

Cabonne Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2016

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



Cabonne Council

General Purpose Financial Statements for the year ended 30 June 2016

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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 1993* (LGA).

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

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

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

(iii) All figures presented in these financial statements are presented in Australian currency.

(iv) These financial statements were authorised for issue by the Council on 26 October 2016. Council has the power to amend and reissue these financial statements.

Cabonne Council

General Purpose Financial Statements for the year ended 30 June 2016

Understanding Council's financial statements

Introduction

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

What you will find in the statements

The financial statements set out the financial performance, financial position and cash flows of Council for the financial year ended 30 June 2016.

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

About the Councillor/Management Statement

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

About the primary financial statements

The financial statements incorporate five 'primary' financial statements:

1. The Income Statement

This statement summarises Council's financial performance for the year, listing all income and expenses.

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

2. The Statement of Comprehensive Income

This statement primarily records changes in the fair values of Council's infrastructure, property, plant and equipment.

3. The Statement of Financial Position

An end of year snapshot of Council's financial position indicating its assets, liabilities and equity ('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

This statement indicates where Council's cash came from and where it was spent. This statement also displays Council's original adopted budget to provide a comparison between what was projected and what actually occurred.

About the Notes to the Financial Statements

The Notes to the Financial Statements provide greater detail and additional information on the five primary financial statements.

About the Auditor's Reports

Council's financial statements are required to be audited by external accountants (that generally specialise 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 and position, and
2. Their observations on the conduct of the audit, including commentary on the Council's financial performance and financial position.

Who uses the financial statements?

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

The public can make submissions to Council up to seven days subsequent to the public presentation of the financial statements.

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

More information

A review of Council's financial performance and position for the 15/16 financial year can be found at Note 28 of the financial statements.

Cabonne Council

General Purpose Financial Statements

for the year ended 30 June 2016

Statement by Councillors and Management

made pursuant to Section 413(2)(c) of the *Local Government Act 1993 (NSW)* (as amended)

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

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

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

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

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

Signed in accordance with a resolution of Council made on 11 October 2016.



Ian Gosper
Mayor



Lachlan MacSmith
Councillor



Stephen Harding
General manager



Evan Webb
Responsible accounting officer

Cabonne Council

Income Statement

for the year ended 30 June 2016

Budget 2016	¹ \$ '000	Notes	Actual 2016	Actual 2015
Income from continuing operations				
Revenue:				
12,957	Rates and annual charges	3a	12,572	12,269
8,653	User charges and fees	3b	10,855	9,771
1,187	Interest and investment revenue	3c	1,390	1,414
447	Other revenues	3d	529	542
10,797	Grants and contributions provided for operating purposes	3e,f	10,515	10,371
4,419	Grants and contributions provided for capital purposes	3e,f	5,976	3,619
Other income:				
310	Net gains from the disposal of assets	5	558	—
—	Net share of interests in joint ventures and associates using the equity method	19	177	25
38,770	Total income from continuing operations		42,572	38,011
Expenses from continuing operations				
12,478	Employee benefits and on-costs	4a	12,342	11,959
229	Borrowing costs	4b	182	243
3,789	Materials and contracts	4c	3,653	5,778
10,060	Depreciation and amortisation	4d	9,809	9,936
—	Impairment	4d	191	—
5,738	Other expenses	4e	4,776	5,989
—	Net losses from the disposal of assets	5	—	317
32,294	Total expenses from continuing operations		30,953	34,222
6,476	Operating result from continuing operations		11,619	3,789
Discontinued operations				
—	Net profit/(loss) from discontinued operations	24	—	—
6,476	Net operating result for the year		11,619	3,789
6,476	Net operating result attributable to Council		11,619	3,789
—	Net operating result attributable to non-controlling interests		—	—
Net operating result for the year before grants and contributions provided for capital purposes				
2,057			5,643	170

¹ Original budget as approved by Council – refer Note 16

Cabonne Council

Statement of Comprehensive Income for the year ended 30 June 2016

\$ '000	Notes	Actual 2016	Actual 2015
Net operating result for the year (as per Income Statement)		11,619	3,789
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of I,PP&E	20b (ii)	15,565	39,030
Other comprehensive income – joint ventures and associates	19b	285	202
Total items which will not be reclassified subsequently to the operating result		15,850	39,232
Amounts which will be reclassified subsequently to the operating result when specific conditions are met			
Other movements in reserves	20b (ii)	(86)	–
Total items which will be reclassified subsequently to the operating result when specific conditions are met		(86)	–
Total other comprehensive income for the year		15,764	39,232
Total comprehensive income for the year		27,383	43,021
Total comprehensive income attributable to Council		27,383	43,021
Total comprehensive income attributable to non-controlling interests		–	–

Cabonne Council

Statement of Financial Position as at 30 June 2016

\$ '000	Notes	Actual 2016	Actual 2015
ASSETS			
Current assets			
Cash and cash equivalents	6a	19,887	20,594
Investments	6b	25,000	20,500
Receivables	7	4,081	3,759
Inventories	8	1,326	1,030
Other	8	61	103
Total current assets		50,355	45,986
Non-current assets			
Investments	6b	—	—
Receivables	7	936	561
Inventories	8	371	371
Infrastructure, property, plant and equipment	9	531,456	507,827
Investments accounted for using the equity method	19	20,324	19,862
Investment property	14	—	—
Intangible assets	25	153	238
Other	8	282	282
Total non-current assets		553,522	529,141
TOTAL ASSETS		603,877	575,127
LIABILITIES			
Current liabilities			
Payables	10	3,793	2,535
Borrowings	10	204	192
Provisions	10	3,902	3,601
Total current liabilities		7,899	6,328
Non-current liabilities			
Payables	10	46	38
Borrowings	10	2,317	2,521
Provisions	10	1,594	1,602
Total non-current liabilities		3,957	4,161
TOTAL LIABILITIES		11,856	10,489
Net assets		592,021	564,638
EQUITY			
Retained earnings	20	329,872	317,985
Revaluation reserves	20	262,149	246,653
Council equity interest		592,021	564,638
Non-controlling equity interests		—	—
Total equity		592,021	564,638

Cabonne Council

Statement of Changes in Equity

for the year ended 30 June 2016

\$ '000	Notes	Retained earnings	Reserves (Refer 20b)	Council interest	Non-controlling Interest	Total equity
2016						
Opening balance (as per last year's audited accounts)		317,985	246,653	564,638	—	564,638
a. Correction of prior period errors	20 (c)	—	—	—	—	—
b. Changes in accounting policies (prior year effects)	20 (d)	—	—	—	—	—
Revised opening balance (as at 1/7/15)		317,985	246,653	564,638	—	564,638
c. Net operating result for the year		11,619	—	11,619	—	11,619
d. Other comprehensive income						
– Revaluations: IPP&E asset revaluation rsve	20b (ii)	—	15,565	15,565	—	15,565
– Joint ventures and associates	19b	285	—	285	—	285
– Other movements	20a	(86)	—	(86)	—	(86)
Other comprehensive income		199	15,565	15,764	—	15,764
Total comprehensive income (c&d)		11,818	15,565	27,383	—	27,383
e. Distributions to/(contributions from) non-controlling Interests		—	—	—	—	—
f. Transfers between equity		69	(69)	—	—	—
Equity – balance at end of the reporting period		329,872	262,149	592,021	—	592,021

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council Interest	Non-controlling Interest	Total Equity
2015						
Opening balance (as per last year's audited accounts)		294,751	207,821	502,572	—	502,572
a. Correction of prior period errors	20 (c)	—	—	—	—	—
b. Changes in accounting policies (prior year effects)	20 (d)	19,045	—	19,045	—	19,045
Revised opening balance (as at 1/7/14)		313,796	207,821	521,617	—	521,617
c. Net operating result for the year		3,789	—	3,789	—	3,789
d. Other comprehensive income						
– Revaluations: IPP&E asset revaluation rsve	20b (ii)	—	39,030	39,030	—	39,030
– Joint ventures and associates	19b	202	—	202	—	202
Other comprehensive income		202	39,030	39,232	—	39,232
Total comprehensive income (c&d)		3,991	39,030	43,021	—	43,021
e. Distributions to/(contributions from) non-controlling Interests		—	—	—	—	—
f. Transfers between equity		198	(198)	—	—	—
Equity – balance at end of the reporting period		317,985	246,653	564,638	—	564,638

Cabonne Council

Statement of Cash Flows
for the year ended 30 June 2016

Budget 2016	\$ '000	Notes	Actual 2016	Actual 2015
Cash flows from operating activities				
Receipts:				
12,957	Rates and annual charges		12,425	12,444
8,653	User charges and fees		12,450	9,741
1,187	Investment and interest revenue received		1,403	1,626
15,216	Grants and contributions		16,374	14,941
–	Bonds, deposits and retention amounts received		128	132
447	Other		754	1,956
Payments:				
(12,478)	Employee benefits and on-costs		(11,752)	(12,035)
(3,789)	Materials and contracts		(4,234)	(5,836)
(229)	Borrowing costs		(158)	(171)
–	Bonds, deposits and retention amounts refunded		(256)	(196)
(5,738)	Other		(5,745)	(8,312)
16,226	Net cash provided (or used in) operating activities	11b	21,389	14,290
Cash flows from investing activities				
Receipts:				
–	Sale of investment securities		25,000	29,500
–	Sale of real estate assets		–	105
984	Sale of infrastructure, property, plant and equipment		1,201	1,384
–	Deferred debtors receipts		14	212
Payments:				
–	Purchase of investment securities		(29,619)	(20,500)
(22,246)	Purchase of infrastructure, property, plant and equipment		(18,500)	(14,187)
(21,262)	Net cash provided (or used in) investing activities		(21,904)	(3,486)
Cash flows from financing activities				
Receipts:				
Nil				
Payments:				
(192)	Repayment of borrowings and advances		(192)	(179)
(192)	Net cash flow provided (used in) financing activities		(192)	(179)
(5,228)	Net increase/(decrease) in cash and cash equivalents		(707)	10,625
41,094	Plus: cash and cash equivalents – beginning of year	11a	20,594	9,969
35,866	Cash and cash equivalents – end of the year	11a	19,887	20,594
Additional Information:				
plus:	Investments on hand – end of year	6b	25,000	20,500
Total cash, cash equivalents and investments			44,887	41,094

Please refer to Note 11 for additional cash flow information

Cabonne Council

Notes to the Financial Statements

for the year ended 30 June 2016

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n/a – not applicable

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Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies

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

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

(a) Basis of preparation

(i) Background

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

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

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

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

Because AASBs are sector neutral, some standards either:

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

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

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

(iii) New and amended standards adopted by Council

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

(iv) Early adoption of accounting standards

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

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

(v) Basis of accounting

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

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

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

(vi) Changes in accounting policies

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

Cabonne Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

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

(vii) Critical accounting estimates

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

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

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

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future.

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

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

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

(b) Revenue recognition

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

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

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

Revenue is measured on major income categories as follows:

Rates, Annual Charges, Grants and Contributions

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

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

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

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

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

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

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

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

Cabonne Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

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 and investments is accounted for using the effective interest rate at the date that interest is earned.

Dividend income

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

Other Income

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

(c) Principles of consolidation

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

(i) The Consolidated Fund

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

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

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

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

(ii) The trust fund

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

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

Cabonne Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

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 arrangements

Associates

Where Council has the power to participate in the financial and operating decisions of another entity, (i.e. where Council is deemed to have 'significant influence' over another 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 ventures.

Such entities are usually termed associates.

Any interests in Associates are accounted for using the equity method and are carried at cost.

Detailed information relating to Council's interest in associates can be found at Note 19 (b).

County councils

Council is a member of the following county councils (which are bodies incorporated under the *Local Government Act*):

- **Central Tablelands County Council**

The governing body of each county council is responsible for managing its own affairs.

Council is of the opinion that it has significant influence over the county council/s and has accordingly accounted for it as an associate.

Detailed information relating to Council's interest in the above county council/s can be found at Note 19 (b).

(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

Cabonne Council

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

Note 1. Summary of significant accounting policies (continued)

and that are subject to an insignificant risk of changes in value, and

- bank overdrafts.

Bank overdrafts are shown within borrowings in current liabilities on the balance sheet but are incorporated into cash and 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 or intention for which the investment was acquired and at the time it was acquired.

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

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

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

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

Assets in this category are primarily classified as current assets as they are primarily held for trading and/or are expected to be realised within 12 months of the 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 and receivables' classification, these investments are generally quoted in an active market.

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

(iv) Available-for-sale financial assets

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

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

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

They are generally included in non-current assets unless management intends to dispose of the investment within 12 months of the 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.

Cabonne Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

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.

General accounting and measurement of financial instruments:

(i) Initial recognition

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

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

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

(ii) Subsequent measurement

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

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

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

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

When securities classified as '**available-for-sale**' are sold or impaired, the accumulated fair value adjustments are included in the income statement as gains and losses from investment securities.

Impairment

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

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

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.

Cabonne Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

(iii) Types of investments

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

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

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

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.

(g) Fair value estimation – financial instruments

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

The fair value of financial instruments traded in active markets is based on quoted market prices at the 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 and annual charges) are generally due for settlement no more than 30 days from the date of recognition.

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

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

The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate.

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

When a receivable for which an impairment allowance had been recognised becomes

Cabonne Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

uncollectible in a subsequent period, it is written off against the allowance account.

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

(i) Inventories

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

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

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

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

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

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

(ii) Land held for resale/capitalisation of borrowing costs

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

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

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:

- **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 and footpaths** (a combination of external valuation and 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 asset's cost is measured at its fair value, plus all expenditure that is directly attributable to the acquisition.

Where settlement of any part of an asset's cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the

Cabonne Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

date of recognition (i.e. date of exchange) of the asset to arrive at fair value.

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

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

Subsequent costs

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

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

Asset revaluations (including indexation)

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

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

Other Infrastructure Assets

Swimming Pools	> \$1,000
Other Open Space/Recreational Assets	> \$1,000

Cabonne Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

Other Infrastructure > \$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 asset's 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	30 years
- Sealed Roads: Structure	75 years
- Unsealed roads	40 years
- Bridge:	150 years
- Kerb, Gutter & paths	100 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
- Swimming Pools	50 years

- Other Open Space/
Recreational Assets 10-60 years

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 derecognition

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.

Cabonne Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

(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 services, 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 to the reserves are recognised within Council's Income Statement.

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

(o) Rural fire service assets

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

of which the fire fighting equipment has been purchased or constructed'.

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

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 and/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'.

Full revaluations are carried out every 3 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 that are expected to arise from future disturbance.

Cabonne Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

Costs are estimated on the basis of a closure plan.

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

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

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

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

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

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

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

Where rehabilitation is conducted systematically over the life of the operation, rather than at the time of closure, provision is made for the estimated outstanding continuous rehabilitation work at each 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.

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

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

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

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

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

Cabonne Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

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.

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

(t) Payables

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

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

(u) Borrowings

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

Borrowings are subsequently measured at amortised cost.

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

Cabonne Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole.

A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date.

The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability.

The increase in the provision due to the passage of time is recognised as interest expense.

(x) Employee benefits

(i) Short-term obligations

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

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

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

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

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

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

(ii) Other long-term obligations

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

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

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

Cabonne Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

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.

However the position is monitored annually and the actuary has estimated that as at 30 June 2016 the prior period deficit still exists.

Effective from 1 July 2009, employers are required to contribute additional contributions to assist in extinguishing this deficit.

The amount of employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense and disclosed as part of superannuation expenses at Note 4 (a) for the year ending 30 June 2016 was \$ 389,468.

Council's share of that deficiency cannot be accurately calculated as the scheme is a mutual arrangement where assets and liabilities are pooled together for all member councils.

For this reason, no liability for the deficiency has been recognised in these financial statements.

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

Defined contribution plans

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

(iv) Employee benefit on-costs

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

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

(y) Self-insurance

Council does not self-insure.

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

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

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

Exceptions

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

Cabonne Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

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

(aa) Taxes

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

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

Goods and Services Tax (GST)

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

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

Receivables and payables within the 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, i.e. they are inclusive of GST where applicable.

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

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

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

Certain new (or amended) accounting standards and interpretations have been published that are not

mandatory for reporting periods ending 30 June 2016.

Council has not adopted any of these standards early.

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

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

AASB 9 – Financial Instruments

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

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

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

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

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

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

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

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

Cabonne Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

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

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

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

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

AASB ED 260 Income of Not-for-Profit Entities

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

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

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

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

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

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

AASB16 – Leases

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

AASB 16 introduces a single lease accounting model (for lessees) that will require all leases to be

accounted for on the balance sheet (ie. recognition of both a right-of-use asset and a corresponding lease) for all leases with a term of more than 12 months unless the underlying assets are determined to be of 'low value'. There will also be detailed disclosure requirements for all lessees.

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

Council is yet to undertake a detailed assessment of the accounting impacts from AASB 16. However, based on preliminary assessments, impacts from the first time adoption of the standard are likely to include:

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

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

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

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

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

Cabonne Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

AASB 2014 – 10 Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture

The amendments address an acknowledged inconsistency between the requirements in AASB 10 and those in AASB 128 (2011), in dealing with the sale or contribution of assets between an investor and its associate or joint venture.

The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not).

A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

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

This standard will only impact Council where there has been a sale or contribution of assets between the entity and the associate/joint venture.

(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 year ended 30 June 2016

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

Functions/activities	Income, expenses and assets have been directly attributed to the following functions/activities. Details of these functions/activities are provided in Note 2(b).												
	Income from continuing operations			Expenses from continuing operations			Operating result from continuing operations			Grants included in income from continuing operations		Total assets held (current & non-current)	
	Original budget	Actual	Actual	Original budget	Actual	Actual	Original budget	Actual	Actual	Actual	Actual	Actual	Actual
	2016	2016	2015	2016	2016	2015	2016	2016	2015	2016	2015	2016	2015
Governance	124	136	194	1,398	1,151	955	(1,274)	(1,015)	(761)	80	–	51,913	37,455
Administration	742	684	479	408	1,439	2,673	334	(755)	(2,194)	–	–	16,614	17,196
Public order and safety	26	165	223	1,075	990	795	(1,049)	(825)	(572)	–	–	3,765	3,993
Health	100	106	110	573	643	581	(473)	(537)	(471)	–	–	3,584	3,695
Environment	3,149	1,916	3,050	3,710	2,380	4,669	(561)	(464)	(1,619)	230	1,414	53,539	54,937
Community services and education	1,485	1,705	1,637	1,907	2,009	2,069	(422)	(304)	(432)	643	729	4,127	4,220
Housing and community amenities	375	609	433	556	817	688	(181)	(208)	(255)	–	40	1,883	2,296
Water supplies	1,075	1,666	995	1,298	1,346	1,092	(223)	320	(97)	3,080	12	26,202	28,987
Sewerage services	2,873	2,152	3,106	2,431	2,276	2,133	442	(124)	973	382	1,494	42,046	45,082
Recreation and culture	104	122	643	3,661	3,210	2,888	(3,557)	(3,088)	(2,245)	93	570	42,447	28,565
Mining, manufacturing and construction	1,735	2,175	1,746	1,932	1,632	1,855	(197)	543	(109)	–	–	1,710	2,345
Transport and communication	11,500	15,429	10,011	12,114	12,322	12,436	(614)	3,107	(2,425)	1,258	984	333,111	323,952
Economic affairs	414	343	432	1,113	738	1,388	(699)	(395)	(956)	–	–	2,612	2,542
Total functions and activities	23,702	27,208	23,059	32,176	30,953	34,222	(8,474)	(3,745)	(11,163)	5,766	5,243	583,553	555,265
Share of gains/(losses) in associates and joint ventures (using the equity method)	–	177	25	–	–	–	–	177	25	–	–	20,324	19,862
General purpose income ¹	15,068	15,187	14,927	118	–	–	14,950	15,187	14,927	4,564	4,584	–	–
Operating result from continuing operations	38,770	42,572	38,011	32,294	30,953	34,222	6,476	11,619	3,789	10,330	9,827	603,877	575,127

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

Cabonne Council

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

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

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

GOVERNANCE

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, abattoirs, 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 year ended 30 June 2016

Note 3. Income from continuing operations

\$ '000	Notes	Actual 2016	Actual 2015
(a) Rates and annual charges			
Ordinary rates			
Residential		2,694	2,645
Farmland		4,791	4,680
Mining		1,708	1,669
Business		232	218
Total ordinary rates		9,425	9,212
Special rates			
Nil			
Annual charges (pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Domestic waste management services		1,036	1,007
Water supply services		396	362
Sewerage services		1,414	1,392
Waste management services (non-domestic)		220	215
Section 611 charges		7	7
Stormwater levy		74	74
Total annual charges		3,147	3,057
TOTAL RATES AND ANNUAL CHARGES		12,572	12,269

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 year ended 30 June 2016

Note 3. Income from continuing operations (continued)

\$ '000	Notes	Actual 2016	Actual 2015
(b) User charges and fees			
Specific user charges (per s.502 – specific 'actual use' charges)			
Water supply services		762	507
Sewerage services		93	50
Total user charges		855	557
Other user charges and fees			
(i) Fees and charges – statutory and regulatory functions (per s.608)			
Discretionary fees – other		357	328
Planning and building regulation		277	261
Private works – section 67		243	319
Section 603 certificates		28	22
Waste management		129	105
Total fees and charges – statutory/regulatory		1,034	1,035
(ii) Fees and charges – other (incl. general user charges (per s.608))			
Caravan park		107	124
Cemeteries		70	75
Child care		611	521
Lease rentals		71	99
Quarry revenues		2,038	1,639
RMS (formerly RTA) charges (state roads not controlled by Council)		6,045	5,705
Trade waste		24	7
Other		–	9
Total fees and charges – other		8,966	8,179
TOTAL USER CHARGES AND FEES		10,855	9,771

Cabonne Council

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

Note 3. Income from continuing operations (continued)

\$ '000	Notes	Actual 2016	Actual 2015
(c) Interest and investment revenue (including losses)			
Interest			
– Interest on overdue rates and annual charges (incl. special purpose rates)		52	53
– Interest earned on investments (interest and coupon payment income)		1,361	1,375
– Interest (other)		96	86
Fair value adjustments			
– Fair valuation movements in investments (at fair value or held for trading)		(119)	(100)
<u>TOTAL INTEREST AND INVESTMENT REVENUE</u>		<u>1,390</u>	<u>1,414</u>
Interest revenue is attributable to:			
Unrestricted investments/financial assets:			
Overdue rates and annual charges (general fund)		52	53
General Council cash and investments		1,099	1,078
Restricted investments/funds – external:			
Development contributions			
– Section 94		10	13
Water fund operations		79	95
Sewerage fund operations		69	80
Domestic waste management operations		34	62
Restricted investments/funds – internal:			
Internally restricted assets		47	33
<u>Total interest and investment revenue recognised</u>		<u>1,390</u>	<u>1,414</u>
(d) Other revenues			
Legal fees recovery – rates and charges (extra charges)		23	11
Commissions and agency fees		26	151
Diesel rebate		164	127
Gravel pit restoration		84	77
Insurance claim recoveries		–	51
Rebates received		41	112
Recycling income (non-domestic)		75	–
Other - Lehman Bros Interim Payment		102	–
Other		14	13
<u>TOTAL OTHER REVENUE</u>		<u>529</u>	<u>542</u>

Cabonne Council

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

Note 3. Income from continuing operations (continued)

\$ '000	2016 Operating	2015 Operating	2016 Capital	2015 Capital
(e) Grants				
General purpose (untied)				
Financial assistance – general component	2,490	2,500	–	–
Financial assistance – local roads component	1,972	1,985	–	–
Pensioners' rates subsidies – general component	102	99	–	–
Total general purpose	4,564	4,584	–	–
Specific purpose				
Pensioners' rates subsidies:				
– Water	12	12	–	–
– Sewerage	26	26	–	–
– Domestic waste management	41	40	–	–
Water supplies	–	–	405	–
Sewerage services	–	–	291	1,374
Community services	643	729	–	–
Environment	138	1,067	92	308
Housing and community amenities	–	40	–	–
LIRS subsidy	91	94	–	–
Recreation and culture	54	67	39	503
Street lighting	38	38	–	–
Transport and communication	–	–	1,221	9
Transport and communication – roads to recovery	2,675	936	–	–
Total specific purpose	3,718	3,049	2,048	2,194
Total grants	8,282	7,633	2,048	2,194
Grant revenue is attributable to:				
– Commonwealth funding	2,983	1,348	409	–
– State funding	5,299	6,285	1,639	2,194
	8,282	7,633	2,048	2,194

Cabonne Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 3. Income from continuing operations (continued)

\$ '000	2016 Operating	2015 Operating	2016 Capital	2015 Capital
(f) Contributions				
Developer contributions:				
(s93 & s94 – EP&A Act, s64 of the LGA):				
S 94 – contributions towards amenities/services	51	70	–	–
Total developer contributions	51	70	–	–
Other contributions:				
Administration	2	5	–	–
Community services	183	139	–	–
Economic affairs	2	4	–	–
Environment	9	57	–	–
Governance	133	178	–	–
Health	67	72	–	–
Housing and community amenities	–	3	–	30
Public order and safety	–	–	136	203
Recreation and culture	9	11	–	38
RMS contributions (regional roads, block grant)	1,520	1,492	1,692	700
Sewerage (excl. section 64 contributions)	–	–	128	64
Transport and communication	257	707	1,966	380
Water supplies (excl. section 64 contributions)	–	–	6	10
Total other contributions	2,182	2,668	3,928	1,425
Total contributions	2,233	2,738	3,928	1,425
TOTAL GRANTS AND CONTRIBUTIONS	10,515	10,371	5,976	3,619

\$ '000	Actual 2016	Actual 2015
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(g) Restrictions relating to grants and contributions

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

Unexpended at the close of the previous reporting period	2,430	3,179
Add: grants and contributions recognised in the current period but not yet spent:	2,132	1,518
Less: grants and contributions recognised in a previous reporting period now spent:	(1,408)	(2,267)
Net increase (decrease) in restricted assets during the period	724	(749)
Unexpended and held as restricted assets	3,154	2,430
Comprising:		
– Specific purpose unexpended grants	573	793
– Developer contributions	767	712
– Other contributions	1,814	925
	3,154	2,430

Cabonne Council

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

Note 4. Expenses from continuing operations

\$ '000	Notes	Actual 2016	Actual 2015
(a) Employee benefits and on-costs			
Salaries and wages		9,572	9,242
Travel expenses		422	425
Employee leave entitlements (ELE)		1,629	1,626
Superannuation		1,223	1,220
Workers' compensation insurance		335	164
Fringe benefit tax (FBT)		84	79
Pre employment medicals		8	9
Protective clothing		50	52
Training costs (other than salaries and wages)		299	187
Other		61	60
Total employee costs		13,683	13,064
Less: capitalised costs		(1,341)	(1,105)
TOTAL EMPLOYEE COSTS EXPENSED		12,342	11,959
Number of 'full-time equivalent' employees (FTE) at year end		161	166
(b) Borrowing costs			
(i) Interest bearing liability costs			
Interest on loans		157	170
Total interest bearing liability costs expensed		157	170
(ii) Other borrowing costs			
Discount adjustments relating to movements in provisions (other than ELE)			
– Remediation liabilities	26	25	73
Total other borrowing costs		25	73
TOTAL BORROWING COSTS EXPENSED		182	243

Cabonne Council

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

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Actual 2016	Actual 2015
(c) Materials and contracts			
Raw materials and consumables		2,650	2,964
Contractor and consultancy costs			
– Consultancy costs		18	208
– Caretaker fees		109	70
– Cleaning		89	92
– Internal auditor		–	3
– Licence agreements		321	285
– Service contracts		199	2,007
– Valuation fees		58	64
Auditors remuneration ⁽¹⁾		32	34
Legal expenses:			
– Legal expenses: planning and development		17	4
– Legal expenses: other		160	45
Operating leases:			
– Operating lease rentals: minimum lease payments ⁽²⁾		–	2
<u>TOTAL MATERIALS AND CONTRACTS</u>		<u>3,653</u>	<u>5,778</u>

1. Auditor remuneration

During the year, the following fees were incurred for services provided by the Council's Auditor (and the Auditors of other consolidated entities):

(i) Audit and other assurance services

– Audit and review of financial statements: Council's Auditor

Remuneration for audit and other assurance services	32	34
Total Auditor remuneration	32	34

2. Operating lease payments are attributable to:

Computers	1	2
Other	(1)	–
	–	2

Cabonne Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Impairment costs		Depreciation/amortisation	
		Actual 2016	Actual 2015	Actual 2016	Actual 2015
Plant and equipment		–	–	2,173	2,204
Office equipment		–	–	151	203
Furniture and fittings		–	–	38	39
Land improvements (depreciable)		–	–	153	139
Infrastructure:					
– Buildings – non-specialised		191	–	92	95
– Buildings – specialised		–	–	1,394	1,376
– Other structures		–	–	259	256
– Roads		–	–	3,553	3,994
– Bridges		–	–	372	367
– Footpaths		–	–	58	58
– Stormwater drainage		–	–	418	95
– Water supply network		–	–	452	421
– Sewerage network		–	–	562	544
– Swimming pools		–	–	46	56
Asset reinstatement costs	9 & 26	–	–	3	14
Intangible assets	25	–	–	85	75
<u>TOTAL DEPRECIATION AND IMPAIRMENT COSTS EXPENSED</u>		<u>191</u>	<u>–</u>	<u>9,809</u>	<u>9,936</u>

Cabonne Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Actual 2016	Actual 2015
(e) Other expenses			
Other expenses for the year include the following:			
Advertising		94	70
Bad and doubtful debts		–	15
Commissions paid		18	15
Contributions/levies to other levels of government		–	1,086
– Emergency Services levy (includes FRNSW, SES, and RFS levies)		23	19
– NSW Fire Brigade levy		36	35
– NSW Rural Fire Service levy		339	166
Councillor expenses – mayoral fee		24	24
Councillor expenses – councillors' fees		121	132
Councillors' expenses (incl. mayor) – other (excluding fees above)		37	49
Donations, contributions and assistance to other organisations (Section 356)		49	19
– Donations, contributions and assistance to community groups		607	505
Electricity and heating		528	677
External hire		917	882
Fair value decrements – I,PP&E	9(a)	14	–
Insurance		628	649
Pensioner rates write off		146	147
Postage		44	30
Printing and stationery		98	113
Rates expense		465	352
Registrations		125	124
Rent expense		12	15
Service subsidy expense		26	22
Street lighting		119	128
Subscriptions and publications		18	45
Telephone and communications		103	90
Volunteer expenses		25	28
Water / sewer sampling		31	35
Other		129	517
<u>TOTAL OTHER EXPENSES</u>		<u>4,776</u>	<u>5,989</u>

Cabonne Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 5. Gains or losses from the disposal of assets

\$ '000	Notes	Actual 2016	Actual 2015
Property (excl. investment property)			
Proceeds from disposal – property		833	725
Less: carrying amount of property assets sold/written off		(488)	(1,026)
Net gain/(loss) on disposal		345	(301)
Plant and equipment			
Proceeds from disposal – plant and equipment		368	659
Less: carrying amount of plant and equipment assets sold/written off		(155)	(636)
Net gain/(loss) on disposal		213	23
Real estate assets held for sale			
Proceeds from disposal – real estate assets		–	105
Less: carrying amount of real estate assets sold/written off		–	(144)
Net gain/(loss) on disposal		–	(39)
Financial assets			
Proceeds from disposal/redemptions/maturities – financial assets		25,000	29,500
Less: carrying amount of financial assets sold/redeemed/matured		(25,000)	(29,500)
Net gain/(loss) on disposal		–	–
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		558	(317)

Cabonne Council

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

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

		2016	2016	2015	2015
\$ '000	Notes	Actual Current	Actual Non-current	Actual Current	Actual Non-current
Cash and cash equivalents (Note 6a)					
Cash on hand and at bank		451	–	830	–
Cash-equivalent assets ¹					
– Deposits at call		4,936	–	2,264	–
– Short-term deposits		14,500	–	17,500	–
Total cash and cash equivalents		19,887	–	20,594	–
Investments (Note 6b)					
– Long term deposits		25,000	–	20,500	–
Total investments		25,000	–	20,500	–
TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS		44,887	–	41,094	–

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

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

Cash and cash equivalents

a. 'At fair value through the profit and loss'		19,887	–	20,594	–
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Investments

a. 'Loans and receivables'	6(b-iii)	25,000	–	20,500	–
Investments		25,000	–	20,500	–

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 year ended 30 June 2016

Note 6b. investments (continued)

	2016 Actual Current	2016 Actual Non-current	2015 Actual Current	2015 Actual Non-current
\$ '000				
Note 6(b-i)				
Reconciliation of investments classified as 'at fair value through the profit and loss'				
Balance at the beginning of the year	–	–	100	–
Revaluations (through the Income Statement)	(119)	–	(100)	–
Additions	4,619	–	–	–
Disposals (sales and redemptions)	(4,500)	–	–	–
Balance at end of year	–	–	–	–
Note 6(b-ii)				
Reconciliation of investments classified as 'held to maturity'				
Comprising:				
– Long term deposits	25,000	–	20,500	–
– Other long term financial assets	(25,000)	–	(20,500)	–
Total	–	–	–	–
Note 6(b-iii)				
Reconciliation of investments classified as 'loans and receivables'				
Balance at the beginning of the year	20,500	–	29,500	–
Additions	25,000	–	20,500	–
Disposals (sales and redemptions)	(20,500)	–	(29,500)	–
Balance at end of year	25,000	–	20,500	–
Comprising:				
– Long term deposits	25,000	–	20,500	–
Total	25,000	–	20,500	–

Cabonne Council

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

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

	2016 Actual Current	2016 Actual Non-current	2015 Actual Current	2015 Actual Non-current
\$ '000				
Total cash, cash equivalents and investments	44,887	–	41,094	–
attributable to:				
External restrictions (refer below)	11,674	–	8,339	–
Internal restrictions (refer below)	30,127	–	29,191	–
Unrestricted	3,086	–	3,564	–
	44,887	–	41,094	–

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

Details of restrictions

External restrictions – included in liabilities

Nil

External restrictions – other

Developer contributions – general	(A)	712	61	(6)	767
RMS (formerly RTA) contributions	(B)	925	1,759	(870)	1,814
Specific purpose unexpended grants	(C)	793	312	(532)	573
Water supplies	(D)	2,993	1,861	(2,004)	2,850
Sewerage services	(D)	2,172	227	(490)	1,909
Domestic waste management	(D)	744	2,471	(35)	3,180
Canowindra Town Improvement		–	661	(99)	562
Canowindra Sports trust		–	19	–	19
External restrictions – other		8,339	7,371	(4,036)	11,674
Total external restrictions		8,339	7,371	(4,036)	11,674

- A** Development contributions which are not yet expended for the provision of services and amenities in accordance with contributions plans (refer Note 17).
- B** RMS contributions which are not yet expended for the provision of services and amenities in accordance with those contributions.
- C** Grants which are not yet expended for the purposes for which the grants were obtained. (refer Note 1 (b))
- D** Water, sewerage, domestic waste management (DWM) and other special rates/levies/charges are externally restricted assets and must be applied for the purposes for which they were raised.

Cabonne Council

Notes to the Financial Statements

for the year ended 30 June 2016

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

2016 \$ '000	Opening balance	Transfers to restrictions	Transfers from restrictions	Closing balance
Internal restrictions				
Plant and vehicle replacement	5,628	6,366	(3,830)	8,164
Infrastructure replacement	1,685	–	–	1,685
Employees leave entitlement	2,062	–	–	2,062
Cadia contributions	1,648	200	(859)	989
Capital works	9,493	74	(2,466)	7,101
Community services	5	–	–	5
Environment	126	–	–	126
Housing	157	–	–	157
Land development	827	703	–	1,530
Limestone quarry	1,544	586	–	2,130
Office equipment	1,399	–	(39)	1,360
Recreation and culture	336	17	(8)	345
Revoted Expenditure (Sec 23A)	424	2,103	(424)	2,103
Roadworks	2,093	1,441	(1,358)	2,176
Sewerage	17	–	–	17
Waste management	1,637	–	(1,637)	–
Other	110	67	–	177
Total internal restrictions	29,191	11,557	(10,621)	30,127
TOTAL RESTRICTIONS	37,530	18,928	(14,657)	41,801

Cabonne Council

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

Note 7. Receivables

\$ '000	Notes	2016		2015	
		Current	Non-current	Current	Non-current
Purpose					
Rates and annual charges		356	318	477	50
Interest and extra charges		28	170	47	91
User charges and fees		892	174	1,340	310
Accrued revenues					
– Interest on investments		273	–	227	–
– Other income accruals		1,509	–	350	–
Council private works		922	–	550	–
Deferred debtors		17	290	23	298
Government grants and subsidies		114	–	133	–
Loans to non-profit organisations		–	–	258	–
Net GST receivable		67	–	–	–
Quarry debtors		110	–	190	–
Other debtors		118	–	322	–
Total		4,406	952	3,917	749
Less: provision for impairment					
Rates and annual charges		(172)	–	–	(172)
User charges and fees		(153)	(16)	(158)	(16)
Total provision for impairment – receivables		(325)	(16)	(158)	(188)
TOTAL NET RECEIVABLES		4,081	936	3,759	561
Externally restricted receivables					
Water supply					
– Specific purpose grants		217	–	–	–
– Rates and availability charges		60	16	13	7
– Other		555	61	561	20
Sewerage services					
– Rates and availability charges		27	38	26	111
– Other		918	122	1,170	7
Total external restrictions		1,777	237	1,770	145
Internally restricted receivables					
Nil					
Unrestricted receivables		2,304	699	1,989	416
TOTAL NET RECEIVABLES		4,081	936	3,759	561

Notes on debtors above:

- Rates and annual charges outstanding are secured against the property.
- 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.
- Interest was charged on overdue rates and charges at 8.50% (2015 8.50%).
Generally all other receivables are non-interest bearing.
- Please refer to Note 15 for issues concerning credit risk and fair value disclosures.

Cabonne Council

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

Note 8. Inventories and other assets

\$ '000	Notes	2016		2015	
		Current	Non-current	Current	Non-current

(a) Inventories

(i) Inventories at cost

Real estate for resale (refer below)	680	371	680	371
Stores and materials	646	–	350	–
Total inventories at cost	1,326	371	1,030	371

(ii) Inventories at net realisable value (NRV)

Nil

<u>TOTAL INVENTORIES</u>	<u>1,326</u>	<u>371</u>	<u>1,030</u>	<u>371</u>
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(b) Other assets

Prepayments	61	–	103	–
Shares in unlisted companies – StateCover	–	282	–	282
<u>TOTAL OTHER ASSETS</u>	<u>61</u>	<u>282</u>	<u>103</u>	<u>282</u>

Externally restricted assets

There are no restrictions applicable to the above assets.

Cabonne Council

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

Note 8. Inventories and other assets (continued)

\$ '000	2016		2015	
	Current	Non-current	Current	Non-current
Other disclosures				
(a) Details for real estate development				
Residential	639	156	639	156
Industrial/commercial	41	215	41	215
Total real estate for resale	680	371	680	371
(Valued at the lower of cost and net realisable value)				
Represented by:				
Acquisition costs	343	172	343	172
Development costs	337	199	337	199
Total costs	680	371	680	371
Total real estate for resale	680	371	680	371
Movements:				
Real estate assets at beginning of the year	680	371	785	410
– WDV of sales (expense)	–	–	(144)	–
– Transfer between current/non-current	–	–	39	(39)
Total real estate for resale	680	371	680	371

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

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

	2016	2015
Real estate for resale	680	900
	680	900

(c) Inventory write downs

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

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

Cabonne Council

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

Note 9a. Infrastructure, property, plant and equipment

\$ '000	as at 30/6/2015					Asset movements during the reporting period										as at 30/6/2016				
	At cost	At fair value	Accumulated		Carrying value	Additions renewals	Additions new assets	Carrying value of disposals	Depreciation expense	Impairment loss (recognised in P/L)	Adjustments and transfers	Other movements	Revaluation decrements to P&L	Revaluation decrements to equity (ARR)	Revaluation increments to equity (ARR)	At cost	At fair value	Accumulated		Carrying value
			depreciation	impairment														depreciation	impairment	
Capital work in progress	8,351	–	–	–	8,351	–	409	–	–	–	(8,351)	–	–	–	–	409	–	–	–	409
Plant and equipment	–	39,555	25,552	–	14,003	–	1,552	(155)	(2,173)	–	–	–	–	–	–	–	39,921	26,694	–	13,227
Office equipment	–	2,352	1,908	–	444	–	105	–	(151)	–	–	–	–	–	–	–	2,457	2,059	–	398
Furniture and fittings	–	844	626	–	218	–	49	(1)	(38)	–	–	–	–	–	–	–	885	657	–	228
Land:																				
– Operational land	–	7,242	–	–	7,242	–	83	(225)	–	–	38	–	–	–	–	–	7,138	–	–	7,138
– Community land	–	10,451	–	–	10,451	–	–	(60)	–	–	(38)	–	–	(1,180)	–	–	9,173	–	–	9,173
Land improvements – non-depreciable	–	1,071	–	–	1,071	–	–	–	–	–	–	–	–	–	13,654	–	14,725	–	–	14,725
Land improvements – depreciable	–	4,869	2,392	–	2,477	–	47	–	(153)	–	–	–	(14)	–	2,181	–	6,511	1,973	–	4,538
Infrastructure:																				
– Buildings – non-specialised	–	4,067	2,400	–	1,667	–	197	(196)	(92)	(191)	–	–	–	–	–	–	3,662	2,086	191	1,385
– Buildings – specialised	–	57,380	29,846	–	27,534	660	273	–	(1,394)	–	–	–	–	–	–	–	58,313	31,240	–	27,073
– Other structures	–	9,102	4,220	–	4,882	136	196	(6)	(259)	–	–	–	–	–	–	–	9,425	4,476	–	4,949
– Roads	–	176,402	50,541	–	125,861	11,500	675	–	(3,553)	–	–	–	–	–	–	–	188,577	54,094	–	134,483
– Bridges	–	55,798	10,738	–	45,060	1,045	–	–	(372)	–	–	–	–	–	–	–	56,845	11,112	–	45,733
– Footpaths	–	5,850	1,772	–	4,078	–	105	–	(58)	–	–	–	–	–	–	–	5,955	1,830	–	4,125
– Bulk earthworks (non-depreciable)	–	148,410	–	–	148,410	–	–	–	–	–	–	–	–	–	–	–	148,410	–	–	148,410
– Stormwater drainage	–	62,668	11,141	–	51,527	–	270	–	(418)	–	–	–	–	–	–	–	62,937	11,558	–	51,379
– Water supply network	–	44,521	21,087	–	23,434	439	97	–	(452)	–	–	–	–	–	352	–	45,733	21,863	–	23,870
– Sewerage network	–	38,790	10,248	–	28,542	365	444	–	(562)	–	8,351	–	–	–	558	–	48,670	10,972	–	37,698
– Swimming pools	–	4,210	1,789	–	2,421	–	–	–	(46)	–	–	–	–	–	–	–	4,210	1,835	–	2,375
Reinstatement, rehabilitation and restoration assets (refer Note 26):																				
– Tip assets	–	288	280	–	8	–	–	–	(1)	–	–	–	–	–	–	–	288	281	–	7
– Quarry assets	–	657	511	–	146	–	–	–	(2)	–	–	(11)	–	–	–	–	647	514	–	133
TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIP.	8,351	674,527	175,051	–	507,827	14,145	4,502	(643)	(9,724)	(191)	–	(11)	(14)	(1,180)	16,745	409	714,482	183,244	191	531,456

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

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

Cabonne Council

Notes to the Financial Statements

for the year ended 30 June 2016

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

\$ '000	Actual				Actual			
	2016				2015			
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
Water supply								
WIP	408	—	—	408	—	—	—	—
Plant and equipment	—	3,295	2,499	796	—	3,261	2,441	820
Land								
– Operational land	—	767	—	767	—	767	—	767
– Community land	—	260	—	260	—	269	—	269
– Improvements - depreciable	—	34	12	22	—	28	6	22
Buildings	—	126	25	101	—	126	22	104
Other structures	—	239	77	162	—	239	72	167
Infrastructure	—	45,238	21,557	23,681	—	44,034	20,791	23,243
Total water supply	408	49,959	24,170	26,197	—	48,724	23,332	25,392
Sewerage services								
WIP	—	—	—	—	—	8,350	—	8,350
Plant and equipment	—	6,109	4,194	1,915	—	6,016	4,067	1,949
Land								
– Operational land	—	762	—	762	—	755	—	755
– Community land	—	157	—	157	—	67	—	67
– Improvements non-depreciable	—	4,198	—	4,198	—	999	—	999
– Improvements - depreciable	—	318	79	239	—	977	734	243
Buildings	—	463	151	312	—	463	138	325
Other structures	—	15	3	12	—	15	3	12
Infrastructure	—	48,670	10,972	37,698	—	38,792	10,248	28,544
Total sewerage services	—	60,692	15,399	45,293	—	56,434	15,190	41,244
Domestic waste management								
Plant and equipment	—	214	154	60	—	183	139	44
Office equipment	—	52	29	23	—	52	20	32
Land								
– Operational land	—	203	—	203	—	203	—	203
– Community land	—	415	—	415	—	435	—	435
– Improvements non-depreciable	—	10,196	—	10,196	—	—	—	—
– Improvements - depreciable	—	457	79	378	—	397	83	314
Buildings	—	67	—	67	—	—	—	—
Other structures	—	499	223	276	—	484	202	282
Total DWM	—	12,103	485	11,618	—	1,754	444	1,310
TOTAL RESTRICTED I,PP&E	408	122,754	40,054	83,108	—	106,912	38,966	67,946

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

\$ '000	Notes	Actual 2016	Actual 2015
Impairment losses recognised in the Income Statement:			
– Building due for Demolition		(191)	—
Total impairment losses		(191)	—
IMPAIRMENT OF ASSETS – GAINS/(LOSSES) in P/L	4(d)	(191)	—

Cabonne Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 10a. Payables, borrowings and provisions

\$ '000	Notes	2016		2015	
		Current	Non-current	Current	Non-current
Payables					
Goods and services – operating expenditure		1,666	–	1,586	–
Payments received In advance		259	–	243	–
Accrued expenses:					
– Borrowings		5	–	6	–
– Salaries and wages		347	–	24	–
– Other expenditure accruals		1,095	–	126	–
Security bonds, deposits and retentions		365	46	501	38
ATO – net GST payable		7	–	–	–
Other		49	–	49	–
Total payables		3,793	46	2,535	38
Borrowings					
Loans – secured ¹		201	2,317	189	2,518
Government advances		3	–	3	3
Total borrowings		204	2,317	192	2,521
Provisions					
Employee benefits:					
Annual leave		1,139	–	1,029	–
Long service leave		2,714	–	2,523	–
Sub-total – aggregate employee benefits		3,853	–	3,552	–
Asset remediation/restoration (future works)	26	–	1,594	–	1,602
Other		49	–	49	–
Total provisions		3,902	1,594	3,601	1,602
<u>TOTAL PAYABLES, BORROWINGS AND PROVISIONS</u>					
		7,899	3,957	6,328	4,161
(i) Liabilities relating to restricted assets					
		2016		2015	
		Current	Non-current	Current	Non-current
Externally restricted assets					
Water		365	–	57	–
Sewer		264	2,317	273	2,518
Liabilities relating to externally restricted assets		629	2,317	330	2,518
Internally restricted assets					
Nil					
Total liabilities relating to restricted assets		629	2,317	330	2,518
Total liabilities relating to unrestricted assets		7,270	1,640	5,998	1,643
TOTAL PAYABLES, BORROWINGS AND PROVISIONS		7,899	3,957	6,328	4,161

¹. Loans are secured over the general rating income of Council

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

Cabonne Council

Notes to the Financial Statements

for the year ended 30 June 2016

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

	Actual 2016	Actual 2015
\$ '000		

(ii) Current liabilities not anticipated to be settled within the next twelve months

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

Provisions – employees benefits	2,934	2,523
	2,934	2,523

Note 10b. Description of and movements in provisions

Class of provision	2015	2016				Closing balance as at 30/6/16
	Opening balance as at 1/7/15	Additional provisions	Decrease due to payments	Remeasurement effects due to discounting	Unused amounts reversed	
Annual leave	1,029	594	(606)	122	–	1,139
Long service leave	2,523	243	(320)	268	–	2,714
Asset remediation	1,602	–	(33)	25	–	1,594
Other	49	–	–	–	–	49
TOTAL	5,203	837	(959)	415	–	5,496

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

Cabonne Council

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

Note 11. Statement of cash flows – additional information

\$ '000	Notes	Actual 2016	Actual 2015
(a) Reconciliation of cash assets			
Total cash and cash equivalent assets	6a	19,887	20,594
Less bank overdraft	10	–	–
Balance as per the Statement of Cash Flows		19,887	20,594
(b) Reconciliation of net operating result to cash provided from operating activities			
Net operating result from Income Statement		11,619	3,789
Adjust for non-cash items:			
Depreciation and amortisation		9,809	9,936
Net losses/(gains) on disposal of assets		(558)	317
Non-cash capital grants and contributions		(136)	(203)
Impairment losses recognition – I,PP&E		191	–
Losses/(gains) recognised on fair value re-measurements through the P&L:			
– Investments classified as ‘at fair value’ or ‘held for trading’		119	100
– Write offs relating to the fair valuation of I,PP&E		14	–
– Other		(86)	–
Unwinding of discount rates on reinstatement provisions		25	73
Share of net (profits) or losses of associates/joint ventures		(177)	(25)
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		(706)	691
Increase/(decrease) in provision for doubtful debts		(5)	(212)
Decrease/(increase) in inventories		(296)	123
Decrease/(increase) in other assets		42	(91)
Increase/(decrease) in payables		80	269
Increase/(decrease) in accrued interest payable		(1)	(1)
Increase/(decrease) in other accrued expenses payable		1,292	(554)
Increase/(decrease) in other liabilities		(105)	(118)
Increase/(decrease) in employee leave entitlements		301	196
Increase/(decrease) in other provisions		(33)	–
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		21,389	14,290

Cabonne Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 11. Statement of cash flows – additional information (continued)

\$ '000	Notes	Actual 2016	Actual 2015
(c) Non-cash investing and financing activities			
Bushfire grants		136	203
Total non-cash investing and financing activities		136	203
(d) Financing arrangements			
(i) Unrestricted access was available at balance date to the following lines of credit:			
Bank overdraft facilities ⁽¹⁾		450	450
Credit cards/purchase cards		65	55
Total financing arrangements		515	505
Amounts utilised as at balance date:			
– Credit cards/purchase cards		12	6
Total financing arrangements utilised		12	6

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 and 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 year ended 30 June 2016

Note 12. Commitments for expenditure

\$ '000	Notes	Actual 2016	Actual 2015
(a) Capital commitments (exclusive of GST)			
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:			
Property, plant and equipment			
Buildings		82	–
Plant and equipment		2,372	69
Sewer		144	77
Water		167	294
Roads Bridges & Footpaths		350	–
Other Structures		82	99
Other		–	16
Total commitments		3,197	555
These expenditures are payable as follows:			
Within the next year		3,197	555
Total payable		3,197	555
Sources for funding of capital commitments:			
Unrestricted general funds		82	12
Unexpended grants		350	166
Externally restricted reserves		311	–
Internally restricted reserves		2,454	377
Total sources of funding		3,197	555

(b) Finance lease commitments

Nil

(c) Operating lease commitments (non-cancellable)

Nil

(d) Investment property commitments

Nil

Cabonne Council

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

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

\$ '000	Amounts 2016	Indicator 2016	Prior periods 20152014	
Local government industry indicators – consolidated				
1. Operating performance ratio				
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions less operating expenses	5,041	14.01%	1.63%	0.85%
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	35,980			
2. Own source operating revenue ratio				
Total continuing operating revenue ⁽¹⁾ excluding all grants and contributions	25,465	60.69%	63.27%	62.09%
Total continuing operating revenue ⁽¹⁾	41,956			
3. Unrestricted current ratio				
Current assets less all external restrictions ⁽²⁾	36,224	8.35x	10.07x	8.98x
Current liabilities less specific purpose liabilities ^(3, 4)	4,336			
4. Debt service cover ratio				
Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation	15,223	40.70x	25.45x	23.70x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	374			
5. Rates, annual charges, interest and extra charges outstanding percentage				
Rates, annual and extra charges outstanding	700	5.33%	3.79%	4.81%
Rates, annual and extra charges collectible	13,140			
6. Cash expense cover ratio				
Current year's cash and cash equivalents plus all term deposits	44,887	24.11 mths	18.4 mths	18.6 mths
Payments from cash flow of operating and financing activities	1,861			

Notes

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

⁽²⁾ Refer Notes 6-8 inclusive.

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

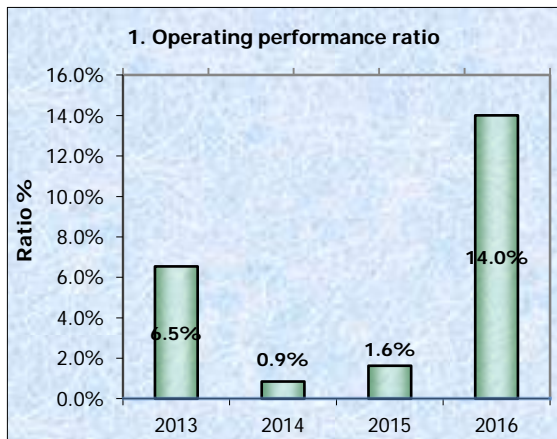
⁽³⁾ Refer to Note 10(a).

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

Cabonne Council

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

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



Purpose of operating performance ratio

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



Commentary on 2015/16 result

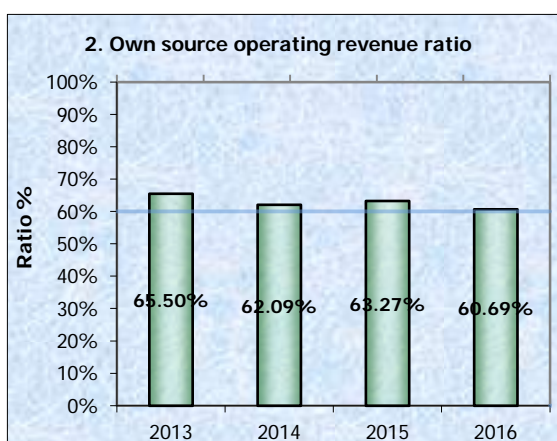
2015/16 ratio 14.01%

An excellent result for Council showing that Council is in a strong and robust position. It should be noted that Cabonne has achieved a positive result in this ratio for more than 10 years in a row.

Benchmark: — Minimum $\geq 0.00\%$

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

 Ratio achieves benchmark
 Ratio is outside benchmark



Purpose of own source operating revenue ratio

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



Commentary on 2015/16 result

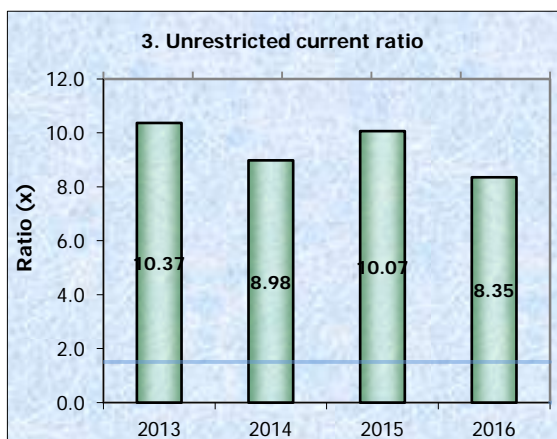
2015/16 ratio 60.69%

This is another positive result for Council, indicating that Council is consistently exceeding the industry benchmark of 60%.

Benchmark: — Minimum $\geq 60.00\%$

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

 Ratio achieves benchmark
 Ratio is outside benchmark



Purpose of unrestricted current ratio

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



Commentary on 2015/16 result

2015/16 ratio 8.35x

Council is well within its ability to satisfy its short term obligations and this will enable Council to draw down funds in future years and maintain the industry benchmark.

Benchmark: — Minimum ≥ 1.50

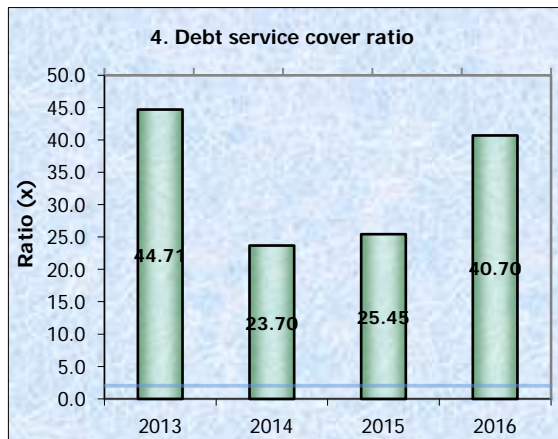
Source for benchmark: Code of Accounting Practice and Financial Reporting #24

 Ratio achieves benchmark
 Ratio is outside benchmark

Cabonne Council

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

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



Benchmark: — Minimum ≥ 2.00

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

Purpose of debt service cover ratio

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

Commentary on 2015/16 result

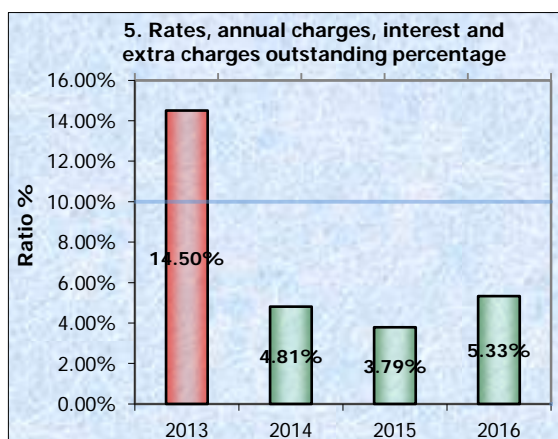
2015/16 ratio 40.70x

Council's debt service ratio is again well within industry benchmark.



Ratio achieves benchmark

Ratio is outside benchmark



Benchmark: — Maximum $< 10.00\%$

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

Purpose of rates and annual charges outstanding ratio

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

Commentary on 2015/16 result

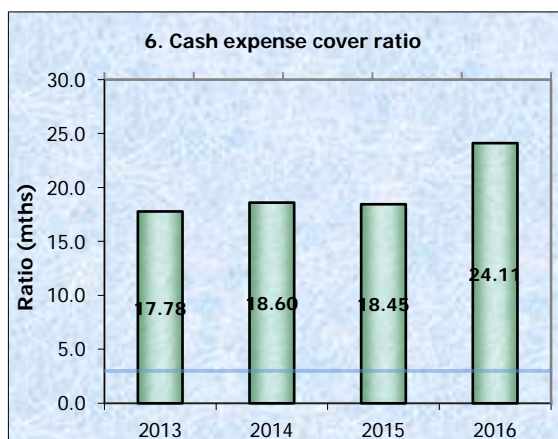
2015/16 ratio 5.33%

This ratio shows the outstanding work completed by staff to reduce the outstanding rates and charges ratio. The result is consistent with previous years and well below the industry benchmark



Ratio is within Benchmark

Ratio is outside Benchmark



Benchmark: — Minimum ≥ 3.00

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

Purpose of cash expense cover ratio

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

Commentary on 2015/16 result

2015/16 ratio 24.11 mths

Council has once again increased the number of months of liquidity to 24 without the need for additional income.



Ratio achieves benchmark

Ratio is outside benchmark

Cabonne Council

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

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

\$ '000	Water 2016	Sewer 2016	General ⁵ 2016
Local government industry indicators – by fund			
1. Operating performance ratio			
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions less operating expenses	-6.75%	-21.61%	16.82%
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	prior period: -9.85%	prior period: -27.95%	prior period: 3.54%
2. Own source operating revenue ratio			
Total continuing operating revenue ⁽¹⁾ excluding all grants and contributions	74.53%	75.13%	59.28%
Total continuing operating revenue ⁽¹⁾	prior period: 97.79%	prior period: 49.37%	prior period: 63.53%
3. Unrestricted current ratio			
Current assets less all external restrictions ⁽²⁾	10.09x	10.81x	8.35x
Current liabilities less specific purpose liabilities ^(3, 4)	prior period: 62.58x	prior period: 12.34x	prior period: 10.07x
4. Debt service cover ratio			
Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation	0.00	1.78x	77.33x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	prior period: 0.00x	prior period: 1.49x	prior period: 41.68x
5. Rates, annual charges, interest and extra charges outstanding percentage			
Rates, annual and extra charges outstanding	19.24%	4.59%	4.93%
Rates, annual and extra charges collectible	prior period: 5.52%	prior period: 9.86%	prior period: 2.99%
6. Cash expense cover ratio			
Current year's cash and cash equivalents plus all term deposits	44.53 mths	15.70 mths	23.99 mths
Payments from cash flow of operating and financing activities	prior period: 58.98 mths	prior period: 16.59 mths	prior period: 17.56 mths

Notes

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

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

Cabonne Council

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

Note 14. Investment properties

\$ '000

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

Note 15. Financial risk management

Risk management

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

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

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

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

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

	Carrying value		Fair value	
	2016	2015	2016	2015
Financial assets				
Cash and cash equivalents	19,887	20,594	19,887	20,594
Investments				
– 'Loans and receivables'	25,000	20,500	25,000	20,500
Receivables	5,017	4,320	5,017	4,320
Other financial assets	282	282	282	282
Total financial assets	50,186	45,696	50,186	45,696
Financial liabilities				
Payables	3,580	2,330	3,580	2,330
Loans/advances	2,521	2,713	2,521	2,713
Total financial liabilities	6,101	5,043	6,101	5,043

Fair value is determined as follows:

- **Cash and cash equivalents, receivables, payables** – are estimated to be the carrying value that approximates market value.
- **Borrowings and held-to-maturity investments** – are based upon estimated future cash flows discounted by the current mkt interest rates applicable to assets and liabilities with similar risk profiles, unless quoted market prices are available.
- Financial assets classified (i) '**at fair value through profit and loss**' or (ii) '**available-for-sale**' – are based upon quoted market prices (in active markets for identical investments) at the reporting date or independent valuation.

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

Cabonne Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 15. Financial risk management (continued)

\$ '000

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

Council has an investment policy which complies with the *Local Government Act 1993* and Minister's investment order. This policy is regularly reviewed by Council and 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.

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

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

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

	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
2016				
Possible impact of a 1% movement in interest rates	358	358	(358)	(358)
2015				
Possible impact of a 1% movement in interest rates	246	246	(246)	(246)

Cabonne Council

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

Note 15. Financial risk management (continued)

\$ '000

(b) Credit risk

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

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

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

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

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

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

	2016 Rates and annual charges	2016 Other receivables	2015 Rates and annual charges	2015 Other receivables
(i) Ageing of receivables – %				
Current (not yet overdue)	47%	82%	90%	78%
Overdue	53%	18%	10%	22%
	100%	100%	100%	100%

		2016 Rates and annual charges	2016 Other receivables	2015 Rates and annual charges	2015 Other receivables
(ii) Ageing of receivables – value					
Rates and annual charges	Other receivables				
Current	Current	318	3,844	476	3,222
< 1 year overdue	0 – 30 days overdue	356	106	51	134
1 – 2 years overdue	30 – 60 days overdue	–	66	–	10
2 – 5 years overdue	60 – 90 days overdue	–	34	–	75
> 5 years overdue	> 90 days overdue	–	634	–	698
		674	4,684	527	4,139

(iii) Movement in provision for impairment of receivables

	2016	2015
Balance at the beginning of the year	346	558
+ new provisions recognised during the year	–	29
– amounts already provided for and written off this year	(5)	(241)
Balance at the end of the year	341	346

Cabonne Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 15. Financial risk management (continued)

\$ '000

(c) Liquidity risk

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

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

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

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

\$ '000	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		
2016									
Trade/other payables	411	3,169	–	–	–	–	–	3,580	3,580
Loans and advances	–	350	337	327	327	232	1,674	3,247	2,521
Total financial liabilities	411	3,519	337	327	327	232	1,674	6,827	6,101
2015									
Trade/other payables	539	1,791	–	–	–	–	–	2,330	2,330
Loans and advances	–	350	350	337	327	327	1,906	3,597	2,713
Total financial liabilities	539	2,141	350	337	327	327	1,906	5,927	5,043

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

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

	2016		2015	
	Carrying value	Average interest rate	Carrying value	Average interest rate
Trade/other payables	3,580	0.00%	2,330	0.00%
Loans and advances – fixed interest rate	2,521	6.78%	2,713	6.78%
	<u>6,101</u>		<u>5,043</u>	

Cabonne Council

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

Note 16. Material budget variations

\$ '000

Council's original financial budget for 15/16 was adopted by the Council on 28 June 2016.

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

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

Note that for variations* of budget to actual :

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

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

\$ '000	2016 Budget	2016 Actual	2016 ----- Variance* -----	
REVENUES				
Rates and annual charges	12,957	12,572	(385)	(3%) U
User charges and fees	8,653	10,855	2,202	25% F
The variance is due to an increase in works allocated to Council by the RMS of \$1,359M in Ordered Works projects, unknown at Budget preparation. There was also an increase to the RMS funds received for State Road maintenance to \$127k. An increase in the Quarry sales of \$368k has contributed to the favourable variance as well.				
Interest and investment revenue	1,187	1,390	203	17% F
A better than expected rate of return on investments has resulted in the favourable result.				
Other revenues	447	529	82	18% F
Council received an increase in expected Gravel pit income of \$44k. Also Council had an increase in the sale of scrap metal and recycled materials of \$64k.				
Operating grants and contributions	10,797	10,515	(282)	(3%) U
Capital grants and contributions	4,419	5,976	1,557	35% F
Council's favourable result is due to grant funding received during the year that was not forecasted. RMS funding for Gumble Road upgrade and extra \$230k for RMS Safety program funding was received during the year.				
Net gains from disposal of assets	310	558	248	80% F
Council's favourable result is due to the sale of a property for \$220k and the sale of a gravel pit of \$57k.				
Joint ventures and associates - net profits	–	177	177	0% F
A budget for Cabonne's share of Central Tableland Water income was not included as it was unknown at the time of budget preparation.				

Cabonne Council

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

Note 16. Material budget variations (continued)

\$ '000	2016 Budget	2016 Actual	2016 ----- Variance* -----		
EXPENSES					
Employee benefits and on-costs	12,478	12,342	136	1%	F
Borrowing costs	229	182	47	21%	F
The Molong quarry has been fully amortised therefore reducing Council's borrowing costs.					
Materials and contracts	3,789	3,653	136	4%	F
Depreciation and amortisation	10,060	9,809	251	2%	F
Impairment expenses	–	191	(191)	0%	U
At the time of budget preparation, no budget was set for the Impairment of assets.					
Other expenses	5,738	4,776	962	17%	F
At the time of budget preparation, Macquarie Valley Weeds was expected to be auspiced by Cabonne. This program during 2016 year was no longer auspiced by Cabonne, and that is due to the decrease in expenditure.					

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

Cash flows from operating activities	16,226	21,389	5,163	31.8%	F
Cash flows from investing activities	(21,262)	(21,904)	(642)	3.0%	U
Cash flows from financing activities	(192)	(192)	–	0.0%	F

Cabonne Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 17. Statement of developer contributions

\$ '000

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

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

SUMMARY OF CONTRIBUTIONS AND LEVIES

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Roads	525	37	–	7	–	–	569	–
Other	187	14	–	3	(6)	–	198	–
S94 contributions – under a plan	712	51	–	10	(6)	–	767	–
Total S94 revenue under plans	712	51	–	10	(6)	–	767	–
Total contributions	712	51	–	10	(6)	–	767	–

Cabonne Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 17. Statement of developer contributions (continued)

\$ '000

S94 CONTRIBUTIONS – UNDER A PLAN

CONTRIBUTION PLAN NUMBER 1 - 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	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Roads	30	6	–	–	–	–	36	–
Total	30	6	–	–	–	–	36	–

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	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Roads	495	31	–	7	–	–	533	–
Total	495	31	–	7	–	–	533	–

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	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Other	187	14	–	3	(6)	–	198	–
Total	187	14	–	3	(6)	–	198	–

Cabonne Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 18. Contingencies and other assets/liabilities not recognised

\$ '000

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

LIABILITIES NOT RECOGNISED:

1. Guarantees

(i) Defined benefit superannuation contribution plans

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

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

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

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

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

(ii) Statewide Limited

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

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

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

(iii) StateCover Limited

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

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

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

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

(iv) Other guarantees

Council has provided 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.

Cabonne Council

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

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

\$ '000

LIABILITIES NOT RECOGNISED (continued):

(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.

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 (and subsequent land asset) from such potential acquisitions has not been possible.

ASSETS NOT RECOGNISED:

(i) Land under roads

As permitted under AASB 1051, Council has elected not to bring to account land under roads that it owned or controlled up to and including 30/6/08.

(ii) Infringement Notices/Fines

Fines & 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 year ended 30 June 2016

Note 19. Interests in other entities

\$ '000

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

The accounting and reporting for these various entities, operations and arrangements varies in accordance with accounting standards, depending on the level of council's (i) interest and (ii) control and the type (form) of entity/operation, as follows;

Controlled entities (subsidiaries)

Note 19(a)

Operational arrangements where Council's control (but not necessarily interest) exceeds 50%.

Joint ventures and associates

Note 19(b)

Joint ventures are operational arrangements where the parties that have joint control have rights to the net assets of the arrangement.

Associates are separate entities where Council has significant influence over the operations (but neither controls nor jointly controls them).

Joint operations

Note 19(c)

Operational arrangements where the parties that have joint control have rights to specific assets and obligations for specific liabilities relating to the arrangement rather than a right to the net assets of the arrangement.

Unconsolidated structured entities

Note 19(d)

Unconsolidated structured entities represent "special vehicles" that Council has an interest in but which are not controlled by Council and therefore not consolidated as a subsidiary, joint arrangement or associate. Attributes of structured entities include restricted activities, a narrow and well-defined objective and insufficient equity to finance its activities without financial support.

Subsidiaries, joint arrangements and associates not recognised

Note 19(e)

Accounting recognition:

(i) Subsidiaries disclosed under Note 19(a) and joint operations disclosed at Note 19(c) are accounted for on a 'line by line' consolidation basis within the Income Statement and Statement of Financial Position.

(ii) Joint ventures and associates as per Note 19(b) are accounted for using the equity accounting method and are disclosed as a 1 line entry in both the Income Statement and Statement of Financial Position.

	Council's share of net income		Council's share of net assets	
	Actual 2016	Actual 2015	Actual 2016	Actual 2015
Joint ventures	—	—	—	—
Associates	177	25	20,324	19,862
Total	177	25	20,324	19,862

Cabonne Council

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

Note 19. Interests in other entities (continued)

\$ '000

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

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

(b) Joint ventures and associates

Council has no interest in any joint ventures or associates.

(a) Net carrying amounts – Council's share

Name of entity	Nature of relationship	Measurement method	2016	2015
Central Tablelands Water	Associate	Equity	20,324	19,862
Total carrying amounts – material joint ventures and associates			20,324	19,862

(b) Details

Name of entity	Principal activity	Place of business
Central Tablelands Water	Supply Water	Blayney

(c) Relevant interests and fair values

Name of entity	Quoted fair value		Interest in outputs		Interest in ownership		Proportion of voting power	
	2016	2015	2016	2015	2016	2015	2016	2015
Central Tablelands Water	33		33%	33%	33%	33%	33%	33%

Cabonne Council

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

Note 19. Interests in other entities (continued)

\$ '000

(b) Joint ventures and associates (continued)

(d) Summarised financial information for joint ventures and associates

	Central Tablelands Water	
	2016	2015
Statement of financial position		
Current assets		
Cash and cash equivalents	873	404
Other current assets	7,738	6,677
Total current assets	8,611	7,081
Non-current assets	56,284	56,722
Current liabilities		
Financial liabilities (excl. accounts payable)	409	383
Other current liabilities	1,156	1,064
Total current liabilities	1,565	1,447
Non-current liabilities	2,352	2,764
Net assets	60,978	59,592
Reconciliation of the carrying amount		
Opening net assets (1 July)	59,592	58,910
Profit/(loss) for the period	532	74
Other Comprehensive Income	854	608
Closing net assets	60,978	59,592
Council's share of net assets (%)	33.33%	33.33%
Council's share of net assets (\$)	20,324	19,862
Statement of comprehensive income		
Income	5,697	5,248
Interest income	206	206
Depreciation and amortisation	(1,822)	(1,808)
Interest expense	(198)	(222)
Other expenses	(3,351)	(3,350)
Profit/(loss) for period	532	74
Other comprehensive income	854	608
Total comprehensive income	1,386	682
Share of income – Council (%)	33.33%	33.33%
Profit/(loss) – Council (\$)	177	25
Total comprehensive income – Council (\$)	462	227

Cabonne Council

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

Note 19. Interests in other entities (continued)

\$ '000

(c) Joint operations

Council has no interest in any joint operations.

(d) Unconsolidated structured entities

Council has no unconsolidated structured entities

(e) Subsidiaries, joint arrangements and associates not recognised

The following subsidiaries, joint arrangements and associates have not been recognised in this financial report.

Name of entity/operation	Principal activity/type of entity	2016	2016
		Net profit	Net assets
Central West Co-operative Public Library	Library Services to member Councils	44	183

Reasons for non-recognition

Cabonne Council has a small interest and passive control in Central West Co-operative Public Library. Council makes a financial contribution on behalf of the rate payers of Cabonne in order for the Library to provide a service. Cabonne Council does not have significant influence or control of the entity.

Strategic Alliance	Investigation & provision of
Wellington, Blayney & Cabonne Councils	Economies of scale opportunities for Member Councils

Reasons for non-recognition

Cabonne Council has a mutually agreeable collaborated arrangement with the WBC Strategic Alliance and its partners. Councils capacity is that it supports the Alliance. The Strategic Alliance is not a legal entity and does have a budget in its own right.

Section 355 Committees of Council	Management, control and care of Council property
------------------------------------------	--------------------------------------------------

Reasons for non-recognition

Council auspice a number of Section 355 Committees and due to their immaterial value and nature have been excluded from recognition.

Cabonne Council

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

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

\$ '000	Notes	Actual 2016	Actual 2015
(a) Retained earnings			
Movements in retained earnings were as follows:			
Balance at beginning of year (from previous years audited accounts)		317,985	294,751
a. Changes in accounting policies (prior period effects)	20 (d)	–	19,045
b. Other comprehensive income (excl. direct to reserves transactions)		199	202
c. Net operating result for the year		11,619	3,789
d. Transfers between equity		69	198
Balance at end of the reporting period		329,872	317,985
(b) Revaluation reserves			
(i) Reserves are represented by:			
– Infrastructure, property, plant and equipment revaluation reserve		262,149	246,653
Total		262,149	246,653
(ii) Reconciliation of movements in reserves:			
Infrastructure, property, plant and equipment revaluation reserve			
– Opening balance		246,653	207,821
– Revaluations for the year	9(a)	15,565	39,030
– Transfer to retained earnings for asset disposals		(69)	(198)
– Balance at end of year		262,149	246,653
TOTAL VALUE OF RESERVES		262,149	246,653
(iii) Nature and purpose of reserves			
Infrastructure, property, plant and equipment revaluation reserve			
– The infrastructure, property, plant and equipment revaluation reserve is used to record increments/decrements of non-current asset values due to their revaluation.			
(c) Correction of error/s relating to a previous reporting period			
Council made no correction of errors during the current reporting period.			
(d) Voluntary changes in accounting policies			
Council has accounted for its share of Central Tablelands Water which is significantly influenced by Council			
In accordance with AASB 108 – Accounting Policies, Changes in Accounting Estimates and Errors, the above changes in accounting policy have been recognised retrospectively.			
These amounted to the following equity adjustments:			
– Adjustments to opening equity – 1/7/14		–	19,045
(relating to adjustments for the 30/6/14 reporting year end and prior periods)			
Total prior period adjustments – accounting policy changes		–	19,045

Cabonne Council

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

Note 21. Financial result and financial position by fund

Income Statement by fund \$ '000	Actual 2016	Actual 2016	Actual 2016
Continuing operations	Water	Sewer	General¹
Income from continuing operations			
Rates and annual charges	395	1,415	10,762
User charges and fees	762	132	9,961
Interest and investment revenue	79	69	1,242
Other revenues	6	–	523
Grants and contributions provided for operating purposes	12	116	10,387
Grants and contributions provided for capital purposes	411	419	5,146
Other income			
Net gains from disposal of assets	–	–	558
Share of interests in joint ventures and associates using the equity method	–	–	177
Total income from continuing operations	1,665	2,151	38,756
Expenses from continuing operations			
Employee benefits and on-costs	234	301	11,807
Borrowing costs	–	157	25
Materials and contracts	475	765	2,413
Depreciation and amortisation	515	749	8,545
Impairment	–	–	191
Other expenses	121	304	4,351
Total expenses from continuing operations	1,345	2,276	27,332
Operating result from continuing operations	320	(125)	11,424
Discontinued operations			
Net profit/(loss) from discontinued operations	–	–	–
Net operating result for the year	320	(125)	11,424
Net operating result attributable to each council fund	320	(125)	11,424
Net operating result attributable to non-controlling interests	–	–	–
Net operating result for the year before grants and contributions provided for capital purposes	(91)	(544)	6,278

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

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

Cabonne Council

Notes to the Financial Statements as at 30 June 2016

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

Statement of Financial Position by fund \$ '000	Actual 2016	Actual 2016	Actual 2016
	Water	Sewer	General ¹
ASSETS			
Current assets			
Cash and cash equivalents	3,080	2,242	14,565
Investments	–	–	25,000
Receivables	602	612	2,867
Inventories	–	–	1,326
Other	–	–	61
Total current assets	3,682	2,854	43,819
Non-current assets			
Investments	–	–	–
Receivables	77	160	699
Inventories	–	–	371
Infrastructure, property, plant and equipment	26,197	45,293	459,966
Investments accounted for using the equity method	–	–	20,324
Investment property	–	–	–
Intangible assets	–	–	153
Other	–	–	282
Total non-current assets	26,274	45,453	481,795
TOTAL ASSETS	29,956	48,307	525,614
LIABILITIES			
Current liabilities			
Payables	365	63	3,365
Borrowings	–	201	3
Provisions	–	–	3,902
Total current liabilities	365	264	7,270
Non-current liabilities			
Payables	–	–	46
Borrowings	–	2,317	–
Provisions	–	–	1,594
Total non-current liabilities	–	2,317	1,640
TOTAL LIABILITIES	365	2,581	8,910
Net assets	29,591	45,726	516,704
EQUITY			
Retained earnings	11,667	25,372	292,833
Revaluation reserves	17,924	20,354	223,871
Total equity	29,591	45,726	516,704

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

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

Cabonne Council

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

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

\$ '000

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

Note 23. Events occurring after the reporting date

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

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

Accordingly, the 'authorised for issue' date is 26/10/16.

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

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

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

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

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

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

Note 24. Discontinued operations

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

Cabonne Council

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

Note 25. Intangible assets

\$ '000	Actual 2016	Actual 2015
Intangible assets represent identifiable non-monetary assets without physical substance.		
Intangible assets are as follows:		
Opening values:		
Gross book value (1/7)	396	286
Accumulated amortisation (1/7)	(158)	(83)
Accumulated impairment (1/7)	–	–
Net book value – opening balance	238	203
Movements for the year		
– Purchases	–	110
– Amortisation charges	(85)	(75)
Closing values:		
Gross book value (30/6)	396	396
Accumulated amortisation (30/6)	(243)	(158)
Accumulated impairment (30/6)	–	–
<u>TOTAL INTANGIBLE ASSETS – NET BOOK VALUE</u> ¹	<u>153</u>	<u>238</u>

¹. The net book value of intangible assets represent:

– Software	153	238
	153	238

Cabonne Council

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

Note 26. Reinstatement, rehabilitation and restoration liabilities

\$ '000

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

Asset/operation	Estimated year of restoration	NPV of provision	
		2016	2015
Tip Operations	2016	358	356
Quarry Operations	2039	1,236	1,246
Balance at end of the reporting period	10(a)	1,594	1,602

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

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

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

Reconciliation of movement in provision for year:

Balance at beginning of year	1,602	1,529
Amounts capitalised to new or existing assets:		
Effect of a change in other calculation estimates used	(33)	–
Amortisation of discount (expensed to borrowing costs)	25	73
Total – reinstatement, rehabilitation and restoration provision	1,594	1,602

Cabonne Council

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

Note 27. Fair value measurement

\$ '000

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

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

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

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

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

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

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

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

Fair value measurements		Fair value measurement hierarchy			
2016		Level 1	Level 2	Level 3	Total
	Date of latest valuation	Quoted prices in active mkts	Significant observable inputs	Significant unobservable inputs	
Recurring fair value measurements					
Financial assets					
Other		—	282	—	282
Total financial assets		—	282	—	282
Financial liabilities					
Payables	30/06/16	—	2,944	—	2,944
Loans/advances		—	2,521	—	2,521
Total financial liabilities		—	5,465	—	5,465
Infrastructure, property, plant and equipment					
Capital works in progress	30/06/16	—	—	409	409
Plant and equipment	30/06/16	—	—	13,227	13,227
Office equipment	30/06/16	—	—	398	398
Furniture and fittings	30/06/16	—	—	228	228
Operational land	30/06/14	—	—	7,138	7,138
Community land	30/06/16	—	—	9,173	9,173
Land improvements non depreciable	30/06/16	—	—	14,725	14,725
Land Improvements depreciable	30/06/16	—	—	4,538	4,538
Building non specialised	30/06/14	—	—	1,385	1,385
Building specialised	30/06/14	—	—	27,073	27,073
Other structures	30/06/11	—	—	4,949	4,949
Roads	30/06/15	—	—	134,483	134,483
Bridges	30/06/15	—	—	45,733	45,733
Footpaths	30/06/15	—	—	4,125	4,125
Bulk earthworks	30/06/15	—	—	148,410	148,410
Stormawater drainage	30/06/15	—	—	51,379	51,379
Water supply network	30/06/12	—	—	23,870	23,870
Sewer network	30/06/12	—	—	37,698	37,698
Swimming pools	30/06/11	—	—	2,375	2,375
Tip assets	30/06/16	—	—	7	7
Quarry assets	30/06/16	—	—	133	133
Total infrastructure, property, plant and equipment		—	—	531,456	531,456

Cabonne Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 27. Fair value measurement (continued)

\$ '000

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

		Fair value measurement hierarchy			
2015		Level 1	Level 2	Level 3	Total
	Date of latest valuation	Quoted prices in active mkts	Significant observable inputs	Significant unobservable inputs	
Recurring fair value measurements					
Financial assets					
Other		—	282	—	282
Total financial assets		—	282	—	282
Financial liabilities					
Payables	30/06/15	—	2,330	—	2,330
Loans/advances		—	2,713	—	2,713
Total financial liabilities		—	5,043	—	5,043
Infrastructure, property, plant and equipment					
Capital works in progress	30/06/15	—	—	8,351	8,351
Plant and equipment	30/06/15	—	—	14,003	14,003
Office equipment	30/06/15	—	—	444	444
Furniture and fittings	30/06/15	—	—	218	218
Operational land	30/06/15	—	—	7,242	7,242
Community land	30/06/15	—	—	10,451	10,451
Land improvements non depreciable	30/06/15	—	—	1,071	1,071
Land Improvements depreciable	30/06/15	—	—	2,477	2,477
Building non specialised	30/06/14	—	—	1,667	1,667
Building specialised	30/06/14	—	—	27,534	27,534
Other structures	30/06/15	—	—	4,882	4,882
Roads	30/06/15	—	—	125,861	125,861
Bridges	30/06/15	—	—	45,060	45,060
Footpaths	30/06/15	—	—	4,078	4,078
Bulk earthworks	30/06/15	—	—	148,410	148,410
Stormawater drainage	30/06/15	—	—	51,527	51,527
Water supply network	30/06/15	—	—	23,434	23,434
Sewer network	30/06/15	—	—	28,542	28,542
Swimming pools	30/06/15	—	—	2,421	2,421
Tip assets	30/06/15	—	—	8	8
Quarry assets	30/06/15	—	—	146	146
Total infrastructure, property, plant and equipment		—	—	507,827	507,827

Cabonne Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 27. Fair value measurement (continued)

(2) Transfers between Level 1 & 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.

(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:

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.

Cabonne Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 27. Fair value measurement (continued)

Loans/Advances – Outstanding bank loans

Valuation Technique: 'Cost approach'

Inputs Used (Level 2): Loan borrowing amount

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)

Cabonne Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 27. Fair value measurement (continued)

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

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 1 July 2015)

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.

Cabonne Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 27. Fair value measurement (continued)

Non Depreciable land Improvements

Valuation Techniques: 'Cost approach'

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

Non Depreciable Land Improvements were valued as at 30 June 2016. Valuations are based on unit rates derived from historical costs and from industry rates such as the 'Australian Construction handbook 2014 - Rawlinson's'.

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

Valuation Techniques: 'Cost approach'

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

Depreciable Land Improvements were valued as at 30 June 2016. 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 30th 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).

Cabonne Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 27. Fair value measurement (continued)

Other Structures

Valuation Techniques: 'Cost approach'

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

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 by Pavement Management Services on 30 June 2015. 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 by Pavement Management Services.

Cabonne Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 27. Fair value measurement (continued)

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.

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 2015.

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 2015.

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)

Cabonne Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 27. Fair value measurement (continued)

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.

Footpaths assets were valued by Pavement Management Services as at 30 June 2015.

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 2015.

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 year ended 30 June 2016

Note 27. Fair value measurement (continued)

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.

Cabonne Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 27. Fair value measurement (continued)

\$ '000

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

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

	Capital works in progress	Plant and equipment	Office equipment	Furniture and fittings	Operational land	Community land	Land imp non depreciable	Land imp depreciable	Total
Opening balance – 1/7/14	7,372	14,612	558	253	7,273	10,451	1,071	2,233	43,823
Purchases (GBV)	979	2,230	89	4	236	–	–	406	3,944
Disposals (WDV)	–	(635)	–	–	(267)	–	–	(23)	(925)
Depreciation and impairment	–	(2,204)	(203)	(39)	–	–	–	(139)	(2,585)
Closing balance – 30/6/15	8,351	14,003	444	218	7,242	10,451	1,071	2,477	44,257
Transfers from/(to) another asset class	(8,351)	–	–	–	38	(38)	–	–	(8,351)
Purchases (GBV)	409	1,552	105	49	83	–	–	47	2,245
Disposals (WDV)	–	(155)	–	(1)	(225)	(60)	–	–	(441)
Depreciation and impairment	–	(2,173)	(151)	(38)	–	–	–	(153)	(2,515)
FV gains – other comprehensive income	–	–	–	–	–	(1,180)	13,654	2,181	14,655
FV gains – Income Statement ¹	–	–	–	–	–	–	–	(14)	(14)
Closing balance – 30/6/16	409	13,227	398	228	7,138	9,173	14,725	4,538	49,836

Cabonne Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 27. Fair value measurement (continued)

\$ '000

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

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

	Buildings non special	Buildings specialised	Other structures	Roads	Bridges	Footpaths	Bulk earthworks	Stormwater drainage	Total
Opening balance – 1/7/14	1,827	28,984	4,939	116,306	41,129	3,804	166,435	4,901	368,325
Purchases (GBV)	–	598	199	6,971	1,152	237	253	–	9,410
Disposals (WDV)	(65)	(672)	–	–	–	–	–	–	(737)
Depreciation and impairment	(95)	(1,376)	(256)	(3,994)	(367)	(58)	–	(95)	(6,241)
FV gains – other comprehensive income	–	–	–	6,578	3,146	95	(18,278)	46,721	38,262
Closing balance – 30/6/15	1,667	27,534	4,882	125,861	45,060	4,078	148,410	51,527	409,019
Purchases (GBV)	197	933	332	12,175	1,045	105	–	270	15,057
Disposals (WDV)	(196)	–	(6)	–	–	–	–	–	(202)
Depreciation and impairment	(283)	(1,394)	(259)	(3,553)	(372)	(58)	–	(418)	(6,337)
Closing balance – 30/6/16	1,385	27,073	4,949	134,483	45,733	4,125	148,410	51,379	417,537

Cabonne Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 27. Fair value measurement (continued)

\$ '000

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

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

	Water network	Sewer network	Swimming pools	Tip assets	Quarry assets	Total
Opening balance – 1/7/14	23,075	28,190	2,459	9	159	53,892
Purchases (GBV)	434	474	18	–	–	926
Depreciation and impairment	(421)	(544)	(56)	(1)	(13)	(1,035)
FV gains – other comprehensive income	346	422	–	–	–	768
Closing balance – 30/6/15	23,434	28,542	2,421	8	146	54,551
Transfers from/(to) another asset class	–	8,351	–	–	–	8,351
Purchases (GBV)	536	809	–	–	–	1,345
Depreciation and impairment	(452)	(562)	(46)	(1)	(2)	(1,063)
FV gains – other comprehensive income	352	558	–	–	–	910
Other movement (details here)	–	–	–	–	(11)	(11)
Closing balance – 30/6/16	23,870	37,698	2,375	7	133	64,083

Cabonne Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 27. Fair value measurement (continued)

(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 (30/6/16) \$'000	Valuation technique/s	Unobservable inputs
Capital Works in Progress	\$409	Cost Approach	<ul style="list-style-type: none"> Gross Replacement Cost
Plant & Equipment	\$13,227	Cost Approach	<ul style="list-style-type: none"> Gross Replacement Cost Remaining Useful Life
Office Equipment	\$398	Cost Approach	<ul style="list-style-type: none"> Gross Replacement Cost Remaining Useful Life
Furniture & Fittings	\$228	Cost Approach	<ul style="list-style-type: none"> Gross Replacement Cost Remaining Useful Life
Community land	\$9,173	Cost Approach	<ul style="list-style-type: none"> NSW Valuer General's Valuation (Unimproved Capital Value)
Land Improvements Non Depreciable	\$14,725	Cost Approach	<ul style="list-style-type: none"> Gross Replacement Cost
Land Improvements Depreciable	\$4,538	Cost Approach	<ul style="list-style-type: none"> Gross Replacement Cost Remaining Useful Life
Buildings Non Specialised	\$1,576	Cost Approach	<ul style="list-style-type: none"> Unit Rates Asset Conditions Useful Life

Cabonne Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 27. Fair value measurement (continued)

Class	Fair value (30/6/16) \$'000	Valuation technique/s	Unobservable inputs
Buildings Specialised	\$27,073	Cost Approach	<ul style="list-style-type: none"> Unit Rates Asset Conditions Useful Life
Other Structures	\$4,949	Cost Approach	<ul style="list-style-type: none"> Gross Replacement Cost Remaining Useful Life
Roads	\$134,483	Cost Approach	<ul style="list-style-type: none"> Unit Rates Asset Condition Useful life
Bridges	\$45,733	Cost Approach	<ul style="list-style-type: none"> Unit Rates Asset Conditions Useful Life
Footpaths	\$4,125	Cost Approach	<ul style="list-style-type: none"> Unit Rates Asset Conditions Useful Life
Bulk Earthworks	\$148,410	Cost Approach	<ul style="list-style-type: none"> Unit Rates Terrain rating

Cabonne Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 27. Fair value measurement (continued)

Class	Fair value (30/6/16) \$'000	Valuation technique/s	Unobservable inputs
Stormwater Drainage	\$51,379	Cost Approach	<ul style="list-style-type: none"> Unit Rates Asset Conditions Useful Life
Water Supply Network	\$23,870	Cost Approach	<ul style="list-style-type: none"> Unit Rates Asset Conditions Useful Life
Sewer Network	\$37,698	Cost Approach	<ul style="list-style-type: none"> Unit Rates Asset Conditions Useful Life
Swimming Pools	\$2,375	Cost Approach	<ul style="list-style-type: none"> Unit Rates Asset Conditions Useful Life
Tip Assets	\$7	Cost Approach	Discounted future Cash Flows
Quarry Assets	\$133	Cost Approach	Discounted future Cash Flows

(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 year ended 30 June 2016

Note 28. Financial review

\$ '000

Key financial figures of Council over the past 5 years (consolidated)

Financial performance figures	2016	2015	2014	2013	2012
Inflows:					
Rates and annual charges revenue	12,572	12,269	11,989	11,827	11,148
User charges revenue	10,855	9,771	10,124	9,982	11,045
Interest and investment revenue (losses)	1,390	1,414	1,660	1,986	1,777
Grants income – operating and capital	10,330	9,827	9,557	9,638	11,253
Total income from continuing operations	42,572	38,011	39,572	37,644	37,966
Sale proceeds from I,PP&E	1,201	1,489	822	619	1,226
New loan borrowings and advances	–	–		2,455	
Outflows:					
Employee benefits and on-cost expenses	12,342	11,959	11,804	11,652	12,062
Borrowing costs	182	243	248	187	113
Materials and contracts expenses	3,653	5,778	4,739	4,811	7,412
Total expenses from continuing operations	30,953	34,222	32,285	32,303	33,005
Total cash purchases of I,PP&E	18,500	14,187	17,492	12,365	12,955
Total loan repayments (incl. finance leases)	192	179	170	75	71
Operating surplus/(deficit) (excl. capital income)	5,643	170	909	2,398	2,793
Financial position figures	2016	2015	2014	2013	2012
Current assets	50,355	45,986	45,156	45,794	42,266
Current liabilities	7,899	6,328	6,536	6,022	7,369
Net current assets	42,456	39,658	38,620	39,772	34,897
Available working capital (Unrestricted net current assets)	2,867	3,509	4,705	3,100	5,596
Cash and investments – unrestricted	3,086	3,564	4,466	2,103	4,999
Cash and investments – internal restrictions	30,127	29,191	25,735	24,631	17,412
Cash and investments – total	44,887	41,094	39,569	39,972	36,313
Total borrowings outstanding (Loans, advances and finance leases)	2,521	2,713	2,892	3,062	682
Total value of I,PP&E (excl. land and earthworks)	535,445	515,704	482,719	445,048	434,477
Total accumulated depreciation	183,435	175,051	201,909	183,760	175,016
Indicative remaining useful life (as a % of GBV)	66%	66%	58%	59%	60%

Source: published audited financial statements of Council (current year and prior year)

Cabonne Council

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

Note 29. Council information and contact details

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 3200

Facsimile: 02 6392 3260

Internet: <http://www.cabonne.nsw.gov.au>

Email: council@cabonne.nsw.gov.au

Officers**GENERAL MANAGER**

Stephen Harding

Elected members**MAYOR**

Ian Gosper

RESPONSIBLE ACCOUNTING OFFICER

Evan Webb

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 2016. 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 2016 included on Council's web site. Council is responsible for the integrity of their 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.

Application of the requirements of the Local Government Act 1993, Chapter 13, Part 3, Division 2

Without qualification to the opinion expressed above, attention is drawn to Note 1(j) of the financial statements. Council have reported that the valuation of its other structures and other assets to fair value has not occurred this financial year and are "as approximated by depreciated historical cost". While the financial statements are in compliance with Australian Accounting Standards, which allow use of either cost or fair value as a valuation basis, they do not comply with the requirement of the Local Government Code of Accounting Practice which specified that the revaluation of those designated assets to fair value take place in the 2016 financial year.

Accordingly this element of the financial statements does not comply with the Local Government Code of Accounting Practice and Financial Reporting (Guidelines) Update 21 which forms part of the requirements of the Local Government Act 1993, Chapter 13, Part 3, Division 2 and Regulation 207 of the Local Government (General) Regulation 2005.


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John O'Malley
Director

14 Sale Street
Orange
Dated: 26 October 2016

26 October 2016

The Mayor
Councillor Ian Gosper
Cabonne Council
PO Box 17
MOLONG NSW 2866

Dear Mr Mayor

**INDEPENDENT AUDITOR'S REPORT ON THE CONDUCT OF THE AUDIT OF
CABONNE COUNCIL FOR THE YEAR ENDED 30 JUNE 2016**

We advise having completed our audit of the financial statements of Cabonne Council for the financial year ended 30 June 2016. Our audit resulted in the issuing of an unmodified audit report on both the general purpose and special purpose financial statements of Council though we note in our report that Council's other structures and other assets have not been revalued to fair value as required by the Office of Local Government

In accordance with Section 417(3) 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 2016. 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 417(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 \$11,619,000 (2015 - \$3,789,000). Selected items of note in the operating statement include:

The operating result from ordinary activities *before* capital amounts was \$5,643,000 (2015 – \$170,000).

- User Charges & Fees revenue saw an 11% increase to \$10,855,000 (2015 - \$9,771,000) with increased water sales, slight growth in RMS charges and a recovery in quarry revenue the main contributors.
- Capital grants also experienced growth to \$5,976,000 (2015 - \$3,619,000). The growth was in part due to restart NSW funding for bridge work and water pipeline construction and capital contributions for roadworks by Newcrest mines.
- Materials and Contracts expenses were returned to more traditional levels at \$3,653,000 (2015 - \$5,778,000) with the 2015 expense elevated due to the remediation of the former gasworks site in Molong.
- Other expenses were lower by \$1,213,000 mainly because the Macquarie Valley Weeds expenditure that was being managed by Cabonne Council in 2015 has transferred to the care of Orange City Council for the 2016 year.

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

(b) Financial Position

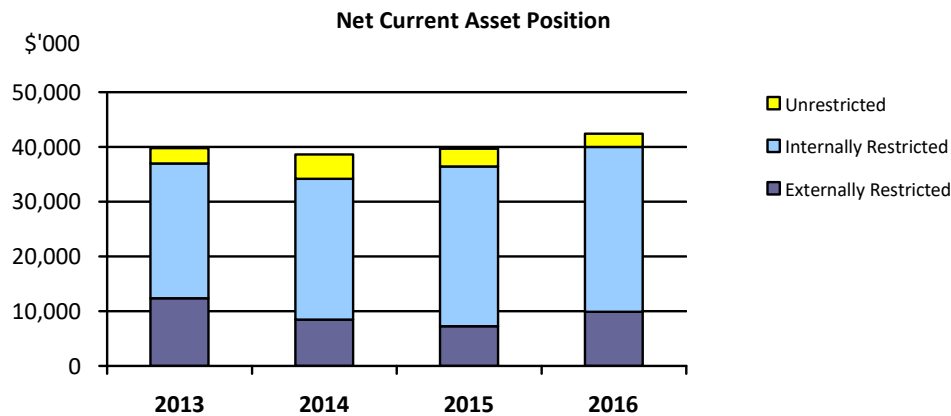
The Statement of Financial Position discloses that for the year ended 30 June 2016 Council's net assets stood at \$592,021,000 (2015 - \$564,638,000), which represents an increase of \$27,383,000. The increase comprises the net operating surplus after capital amounts of \$11,619,000 the net revaluation increment resulting from the revaluation of land improvements, community land, water and sewerage infrastructure assets of \$15,565,000, Cabonne council's interest in associates of \$285,000 and the movement of negative \$86,000 relating to the refund of Macquarie Valley Weeds funds.

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: -

	2016 \$'000	2015 \$'000
Net Current Assets	42,440	39,658
Less: Amounts externally restricted for special purposes (refer Notes 6; 7; & 8 of financial statements)	(13,451)	(10,109)
Less: Council internally imposed restrictions (refer Note 6 of financial statements)	(30,127)	(29,191)
Add: Applicable current liabilities refer Note 10		
- Water	365	57
- Sewerage	264	273
Add: Employee Leave Entitlements to be paid > 12 months	2,934	2,532
Unrestricted net current asset surplus/(deficit)	2,425	3,220
Unrestricted net current assets comprise: -		
Assets		
Cash	3,086	3,564
Receivables	2,288	1,989
Inventories	1,326	1,030
Other (Prepayments)	61	103
Less: General Purpose Liabilities	(7,270)	(5,998)
Plus: Employee Leave Entitlements to be paid > 12 months	2,934	2,532
Unrestricted net current asset surplus/(deficit)	2,425	3,220

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

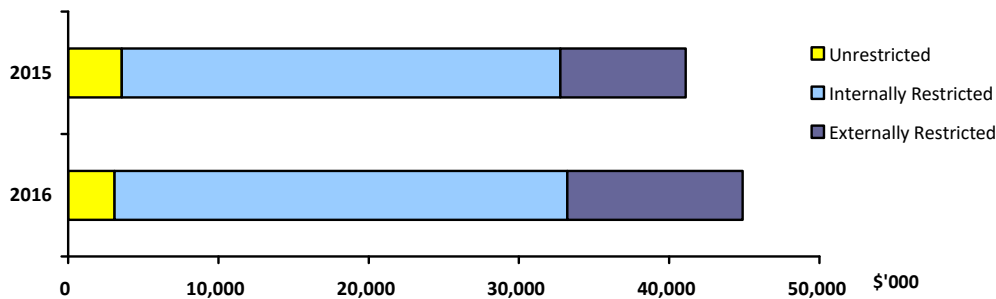
The following table shows the Council's calculated net current asset position over the past four years:



Cash & Investments

Note 6 to the accounts discloses total cash and investments of \$44,887,000 (2015 - \$41,094,000), of this amount \$11,674,000 (2015 - \$8,339,000) is subject to external restrictions requiring Council to commit those funds to the purposes for which they were provided and \$30,127,000 (2015 - \$29,191,000) 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 \$3,086,000 (2015 - \$3,564,000) 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 ratio expresses council's ability to keep operating expenses, including depreciation, within its continuing operating revenue. The outcome of 14.01% (2015 – 1.63%) represents the surplus between continuing operating revenue and continuing operating expenses.

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 8.35:1 indicates that it has sufficient liquidity to comfortably meet its debts as and when they fall due.

Debt Service Cover Ratio

The Debt Service Cover Ratio measures the ability of council to service debt by expressing that capacity as a multiple of the operating result from continuing operations, excluding capital items and depreciation / impairment, over the principal and interest costs.

At 40.70 times (2015 –25.45 times) Cabonne Council's ratio indicates that it is easily able to service the existing levels of debt.

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 4.04% (2015 – 3.79%) continues to outperform the industry.

(d) Cash Flow Statement

The Statement of Cash Flows reports a net decrease in cash assets held of (\$707,000) (2015 increase - \$10,625,000) as follows:

	2016 \$'000	2015 \$'000	Movement \$'000
Cash flow provided by / (used in)			
Operating activities	21,389	14,290	7,099
Investing activities	(21,904)	(3,486)	(18,418)
Financing activities	(192)	(179)	(13)
Net increase / (decrease) in cash held	(707)	10,625	(11,332)

Cash flows from operating activities

The cashflows from operating activities have increased when compared to 2015 due to the growth in user charges and capital grants and contributions as previously discussed.

Cash flows from investing activities

The cash outflow from investing activities is due to the net purchase of \$4,619,000 in (long-term) investments and the construction of infrastructure assets, particularly transport infrastructure.

Cash flows from financing activities

The net cash flow used in financing activities was \$192,000 (2015 - \$179,000), 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 \$11,619,000 was \$5,143,000 better 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 2016. 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 unmodified audit report on the special purpose reports for the year ended 30 June 2016 has been issued.

Management Letters

Our most recent management letter was issued on 1 July 2016. 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) **Progress of Asset Revaluation Program**

Council's asset revaluation program is in partial compliance with the timetable established by the Office of Local Government. As noted in the audit report on the General Purpose Financial Statements, Council has not revalued its other structures and other assets this financial year as required by the Local Government Code of Accounting Practice.

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


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John O'Malley
Director

14 Sale Street
Orange
Dated: 26 October 2016

Cabonne Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2016

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



Cabonne Council

Special Purpose Financial Statements

for the year ended 30 June 2016

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Background

- (i) These Special Purpose Financial Statements have been prepared for the use by both Council and the Office of Local Government in fulfilling their requirements under National Competition Policy.
 - (ii) The principle of competitive neutrality is based on the concept of a 'level playing field' between persons/entities competing in a market place, particularly between private and public sector competitors.

Essentially, the principle is that government businesses, whether Commonwealth, state or local, should operate without net competitive advantages over other businesses as a result of their public ownership.
 - (iii) For Council, the principle of competitive neutrality and public reporting applies only to declared business activities.

These include **(a)** those activities classified by the Australian Bureau of Statistics as business activities being water supply, sewerage services, abattoirs, gas production and reticulation, and **(b)** those activities with a turnover of more than \$2 million that Council has formally declared as a business activity (defined as Category 1 activities).
 - (iv) In preparing these financial statements for Council's self-classified Category 1 businesses and ABS-defined activities, councils must **(a)** adopt a corporatisation model and **(b)** apply full cost attribution including tax-equivalent regime payments and debt guarantee fees (where the business benefits from Council's borrowing position by comparison with commercial rates).
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Cabonne Council

Special Purpose Financial Statements for the year ended 30 June 2016

Statement by Councillors and Management made pursuant to the Local Government Code of Accounting Practice and Financial Reporting

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

- the NSW Government Policy Statement 'Application of National Competition Policy to Local Government',
- the Division of Local Government Guidelines 'Pricing and Costing for Council Businesses – A Guide to Competitive Neutrality',
- the Local Government Code of Accounting Practice and Financial Reporting,
- the NSW Office of Water Best-Practice Management of Water and Sewerage Guidelines.

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

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

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

Signed in accordance with a resolution of Council made on 11 October 2016.



Ian Gosper
Mayor



Lachlan MacSmith
Councillor



Stephen Harding
General manager



Evan Webb
Responsible accounting officer

Cabonne Council

Income Statement of Council's Water Supply Business Activity

for the year ended 30 June 2016

\$ '000	Actual 2016	Actual 2015
Income from continuing operations		
Access charges	395	362
User charges	762	507
Fees	—	—
Interest	79	95
Grants and contributions provided for non-capital purposes	12	12
Profit from the sale of assets	—	—
Other income	6	9
Total income from continuing operations	1,254	985
Expenses from continuing operations		
Employee benefits and on-costs	234	184
Borrowing costs	—	—
Materials and contracts	475	338
Depreciation and impairment	515	484
Water purchase charges	—	—
Loss on sale of assets	—	—
Calculated taxation equivalents	—	—
Debt guarantee fee (if applicable)	—	—
Other expenses	121	87
Total expenses from continuing operations	1,345	1,093
Surplus (deficit) from continuing operations before capital amounts	(91)	(108)
Grants and contributions provided for capital purposes	411	10
Surplus (deficit) from continuing operations after capital amounts	320	(98)
Surplus (deficit) from discontinued operations	—	—
Surplus (deficit) from all operations before tax	320	(98)
Less: corporate taxation equivalent (30%) [based on result before capital]	—	—
SURPLUS (DEFICIT) AFTER TAX	320	(98)
Plus opening retained profits	11,347	11,445
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	—	—
Closing retained profits	11,667	11,347
Return on capital %	-0.3%	-0.4%
Subsidy from Council	659	875
Calculation of dividend payable:		
Surplus (deficit) after tax	320	(98)
Less: capital grants and contributions (excluding developer contributions)	(411)	(10)
Surplus for dividend calculation purposes	—	—
Potential dividend calculated from surplus	—	—

Cabonne Council

Income Statement of Council's Sewerage Business Activity

for the year ended 30 June 2016

\$ '000	Actual 2016	Actual 2015
Income from continuing operations		
Access charges	1,415	1,390
User charges	132	72
Liquid trade waste charges	—	—
Fees	—	—
Interest	69	80
Grants and contributions provided for non-capital purposes	116	119
Profit from the sale of assets	—	—
Other income	—	6
Total income from continuing operations	1,732	1,667
Expenses from continuing operations		
Employee benefits and on-costs	301	266
Borrowing costs	157	170
Materials and contracts	765	401
Depreciation and impairment	749	733
Loss on sale of assets	—	—
Calculated taxation equivalents	—	—
Debt guarantee fee (if applicable)	—	—
Other expenses	304	563
Total expenses from continuing operations	2,276	2,133
Surplus (deficit) from continuing operations before capital amounts	(544)	(466)
Grants and contributions provided for capital purposes	419	1,438
Surplus (deficit) from continuing operations after capital amounts	(125)	972
Surplus (deficit) from discontinued operations	—	—
Surplus (deficit) from all operations before tax	(125)	972
Less: corporate taxation equivalent (30%) [based on result before capital]	—	—
SURPLUS (DEFICIT) AFTER TAX	(125)	972
Plus opening retained profits	25,497	24,525
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	—	—
Closing retained profits	25,372	25,497
Return on capital %	-0.9%	-0.7%
Subsidy from Council	1,370	1,542
Calculation of dividend payable:		
Surplus (deficit) after tax	(125)	972
Less: capital grants and contributions (excluding developer contributions)	(419)	(1,438)
Surplus for dividend calculation purposes	—	—
Potential dividend calculated from surplus	—	—

Cabonne Council

Income Statement of Council's Other Business Activities

for the year ended 30 June 2016

Quarry

Category 2

\$ '000	Category 2	
	Actual 2016	Actual 2015
Income from continuing operations		
Access charges	—	—
User charges	2,079	1,646
Fees	—	—
Interest	—	—
Grants and contributions provided for non-capital purposes	—	—
Profit from the sale of assets	—	—
Other income	—	—
Total income from continuing operations	2,079	1,646
Expenses from continuing operations		
Employee benefits and on-costs	494	425
Borrowing costs	—	49
Materials and contracts	610	812
Depreciation and impairment	102	111
Loss on sale of assets	—	—
Calculated taxation equivalents	—	—
Debt guarantee fee (if applicable)	—	—
Other expenses	389	401
Total expenses from continuing operations	1,595	1,798
Surplus (deficit) from continuing operations before capital amounts	484	(152)
Grants and contributions provided for capital purposes	—	—
Surplus (deficit) from continuing operations after capital amounts	484	(152)
Surplus (deficit) from discontinued operations	—	—
Surplus (deficit) from all operations before tax	484	(152)
Less: corporate taxation equivalent (30%) [based on result before capital]	(145)	—
SURPLUS (DEFICIT) AFTER TAX	339	(152)
Plus opening retained profits	1,786	1,938
Plus/less: prior period adjustments	—	—
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	—	—
– Debt guarantee fees	—	—
– Corporate taxation equivalent	145	—
Add:		
– Subsidy paid/contribution to operations	—	—
Less:		
– TER dividend paid	—	—
– Dividend paid	—	—
Closing retained profits	2,270	1,786
Return on capital %	36.7%	-7.4%
Subsidy from Council	—	145

Cabonne Council

Statement of Financial Position – Council's Water Supply Business Activity
as at 30 June 2016

\$ '000	Actual 2016	Actual 2015
ASSETS		
Current assets		
Cash and cash equivalents	3,080	2,993
Investments	–	–
Receivables	602	574
Inventories	–	–
Other	–	–
Non-current assets classified as held for sale	–	–
Total current assets	3,682	3,567
Non-current assets		
Investments	–	–
Receivables	77	27
Inventories	–	–
Infrastructure, property, plant and equipment	26,197	25,392
Investments accounted for using equity method	–	–
Investment property	–	–
Intangible assets	–	–
Other	–	–
Total non-current assets	26,274	25,419
TOTAL ASSETS	29,956	28,986
LIABILITIES		
Current liabilities		
Bank overdraft	–	–
Payables	365	57
Borrowings	–	–
Provisions	–	–
Total current liabilities	365	57
Non-current liabilities		
Payables	–	–
Borrowings	–	–
Provisions	–	–
Total non-current liabilities	–	–
TOTAL LIABILITIES	365	57
NET ASSETS	29,591	28,929
EQUITY		
Retained earnings	11,667	11,347
Revaluation reserves	17,924	17,582
Council equity interest	29,591	28,929
Non-controlling equity interest	–	–
TOTAL EQUITY	29,591	28,929

Cabonne Council

Statement of Financial Position – Council's Sewerage Business Activity

as at 30 June 2016

\$ '000	Actual 2016	Actual 2015
ASSETS		
Current assets		
Cash and cash equivalents	2,242	2,183
Investments	–	–
Receivables	612	1,196
Inventories	–	–
Other	–	–
Non-current assets classified as held for sale	–	–
Total Current Assets	2,854	3,379
Non-current assets		
Investments	–	–
Receivables	160	118
Inventories	–	–
Infrastructure, property, plant and equipment	45,293	41,244
Investments accounted for using equity method	–	–
Investment property	–	–
Intangible assets	–	–
Other	–	–
Total non-current assets	45,453	41,362
TOTAL ASSETS	48,307	44,741
LIABILITIES		
Current liabilities		
Bank overdraft	–	–
Payables	63	83
Borrowings	201	190
Provisions	–	–
Total current liabilities	264	273
Non-current liabilities		
Payables	–	–
Borrowings	2,317	2,518
Provisions	–	–
Total non-current liabilities	2,317	2,518
TOTAL LIABILITIES	2,581	2,791
NET ASSETS	45,726	41,950
EQUITY		
Retained earnings	25,372	25,497
Revaluation reserves	20,354	16,453
Council equity interest	45,726	41,950
Non-controlling equity interest	–	–
TOTAL EQUITY	45,726	41,950

Cabonne Council

Statement of Financial Position – Council's Other Business Activities

as at 30 June 2016

Quarry

Category 2

\$ '000	Category 2	
	Actual 2016	Actual 2015
ASSETS		
Current assets		
Cash and cash equivalents	1,334	966
Investments	–	–
Receivables	110	191
Inventories	378	101
Other	–	–
Non-current assets classified as held for sale	–	–
Total Current Assets	1,822	1,258
Non-current assets		
Investments	–	–
Receivables	–	–
Inventories	–	–
Infrastructure, property, plant and equipment	1,318	1,398
Investments accounted for using equity method	–	–
Investment property	–	–
Other	–	–
Total non-current assets	1,318	1,398
TOTAL ASSETS	3,140	2,656
LIABILITIES		
Current liabilities		
Bank overdraft	–	–
Payables	–	–
Borrowings	–	–
Provisions	870	870
Total current liabilities	870	870
Non-current liabilities		
Payables	–	–
Borrowings	–	–
Provisions	–	–
Other Liabilities	–	–
Total non-current liabilities	–	–
TOTAL LIABILITIES	870	870
NET ASSETS	2,270	1,786
EQUITY		
Retained earnings	2,270	1,786
Revaluation reserves	–	–
Council equity interest	2,270	1,786
Non-controlling equity interest	–	–
TOTAL EQUITY	2,270	1,786

Cabonne Council

Special Purpose Financial Statements

for the year ended 30 June 2016

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Cabonne Council

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

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 the SPFS, 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), and
- Australian Accounting Interpretations.

The disclosures in the SPFS have been prepared in accordance with:

- the Local Government Act (1993) NSW,
- the Local Government (General) Regulation, and
- the Local Government Code of Accounting Practice and Financial Reporting.

The statements are 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, *Application of National Competition Policy to Local Government*.

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

The pricing and costing guidelines outline the process for identifying and allocating costs to activities and provide standards for disclosure. These disclosures are reflected in Council's pricing and/or financial reporting systems and include taxation equivalents, Council subsidies, return on investments (rate of return), and dividends paid.

Declared business activities

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

Category 1

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

Nil.

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 Town Sewer Fund, servicing the towns of Manildra, Cudal, Cumnock and Yeoval

c. Cabonne Council – Agricultural Quarry

Supplies agricultural lime, limestone aggregates and ready mixed concrete

Monetary amounts

Amounts shown in the financial statements are in Australian currency and rounded to the nearest 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 year ended 30 June 2016

Note 1. Significant accounting policies (continued)

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 Note 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 **\$482,000** of combined land values attracts **0%**. For that valued from \$482,001 to \$2,947,000 the rate is **1.6% + \$100**. For the remaining combined land value that exceeds \$2,947,000, 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 Best-Practice Management of Water Supply and Sewerage Guidelines, a payment for the amount calculated as the annual tax equivalent charges (excluding income tax) must be paid from water supply and sewerage business activities.

The payment of taxation equivalent charges, referred in the Best-Practice Management of Water Supply and Sewerage Guidelines to as a 'dividend for

taxation equivalent', may be applied for any purpose allowed under the *Local Government Act, 1993*.

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

Income tax

An income tax equivalent has been applied on the profits of each reported business activity.

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

Accordingly, the return on capital invested is set at a pre-tax level (gain or 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 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 30% rate applied 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 and charges

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

Loan and debt guarantee fees

The debt guarantee fee is designed to ensure that council business activities face 'true' commercial

Cabonne Council

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

Note 1. Significant accounting policies (continued)

borrowing costs in line with private sector competitors.

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

(ii) Subsidies

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

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

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

The overall effect of subsidies is contained within the Income Statement of each reported business activity.

(iii) Return on investments (rate of return)

The 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 2.17% at 30/6/16.

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 of Water Supply and Sewerage 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 2016 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

In accordance with the Best-Practice Management of Water Supply and Sewerage Guidelines, 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 year ended 30 June 2016

Note 2. Water supply business best-practice management disclosure requirements

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

2016

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)	Number of assessments multiplied by \$3/assessment	3,621
(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)	Number of assessments multiplied by \$30/assessment, less tax equivalent charges/assessment	36,210
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2016, less the cumulative dividends paid for the 2 years to 30 June 2015 and 30 June 2014	(310,000)

2016 Surplus	(91,000)	2015 Surplus	(108,000)	2014 Surplus	(111,000)
		2015 Dividend	–	2014 Dividend	–

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

3. Required outcomes for 6 criteria

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

(i)	Completion of strategic business plan (including financial plan)	YES
(ii)	Full cost recovery, without significant cross subsidies [refer item 2 (a) in table 1 on page 22 of the Best-Practice Guidelines]	YES
	– Complying charges [item 2 (b) in table 1]	YES
	– DSP with commercial developer charges [item 2 (e) in table 1]	YES
	– If dual water supplies, complying charges [item 2 (g) in table 1]	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 year ended 30 June 2016

Note 2. Water supply business

best-practice management disclosure requirements (continued)

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

2016

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	1,181
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)]	%	61.34%
NWI F9	Written down replacement cost of fixed assets (water) Written down current cost of system assets (w47)	\$'000	24,089
NWI F11	Operating cost (OMA) (water) Management expenses (w1) + operational and maintenance expenses (w2)	\$'000	694
NWI F14	Capital expenditure (water) Acquisition of fixed assets (w16)	\$'000	979
NWI F17	Economic real rate of return (water) [total income (w13) – interest income (w9) – grants for acquisition of assets (w11a) – operating costs (NWI F11) – current cost depreciation (w3)] x 100 divided by [written down current cost of system assets (w47) + plant and equipment (w33b)]	%	-0.11%
NWI F26	Capital works grants (water) Grants for the acquisition of assets (w11a)	\$'000	405

- Notes:
- References to w (e.g. w12) refer to item numbers within Special Schedules 3 and 4 of Council's Annual Financial Statements.
 - The NWI performance indicators are based upon the National Performance Framework Handbook for Urban Performance Reporting Indicators and Definitions.
- a refer to 3.2 (2) on page 15 of the Best-Practice Management of Water Supply and Sewerage Guidelines, 2007

Cabonne Council

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

Note 3. Sewerage business best-practice management disclosure requirements

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

2016

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)	Number of assessments multiplied by \$3/assessment	4,710
(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)	Number of assessments x (\$30 less tax equivalent charges per assessment)	47,100
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2016, less the cumulative dividends paid for the 2 years to 30 June 2015 and 30 June 2014	(1,290,000)

2016 Surplus	(544,000)	2015 Surplus	(466,000)	2014 Surplus	(280,000)
		2015 Dividend	–	2014 Dividend	–

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

3. Required outcomes for 4 criteria

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

(i)	Completion of strategic business plan (including financial plan)	YES
(ii)	Pricing with full cost-recovery, without significant cross subsidies [refer item 2 (a) in table 1 on page 22 of the Best-Practice Guidelines]	YES
	Complying charges (a) Residential [item 2 (c) in table 1]	YES
	(b) Non-residential [item 2 (c) in table 1]	YES
	(c) Trade waste [item 2 (d) in table 1]	YES
	DSP with commercial developer charges [item 2 (e) in table 1]	YES
	Liquid trade waste approvals and policy [item 2 (f) in table 1]	YES
(iii)	Complete performance reporting form (by 15 September each year)	YES
(iv)	a. Integrated water cycle management evaluation	YES
	b. Complete and implement integrated water cycle management strategy	YES

Cabonne Council

Notes to the Special Purpose Financial Statements
for the year ended 30 June 2016Note 3. Sewerage business
best-practice management disclosure requirements (continued)

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

2016

National Water Initiative (NWI) financial performance indicators

NWI F2	Total revenue (sewerage) Total income (s14) – grants for acquisition of assets (s12a) – interest income (s10) – Aboriginal Communities W&S Program income (w10a)	\$'000	1,791
NWI F10	Written down replacement cost of fixed assets (sewerage) Written down current cost of system assets (s48)	\$'000	37,698
NWI F12	Operating cost (sewerage) Management expenses (s1) + operational and maintenance expenses (s2)	\$'000	1,438
NWI F15	Capital expenditure (sewerage) Acquisition of fixed assets (s17)	\$'000	902
NWI F18	Economic real rate of return (sewerage) [total income (s14) – interest income (s10) – grants for acquisition of assets (s12a) – operating cost (NWI F12) – current cost depreciation (s3)] x 100 divided by [written down current cost (i.e. WDCC) of system assets (s48) + plant and equipment (s34b)]	%	-0.87%
NWI F27	Capital works grants (sewerage) Grants for the acquisition of assets (12a)	\$'000	291

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

NWI F3	Total income (water and sewerage) Total income (w13 + s14) + gain/loss on disposal of assets (w14 + s15) minus grants for acquisition of assets (w11a + s12a) – interest income (w9 + s10)	\$'000	2,972
NWI F8	Revenue from community service obligations (water and sewerage) Community service obligations (NWI F25) x 100 divided by total income (NWI F3)	%	1.24%
NWI F16	Capital expenditure (water and sewerage) Acquisition of fixed assets (w16 + s17)	\$'000	1,881
NWI F19	Economic real rate of return (water and sewerage) [total income (w13 + s14) – interest income (w9 + s10) – grants for acquisition of assets (w11a + s12a) – operating cost (NWI F11 + NWI F12) – current cost depreciation (w3 + s3)] x 100 divided by [written down replacement cost of fixed assets (NWI F9 + NWI F10) + plant and equipment (w33b + s34b)]	%	-0.59%
NWI F20	Dividend (water and sewerage) Dividend paid from surplus (2 (v) of Note 2 + 2 (v) of Note 3)	\$'000	–
NWI F21	Dividend payout ratio (water and sewerage) Dividend (NWI F20) x 100 divided by net profit after tax (NWI F24)	%	0.00%

Cabonne Council

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

Note 3. Sewerage business best-practice management disclosure requirements (continued)

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

2016

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

NWI F22	Net debt to equity (water and sewerage) Overdraft (w36 + s37) + borrowings (w38 + s39) – cash and investments (w30 + s31) x 100 divided by [total assets (w35 + s36) – total liabilities (w40 + s41)]	%	-2.98%
NWI F23	Interest cover (water and sewerage) Earnings before interest and tax (EBIT) divided by net interest Earnings before interest and 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)		> 100
NWI F24	Net profit after tax (water and sewerage) Surplus before dividends (w15a + s16a) – tax equivalents paid (Note 2-1 (iv) + Note 3-1 (iv))	\$'000	(501)
NWI F25	Community service obligations (water and sewerage) Grants for pensioner rebates (w11b + s12b)	\$'000	37

- Notes:
- References to w (eg. s12) refer to item numbers within Special Schedules 5 and 6 of Council's Annual Financial Statements.
 - The NWI performance indicators are based upon the National Performance Framework Handbook for Urban Performance Reporting Indicators and Definitions.
- a refer to 3.2 (2) on page 15 of the Best-Practice Management of Water Supply and Sewerage Guidelines, 2007

**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 2016, 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 2016 included on Council's web site. Council is responsible for the integrity of their 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: 26 October 2016


John O'Malley
Director

Cabonne Council

SPECIAL SCHEDULES
for the year ended 30 June 2016

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



Cabonne Council

Special Schedules for the year ended 30 June 2016

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¹ Special Schedules are not audited (with the exception of Special Schedule 8).

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 1 – Net Cost of Services

for the year ended 30 June 2016

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
Governance	1,151	136	–	(1,015)
Administration	1,439	684	–	(755)
Public order and safety				
Fire service levy, fire protection, emergency services	768	17	136	(615)
Beach control	–	–	–	–
Enforcement of local government regulations	–	–	–	–
Animal control	222	10	–	(212)
Other	–	2	–	2
Total public order and safety	990	29	136	(825)
Health	643	106	–	(537)
Environment				
Noxious plants and insect/vermin control	368	139	–	(229)
Other environmental protection	168	501	92	425
Solid waste management	1,426	1,110	–	(316)
Street cleaning	336	–	–	(336)
Drainage	–	–	–	–
Stormwater management	82	74	–	(8)
Total environment	2,380	1,824	92	(464)
Community services and education				
Administration and education	143	21	–	(122)
Social protection (welfare)	–	–	–	–
Aged persons and disabled	774	669	–	(105)
Children's services	1,092	1,015	–	(77)
Total community services and education	2,009	1,705	–	(304)
Housing and community amenities				
Public cemeteries	184	70	–	(114)
Public conveniences	252	–	–	(252)
Street lighting	146	38	–	(108)
Town planning	212	282	–	70
Other community amenities	23	219	–	196
Total housing and community amenities	817	609	–	(208)
Water supplies	1,346	1,254	412	320
Sewerage services	2,276	1,732	420	(124)

Cabonne Council

Special Schedule 1 – Net Cost of Services (continued)

for the year ended 30 June 2016

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
Recreation and culture				
Public libraries	387	50	—	(337)
Museums	214	4	—	(210)
Art galleries	—	—	—	—
Community centres and halls	325	3	—	(322)
Performing arts venues	—	—	—	—
Other performing arts	—	—	—	—
Other cultural services	75	1	—	(74)
Sporting grounds and venues	630	2	40	(588)
Swimming pools	622	—	—	(622)
Parks and gardens (lakes)	827	7	—	(820)
Other sport and recreation	130	15	—	(115)
Total recreation and culture	3,210	82	40	(3,088)
Fuel and energy	—	—	—	—
Agriculture	—	—	—	—
Mining, manufacturing and construction				
Building control	—	—	—	—
Other mining, manufacturing and construction	1,632	2,175	—	543
Total mining, manufacturing and const.	1,632	2,175	—	543
Transport and communication				
Urban roads (UR) – local	252	—	—	(252)
Urban roads – regional	—	—	—	—
Sealed rural roads (SRR) – local	2,739	2,934	1,314	1,509
Sealed rural roads (SRR) – regional	1,416	1,549	1,787	1,920
Unsealed rural roads (URR) – local	2,502	—	1,010	(1,492)
Unsealed rural roads (URR) – regional	—	—	—	—
Bridges on UR – local	—	—	—	—
Bridges on SRR – local	265	—	727	462
Bridges on URR – local	—	—	—	—
Bridges on regional roads	108	—	—	(108)
Parking areas	—	—	—	—
Footpaths	90	—	38	(52)
Aerodromes	—	—	—	—
Other transport and communication	4,950	6,070	—	1,120
Total transport and communication	12,322	10,553	4,876	3,107
Economic affairs				
Camping areas and caravan parks	230	107	—	(123)
Other economic affairs	508	236	—	(272)
Total economic affairs	738	343	—	(395)
Totals – functions	30,953	21,232	5,976	(3,745)
General purpose revenues ⁽¹⁾		15,187		15,187
Share of interests – joint ventures and associates using the equity method	—	177		177
NET OPERATING RESULT ⁽²⁾	30,953	36,596	5,976	11,619

(1) Includes: rates and annual charges (including ex gratia, excluding water and sewer), non-capital general purpose grants, interest on investments (excluding externally restricted assets) and interest on overdue rates and annual charges

(2) As reported in the Income Statement

Cabonne Council

Special Schedule 2(a) – Statement of Long Term Debt (all purpose)

for the year ended 30 June 2016

\$'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
Loans (by source)											
Commonwealth government	–	–	–	–	–	–	–	–	–	–	–
Treasury corporation	–	–	–	–	–	–	–	–	–	–	–
Other state government	–	–	–	–	–	–	–	–	–	–	–
Public subscription	–	–	–	–	–	–	–	–	–	–	–
Financial institutions	189	2,518	2,707		189	–	–	157	201	2,317	2,518
Other	–	–	–	–	–	–	–	–	–	–	–
Total loans	189	2,518	2,707	–	189	–	–	157	201	2,317	2,518
Other long term debt											
Ratepayers advances	–	–	–	–	–	–	–	–	–	–	–
Government advances	3	3	6	–	3	–	–	–	3	–	3
Finance leases	–	–	–	–	–	–	–	–	–	–	–
Deferred payments	–	–	–	–	–	–	–	–	–	–	–
Total long term debt	3	3	6	–	3	–	–	–	3	–	3
Total debt	192	2,521	2,713	–	192	–	–	157	204	2,317	2,521

Notes: excludes (i) internal loans and (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 3 – Water Supply Income Statement

Includes all internal transactions, i.e. prepared on a gross basis
for the year ended 30 June 2016

\$'000	Actuals 2016	Actuals 2015
A Expenses and income		
Expenses		
1. Management expenses		
a. Administration	104	104
b. Engineering and supervision	–	–
2. Operation and maintenance expenses		
– dams and weirs		
a. Operation expenses	61	66
b. Maintenance expenses	8	14
– Mains		
c. Operation expenses	134	147
d. Maintenance expenses	40	5
– Reservoirs		
e. Operation expenses	19	36
f. Maintenance expenses	2	4
– Pumping stations		
g. Operation expenses (excluding energy costs)	40	36
h. Energy costs	20	24
i. Maintenance expenses	17	4
– Treatment		
j. Operation expenses (excluding chemical costs)	166	89
k. Chemical costs	18	10
l. Maintenance expenses	34	21
– Other		
m. Operation expenses	31	49
n. Maintenance expenses	–	–
o. Purchase of water	–	–
3. Depreciation expenses		
a. System assets	448	415
b. Plant and equipment	67	69
4. Miscellaneous expenses		
a. Interest expenses	–	–
b. Revaluation decrements	–	–
c. Other expenses	136	–
d. Impairment – system assets	–	–
e. Impairment – plant and equipment	–	–
f. Aboriginal Communities Water and Sewerage Program	–	–
g. Tax equivalents dividends (actually paid)	–	–
5. Total expenses	1,345	1,093

Cabonne Council

Special Schedule 3 – Water Supply Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis
for the year ended 30 June 2016

\$'000	Actuals 2016	Actuals 2015
Income		
6. Residential charges		
a. Access (including rates)	329	297
b. Usage charges	522	379
7. Non-residential charges		
a. Access (including rates)	66	65
b. Usage charges	240	128
8. Extra charges	–	–
9. Interest income	79	95
10. Other income	5	9
10a. Aboriginal Communities Water and Sewerage Program	–	–
11. Grants		
a. Grants for acquisition of assets	405	–
b. Grants for pensioner rebates	12	12
c. Other grants	–	–
12. Contributions		
a. Developer charges	–	–
b. Developer provided assets	–	–
c. Other contributions	7	10
13. Total income	1,665	995
14. Gain (or loss) on disposal of assets	–	–
15. Operating result	320	(98)
15a. Operating result (less grants for acquisition of assets)	(85)	(98)

Cabonne Council

Special Schedule 3 – Water Supply Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis
for the year ended 30 June 2016

\$'000	Actuals 2016	Actuals 2015
B Capital transactions		
Non-operating expenditures		
16. Acquisition of fixed assets		
a. New assets for improved standards	409	434
b. New assets for growth	–	–
c. Renewals	536	8
d. Plant and equipment	34	13
17. Repayment of debt	–	–
18. Totals	979	455
Non-operating funds employed		
19. Proceeds from disposal of assets	–	–
20. Borrowing utilised	–	–
21. Totals	–	–
C Rates and charges		
22. Number of assessments		
a. Residential (occupied)	967	965
b. Residential (unoccupied, ie. vacant lot)	70	68
c. Non-residential (occupied)	160	160
d. Non-residential (unoccupied, ie. vacant lot)	10	9
23. Number of ETs for which developer charges were received	– ET	– ET
24. Total amount of pensioner rebates (actual dollars)	\$ 22,730	\$ 22,006

Cabonne Council

Special Schedule 4 – Water Supply Statement of Financial Position

Includes internal transactions, i.e. prepared on a gross basis
as at 30 June 2016

\$'000	Actuals Current	Actuals Non-current	Actuals Total
ASSETS			
25. Cash and investments			
a. Developer charges	–	–	–
b. Special purpose grants	–	–	–
c. Accrued leave	–	–	–
d. Unexpended loans	–	–	–
e. Sinking fund	–	–	–
f. Other	2,850	–	2,850
26. Receivables			
a. Specific purpose grants	217	–	217
b. Rates and availability charges	60	16	76
c. User charges	325	61	386
d. Other	230	–	230
27. Inventories	–	–	–
28. Property, plant and equipment			
a. System assets	–	24,089	24,089
b. Plant and equipment	–	2,108	2,108
29. Other assets	–	–	–
30. Total assets	3,682	26,274	29,956
LIABILITIES			
31. Bank overdraft	–	–	–
32. Creditors	365	–	365
33. Borrowings	–	–	–
34. Provisions			
a. Tax equivalents	–	–	–
b. Dividend	–	–	–
c. Other	–	–	–
35. Total liabilities	365	–	365
36. NET ASSETS COMMITTED	3,317	26,274	29,591
EQUITY			
37. Accumulated surplus			11,685
38. Asset revaluation reserve			17,906
39. TOTAL EQUITY			29,591
Note to system assets:			
40. Current replacement cost of system assets			45,646
41. Accumulated current cost depreciation of system assets			(21,557)
42. Written down current cost of system assets			24,089

Cabonne Council

Special Schedule 5 – Sewerage Service Income Statement

Includes all internal transactions, i.e. prepared on a gross basis
for the year ended 30 June 2016

\$'000	Actuals 2016	Actuals 2015
A Expenses and income Expenses		
1. Management expenses		
a. Administration	431	620
b. Engineering and supervision	73	–
2. Operation and maintenance expenses		
– mains		
a. Operation expenses	117	138
b. Maintenance expenses	110	32
– Pumping stations		
c. Operation expenses (excluding energy costs)	162	148
d. Energy costs	16	19
e. Maintenance expenses	57	20
– Treatment		
f. Operation expenses (excl. chemical, energy, effluent and biosolids management costs)	256	297
g. Chemical costs	4	26
h. Energy costs	46	57
i. Effluent management	11	–
j. Biosolids management	–	–
k. Maintenance expenses	97	31
– Other		
l. Operation expenses	58	11
m. Maintenance expenses	–	–
3. Depreciation expenses		
a. System assets	562	543
b. Plant and equipment	187	191
4. Miscellaneous expenses		
a. Interest expenses	–	–
b. Revaluation decrements	–	–
c. Other expenses	89	–
d. Impairment – system assets	–	–
e. Impairment – plant and equipment	–	–
f. Aboriginal Communities Water and Sewerage Program	–	–
g. Tax equivalents dividends (actually paid)	–	–
5. Total expenses	2,276	2,133

Cabonne Council

Special Schedule 5 – Sewerage Service Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis
for the year ended 30 June 2016

\$'000	Actuals 2016	Actuals 2015
Income		
6. Residential charges (including rates)	1,257	1,208
7. Non-residential charges		
a. Access (including rates)	172	183
b. Usage charges	93	49
8. Trade waste charges		
a. Annual fees	25	7
b. Usage charges	—	—
c. Excess mass charges	—	—
d. Re-inspection fees	—	—
9. Extra charges	—	—
10. Interest income	69	80
11. Other income	—	6
11a. Aboriginal Communities Water and Sewerage Program	—	—
12. Grants		
a. Grants for acquisition of assets	291	1,374
b. Grants for pensioner rebates	25	25
c. Other grants	91	94
13. Contributions		
a. Developer charges	—	64
b. Developer provided assets	—	—
c. Other contributions	128	15
14. Total income	2,151	3,105
15. Gain (or loss) on disposal of assets	—	—
16. Operating result	(125)	972
16a. Operating result (less grants for acquisition of assets)	(416)	(402)

Cabonne Council

Special Schedule 5 – Sewerage Service Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis
for the year ended 30 June 2016

\$'000	Actuals 2016	Actuals 2015
B Capital transactions		
Non-operating expenditures		
17. Acquisition of fixed assets		
a. New assets for improved standards	–	–
b. New assets for growth	809	1,452
c. Renewals	–	–
d. Plant and equipment	93	25
18. Repayment of debt	187	180
19. Totals	1,089	1,657
Non-operating funds employed		
20. Proceeds from disposal of assets	–	–
21. Borrowing utilised	–	–
22. Totals	–	–
C Rates and charges		
23. Number of assessments		
a. Residential (occupied)	1,264	1,257
b. Residential (unoccupied, ie. vacant lot)	109	110
c. Non-residential (occupied)	180	181
d. Non-residential (unoccupied, ie. vacant lot)	17	18
24. Number of ETs for which developer charges were received	– ET	– ET
25. Total amount of pensioner rebates (actual dollars)	\$ 46,100	\$ 46,082

Cabonne Council

Special Schedule 6 – Sewerage Service Statement of Financial Position

Includes internal transactions, i.e. prepared on a gross basis
as at 30 June 2016

\$'000	Actuals Current	Actuals Non-current	Actuals Total
ASSETS			
26. Cash and investments			
a. Developer charges	—	—	—
b. Special purpose grants	—	—	—
c. Accrued leave	—	—	—
d. Unexpended loans	—	—	—
e. Sinking fund	—	—	—
f. Other	1,909	—	1,909
27. Receivables			
a. Specific purpose grants	—	—	—
b. Rates and availability charges	27	38	65
c. User charges	566	113	679
d. Other	352	9	361
28. Inventories	—	—	—
29. Property, plant and equipment			
a. System assets	—	37,698	37,698
b. Plant and equipment	—	7,595	7,595
30. Other assets	—	—	—
31. Total assets	2,854	45,453	48,307
LIABILITIES			
32. Bank overdraft	—	—	—
33. Creditors	63	—	63
34. Borrowings	201	2,317	2,518
35. Provisions			
a. Tax equivalents	—	—	—
b. Dividend	—	—	—
c. Other	—	—	—
36. Total liabilities	264	2,317	2,581
37. NET ASSETS COMMITTED	2,590	43,136	45,726
EQUITY			
38. Accumulated surplus			25,372
39. Asset revaluation reserve			20,354
40. TOTAL EQUITY			45,726
Note to system assets:			
41. Current replacement cost of system assets			48,670
42. Accumulated current cost depreciation of system assets			(10,972)
43. Written down current cost of system assets			37,698

Cabonne Council

Notes to Special Schedules 3 and 5

for the year ended 30 June 2016

Administration ⁽¹⁾

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

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

Engineering and supervision ⁽¹⁾

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

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

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

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

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

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

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

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

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

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

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

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

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

Notes:

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

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

Cabonne Council

Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2016

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2015/16 Required maintenance ^a	2015/16 Actual maintenance	Carrying value	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Buildings												
	Buildings	3,207	5,598	197	105	26,882	58,313	13%	21%	46%	18%	2%
	Buildings – non-specialised	67	358	–	–	1,576	3,853	43%	38%	13%	5%	1%
	Sub-total	3,274	5,956	197	105	28,458	62,166	14.9%	22.1%	44.0%	17.2%	1.9%
Other structures												
	Other structures	94	977	–	–	4,949	9,425	0%	7%	89%	4%	0%
	Sub-total	94	977	–	–	4,949	9,425	0.0%	7.0%	89.0%	4.0%	0.0%
Roads												
	Sealed roads	367	1,641	985	1,621	112,935	146,921	32%	58%	9%	1%	0%
	Unsealed roads	2,061	585	1,235	1,275	13,365	28,421	5%	27%	43%	21%	4%
	Bridges	1,705	1,468	375	1	45,733	56,845	40%	42%	8%	8%	2%
	Footpaths	60	172	331	18	4,125	5,955	20%	44%	33%	2%	1%
	Bulk earthworks	–	–	–	–	148,410	148,410	100%				0%
	Kerb & Gutter	233	862	125	7	7,072	11,672	7%	40%	46%	6%	1%
	Road Structure	47	178	5	–	1,111	1,562	44%	22%	24%	8%	2%
	Sub-total	4,473	4,906	3,056	2,922	332,751	399,786	55.6%	31.1%	9.4%	3.2%	0.6%

Cabonne Council

Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2016 (continued)

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2015/16 Required maintenance ^a	2015/16 Actual maintenance	Carrying value	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Water supply network	Water supply network	96	–	532	419	23,870	45,733	13%	34%	52%	1%	0%
	Sub-total	96	–	532	419	23,870	45,733	13.2%	33.8%	52.0%	1.0%	0.0%
Sewerage network	Sewerage network	74	–	861	779	37,698	48,670	59%	30%	10%	1%	0%
	Sub-total	74	–	861	779	37,698	48,670	59.0%	30.0%	10.0%	1.0%	0.0%
Stormwater drainage	Stormwater drainage	1,259	1,888	–	1	51,379	62,937	61%	30%	4%	2%	3%
	Sub-total	1,259	1,888	–	1	51,379	62,937	61.0%	30.0%	4.0%	2.0%	3.0%
Open space/recreational assets	Swimming pools	–	–	–	–	2,375	4,210	3%	32%	65%		0%
	Sub-total	–	–	–	–	2,375	4,210	3.0%	32.0%	65.0%	0.0%	0.0%
	TOTAL – ALL ASSETS	9,270	13,727	4,646	4,226	481,480	632,927	48.2%	29.9%	17.0%	4.1%	0.9%

Notes:

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

Infrastructure asset condition assessment 'key'

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

Cabonne Council

Special Schedule 7 – Report on Infrastructure Assets (continued)

for the year ended 30 June 2016

\$ '000	Amounts 2016	Indicator 2016	Prior periods	
			2015	2014
Infrastructure asset performance indicators *				
consolidated				
1. Infrastructure renewals ratio				
Asset renewals ⁽¹⁾	14,144	191.21%	120.19%	105.85%
Depreciation, amortisation and impairment	7,397			
2. Infrastructure backlog ratio				
Estimated cost to bring assets to a satisfactory standard	9,270	2.75%	3.18%	3.18%
Carrying value of infrastructure assets	337,608			
3. Asset maintenance ratio				
Actual asset maintenance	4,226	0.91	0.91	1.57
Required asset maintenance	4,646			

Notes

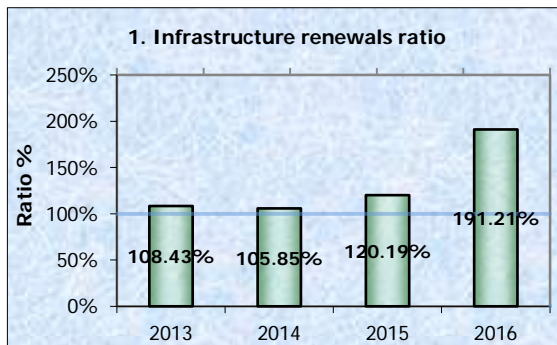
* All asset performance indicators are calculated using the asset classes identified in the previous table.

⁽¹⁾ Asset renewals represent the replacement and/or refurbishment of existing assets to an equivalent capacity/performance as opposed to the acquisition of new assets (or the refurbishment of old assets) that increases capacity/performance.

Cabonne Council

Special Schedule 7 – Report on Infrastructure Assets (continued)

for the year ended 30 June 2016



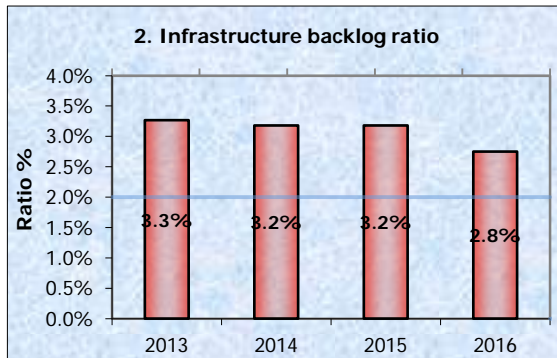
Purpose of asset renewals ratio

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

2015/16 Ratio 191.21%

Benchmark: — Minimum $\geq 100.00\%$
Source for benchmark: Code of Accounting Practice and Financial Reporting #24

■ Ratio achieves benchmark
■ Ratio is outside benchmark



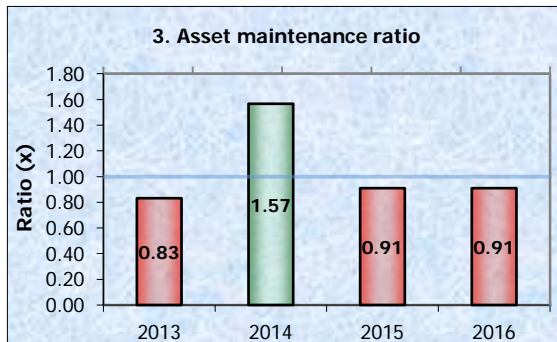
Purpose of infrastructure backlog ratio

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

2015/16 Ratio 2.75%

Benchmark: — Maximum $< 2.00\%$
Source for benchmark: Code of Accounting Practice and Financial Reporting #24

■ Ratio achieves benchmark
■ Ratio is outside benchmark



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.

2015/16 Ratio 0.91 x

Benchmark: — Minimum > 1.00
Source for benchmark: Code of Accounting Practice and Financial Reporting #24

■ Ratio achieves benchmark
■ Ratio is outside benchmark

Cabonne Council

Special Schedule 7 – Report on Infrastructure Assets (continued)

for the year ended 30 June 2016

\$ '000	Water 2016	Sewer 2016	General ⁽¹⁾ 2016
Infrastructure asset performance indicators by fund			
1. Infrastructure renewals ratio			
Asset renewals ⁽²⁾	95.22%	63.87%	209.62%
Depreciation, amortisation and impairment			
	prior period: 74.83%	73.15%	127.45%
2. Infrastructure backlog ratio			
Estimated cost to bring assets to a satisfactory standard	0.40%	0.19%	3.31%
Carrying value of infrastructure assets			
	prior period: 3.65%	4.34%	3.01%
3. Asset maintenance ratio			
Actual asset maintenance	0.79	0.90	0.93
Required asset maintenance			
	prior period: 0.79	0.90	0.93

Notes

- (1) General fund refers to all of Council's activities except for its water and sewer activities which are listed separately.
- (2) Asset renewals represent the replacement and/or refurbishment of existing assets to an equivalent capacity/performance as opposed to the acquisition of new assets (or the refurbishment of old assets) that increases capacity/performance.

Cabonne Council

Special Schedule 8 – Permissible Income Calculation

for the year ended 30 June 2017

\$'000		Calculation 2015/16	Calculation 2016/17
Notional general income calculation ⁽¹⁾			
Last year notional general income yield	a	9,314	9,549
Plus or minus adjustments ⁽²⁾	b	13	26
Notional general income	c = (a + b)	9,327	9,575
Permissible income calculation			
Special variation percentage ⁽³⁾	d	0.00%	0.00%
Or rate peg percentage	e	2.40%	1.80%
Or crown land adjustment (incl. rate peg percentage)	f	0.00%	0.00%
Less expiring special variation amount	g	—	—
Plus special variation amount	h = d x (c - g)	—	—
Or plus rate peg amount	i = c x e	224	172
Or plus Crown land adjustment and rate peg amount	j = c x f	—	—
Sub-total	k = (c + g + h + i + j)	9,551	9,747
Plus (or minus) last year's carry forward total	l	4	6
Less valuation objections claimed in the previous year	m	—	—
Sub-total	n = (l + m)	4	6
Total permissible income	o = k + n	9,555	9,753
Less notional general income yield	p	9,549	9,708
Catch-up or (excess) result	q = o - p	6	45
Plus income lost due to valuation objections claimed ⁽⁴⁾	r	—	—
Less unused catch-up ⁽⁵⁾	s	—	(4)
Carry forward to next year	t = q + r - s	6	41

Notes

- (1) The notional general income will not reconcile with rate income in the financial statements in the corresponding year. The statements are reported on an accrual accounting basis which include amounts that relate to prior years' rates income.
- (2) Adjustments account for changes in the number of assessments and any increase or decrease in land value occurring during the year. The adjustments are called 'supplementary valuations' as defined in the *Valuation of Land Act 1916*.
- (3) The 'special variation percentage' is inclusive of the rate peg percentage and where applicable Crown land adjustment.
- (4) Valuation objections are unexpected changes in land values as a result of land owners successfully objecting to the land value issued by the Valuer-General. Councils can claim the value of the income lost due to valuation objections in any single year.
- (5) Unused catch-up amounts will be deducted if they are not caught up within 2 years. Usually councils will have a nominal carry forward figure. These amounts can be adjusted for in setting the rates in a future year.
- (6) Carry forward amounts which are in excess (an amount that exceeds the permissible income) require ministerial approval by order published in the *NSW Government Gazette* in accordance with section 512 of the *Local Government Act 1993*. The OLG will extract these amounts from Council's Special Schedule 8 in the financial data return (FDR) to administer this process.

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

Scope

We have audited the special purpose financial report (Special Schedule 8) comprising the reconciliation of total permissible general income of Cabonne Council for 2016-'17.

The Council is responsible for the preparation and presentation of the report in accordance with a directive of the Chief Executive, Office of 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 2016-'17 of **forty five thousand, and eighty-six dollars (\$45,086)** is properly drawn up in accordance with the requirements of the Chief Executive, Office of 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, Office of 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.

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14 Sale Street
Orange
Dated: 28 October 2016

John O'Malley
John O'Malley
Director