

Cobar Shire Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2015



Cobar Shire Council

General Purpose Financial Statements

for the financial year ended 30 June 2015

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Overview

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

(ii) Cobar Shire Council is a body politic of NSW, Australia - being constituted as a Local Government area by proclamation and is duly empowered by the Local Government Act (LGA) 1993 of NSW.

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

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

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

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

(iv) These financial statements were authorised for issue by the Council on 28 August 2015. Council has the power to amend and reissue these financial statements.

Cobar Shire Council

General Purpose Financial Statements for the financial year ended 30 June 2015

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

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

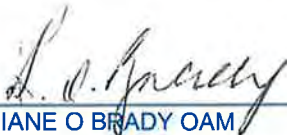
- The Local Government Act 1993 (as amended) and the Regulations made thereunder,
- The Australian Accounting Standards and professional pronouncements, and
- The Local Government Code of Accounting Practice and Financial Reporting.

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

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

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

Signed in accordance with a resolution of Council made on 28 August 2015.



LILLIANE O BRADY OAM
MAYOR



PETER ABBOT
COUNCILLOR



GARY WOODMAN
GENERAL MANAGER



NEIL MITCHELL
RESPONSIBLE ACCOUNTING OFFICER

Cobar Shire Council

Income Statement

for the financial year ended 30 June 2015

Budget ¹ 2015	\$ '000	Notes	Actual 2015	Actual 2014
Income from Continuing Operations				
<i>Revenue:</i>				
5,376	Rates & Annual Charges	3a	5,374	5,256
8,595	User Charges & Fees	3b	9,481	9,136
245	Interest & Investment Revenue	3c	295	222
246	Other Revenues	3d	257	218
9,716	Grants & Contributions provided for Operating Purposes	3e,f	11,178	8,626 ²
3,568	Grants & Contributions provided for Capital Purposes	3e,f	3,635	84
<i>Other Income:</i>				
40	Net gains from the disposal of assets	5	-	-
<u>27,786</u>	Total Income from Continuing Operations		<u>30,220</u>	<u>23,542</u>
Expenses from Continuing Operations				
11,082	Employee Benefits & On-Costs	4a	11,658	10,919
184	Borrowing Costs	4b	172	195
6,361	Materials & Contracts	4c	5,590	6,868
4,735	Depreciation & Amortisation	4d	4,580	4,536
2,300	Other Expenses	4e	2,730	2,467
-	Net Losses from the Disposal of Assets	5	81	94
<u>24,662</u>	Total Expenses from Continuing Operations		<u>24,811</u>	<u>25,079</u>
<u>3,124</u>	Operating Result from Continuing Operations		<u>5,409</u>	<u>(1,537)</u>
<u>3,124</u>	Net Operating Result for the Year		<u>5,409</u>	<u>(1,537)</u>
3,124	Net Operating Result attributable to Council		<u>5,409</u>	<u>(1,537)</u>
<u>(444)</u>	Net Operating Result for the year before Grants and Contributions provided for Capital Purposes		<u>1,774</u>	<u>(1,621)</u>

¹ Original Budget as approved by Council - refer Note 16

² Financial Assistance Grants for 13/14 were lower reflecting one off timing differences due to a change in how the grant was paid in prior years-refer Note 3 (e)

Cobar Shire Council

Statement of Comprehensive Income
for the financial year ended 30 June 2015

\$ '000	Notes	Actual 2015	Actual 2014
Net Operating Result for the year (as per Income statement)		5,409	(1,537)
Other Comprehensive Income:			
Amounts which will not be reclassified subsequently to the Operating Result			
Gain (loss) on revaluation of I,PP&E	20b (ii)	107,365	-
Total Items which will not be reclassified subsequently to the Operating Result		107,365	-
Total Other Comprehensive Income for the year		107,365	-
Total Comprehensive Income for the Year		112,774	(1,537)
Total Comprehensive Income attributable to Council		112,774	(1,537)

Cobar Shire Council

Statement of Financial Position
as at 30 June 2015

\$ '000	Notes	Actual 2015	Actual 2014
ASSETS			
Current Assets			
Cash & Cash Equivalents	6a	2,772	3,405
Investments	6b	7,610	3,009
Receivables	7	2,591	2,087
Inventories	8	620	682
Other	8	7	43
Total Current Assets		13,600	9,226
Non-Current Assets			
Receivables	7	-	19
Infrastructure, Property, Plant & Equipment	9	295,684	187,464
Total Non-Current Assets		295,684	187,483
TOTAL ASSETS		309,284	196,709
LIABILITIES			
Current Liabilities			
Payables	10	1,979	1,774
Borrowings	10	341	215
Provisions	10	1,972	2,082
Total Current Liabilities		4,292	4,071
Non-Current Liabilities			
Borrowings	10	2,210	2,648
Provisions	10	145	127
Total Non-Current Liabilities		2,355	2,775
TOTAL LIABILITIES		6,647	6,846
Net Assets		302,637	189,863
EQUITY			
Retained Earnings	20	85,812	80,403
Revaluation Reserves	20	216,825	109,460
Council Equity Interest		302,637	189,863
Total Equity		302,637	189,863

Cobar Shire Council

Statement of Changes in Equity
for the financial year ended 30 June 2015

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council Interest	Non-controlling Interest	Total Equity
2015						
Opening Balance (as per Last Year's Audited Accounts)		80,403	109,460	189,863	-	189,863
a. Correction of Prior Period Errors	20 (c)	-	-	-	-	-
b. Changes in Accounting Policies (prior year effects)	20 (d)	-	-	-	-	-
Revised Opening Balance (as at 1/7/14)		80,403	109,460	189,863	-	189,863
c. Net Operating Result for the Year		5,409	-	5,409	-	5,409
d. Other Comprehensive Income						
- Revaluations : IPP&E Asset Revaluation Rsv	20b (ii)	-	107,365	107,365	-	107,365
Other Comprehensive Income		-	107,365	107,365	-	107,365
Total Comprehensive Income (c&d)		5,409	107,365	112,774	-	112,774
e. Distributions to/(Contributions from) Non-controlling Interests		-	-	-	-	-
f. Transfers between Equity		-	-	-	-	-
Equity - Balance at end of the reporting period		85,812	216,825	302,637	-	302,637

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council Interest	Non-controlling Interest	Total Equity
2014						
Opening Balance (as per Last Year's Audited Accounts)		81,940	109,460	191,400	-	191,400
a. Correction of Prior Period Errors	20 (c)	-	-	-	-	-
b. Changes in Accounting Policies (prior year effects)	20 (d)	-	-	-	-	-
Revised Opening Balance (as at 1/7/13)		81,940	109,460	191,400	-	191,400
c. Net Operating Result for the Year		(1,537)	-	(1,537)	-	(1,537)
d. Other Comprehensive Income						
Nil						
Total Comprehensive Income (c&d)		(1,537)	-	(1,537)	-	(1,537)
e. Distributions to/(Contributions from) Non-controlling Interests		-	-	-	-	-
f. Transfers between Equity		-	-	-	-	-
Equity - Balance at end of the reporting period		80,403	109,460	189,863	-	189,863

Cobar Shire Council

Statement of Cash Flows

for the financial year ended 30 June 2015

Budget 2015	\$ '000	Notes	Actual 2015	Actual 2014
Cash Flows from Operating Activities				
Receipts:				
5,638	Rates & Annual Charges		5,447	5,092
8,299	User Charges & Fees		9,097	9,595
255	Investment & Interest Revenue Received		163	190
13,191	Grants & Contributions		14,835	8,315
869	Other		1,423	10
Payments:				
(8,495)	Employee Benefits & On-Costs		(11,810)	(10,653)
(8,818)	Materials & Contracts		(5,613)	(6,941)
(184)	Borrowing Costs		(168)	(191)
(2,645)	Other		(3,578)	(2,465)
8,110	Net Cash provided (or used in) Operating Activities	11b	9,796	2,952
Cash Flows from Investing Activities				
Receipts:				
-	Sale of Real Estate Assets		-	25
636	Sale of Infrastructure, Property, Plant & Equipment		486	74
Payments:				
-	Purchase of Investment Securities		(4,601)	-
(8,714)	Purchase of Infrastructure, Property, Plant & Equipment		(6,002)	(3,061)
-	Purchase of Real Estate Assets		-	(3)
(8,078)	Net Cash provided (or used in) Investing Activities		(10,117)	(2,965)
Cash Flows from Financing Activities				
Receipts:				
265	Proceeds from Borrowings & Advances		-	-
-	Proceeds from Finance Leases		-	168
Payments:				
(297)	Repayment of Borrowings & Advances		(241)	(531)
-	Repayment of Finance Lease Liabilities		(71)	(64)
(32)	Net Cash Flow provided (used in) Financing Activities		(312)	(427)
-	Net Increase/(Decrease) in Cash & Cash Equivalents		(633)	(440)
6,414	plus: Cash & Cash Equivalents - beginning of year	11a	3,405	3,845
6,414	Cash & Cash Equivalents - end of the year	11a	2,772	3,405
Additional Information:				
	plus: Investments on hand - end of year	6b	7,610	3,009
Total Cash, Cash Equivalents & Investments			10,382	6,414

Please refer to Note 11 for information on the following:

- Non Cash Financing & Investing Activities.
- Financing Arrangements.
- Net cash flow disclosures relating to any Discontinued Operations

Cobar Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

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n/a - not applicable

Cobar Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

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

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

(a) Basis of preparation

(i) Background

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

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

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

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

Because AASBs are sector neutral, some standards either:

- (a) have local Australian content and prescription that is specific to the Not-For-Profit sector (including Local Government) which are not in compliance with IFRS's, or
- (b) specifically exclude application by Not for Profit entities.

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

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

(iii) New and amended standards adopted by Council

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

- AASB 10 Consolidated Financial Statements
- AASB 11 Joint Arrangements
- AASB 12 Disclosures of Interests in Other Entities

AASB 10 introduced a new definition of control based on the substance of the relationship and required Councils to consider their involvement with other entities regardless of whether there was a financial interest.

AASB 11 classified joint arrangements into either joint ventures (equity accounting) or joint operations (accounting for share of assets and liabilities).

AASB 12 has increased the level of disclosures required where Council has any interests in subsidiaries, joint arrangements, associates or unconsolidated structured entities.

(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 2014.

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

(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,

Cobar Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

(ii) the write down of any Asset on the basis of Impairment (if warranted) and

(iii) certain classes of non current assets (eg. Infrastructure, Property, Plant & Equipment and Investment Property) that are accounted for at fair valuation.

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

(vi) Changes in Accounting Policies

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

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

(vii) Critical Accounting Estimates

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

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

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

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future.

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

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

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

(iii) Estimated remediation provisions.

Critical judgements in applying Council's accounting policies

(i) Impairment of Receivables - Council has made a significant judgement about the impairment of a number of its receivables in Note 7.

(ii) Projected Section 94 Commitments - Council has used significant judgement in determining future Section 94 income and expenditure in Note 17.

(b) Revenue recognition

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

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

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

Revenue is measured on major income categories as follows:

Rates, Annual Charges, Grants and Contributions

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

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

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

Control over granted assets is normally obtained upon their receipt (or acquittal) or upon earlier

Cobar Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

notification that a grant has been secured, and is valued at their fair value at the date of transfer.

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

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

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

The Council has obligations to provide facilities from contribution revenues levied on developers under the provisions of S94 of the EPA Act 1979.

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

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

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

User Charges, Fees and Other Income

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

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

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

Sale of Infrastructure, Property, Plant and Equipment

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

Interest and Rents

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

Interest Income from Cash & Investments is accounted for using the effective interest rate at the date that interest is earned.

Dividend Income

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

Other Income

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

(c) Principles of Consolidation

These financial statements incorporate **(i)** the assets and liabilities of Council and any entities (or operations) that it **controls** (as at 30 June 2015) and **(ii)** all the related operating results (for the financial year ended the 30th June 2015).

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

(i) The Consolidated Fund

In accordance with the provisions of Section 409(1) of the LGA 1993, all money and property received by Council is held in the Council's Consolidated Fund unless it is required to be held in the Council's Trust Fund.

Cobar Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

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

The following entities have been included as part of the Consolidated Fund:

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

(ii) The Trust Fund

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

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

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

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

(iii) Joint Arrangements

Council has no interest in any Joint Arrangements.

(iv) Associates

Council has no interest in any Associates.

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

(v) County Councils

Council is not a member of any County Councils.

(vi) Unconsolidated Structured Entities

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.

Detailed information relating to Council's interest in Unconsolidated Structured Entities can be found at Note 19 (d).

(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.

Cobar Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

Operating Leases

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

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

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

(e) Cash and Cash Equivalents

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

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

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

(f) Investments and Other Financial Assets

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

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

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

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

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

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

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

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

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

(ii) Loans and receivables

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

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

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

(iii) Held-to-maturity investments

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

In contrast to the “Loans & Receivables” classification, these investments are generally quoted in an active market.

Cobar Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

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

(iv) Available-for-sale financial assets

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

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

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

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

Financial Assets – Reclassification

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

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

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

Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made.

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

General Accounting & Measurement of Financial Instruments:

(i) Initial Recognition

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

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

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

(ii) Subsequent Measurement

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

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

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

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

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

Cobar Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

Impairment

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

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

(iii) Types of Investments

Council has an approved Investment Policy in order to undertake its investment of money in accordance with (and to comply with) Section 625 of the Local Government Act and S212 of the LG (General) Regulation 2005.

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

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

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

(g) Fair value estimation

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

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

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

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

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

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

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

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

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

(h) Receivables

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

Receivables (excluding Rates & Annual Charges) are generally due for settlement no more than 30 days from the date of recognition.

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

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

Cobar Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

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

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

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

Subsequent recoveries of amounts previously written off are credited against other expenses in the income statement.

(i) Inventories

Raw Materials and Stores, Work in Progress and Finished Goods

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

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

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

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

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

Land Held for Resale/Capitalisation of Borrowing Costs

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

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

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

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

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

(j) Infrastructure, Property, Plant and Equipment (I,PP&E)

Acquisition of assets

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

At balance date, the following classes of I,PP&E were stated at their Fair Value;

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

Cobar Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

Initial Recognition

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

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

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

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

Subsequent costs

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

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

Asset Revaluations (including Indexation)

In accounting for Asset Revaluations relating to Infrastructure, Property, Plant & Equipment:

- Increases in the combined carrying amounts of asset classes arising on revaluation are credited to the asset revaluation reserve.
- 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	> \$2,000

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

Other Structures	> \$2,000
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Water & Sewer Assets	
Reticulation extensions	> \$5,000
Other	> \$5,000

Cobar Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

Stormwater Assets

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

Transport Assets

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

Bridge construction & reconstruction	> \$10,000
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Water & Sewer Assets

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

Other Infrastructure Assets

- Bulk earthworks	Infinite
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Depreciation

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

Land is not depreciated.

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

Plant & Equipment

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

Other Equipment

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

Buildings

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

Stormwater Drainage

- Drains	100 years
- Culverts	100 years

Transportation Assets

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

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

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

(k) Land

Land (other than Land under Roads) is in accordance with Part 2 of Chapter 6 of the Local Government Act (1993) classified as either Operational or Community.

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

(l) Land under roads

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

Cobar Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

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

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

(m) Intangible Assets

Council has not classified any assets as Intangible.

(n) Crown Reserves

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

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

Improvements on Crown Reserves are also recorded as assets, while maintenance costs incurred by Council and revenues relating 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 incorporate the assets, their values and depreciation charges within these financial statements.

(p) Investment property

Council has no investment properties.

(q) Provisions for close down, restoration and for environmental clean up costs – including Tips and Quarries

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

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

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

Costs are estimated on the basis of a closure plan.

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

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

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

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

Cobar Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

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 relating to Council's provisions relating to Close down, Restoration and Remediation costs can be found at Note 26.

(r) Non-Current Assets (or Disposal Groups) "Held for Sale" & Discontinued Operations

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

The exception to this is plant and motor vehicles which are turned over on a regular basis. Plant and motor vehicles are retained in Non Current Assets under the classification of Infrastructure, Property, Plant and Equipment - unless the assets are to be traded in after 30 June and the replacement assets were already purchased and accounted for as at 30 June.

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

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

Non-current assets classified as "held for sale" are presented separately from the other assets in the balance sheet.

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

The results of discontinued operations are presented separately on the face of the income statement.

(s) Impairment of assets

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

Cobar Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

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 & other Intangible Assets that have an indefinite useful life and are not subject to amortisation are tested annually for impairment.

(t) Payables

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

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

(u) Borrowings

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

Borrowings are subsequently measured at amortised cost.

Amortisation results in any difference between the proceeds (net of transaction costs) and the redemption amount being recognised in the Income Statement over the period of the borrowings using the effective interest method.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired.

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

(v) Borrowing costs

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

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale.

(w) Provisions

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

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

Provisions are not recognised for future operating losses.

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

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

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

Cobar Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

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

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

(x) Employee benefits

(i) Short Term Obligations

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

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

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

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

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

Wages & salaries, annual leave and vesting sick leave are all classified as Current Liabilities.

(ii) Other Long Term Obligations

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

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

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

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

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

(iii) Retirement benefit obligations

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

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

Defined Benefit Plans

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

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

However, when this information is not reliably available, Council can account for its obligations to defined benefit plans on the same basis as its obligations to defined contribution plans – i.e. as an expense when they become payable.

Cobar Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

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

This Scheme has been deemed to be a "multi employer fund" for the purposes of AASB 119.

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

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

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

As a result they have asked for significant increases in future contributions to recover that deficiency.

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

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

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

Defined Contribution Plans

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

(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 30/06/15.

(y) Self insurance

Council does not self insure.

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

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

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

Exceptions

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

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

(aa) Taxes

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

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

Goods & Services Tax (GST)

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

Cobar Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

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 Statement of Cash Flows are on a gross basis, ie. they are inclusive of GST where applicable.

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

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

(ab) New accounting standards and interpretations

Certain new (or amended) accounting standards and interpretations have been published that are not mandatory for reporting periods ending 30 June 2015.

Council has not adopted any of these standards early.

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

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

Applicable to Local Government:

AASB 9 - Financial Instruments (and associated amending standards)

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.

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 where very specific conditions are met).

AASB 15 - Revenue from contracts with customers and associated amending standards

AASB 15 will introduce a five 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 full impact of AASB 15 has not yet been ascertained or quantified.

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

The effective date of this standard is for annual reporting periods beginning on or after 1 January 2017.

AASB 124 - Related Party Disclosures

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.

Cobar Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

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).

and amounts may have been reclassified or individually reported for the first time within these financial statements and/or the notes.

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 2016.

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

Not applicable to Local Government per se;

None

(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

Cobar Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

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 2015	Actual 2015	Actual 2014	Original Budget 2015	Actual 2015	Actual 2014	Original Budget 2015	Actual 2015	Actual 2014	Actual 2015	Actual 2014	Actual 2015	Actual 2014
Governance	3	5	4	669	576	541	(666)	(571)	(537)	-	87	-	-
Administration	540	459	326	1,525	1,503	1,629	(985)	(1,044)	(1,303)	30	183	17,972	15,287
Public Order & Safety	86	342	377	309	655	670	(223)	(313)	(293)	168	-	1,430	1,366
Health	146	66	63	415	253	319	(269)	(187)	(256)	-	-	-	-
Environment	889	897	747	596	652	594	293	245	153	234	79	864	768
Community Services & Education	4,011	4,366	4,216	3,710	4,253	3,886	301	113	330	3,059	3,267	8,689	8,176
Housing & Community Amenities	113	219	176	685	468	401	(572)	(249)	(225)	-	-	6,874	6,528
Water Supplies	3,202	4,339	2,917	2,419	2,622	2,922	783	1,717	(5)	801	13	13,477	12,776
Sewerage Services	2,872	738	759	780	848	860	2,092	(110)	(101)	25	11	10,508	10,651
Recreation & Culture	498	686	503	2,392	2,735	2,663	(1,894)	(2,049)	(2,160)	305	71	15,294	15,222
Mining, Manufacturing & Construction	39	23	17	39	23	16	-	-	1	-	-	-	-
Transport & Communication	5,812	8,675	7,192	10,218	9,341	9,480	(4,406)	(666)	(2,288)	3,272	530	234,175	125,934
Economic Affairs	943	708	157	905	882	1,098	38	(174)	(941)	-	-	1	1
Total Functions & Activities	19,154	21,523	17,454	24,662	24,811	25,079	(5,508)	(3,288)	(7,625)	7,894	4,241	309,284	196,709
Share of gains/(losses) in Associates & Joint Ventures (using the Equity Method)		-	-	-	-	-	-	-	-	-	-	-	-
General Purpose Income ¹	8,632	8,697	6,088	-	-	-	8,632	8,697	6,088	4,910	2,461	-	-
Operating Result from Continuing Operations	27,786	30,220	23,542	24,662	24,811	25,079	3,124	5,409	(1,537)	12,804	6,702	309,284	196,709

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

Cobar Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

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, enforcement of local government regulations, emergency services, other.

HEALTH

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

ENVIRONMENT

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

COMMUNITY SERVICES & EDUCATION

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

HOUSING & COMMUNITY AMENITIES

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

WATER SUPPLIES

SEWERAGE SERVICES

RECREATION & CULTURE

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

MINING, MANUFACTURING & CONSTRUCTION

Building control, quarries & pits, other.

TRANSPORT & COMMUNICATION

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

ECONOMIC AFFAIRS

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

Cobar Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2015

Note 3. Income from Continuing Operations

\$ '000	Notes	Actual 2015	Actual 2014
(a) Rates & Annual Charges			
Ordinary Rates			
Residential		1,045	1,022
Farmland		622	607
Mining		1,523	1,486
Business		361	350
Total Ordinary Rates		3,551	3,465
Special Rates			
Water Supplies		662	640
Sewerage Services		655	651
Total Special Rates		1,317	1,291
Annual Charges (pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Domestic Waste Management Services		506	500
Total Annual Charges		506	500
TOTAL RATES & ANNUAL CHARGES		5,374	5,256

Council has used 2014 year valuations provided by the NSW Valuer General in calculating its rates.

Cobar Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 3. Income from Continuing Operations (continued)

\$ '000	Notes	Actual 2015	Actual 2014
(b) User Charges & Fees			
Specific User Charges (per s.502 - Specific "actual use" charges)			
Water Supply Services		2,261	2,339
Sewerage Services		16	63
Waste Management Services (non-domestic)		133	178
Total User Charges		2,410	2,580
Other User Charges & Fees			
(i) Fees & Charges - Statutory & Regulatory Functions (per s.608)			
Inspection Services		4	2
Planning & Building Regulation		99	62
Private Works - Section 67		348	392
Regulatory/ Statutory Fees		5	9
Registration Fees		29	29
Regulatory Fees		-	1
Section 149 Certificates (EPA Act)		14	16
Section 603 Certificates		5	6
Tapping Fees		2	5
Town Planning		4	2
Cobar Water Board Contract		213	353
Total Fees & Charges - Statutory/Regulatory		723	877
(ii) Fees & Charges - Other (incl. General User Charges) (per s.608)			
Aerodrome		88	175
Aged Care		888	860
Caravan Park		139	132
Cemeteries		27	17
Child Care		126	116
Leaseback Fees - Council Vehicles		36	29
Library & Art Gallery		2	1
Livestock Control		3	5
Museum		101	102
Refuse & Effluent Disposal		1	-
Recycling Income (Non Domestic)		23	13
Rent & Hire of non investment property		208	201
RMS (formerly RTA) Charges (State Roads not controlled by Council)		4,434	3,576
Sporting Ground Fees		17	14
Sport Stadium		107	162
Swimming Centres		84	85
Tourism		3	4
Youth Centre		1	1
Other		60	186
Total Fees & Charges - Other		6,348	5,679
TOTAL USER CHARGES & FEES		9,481	9,136

Cobar Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 3. Income from Continuing Operations (continued)

\$ '000	Notes	Actual 2015	Actual 2014
(c) Interest & Investment Revenue (incl. losses)			
Interest & Dividends			
- Interest on Overdue Rates & Annual Charges (incl. Special Purpose Rates)		32	23
- Interest earned on Investments (interest & coupon payment income)		210	199
- Interest & Dividend Income (Other)		53	-
<u>TOTAL INTEREST & INVESTMENT REVENUE</u>		<u>295</u>	<u>222</u>
Interest Revenue is attributable to:			
Unrestricted Investments/Financial Assets:			
Overdue Rates & Annual Charges (General Fund)		32	23
General Council Cash & Investments		204	139
Restricted Investments/Funds - External:			
Development Contributions			
- Section 94		5	9
- Section 64		1	4
Water Fund Operations		18	13
Sewerage Fund Operations		35	34
<u>Total Interest & Investment Revenue Recognised</u>		<u>295</u>	<u>222</u>
(d) Other Revenues			
Fines		5	6
Legal Fees Recovery - Rates & Charges (Extra Charges)		36	11
Commissions & Agency Fees		134	145
Insurance Claim Recoveries		71	48
Reimbursements		11	8
<u>TOTAL OTHER REVENUE</u>		<u>257</u>	<u>218</u>

Cobar Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 3. Income from Continuing Operations (continued)

\$ '000	2015 Operating	2014 Operating	2015 Capital	2014 Capital
(e) Grants				
General Purpose (Untied)				
Financial Assistance - General Component	1 3,255	1,577	-	-
Financial Assistance - Local Roads Component	1 1,615	846	-	-
Pensioners' Rates Subsidies - General Component	40	38	-	-
Total General Purpose	4,910	2,461	-	-

¹ The Financial Assistance Grant for the comparative 13/14 year reflects a one off timing difference (reduction). This grant ceased being paid in advance in the 13/14 year by up to 50% as had occurred in previous years.

Specific Purpose

Pensioners' Rates Subsidies:

- Water	14	13	-	-
- Sewerage	11	11	-	-
Water Supplies	-	-	788	-
Sewerage Services	-	-	14	-
Aged Care	1,689	2,016	-	-
Bushfire & Emergency Services	140	140	-	-
Child Care	1,368	1,207	-	-
Community Care	-	12	-	-
Emergency Services	28	28	-	-
Employment & Training Programs	29	15	-	-
Environmental Protection	20	23	137	-
Heritage & Cultural	2	7	-	-
Library	21	24	-	-
Library - special projects	10	7	-	-
Minister's Relief	-	1	-	-
Noxious Weeds	77	56	-	-
Recreation & Culture	-	-	225	-
Seniors Week	-	1	-	-
Street Lighting	28	28	-	-
Traffic Route Subsidy	54	53	-	-
Transport (Roads to Recovery)	760	441	-	-
Transport (Other Roads & Bridges Funding)	-	-	2,370	8
Youth Services	49	63	-	-
Diesel Fuel Rebate	60	87	-	-
Total Specific Purpose	4,360	4,233	3,534	8
Total Grants	9,270	6,694	3,534	8

Grant Revenue is attributable to:

- Commonwealth Funding	2,275	6,202	200	8
- State Funding	6,995	492	3,334	-
	9,270	6,694	3,534	8

Cobar Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 3. Income from Continuing Operations (continued)

\$ '000	2015 Operating	2014 Operating	2015 Capital	2014 Capital
(f) Contributions				
Developer Contributions:				
(s93 & s94 - EP&A Act, s64 of the LGA):				
S 94 - Contributions towards amenities/services	34	-	15	-
S 94A - Fixed Development Consent Levies	-	-	21	30
S 64 - Water Supply Contributions	-	-	-	1
Other Developer Contributions - VPA	-	-	64	25
Total Developer Contributions	34	-	100	56
Other Contributions:				
Community Services	291	-	-	-
Other Councils - Joint Works/Services	12	-	-	-
RMS Contributions (Regional Roads, Block Grant)	1,571	1,932	-	-
Other - Skate Park Contributions	-	-	1	20
Total Other Contributions	1,874	1,932	1	20
Total Contributions	1,908	1,932	101	76
TOTAL GRANTS & CONTRIBUTIONS	11,178	8,626	3,635	84

\$ '000	Actual 2015	Actual 2014
(g) Restrictions relating to Grants and Contributions		
Certain grants & contributions are obtained by Council on condition that they be spent in a specified manner:		
Unexpended at the Close of the Previous Reporting Period	829	923
add: Grants & contributions recognised in the current period but not yet spent:	1,337	401
less: Grants & contributions recognised in a previous reporting period now spent:	(289)	(495)
Net Increase (Decrease) in Restricted Assets during the Period	1,048	(94)
Unexpended and held as Restricted Assets	1,877	829
Comprising:		
- Specific Purpose Unexpended Grants	1,378	459
- Developer Contributions	499	370
- Other Contributions	-	-
	1,877	829

Cobar Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2015

Note 4. Expenses from Continuing Operations

\$ '000	Notes	Actual 2015	Actual 2014
(a) Employee Benefits & On-Costs			
Salaries and Wages		8,618	8,211
Travelling		158	82
Employee Leave Entitlements (ELE)		1,169	1,248
Superannuation		968	997
Workers' Compensation Insurance		525	322
Fringe Benefit Tax (FBT)		62	40
Training Costs (other than Salaries & Wages)		236	194
Protective Clothing		15	16
Recruitment		22	24
Medical Expenses		13	14
Total Employee Costs		11,786	11,148
less: Capitalised Costs		(128)	(229)
TOTAL EMPLOYEE COSTS EXPENSED		11,658	10,919
Number of "Equivalent Full Time" Employees at year end		131	132
Number of "Equivalent Full Time" Employees at year end (incl. vacancies)		152	152
(b) Borrowing Costs			
(i) Interest Bearing Liability Costs			
Interest on Loans		145	171
Charges relating to Finance Leases		23	22
Total Interest Bearing Liability Costs Expensed		168	193
(ii) Other Borrowing Costs			
Discount adjustments relating to movements in Provisions (other than ELE)			
- Remediation Liabilities	26	4	2
Total Other Borrowing Costs		4	2
TOTAL BORROWING COSTS EXPENSED		172	195

Cobar Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Actual 2015	Actual 2014
(c) Materials & Contracts			
Raw Materials & Consumables		2,523	3,593
Contractor & Consultancy Costs		21	20
- Information Technology		165	134
- Swimming Pool		175	164
- Roadworks - Spray Sealing		1,317	1,362
- Roadworks - Line Marking		177	42
- Roadworks - Pavement Stabalisation		235	437
- Printing & Copy Services		135	126
Auditors Remuneration ⁽¹⁾		59	62
Legal Expenses:			
- Legal Expenses: Debt Recovery		30	10
- Legal Expenses: Other		22	26
Concreting & Construction		175	303
Fuel		556	589
<u>TOTAL MATERIALS & CONTRACTS</u>		<u>5,590</u>	<u>6,868</u>
1. Auditor Remuneration			
During the year, the following fees were incurred for services provided by the Council's Auditor (& the Auditors of other Consolidated Entities):			
(i) Audit and Other Assurance Services			
- Audit & review of financial statements: Council's Auditor		48	49
- Other audit & assurance services (Internal Audit)		11	13
Remuneration for audit and other assurance services		<u>59</u>	<u>62</u>
Total Auditor Remuneration		<u>59</u>	<u>62</u>

Cobar Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Impairment Costs		Depreciation/Amortisation	
		Actual 2015	Actual 2014	Actual 2015	Actual 2014
Plant and Equipment		-	-	816	816
Office Equipment		-	-	48	42
Furniture & Fittings		-	-	3	3
Property, Plant & Equipment - Leased		-	-	18	23
Land Improvements (depreciable)		-	-	261	261
Buildings - Non Specialised		-	-	257	270
Buildings - Specialised		-	-	498	512
Other Structures		-	-	101	101
Infrastructure:					
- Roads		-	-	1,808	1,790
- Stormwater Drainage		-	-	21	21
- Water Supply Network		-	-	330	324
- Sewerage Network		-	-	368	366
Other Assets					
- Library Books		-	-	48	5
- Other		-	-	3	2
<u>TOTAL DEPRECIATION & IMPAIRMENT COSTS EXPENSED</u>		-	-	4,580	4,536

Cobar Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Actual 2015	Actual 2014
(e) Other Expenses			
Other Expenses for the year include the following:			
Advertising		46	29
Bad & Doubtful Debts		59	108
Bank Charges		17	15
Child Care - Parent Fees		1,039	867
Computer Software Charges		43	33
Contributions/Levies to Other Levels of Government			
- Emergency Services Levy (includes FRNSW, SES, and RFS Levies)		15	8
- NSW Fire Brigade Levy		22	17
- NSW Rural Fire Service Levy		138	124
Councillor Expenses - Mayoral Fee		23	22
Councillor Expenses - Councillors' Fees		124	121
Councillors' Expenses (incl. Mayor) - Other (excluding fees above)		16	11
Donations, Contributions & Assistance to other organisations (Section 356)		7	12
Election Expenses		19	-
Electricity & Heating		449	424
Fire Control Expenses		98	104
Insurance		181	188
Integrated Planning & Reporting		8	4
Licenses		33	18
Office Expenses		36	27
Street Lighting		117	115
Subscriptions & Publications		64	50
Telephone & Communications		151	142
Valuation Fees		25	28
<u>TOTAL OTHER EXPENSES</u>		<u>2,730</u>	<u>2,467</u>

Note 5. Gains or Losses from the Disposal of Assets

Plant & Equipment			
Proceeds from Disposal - Plant & Equipment		486	74
less: Carrying Amount of P&E Assets Sold / Written Off		(567)	(176)
Net Gain/(Loss) on Disposal		(81)	(102)
Real Estate Assets Held For Sale			
Proceeds from Disposal - Real Estate Assets		-	25
less: Carrying Amount of Real Estate Assets Sold / Written Off		-	(17)
Net Gain/(Loss) on Disposal		-	8
<u>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</u>		<u>(81)</u>	<u>(94)</u>

Cobar Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

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

\$ '000	Notes	2015 Actual Current	2015 Actual Non Current	2014 Actual Current	2014 Actual Non Current
Cash & Cash Equivalents (Note 6a)					
Cash on Hand and at Bank		3	-	81	-
Cash-Equivalent Assets ¹					
- Deposits at Call		2,769	-	3,324	-
Total Cash & Cash Equivalents		2,772	-	3,405	-
Investments (Note 6b)					
- Long Term Deposits		7,610	-	3,009	-
Total Investments		7,610	-	3,009	-
TOTAL CASH ASSETS, CASH EQUIVALENTS & INVESTMENTS		10,382	-	6,414	-

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

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

Cash & Cash Equivalents

a. "At Fair Value through the Profit & Loss"

2,772	-	3,405	-
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Investments

b. "Held to Maturity"

6(b-ii)

Investments

7,610	-	3,009	-
7,610	-	3,009	-

Note 6(b-i)**Reconciliation of Investments classified as "Held to Maturity"**

Balance at the Beginning of the Year	3,009	-	-	-
Additions	4,601	-	3,009	-
Balance at End of Year	7,610	-	3,009	-

Comprising:

- Long Term Deposits	7,610	-	3,009	-
Total	7,610	-	3,009	-

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

Cobar Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

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

\$ '000	2015	2015	2014	2014
	Actual Current	Actual Non Current	Actual Current	Actual Non Current
Total Cash, Cash Equivalents and Investments	10,382	-	6,414	-
attributable to:				
External Restrictions (refer below)	6,619	-	3,638	-
Internal Restrictions (refer below)	2,085	-	1,122	-
Unrestricted	1,678	-	1,654	-
	10,382	-	6,414	-

2015 \$ '000	Opening Balance	Transfers to Restrictions	Transfers from Restrictions	Closing Balance
-----------------	--------------------	------------------------------	--------------------------------	--------------------

Details of Restrictions

External Restrictions - Included in Liabilities

Nil

External Restrictions - Other

Developer Contributions - General (D)	270	140	(9)	401
Developer Contributions - Water Fund (D)	-	12	-	12
Developer Contributions - Sewer Fund (D)	100	-	(14)	86
Specific Purpose Unexpended Grants (F)	460	917	-	1,378
Water Supplies (G)	718	1,369	-	2,087
Sewerage Services (G)	1,171	273	-	1,444
Domestic Waste Management (G)	780	261	-	1,041
Land Sale Monies held in Trust	9	-	-	9
Skate Park Contributions	95	-	(95)	-
Road Works	35	-	(35)	-
eTrust Stream 1	-	13	-	13
eTrust Stream 2	-	124	-	124
EHC Project	-	24	-	24
External Restrictions - Other	3,638	3,133	(153)	6,619
Total External Restrictions	3,638	3,133	(153)	6,619

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

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

G Water, Sewerage, Domestic Waste Management (DWM) & other Special Rates/Levies/Charges are externally restricted assets and must be applied for the purposes for which they were raised.

Cobar Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

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

2015 \$ '000	Opening Balance	Transfers to Restrictions	Transfers from Restrictions	Closing Balance
Internal Restrictions				
Plant & Vehicle Replacement	238	782	(238)	782
Sewerage Works Improvements	-	125	-	125
Employees Leave Entitlement	314	-	(5)	309
Carry Over Works	93	-	(93)	0
Building Renewal	-	25	-	25
eTrust Stream 1 & 2 (Council contribution)	-	59	-	59
Grant Contributions	-	20	-	20
SRV	-	132	-	132
OROC Shared Consultancy	-	10	-	10
Flood Study	22	1	-	23
Risk Management (WH&S Manual)	7	-	-	7
Mayoral Chest Donations	1	-	(1)	-
Gravel Pits Restoration	53	-	(53)	-
Road Works - Shire Roads	-	100	-	100
LBV Capital in full	12	-	(12)	-
Skate Park (Council Contribution)	10	-	(10)	-
IT Upgrades	37	-	(37)	-
Depot Office Renovations	22	-	(22)	-
Children's Services	57	-	(20)	37
Cobar Youth Council	-	3	-	3
Youthie Accessible Toilets & Storage	-	20	-	20
RFS Allocation	-	20	-	20
Airport Terminal Sewerage System	-	25	-	25
Community Sign	-	5	-	5
Euabalong Depot Refurbishment	-	10	-	10
Water Mains Replacement	-	83	-	83
Truck Wash	-	90	-	90
LBV Operational	256	-	(56)	200
Total Internal Restrictions	1,122	1,510	(547)	2,085
TOTAL RESTRICTIONS	4,760	4,643	(700)	8,704

Cobar Shire Council

Notes to the Financial Statements
for the financial year ended 30 June 2015

Note 7. Receivables

\$ '000	Notes	2015		2014	
		Current	Non Current	Current	Non Current
Purpose					
Rates & Annual Charges		255	180	297	154
Interest & Extra Charges		74	-	39	19
User Charges & Fees		904	51	688	93
Accrued Revenues					
- Interest on Investments		95	-	-	-
- Other Income Accruals		417	-	282	-
Government Grants & Subsidies		677	-	663	-
Net GST Receivable		162	-	68	-
Other Debtors		7	-	50	-
Total		2,591	231	2,087	266
less: Provision for Impairment					
Rates & Annual Charges		-	(180)	-	(154)
User Charges & Fees		-	(51)	-	(93)
Total Provision for Impairment - Receivables		-	(231)	-	(247)
TOTAL NET RECEIVABLES		2,591	-	2,087	19
Externally Restricted Receivables					
Water Supply					
- Rates & Availability Charges		43	-	41	-
- Other		501	-	448	-
Sewerage Services					
- Rates & Availability Charges		43	-	34	-
Total External Restrictions		587	-	523	-
Internally Restricted Receivables					
Nil					
Unrestricted Receivables		2,004	-	1,564	19
TOTAL NET RECEIVABLES		2,591	-	2,087	19

Notes on Debtors above:

- (i) Rates & Annual Charges Outstanding are secured against the property.
- (ii) Doubtful Rates Debtors are provided for where the value of the property is less than the debt outstanding.
An allowance for other doubtful debts is made when there is objective evidence that a receivable is impaired.
- (iii) Interest was charged on overdue rates & charges at 8.50% (2014 9.00%).
Generally all other receivables are non interest bearing.
- (iv) Please refer to Note 15 for issues concerning Credit Risk and Fair Value disclosures.

Cobar Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 8. Inventories & Other Assets

\$ '000	Notes	2015		2014	
		Current	Non Current	Current	Non Current
Inventories					
Real Estate for resale (refer below)		82	-	82	-
Stores & Materials		477	-	540	-
Trading Stock		61	-	60	-
Total Inventories		620	-	682	-
Other Assets					
Prepayments		5	-	23	-
Work In Progress		2	-	20	-
Total Other Assets		7	-	43	-
TOTAL INVENTORIES / OTHER ASSETS		627	-	725	-
Externally Restricted Assets					
Water					
Stores & Materials		109	-	39	-
Total Water		109	-	39	-
Sewerage					
Stores & Materials		26	-	26	-
Total Sewerage		26	-	26	-
Domestic Waste Management					
Nil					
Other					
Nil					
Total Externally Restricted Assets		135	-	65	-
Total Internally Restricted Assets		-	-	-	-
Total Unrestricted Assets		492	-	660	-
TOTAL INVENTORIES & OTHER ASSETS		627	-	725	-

Cobar Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 8. Inventories & Other Assets (continued)

\$ '000	2015		2014	
	Current	Non Current	Current	Non Current
(i) Other Disclosures				
(a) Details for Real Estate Development				
Residential	82	-	82	-
Total Real Estate for Resale	82	-	82	-
(Valued at the lower of cost and net realisable value)				
Represented by:				
Acquisition Costs	82	-	82	-
Total Costs	82	-	82	-
Total Real Estate for Resale	82	-	82	-
Movements:				
Real Estate assets at beginning of the year	82	-	96	-
- Purchases and other costs	-	-	3	-
- WDV of Sales (exp)	-	-	(17)	-
Total Real Estate for Resale	82	-	82	-

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

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

	2015	2014
Real Estate for Resale	82	82
	82	82

(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.

Notes to the Financial Statements
for the financial year ended 30 June 2015

Note 9a. Infrastructure, Property, Plant & Equipment

\$ '000	as at 30/6/2014				Asset Movements during the Reporting Period						as at 30/6/2015			
	At	At	Accumulated	Carrying	Asset Additions	WDV of Asset Disposals	Depreciation Expense	WIP Transfers	Adjustments & Transfers	Revaluation Increments to Equity (ARR)	At	At	Accumulated	Carrying
	Cost	Fair Value	Dep'n	Value							Cost	Fair Value	Dep'n	Value
Capital Work in Progress	314	-	-	314	3,196	-	-	(299)	-	-	3,211	-	-	3,211
Plant & Equipment	-	13,868	8,717	5,151	735	(567)	(816)	20	-	-	-	13,189	8,666	4,523
Office Equipment	-	1,279	1,182	97	101	-	(48)	-	-	-	-	1,381	1,231	150
Furniture & Fittings	-	126	104	22	20	-	(3)	-	-	-	-	146	107	39
Plant & Equipment (under Finance Lease)	-	487	67	420	-	-	(18)	-	-	-	-	487	85	402
Land:														
- Operational Land	-	4,374	-	4,374	-	-	-	-	-	-	-	4,374	-	4,374
- Community Land	-	1,673	-	1,673	-	-	-	-	-	-	-	1,673	-	1,673
Land Improvements - depreciable	-	12,329	2,376	9,953	373	-	(261)	11	(2,925)	-	-	9,294	2,143	7,151
Buildings - Non Specialised	-	12,793	6,627	6,166	8	-	(257)	-	-	-	-	12,801	6,884	5,917
Buildings - Specialised	-	36,339	17,342	18,997	394	-	(498)	4	-	-	-	36,737	17,840	18,897
Other Structures	-	2,280	999	1,281	84	-	(101)	20	-	-	-	2,384	1,100	1,284
Infrastructure:														
- Roads	-	152,435	49,614	102,821	834	-	(1,808)	244	2,925	103,990	-	251,946	42,940	209,006
- Bulk Earthworks (non-depreciable)	-	14,031	-	14,031	-	-	-	-	-	-	-	14,031	-	14,031
- Stormwater Drainage	-	2,108	593	1,515	-	-	(21)	-	-	3,375	-	6,449	1,580	4,869
- Water Supply Network	-	25,937	14,700	11,237	230	-	(330)	-	-	-	-	26,167	15,030	11,137
- Sewerage Network	-	17,266	8,081	9,185	2	-	(368)	-	-	-	-	17,268	8,449	8,819
Other Assets:														
- Library Books	-	572	442	130	25	-	(48)	-	-	-	-	597	490	107
- Other	-	120	23	97	-	-	(3)	-	-	-	-	120	26	94
TOTAL INFRASTRUCTURE, PROPERTY, PLANT & EQUIP.	314	298,017	110,867	187,464	6,002	(567)	(4,580)	-	-	107,365	3,211	399,044	106,571	295,684

Additions to Buildings & Infrastructure Assets are made up of Asset Renewals (\$1,343) and New Assets (\$886). Renewals are defined as the replacement of existing assets (as opposed to the acquisition of new assets).

Refer to Note 27 - Fair Value Measurement for information regarding the fair value of other Infrastructure, Property, Plant & Equipment.

Cobar Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

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

\$ '000 Class of Asset	Actual 2015				Actual 2014			
	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	362	-	-	362	-	-	-	-
Land								
- Operational Land	-	90	-	90	-	88	-	88
Infrastructure	-	26,167	15,030	11,137	-	25,937	14,700	11,237
Total Water Supply	362	26,257	15,030	11,589	-	26,025	14,700	11,325
Sewerage Services								
Land								
- Operational Land	-	90	-	90	-	90	-	90
Infrastructure	-	17,268	8,449	8,819	-	17,266	8,082	9,184
Total Sewerage Services	-	17,358	8,449	8,909	-	17,356	8,082	9,274
Domestic Waste Management								
Plant & Equipment	-	-	-	-	-	719	651	68
Land								
- Operational Land	-	-	-	-	-	250	-	250
- Improvements - depreciable	-	-	-	-	-	307	88	219
Buildings	-	-	-	-	-	88	49	39
Total DWM	-	-	-	-	-	1,364	788	576
TOTAL RESTRICTED I,PP&E	362	43,615	23,479	20,498	-	44,745	23,570	21,175

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

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

Cobar Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 10a. Payables, Borrowings & Provisions

\$ '000	Notes	2015		2014	
		Current	Non Current	Current	Non Current
Payables					
Goods & Services - operating expenditure		1,453	-	1,030	-
Payments Received In Advance		141	-	221	-
Accrued Expenses:					
- Salaries & Wages		327	-	295	-
- Other Expenditure Accruals		49	-	219	-
Monies held in Trust		9	-	9	-
Total Payables		1,979	-	1,774	-
Borrowings					
Loans - Secured ¹		263	1,984	142	2,346
Finance Lease Liabilities		78	226	73	302
Total Borrowings		341	2,210	215	2,648
Provisions					
Employee Benefits;					
Annual Leave		858	-	889	-
Long Service Leave		1,037	89	1,149	75
Time in Lieu		77	-	44	-
Sub Total - Aggregate Employee Benefits		1,972	89	2,082	75
Asset Remediation/Restoration (Future Works) ²⁶		-	56	-	52
Total Provisions		1,972	145	2,082	127
Total Payables, Borrowings & Provisions		4,292	2,355	4,071	2,775
(i) Liabilities relating to Restricted Assets					
		2015		2014	
		Current	Non Current	Current	Non Current
Externally Restricted Assets					
Water		197	-	142	-
Sewer		8	-	8	-
Liabilities relating to externally restricted assets		205	-	150	-
Internally Restricted Assets					
Nil					
Total Liabilities relating to restricted assets		205	-	150	-
Total Liabilities relating to Unrestricted Assets		4,087	2,355	3,921	2,775
TOTAL PAYABLES, BORROWINGS & PROVISIONS		4,292	2,355	4,071	2,775

¹. Loans are secured over the General Rating Income of Council

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

Cobar Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

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

\$ '000	Actual 2015	Actual 2014
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(ii) Current Liabilities not anticipated to be settled within the next 12 months

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

Provisions - Employees Benefits	1,388	1,353
	<u>1,388</u>	<u>1,353</u>

Note 10b. Description of and movements in Provisions

Class of Provision	2014			2015		
	Opening Balance as at 1/7/14	Additional Provisions	Decrease due to Payments	Remeasurement effects due to Discounting	Unused amounts reversed	Closing Balance as at 30/6/15
Annual Leave	889	496	(527)	-	-	858
Long Service Leave	1,224	(29)	(69)	-	-	1,126
Other Leave (enter deta	44	63	(30)	-	-	77
Asset Remediation	52	4	-	-	-	56
TOTAL	2,209	534	(626)	-	-	2,117

- a. Employees Leave Entitlements & On-Costs represents those benefits accrued and payable and an estimate of those that will become payable in the future as a result of past service.
- b. Asset Remediation, Reinstatement & Restoration Provisions represent the Present Value estimate of future costs Council will incur in order to remove, restore & remediate assets &/or activities as a result of past operations.

Cobar Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 11. Statement of Cash Flows - Additional Information

\$ '000	Notes	Actual 2015	Actual 2014
(a) Reconciliation of Cash Assets			
Total Cash & Cash Equivalent Assets	6a	2,772	3,405
Less Bank Overdraft	10	-	-
BALANCE as per the STATEMENT of CASH FLOWS		2,772	3,405
(b) Reconciliation of Net Operating Result to Cash provided from Operating Activities			
Net Operating Result from Income Statement		5,409	(1,537)
Adjust for non cash items:			
Depreciation & Amortisation		4,580	4,536
Net Losses/(Gains) on Disposal of Assets		81	94
Unwinding of Discount Rates on Reinstatement Provisions		4	2
+/- Movement in Operating Assets and Liabilities & Other Cash Items:			
Decrease/(Increase) in Receivables		(469)	(573)
Increase/(Decrease) in Provision for Doubtful Debts		(16)	61
Decrease/(Increase) in Inventories		62	67
Decrease/(Increase) in Other Assets		36	(2)
Increase/(Decrease) in Payables		423	30
Increase/(Decrease) in accrued Interest Payable		-	2
Increase/(Decrease) in other accrued Expenses Payable		(138)	50
Increase/(Decrease) in Other Liabilities		(80)	2
Increase/(Decrease) in Employee Leave Entitlements		(96)	220
NET CASH PROVIDED FROM/(USED IN) OPERATING ACTIVITIES from the STATEMENT of CASH FLOWS		9,796	2,952
(c) Non-Cash Investing & Financing Activities			
Nil			
(d) Financing Arrangements			
(i) Unrestricted access was available at balance date to the following lines of credit:			
Bank Overdraft Facilities ⁽¹⁾		-	1,000
Credit Cards / Purchase Cards		60	40
Total Financing Arrangements		60	1,040
Amounts utilised as at Balance Date:			
- Credit Cards / Purchase Cards		26	13
Total Financing Arrangements Utilised		26	13

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

Cobar Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 12. Commitments for Expenditure

\$ '000	Notes	Actual 2015	Actual 2014
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(a) Capital Commitments (exclusive of GST)

Nil

(b) Finance Lease Commitments

(i) Commitments under Finance Leases at the Reporting Date are payable as follows:

Within the next year	51	63
Later than one year and not later than 5 years	291	309
Later than 5 years	-	63
Total Minimum Lease Payments	342	435
less: Future Finance Charges	(38)	(60)
Amount Recognised as a Liability	304	375

(ii) Finance Lease Liability Recognised represent;

Current Liabilities	78	73
Non-Current Liabilities	226	302
Total Finance Lease Liabilities Disclosed	304	375

(iii) General Details

Council Leases the following Property, Plant & Equipment under Finance Leases:

	Term (Years)	Option to Purchase	Contingent Rent Clauses		
Heavy Plant - Carrying Value	6	Y	N	304	375
Total Carrying Value at Year End				304	375

(c) Operating Lease Commitments (Non Cancellable)

Nil

(d) Investment Property Commitments

Nil

Cobar Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

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

\$ '000	Amounts 2015	Indicator 2015	Prior Periods 2014 2013	
Local Government Industry Indicators - Consolidated				
1. Operating Performance Ratio				
Total continuing operating revenue ⁽¹⁾				
<u>(excl. Capital Grants & Contributions) - Operating Expenses</u>	<u>1,855</u>	6.98%	-6.51%	-1.01%
Total continuing operating revenue ⁽¹⁾ (excl. Capital Grants & Contributions)	26,585			
2. Own Source Operating Revenue Ratio				
Total continuing operating revenue ⁽¹⁾				
<u>(excl. ALL Grants & Contributions)</u>	<u>15,407</u>	50.98%	63.00%	55.65%
Total continuing operating revenue ⁽¹⁾	30,220			
3. Unrestricted Current Ratio				
Current Assets less all External Restrictions ⁽²⁾	<u>6,177</u>	2.29x	1.91	2.42
Current Liabilities less Specific Purpose Liabilities ^(3, 4)	<u>2,699</u>			
4. Debt Service Cover Ratio				
Operating Result ⁽¹⁾ before capital excluding interest and depreciation / impairment / amortisation	<u>6,607</u>	13.65x	4.06	11.36
Principal Repayments (from the Statement of Cash Flows) + Borrowing Costs (from the Income Statement)	<u>484</u>			
5. Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage				
Rates, Annual and Extra Charges Outstanding	<u>329</u>	5.68%	6.51%	3.64%
Rates, Annual and Extra Charges Collectible	<u>5,797</u>			
6. Cash Expense Cover Ratio				
Current Year's Cash and Cash Equivalents + All Term Deposits	<u>10,382</u>	5.80 mths	3.69	3.83
Payments from cash flow of operating and financing activities	<u>1,790</u>			

Notes

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

⁽²⁾ Refer Notes 6-8 inclusive.

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

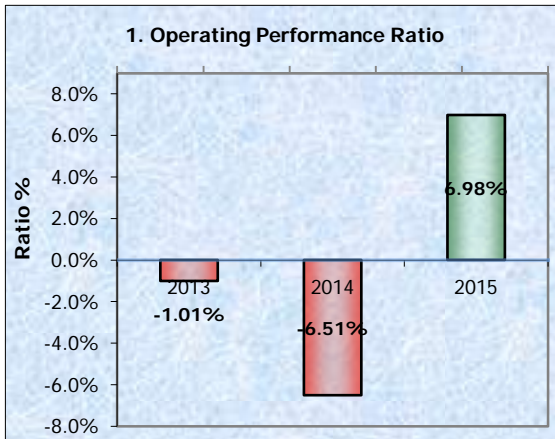
⁽³⁾ Refer to Note 10(a).

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

Cobar Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2015

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 2014/15 Result

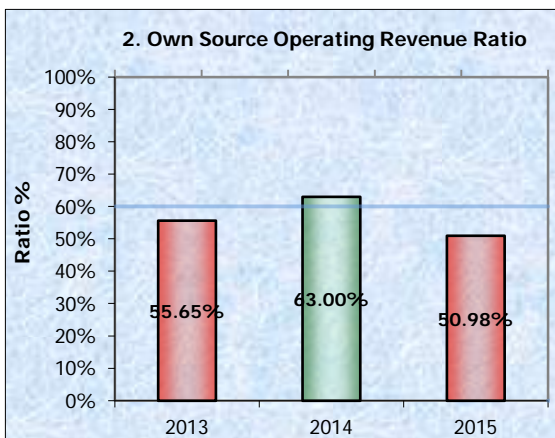
2014/15 Ratio 6.98%

The increase in this ratio was a combination of a full year of the Financial Assistance Grant (the opposite of which resulted in the temporary unsatisfactory result in the comparative year) as well as a move towards Capital Expenditure from Operational Expenditure. This is evidenced by Note 4a showing a higher amount of capitalised wages.

Benchmark: — Minimum $\geq 0.00\%$

Source for Benchmark: Code of Accounting Practice and Financial Reporting #23

Ratio is within 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 & contributions.

Commentary on 2014/15 Result

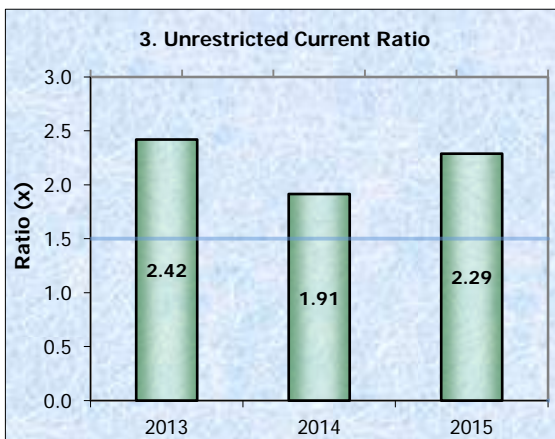
2014/15 Ratio 50.98%

There are few ways for Council to generate additional sources of revenue; however, this result is within Council's expectations.

Benchmark: — Minimum $\geq 60.00\%$

Source for Benchmark: Code of Accounting Practice and Financial Reporting #23

Ratio is within 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 2014/15 Result

2014/15 Ratio 2.29x

Liquidity remains in positive territory and Debtors collection remains vigilant.

Benchmark: — Minimum ≥ 1.50

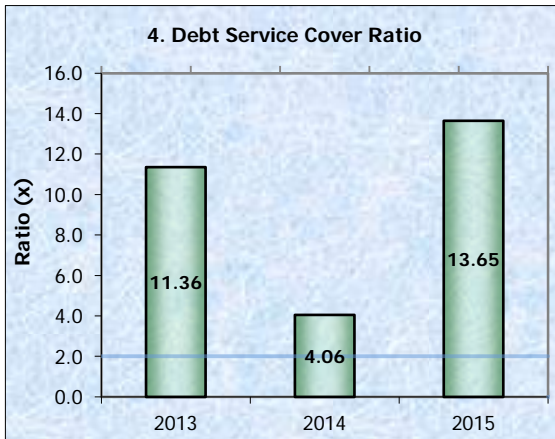
Source for Benchmark: Code of Accounting Practice and Financial Reporting #23

Ratio is within Benchmark
 Ratio is outside Benchmark

Cobar Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2015

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



Purpose of Debt Service Cover Ratio

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

Commentary on 2014/15 Result

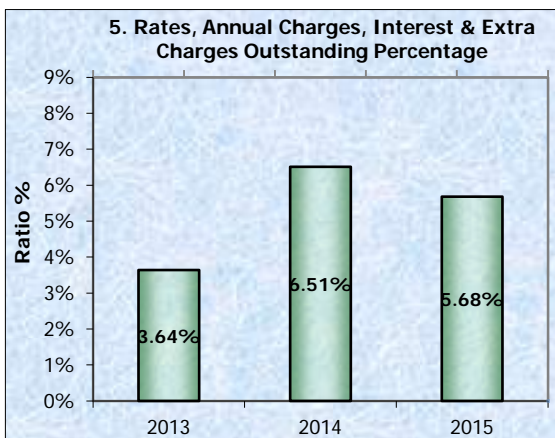
2014/15 Ratio 13.65x

A higher than anticipated holding of cash has resulted in the increased availability of operating cash to service debts.

Benchmark: Minimum ≥ 2.00

Source for Benchmark: Code of Accounting Practice and Financial Reporting #23

Ratio is within Benchmark
 Ratio is outside Benchmark



Purpose of Rates & Annual Charges Outstanding Ratio

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

Commentary on 2014/15 Result

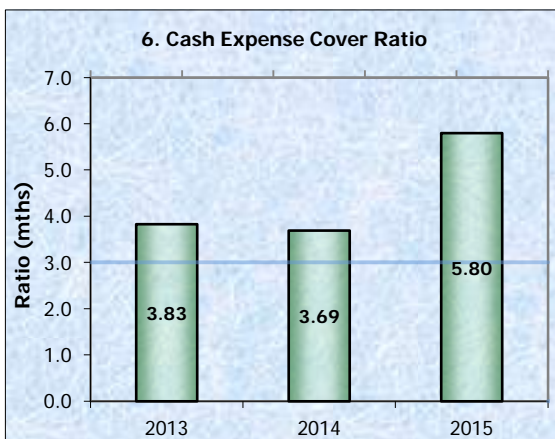
2014/15 Ratio 5.68%

The ratio of uncollected rates and annual charges is satisfactory.

Benchmark: Maximum $< 10.00\%$

Source for Benchmark: Code of Accounting Practice and Financial Reporting #23

Ratio is within Benchmark
 Ratio is outside Benchmark



Purpose of Cash Expense Cover Ratio

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

Commentary on 2014/15 Result

2014/15 Ratio 5.80 mths

The increase in this ratio is proportionate with Council's increased cash holdings.

Benchmark: Minimum ≥ 3.00

Source for Benchmark: Code of Accounting Practice and Financial Reporting #23

Ratio is within Benchmark
 Ratio is outside Benchmark

Cobar Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

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

\$ '000	Water 2015	Sewer 2015	General ⁵ 2015
Local Government Industry Indicators - by Fund			
1. Operating Performance Ratio			
Total continuing operating revenue ⁽¹⁾			
<u>(excl. Capital Grants & Contributions) - Operating Expenses</u>	39.56%	-13.51%	1.09%
Total continuing operating revenue ⁽¹⁾			
(excl. Capital Grants & Contributions)	prior period: -0.26%	-15.81%	-7.13%
2. Own Source Operating Revenue Ratio			
Total continuing operating revenue ⁽¹⁾			
<u>(excl. ALL Grants & Contributions)</u>	67.81%	98.47%	46.73%
Total continuing operating revenue ⁽¹⁾			
	prior period: 97.28%	98.55%	56.26%
3. Unrestricted Current Ratio			
<u>Current Assets less all External Restrictions ⁽²⁾</u>	13.91x	189.13x	2.29x
Current Liabilities less Specific Purpose Liabilities ^(3, 4)			
	prior period: 8.77	153.88	1.91
4. Debt Service Cover Ratio			
<u>Operating Result ⁽¹⁾ before capital excluding interest and depreciation / impairment / amortisation</u>	0.00	0.00	8.86x
Principal Repayments (from the Statement of Cash Flows) + Borrowing Costs (from the Income Statement)			
	prior period: 0.00	0.00	3.35
5. Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage			
<u>Rates, Annual and Extra Charges Outstanding</u>	6.37%	6.46%	5.45%
Rates, Annual and Extra Charges Collectible			
	prior period: 6.27%	5.14%	6.77%
6. Cash Expense Cover Ratio			
<u>Current Year's Cash and Cash Equivalents + All Term Deposits</u> x12	0.00	0.00	3.77 mths
Payments from cash flow of operating and financing activities			
	prior period: 0.00	0.00	2.55

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 & Sewer activities which are listed separately.

Cobar Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 14. Investment Properties

\$ '000

Council has not classified any Land or Buildings as "Investment Properties"

Note 15. Financial Risk Management

Risk Management

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

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

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

Financial risk management is carried out by Council's Finance Section under policies approved by the Council.

A comparison by category of the carrying amounts and fair values of Council's Financial Assets & Financial Liabilities recognised in the financial statements is presented below.

	Carrying Value		Fair Value	
	2015	2014	2015	2014
Financial Assets				
Cash and Cash Equivalents	2,772	3,405	2,772	6,414
Investments				
- "Held to Maturity"	7,610	3,009	7,610	3,009
Receivables	2,591	2,106	2,591	2,106
Total Financial Assets	12,973	8,520	12,973	11,529
Financial Liabilities				
Payables	1,838	1,553	1,838	1,772
Loans / Advances	2,247	2,488	2,247	2,488
Lease Liabilities	304	375	304	375
Total Financial Liabilities	4,389	4,416	4,389	4,635

Fair Value is determined as follows:

- **Cash & Cash Equivalents, Receivables, Payables** - are estimated to be the carrying value which approximates mkt value.
- **Borrowings & Held to Maturity Investments** - are based upon estimated future cash flows discounted by the current market interest rates applicable to assets & liabilities with similar risk profiles, unless quoted market prices are available.
- Financial Assets classified (i) "**at fair value through profit & loss**" or (ii) **Available for Sale** - are based upon quoted market prices (in active markets for identical investments) at the reporting date or independent valuation.

Refer to Note 27 - Fair Value Measurement for information regarding the fair value of financial assets & liabilities

Cobar Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 15. Financial Risk Management (continued)

\$ '000

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

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

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

The risks associated with the investments held are:

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

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

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

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

	Increase of Values/Rates		Decrease of Values/Rates	
	Profit	Equity	Profit	Equity
2015				
Possible impact of a 1% movement in Interest Rates	84	84	(84)	(84)
2014				
Possible impact of a 1% movement in Interest Rates	53	53	(53)	(53)

Cobar Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 15. Financial Risk Management (continued)

\$ '000

(b) Receivables

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

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

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

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

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

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

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

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

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

	2015 Rates & Annual Charges	2015 Other Receivables	2014 Rates & Annual Charges	2014 Other Receivables
(i) Ageing of Receivables - %				
Current (not yet overdue)	59%	95%	67%	90%
Overdue	41%	5%	33%	10%
	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

		2015 Rates & Annual Charges	2015 Other Receivables	2014 Rates & Annual Charges	2014 Other Receivables
(ii) Ageing of Receivables - value					
Rates & Annual Charges	Other Receivables				
Current	Current	255	2,336	297	1,790
< 1 year overdue	0 - 30 days overdue	180	51	154	112
		<u>435</u>	<u>2,387</u>	<u>451</u>	<u>1,902</u>

	2015	2014
(iii) Movement in Provision for Impairment of Receivables		
Balance at the beginning of the year	247	186
+ new provisions recognised during the year	26	61
- amounts already provided for & written off this year	(42)	-
Balance at the end of the year	<u>231</u>	<u>247</u>

Cobar Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 15. Financial Risk Management (continued)

\$ '000

(c) Payables & Borrowings

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

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

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

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

\$ '000	Subject to no maturity	payable in:						Total Cash Outflows	Actual Carrying Values
		≤ 1 Year	1-2 Yrs	2-3 Yrs	3-4 Yrs	4-5 Yrs	> 5 Yrs		
2015									
Trade/Other Payables	-	1,838	-	-	-	-	-	1,838	1,838
Loans & Advances	-	481	472	267	267	267	500	2,254	2,247
Lease Liabilities	-	96	96	96	41	-	-	329	304
Total Financial Liabilities	-	2,415	568	363	308	267	500	4,421	4,389
2014									
Trade/Other Payables	-	1,772	-	-	-	-	-	1,772	1,772
Loans & Advances	-	396	486	477	368	267	1,180	3,174	2,488
Lease Liabilities	-	96	96	96	96	96	56	536	375
Total Financial Liabilities	-	2,264	582	573	464	363	1,236	5,482	4,635

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

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

	2015		2014	
	Carrying Value	Average Interest Rate	Carrying Value	Average Interest Rate
Trade/Other Payables	1,838	0.0%	1,772	0.0%
Loans & Advances - Variable Interest Rate	2,247	5.2%	2,488	5.5%
Lease Liabilities	304	6.3%	375	6.3%
	<u>4,389</u>		<u>4,635</u>	

Cobar Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 16. Material Budget Variations

\$ '000

Council's Original Financial Budget for 14/15 was adopted by the Council on 26 June 2014.

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

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

Note that for Variations* of Budget to Actual :

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

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

\$ '000	2015 Budget	2015 Actual	2015 ----- Variance* -----		
REVENUES					
Rates & Annual Charges	5,376	5,374	(2)	(0%)	U
User Charges & Fees	8,595	9,481	886	10%	F
Ordered works from RMS were higher than budget estimates					
Interest & Investment Revenue	245	295	50	20%	F
Cash balances maintained exceeded budget by approximately \$2m on average. The Sweep Account operation was tightened so that no non-interest bearing monies were held.					
Other Revenues	246	257	11	4%	F
Operating Grants & Contributions	9,716	11,178	1,462	15%	F
The Resources for Regions grant of approximately \$2.3m was initially budgeted to be received in 2015/2016 but was received in 2014/2015. An expected grant of \$370k for the Water Treatment Plant was not received due to those works being on hold.					
Capital Grants & Contributions	3,568	3,635	67	2%	F

Cobar Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 16. Material Budget Variations (continued)

\$ '000	2015 Budget	2015 Actual	2015 ----- Variance* -----	
EXPENSES				
Employee Benefits & On-Costs	11,082	11,658	(576)	(5%) U
Borrowing Costs	184	172	12	7% F
Materials & Contracts	6,361	5,590	771	12% F
Due to the allocation of scarce resources, and due to the addition of one major Capital project, Council was not able to complete all the Operational projects which were budgeted.				
Depreciation & Amortisation	4,735	4,580	155	3% F
Other Expenses	2,300	2,730	(430)	(19%) U
Increases were due mainly to Child Care payments (\$172k), which was offset by a similar increase in fees and grants, \$35k increase in electricity charges, \$27k increase in NSW Fire Levies, \$20k spent on election expenses, \$35k increase in licences and software expenses, \$10k increase in Telephone/Internet expenses, \$17k increase in employment and tourism Advertising \$10k increase of Office Expenses.				
Net Losses from Disposal of Assets	-	81	(81)	0% U
Losses from the disposal of Plant and Equipment were far less favourable than forward estimates.				
Budget Variations relating to Council's Cash Flow Statement include:				
Cash Flows from Operating Activities	8,110	9,796	1,686	20.8% F
RMS Ordered Works were \$500k in excess of budget and there was a clawback from Cobar Water Board of \$330k.				
Cash Flows from Investing Activities	(8,078)	(10,117)	(2,039)	25.2% U
Council received funding in advance for certain major projects which resulted in more cash on hand than budgeted; consequently, Council was able to purchase investments above the forward estimates of \$4m. Purchases of Propety, Plant & Equipment were down by \$2m. The combination of these activities resulted in spending \$2m more in Investing Activities than budgeted.				
Cash Flows from Financing Activities	(32)	(312)	(280)	875.0% U
The proceeds from borrowing of \$265k was not required and have been re-provided for in the 2015/2016 financial year.				

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 17. Statement of Developer Contributions

\$ '000

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

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

SUMMARY OF CONTRIBUTIONS & LEVIES

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Open Space	11	-	-	-	-	-	11	-	-	11	-
Community Facilities	150	-	-	3	-	-	153	-	-	153	-
S94 Contributions 2012	47	54	-	1	-	-	102	104	-	206	-
S94 Contributions - under a Plan	208	54	-	4	-	-	266	104	-	370	-
Total S94 Revenue Under Plans	208	54	-	4	-	-	266				-
S93F Planning Agreements	62	80	-	1	(11)	-	132				
S64 Contributions	100	-	-	1	-	-	101				
Total Contributions	370	134	-	6	(11)	-	499	104	-	370	-

S94 CONTRIBUTIONS - UNDER A PLAN

CONTRIBUTION PLAN NUMBER 1

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Open Space	11	-	-	-	-	-	11	-	-	11	-
Community Facilities	150	-	-	3	-	-	153	-	-	153	-
S94 Contributions 2012	47	54	-	1	-	-	102	104	-	206	-
Total	208	54	-	4	-	-	266	104	-	370	-

Cobar Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 18. Contingencies & Other Assets/Liabilities Not Recognised

\$ '000

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

LIABILITIES NOT RECOGNISED:

1. Guarantees

(i) Defined Benefit Superannuation Contribution Plans

Council participates in an employer sponsored Defined Benefit Superannuation Scheme, and makes contributions as determined by the Superannuation Scheme's Trustees.

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

The Schemes most recent full actuarial review indicated that the Net Assets of the Scheme were not sufficient to meet the accrued benefits of the Schemes Defined Benefit member category with member Councils required to make significantly higher contributions in future years.

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

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

(ii) Statewide Limited

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

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

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

(iii) StateCover Limited

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

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

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

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

(iv) Other Guarantees

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

Cobar Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2015

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

\$ '000

LIABILITIES NOT RECOGNISED (continued):

2. Other Liabilities

(i) Third Party Claims

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

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

(ii) S94 Plans

Council levies Section 94/94A Contributions upon various 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 Councils intention to spend funds in the manner and timing set out in those Plans.

ASSETS NOT RECOGNISED:

(i) Land Under Roads

As permitted under AASB 1051, Council has elected not to bring to account Land Under Roads that it owned or controlled up to & including 30/6/08.

(ii) Infringement Notices/Fines

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

Councils Revenue Recognition policy for such income is to account for it as revenue on receipt.

Accordingly, at Year End, there is a potential asset due to Council representing issued but unpaid Infringement Notices.

Due to the limited information available on the status, value and duration of outstanding Notices, Council is unable to determine the value of outstanding income.

Cobar Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 19. Interests in Other Entities

\$ '000

(a) Controlled Entities (Subsidiaries) - being entities & operations controlled by Council

Council has no interest in any Controlled Entities (Subsidiaries).

(b) Joint Ventures and Associates

Council has no interest in any Joint Ventures or Associates.

(c) Joint Operations

Council, in association with Peak Gold and Endeavour mines, operates the Cobar Water Board, supplies Cobar Shire area with raw water. For the 2014/2015 financial year, Council occupied 3 of the 7 voting positions. However, Council has no financial interest in the Joint Operations and therefore has no Accounting Recognition to disclose.

(a) Council is involved in the following Joint Operations (JO's)

Name of Joint Operation	Principal Activity	Place of Business	Interest in Ownership		Interest in Voting	
			2015	2014	2015	2014
Cobar Water Board	Supply of raw water	Cobar	0%	0%	43%	43%

(d) Unconsolidated Structured Entities

Council has no Unconsolidated Structured Entities

(e) Subsidiaries, Joint Arrangements & Associates not recognised

All Subsidiaries, Joint Arrangements and Associates have been recognised in this Financial Report.

Cobar Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 20. Equity - Retained Earnings and Revaluation Reserves

\$ '000	Notes	Actual 2015	Actual 2014
(a) Retained Earnings			
Movements in Retained Earnings were as follows:			
Balance at beginning of Year (from previous years audited accounts)		80,403	81,940
a. Net Operating Result for the Year		5,409	(1,537)
Balance at End of the Reporting Period		85,812	80,403

(b) Reserves**(i) Reserves are represented by:**

- Infrastructure, Property, Plant & Equipment Revaluation Reserve		216,825	109,460
Total		216,825	109,460

(ii) Reconciliation of movements in Reserves:**Infrastructure, Property, Plant & Equipment Revaluation Reserve**

- Opening Balance		109,460	109,460
- Revaluations for the year	9(a)	107,365	-
- Balance at End of Year		216,825	109,460

TOTAL VALUE OF RESERVES

216,825	109,460
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(iii) Nature & Purpose of Reserves**Infrastructure, Property, Plant & Equipment Revaluation Reserve**

- The Infrastructure, Property, Plant & Equipment Revaluation Reserve is used to record increments/decrements of Non Current Asset values due to their revaluation.

(c) Correction of Error/s relating to a Previous Reporting Period

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

(d) Voluntary Changes in Accounting Policies

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

Cobar Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 21. Financial Result & Financial Position by Fund

Income Statement by Fund \$ '000	Actual 2015	Actual 2015	Actual 2015
Continuing Operations	Water	Sewer	General¹
Income from Continuing Operations			
Rates & Annual Charges	675	666	4,033
User Charges & Fees	2,264	16	7,201
Interest & Investment Revenue	18	36	241
Other Revenues	-	-	257
Grants & Contributions provided for Operating Purposes	589	-	10,589
Grants & Contributions provided for Capital Purposes	794	-	2,841
Total Income from Continuing Operations	4,340	718	25,162
Expenses from Continuing Operations			
Employee Benefits & on-costs	277	3	11,378
Borrowing Costs	-	-	172
Materials & Contracts	761	436	4,393
Depreciation & Amortisation	330	367	3,883
Other Expenses	1,255	9	1,466
Net Losses from the Disposal of Assets	-	-	81
Total Expenses from Continuing Operations	2,623	815	21,373
Operating Result from Continuing Operations	1,717	(97)	3,789
Net Operating Result for the Year	1,717	(97)	3,789
Net Operating Result attributable to each Council Fund	1,717	(97)	3,789
Net Operating Result for the year before Grants and Contributions provided for Capital Purposes	923	(97)	948

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

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

Cobar Shire Council

Notes to the Financial Statements

as at 30 June 2015

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

Statement of Financial Position by Fund \$ '000	Actual 2015	Actual 2015	Actual 2015
ASSETS	Water	Sewer	General¹
Current Assets			
Cash & Cash Equivalents	2,099	1,530	(23)
Investments	-	-	6,776
Receivables	544	43	2,004
Inventories	109	26	485
Other	-	-	7
Total Current Assets	2,752	1,599	9,249
Non-Current Assets			
Infrastructure, Property, Plant & Equipment	11,589	8,909	275,186
Total Non-Current Assets	11,589	8,909	275,186
TOTAL ASSETS	14,341	10,508	284,435
LIABILITIES			
Current Liabilities			
Payables	197	8	1,774
Borrowings	-	-	341
Provisions	-	-	1,972
Total Current Liabilities	197	8	4,087
Non-Current Liabilities			
Borrowings	-	-	2,210
Provisions	-	-	145
Total Non-Current Liabilities	-	-	2,355
TOTAL LIABILITIES	197	8	6,442
Net Assets	14,144	10,500	277,993
EQUITY			
Retained Earnings	13,803	3,373	68,636
Revaluation Reserves	341	7,127	209,357
Total Equity	14,144	10,500	277,993

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

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

Cobar Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 22. "Held for Sale" Non Current Assets & 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 (ending 30 June 2015) and the date when the financial statements are "authorised for issue" have been taken into account in preparing these statements.

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

Accordingly, the "authorised for issue" date is 28/08/15.

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 2015.

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

These financial statements (& figures therein) do not incorporate any "non-adjusting events" that have occurred after 30 June 2015 and which are only indicative of conditions that arose after 30 June 2015.

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".

Note 25. Intangible Assets

Intangible Assets represent identifiable non-monetary asset without physical substance.

Council is unaware of any control over Intangible Assets that warrant recognition in the Financial Statements, including either internally generated and developed assets or purchased assets.

Cobar Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 26. Reinstatement, Rehabilitation & 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	
		2015	2014
Gravel Pits	2034	56	52
Balance at End of the Reporting Period	10(a)	<u>56</u>	<u>52</u>

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

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

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

Reconciliation of movement in Provision for year:

Balance at beginning of year	52	50
Amortisation of discount (expensed to borrowing costs)	4	2
Total - Reinstatement, rehabilitation and restoration provision	<u>56</u>	<u>52</u>

Cobar Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 27. Fair Value Measurement

\$ '000

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

- Infrastructure, Property, Plant and Equipment
- Financial Assets & Liabilities

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

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

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

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

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

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

2015	Date of latest Valuation	Fair Value Measurement Hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Recurring Fair Value Measurements					
Financial Assets					
Investments					
- "Designated At Fair Value on Initial Recognition"	30/06/2015	-	82	-	82
- "Held to Maturity"	30/06/2015	-	7,610	-	7,610
Total Financial Assets		-	7,692	-	7,692
Financial Liabilities					
Loans / Advances	30/06/2015	-	2,247	-	2,247
Lease Liabilities	30/06/2015	-	304	-	304
Payables	30/06/2015	-	1,773	-	1,773
Total Financial Liabilities		-	4,324	-	4,324
Infrastructure, Property, Plant & Equipment					
Capital Works in Progress	30/06/2015	-	-	3,211	3,211
Plant & Equipment	30/06/2013	-	4,523	-	4,523
Office Equipment	30/06/2010	-	150	-	150
Furniture & Fittings	30/06/2010	-	39	-	39
Plant & Equipment (under Finance Lease)	30/06/2013	-	402	-	402
Operational Land	30/06/2013	-	-	4,374	4,374
Community Land	30/06/2011	-	-	1,673	1,673
Land Improvements - depreciable	30/06/2010	-	7,151	-	7,151
Non-Specialised Buildings	30/06/2013	-	-	5,917	5,917
Specialised Buildings	30/06/2013	-	-	18,897	18,897
Other Structures	30/06/2011	-	-	1,284	1,284

(continued on the next page...)

Cobar Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 27. Fair Value Measurement (continued)

\$ '000

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

2015	Date of latest Valuation	Fair Value Measurement Hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Recurring Fair Value Measurements					
Infrastructure, Property, Plant & Equipment cont'd					
Roads	30/06/2015	-	-	202,351	202,351
Bridges	30/06/2015	-	-	3,493	3,493
Footpaths	30/06/2015	-	-	3,162	3,162
Bulk Earthworks (non-depreciable)	30/06/2011	-	-	14,031	14,031
Stormwater Drainage	30/06/2012	-	-	4,869	4,869
Water Supply Network	30/06/2012	-	-	11,137	11,137
Sewerage Network	30/06/2012	-	-	8,819	8,819
Library Books	30/06/2015	-	107	-	107
Other Assets	n/a	-	-	94	94
Total Infrastructure, Property, Plant & Equipment		-	12,372	283,312	295,684
2014					
Financial Assets					
Investments					
- "Designated At Fair Value on Initial Recognition"	30/06/14	-	82	-	82
- "Held to Maturity"	30/06/14	-	6,333	-	6,333
Total Financial Assets		-	6,415	-	6,415
Financial Liabilities					
Loans / Advances	30/06/14	-	2,488	-	2,488
Lease Liabilities	30/06/14	-	375	-	375
Payables	30/06/14	-	1,504	-	1,504
Total Financial Liabilities		-	4,367	-	4,367
Infrastructure, Property, Plant & Equipment					
Capital Works in Progress	30/06/14	-	-	314	314
Plant & Equipment	30/06/13	-	5,151	-	5,151
Office Equipment	30/06/10	-	97	-	97
Furniture & Fittings	30/06/10	-	22	-	22
Plant & Equipment (under Finance Lease)	30/06/13	-	420	-	420
Operational Land	30/06/13	-	4,374	-	4,374
Community Land	30/06/11	-	-	1,673	1,673
Land Improvements - depreciable	30/06/10	-	-	9,953	9,953
Non-Specialised Buildings	30/06/13	-	6,166	-	6,166
Specialised Buildings	30/06/13	-	-	18,997	18,997
Other Structures	30/06/11	-	-	1,281	1,281
Roads	30/06/10	-	-	77,598	77,598
Bridges	30/06/10	-	-	14,060	14,060
Footpaths	30/06/10	-	-	11,163	11,163
Bulk Earthworks (non-depreciable)	30/06/11	-	-	11,237	14,031
Stormwater Drainage	30/06/12	-	-	1,515	1,515
Water Supply Network	30/06/12	-	-	11,237	11,237
Sewerage Network	30/06/12	-	-	9,185	9,185
Library Books	n/a	-	130	-	130
Other Assets	n/a	-	-	97	97
Total Infrastructure, Property, Plant & Equipment		-	16,360	168,310	187,464

Cobar Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 27. Fair Value Measurement (continued)

\$ '000

(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:

Infrastructure, Property, Plant & Equipment

Plant & Equipment (including under Lease)

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

Office Equipment & Furniture & Fittings

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

Operational Land

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

Infrastructure, Property, Plant & Equipment

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

Library Books

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

Cobar Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 27. Fair Value Measurement (continued)

\$ '000

(3) Valuation techniques used to derive Level 2 and Level 3 Fair Values (continued)

Capital Works in Progress

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

Community Land

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

Land Improvements (depreciable)

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

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

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

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

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

Cobar Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 27. Fair Value Measurement (continued)

\$ '000

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

a. The following tables present the changes in Level 3 Fair Value Asset Classes.

	Capital Works in Progress	Operational Land	Community Land	Non- Specialised Buildings	Specialised Buildings	Other Structures	Roads	Bridges	Total
Opening Balance - 1/7/13	72	4,374	1,673	6,417	19,482	1,382	88,264	14,522	136,186
Transfers from/(to) another asset class	(72)	-	-	-	-	-	72	-	-
Purchases (GBV)	314	-	-	19	27	-	1,753	-	2,113
Depreciation & Impairment	-	-	-	(270)	(512)	(101)	(1,077)	(462)	(2,422)
Closing Balance - 30/6/14	314	4,374	1,673	6,166	18,997	1,281	89,012	14,060	135,877
Transfers from/(to) another asset class	(299)	-	-	-	-	-	244	-	(55)
Purchases (GBV)	3,196	-	-	8	398	104	834	-	4,540
Depreciation & Impairment	-	-	-	(257)	(498)	(101)	(1,631)	(177)	(2,664)
Revaluation	-	-	-	-	-	-	118,372	(10,390)	107,982
Closing Balance - 30/6/15	3,211	4,374	1,673	5,917	18,897	1,284	206,831	3,493	245,680

Cobar Shire Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

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)

	Footpaths	Bulk Earthworks Non- Depreciable	Stormwater Drainage	Water Supply Network	Sewerage Network	Other Assets	Total
Opening Balance - 1/7/13	11,401	14,031	1,536	11,480	9,551	99	184,284
Purchases (GBV)	-	-	-	81	-	-	2,194
Depreciation & Impairment	(251)	-	(21)	(324)	(366)	(2)	(3,386)
Closing Balance - 30/6/14	11,150	14,031	1,515	11,237	9,185	97	183,092
Transfers from/(to) another asset class	-	-	-	-	-	-	(55)
Purchases (GBV)	-	-	-	230	2	-	4,772
Depreciation & Impairment	(251)	-	(21)	(330)	(368)	(1,992)	(5,626)
Revaluation	(1,067)	-	3,375	-	-	-	110,290
Closing Balance - 30/6/15	9,832	14,031	4,869	11,137	8,819	(1,895)	292,473

d. The Valuation Process for Level 3 Fair Value Measurements

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

(5). Highest and best use

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

Cobar Shire Council

Notes to the Financial Statements for the financial year ended 30 June 2015

Note 28. Council Information & Contact Details

Principal Place of Business:

36 Linsley Street
Cobar NSW 2835

Contact Details**Mailing Address:**

PO Box 233
Cobar NSW 2835

Opening Hours:

8am to 4pm

Telephone: 02 6836 5888

Facsimile: 02 6836 5889

Internet: www.cobar.nsw.gov.au

Email: mail@cobar.nsw.gov.au

Officers**GENERAL MANAGER**

GARY WOODMAN

RESPONSIBLE ACCOUNTING OFFICER

NEIL MITCHELL

PUBLIC OFFICER

Gary Woodman

AUDITORS

Lika Group
Dubbo NSW 2835

Elected Members**MAYOR**

LILLIANE O BRADY OAM

COUNCILLORS

Peter Abbott
Marsha Isbester
Tracey Kings
Jarrod Marsden
Greg Martin
Bob Sinclair
Harley Toomey
Peter Yench
John Harrison
Peter Maxwell
Ray Wilson

Other Information

ABN: 71 579 717 155

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

Report on the Financial Statements

We have audited the accompanying general purpose financial statements of Cobar Shire Council for the financial year ended 30 June 2015. The financial statements comprise the Statement by Council, Income Statement, Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows and accompanying Notes to the Financial Statements. Our audit responsibility does not extend to the original budget figures included in the Income Statement and Statement of Cash Flows, the original budget disclosures in Notes 2(a) and 16, and accordingly, we express no opinion on them.

Council's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Independence

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

Matters Relating to the Electronic Presentation of the Audited Financial Statements

This auditor's report relates to the financial statements of Cobar Shire Council for the year ended 30 June 2015 included on Council's web site. Council is responsible for the integrity of Council's web site. We have not been engaged to report on the integrity of the web site. The auditor's report refers only to the statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial statements to confirm the information included in the audited financial statements presented on this web site.

Audit Opinion

In our opinion:

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



LUKA GROUP

2 River Street
Dubbo
Dated: 28 October 2015



JM SHANKS
PARTNER

28 October 2015

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

Dear Madam Mayor

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

We have audited the financial statements of Cobar Shire Council for the financial year ended 30 June 2015. The financial statements include the general purpose consolidated accounts of the economic entity comprising the Council and its controlled entities and the special purpose financial statements, detailing the income and expenditure of Council's business units and their financial position at reporting date. The contents of both of these statements include the Council's Certificate as required by section 413(2)(c) of the Local Government Act 1993. The Council is responsible for the preparation and presentation of the financial statements and the information they contain. Our audit resulted in the issuing of an unmodified audit report for both the general purpose financial statements and special purpose financial statements of Council.

In accordance with section 417 of the Local Government Act 1993 we submit our report on the conduct of the audit of Cobar Shire Council for the year ended 30 June 2015. Our audit reports on the general purpose financial statements of Council and the special purpose financial statements on Council's business units outline the legislative framework of our audit and should be referred to in order to establish the context in which our comments are made.

Council's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Review of the Financial Statements

(a) Result from Continuing Operations

As disclosed in Council's Income Statement the year's operations resulted in a surplus from continuing operations after capital amounts of \$5,409,000 (2014 - \$1,537,000 deficit). Some items of note in the income statement include:

- The operating surplus from continuing operations *before* capital amounts was \$1,774,000 (2014 - \$1,621,000 deficit).
- Rates and annual charges increased by \$118,000 to \$5,374,000 (2014 - \$5,256,000). Ordinary rates increased by \$86,000 to \$3,551,000 which is consistent with the approved variation increase for general rates and the movement in land values.
- User charges and fees increased by \$345,000 to \$9,481,000 (2014 - \$9,136,000). Water supply services decreased by \$78,000 to \$2,339,000 due to higher rainfall during the year, resulting in reduced water consumption. Waste management services decrease by \$45,000 to \$133,000 due to a decrease in trade waste customers as a result of competition from private operators. Cobar Water Board Contract fee decreased by \$140,000 to \$213,000 due to a greater amount of work performed under the contract in the previous year. Aerodrome decreased by \$87,000 to \$88,000 due to Brindabella services ceasing in the prior year. RMS charges – state roads increased by \$858,000 to \$4,434,000 due to more ordered works performed on state roads this year compared to the prior year. Sports stadium decreased by \$55,000 to \$107,000 due to the opening of a new commercial gym in the Cobar. Other fees and charges decreased by \$126,000 to \$60,000 due to a one-off GST refund from the ATO of \$113,000 in the prior year.
- Interest revenue increased by \$73,000 to \$295,000 (2014 - \$222,000) due to an increase in the level of investments held over the past year.
- Grants and contributions provided for operating purposes increased by \$2,552,000 to \$11,178,000 (2014 - \$8,626,000). The financial assistance grant increased by \$2,447,000 to \$4,870,000 due to receiving four quarterly instalments compared to two instalments in the prior year. Aged care decreased by \$327,000 to \$1,689,000 due to lower occupancy and a lower level of service required to care for the current clients. Child care increased by \$161,000 to \$1,368,000 due to a higher number of children this year compared the prior year. Roads to recovery increased by \$319,000 to \$760,000 due the new program commencing during the year with higher funding than the previous program. Community services contributions increased by \$291,000 due to a donation from the Lilliane Brady Village Pink Ladies. RMS contributions decreased by \$361,000 to \$1,571,000 due to receiving less funding for the repair program this year, as it is received every second year.
- Grants and contributions provided for capital purposes increased by \$3,551,000 to \$3,635,000 (2014 - \$84,000). Transport - other roads and bridges increased by \$2,370,000 due to grant funding to upgrade the airport runway and lighting. Water supplies increases by \$788,000 due to "Resources for Regions" funding to upgrade water services. Environmental protection increased by \$137,000 due to a one off environmental grant. Recreation and culture increased by \$225,000 due funding for a skate park.
- Employee costs increased by \$739,000 to \$11,658,000 (2014 - \$10,919,000). Salary and wages increased by \$407,000 to \$8,618,000 due to a 3.25% wage increase and normal movements in grades and skill steps. Workers compensation insurance increased by \$203,000 to \$525,000 due to higher premiums as a result of the rolling three year claims period.
- Borrowing cost decreased by \$23,000 to \$172,000 (2014 - \$195,000). Interest on loans decreased by \$26,000 to \$145,000 in accordance with Council's loan schedule.
- Materials and contract costs decreased by \$1,278,000 to \$5,590,000 (2014 - \$6,868,000). This is consistent with Council's work programme for the year which has been influenced by the timing and extent of various projects.

- Other expenses increased by \$263,000 to \$2,730,000 (2014 - \$2,467,000). Child care - parents fees increased by \$172,000 to \$1,039,000 due to increased participation during the year compared to the prior year. Electricity and heating increased by \$25,000 to \$449,000 due to increased consumption and higher tariff charges.

(b) Financial Position

The Statement of Financial Position disclosed that for the year ended 30 June 2015 Council's net assets stood at \$302,637,000 (2014 - \$189,863,000) which represents an increase of \$112,574,000 being the surplus from continuing operations after capital amounts of \$5,409,000 and a revaluation increment of \$107,365,000 due to the revaluation of roads, bridges and footpaths and stormwater drainage during the year.

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

	2015 \$'000	2014 \$'000
Net current assets	9,308	5,155
Less: Amounts externally restricted for special purposes (refer Notes 6; 7; & 8 of financial statements)	(7,318)	(4,225)
Less: Council internally imposed restrictions (refer Note 6 of financial statements)	(2,085)	(1,122)
Add: Applicable liabilities (refer Note 10) matched by a current cash restriction		
- Water	197	142
- Sewerage	8	8
Add: Employee leave entitlements classified as current, but not expected to be settled within 12 months	1,388	1,353
Less: Real estate held for resale classified as current but not expected to be sold within 12 months	(82)	(82)
Unrestricted net current asset surplus/(deficit)	1,416	1,229
Unrestricted net current assets comprise:		
<i>Unrestricted Current Assets</i>		
Cash and Investments	1,701	1,655
Receivables	2,004	1,564
Inventories	485	617
Other assets	7	43
Less:	4,197	3,879
<i>Unrestricted Current Liabilities</i>		
Payables	(1,774)	(1,624)
Borrowing	(341)	(215)
Provisions	(1,972)	(2,082)
	(4,087)	(3,921)

	2015 \$'000	2014 \$'000
Add: Employee leave entitlements classified as current but not expected to be settled within 12 months	1,388	1,353
Less: Real estate held for resale classified as current but not expected to be sold within 12 months	(82)	(82)
Unrestricted net current asset surplus/(deficit)	1,416	1,229

The unrestricted net current asset position has improved to \$1,416,000. This is a good result and highlights the strengthening of Council's position. Council needs to ensure it continues to maintain a surplus of unrestricted net current assets, as it needs to be mindful that a deficit position means that Council may need to fund restrictions by relying on future revenues or loan funding from external or internal sources.

Liquidity

Note 6 to the accounts discloses total cash and investments of \$10,382,000 (2014 - \$6,414,000). Of this amount \$6,596,000 (2014 - \$3,638,000) is subject to external restrictions requiring Council to commit those funds to the purposes for which they were provided and \$2,085,000 (2014 - \$1,122,000) is subject to internal restrictions agreed upon by Council for designated purposes which may be altered at the discretion of Council, consistent with their management plan.

There is \$1,701,000 held in unrestricted cash (2014 - \$1,654,000) which represents funds available to cover non-budgeted discretionary expenditure and short-term cash flow requirements.

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

(c) Performance Indicators

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

Operating Performance Ratio

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

The ratio of 6.98% (2014 - negative 6.51%) exceeds the benchmark of 0%. This is the first year in the past three years that Council has exceeded the benchmark. Council needs to ensure this continues to occur, however, this is difficult to achieve when depreciation expense represents 18.5% of Council's expenditure in the income statement.

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

Own Source Operating Revenue Ratio

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

The ratio of 50.98% (2014 - 63%) is below the benchmark of 60%, and indicates Council has some reliance on government grants and contributions to provide services to the community.

Unrestricted Current Ratio

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

Council's ratio of 2.29:1 (2014 – 1.91:1) is considered strong. The benchmark is a minimum of 1.5:1 and Council has been consistently above this benchmark over the past few years.

Debt Service Cover Ratio

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

Council's ratio of 13.65:1 (2014 – 4.06:1) is considered sound as the benchmark is a minimum of 2:1. This result means that Council has \$13.65 of cash to meet every \$1 of debt. This indicates that Council has the ability to borrow further if required.

Rates and Annual Charges Outstanding Ratio

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

Council's rates and annual charges outstanding percentage of 5.68% has improved over the past year (2014 – 6.51%). By achieving a rates recovery ratio of 94.32%, it indicates that Council is maintaining good recovery procedures.

Cash Expense Cover Ratio

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

Council's ratio of 5.8 months (2014 – 3.69 months) is above the minimum benchmark of 3 months but highlights that Council needs to continue to strengthen its cash position. Rural councils should be aiming for a minimum of 6 months to allow for any unexpected expenditure that may occur.

(d) Statement of Cash Flows

The Statement of Cash Flows reports a net decrease in cash assets held of \$633,000 (2014 - \$440,000) as follows:

	2015 \$'000	2014 \$'000	Movement \$'000
Cash flow provided by / (used in)			
Operating activities	9,796	2,952	6,844
Investing activities	(10,117)	(2,965)	(7,152)
Financing activities	(312)	(427)	115
	<hr/>	<hr/>	<hr/>
Net movement in cash held during the year	(633)	(440)	(193)

Cash Flows from Operating Activities

The net cash flow provided by operating activities totalled \$9,796,000 (2014 - \$2,952,000). Receipts from rates and annual charges have increased by \$355,000, user charges and fees have decreased by \$498,000 and grants and contributions have increased by \$6,520,000. Payments for employee benefits and on-costs have increased by \$1,157,000, while material and contracts have decreased by \$1,328,000.

Cash Flows from Investing Activities

The net cash flow used in investing activities totalled \$10,117,000 (2014 – \$2,965,000). These cash outflows mainly related to the acquisition of property, plant and equipment by Council of \$6,002,000 (2014 – \$3,061,000). This was partially offset by sale of infrastructure, property, plant and equipment of \$486,000.

Major additions to property, plant and equipment during the year included \$3,196,000 on capital works in progress, \$834,000 on roads, bridges and footpaths and \$735,000 on plant and equipment and \$373,000 on land improvements and \$394,000 on buildings.

Cash Flows from Financing Activities

The net cash flows used in financing activities was \$312,000 (2014 – \$427,000). There were no new borrowings during the year (2014 – \$Nil). Repayments during the year were in line with the requirements of the loans.

(e) Comparison of Actual and Budgeted Performance

Council's change in net assets from operations for the year was a surplus of \$5,409,000 compared to a budgeted surplus of \$3,124,000.

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

Other Matters

(a) National Competition Policy

In accordance with the requirements of National Competition Policy guidelines, Cobar Shire Council has prepared special purpose financial statements on its business units for the year ended 30 June 2015. Council has determined that it has two business units within its operations: Water and Sewerage.

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

An unmodified audit report on the special purpose reports for the year ended 30 June 2015 has been issued.

(b) Management Letters

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

(c) Legislative Compliance

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

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

This auditor's report relates to the financial statements of Cobar Shire Council for the year ended 30 June 2015 included on Council's web site. Council is responsible for the integrity of Council's web site. We have not been engaged to report on the integrity of the web site. The auditor's report refers only to the statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial statements to confirm the information included in the audited financial statements presented on this web site.

Conclusion

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



LUKA GROUP

2 River Street
Dubbo
Dated: 28 October 2015



JM SHANKS
PARTNER