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Payables	84	245	2,622
Borrowings	-	177	3
Provisions	-	-	3,405
<b>Total Current Liabilities</b>	<b>84</b>	<b>422</b>	<b>6,030</b>
<b>Non-Current Liabilities</b>			
Payables	-	-	26
Borrowings	-	2,707	5
Provisions	-	-	1,529
<b>Total Non-Current Liabilities</b>	<b>-</b>	<b>2,707</b>	<b>1,560</b>
<b>TOTAL LIABILITIES</b>	<b>84</b>	<b>3,129</b>	<b>7,590</b>
<b>Net Assets</b>	<b>28,684</b>	<b>40,555</b>	<b>432,743</b>
<b>EQUITY</b>			
Retained Earnings	11,445	24,525	258,191
Revaluation Reserves	17,239	16,030	174,552
<b>Total Equity</b>	<b>28,684</b>	<b>40,555</b>	<b>432,743</b>

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

NB. All amounts disclosed above are Gross - that is, they include internal receivables & payables between the Funds.

## Cabonne Council

### Notes to the Financial Statements for the financial year ended 30 June 2014

#### Note 22. "Held for Sale" Non Current Assets & 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 (ending 30 June 2014) 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 30/09/14.

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 2014.

##### **(ii) Events that provide evidence of conditions that arose after the Reporting Period**

These financial statements (& figures therein) do not incorporate any "non-adjusting events" that have occurred after 30 June 2014 and which are only indicative of conditions that arose after 30 June 2014.

##### **Council is aware of the following "non-adjusting events" that merit disclosure;**

That Council has held and received payout on a investment (CDO Federation \$250k). Council has now received a request to refund amonts paid. Legal advice has been sought and to date no payments have been made.

#### Note 24. Discontinued Operations

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Council has not classified any of its Operations as "Discontinued".

## Cabonne Council

## Notes to the Financial Statements

for the financial year ended 30 June 2014

## Note 25. Intangible Assets

\$ '000	Actual 2014	Actual 2013
Intangible Assets represent identifiable non-monetary asset without physical substance.		
Intangible Assets are as follows;		
<b>Opening Values:</b>		
Gross Book Value (1/7)	286	-
Accumulated Amortisation (1/7)	(32)	-
Accumulated Impairment (1/7)	-	-
<b>Net Book Value - Opening Balance</b>	<b>254</b>	<b>-</b>
<b>Movements for the year</b>		
- Purchases	-	273
- Amortisation charges	(51)	(19)
<b>Closing Values:</b>		
Gross Book Value (30/6)	286	286
Accumulated Amortisation (30/6)	(83)	(32)
Accumulated Impairment (30/6)	-	-
<b><u>TOTAL INTANGIBLE ASSETS - NET BOOK VALUE</u></b> <sup>1</sup>	<b><u>203</u></b>	<b><u>254</u></b>

<sup>1</sup> The Net Book Value of Intangible Assets represent:

- Software	203	254
	<b><u>203</u></b>	<b><u>254</u></b>

## Cabonne Council

## Notes to the Financial Statements

for the financial year ended 30 June 2014

## Note 26. Reinstatement, Rehabilitation &amp; 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	
		2014	2013
Tip Operations	2016	353	353
Quarry Operations	2039	1,176	1,109
<b>Balance at End of the Reporting Period</b>	10(a)	<u>1,529</u>	<u>1,462</u>

Under AASB 116 - Property, Plant & 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	1,462	1,397
Amounts capitalised to new or existing assets:		
Amortisation of discount (expensed to borrowing costs)	67	65
<b>Total - Reinstatement, rehabilitation and restoration provision</b>	<u>1,529</u>	<u>1,462</u>

## Cabonne Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

### 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 & 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 & recognised at fair values:

2014	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 Assets</b>					
Investments					
- "Held for Trading"	30/06/14	-	100	-	100
- "Held to Maturity"	30/06/14	-	-	-	-
Other Financial Assets	30/06/14	-	29,782	-	29,782
Cash and Short Term Deposits	30/06/14	-	9,969	-	9,969
<b>Total Financial Assets</b>		<b>-</b>	<b>39,851</b>	<b>-</b>	<b>39,851</b>
<b>Financial Liabilities</b>					
Payables	30/06/14	-	2,775	-	2,775
Loans / Advances	30/06/14	-	2,892	-	2,892
<b>Total Financial Liabilities</b>		<b>-</b>	<b>5,667</b>	<b>-</b>	<b>-</b>
<b>Infrastructure, Property, Plant &amp; Equipment</b>					
Capital Works in Progress	30/6/14	-	-	7,372	7,372
Plant & Equipment	30/6/14	-	-	14,612	14,612
Office Equipment	30/6/14	-	-	558	558
Furniture & Fittings	30/6/14	-	-	253	253
Operational Land	30/6/14	-	-	7,273	7,273
Community Land	30/6/12	-	-	10,451	10,451
Land Improvements Non Depreciable	30/6/11	-	-	1,071	1,071
Land Improvements Depreciable	30/6/11	-	-	2,233	2,233
Building Non Specialised	30/6/14	-	-	1,827	1,827
Building Specialised	30/6/14	-	-	28,984	28,984

continued on next page

## Cabonne Council

## Notes to the Financial Statements

for the financial year ended 30 June 2014

## Note 27. Fair Value Measurement (continued)

\$ '000

## (1) Assets and liabilities that have been measured &amp; recognised at Fair Value (continued)

2014	Date of latest Valuation	Fair Value Measurement Hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
<b>Recurring Fair Value Measurements</b>					
<b>Infrastructure, Property, Plant &amp; Equipment</b>					
Other Structures	30/6/11	-	-	4,939	4,939
Roads	30/6/10	-	-	116,306	116,306
Bridges	30/6/10	-	-	41,129	41,129
Footpaths	30/6/10	-	-	3,804	3,804
Bulk Earthworks	30/6/10	-	-	166,435	166,435
Stormwater Drainage	30/6/10	-	-	4,901	4,901
Water Supply Network	30/6/12	-	-	23,075	23,075
Sewer Network	30/6/12	-	-	28,190	28,190
Swimming Pools	30/6/11	-	-	2,459	2,459
Tip Assets	30/6/14	-	-	9	9
Quarry Assets	30/6/14	-	-	159	159
<b>Total Infrastructure, Property, Plant &amp; Equipment</b>		<b>-</b>	<b>-</b>	<b>466,040</b>	<b>466,040</b>

## (2) Transfers between Level 1 &amp; 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.

## Cabonne Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

#### Note 27. Fair Value Measurement

---

##### **(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:

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##### **Financial Assets**

**Held to Maturity** – Term deposits valued at fair value

Valuation Technique: 'Cost approach'

Inputs Used (Level 2): Original investment value

**Cash and Short Term Deposits** – Cash and short term deposits valued at fair value

Valuation Technique: 'Cost approach'

Inputs Used (Level 2): Original investment value

---

##### **Financial Liabilities**

**Payables** – Outstanding creditor payments, security bonds & deposits

Valuation Technique: 'Cost approach'

Inputs Used (Level 2): Cost of product or service.

**Loans/Advances** – Outstanding bank loans

Valuation Technique: 'Cost approach'

Inputs Used (Level 2): Loan borrowing amount

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## Cabonne Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

#### Note 27. Fair Value Measurement

---

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

##### **Capital Works in Progress** – Uncompleted capital projects

Valuation Techniques: 'Cost approach'

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

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

Valuation Techniques: 'Cost approach'

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

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

##### **Office Equipment** – Computers, servers

Valuation Techniques: 'Cost approach'

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

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

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

Valuation Techniques: 'Cost approach'

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

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

##### **Operational Land** –

Valuation Techniques: 'Market approach'

Inputs Used (Level 3): Land area, rate per square metre, zoning restrictions, geographical location, sales of comparable land

## Cabonne Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

#### Note 27. Fair Value Measurement

---

Councils Operational Land has been valued at market value, having regard to the “highest and best use”, after identifying all elements that would be taken into account by buyers and sellers in settling the price, including but not limited to:

- The land’s description and/or dimensions;
- Planning and other constraints on development; and
- The potential for alternative use.

With regard to the above Councils Valuer Scott Fullarton Valuations P/L analysed sales of land throughout Cabonne Shire and surrounding Council areas and adopted a rate per square metre, after taking into consideration zoning, location, area and configuration.

#### **Community Land –**

Valuation Techniques: ‘Cost approach’

Inputs Used (Level 3): The NSW Valuer General’s valuations (as at 30 June 2011)

Councils community land is land intended for public access and use, or where other restrictions applying to the land create some obligation to maintain public access (such as a trust deed, or dedication under section 94 of the Environmental Planning and Assessment Act 1979). This gives rise to the restrictions in the Act, intended to preserve the qualities of the land.

Community Land:

- Cannot be sold
- Cannot be leased, licensed, or any other estate granted over the land for more than 21 years and
- Must have a plan of management for it.

In relation to the valuing of Community Land the Office of Local Government has authorised the use of the NSW Valuer General’s valuations as a sufficient basis to represent fair value for the revaluation of community land under clause 31 of AASB 116.

#### **Non Depreciable land Improvements**

Valuation Techniques: ‘Cost approach’

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

## Cabonne Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

#### Note 27. Fair Value Measurement

---

Non Depreciable land improvements are valued at cost but are disclosed at fair value.

**Depreciable Land Improvements** – Gardens/softfall areas, cricket pitches and recreation ground pathways

Valuation Techniques: 'Cost approach'

Inputs Used (Level 3): Dimensions and specifications, units rates

Depreciable Land Improvements were valued as at 30 June 2011. Valuations are based on unit rates derived from historical costs and from industry rates such as the 'Australian Construction handbook 2014 - Rawlinson's'.

**Buildings (Specialised/Non Specialised)** – Community halls, toilet blocks, council offices, library, multipurpose centre, works depot

Valuation Techniques: 'Cost approach'

Inputs Used (Level 3): Unit rates, useful life, asset condition

Council's buildings were valued at fair value on 30<sup>th</sup> June 2014 in accordance with Compiled Accounting Standard AASB116 *Property, Plant and Equipment*, the guidance contained in the NSW Treasury Accounting Policy tpp 07-1 and the NSW Department of Local Government Guidelines. 'Fair value' is the best estimate of the price reasonably obtainable in the market at the date of valuation. As defined in AASB 116, it is "the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction"

Councils Specialised Buildings were valued by Scott Fullarton Valuation (SFV) P/L as at 30 June 2014. SFV provided a valuation for each building based on applying a unit rate to a structure or a square metre rate to a building, based on its current replacement cost, which is the lowest cost of replacing the economic benefits of the existing asset using modern technology. These rates were derived from substantial analysis of construction costs from over one hundred and twenty (120) Councils throughout New South Wales.

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

#### **Other Structures**

Valuation Techniques: 'Cost approach'

Inputs Used (Level 3): Dimensions and specifications, units rates

## Cabonne Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

#### Note 27. Fair Value Measurement

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Other Structures were valued as at 30 June 2011. Valuations are based on unit rates derived from historical costs and from industry rates such as the 'Australian Construction handbook 2014 - Rawlinson's'.

##### **Swimming Pools** – Swimming Pools

Valuation Techniques: 'Cost approach'

Inputs Used (Level 3): Dimensions and specifications, units rates

Swimming pools were valued as at 30 June 2011. Valuations are based on unit rates derived from historical costs and from industry rates such as the 'Australian Construction handbook 2014 - Rawlinson's'.

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

Valuation Techniques: 'Cost approach'

Inputs Used (Level 3): Unit rates, useful life, asset condition

Councils road infrastructure assets were last valued in-house on 30 June 2010. As per Paragraph 43 of AASB116, Councils roads infrastructure assets were segmented and componentised into the following categories (each representing a significant part of the overall asset):

- Road Surface
- Pavement
- Formation & Major Earthworks
- Kerb and Gutter

##### Roads – Sealed and Unsealed

GPS logged to establish the length and extent of the network. Road chainages were taken as the measure of Cabonne Council's road asset length. Seal widths (sealed roads) were taken from full condition assessment undertaken Council Staff.

The pavement width was assumed to be an additional 1m on each side of the Seal (e.g. Seal of 6 m is assumed to have an 8m wide pavement). This was confirmed by random sampling of a range of roads categories across the Shire.

## Cabonne Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

#### Note 27. Fair Value Measurement

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Unit rates for major earthworks, pavement and sealing were based on the Rawlinson's; Construction Cost Guide 2010, Edition 18. These rates were verified against recent actual rates from Cabonne Council road works.

Condition Assessment data was established on all of Cabonne Councils road network..

##### Kerb and Gutter

Kerb & Gutter assets were valued in-house as at 30 June 2010.

Asset register was developed by Council staff completing a physical inspection of the Kerb & Gutter Network. Council staff were equipped with a GPS unit that measured the length and the location of each asset. Unit rates were established from historical data and also tested against recent construction costs. Condition assessment for Kerb and Gutter was collected at time of physical inspection along with the material used in the construction.

##### **Bridges**

Valuation Techniques: 'Cost approach'

Inputs Used (Level 3): Unit rates, useful life, asset condition, dimension and specifications (concrete/timber), bridge traffic

Bridges assets were valued in-house as at 30 June 2010.

Asset register was developed by Council staff completing a physical inspection of all Council Bridges. Council staff inspected and componentised each bridge collected the necessary data including condition rating, bridge dimensions and all other relevant data. Unit rates were established from historical data and also tested against recent construction costs.

##### **Footpaths – Footways including cycleways**

Valuation Techniques: 'Cost approach'

Inputs Used (Level 3): Unit rates, useful life, asset condition, dimensions and specifications (concrete/bitumen)

Asset register was developed by Council staff completing a physical inspection of all Council's footpaths. Council staff inspected each footpath and collected the necessary data including condition rating, dimensions and all other relevant data. Unit rates were established from historical data and also tested against recent construction costs.

## Cabonne Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

#### Note 27. Fair Value Measurement

---

Footpaths assets were valued in-house as at 30 June 2010.

**Stormwater Drainage** – includes pits, pipes

Valuation Techniques: 'Cost approach'

Inputs Used (Level 3): Unit rates, useful life, asset condition, dimensions and specifications

Asset register was developed by Council staff completing a physical inspection of all Council's stormwater drainage. Council staff inspected and collected the necessary data including condition rating, dimensions and all other relevant data. Unit rates were established from historical data and also tested against recent construction costs.

Stormwater drainage assets were valued in-house as at 30 June 2010.

**Water Supply Network**

Valuation Techniques: 'Cost approach'

Inputs Used (Level 3): Unit rates, useful life, asset condition, dimensions and specifications

Councils Sewer Network was valued by CPE Associates as at 30 June 2012. The valuation was based on the NSW Office of Water's *NSW Reference Rates Tables* issued in July 2012, a supplement to the former Ministry of Energy and Utilities' 2003 document *NSW Reference Rates Manual: Valuation of Water Supply, Sewerage and Stormwater Assets*. Valuations in the updated tables are for June 2012.

The asset register was built using Council GIS data with modifications made to achieve the correct level of componentisation and to collect additional details regarding material and capacities of the assets.

CPEa conducted a field survey, involving a physical inspection of the ground-level facility assets in the system such as treatment plants, pumping stations and effluent reuse reservoir.

The object of the survey was to uncover any evidence that will challenge the default useful life for that asset class such as corrosion (or lack of), obvious mechanical/electrical defects or structural damage. Field survey sheets were completed and a photographic record also was made.

## Cabonne Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

#### Note 27. Fair Value Measurement

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**Sewerage Network** – Sewer pipes, pump stations, treatment plant, telemetry system, manholes

Valuation Techniques: 'Cost approach'

Inputs Used (Level 3): Unit rates, useful life, asset condition, dimensions and specifications

Councils Sewer Network was valued by CPE Associates as at 30 June 2012. The valuation was based on the NSW Office of Water's *NSW Reference Rates Tables* issued in July 2012, a supplement to the former Ministry of Energy and Utilities' 2003 document *NSW Reference Rates Manual: Valuation of Water Supply, Sewerage and Stormwater Assets*. Valuations in the updated tables are for June 2012.

The asset register was built using Council GIS data with modifications made to achieve the correct level of componentisation and to collect additional details regarding material and capacities of the assets.

CPEa conducted a field survey, involving a physical inspection of the ground-level facility assets in the system such as treatment plants, pumping stations and effluent reuse reservoir.

The object of the survey was to uncover any evidence that will challenge the default useful life for that asset class such as corrosion (or lack of), obvious mechanical/electrical defects or structural damage. Field survey sheets were completed and a photographic record also was made.

**Tip and Quarry Assets** – Reinstatement, rehabilitation and restoration

Valuation Techniques: 'Cost approach'

Inputs Used (Level 3): Unit rates, useful life, asset condition, dimensions and specifications

It has been recognised that there will be significant costs associated with the closure and post closure management of the landfill and quarry sites. Closure of the landfill and quarry sites will involve a wide range of activities including final capping of the landfill waste and site re-vegetation, monitoring of landfill gas, revision of the surface water management system and leachate management infrastructure to suit post-closure operation.

Valuation are based on actual timing of costs and future environmental management requirements.

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## Cabonne Council

## Notes to the Financial Statements

for the financial year ended 30 June 2014

## 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	Plant & Equipment	Office Equipment	Furniture & Fittings	Operational Land	Community Land	Land Imps Non Depreciable	Land Imps Depreciable	Total
Adoption of AASB 13	1,681	14,649	582	250	5,084	10,447	1,071	1,916	35,680
Transfers from/(to) another asset class	-	-	-	-	(122)	-	-	-	(122)
Purchases (GBV)	5,691	2,705	231	43	212	4	-	447	9,333
Disposals (WDV)	-	(344)	(14)	-	-	-	-	-	(358)
Depreciation & Impairment	-	(2,398)	(241)	(40)	-	-	-	(130)	(2,809)
Other movement (details here)	-	-	-	-	2,099	-	-	-	2,099
<b>Closing Balance - 30/6/14</b>	<b>7,372</b>	<b>14,612</b>	<b>558</b>	<b>253</b>	<b>7,273</b>	<b>10,451</b>	<b>1,071</b>	<b>2,233</b>	<b>43,823</b>

	Buildings Non Special	Buildings Specialised	Other Structures	Roads	Bridges	Footpaths	Bulk Eathworks	Stormwater Drainage	Total
Adoption of AASB 13	295	20,096	5,751	160,851	-	-	165,715	4,930	357,638
Transfers from/(to) another asset class	1,088	(1,254)	(918)	(43,313)	39,725	3,588	-	-	(1,084)
Purchases (GBV)	-	482	355	2,760	1,771	272	720	66	6,426
Depreciation & Impairment	(42)	(660)	(249)	(3,992)	(367)	(56)	-	(95)	(5,461)
Other movement (details here)	486	10,320	-	-	-	-	-	-	10,806
<b>Closing Balance - 30/6/14</b>	<b>1,827</b>	<b>28,984</b>	<b>4,939</b>	<b>116,306</b>	<b>41,129</b>	<b>3,804</b>	<b>166,435</b>	<b>4,901</b>	<b>368,325</b>

## Cabonne Council

## Notes to the Financial Statements

for the financial year ended 30 June 2014

## Note 27. Fair Value Measurement (continued)

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 \$ '000
 

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## (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)

	Water Network	Sewer Network	Swimming Pools	Tip Assets	Quarry Assets	Total
Adoption of AASB 13	22,320	27,748	-	10	210	50,288
Transfers from/(to) another asset class	-	-	1,083	-	-	1,083
Purchases (GBV)	531	223	1,431	-	-	2,185
Depreciation & Impairment	(404)	(549)	(55)	(1)	(51)	(1,060)
Other movement (details here)	628	768	-	-	-	1,396
<b>Closing Balance - 30/6/14</b>	<b>23,075</b>	<b>28,190</b>	<b>2,459</b>	<b>9</b>	<b>159</b>	<b>53,892</b>

## Cabonne Council

### Notes to the Financial Statements for the financial year ended 30 June 2014

#### Note 27. Fair Value Measurement

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

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

The following table summarises the quantitative information relating to the significant unobservable inputs used in deriving the various Level 3 Asset Class fair values.

##### I,PP&E

Class	Fair Value (30/6/14) \$'000	Valuation Techniques	Unobservable Inputs	Range of Inputs (incl probable)	Relationship of unobservable inputs to Fair Value
Capital Works in Progress	\$7,372	Cost Approach	<ul style="list-style-type: none"> <li>Gross Replacement Cost</li> </ul>	<ul style="list-style-type: none"> <li>Various</li> </ul>	Any Changes in the gross replacement value or pattern of consumption will have an impact on fair value.
Plant & Equipment	\$14,612	Cost Approach	<ul style="list-style-type: none"> <li>Gross Replacement Cost</li> <li>Remaining Useful Life</li> </ul>	<ul style="list-style-type: none"> <li>Various</li> <li>5 to 15 years</li> </ul>	Any Changes in the gross replacement value or pattern of consumption will have an impact on fair value.
Office Equipment	\$558	Cost Approach	<ul style="list-style-type: none"> <li>Gross Replacement Cost</li> <li>Remaining Useful Life</li> </ul>	<ul style="list-style-type: none"> <li>Various</li> <li>4 to 15 years</li> </ul>	Any Changes in the gross replacement value or pattern of consumption will have an impact on fair value.
Furniture & Fittings	\$253	Cost Approach	<ul style="list-style-type: none"> <li>Gross Replacement Cost</li> <li>Remaining Useful Life</li> </ul>	<ul style="list-style-type: none"> <li>Various</li> <li>4 to 15 years</li> </ul>	Any Changes in the gross replacement value or pattern of consumption will have an impact on fair value.

## Cabonne Council

Notes to the Financial Statements  
for the financial year ended 30 June 2014

## Note 27. Fair Value Measurement

Class	Fair Value (30/6/14) \$'000	Valuation Techniques	Unobservable Inputs	Range of Inputs (incl probable)	Relationship of unobservable inputs to Fair Value
Community land	\$10,451	Cost Approach	<ul style="list-style-type: none"> <li>NSW Valuer General's Valuation (Unimproved Capital Value)</li> </ul>	<ul style="list-style-type: none"> <li>Per valuer general</li> </ul>	Any changes in average unimproved capital value will increase/decrease fair value.
Land Improvements Non Depreciable	\$1,071	Cost Approach	<ul style="list-style-type: none"> <li>Gross Replacement Cost</li> </ul>	<ul style="list-style-type: none"> <li>Various</li> </ul>	Any Changes In the component pricing and asset condition will have an impact on fair value.
Land Improvements Depreciable	\$2,233	Cost Approach	<ul style="list-style-type: none"> <li>Gross Replacement Cost</li> <li>Remaining Useful Life</li> </ul>	<ul style="list-style-type: none"> <li>Various</li> <li>1 to 50 years</li> </ul>	Any Changes In the component pricing and asset condition will have an impact on fair value.
Buildings Non Specialised	\$1,827	Cost Approach	<ul style="list-style-type: none"> <li>Unit Rates</li> <li>Asset Conditions</li> <li>Useful Life</li> </ul>	<ul style="list-style-type: none"> <li>\$1,930 - \$3,490 per sq metre</li> <li>1 to 5</li> <li>33 to 100 years</li> </ul>	Any Changes In the component pricing and asset condition will have an impact on fair value.
Buildings Specialised	\$28,984	Cost Approach	<ul style="list-style-type: none"> <li>Unit Rates</li> <li>Asset Conditions</li> <li>Useful Life</li> </ul>	<ul style="list-style-type: none"> <li>\$320 - \$6,000 per sq metre</li> <li>1 to 5</li> <li>33 to 100 years</li> </ul>	Any Changes In the component pricing and asset condition will have an impact on fair value.
Other Structures	\$4,939	Cost Approach	<ul style="list-style-type: none"> <li>Gross Replacement Cost</li> <li>Remaining Useful Life</li> </ul>	<ul style="list-style-type: none"> <li>Various</li> <li>33 to 50 years</li> </ul>	Any Changes In the component pricing and asset condition will have an impact on fair value

## Cabonne Council

Notes to the Financial Statements  
for the financial year ended 30 June 2014

## Note 27. Fair Value Measurement

Class	Fair Value (30/6/14) \$'000	Valuation Techniques	Unobservable Inputs	Range of Inputs (incl probable)	Relationship of unobservable inputs to Fair Value
Bridges	\$41,129	Cost Approach	<ul style="list-style-type: none"> <li>Unit Rates</li> <li>Asset Conditions</li> <li>Useful Life</li> </ul>	<ul style="list-style-type: none"> <li>\$20,604 per metre of bridge</li> <li>1 to 5</li> <li>50 to 150 years</li> </ul>	Any Changes in component pricing and asset condition will have an impact on fair value.
Footpaths	\$3,804	Cost Approach	<ul style="list-style-type: none"> <li>Unit Rates</li> <li>Asset Conditions</li> <li>Useful Life</li> </ul>	<ul style="list-style-type: none"> <li>\$110 per lineal metre</li> <li>1 to 5</li> <li>80 years</li> </ul>	Any Changes in component pricing and asset condition will have an impact on fair value.
Bulk Earthworks	\$166,435	Cost Approach	<ul style="list-style-type: none"> <li>Unit Rates</li> <li>Terrain rating</li> </ul>	<ul style="list-style-type: none"> <li>\$69 – \$286 per lineal metre</li> <li>Low, medium or high</li> </ul>	Any Changes in component pricing and asset condition will have an impact on fair value.
Stormwater Drainage	\$4,901	Cost Approach	<ul style="list-style-type: none"> <li>Unit Rates</li> <li>Asset Conditions</li> <li>Useful Life</li> </ul>	<ul style="list-style-type: none"> <li>\$100 - \$4,000 per unit</li> <li>1 to 5</li> <li>50 to 80 years</li> </ul>	Any Changes in component pricing and asset condition will have an impact on fair value.
Water Supply Network	\$23,075	Cost Approach	<ul style="list-style-type: none"> <li>Unit Rates</li> <li>Asset Conditions</li> <li>Useful Life</li> </ul>	<ul style="list-style-type: none"> <li>Various</li> <li>1 to 5</li> <li>10 to 100 years</li> </ul>	Any Changes in component pricing and asset condition will have an impact on fair value.

## Cabonne Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

#### Note 27. Fair Value Measurement

<b>Class</b>	<b>Fair Value</b> (30/6/14) \$'000	<b>Valuation Techniques</b>	<b>Unobservable Inputs</b>	<b>Range of Inputs</b> (incl probable)	<b>Relationship of unobservable inputs to Fair Value</b>
Sewer Network	\$28,190	Cost Approach	<ul style="list-style-type: none"> <li>• Unit Rates</li> <li>• Asset Conditions</li> <li>• Useful Life</li> </ul>	<ul style="list-style-type: none"> <li>• Various</li> <li>• 1 to 5</li> <li>• 10 to 100 years</li> </ul>	Any Changes in component pricing and asset condition will have an impact on fair value.
Swimming Pools	\$2,459	Cost Approach	<ul style="list-style-type: none"> <li>• Unit Rates</li> <li>• Asset Conditions</li> <li>• Useful Life</li> </ul>	<ul style="list-style-type: none"> <li>• Varies significantly from asset to asset</li> <li>• 1 to 5</li> <li>• 50 to 100 years</li> </ul>	Any Changes in component pricing and asset condition will have an impact on fair value
Tip Assets	\$9	Cost Approach	<ul style="list-style-type: none"> <li>• Discounted future Cash Flows</li> </ul>	<ul style="list-style-type: none"> <li>• 6%</li> </ul>	Any Changes in the future cost estimates and discount rate will have an impact on fair value.
Quarry Assets	\$159	Cost Approach	<ul style="list-style-type: none"> <li>• Discounted future Cash Flows</li> </ul>	<ul style="list-style-type: none"> <li>• 6%</li> </ul>	Any Changes in the future cost estimates and discount rate will have an impact on fair value.

#### (5). Highest and best use

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

## Cabonne Council

### Notes to the Financial Statements

for the financial year ended 30 June 2014

#### Note 28. Financial Review

\$ '000

#### Key Financial Figures of Council over the past 5 years (consolidated)

<b>Financial Performance Figures</b>	<b>2014</b>	<b>2013</b>	2012	2011	2010
<b>Inflows:</b>					
Rates & Annual Charges Revenue	<b>11,989</b>	11,827	11,148	10,649	10,302
User Charges Revenue	<b>10,124</b>	9,982	11,045	6,794	6,594
Interest & Investment Revenue (Losses)	<b>1,660</b>	1,986	1,777	1,825	1,640
Grants Income - Operating & Capital	<b>9,460</b>	9,638	11,253	11,983	8,963
Total Income from Continuing Operations	<b>39,572</b>	37,644	37,966	35,739	32,901
Sale Proceeds from I,PP&E	<b>822</b>	619	1,226	1,202	1,222
New Loan Borrowings & Advances	-	2,455	-	-	-
<b>Outflows:</b>					
Employee Benefits & On-cost Expenses	<b>11,804</b>	11,652	12,062	10,696	10,652
Borrowing Costs	<b>248</b>	187	113	115	145
Materials & Contracts Expenses	<b>4,739</b>	4,811	7,412	6,195	5,960
Total Expenses from Continuing Operations	<b>32,285</b>	32,303	33,005	29,451	27,415
Total Cash purchases of I,PP&E	<b>17,492</b>	12,365	12,955	10,937	14,169
Total Loan Repayments (incl. Finance Leases)	<b>170</b>	75	71	101	117
Operating Surplus/(Deficit) (excl. Capital Income)	<b>814</b>	2,398	2,793	2,658	2,298
<b>Financial Position Figures</b>	<b>2014</b>	<b>2013</b>	2012	2011	2010
Current Assets	<b>45,156</b>	45,794	42,266	40,723	35,504
Current Liabilities	<b>6,536</b>	6,022	7,369	7,485	6,027
Net Current Assets	<b>38,620</b>	39,772	34,897	33,238	29,477
Available Working Capital (Unrestricted Net Current Assets)	<b>4,705</b>	3,100	5,596	7,159	6,114
Cash & Investments - Unrestricted	<b>4,466</b>	2,103	4,999	7,188	4,532
Cash & Investments - Internal Restrictions	<b>25,735</b>	24,631	17,412	15,654	13,904
Cash & Investments - Total	<b>39,569</b>	39,972	36,313	34,550	28,357
Total Borrowings Outstanding (Loans, Advances & Finance Leases)	<b>2,892</b>	3,062	682	753	854
Total Value of I,PP&E (excl. Land & Earthworks)	<b>482,719</b>	445,048	434,477	432,636	418,280
Total Accumulated Depreciation	<b>201,909</b>	183,760	175,016	177,458	166,202
Indicative Remaining Useful Life (as a % of GBV)	58%	59%	60%	59%	60%

**Source:** Published audited financial statements of Council (current year & prior year)

## Cabonne Council

### Notes to the Financial Statements for the financial year ended 30 June 2014

#### Note 29. Council Information & Contact Details

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**Principal Place of Business:**

99 - 101 Bank Street  
Molong NSW 2866

**Contact Details****Mailing Address:**

PO Box 17  
Molong NSW 2866

**Opening Hours:**

Monday to Friday  
9am to 5pm

**Telephone:** 02 6392 3203

**Facsimile:** 02 6392 3260

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

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

**Officers****GENERAL MANAGER**

Andrew L Hopkins

**RESPONSIBLE ACCOUNTING OFFICER**

Stephen Harding

**AUDITORS****intentus Chartered Accountants**

14 Sale Street, Orange

**Elected Members****MAYOR**

Michael Hayes

**COUNCILLORS**

Janelle Culverson  
Ian Davison  
Geoffrey Dean  
Anthony Durkin  
Michael Hayes  
Lachlan MacSmith  
Marlene Nash  
Graham Smith  
Gregory Treavors  
Kevin Walker  
Sharon Wilcox

**Other Information**

**ABN:** 419 929 192 00

**INDEPENDENT AUDITOR'S REPORT TO THE COUNCIL  
ON THE GENERAL PURPOSE FINANCIAL STATEMENTS OF  
CABONNE COUNCIL**

**Report on the Financial Statements**

We have audited the accompanying general purpose financial statements of Cabonne Council (The Council) for the financial year ended 30 June 2014. The financial statements comprise the Statement by Councillors and Management, 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.

**Councils' Responsibility for the Financial Statements**

The Council are 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 are 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.

**Auditors Responsibility**

Our responsibility is to express an opinion on the financial statements based on our audit. 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, the projected revenue and expenditure of developer contributions reported in Note 17 and accordingly we express no opinion on them. 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 general purpose financial statements of Cabonne Council (Council) for the year ended 30 June 2014 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) have been prepared in accordance with the requirements of this Division;
  - (ii) are consistent with the Council's accounting records;
  - (iii) present fairly the Council's financial position, the results of its operations and cashflows; and
  - (iv) are in accordance with applicable Australian Accounting Standards (Including the Australian Accounting Interpretations).
- (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 emerged in the course of the audit.



**intentus**

14 Sale Street  
Orange  
Dated:30 September 2014



**John O'Malley**  
Director

30 September 2014

The Mayor  
Councillor Michael Hayes  
Cabonne Council  
PO Box 17  
MOLONG NSW 2866

Dear Mr Mayor

**INDEPENDENT AUDITOR'S REPORT ON THE CONDUCT OF THE AUDIT - Section 417(3)  
CABONNE COUNCIL YEAR ENDED 30 JUNE 2014**

We advise having completed our audit of the financial statements of Cabonne Council for the financial year ended 30 June 2014. Our audit resulted in the issuing of an unmodified audit report on both the general purpose 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 Cabonne Council for the year ended 30 June 2014. Our audit reports on the general purpose financial statements of Council and the special purpose financial statements for 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 Report**

The Council is responsible for the preparation and fair presentation of the financial report 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 are 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 report.

The following comments are provided in accordance with Section 415(3) of the Local Government Act 1993 and Regulation 227 of the Local Government (General) Regulation 2005 to assist in the understanding of the financial statements and our reports.

## Review of Financial Results

### (a) Operating Result

As disclosed in Council's Income Statement the year's operations resulted in a net operating result of \$7,287,000 (2013 - \$5,341,000). Selected items of note in the operating statement include:

The operating result from ordinary activities *before* capital amounts was \$814,000 (2013 – \$2,398,000).

- Interest and Investment Revenue fell by \$326,000 to \$1,660,000 (2013 - \$1,986,000). The decline attributable to the overall decline in interest rates on offer as existing investments matured.
- Income from Operating Grants was down on the prior year at \$8,325,000 (2013 - \$9,996,000) as a result of the early payment in 2013 of the first 2014 instalment of the Federal Financial Assistance Grant which was then recognised as income in the 2013 year.
- Capital grants and contributions increased substantially to \$6,473,000 (2013 - \$2,943,000) boosted by a \$3.3M grant for the small towns sewer scheme.

Council's other major items of income and expenditure were relatively consistent with the prior period.

### (b) Financial Position

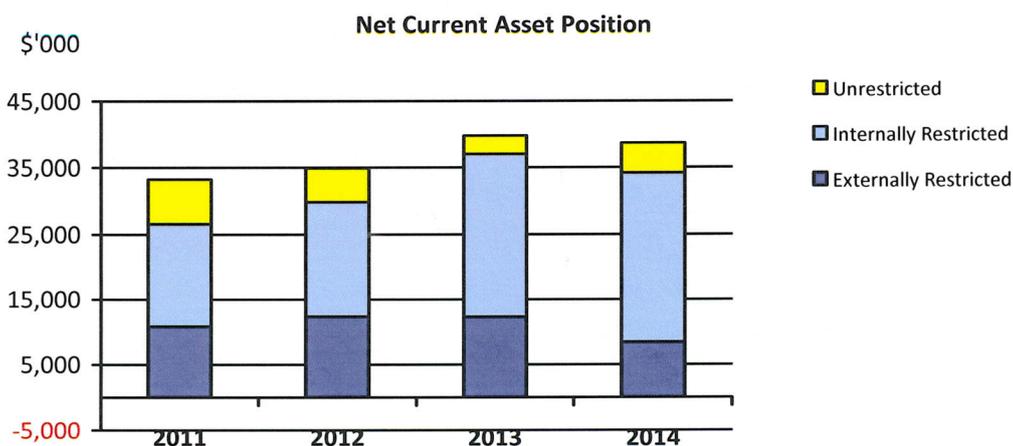
The Balance Sheet discloses that for the year ended 30 June 2014 Council's net assets stood at \$501,982,000 (2013 - \$480,442,000), which represents an increase of \$21,540,000. The increase comprises the net operating surplus after capital amounts of \$7,287,000 a \$14,301,000 revaluation increment following the revaluation of operational land and buildings and the indexed revaluation of Council's water and sewer infrastructure. This was offset by an asset impairment of \$48,000 taken against the asset revaluation reserve.

To assess the health 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 as follows: -

	<b>2014</b>	<b>2013</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Net Current Assets</b>	38,620	39,772
Less: Amounts externally restricted for special purposes (refer Notes 6; 7; & 8 of financial statements)	(11,310)	(15,563)
Less: Council internally imposed restrictions (refer Note 6 of financial statements)	(25,735)	(24,631)
Add: Applicable current liabilities refer Note 10		
- Water	84	137
- Sewerage	422	536
Add: Employee Leave Entitlements to be paid > 12 months	2,362	2,520
<b>Unrestricted net current asset surplus/(deficit)</b>	<b>4,443</b>	<b>2,771</b>
Unrestricted net current assets comprise: -		
Assets		
Cash	4,466	2,103
Receivables	2,375	2,230
Inventories	1,258	1,252
Other (Prepayments)	12	15
Less: General Purpose Liabilities	(6,030)	(5,349)
Plus: Employee Leave Entitlements to be paid > 12 months	2,362	2,520
<b>Unrestricted net current asset surplus/(deficit)</b>	<b>4,443</b>	<b>2,771</b>

Council's continues to enjoy a surplus of net current assets to cover the restrictions placed on those assets.

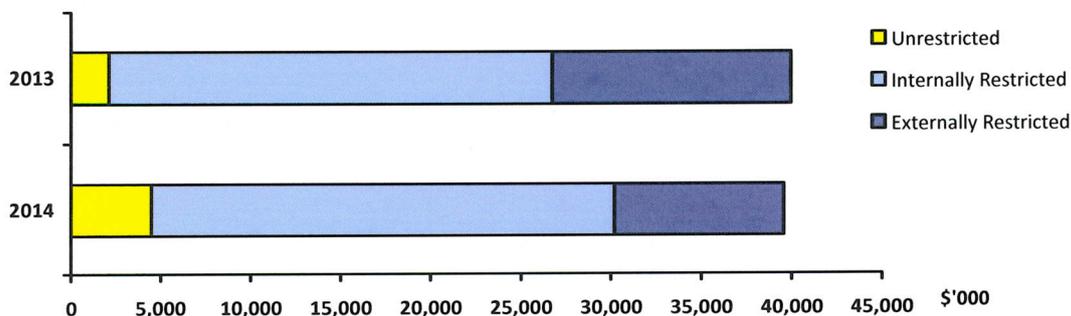
The following table shows the Council's calculated net current asset position over the past four years:



**Liquidity**

Note 6 to the accounts discloses total cash and investments of \$39,569,000 (2013 - \$39,972,000), of this amount \$9,368,000 (2013 - \$13,238,000) is subject to external restrictions requiring Council to commit those funds to the purposes for which they were provided and \$25,735,000 (2013 - \$24,631,000) is subject to internal restrictions agreed upon by Council for designated purposes. These internal restrictions may be altered at the discretion of Council, consistent with their operational plan.

The unrestricted balance of \$4,466,000 (2013 - \$2,103,000) represents funds available to cover non-budgeted discretionary expenditure and meet short-term cash flow requirements.



Whilst the consolidated financial statements displays healthy levels of cash and investments, we remind the reader that the consolidated data is not necessarily reflective of the position of the individual funds (General, Water & Sewer) and this is equally applicable when reviewing the performance indicators considered below. General information on the financial position and performance by fund is provided in Note 21 to the financial statements.

## (c) Performance Indicators

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

### **Operating Performance Ratio**

This is a new ratio that expresses council's ability to keep operating expenses, including depreciation, within its continuing operating revenue. The outcome of 0.85% (2013 – 6.54%) represents the surplus between continuing operating revenue and continuing operating expenses. The sharp decline in this ratio has many contributors, but in particular the prepayment of the 2014 Federal Assistance Grant in 2013 has served to boost the ratio in that year and suppress it in 2014.

### **Own Source Operating Revenue Ratio**

The ability of Council to meet community expectations for the delivery of services and provision of facilities is directly influenced by the discretion it can exercise in the allocation of resources.

The purpose of this ratio is to assess the degree of dependence upon external funding sources.

Cabonne Council's ratio of 62.09% (2013 – 65.50%) is lower than the prior financial year due to the (external source) capital grants for the small towns sewer scheme that were received this year.

### **Unrestricted Current Ratio**

The Unrestricted Current Ratio is a measure to assess the adequacy of working capital and the ability to satisfy obligations in the short term for the unrestricted activities of Council.

Cabonne Council's ratio of 8.98:1 indicates that it has sufficient liquidity to comfortably meet its debts as and when they fall due.

### **Rates & Annual Charges, Interest & Extra Charges Outstanding Percentage**

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

Cabonne Council's rates and annual charges, interest and extra charges outstanding percentage of 4.81% (2013 – 14.50%) has improved considerably against the prior year, though the high 2013 ratio was due to the levying of water and sewer charges at the end of the financial year thus the ratepayers had no opportunity to pay the debt.

**(d) Cash Flow Statement**

The Statement of Cash Flows reports a net decrease in cash assets held of (\$11,411,000) (2013 decrease - \$4,603,000) as follows:

	<b>2014 \$'000</b>	<b>2013 \$'000</b>	<b>Movement \$'000</b>
Cash flow provided by / (used in)			
Operating activities	16,393	12,980	3,413
Investing activities	(27,634)	(19,963)	(7,671)
Financing activities	(170)	2,380	(2,550)
Net increase / (decrease) in cash held	<u>(11,411)</u>	<u>(4,603)</u>	<u>(6,808)</u>

**Cash flows from operating activities**

The cashflows from operating activities have increased due to the improvement in uncollected rates combined with increased capital grants.

**Cash flows from investing activities**

Cash outflows related to acquisitions of infrastructure, property, plant and equipment were again substantial, with several items of heavy plant replaced in addition to capital works on roads and sewer infrastructure.

**Cash flows from financing activities**

The net cash flow used in financing activities was \$170,000 (2013 inflow - \$2,380,000), which related solely to the repayment of borrowings during the year.

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

Council's surplus from ordinary activities after capital amounts of \$7,287,000 was \$1,049,000 less than Council's original estimates.

It is beyond the purpose of this report to provide a detailed analysis of individual budget variations. Note 16 to Council's financial statements addresses the contributing factors to these variations in detail.

**(f) Other Matters**

**National Competition Policy**

In accordance with the requirements of National Competition Policy guidelines, Cabonne Council has prepared special purpose financial statements on its business units for the year ended 30 June 2014. Council has determined that it has three business units within its operations: Water, Sewerage and Quarry.

The Office of Local Government's July 1997 guidelines 'Pricing and Costing for Council Businesses: A Guide to Competitive Neutrality' outline 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 unqualified audit report on the special purpose reports for the year ended 30 June 2014 has been issued.

**Management Letters**

Our most recent management letter was issued on 13 June 2014. Management has typically responded to recommendations in an appropriate and timely manner.

**(g) 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 Cabonne Council's accounting records have been kept in accordance with the requirements of the Local Government Act, 1993 and regulations.

**(h) Matters Relating to the Electronic Presentation of the Audited Financial Report**

This auditor's report relates to the financial statements of Cabonne Council (Council) for the year ended 30 June 2014 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 report to confirm the information included in the audited financial report presented on this web site.

**Conclusion**

- (a) The 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 these statements;
- (b) The 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 these statements; and
- (c) All information relevant to the conduct of the audit has been obtained.



**intentus**

14 Sale Street  
Orange  
Dated: 30 September 2014



**John O'Malley**  
Director

# Cabonne Council

SPECIAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2014

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*“...providing sustainable local government to our rural communities  
through consultation and sound financial management”*



## Cabonne Council

### Special Purpose Financial Statements

for the financial year ended 30 June 2014

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#### Background

(i) These Special Purpose Financial Statements have been prepared for the use by both Council and the Division of Local Government in fulfilling their requirements under National Competition Policy.

(ii) The principle of competitive neutrality is based on the concept of a "level playing field" between persons/entities competing in a market place, particularly between private and public sector competitors.

Essentially, the principle is that government businesses, whether Commonwealth, State or Local, should operate without net competitive advantages over other businesses as a result of their public ownership.

(iii) For Council, the principle of competitive neutrality & public reporting applies only to declared business activities.

These include **(a)** those activities classified by the Australian Bureau of Statistics as business activities being water supply, sewerage services, abattoirs, gas production and reticulation and **(b)** those activities with a turnover of over \$2 million that Council has formally declared as a Business Activity (defined as Category 1 activities).

(iv) In preparing these financial statements for Council's self classified Category 1 businesses and ABS defined activities, councils must **(a)** adopt a corporatisation model and **(b)** apply full cost attribution including tax equivalent regime payments & debt guarantee fees (where the business benefits from councils borrowing position by comparison with commercial rates).

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## Cabonne Council

### Special Purpose Financial Statements

for the financial year ended 30 June 2014

### Statement by Councillors and Management

made pursuant to the Local Government Code of Accounting Practice and Financial Reporting

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

- The NSW Government Policy Statement "Application of National Competition Policy to Local Government".
- The Division of Local Government Guidelines "Pricing & Costing for Council Businesses - A Guide to Competitive Neutrality".
- The Local Government Code of Accounting Practice and Financial Reporting.
- The NSW Office of Water (Department of Environment, Climate Change and Water) Guidelines - "Best Practice Management of Water and Sewerage".

**To the best of our knowledge and belief, these Financial Statements:**

- Present fairly the Operating Result and Financial Position for each of Council's declared Business Activities for the year, and
- Accord with Council's accounting and other records.

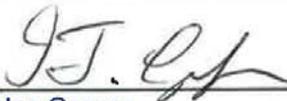
**We are not aware of any matter that would render these Statements false or misleading in any way.**

**Signed in accordance with a resolution of Council made on 16th September 2014.**




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Michael Hayes  
**MAYOR**




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Ian Gosper  
**COUNCILLOR**




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Andrew L Hopkins  
**GENERAL MANAGER**




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Stephen Harding  
**RESPONSIBLE ACCOUNTING OFFICER**

## Cabonne Council

## Income Statement of Council's Water Supply Business Activity

for the financial year ended 30 June 2014

\$ '000	Actual 2014	Actual 2013
<b>Income from continuing operations</b>		
Access charges	312	309
User charges	551	459
Fees	-	-
Interest	113	138
Grants and contributions provided for non capital purposes	13	13
Profit from the sale of assets	-	-
Other income	13	4
<b>Total income from continuing operations</b>	<b>1,002</b>	<b>923</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	169	156
Borrowing costs	-	-
Materials and contracts	381	570
Depreciation and impairment	469	511
Water purchase charges	-	-
Loss on sale of assets	-	-
Calculated taxation equivalents	-	-
Debt guarantee fee (if applicable)	-	-
Other expenses	94	81
<b>Total expenses from continuing operations</b>	<b>1,113</b>	<b>1,318</b>
<b>Surplus (deficit) from Continuing Operations before capital amounts</b>	<b>(111)</b>	<b>(395)</b>
Grants and contributions provided for capital purposes	35	14
<b>Surplus (deficit) from Continuing Operations after capital amounts</b>	<b>(76)</b>	<b>(381)</b>
Surplus (deficit) from discontinued operations	-	-
<b>Surplus (deficit) from ALL Operations before tax</b>	<b>(76)</b>	<b>(381)</b>
less: Corporate Taxation Equivalent (30%) [based on result before capital]	-	-
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>(76)</b>	<b>(381)</b>
plus Opening Retained Profits	11,521	11,902
plus/less: Prior Period Adjustments	-	-
plus Adjustments for amounts unpaid:		
- Taxation equivalent payments	-	-
- Debt guarantee fees	-	-
- Corporate taxation equivalent	-	-
less:		
- Tax Equivalent Dividend paid	-	-
- Surplus dividend paid	-	-
<b>Closing Retained Profits</b>	<b>11,445</b>	<b>11,521</b>
<b>Return on Capital %</b>	<b>-0.4%</b>	<b>-1.7%</b>
<b>Subsidy from Council</b>	<b>1,004</b>	<b>1,289</b>
<b>Calculation of dividend payable:</b>		
Surplus (deficit) after tax	(76)	(381)
less: Capital grants and contributions (excluding developer contributions)	(35)	(14)
<b>Surplus for dividend calculation purposes</b>	<b>-</b>	<b>-</b>
<b>Potential Dividend calculated from surplus</b>	<b>-</b>	<b>-</b>

## Cabonne Council

## Income Statement of Council's Sewerage Business Activity

for the financial year ended 30 June 2014

\$ '000	Actual 2014	Actual 2013
<b>Income from continuing operations</b>		
Access charges	1,325	1,310
User charges	60	75
Liquid Trade Waste charges	-	-
Fees	-	-
Interest	64	183
Grants and contributions provided for non capital purposes	124	28
Profit from the sale of assets	-	-
Other income	-	8
<b>Total income from continuing operations</b>	<b>1,573</b>	<b>1,604</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	220	215
Borrowing costs	180	121
Materials and contracts	417	754
Depreciation and impairment	782	764
Loss on sale of assets	-	-
Calculated taxation equivalents	-	-
Debt guarantee fee (if applicable)	-	-
Other expenses	254	137
<b>Total expenses from continuing operations</b>	<b>1,853</b>	<b>1,991</b>
<b>Surplus (deficit) from Continuing Operations before capital amounts</b>	<b>(280)</b>	<b>(387)</b>
Grants and contributions provided for capital purposes	3,402	827
<b>Surplus (deficit) from Continuing Operations after capital amounts</b>	<b>3,122</b>	<b>440</b>
Surplus (deficit) from discontinued operations	-	-
<b>Surplus (deficit) from ALL Operations before tax</b>	<b>3,122</b>	<b>440</b>
less: Corporate Taxation Equivalent (30%) [based on result before capital]	-	-
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>3,122</b>	<b>440</b>
plus Opening Retained Profits	21,403	20,963
plus/less: Prior Period Adjustments	-	-
plus Adjustments for amounts unpaid:		
- Taxation equivalent payments	-	-
- Debt guarantee fees	-	-
- Corporate taxation equivalent	-	-
less:		
- Tax Equivalent Dividend paid	-	-
- Surplus dividend paid	-	-
<b>Closing Retained Profits</b>	<b>24,525</b>	<b>21,403</b>
<b>Return on Capital %</b>	<b>-0.2%</b>	<b>-0.8%</b>
<b>Subsidy from Council</b>	<b>1,527</b>	<b>1,529</b>
<b>Calculation of dividend payable:</b>		
Surplus (deficit) after tax	3,122	440
less: Capital grants and contributions (excluding developer contributions)	(3,402)	(749)
<b>Surplus for dividend calculation purposes</b>	<b>-</b>	<b>-</b>
<b>Potential Dividend calculated from surplus</b>	<b>-</b>	<b>-</b>

## Cabonne Council

## Income Statement of Council's Other Business Activities

for the financial year ended 30 June 2014

Quarry

Category 1

\$ '000	Actual 2014	Actual 2013
<b>Income from continuing operations</b>		
Access charges	-	-
User charges	1,848	1,561
Fees	-	-
Interest	23	21
Grants and contributions provided for non capital purposes	-	-
Profit from the sale of assets	-	-
Other income	2	-
<b>Total income from continuing operations</b>	<b>1,873</b>	<b>1,582</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	232	205
Borrowing costs	47	-
Materials and contracts	608	692
Depreciation and impairment	121	162
Loss on sale of assets	-	-
Calculated taxation equivalents	-	-
Debt guarantee fee (if applicable)	-	-
Other expenses	601	363
<b>Total expenses from continuing operations</b>	<b>1,609</b>	<b>1,422</b>
<b>Surplus (deficit) from Continuing Operations before capital amounts</b>	<b>264</b>	<b>160</b>
Grants and contributions provided for capital purposes	-	-
<b>Surplus (deficit) from Continuing Operations after capital amounts</b>	<b>264</b>	<b>160</b>
Surplus (deficit) from discontinued operations	-	-
<b>Surplus (deficit) from ALL Operations before tax</b>	<b>264</b>	<b>160</b>
less: Corporate Taxation Equivalent (30%) [based on result before capital]	(79)	(48)
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>185</b>	<b>112</b>
plus Opening Retained Profits	1,674	1,514
plus/less: Prior Period Adjustments	-	-
plus Adjustments for amounts unpaid:		
- Taxation equivalent payments	-	-
- Debt guarantee fees	-	-
- Corporate taxation equivalent	79	48
add:		
- Subsidy Paid/Contribution To Operations	-	-
less:		
- TER dividend paid	-	-
- Dividend paid	-	-
<b>Closing Retained Profits</b>	<b>1,938</b>	<b>1,674</b>
<b>Return on Capital %</b>	<b>20.7%</b>	<b>12.6%</b>
<b>Subsidy from Council</b>	<b>-</b>	<b>-</b>

## Cabonne Council

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

as at 30 June 2014

\$ '000	Actual 2014	Actual 2013
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	3,093	3,300
Investments	-	-
Receivables	598	538
Inventories	-	-
Other	-	-
Non-current assets classified as held for sale	-	-
<b>Total Current Assets</b>	<b>3,691</b>	<b>3,838</b>
<b>Non-Current Assets</b>		
Investments	-	-
Receivables	-	25
Inventories	-	-
Infrastructure, property, plant and equipment	25,077	23,718
Investments accounted for using equity method	-	-
Investment property	-	-
Other	-	-
<b>Total non-Current Assets</b>	<b>25,077</b>	<b>23,743</b>
<b>TOTAL ASSETS</b>	<b>28,768</b>	<b>27,581</b>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Bank Overdraft	-	-
Payables	84	137
Interest bearing liabilities	-	-
Provisions	-	-
<b>Total Current Liabilities</b>	<b>84</b>	<b>137</b>
<b>Non-Current Liabilities</b>		
Payables	-	-
Interest bearing liabilities	-	-
Provisions	-	-
<b>Total Non-Current Liabilities</b>	<b>-</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>	<b>84</b>	<b>137</b>
<b>NET ASSETS</b>	<b>28,684</b>	<b>27,444</b>
<b>EQUITY</b>		
Retained earnings	11,445	11,521
Revaluation reserves	17,239	15,923
Council equity interest	28,684	27,444
Non-controlling equity interest	-	-
<b>TOTAL EQUITY</b>	<b>28,684</b>	<b>27,444</b>

## Cabonne Council

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

as at 30 June 2014

\$ '000	Actual 2014	Actual 2013
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	2,262	4,095
Investments	-	-
Receivables	1,344	1,788
Inventories	-	-
Other	-	-
Non-current assets classified as held for sale	-	-
<b>Total Current Assets</b>	<b>3,606</b>	<b>5,883</b>
<b>Non-Current Assets</b>		
Investments	-	-
Receivables	-	90
Inventories	-	-
Infrastructure, property, plant and equipment	40,078	33,496
Investments accounted for using equity method	-	-
Investment property	-	-
Other	-	-
<b>Total non-Current Assets</b>	<b>40,078</b>	<b>33,586</b>
<b>TOTAL ASSETS</b>	<b>43,684</b>	<b>39,469</b>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Bank Overdraft	-	-
Payables	245	369
Interest bearing liabilities	177	167
Provisions	-	-
<b>Total Current Liabilities</b>	<b>422</b>	<b>536</b>
<b>Non-Current Liabilities</b>		
Payables	-	-
Interest bearing liabilities	2,707	2,884
Provisions	-	-
<b>Total Non-Current Liabilities</b>	<b>2,707</b>	<b>2,884</b>
<b>TOTAL LIABILITIES</b>	<b>3,129</b>	<b>3,420</b>
<b>NET ASSETS</b>	<b>40,555</b>	<b>36,049</b>
<b>EQUITY</b>		
Retained earnings	24,525	21,403
Revaluation reserves	16,030	14,646
Council equity interest	40,555	36,049
Non-controlling equity interest	-	-
<b>TOTAL EQUITY</b>	<b>40,555</b>	<b>36,049</b>

## Cabonne Council

## Statement of Financial Position - Council's Other Business Activities

as at 30 June 2014

Quarry

Category 1

\$ '000	Actual 2014	Actual 2013
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	893	941
Investments	-	-
Receivables	109	186
Inventories	256	125
Other	-	-
Non-current assets classified as held for sale	-	-
<b>Total Current Assets</b>	<b>1,258</b>	<b>1,252</b>
<b>Non-Current Assets</b>		
Investments	-	-
Receivables	-	-
Inventories	-	-
Infrastructure, property, plant and equipment	1,501	1,270
Investments accounted for using equity method	-	-
Investment property	-	-
Other	-	-
<b>Total Non-Current Assets</b>	<b>1,501</b>	<b>1,270</b>
<b>TOTAL ASSETS</b>	<b>2,759</b>	<b>2,522</b>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Bank Overdraft	-	-
Payables	-	-
Interest bearing liabilities	821	774
Provisions	-	74
<b>Total Current Liabilities</b>	<b>821</b>	<b>848</b>
<b>Non-Current Liabilities</b>		
Payables	-	-
Interest bearing liabilities	-	-
Provisions	-	-
Other Liabilities	-	-
<b>Total Non-Current Liabilities</b>	<b>-</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>	<b>821</b>	<b>848</b>
<b>NET ASSETS</b>	<b>1,938</b>	<b>1,674</b>
<b>EQUITY</b>		
Retained earnings	1,938	1,674
Revaluation reserves	-	-
Council equity interest	1,938	1,674
Non-controlling equity interest	-	-
<b>TOTAL EQUITY</b>	<b>1,938</b>	<b>1,674</b>

## Cabonne Council

### Special Purpose Financial Statements

for the financial year ended 30 June 2014

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

Note	Details	Page
1	Summary of Significant Accounting Policies	10
2	Water Supply Business Best Practice Management disclosure requirements	13
3	Sewerage Business Best Practice Management disclosure requirements	15

## Cabonne Council

### Notes to the Special Purpose Financial Statements

for the financial year ended 30 June 2014

#### Note 1. Significant Accounting Policies

These financial statements are a Special Purpose Financial Statements (SPFS) prepared for use by Council and the Office of Local Government.

For the purposes of these statements, the Council is not a reporting not-for-profit entity.

The figures presented in these special purpose financial statements, unless otherwise stated, have been prepared in accordance with:

- the recognition and measurement criteria of relevant Australian Accounting Standards,
- other authoritative pronouncements of the Australian Accounting Standards Board (AASB) &
- Australian Accounting Interpretations.

The disclosures in these special purpose financial statements have been prepared in accordance with:

- the Local Government Act and Regulation, and
- the Local Government Code of Accounting Practice and Financial Reporting.

The statements are also prepared on an accruals basis, based on historic costs and do not take into account changing money values nor current values of non-current assets (except where specifically stated).

Certain taxes and other costs (appropriately described) have been imputed for the purposes of the National Competition Policy.

#### National Competition Policy

Council has adopted the principle of 'competitive neutrality' to its business activities as part of the national competition policy which is being applied throughout Australia at all levels of government.

The framework for its application is set out in the June 1996 Government Policy statement on the "Application of National Competition Policy to Local Government".

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

The pricing & costing guidelines outline the process for identifying and allocating costs to 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; return on investments (rate of return); and dividends paid.

#### Declared Business Activities

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

##### Category 1

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

##### a. Cabonne Council – Agricultural Quarry

*Supplies agricultural lime, limestone aggregates and ready mixed concrete*

##### Category 2

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

##### a. Cabonne Council Combined Water Supplies

*Water supply operations servicing the towns of Molong, Yeoval and Cumnock, established as a combined special rate fund.*

##### b. Cabonne Council Combined Sewerage Supplies

*Sewerage reticulation and treatment operations servicing the towns of Molong, Eugowra, Canowindra, Cudal, Yeoval, Cumnock and Manildra. These are reported under two special rate funds:*

- (i) *Cabonne Sewer Fund, servicing the towns of Molong, Canowindra and Eugowra, and*
- (ii) *Small Twon Sewer Fund, servicing the towns of Manildra, Cudal, Cumnock and Yeoval*

#### Monetary Amounts

Amounts shown in the financial statements are in Australian currency and rounded to the nearest one thousand dollars, with the exception of some figures disclosed in Note 2 (Water Supply Best Practice

## Cabonne Council

### Notes to the Special Purpose Financial Statements

for the financial year ended 30 June 2014

#### Note 1. Significant Accounting Policies

Management Disclosures) and Note 3 (Sewerage Best Practice Management Disclosures).

As required by the NSW Office of Water (Department of Primary Industries) the amounts shown in Notes 2 and Note 3 are disclosed in whole dollars.

##### (i) Taxation Equivalent Charges

Council is liable to pay various taxes and financial duties in undertaking its business activities. Where this is the case, they are disclosed in these statements as a cost of operations just like all other costs.

However, where Council is exempt from paying taxes which are generally paid by private sector businesses (such as income tax), equivalent tax payments have been applied to all Council nominated business activities and are reflected in these financial statements.

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

##### Notional Rate Applied %

Corporate Income Tax Rate – **30%**

Land Tax – The first **\$412,000** of combined land values attracts **0%**. From \$412,001 to \$2,519,000 the rate is **1.6% + \$100**. For the remaining combined land value that exceeds \$2,519,000, a premium marginal rate of **2.0%** applies.

Payroll Tax – **5.45%** on the value of taxable salaries and wages in excess of \$750,000.

In accordance with the guidelines for Best Practice Management of Water Supply and Sewerage, a payment for the amount calculated as the annual tax equivalent charges (excluding income tax) must be paid from Water Supply and Sewerage Business activities.

The payment of taxation equivalent charges, referred in the Best Practice Management of Water Supply and Sewerage Guides to as a "Dividend for Taxation equivalent", may be applied for any purpose allowed under the Local Government Act, 1993.

Achievement of substantial compliance against the guidelines for Best Practice Management of Water Supply and Sewerage is not a prerequisite for the payment of the tax equivalent charges, however the payment must not exceed \$3 per assessment.

##### Income Tax

An income tax equivalent has been applied on the profits of each reported Business Activity.

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

Accordingly, the return on capital invested is set at a pre-tax level (gain/(loss) from ordinary activities before capital amounts) as would be applied by a private sector competitor – that is, it should include a provision equivalent to the corporate income tax rate, currently 30%.

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

Since this taxation equivalent is notional - that is, it is payable to the "Council" as the owner of business operations, it represents an internal payment and has no effect on the operations of the council. Accordingly, there is no need for disclosure of internal charges in Council's General Purpose Financial Statements.

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

##### Local Government Rates & Charges

A calculation of the equivalent rates and charges payable on all Category 1 businesses has been applied to all land assets owned or exclusively used by the Business Activity.

##### Loan & Debt Guarantee Fees

The debt guarantee fee is designed to ensure that council business activities face "true" commercial borrowing costs in line with private sector competitors.

## Cabonne Council

### Notes to the Special Purpose Financial Statements for the financial year ended 30 June 2014

#### Note 1. Significant Accounting Policies

In order to calculate a debt guarantee fee, council has determined what the differential borrowing rate would have been between the commercial rate and the council's borrowing rate for its business activities.

##### (ii) Subsidies

Government policy requires that subsidies provided to customers and the funding of those subsidies must be explicitly disclosed.

Subsidies occur where council provides services on a less than cost recovery basis. This option is exercised on a range of services in order for council to meet its community service obligations.

Accordingly, Subsidies disclosed (in relation to National Competition Policy) represents the difference between revenue generated from 'rate of return' pricing and revenue generated from prices set by the council in any given financial year.

The overall effect of subsidies is contained within the Income Statement of each reported Business Activity.

##### (iii) Return on Investments (Rate of Return)

The Policy statement requires that councils with Category 1 businesses "would be expected to generate a return on capital funds employed that is comparable to rates of return for private businesses operating in a similar field".

Such funds are subsequently available for meeting commitments or financing future investment strategies.

The Rate of Return on Capital is calculated as follows:

**Operating Result before Capital Income + Interest Expense**

**Written Down Value of I,PP&E as at 30 June**

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 3.56% at 30/6/14.

The actual rate of return achieved by each Business Activity is disclosed at the foot of each respective Income Statement.

##### (iv) Dividends

Council is not required to pay dividends to either itself (as owner of a range of businesses) or to any external entities.

Local Government Water Supply and Sewerage Businesses are permitted to pay an annual dividend from its water supply or sewerage business surplus.

The dividend, calculated and approved in accordance with the Best Practice Management Guidelines, must not exceed either:

- (i) 50% of this surplus in any one year, or
- (ii) the number of water supply or sewerage assessments at 30 June 2014 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

In accordance with the guidelines for Best Practice Management of Water Supply and Sewerage, a Dividend Payment form, Statement of Compliance, Unqualified Independent Financial Audit Report and Compliance Audit Report are required to be submitted to the NSW Office of Water prior to making the dividend and only after it has approved the payment.

## Cabonne Council

### Notes to the Special Purpose Financial Statements for the financial year ended 30 June 2014

#### Note 2. Water Supply Business Best Practice Management disclosure requirements

Dollars Amounts shown below are in WHOLE DOLLARS (unless otherwise indicated)

2014

##### 1. Calculation and Payment of Tax-Equivalents

[All Local Government Local Water Utilities must pay this dividend for tax-equivalents]

(i)	Calculated Tax Equivalents	-
(ii)	No of assessments multiplied by \$3/assessment	4,059
(iii)	Amounts payable for Tax Equivalents [lesser of (i) and (ii)]	-
(iv)	Amounts actually paid for Tax Equivalents	-

##### 2. Dividend from Surplus

(i)	50% of Surplus before Dividends [Calculated in accordance with Best Practice Management for Water Supply and Sewerage Guidelines]	-
(ii)	No. of assessments multiplied by \$30/assessment, less tax equivalent charges/assessment	40,590
(iii)	Cumulative surplus before Dividends for the 3 years to 30 June 2014, less the cumulative dividends paid for the 2 years to 30 June 2013 & 30 June 2012	(798,000)

2014 Surplus	(111,000)	2013 Surplus	(395,000)	2012 Surplus	(292,000)
		2013 Dividend	-	2012 Dividend	-

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	n/a
(v)	Dividend actually paid from surplus [refer below for required pre-dividend payment Criteria]	-

##### 3. Required outcomes for 6 Criteria

[To be eligible for the payment of a "Dividend from Surplus", ALL the Criteria below need a "YES"]

(i)	Completion of Strategic Business Plan (including Financial Plan)	YES
(ii)	Full Cost Recovery, without significant cross subsidies [Refer Item 2(a) in Table 1 on page 22 of the Best Practice Guidelines]	YES
	- Complying charges [Item 2(b) in Table 1]	YES
	- DSP with Commercial Developer Charges [Item 2(e) in Table 1]	YES
	- If Dual Water Supplies, Complying Charges [Item 2(g) in Table 1]	NO
(iii)	Sound Water Conservation and Demand Management implemented	YES
(iv)	Sound Drought Management implemented	YES
(v)	Complete Performance Reporting Form (by 15 September each year)	YES
(vi)	a. Integrated Water Cycle Management Evaluation	YES
	b. Complete and implement Integrated Water Cycle Management Strategy	YES

## Cabonne Council

Notes to the Special Purpose Financial Statements  
for the financial year ended 30 June 2014Note 2. Water Supply Business  
Best Practice Management disclosure requirements (continued)

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Dollars Amounts shown below are in WHOLE DOLLARS (unless otherwise indicated) 2014


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**National Water Initiative (NWI) Financial Performance Indicators**

NWI F1	Total Revenue (Water) Total Income (w13) - Grants for the Acquisition of Assets (w11a) - Interest Income (w9) - Aboriginal Communities W&S Program Income (w10a)	\$'000	924
NWI F4	Revenue from Residential Usage Charges (Water) Income from Residential Usage Charges (w6b) x 100 divided by the sum of [Income from Residential Usage Charges (w6a) + Income from Residential Access Charges (w6b)]	%	61.95%
NWI F9	Written Down Replacement Cost of Fixed Assets (Water) Written down current cost of system assets (w47)	\$'000	22,882
NWI F11	Operating Cost (OMA) (Water) Management Expenses (w1) + Operational & Maintenance Expenses (w2)	\$'000	644
NWI F14	Capital Expenditure (Water) Acquisition of fixed assets (w16)	\$'000	531
NWI F17	Economic Real Rate of Return (Water) [Total Income (w13) - Interest Income (w9) - Grants for acquisition of assets (w11a) - Operating Costs (NWI F11) - Current Cost Depreciation (w3)] x 100 divided by [Written Down Current Cost of System Assets (w47) + Plant & Equipment (w33b)]	%	-0.75%
NWI F26	Capital Works Grants (Water) Grants for the Acquisition of Assets (w11a)	\$'000	-

- Notes:
- References to w (eg. w12) refer to item numbers within Special Schedules No. 3 & 4 of Council's Annual Financial Statements.
  - The NWI Performance Indicators are based upon the National Performance Framework Handbook for Urban Performance Reporting Indicators & Definitions.

## Cabonne Council

### Notes to the Special Purpose Financial Statements for the financial year ended 30 June 2014

#### Note 3. Sewerage Business Best Practice Management disclosure requirements

Dollars Amounts shown below are in WHOLE DOLLARS (unless otherwise indicated)

2014

##### 1. Calculation and Payment of Tax-Equivalents

[All Local Government Local Water Utilities must pay this dividend for tax-equivalents]

(i)	Calculated Tax Equivalents	-
(ii)	No of assessments multiplied by \$3/assessment	6,972
(iii)	Amounts payable for Tax Equivalents [lesser of (i) and (ii)]	-
(iv)	Amounts actually paid for Tax Equivalents	-

##### 2. Dividend from Surplus

(i)	50% of Surplus before Dividends [Calculated in accordance with Best Practice Management for Water Supply and Sewerage Guidelines]	-
(ii)	No. of assessments x (\$30 less tax equivalent charges per assessment)	69,720
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2014, less the cumulative dividends paid for the 2 years to 30 June 2013 & 30 June 2012	(618,000)

2014 Surplus	(280,000)	2013 Surplus	(309,000)	2012 Surplus	(29,000)
		2013 Dividend	-	2012 Dividend	-

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	n/a
(v)	Dividend actually paid from surplus [refer below for required pre-dividend payment Criteria]	-

##### 3. Required outcomes for 4 Criteria

[To be eligible for the payment of a "Dividend from Surplus", ALL the Criteria below need a "YES"]

(i)	Completion of Strategic Business Plan (including Financial Plan)	YES
(ii)	Pricing with full cost-recovery, without significant cross subsidies [Refer Item 2(a) in Table 1 on page 22 of the Best Practice Guidelines]	YES
	Complying charges	
	(a) Residential [Item 2(c) in Table 1]	YES
	(b) Non Residential [Item 2(c) in Table 1]	YES
	(c) Trade Waste [Item 2(d) in Table 1]	YES
	DSP with Commercial Developer Charges [Item 2(e) in Table 1]	YES
	Liquid Trade Waste Approvals & Policy [Item 2(f) in Table 1]	YES
(iii)	Complete Performance Reporting Form (by 15 September each year)	YES
(iv)	a. Integrated Water Cycle Management Evaluation	YES
	b. Complete and implement Integrated Water Cycle Management Strategy	YES

## Cabonne Council

Notes to the Special Purpose Financial Statements  
for the financial year ended 30 June 2014Note 3. Sewerage Business  
Best Practice Management disclosure requirements (continued)

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Dollars Amounts shown below are in WHOLE DOLLARS (unless otherwise indicated) 2014


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**National Water Initiative (NWI) Financial Performance Indicators**

<b>NWI F2</b>	Total Revenue (Sewerage) Total Income (s14) - Grants for Acquisition of Assets (s12a) - Interest Income (s10) - Aboriginal Communities W&S Program Income (w10a)	\$'000	1,582
<b>NWI F10</b>	Written Down Replacement Cost of Fixed Assets (Sewerage) Written down current cost of system assets (s48)	\$'000	28,190
<b>NWI F12</b>	Operating Cost (Sewerage) Management Expenses (s1) + Operational & Maintenance Expenses (s2)	\$'000	1,071
<b>NWI F15</b>	Capital Expenditure (Sewerage) Acquisition of Fixed Assets (s17)	\$'000	233
<b>NWI F18</b>	Economic Real Rate of Return (Sewerage) [Total Income (s14) - Interest Income (s10) - Grants for acquisition of Assets (s12a) - Operating cost (NWI F12) - Current cost depreciation (s3)] x 100 divided by [Written down current cost (ie. WDCC) of System Assets (s48) + Plant & Equipment (s34b)]	%	-0.68%
<b>NWI F27</b>	Capital Works Grants (Sewerage) Grants for the Acquisition of Assets (12a)	\$'000	3,329

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**National Water Initiative (NWI) Financial Performance Indicators  
Water & Sewer (combined)**

<b>NWI F3</b>	Total Income (Water & Sewerage) Total Income (w13 + s14) + Gain/Loss on disposal of assets (w14 + s15) minus Grants for acquisition of assets (w11a + s12a) - Interest Income (w9 + s10)	\$'000	2,506
<b>NWI F8</b>	Revenue from Community Service Obligations (Water & Sewerage) Community Service Obligations (NWI F25) x 100 divided by Total Income (NWI F3)	%	1.56%
<b>NWI F16</b>	Capital Expenditure (Water & Sewerage) Acquisition of Fixed Assets (w16 + s17)	\$'000	764
<b>NWI F19</b>	Economic Real Rate of Return (Water & Sewerage) [Total Income (w13 + s14) - Interest Income (w9 + s10) - Grants for acquisition of assets (w11a + s12a) - Operating Cost (NWI F11 + NWI F12) - Current cost depreciation (w3 + s3)] x 100 divided by [Written down replacement cost of fixed assets (NWI F9 + NWI F10) + Plant & equipment (w33b + s34b)]	%	-0.71%
<b>NWI F20</b>	Dividend (Water & Sewerage) Dividend paid from surplus (2(v) of Note 2 + 2(v) of Note 3)	\$'000	-
<b>NWI F21</b>	Dividend Payout Ratio (Water & Sewerage) Dividend (NWI F20) x 100 divided by Net Profit after tax (NWI F24)	%	0.00%

## Cabonne Council

Notes to the Special Purpose Financial Statements  
for the financial year ended 30 June 2014Note 3. Sewerage Business  
Best Practice Management disclosure requirements (continued)

Dollars Amounts shown below are in WHOLE DOLLARS (unless otherwise indicated)

2014

National Water Initiative (NWI) Financial Performance Indicators  
Water & Sewer (combined)

<b>NWI F22</b>	Net Debt to Equity (Water & Sewerage) Overdraft (w36 + s37) + Borrowings (w38 + s39) - Cash & Investments (w30 + s31) x 100 divided by [Total Assets (w35 + s36) - Total Liabilities (w40 + s41)]	%	-3.57%
<b>NWI F23</b>	Interest Cover (Water & Sewerage) Earnings before Interest & Tax (EBIT) divided by Net Interest  Earnings before Interest & Tax (EBIT): Operating Result (w15a + s16a) + Interest expense (w4a + s4a) - Interest Income (w9 + s10) - Gain/Loss on disposal of assets (w14 + s15) + Miscellaneous Expenses (w4b + w4c + s4b + s4c)  Net Interest: Interest Expense (w4a + s4a) - Interest Income (w9 + s10)		-
<b>NWI F24</b>	Net Profit After Tax (Water & Sewerage) Surplus before dividends (w15a + s16a) - Tax equivalents paid (Note 2-1(iv) + Note 3-1(iv))	\$'000	(283)
<b>NWI F25</b>	Community Service Obligations (Water & Sewerage) Grants for Pensioner Rebates (w11b + s12b)	\$'000	39

- Notes:
- References to w (eg. s12) refer to item numbers within Special Schedules No. 5 & 6 of Council's Annual Financial Statements.
  - The NWI Performance Indicators are based upon the National Performance Framework Handbook for Urban Performance Reporting Indicators & Definitions.

**INDEPENDENT AUDITOR'S REPORT  
ON THE SPECIAL PURPOSE FINANCIAL STATEMENTS OF  
CABONNE COUNCIL**

**Report on the Financial Statements**

We have audited the special purpose financial statements of Cabonne Council for the year ended 30 June 2014, comprising the Statement by Council, Income Statement by Business Activities, Statement of Financial Position by Business Activities, and accompanying Notes to the Financial Statements. Our audit responsibility does not extend to the best practice management disclosures in Notes 2 and 3 and accordingly we express no opinion on them.

**Councils' Responsibility for the Financial Statements**

The Council are responsible for the preparation and fair presentation of the financial statements and have determined that the accounting policies described in Note 1 to the financial statements which form part of the financial statements are appropriate to meet the financial reporting requirements of the Council and the Office of Local Government for the purpose of fulfilling the requirements of National Competition Policy reporting. The Council's responsibility also includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements that are 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. No opinion is expressed as to whether the accounting policies used, as described in Note 1, are appropriate to meet the needs of the Council. 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 the 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 special purpose financial statements of Cabonne Council (Council) for the year ended 30 June 2014 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, the special purpose financial statements of Cabonne Council are presented fairly in accordance with the requirements of those applicable accounting policies detailed in Note 1, the accounting requirements of the Local Government Act 1993 and the Local Government Code of Accounting Practice and Financial Reporting.

## **Basis of Accounting**

Without modifying our opinion, we draw attention to Note 1 to the financial statements, which describes the basis of accounting. The special purpose financial statements have been prepared for distribution to the Council and the Office of Local Government for the purpose of fulfilling the requirements of National Competition Policy reporting. As a result, the financial statements may not be suitable for another purpose. We disclaim any assumption of responsibility for any reliance on this report or on the financial statements to which it relates to any person other than the Council or the Office of Local Government or for any purpose other than for which the statements were prepared.



**intentus**

14 Sale Street  
Orange  
Dated: 30 September 2014



**John O'Malley**  
**Director**

# Cabonne Council

SPECIAL SCHEDULES  
for the year ended 30 June 2014

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*“...providing sustainable local government to our rural communities  
through consultation and sound financial management”*



# Cabonne Council

## Special Schedules

for the financial year ended 30 June 2014

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#### Special Schedules<sup>1</sup>

- Special Schedule No. 1	Net Cost of Services	2
- Special Schedule No. 2(a)	Statement of Long Term Debt (all purposes)	4
- Special Schedule No. 2(b)	Statement of Internal Loans (Sect. 410(3) LGA 1993)	n/a
- Special Schedule No. 3	Water Supply Operations - incl. Income Statement	5
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<sup>1</sup> Special Schedules are not audited (with the exception of Special Schedule 9).

#### Background

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

## Cabonne Council

## Special Schedule No. 1 - Net Cost of Services

for the financial year ended 30 June 2014

\$'000

Function or Activity	Expenses from Continuing Operations	Income from continuing operations		Net Cost of Services
		Non Capital	Capital	
<b>Governance</b>	<b>583</b>	<b>130</b>	<b>-</b>	<b>(453)</b>
<b>Administration</b>	<b>4,551</b>	<b>856</b>	<b>-</b>	<b>(3,695)</b>
<b>Public Order and Safety</b>				
Fire Service Levy, Fire Protection, Emergency Services	580	16	255	(309)
Beach Control	-	-	-	-
Enforcement of Local Govt. Regulations	-	-	-	-
Animal Control	142	12	-	(130)
Other	-	-	-	-
<b>Total Public Order &amp; Safety</b>	<b>722</b>	<b>28</b>	<b>255</b>	<b>(439)</b>
<b>Health</b>	<b>458</b>	<b>97</b>	<b>-</b>	<b>(361)</b>
<b>Environment</b>				
Noxious Plants and Insect/Vermin Control	1,568	1,337	-	(231)
Other Environmental Protection	45	14	56	25
Solid Waste Management	1,229	1,765	-	536
Street Cleaning	171	-	-	(171)
Drainage	9	74	-	65
Stormwater Management	95	-	-	(95)
<b>Total Environment</b>	<b>3,117</b>	<b>3,190</b>	<b>56</b>	<b>129</b>
<b>Community Services and Education</b>				
Administration & Education	166	24	-	(142)
Social Protection (Welfare)	-	-	-	-
Aged Persons and Disabled	648	612	75	39
Children's Services	1,127	958	-	(169)
<b>Total Community Services &amp; Education</b>	<b>1,941</b>	<b>1,594</b>	<b>75</b>	<b>(272)</b>
<b>Housing and Community Amenities</b>				
Public Cemeteries	171	75	-	(96)
Public Conveniences	139	-	-	(139)
Street Lighting	132	38	-	(94)
Town Planning	216	180	-	(36)
Other Community Amenities	40	25	-	(15)
<b>Total Housing and Community Amenities</b>	<b>698</b>	<b>318</b>	<b>-</b>	<b>(380)</b>
<b>Water Supplies</b>	<b>1,122</b>	<b>1,001</b>	<b>35</b>	<b>(86)</b>
<b>Sewerage Services</b>	<b>1,852</b>	<b>1,572</b>	<b>3,402</b>	<b>3,122</b>

## Cabonne Council

## Special Schedule No. 1 - Net Cost of Services (continued)

for the financial year ended 30 June 2014

\$'000

Function or Activity	Expenses from Continuing Operations	Income from continuing operations		Net Cost of Services
		Non Capital	Capital	
<b>Recreation and Culture</b>				
Public Libraries	299	66	-	(233)
Museums	252	11	-	(241)
Art Galleries	-	-	-	-
Community Centres and Halls	236	5	-	(231)
Performing Arts Venues	-	-	-	-
Other Performing Arts	-	-	-	-
Other Cultural Services	20	1	-	(19)
Sporting Grounds and Venues	402	6	-	(396)
Swimming Pools	527	-	-	(527)
Parks & Gardens (Lakes)	261	6	-	(255)
Other Sport and Recreation	95	8	-	(87)
<b>Total Recreation and Culture</b>	<b>2,092</b>	<b>103</b>	<b>-</b>	<b>(1,989)</b>
<b>Fuel &amp; Energy</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Agriculture</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Mining, Manufacturing and Construction</b>				
Building Control	-	148	-	148
Other Mining, Manufacturing & Construction	1,651	1,896	-	245
<b>Total Mining, Manufacturing and Const.</b>	<b>1,651</b>	<b>2,044</b>	<b>-</b>	<b>393</b>
<b>Transport and Communication</b>				
Urban Roads (UR) - Local	5,528	557	1,179	(3,792)
Urban Roads - Regional	1,633	1,485	232	84
Sealed Rural Roads (SRR) - Local	-	-	-	-
Sealed Rural Roads (SRR) - Regional	-	965	-	965
Unsealed Rural Roads (URR) - Local	-	-	-	-
Unsealed Rural Roads (URR) - Regional	-	-	-	-
Bridges on UR - Local	250	-	-	(250)
Bridges on SRR - Local	-	-	-	-
Bridges on URR - Local	-	-	-	-
Bridges on Regional Roads	117	-	940	823
Parking Areas	-	-	-	-
Footpaths	301	18	65	(218)
Aerodromes	-	-	-	-
Other Transport & Communication	4,759	5,789	234	1,264
<b>Total Transport and Communication</b>	<b>12,588</b>	<b>8,814</b>	<b>2,650</b>	<b>(1,124)</b>
<b>Economic Affairs</b>				
Camping Areas & Caravan Parks	212	116	-	(96)
Other Economic Affairs	698	406	-	(292)
<b>Total Economic Affairs</b>	<b>910</b>	<b>522</b>	<b>-</b>	<b>(388)</b>
<b>Totals – Functions</b>	<b>32,285</b>	<b>20,269</b>	<b>6,473</b>	<b>(5,543)</b>
<b>General Purpose Revenues</b> <sup>(2)</sup>		<b>12,830</b>		<b>12,830</b>
<b>Share of interests - joint ventures &amp; associates using the equity method</b>	<b>-</b>	<b>-</b>		<b>-</b>
<b>NET OPERATING RESULT</b> <sup>(1)</sup>	<b>32,285</b>	<b>33,099</b>	<b>6,473</b>	<b>7,287</b>

(1) As reported in the Income Statement

(2) Includes: Rates &amp; Annual Charges (incl. Ex Gratia, excl. Water &amp; Sewer), Non Capital General Purpose Grants, Interest on Investments (excl. Ext. Restricted Assets) &amp; Interest on overdue Rates &amp; Annual Charges

Cabonne Council

Special Schedule No. 2(a) - Statement of Long Term Debt (all purpose)

for the financial year ended 30 June 2014

\$'000

Classification of Debt	Principal outstanding at beginning of the year			New Loans raised during the year	Debt redemption during the year		Transfers to Sinking Funds	Interest applicable for Year	Principal outstanding at the end of the year		
	Current	Non Current	Total		From Revenue	Sinking Funds			Current	Non Current	Total
<b>Loans (by Source)</b>											
Commonwealth Government	-	-	-	-	-	-	-	-	-	-	-
Treasury Corporation	-	-	-	-	-	-	-	-	-	-	-
Other State Government	-	-	-	-	-	-	-	-	-	-	-
Public Subscription	-	-	-	-	-	-	-	-	-	-	-
Financial Institutions	167	2,883	3,050	-	167	-	-	180	177	2,706	2,883
Other	-	-	-	-	-	-	-	-	-	-	-
<b>Total Loans</b>	<b>167</b>	<b>2,883</b>	<b>3,050</b>	<b>-</b>	<b>167</b>	<b>-</b>	<b>-</b>	<b>180</b>	<b>177</b>	<b>2,706</b>	<b>2,883</b>
<b>Other Long Term Debt</b>											
Ratepayers Advances	-	-	-	-	-	-	-	-	-	-	-
Government Advances	3	9	12	-	3	-	-	1	3	6	9
Finance Leases	-	-	-	-	-	-	-	-	-	-	-
Deferred Payments	-	-	-	-	-	-	-	-	-	-	-
<b>Total Long Term Debt</b>	<b>3</b>	<b>9</b>	<b>12</b>	<b>-</b>	<b>3</b>	<b>-</b>	<b>-</b>	<b>1</b>	<b>3</b>	<b>6</b>	<b>9</b>
<b>Total Debt</b>	<b>170</b>	<b>2,892</b>	<b>3,062</b>	<b>-</b>	<b>170</b>	<b>-</b>	<b>-</b>	<b>181</b>	<b>180</b>	<b>2,712</b>	<b>2,892</b>

Notes: Excludes (i) Internal Loans & (ii) Principal Inflows/Outflows relating to Loan Re-Financing.

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

## Cabonne Council

### Special Schedule No. 3 - Water Supply Income Statement

Includes ALL INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.  
for the financial year ended 30 June 2014

\$'000	Actuals 2014	Actuals 2013
<b>A Expenses and Income</b>		
<b>Expenses</b>		
<b>1. Management expenses</b>		
a. Administration	122	89
b. Engineering and Supervision	-	59
<b>2. Operation and Maintenance expenses</b>		
<b>- Dams &amp; Weirs</b>		
a. Operation expenses	-	-
b. Maintenance expenses	57	65
<b>- Mains</b>		
c. Operation expenses	-	-
d. Maintenance expenses	116	57
<b>- Reservoirs</b>		
e. Operation expenses	-	3
f. Maintenance expenses	33	21
<b>- Pumping Stations</b>		
g. Operation expenses (excluding energy costs)	-	-
h. Energy costs	-	16
i. Maintenance expenses	80	34
<b>- Treatment</b>		
j. Operation expenses (excluding chemical costs)	-	7
k. Chemical costs	-	19
l. Maintenance expenses	138	144
<b>- Other</b>		
m. Operation expenses	-	16
n. Maintenance expenses	98	203
o. Purchase of water	-	-
<b>3. Depreciation expenses</b>		
a. System assets	469	439
b. Plant and equipment	-	72
<b>4. Miscellaneous expenses</b>		
a. Interest expenses	-	2
b. Revaluation Decrements	-	-
c. Other expenses	-	72
d. Impairment - System assets	-	-
e. Impairment - Plant and equipment	-	-
f. Aboriginal Communities Water & Sewerage Program	-	-
g. Tax Equivalents Dividends (actually paid)	-	-
<b>5. Total expenses</b>	<b>1,113</b>	<b>1,318</b>

## Cabonne Council

## Special Schedule No. 3 - Water Supply Income Statement (continued)

Includes ALL INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.  
for the financial year ended 30 June 2014

\$'000	Actuals 2014	Actuals 2013
<b>Income</b>		
<b>6. Residential charges</b>		
a. Access (including rates)	253	212
b. Usage charges	412	381
<b>7. Non-residential charges</b>		
a. Access (including rates)	59	97
b. Usage charges	138	78
<b>8. Extra charges</b>	-	8
<b>9. Interest income</b>	113	130
<b>10. Other income</b>	13	4
<b>10a. Aboriginal Communities Water and Sewerage Program</b>	-	-
<b>11. Grants</b>		
a. Grants for acquisition of assets	-	-
b. Grants for pensioner rebates	13	13
c. Other grants	-	-
<b>12. Contributions</b>		
a. Developer charges	-	-
b. Developer provided assets	-	-
c. Other contributions	36	14
<b>13. Total income</b>	<u>1,037</u>	<u>937</u>
<b>14. Gain (or loss) on disposal of assets</b>	-	-
<b>15. Operating Result</b>	<u>(76)</u>	<u>(381)</u>
<b>15a. Operating Result (less grants for acquisition of assets)</b>	(76)	(381)

## Cabonne Council

## Special Schedule No. 3 - Water Supply Income Statement (continued)

Includes ALL INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.  
for the financial year ended 30 June 2014

\$'000	Actuals 2014	Actuals 2013
<b>B Capital transactions</b>		
<b>Non-operating expenditures</b>		
<b>16. Acquisition of Fixed Assets</b>		
a. New Assets for Improved Standards	531	44
b. New Assets for Growth	-	-
c. Renewals	-	-
d. Plant and equipment	-	14
<b>17. Repayment of debt</b>		
a. Loans	-	-
b. Advances	-	-
c. Finance leases	-	-
<b>18. Transfer to sinking fund</b>	-	-
<b>19. Totals</b>	<b>531</b>	<b>58</b>
<b>Non-operating funds employed</b>		
<b>20. Proceeds from disposal of assets</b>	-	-
<b>21. Borrowing utilised</b>		
a. Loans	-	-
b. Advances	-	-
c. Finance leases	-	-
<b>22. Transfer from sinking fund</b>	-	-
<b>23. Totals</b>	<b>-</b>	<b>-</b>
<b>C Rates and charges</b>		
<b>24. Number of assessments</b>		
a. Residential (occupied)	1,109	968
b. Residential (unoccupied, ie. vacant lot)	68	68
c. Non-residential (occupied)	173	161
d. Non-residential (unoccupied, ie. vacant lot)	3	3
<b>25. Number of ETs for which developer charges were received</b>	- ET	- ET
<b>26. Total amount of pensioner rebates (actual dollars)</b>	\$ 23,452	\$ 23,306

## Cabonne Council

## Special Schedule No. 3 - Water Supply Cross Subsidies

for the financial year ended 30 June 2014

\$'000	Yes	No	Amount
<b>D Best practice annual charges and developer charges*</b>			
<b>27. Annual charges</b>			
a. Does Council have best-practice water supply annual charges and usage charges*?	<input type="checkbox"/> Yes	<input type="checkbox"/>	
If Yes, go to 28a.			
If No, please report if council has removed <b>land value</b> from access charges (ie rates)?	<input type="checkbox"/>	<input type="checkbox"/>	
<b>NB.</b> Such charges for both residential customers and non-residential customers comply with section 3.2 of Water Supply, Sewerage and Trade Waste Pricing Guidelines, NSW Office of Water, December, 2002. Such charges do not involve significant cross subsidies.			
b. Cross-subsidy <b>from</b> residential customers using less than allowance (page 25 of Guidelines)			<input type="text"/>
c. Cross-subsidy <b>to</b> non-residential customers (page 24 of Guidelines)			<input type="text"/>
d. Cross-subsidy <b>to</b> large connections in unmetered supplies (page 26 of Guidelines)			<input type="text"/>
<b>28. Developer charges</b>			
a. Has council completed a water supply Development Servicing** Plan?	<input type="checkbox"/> Yes	<input type="checkbox"/>	
b. Total cross-subsidy in water supply developer charges for 2012/13 (page 47 of Guidelines)			<input type="text"/>
** In accordance with page 9 of Developer Charges Guidelines for Water Supply, Sewerage and Stormwater, NSW Office of Water, December, 2002.			
<b>29. Disclosure of cross-subsidies</b>			
<b>Total of cross-subsidies (27b +27c + 27d + 28b)</b>			<input type="text" value="-"/>

\* Councils which have not yet implemented best practice water supply pricing should disclose cross-subsidies in items 27b, 27c and 27d above.

However, disclosure of cross-subsidies is **not** required where a Council has implemented best practice pricing and is phasing in such pricing over a period of 3 years.

## Cabonne Council

## Special Schedule No. 4 - Water Supply Statement of Financial Position

Includes INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.  
as at 30 June 2014

\$'000	Actuals Current	Actuals Non Current	Actuals Total
<b>ASSETS</b>			
<b>30. Cash and investments</b>			
a. Developer charges	-	-	-
b. Special purpose grants	-	-	-
c. Accrued leave	-	-	-
d. Unexpended loans	-	-	-
e. Sinking fund	-	-	-
f. Other	3,093	-	3,093
<b>31. Receivables</b>			
a. Specific purpose grants	-	-	-
b. Rates and Availability Charges	13	-	13
c. User Charges	537	-	537
d. Other	48	-	48
<b>32. Inventories</b>	-	-	-
<b>33. Property, plant and equipment</b>			
a. System assets	-	22,882	22,882
b. Plant and equipment	-	2,195	2,195
<b>34. Other assets</b>	-	-	-
<b>35. Total assets</b>	<u>3,691</u>	<u>25,077</u>	<u>28,768</u>
<b>LIABILITIES</b>			
<b>36. Bank overdraft</b>	-	-	-
<b>37. Creditors</b>	84	-	84
<b>38. Borrowings</b>			
a. Loans	-	-	-
b. Advances	-	-	-
c. Finance leases	-	-	-
<b>39. Provisions</b>			
a. Tax equivalents	-	-	-
b. Dividend	-	-	-
c. Other	-	-	-
<b>40. Total liabilities</b>	<u>84</u>	<u>-</u>	<u>84</u>
<b>41. NET ASSETS COMMITTED</b>	<u>3,607</u>	<u>25,077</u>	<u>28,684</u>
<b>EQUITY</b>			
<b>42. Accumulated surplus</b>			11,445
<b>43. Asset revaluation reserve</b>			17,239
<b>44. TOTAL EQUITY</b>			<u>28,684</u>
<b>Note to system assets:</b>			
<b>45. Current replacement cost</b> of system assets			42,950
<b>46. Accumulated current cost</b> depreciation of system assets			(20,068)
<b>47. Written down current cost</b> of system assets			<u>22,882</u>

## Cabonne Council

### Special Schedule No. 5 - Sewerage Service Income Statement

Includes ALL INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.  
for the financial year ended 30 June 2014

\$'000	Actuals 2014	Actuals 2013
<b>A Expenses and Income</b>		
<b>Expenses</b>		
<b>1. Management expenses</b>		
a. Administration	162	54
b. Engineering and Supervision	244	81
<b>2. Operation and Maintenance expenses</b>		
<b>- Mains</b>		
a. Operation expenses	-	12
b. Maintenance expenses	81	68
<b>- Pumping Stations</b>		
c. Operation expenses (excluding energy costs)	2	9
d. Energy costs	25	19
e. Maintenance expenses	162	185
<b>- Treatment</b>		
f. Operation expenses (excl. chemical, energy, effluent & biosolids management costs)	-	24
g. Chemical costs	-	22
h. Energy costs	-	26
i. Effluent Management	-	-
j. Biosolids Management	-	-
k. Maintenance expenses	303	344
<b>- Other</b>		
l. Operation expenses	-	13
m. Maintenance expenses	92	146
<b>3. Depreciation expenses</b>		
a. System assets	-	516
b. Plant and equipment	782	199
<b>4. Miscellaneous expenses</b>		
a. Interest expenses	-	122
b. Revaluation Decrements	-	-
c. Other expenses	-	151
d. Impairment - System assets	-	-
e. Impairment - Plant and equipment	-	-
f. Aboriginal Communities Water & Sewerage Program	-	-
g. Tax Equivalent Dividends (actually paid)	-	-
<b>5. Total expenses</b>	<b>1,853</b>	<b>1,991</b>

## Cabonne Council

## Special Schedule No. 5 - Sewerage Income Statement (continued)

Includes ALL INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.  
for the financial year ended 30 June 2014

\$'000	Actuals 2014	Actuals 2013
<b>Income</b>		
<b>6. Residential charges</b> (including rates)	1,143	1,217
<b>7. Non-residential charges</b>		
a. Access (including rates)	179	94
b. Usage charges	45	61
<b>8. Trade Waste Charges</b>		
a. Annual Fees	8	9
b. Usage charges	-	-
c. Excess mass charges	-	-
d. Re-inspection fees	-	-
<b>9. Extra charges</b>	-	24
<b>10. Interest income</b>	64	159
<b>11. Other income</b>	10	8
<b>11a. Aboriginal Communities Water &amp; Sewerage Program</b>	-	-
<b>12. Grants</b>		
a. Grants for acquisition of assets	3,329	749
b. Grants for pensioner rebates	26	28
c. Other grants	-	-
<b>13. Contributions</b>		
a. Developer charges	98	78
b. Developer provided assets	-	-
c. Other contributions	73	4
<b>14. Total income</b>	<u>4,975</u>	<u>2,431</u>
<b>15. Gain (or loss) on disposal of assets</b>	-	-
<b>16. Operating Result</b>	<u>3,122</u>	<u>440</u>
<b>16a. Operating Result (less grants for acquisition of assets)</b>	(207)	(309)

## Cabonne Council

## Special Schedule No. 5 - Sewerage Income Statement (continued)

Includes ALL INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.  
for the financial year ended 30 June 2014

\$'000	Actuals 2014	Actuals 2013
<b>B Capital transactions</b>		
<b>Non-operating expenditures</b>		
<b>17. Acquisition of Fixed Assets</b>		
a. New Assets for Improved Standards	-	-
b. New Assets for Growth	223	1,531
c. Renewals	-	-
d. Plant and equipment	10	14
<b>18. Repayment of debt</b>		
a. Loans	92	114
b. Advances	3	3
c. Finance leases	-	-
<b>19. Transfer to sinking fund</b>	-	-
<b>20. Totals</b>	<b>328</b>	<b>1,662</b>
<b>Non-operating funds employed</b>		
<b>21. Proceeds from disposal of assets</b>	-	-
<b>22. Borrowing utilised</b>		
a. Loans	-	-
b. Advances	-	-
c. Finance leases	-	-
<b>23. Transfer from sinking fund</b>	-	-
<b>24. Totals</b>	<b>-</b>	<b>-</b>
<b>C Rates and charges</b>		
<b>25. Number of assessments</b>		
a. Residential (occupied)	1,849	1,986
b. Residential (unoccupied, ie. vacant lot)	189	163
c. Non-residential (occupied)	269	303
d. Non-residential (unoccupied, ie. vacant lot)	17	5
<b>26. Number of ETs for which developer charges were received</b>	- ET	- ET
<b>27. Total amount of pensioner rebates (actual dollars)</b>	\$ 45,637	\$ 46,757

## Cabonne Council

Special Schedule No. 5 - Sewerage Cross Subsidies  
for the financial year ended 30 June 2014

\$'000	Yes	No	Amount
<b>D Best practice annual charges and developer charges*</b>			
<b>28. Annual charges</b>			
<b>a.</b> Does Council have best-practice sewerage annual charges, usage charges and trade waste fees & charges*?	<input type="checkbox"/>	<input type="checkbox"/>	
If Yes, go to 29a.			
If No, please report if council has removed <b>land value</b> from access charges (ie rates)?	<input type="checkbox"/>	<input type="checkbox"/>	
<b>NB.</b> Such charges for both residential customers and non-residential customers comply with section 4.2 & 4.3 of the Water Supply, Sewerage and Trade Waste Pricing Guidelines, NSW Office of Water, December, 2002. Such charges do not involve significant cross subsidies.			
<b>b.</b> Cross-subsidy <b>to</b> non-residential customers (page 45 of Guidelines)			<input type="text"/>
<b>c.</b> Cross-subsidy <b>to</b> trade waste discharges (page 46 of Guidelines)			<input type="text"/>
<b>29. Developer charges</b>			
<b>a.</b> Has council completed a sewerage Development Servicing** Plan?	<input type="checkbox"/>	<input type="checkbox"/>	
<b>b.</b> Total cross-subsidy in sewerage developer charges for 2012/13 (page 47 of Guidelines)			<input type="text"/>
** In accordance with page 9 of Developer Charges Guidelines for Water Supply, Sewerage and Stormwater, NSW Office of Water, December, 2002.			
<b>30. Disclosure of cross-subsidies</b>			
<b>Total of cross-subsidies (28b + 28c + 29b)</b>			<input type="text" value="-"/>

\* Councils which have not yet implemented best practice sewer pricing & liquid waste pricing should disclose cross-subsidies in items 28b and 28c above.

However, disclosure of cross-subsidies is **not** required where a Council has implemented best practice sewerage and liquid waste pricing and is phasing in such pricing over a period of 3 years.

## Cabonne Council

## Special Schedule No. 6 - Sewerage Service Statement of Financial Position

Includes INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.  
as at 30 June 2014

\$'000	Actuals Current	Actuals Non Current	Actuals Total
<b>ASSETS</b>			
<b>31. Cash and investments</b>			
a. Developer charges	-	-	-
b. Special purpose grants	11	-	11
c. Accrued leave	-	-	-
d. Unexpended loans	-	-	-
e. Sinking fund	-	-	-
f. Other	2,251	-	2,251
<b>32. Receivables</b>			
a. Specific purpose grants	341	-	341
b. Rates and Availability Charges	25	-	25
c. User Charges	907	-	907
d. Other	71	-	71
<b>33. Inventories</b>	-	-	-
<b>34. Property, plant and equipment</b>			
a. System assets	-	28,190	28,190
b. Plant and equipment	-	11,888	11,888
<b>35. Other assets</b>	-	-	-
<b>36. Total Assets</b>	<u>3,606</u>	<u>40,078</u>	<u>43,684</u>
<b>LIABILITIES</b>			
<b>37. Bank overdraft</b>	-	-	-
<b>38. Creditors</b>	245	-	245
<b>39. Borrowings</b>			
a. Loans	177	2,707	2,884
b. Advances	-	-	-
c. Finance leases	-	-	-
<b>40. Provisions</b>			
a. Tax equivalents	-	-	-
b. Dividend	-	-	-
c. Other	-	-	-
<b>41. Total Liabilities</b>	<u>422</u>	<u>2,707</u>	<u>3,129</u>
<b>42. NET ASSETS COMMITTED</b>	<u>3,184</u>	<u>37,371</u>	<u>40,555</u>
<b>EQUITY</b>			
<b>42. Accumulated surplus</b>			24,525
<b>44. Asset revaluation reserve</b>			16,030
<b>45. TOTAL EQUITY</b>			<u>40,555</u>
<b>Note to system assets:</b>			
<b>46. Current replacement cost</b> of system assets			37,744
<b>47. Accumulated current cost</b> depreciation of system assets			(9,554)
<b>48. Written down current cost</b> of system assets			<u>28,190</u>

## Cabonne Council

### Notes to Special Schedule No.'s 3 & 5

for the financial year ended 30 June 2014

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

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

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

#### Engineering and supervision <sup>(1)</sup>

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

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

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

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

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

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

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

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

**Residential charges** <sup>(2)</sup> (items 6a, 6b and item 6 of Special Schedules 3 and 5 respectively) include all income from residential charges. Item 6 of Schedule 3 should be separated into 6a Access Charges (including rates if applicable) and 6b Usage Charges.

**Non-residential charges** <sup>(2)</sup> (items 7a, 7b of Special Schedules 3 and 5) include all income from non-residential charges separated into 7a Access Charges (including rates if applicable) and 7b Usage Charges.

**Trade waste charges** (item 8 of Special Schedule 5) include all income from trade waste charges separated into 8a Annual Fees, 8b Usage Charges and 8c Excess Mass Charges and 8d Re-inspection Fees.

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

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

#### Notes:

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

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

# Cabonne Council

## Special Schedule No. 7 - Report on Infrastructure Assets

as at 30 June 2014

\$'000

Asset Class	Asset Category	Estimated cost to bring up to a satisfactory standard <sup>(1)</sup>	Required Annual Maintenance <sup>(2)</sup>	Actual Maintenance 2013/14 <sup>(3)</sup>	Written Down Value (WDV) <sup>(4)</sup>	Assets in Condition as a % of WDV <sup>(4), (5)</sup>				
						1	2	3	4	5
<b>Buildings</b>	Council Offices / Administration Centres	7	35	35	3,332	0%	0%	89%	11%	0%
	Council Works Depot	3	75	75	2,335	13%	28%	44%	14%	0%
	Council Public Halls	32	27	27	3,565	1%	0%	31%	67%	0%
	Houses	1	3	3	1,965	58%	0%	33%	8%	0%
	Museums	2	10	10	2,407	67%	14%	9%	9%	0%
	Sports Grounds	4	40	40	2,636	28%	35%	28%	8%	1%
	Childcare Centres	0	20	20	1,787	0%	37%	59%	4%	0%
	Parks	-	32	32	100	0%	0%	100%	0%	0%
	Amenities/Toilets	-	10	10	729	82%	0%	18%	0%	0%
	Bushfire	-	-	-	2,485	53%	33%	6%	8%	0%
	Pools	0	50	50	1,335	16%	49%	34%	1%	0%
	Saleyards	1	-	-	11	0%	0%	0%	100%	0%
	Waste Services	6	-	-	427	10%	33%	33%	25%	0%
	Caravan Parks	4	15	15	504	7%	0%	53%	41%	0%
	Quarry	-	-	-	3,206	90%	9%	0%	75%	0%
	Aged Units	1	12	12	944	0%	0%	75%	25%	0%
	Water/Sewer	-	-	-	433	86%	7%	7%	0%	0%
	Other Buildings	4	50	50	868	78%	0%	0%	22%	0%
	Showgrounds	6	-	-	1,742	28%	0%	26%	45%	1%
		<b>sub total</b>	<b>72</b>	<b>379</b>	<b>379</b>	<b>30,811</b>	<b>34.2%</b>	<b>14.8%</b>	<b>33.1%</b>	<b>25.7%</b>
<b>Other Structures</b>	Other Structures	50	100	50	4,939	59%	21%	14%	5%	1%
	<b>sub total</b>	<b>50</b>	<b>100</b>	<b>50</b>	<b>4,939</b>	<b>59.3%</b>	<b>20.6%</b>	<b>14.1%</b>	<b>5.4%</b>	<b>0.6%</b>

# Cabonne Council

## Special Schedule No. 7 - Report on Infrastructure Assets (continued) as at 30 June 2014

\$'000

Asset Class	Asset Category	Estimated cost to bring up to a satisfactory standard <sup>(1)</sup>	Required Annual Maintenance <sup>(2)</sup>	Actual Maintenance 2013/14 <sup>(3)</sup>	Written Down Value (WDV) <sup>(4)</sup>	Assets in Condition as a % of WDV <sup>(4), (5)</sup>				
						1	2	3	4	5
<b>Roads</b>										
	Sealed Roads Surface	2,737	1,250	2,312	87,940	34%	43%	20%	2%	0%
	Unsealed Roads	1,874	713	994	20,476	5%	14%	43%	30%	7%
	Bridges	1,718	27	1	41,171	33%	46%	15%	5%	1%
	Footpaths	88	17	17	3,804	42%	20%	35%	3%	0%
	Kerb and Gutter	456	10	9	6,836	23%	18%	52%	6%	1%
	Road Structure	65	-	-	1,012	49%	21%	24%	4%	2%
	<b>sub total</b>	<b>6,938</b>	<b>2,017</b>	<b>3,333</b>	<b>161,239</b>	<b>30.0%</b>	<b>38.4%</b>	<b>23.5%</b>	<b>6.7%</b>	<b>1.4%</b>
<b>Water Supply Network</b>										
	Treatment Plants	100	42	138	1,811	22%	78%	0%	0%	0%
	Water Connections	68	30	98	10,660	28%	42%	30%	0%	0%
	Bores	16	5	116	236	38%	55%	7%	0%	0%
	Reservoirs/Dams	535	36	90	10,033	0%	15%	85%	0%	0%
	Pumpung Stations	7	36	80	218	0%	26%	74%	0%	0%
	Telemetry	4	17		117	72%	28%	0%	0%	0%
	<b>sub total</b>	<b>730</b>	<b>166</b>	<b>522</b>	<b>23,075</b>	<b>15.6%</b>	<b>33.1%</b>	<b>51.4%</b>	<b>0.1%</b>	<b>-0.1%</b>
<b>Sewerage Network</b>										
	Pumping Stations	63	56	189	3,758	43%	32%	25%	0%	0%
	Treatment Works	40	47	303	6,199	72%	18%	9%	1%	0%
	Mains	72	250	81	18,115	61%	38%	1%	0%	0%
	Telemetry	6	12	35	32	16%	84%	0%	0%	0%
	On Property Works	-	96	37	86	100%	0%	0%	0%	0%
	<b>sub total</b>	<b>182</b>	<b>461</b>	<b>645</b>	<b>28,190</b>	<b>61.0%</b>	<b>32.9%</b>	<b>5.9%</b>	<b>0.2%</b>	<b>0.0%</b>

# Cabonne Council

## Special Schedule No. 7 - Report on Infrastructure Assets (continued) as at 30 June 2014

\$'000

Asset Class	Asset Category	Estimated cost to bring up to a satisfactory standard <sup>(1)</sup>	Required Annual Maintenance <sup>(2)</sup>	Actual Maintenance 2013/14 <sup>(3)</sup>	Written Down Value (WDV) <sup>(4)</sup>	Assets in Condition as a % of WDV <sup>(4), (5)</sup>				
						1	2	3	4	5
Stormwater Drainage	Box Culvert	120	1	-	527	4%	36%	37%	23%	0%
	Open Channel	11	2	-	4,219	44%	41%	15%	0%	0%
	Pipes	3	-	-	100	7%	61%	32%	0%	0%
	Pits	1	1	-	55	23%	52%	22%	3%	0%
	<b>sub total</b>	<b>135</b>	<b>4</b>	<b>-</b>	<b>4,901</b>	<b>39.2%</b>	<b>40.7%</b>	<b>17.6%</b>	<b>2.5%</b>	<b>0.0%</b>
Open Space/ Recreational Assets	Swimming Pools	100	54	54	2,459	90%	0%	0%	10%	0%
	<b>sub total</b>	<b>100</b>	<b>54</b>	<b>54</b>	<b>2,459</b>	<b>89.6%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>10.4%</b>	<b>0.0%</b>
<b>TOTAL - ALL ASSETS</b>		<b>8,207</b>	<b>3,181</b>	<b>4,983</b>	<b>255,614</b>	<b>33.9%</b>	<b>33.8%</b>	<b>24.7%</b>	<b>7.6%</b>	<b>0.9%</b>

**Notes:**

- (1). Satisfactory is defined as "satisfying expectations or needs, leaving no room for complaint, causing satisfaction, adequate".  
The estimated cost to bring assets to a satisfactory standard is the amount of money that is required to be spent on an asset to ensure that it is in a satisfactory standard.  
This estimated cost should not include any planned enhancements (ie.to heighten, intensify or improve the facilities).
- (2). Required Annual Maintenance is "what should be spent to maintain assets in a satisfactory standard."
- (3). Actual Maintenance is what has been spent in the current year to maintain the assets.  
Actual Maintenance may be higher or lower than the required annual maintenance due to the timing of when the maintenance actually occurs.
- (4). Written Down Value is in accordance with Note 9 of Council's General Purpose Financial Statements
- (5). **Infrastructure Asset Condition Assessment "Key"**

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

## Cabonne Council

Special Schedule No. 7 - Report on Infrastructure Assets (continued)  
for the financial year ended 30 June 2014

\$ '000	Amounts	Indicator	Prior Periods	
	2014	2014	2013	2012
<b>Infrastructure Asset Performance Indicators Consolidated</b>				
<b>1. Building and Infrastructure Renewals Ratio</b>				
Asset Renewals (Building and Infrastructure) <sup>(1)</sup>	<u>6,584</u>	<b>105.85%</b>	108.43%	89.00%
Depreciation, Amortisation & Impairment	<u>6,220</u>			
<b>2. Infrastructure Backlog Ratio</b>				
Estimated Cost to bring Assets to a Satisfactory Condition	<u>8,207</u>	<b>0.03</b>	0.03	0.17
Total value <sup>(2)</sup> of Infrastructure, Building, Other Structures & depreciable Land Improvement Assets	<u>255,614</u>			
<b>3. Asset Maintenance Ratio</b>				
Actual Asset Maintenance	<u>4,983</u>	<b>1.57</b>	0.83	0.49
Required Asset Maintenance	<u>3,181</u>			
<b>4. Capital Expenditure Ratio</b>				
Annual Capital Expenditure	<u>17,585</u>	<b>1.87</b>	1.26	1.28
Annual Depreciation	<u>9,381</u>			

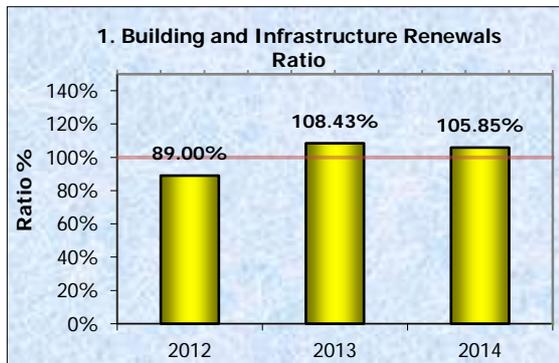
## Notes

<sup>(1)</sup> Asset Renewals represent the replacement &/or refurbishment of existing assets to an equivalent capacity/performance as opposed to the acquisition of new assets (or the refurbishment of old assets) that increases capacity/performance. Asset Renewals include building and infrastructure assets only.

<sup>(2)</sup> Written down value

# Cabonne Council

## Special Schedule No. 7 - Report on Infrastructure Assets (continued) for the financial year ended 30 June 2014



— Minimum 100.00%

Source for Benchmark: TCorp Sustainability Review of NSW Local Govt. (2013)

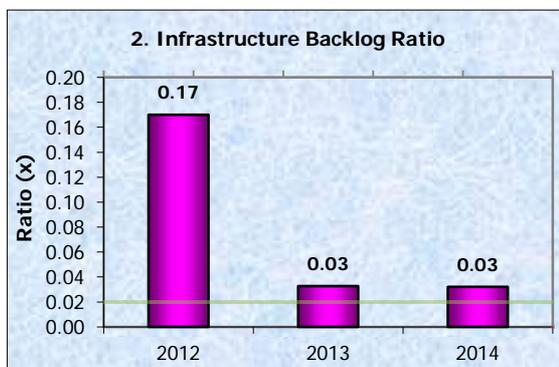
**Purpose of Asset Renewals Ratio**

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

**Commentary on 2013/14 Result**

**2013/14 Ratio 105.85%**

Council's Building & Infrastructure ratio is again above Tcorp's benchmark. Council is continuing invest in infrastructure renewals and endeavour to maintain the ratio above the benchmark in the 2014/15 in accordance with Council's Asset management plan.



— Maximum .02

Source for Benchmark: TCorp Sustainability Review of NSW Local Govt. (2013)

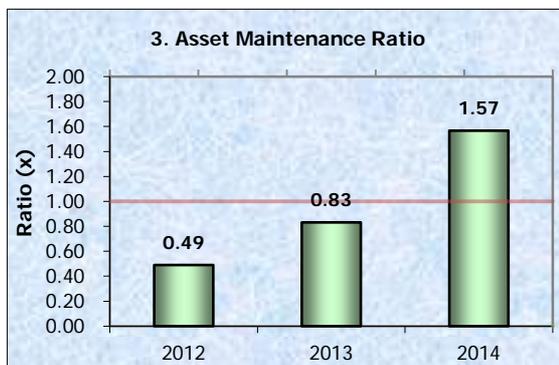
**Purpose of Infrastructure Backlog Ratio**

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

**Commentary on 2013/14 Result**

**2013/14 Ratio 0.03 x**

In recent years Council has invested significant funds into its Infrastructure Backlog Ratio in the last two years and has reduced this ratio in conjunction with Council's Asset management plan.



— Minimum 1.00

Source for Benchmark: TCorp Sustainability Review of NSW Local Govt. (2013)

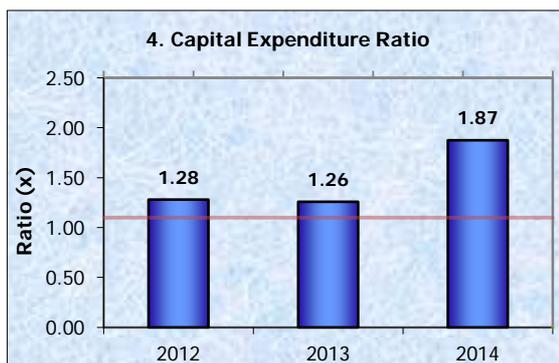
**Purpose of Asset Maintenance Ratio**

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

**Commentary on 2013/14 Result**

**2013/14 Ratio 1.57 x**

This is a pleasing result highlighting Council's ongoing commitment to asset maintenance.



— Minimum 1.10

Source for Benchmark: TCorp Sustainability Review of NSW Local Govt. (2013)

**Purpose of Capital Expenditure Ratio**

To assess the extent to which a Council is expanding its asset base thru capital expenditure on both new assets and the replacement and renewal of existing assets.

**Commentary on 2013/14 Result**

**2013/14 Ratio 1.87 x**

The Capital Expenditure Ratio result indicates Council's commitment to reducing its backlog.

## Cabonne Council

Special Schedule No. 7 - Report on Infrastructure Assets (continued)  
for the financial year ended 30 June 2014

\$ '000	Water 2014	Sewer 2014	General <sup>(1)</sup> 2014
<b>Infrastructure Asset Performance Indicators By Fund</b>			
<b>1. Building and Infrastructure Renewals Ratio</b>			
<u>Asset Renewals (Building and Infrastructure)<sup>(1)</sup></u>	<b>124.50%</b>	<b>3.64%</b>	<b>115.07%</b>
Depreciation, Amortisation & Impairment			
prior period:	1.12%	0.75%	128.96%
<b>2. Infrastructure Backlog Ratio</b>			
<u>Estimated Cost to bring Assets to a Satisfactory Condition</u>			
Total value <sup>(3)</sup> of Infrastructure, Building, Other Structures & Depreciable Land Improvement Assets	<b>0.03</b>	<b>0.01</b>	<b>0.04</b>
prior period:	0.00	0.00	0.04
<b>3. Asset Maintenance Ratio</b>			
<u>Actual Asset Maintenance</u>			
Required Asset Maintenance	<b>3.14</b>	<b>1.40</b>	<b>1.49</b>
prior period:	0.48	0.76	0.88
<b>4. Capital Expenditure Ratio</b>			
<u>Annual Capital Expenditure</u>			
Annual Depreciation	<b>1.13</b>	<b>0.30</b>	<b>2.07</b>
prior period:	0.11	2.16	1.21

## Notes

<sup>(1)</sup> General Fund refers to all of Council's activities except for its Water & Sewer activities which are listed separately.

<sup>(2)</sup> Asset Renewals represent the replacement &/or refurbishment of existing assets to an equivalent capacity/performance as opposed to the acquisition of new assets (or the refurbishment of old assets) that increases capacity/performance. Asset Renewals include building and infrastructure assets only.

<sup>(3)</sup> Written down value

# Cabonne Council

## Special Schedule No. 8 - Financial Projections

as at 30 June 2014

\$'000	Actual <sup>(1)</sup> 13/14	Forecast <sup>(3)</sup> 14/15	Forecast <sup>(3)</sup> 15/16	Forecast <sup>(3)</sup> 16/17	Forecast <sup>(3)</sup> 17/18	Forecast <sup>(3)</sup> 18/19	Forecast <sup>(3)</sup> 19/20	Forecast <sup>(3)</sup> 20/21	Forecast <sup>(3)</sup> 21/22	Forecast <sup>(3)</sup> 22/23	Forecast <sup>(3)</sup> 23/24
<b>(i) OPERATING BUDGET</b>											
Income from continuing operations	39,572	38,818	42,126	43,166	44,339	45,546	46,788	48,068	49,385	50,740	52,135
Expenses from continuing operations	32,285	34,454	35,459	36,433	37,434	38,464	39,523	40,605	41,723	42,835	43,986
<b>Operating Result from Continuing Operations</b>	<b>7,287</b>	<b>4,364</b>	<b>6,667</b>	<b>6,733</b>	<b>6,905</b>	<b>7,082</b>	<b>7,265</b>	<b>7,463</b>	<b>7,662</b>	<b>7,905</b>	<b>8,149</b>
<b>(ii) CAPITAL BUDGET</b>											
New Capital Works <sup>(2)</sup>	5,690	-	-	-	-	-	-	-	-	-	-
Replacement/Refurbishment of Existing Assets	12,253	9,817	10,250	11,280	12,054	12,886	13,906	14,792	15,774	16,867	18,076
<b>Total Capital Budget</b>	<b>17,943</b>	<b>9,817</b>	<b>10,250</b>	<b>11,280</b>	<b>12,054</b>	<b>12,886</b>	<b>13,906</b>	<b>14,792</b>	<b>15,774</b>	<b>16,867</b>	<b>18,076</b>
<b>Funded by:</b>											
- Loans	-	-	-	-	-	-	-	-	-	-	-
- Asset sales	-	-	-	-	-	-	-	-	-	-	-
- Reserves	-	-	-	-	-	-	-	-	-	-	-
- Grants/Contributions	3,526	-	-	-	-	-	-	-	-	-	-
- Recurrent revenue	14,417	9,817	10,250	11,280	12,054	12,886	13,906	14,792	15,774	16,867	18,076
- Other	-	-	-	-	-	-	-	-	-	-	-
	<b>17,943</b>	<b>9,817</b>	<b>10,250</b>	<b>11,280</b>	<b>12,054</b>	<b>12,886</b>	<b>13,906</b>	<b>14,792</b>	<b>15,774</b>	<b>16,867</b>	<b>18,076</b>

**Notes:**

(1) From 13/14 Income Statement.

(2) New Capital Works are major non-recurrent projects, eg new Leisure Centre, new Library, new Swimming pool etc.

(3) Financial projections should be in accordance with Council's Integrated Planning and Reporting framework.

## Cabonne Council

## Special Schedule No. 9 - Permissible Income Calculation

for the financial year ended 30 June 2015

\$'000		Calculation 2013/14	Calculation 2014/15
<b>Notional General Income Calculation <sup>(1)</sup></b>			
Last Year Notional General Income Yield	a	8,979	9,316
Plus or minus Adjustments <sup>(2)</sup>	b	4	(182)
<b>Notional General Income</b>	c	<b>8,983</b>	<b>9,134</b>
<b>Permissible Income Calculation</b>			
Special variation percentage <sup>(3)</sup>	d		
or Rate peg percentage	e	3.40%	2.30%
or Crown land adjustment incl. rate peg percentage	f		
less expiring Special variation amount	g	-	-
plus Special variation amount	h = c x d	-	-
or plus Rate peg amount	i = c x e	305	210
or plus Crown land adjustment and rate peg amount	j = c x f	-	-
<b>sub-total</b>	k = (c+g+h+i+j)	<b>9,288</b>	<b>9,344</b>
plus (or minus) last year's Carry Forward Total	l	2	(14)
less Valuation Objections claimed in the previous year	m	-	(12)
<b>sub-total</b>	n = (l + m)	<b>2</b>	<b>(26)</b>
<b>Total Permissible income</b>	o = k + n	<b>9,290</b>	<b>9,318</b>
less Notional General Income Yield	p	9,316	9,314
<b>Catch-up or (excess) result</b>	q = o - p	<b>(26)</b>	<b>4</b>
plus Income lost due to valuation objections claimed <sup>(4)</sup>	r	12	-
less Unused catch-up <sup>(5)</sup>	s	-	-
<b>Carry forward to next year</b>	t = q + r - s	<b>(14)</b>	<b>4</b>

**Notes**

- <sup>1</sup> The Notional General Income will not reconcile with rate income in the financial statements in the corresponding year. The statements are reported on an accrual accounting basis which include amounts that relate to prior years' rates income.
- <sup>2</sup> Adjustments account for changes in the number of assessments and any increase or decrease in land value occurring during the year. The adjustments are called "supplementary valuations" as defined in the Valuation of Land Act 1916.
- <sup>3</sup> The Special Variation Percentage is inclusive of the Rate Peg percentage and where applicable crown land adjustment.
- <sup>4</sup> Valuation objections are unexpected changes in land values as a result of land owners successfully objecting to the land value issued by the Valuer-General. Councils can claim the value of the income lost due to valuation objections in any single year.
- <sup>5</sup> Unused catch-up amounts will be deducted if they are not caught up within 2 years. Usually councils will have a nominal carry forward figure. These amounts can be adjusted for in setting the rates in a future year.

**INDEPENDENT AUDITOR'S REPORT  
PERMISSIBLE GENERAL INCOME OF CABONNE COUNCIL**

**Scope**

We have audited the special purpose financial report comprising the reconciliation of total permissible general income of Cabonne Council for 2014-'15.

The Council is responsible for the preparation and presentation of the report in accordance with a directive of the Chief Executive, Office Local Government, Department of Premier and Cabinet. We have conducted an independent audit of the report in order to express an opinion on its preparation and presentation.

The report has been prepared for the Office of Local Government in the Department of Premier and Cabinet for the purpose of ensuring compliance by the Council with its financial reporting requirements under the Local Government Act 1993.

Our audit has been conducted in accordance with Australian Auditing Standards so as to provide reasonable assurance as to whether the report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the report. We have not examined forecasts of expenditure or the impact of present or future policy decisions on the report. These procedures have been undertaken to form an opinion as to whether, in all material respects, the report is presented fairly in accordance with the requirements of the Chief Executive, Local Government.

The audit opinion expressed in this report has been formed on the above basis.

**Audit Opinion**

In our opinion, the reconciliation of Council's total permissible general income which shows a carry forward catch-up total for 2014-'15 of **three thousand, eight hundred and seventy-eight dollars (\$3,878)** is properly drawn up in accordance with the requirements of the Chief Executive, Local Government and in accordance with the books and records of the Council.

**Basis of Accounting and Restriction on Distribution**

Without modifying our opinion, we draw attention to the fact that the reconciliation of total permissible general income is a special purpose financial report which has been prepared for distribution to the Council and the Office of Local Government for the purpose of fulfilling the requirements of the directive of the Chief Executive, Local Government, Department of Premier and Cabinet. As a result, the financial report may not be suitable for another purpose. We disclaim any assumption of responsibility for any reliance on this report or on the financial statements to which it relates to any person other than the Council or the Office of Local Government or for any purpose other than for which the financial report was prepared.

*intentus*

**intentus**

14 Sale Street  
Orange  
Dated: 30 September 2014

  
**John O'Malley**  
Director