



Annual Financial Statements

For the year ended 30 June 2019



Snowy Monaro Regional Council

GENERAL PURPOSE FINANCIAL STATEMENTS

for the year ended 30 June 2019

Stronger together ~ Better together



General Purpose Financial Statements

for the year ended 30 June 2019

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Overview

Snowy Monaro Regional Council is constituted under the Local Government Act 1993 (NSW) and has its principal place of business at:

81 Commissioner Street
COOMA NSW 2630

Council's guiding principles are detailed in Chapter 3 of the LGA and includes:

- principles applying to the exercise of functions generally by council,
- principles to be applied when making decisions,
- principles of community participation,
- principles of sound financial management, and
- principles for strategic planning relating to the development of an integrated planning and reporting framework.

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

Through the use of the internet, we have ensured that our reporting is timely, complete and available at minimum cost. All press releases, financial statements and other information are publicly available on our website: www.snowymonaro.nsw.gov.au.

Snowy Monaro Regional Council

General Purpose Financial Statements

for the year ended 30 June 2019

Understanding Council's Financial Statements

Introduction

Each year, individual Local Governments across NSW are required to present a set of audited financial statements to their council and community.

What you will find in the Statements

The financial statements set out the financial performance, financial position and cash flows of Council for the financial year ended 30 June 2019.

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

About the Councillor/Management Statement

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

About the Primary Financial Statements

The financial statements incorporate five "primary" financial statements:

1. The Income Statement

Summarises Council's financial performance for the year, listing all income and expenses. This statement also displays Council's original adopted budget to provide a comparison between what was projected and what actually occurred.

2. The Statement of Comprehensive Income

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

3. The Statement of Financial Position

A 30 June snapshot of Council's financial position indicating its assets, liabilities and "net wealth".

4. The Statement of Changes in Equity

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

5. The Statement of Cash Flows

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

About the Notes to the Financial Statements

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

About the Auditor's Reports

Council's financial statements are required to be audited by the NSW Audit Office.

In NSW the auditor provides 2 audit reports:

1. an opinion on whether the financial statements present fairly the Council's financial performance and position, and
2. their observations on the conduct of the audit, including commentary on the Council's financial performance and financial position.

Who uses the Financial Statements?

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

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

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

Snowy Monaro Regional Council

General Purpose Financial Statements

for the year ended 30 June 2019

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

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

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

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

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

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

Signed in accordance with a resolution of Council made on 19 September 2019.



Peter Beer
Mayor
21 October 2019



Rogan Corbett
Councillor
21 October 2019



Peter Smith
Acting General Manager
21 October 2019



Matthew Payne
Responsible Accounting Officer
21 October 2019

Income Statement

for the year ended 30 June 2019

Original unaudited budget 2019	\$ '000	Notes	Actual 2019	Actual 2018 ¹
Income from continuing operations				
<u>Revenue:</u>				
30,173	Rates and annual charges	3a	31,546	29,366
14,129	User charges and fees	3b	14,133	15,136
1,759	Interest and investment revenue	3c	2,590	2,898
1,501	Other revenues	3d	1,784	1,828
18,671	Grants and contributions provided for operating purposes	3e,3f	24,262	20,724
5,617	Grants and contributions provided for capital purposes	3e,3f	6,936	3,978
<u>Other income:</u>				
836	Net gains from the disposal of assets	5	139	89
72,686	Total income from continuing operations		81,390	74,019
Expenses from continuing operations				
29,077	Employee benefits and on-costs	4a	30,932	27,486
298	Borrowing costs	4b	249	413
16,990	Materials and contracts	4c	18,418	17,051
18,547	Depreciation and amortisation	4d	20,375	19,880
8,385	Other expenses	4e	9,170	7,690
73,297	Total expenses from continuing operations		79,144	72,520
(611)	Operating result from continuing operations		2,246	1,499
(611)	Net operating result for the year		2,246	1,499
(611)	Net operating result attributable to Council		2,246	1,499
(6,228)	Net operating result for the year before grants and contributions provided for capital purposes		(4,690)	(2,479)

(1) The Council has not restated comparatives when initially applying AASB 9. The comparative information has been prepared under AASB 139 *Financial Instruments: Recognition and Measurement*

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

Statement of Comprehensive Income

for the year ended 30 June 2019

\$ '000	Notes	2019	2018 ¹
Net operating result for the year (as per Income Statement)		2,246	1,499
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of IPP&E	9(a)	(1,214)	12,229
Total items which will not be reclassified subsequently to the operating result		(1,214)	12,229
Total other comprehensive income for the year		(1,214)	12,229
Total comprehensive income for the year		1,032	13,728
Total comprehensive income attributable to Council		1,032	13,728

(1) The Council has not restated comparatives when initially applying AASB 9. The comparative information has been prepared under AASB 139 *Financial Instruments: Recognition and Measurement*

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

Statement of Financial Position

as at 30 June 2019

\$ '000	Notes	2019	2018 ¹
ASSETS			
Current assets			
Cash and cash equivalent assets	6(a)	11,113	16,259
Investments	6(b)	19,000	37,000
Receivables	7	13,700	15,006
Inventories	8a	1,695	1,570
Other	8b	299	255
Total current assets		<u>45,807</u>	<u>70,090</u>
Non-current assets			
Investments	6(b)	58,219	32,000
Receivables	7	105	123
Infrastructure, property, plant and equipment	9(a)	1,134,113	1,136,977
Intangible assets	10	350	350
Total non-current assets		<u>1,192,787</u>	<u>1,169,450</u>
TOTAL ASSETS		<u>1,238,594</u>	<u>1,239,540</u>
LIABILITIES			
Current liabilities			
Payables	11	10,254	10,707
Income received in advance	11	–	196
Borrowings	11	490	765
Provisions	12	6,688	6,127
Total current liabilities		<u>17,432</u>	<u>17,795</u>
Non-current liabilities			
Borrowings	11	875	2,467
Provisions	12	5,052	5,294
Total non-current liabilities		<u>5,927</u>	<u>7,761</u>
TOTAL LIABILITIES		<u>23,359</u>	<u>25,556</u>
Net assets		<u>1,215,235</u>	<u>1,213,984</u>
EQUITY			
Accumulated surplus	13a	1,189,296	1,187,050
Revaluation reserves	13a	25,720	26,934
Other reserves	13a	219	–
Council equity interest		<u>1,215,235</u>	<u>1,213,984</u>
Total equity		<u>1,215,235</u>	<u>1,213,984</u>

(1) The Council has not restated comparatives when initially applying AASB 9. The comparative information has been prepared under AASB 139 *Financial Instruments: Recognition and Measurement*

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

Statement of Changes in Equity
for the year ended 30 June 2019

\$ '000	Notes	2019				2018 ¹			
		Accumulated surplus	IPP&E revaluation reserve	Financial assets at FVOCI	Total equity	Accumulated surplus	IPP&E revaluation reserve	Financial assets at FVOCI	Total equity
Opening balance		1,187,050	26,934	–	1,213,984	1,185,551	14,705	–	1,200,256
Adoption of new accounting standards – not retrospective	13b	–	–	219	219	–	–	–	–
Net operating result for the year		2,246	–	–	2,246	1,499	–	–	1,499
Other comprehensive income									
– Gain (loss) on revaluation of IPP&E	9(a)	–	(1,214)	–	(1,214)	–	12,229	–	12,229
Other comprehensive income		–	(1,214)	–	(1,214)	–	12,229	–	12,229
Total comprehensive income		2,246	(1,214)	–	1,032	1,499	12,229	–	13,728
Equity – balance at end of the reporting period		1,189,296	25,720	219	1,215,235	1,187,050	26,934	–	1,213,984

(1) The Council has not restated comparatives when initially applying AASB 9. The comparative information has been prepared under AASB 139 *Financial Instruments: Recognition and Measurement*

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

Statement of Cash Flows

for the year ended 30 June 2019

Original unaudited budget 2019	\$ '000	Notes	Actual 2019	Actual 2018
Cash flows from operating activities				
<u>Receipts</u>				
30,680	Rates and annual charges		32,081	28,232
14,293	User charges and fees		15,049	13,015
2,012	Investment and interest revenue received		2,203	2,442
24,683	Grants and contributions		31,756	24,773
–	Bonds, deposits and retention amounts received		480	–
1,527	Other		5,381	3,726
<u>Payments</u>				
(30,556)	Employee benefits and on-costs		(30,199)	(28,043)
(16,658)	Materials and contracts		(19,724)	(17,386)
(298)	Borrowing costs		(162)	(333)
–	Bonds, deposits and retention amounts refunded		–	(199)
(8,374)	Other		(13,558)	(5,144)
17,309	Net cash provided (or used in) operating activities	14b	23,307	21,083
Cash flows from investing activities				
<u>Receipts</u>				
–	Sale of investment securities		11,000	–
836	Sale of infrastructure, property, plant and equipment		920	914
<u>Payments</u>				
–	Purchase of investment securities		(19,000)	(3,016)
(40,002)	Purchase of infrastructure, property, plant and equipment		(19,506)	(13,724)
(39,166)	Net cash provided (or used in) investing activities		(26,586)	(15,826)
Cash flows from financing activities				
<u>Payments</u>				
928	Repayment of borrowings and advances		(1,867)	(788)
928	Net cash flow provided (used in) financing activities		(1,867)	(788)
(20,929)	Net increase/(decrease) in cash and cash equivalents		(5,146)	4,469
84,922	Plus: cash and cash equivalents – beginning of year	14a	16,259	11,790
63,993	Cash and cash equivalents – end of the year	14a	11,113	16,259
Additional Information:				
–	plus: Investments on hand – end of year	6(b)	77,219	69,000
63,993	Total cash, cash equivalents and investments		88,332	85,259

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

Notes to the Financial Statements

for the year ended 30 June 2019

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Snowy Monaro Regional Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 1. Basis of preparation

These financial statements were authorised for issue by Council on 21 October 2019. Council has the power to amend and reissue these financial statements.

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below.

These policies have been consistently applied to all the years presented, unless otherwise stated.

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Australian Accounting Interpretations, the *Local Government Act 1993 (NSW)* and Regulations, and the Local Government Code of Accounting Practice and Financial Reporting.

Council is a not-for-profit entity.

The financial statements are presented in Australian dollars and are rounded to the nearest thousand dollars.

Unless otherwise indicated, all amounts disclosed in the financial statements are actual amounts. Specific budgetary amounts have been included for comparative analysis (to actuals) in the following reports and notes:

- Income statement
- Statement of cash flows
- Note 18 – Material budget variations

and are clearly marked.

(a) New and amended standards adopted by Council

During the year, Council adopted all standards which were mandatorily effective for the first time at 30 June 2019.

Those newly adopted standards which had an impact on reported position, performance and/or disclosures have been discussed in Note 13.

(b) Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain financial assets and liabilities and certain classes of infrastructure, property, plant and equipment and investment property.

(c) Significant accounting estimates and judgements

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

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

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future.

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

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

- (i) estimated fair values of infrastructure, property, plant and equipment – refer Note 9a
- (ii) estimated tip remediation provisions – refer Note 12
- (iii) employee benefit provisions – refer Note 12.

Significant judgements in applying the council's accounting policies

- (i) Impairment of receivables

Snowy Monaro Regional Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 1. Basis of preparation (continued)

Council has made a significant judgement about the impairment of a number of its receivables – refer Note 7.

Monies and other assets received by Council

(a) The Consolidated Fund

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

Cash and other assets of the following entities have been included as part of the Consolidated Fund:

- General purpose operations
- Water services
- Sewerage services
- Waste services
- Yallambee Lodge
- Monaro Regional Library
- Snowy River Hostel

(b) The Trust Fund

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

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

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

Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the Australian Taxation Office. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to the Australian Taxation Office is included with other receivables or payables in the Statement of Financial Position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities that are recoverable from, or payable to, the Australian Taxation Office are presented as operating cash flows.

New accounting standards and interpretations issued not yet effective

New accounting standards and interpretations issued but not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2019 reporting periods (and which have not been early adopted by Council).

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

AASB 16 Leases

AASB 16 will result (for YE 19/20 and beyond) in almost all operating leases being recognised on the balance sheet by Council (alongside existing finance leases) with the distinction between operating and finance leases removed.

Snowy Monaro Regional Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 1. Basis of preparation (continued)

Under the new standard, a financial liability (ie. a lease liability) and an asset (ie. a right to use the leased item) will be recognised for nearly all arrangements where Council commits itself to paying a rental fee for the use of a specific asset.

The only exceptions are short-term and low-value leases which are exempt from the accounting (but not disclosure) requirements of AASB 16 - Leases.

Council staff have reviewed all of Council's leasing arrangements over the last 12 months taking into consideration the new lease accounting rules in AASB 16 (applicable from 1/7/19).

AASB 16 will (on the whole) affect Council's accounting for existing operating lease agreements that are in place as at 30/6/19.

At the end of this reporting period, Council has non-cancellable operating lease commitments of \$360,046 (refer Note 15).

Council anticipates it will recognise lease liabilities (on its balance sheet) of \$346,573 (after adjustments for prepayments and accrued lease payments recognised as at 30 June 2019) and also recognise complementary right-of-use assets (on its balance sheet) totalling \$346,573 on 1 July 2019.

From a financial performance standpoint, Council expects that the net operating result will decrease by approximately \$6,988 for the 19/20 financial year as a result of adopting the standard.

Operating cash flows will increase and financing cash flows decrease by approximately \$179,704 as repayment of the principal portion of the lease liabilities will be classified as cash flows from financing activities.

Council's activities as a lessor are not material and hence Council does not expect any significant impact on the financial statements. However, some additional disclosures will be required from next year.

AASB 15 Revenue from Contracts with Customers and associated amending standards

AASB15 introduces a five-step process for revenue recognition, with the core principle of the new standard being for entities to recognise revenue 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.

Accounting policy changes will arise in the timing of revenue recognition, treatment of contracts costs and contracts which contain a financing element.

Councils should assess each revenue stream but particular impact is expected for grant income and rates which are paid before the commencement of the rating period.

The changes in revenue recognition requirements in AASB15 may cause changes to the timing and amount of revenue recorded in the financial statements as well as additional disclosures.

Council is currently in the process of determining the potential effects of the implementation of AASB 15 and will reflect accordingly in the 2020 Financial Year.

AASB 1058 Income of NFP Entities

AASB 1058 supersedes all the income recognition requirements relating to councils, previously in AASB 1004 Contributions.

Under AASB 1058 the future timing of income recognition will depend on whether the transaction gives rise to a liability or other performance obligation (a promise to transfer a good or service) related to an asset (such as cash or another asset) received by an entity.

AASB 1058 also applies when a council receives volunteer services or enters into other transactions in which the consideration to acquire an asset is significantly less than the fair value of the asset, and where the council's objective is principally to enable the asset to further the council's objectives.

Upon initial recognition of the asset, this standard requires Council to consider whether any other financial statement elements (called 'related amounts') should be recognised in accordance with the applicable accounting standard, such as:

- (a) contributions by owners
- (b) revenue, or a contract liability arising from a contract with a customer
- (c) a lease liability

Notes to the Financial Statements

for the year ended 30 June 2019

Note 1. Basis of preparation (continued)

- (d) a financial instrument, or
- (e) a provision.

If the transaction is a transfer of a financial asset to enable Council to acquire or construct a recognisable non-financial asset to be controlled by Council (i.e. an in-substance acquisition of a non-financial asset), Council recognises a liability for the excess of the fair value of the transfer over any related amounts recognised. Council will then recognise income as it satisfies its obligations under the transfer similarly to income recognition in relation to performance obligations under AASB 15.

If the transaction does not enable Council to acquire or construct a recognisable non-financial asset to be controlled by Council, then any excess of the initial carrying amount of the recognised asset over the related amounts is recognised as income.

Council is currently in the process of determining the potential effects of the implementation of AASB 1058 and will reflect accordingly in the 2020 Financial Year.

Council has not applied any pronouncements before its operative date in the annual reporting period beginning 1 July 2018.

Notes to the Financial Statements
for the year ended 30 June 2019

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

Income, expenses and assets have been directly attributed to the following functions or activities.
Details of those functions or activities are provided in Note 2(b).

\$ '000	Income from continuing operations		Expenses from continuing operations		Operating result from continuing operations		Grants included in income from continuing operations		Total assets held (current and non-current)	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Functions or activities										
Governance	4,990	514	1,797	873	3,193	(359)	4,564	64	5	4
Administration	1,836	1,560	12,644	11,945	(10,808)	(10,385)	110	27	138,018	104,694
Public Order and Safety	889	993	2,120	1,685	(1,231)	(692)	777	894	4,048	3,071
Health	189	137	494	463	(305)	(326)	–	–	15	11
Environment	8,171	6,797	8,490	8,108	(319)	(1,311)	740	365	29,900	22,681
Community Services and Education	7,000	6,213	8,180	6,647	(1,180)	(434)	5,424	4,413	14,306	10,852
Housing and Community Amenities	1,432	802	2,766	3,065	(1,334)	(2,263)	43	66	8,966	6,801
Water supplies	9,616	9,485	8,525	7,518	1,091	1,967	–	1,012	132,529	100,530
Sewerage services	10,323	8,787	7,796	6,474	2,527	2,313	350	78	106,822	81,030
Recreation and Culture	3,055	663	5,840	5,387	(2,785)	(4,724)	2,810	444	34,441	26,125
Mining Manufacture and construction	884	508	737	294	147	214	–	–	1,400	1,062
Transport and Communication	8,770	10,309	17,479	17,810	(8,709)	(7,501)	4,461	3,982	757,051	874,264
Economic affairs	1,619	1,157	2,276	2,251	(657)	(1,094)	676	105	11,093	8,415
General Purpose Income	22,616	26,094	–	–	22,616	26,094	6,783	9,286	–	–
Total functions and activities	81,390	74,019	79,144	72,520	2,246	1,499	26,738	20,736	1,238,594	1,239,540

Notes to the Financial Statements

for the year ended 30 June 2019

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

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

Governance

Includes costs relating to Council's role as a component of democratic government, including elections, members fees and expenses, subscriptions to local authority associations, meetings of Council and policymaking committees, public disclosure (eg.GIPA) and legislative compliance.

Administration

Includes corporate support and other support services, engineering works and any Council policy compliance.

Public Order and Safety

Includes Council's fire and emergency services levy, fire protection, emergency services, enforcement of regulations and animal control.

Health

Includes food control and health centres etc.

Environment

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

Community Services and Education

Includes administration and education, social protection (welfare), migrant, Indigenous and other community services and administration (excluding accommodation), youth services, aged and disabled persons services.

Housing and Community Amenities

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

Water supplies

Includes water supply services such as administration, regulation and operation of potable water supply and future needs assessment of water and water services.

Sewerage services

Includes monitoring, reduction, collection, reticulation or treatment of all waste water, including that intended for reuse or recycling.

Recreation and Culture

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

Mining Manufacture and construction

Includes building control, quarries and pits and mineral resources.

Transport and Communication

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

Economic affairs

Includes camping areas, and caravan parks, tourism and area promotion, industrial development promotion, saleyards and markets, real estate development and other business undertakings.

General Purpose Income

Includes: rates and annual charges (including ex-gratia, excluding water and sewer), non-capital general purpose revenues

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations

\$ '000	2019	2018
(a) Rates and annual charges		
Ordinary rates		
Residential	8,273	8,189
Farmland	5,044	4,842
Business	2,444	2,361
Less: pensioner rebates (mandatory)	(295)	(185)
Rates levied to ratepayers	15,466	15,207
Pensioner rate subsidies received	165	57
Total ordinary rates	15,631	15,264
Annual charges		
<small>(pursuant to s.496, s.496A, s.496B, s.501 & s.611)</small>		
Domestic waste management services	3,067	2,644
Stormwater management services	15	15
Water supply services	2,736	2,516
Sewerage services	8,464	7,517
Waste management services (non-domestic)	1,550	1,405
Less: pensioner rebates (mandatory)	(288)	(260)
Liquid trade waste	96	95
Onsite sewerage system management	120	59
Annual charges levied	15,760	13,991
Pensioner subsidies received:		
– Water	57	45
– Sewerage	52	42
– Domestic waste management	46	24
Total annual charges	15,915	14,102
TOTAL RATES AND ANNUAL CHARGES	31,546	29,366

Council has used 2016 year valuations provided by the NSW Valuer General in calculating its rates.

Accounting policy for rates and charges

Rates and annual charges are recognised as revenue when the Council obtains control over the assets comprising these receipts.

Pensioner rebates relate to reductions in rates and certain annual charges for eligible pensioners' place of residence in the local government council area that are not subsidised by the NSW Government.

Pensioner rate subsidies are received from the NSW Government to provide a contribution towards the pensioner rebates.

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.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

\$ '000	2019	2018
(b) User charges and fees		
Specific user charges		
<small>(per s.502 - specific 'actual use' charges)</small>		
Water supply services	5,778	5,187
Sewerage services	183	420
Waste management services (non-domestic)	637	746
Total specific user charges	6,598	6,353
Other user charges and fees		
(i) Fees and charges – statutory and regulatory functions (per s.608)		
Planning and building regulation	792	702
Section 10.7 certificates (EP&A Act)	128	127
Regulatory fees	118	96
Section 603 certificates	60	71
Noxious weeds regulation	31	–
Animal control	26	36
Inspection services	23	20
Private works – section 67	23	33
Sewerage inspection and application fees	4	19
Total fees and charges – statutory/regulatory	1,205	1,104
(ii) Fees and charges – other (incl. general user charges (per s.608))		
Waste disposal tipping fees	1,391	1,293
RMS – road maintenance council contract ordered works	1,333	3,112
Aged care	989	1,094
Holiday park fees	521	129
Community services	396	160
RMS – road maintenance council contract routine services	388	418
Cemeteries	262	325
Saleyard dues and rents	238	262
Leaseback fees – Council vehicles	198	145
Lease rentals	182	140
Snowy River Health Centre	99	101
Swimming centres	96	117
Recycling income (non-domestic)	82	78
Sewer connection fees	33	3
Sale from stores	10	3
Water connection fees	7	20
Tourism	–	182
Other	105	97
Total fees and charges – other	6,330	7,679
TOTAL USER CHARGES AND FEES	14,133	15,136

Accounting policy for user charges and fees

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

\$ '000	2019	2018
(c) Interest and investment revenue (including losses)		
Interest on financial assets measured at amortised cost		
– Overdue rates and annual charges (incl. special purpose rates)	259	232
– Cash and investments	2,276	2,613
– Other	28	27
Dividend income relating to investments held at fair value through other comprehensive income	27	–
Dividend income (other)	–	26
TOTAL INTEREST AND INVESTMENT REVENUE	2,590	2,898

Interest revenue is attributable to:**Unrestricted investments/financial assets:**

Overdue rates and annual charges (general fund)	259	232
General Council cash and investments	1,201	1,782

Restricted investments/funds – external:

Development contributions		
– Section 7.11	48	17
– Section 64	85	27
Water fund operations	447	384
Sewerage fund operations	522	428
Domestic waste management operations	28	28
Total interest and investment revenue	2,590	2,898

Accounting policy for interest and investment revenue

Interest income is recognised using the effective interest rate at the date that interest is earned.

Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment.

(d) Other revenues

Quarry sales	624	508
Sales - Landfill	244	–
Rental income – other council properties	165	458
Insurance rebates	151	192
Diesel rebate	148	134
Insurance claims recoveries	148	46
Commissions and agency fees	76	67
Fines – parking	68	50
Reimbursement of expenses	56	36
Sales – general	52	14
Legal fees recovery – rates and charges (extra charges)	21	183
Other	31	140
TOTAL OTHER REVENUE	1,784	1,828

Accounting policy for other revenue

Council recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Council and specific criteria have been met for each of the Council's activities as described below. Council bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

\$ '000	Operating 2019	Operating 2018	Capital 2019	Capital 2018
(e) Grants				
General purpose (untied)				
Current year allocation				
Financial assistance – general component	3,331	3,289	–	–
Financial assistance – local roads component	1,380	1,347	–	–
Payment in advance - future year allocation				
Financial assistance – general component	3,453	3,376	–	–
Financial assistance – local roads component	1,432	1,385	–	–
Total general purpose	9,596	9,397	–	–
Specific purpose				
Water supplies	–	–	–	966
Sewerage services	–	–	350	35
Aged care	1,689	1,873	500	–
Community care	1,990	1,585	–	–
Economic development	–	55	–	–
Heritage and cultural	102	50	–	–
Library	77	101	15	20
Noxious weeds	261	331	–	–
Recreation and culture	–	–	–	31
Street lighting	43	47	–	–
Transport (roads to recovery)	1,081	2,302	–	–
Transport (other roads and bridges funding)	–	106	388	1,490
Community transport	1,239	922	–	–
Planning and building regulation	171	19	–	–
Rural Fire Services	433	894	–	340
Tourism	–	50	–	–
Youth services	3	33	–	–
Stronger Communities Fund	928	–	1,161	–
Stronger Country Communities Fund	–	–	2,097	–
New council implementation fund	3,500	–	–	–
Other	559	27	555	62
Total specific purpose	12,076	8,395	5,066	2,944
Total grants	21,672	17,792	5,066	2,944
Grant revenue is attributable to:				
– Commonwealth funding	14,964	15,489	650	–
– State funding	6,559	2,293	4,337	2,944
– Other funding	149	10	79	–
	21,672	17,792	5,066	2,944

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

\$ '000	Notes	Operating 2019	Operating 2018	Capital 2019	Capital 2018
(f) Contributions					
Developer contributions: (s7.4 & s7.11 - EP&A Act, s64 of the LGA):					
Cash contributions					
S 7.11 – contributions towards amenities/services		–	–	334	256
S 64 – water supply contributions		–	–	585	351
S 64 – sewerage service contributions		–	–	673	407
Total developer contributions – cash		–	–	1,592	1,014
Total developer contributions	21	–	–	1,592	1,014
Other contributions:					
Cash contributions					
Recreation and culture		–	68	–	–
RMS contributions (regional roads, block grant)		2,285	2,300	–	–
Other		104	56	278	–
Community care services		–	311	–	–
Residential aged care		–	–	–	20
Boco Rock Community Fund		201	197	–	–
Total other contributions – cash		2,590	2,932	278	20
Total other contributions		2,590	2,932	278	20
Total contributions		2,590	2,932	1,870	1,034
TOTAL GRANTS AND CONTRIBUTIONS		24,262	20,724	6,936	3,978

Accounting policy for grants and contributions

Control over grants and contributions is normally obtained upon their receipt (or acquittal) and is valued at the fair value of the granted or contributed asset at the date of transfer.

Where grants or contributions recognised as revenues during the financial year were obtained on condition that they be expended in a particular manner, or used over a particular period, and those conditions were un-discharged at reporting date, the unused grant or contribution is disclosed below.

Council has obligations to provide facilities from contribution revenues levied on developers under the provisions of sections 7.4, 7.11 and 7.12 of the *Environmental Planning and Assessment Act 1979*.

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

\$ '000	2019	2018
(g) Unspent grants and contributions		
Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner:		
Operating grants		
Unexpended at the close of the previous reporting period	2,289	872
Add: operating grants recognised in the current period but not yet spent	1,754	1,471
Add: operating grants received for the provision of goods and services in a future period	38	–
Less: operating grants recognised in a previous reporting period now spent	(1,664)	(427)
Unexpended and held as restricted assets (operating grants)	2,417	1,916
Capital grants		
Unexpended at the close of the previous reporting period	746	316
Add: capital grants recognised in the current period but not yet spent	2,143	952
Add: capital grants received for the provision of goods and services in a future period	500	–
Less: capital grants recognised in a previous reporting period now spent	(503)	(149)
Unexpended and held as restricted assets (capital grants)	2,886	1,119
Contributions		
Unexpended at the close of the previous reporting period	4,890	3,835
Add: contributions recognised in the current period but not yet spent	418	1,055
Add: contributions received for the provision of goods and services in a future period	1,724	–
Add: contributions recognised as income in the current period obtained in respect of a future rating identified by Council for the purpose of establishing a rate	–	–
Less: contributions recognised in a previous reporting period now spent	(349)	–
Unexpended and held as restricted assets (contributions)	6,683	4,890

Notes to the Financial Statements

for the year ended 30 June 2019

Note 4. Expenses from continuing operations

\$ '000	2019	2018
(a) Employee benefits and on-costs		
Salaries and wages	25,421	23,061
Travel expenses	31	58
Employee leave entitlements (ELE)	2,453	1,820
ELE on-costs	138	368
Superannuation	2,582	2,072
Workers' compensation insurance	671	283
Fringe benefit tax (FBT)	33	35
Payroll tax	106	119
Training costs (other than salaries and wages)	276	211
Protective clothing	59	42
Vehicle allowance	131	87
Recruitment expenses	159	100
Other	48	61
Total employee costs	32,108	28,317
Less: capitalised costs	(1,176)	(831)
TOTAL EMPLOYEE COSTS EXPENSED	30,932	27,486
Number of 'full-time equivalent' employees (FTE) at year end	360	340

Accounting policy for employee benefits and on-costs

Employee benefit expenses are recorded when the service has been provided by the employee.

Retirement benefit obligations

All employees of the Council are entitled to benefits on retirement, disability or death. Council contributes to various defined benefit plans and defined contribution plans on behalf of its employees.

Superannuation plans

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

Council participates in a defined benefit plan under the Local Government Superannuation Scheme. However, sufficient information to account for the plan as a defined benefit is not available, and therefore Council accounts for its obligations to defined benefit plans on the same basis as its obligations to defined contribution plans, i.e. as an expense when it becomes payable – refer to Note 16 for more information.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	2019	2018
(b) Borrowing costs			
(i) Interest bearing liability costs			
Interest on loans		149	233
Total interest bearing liability costs expensed		149	233
(ii) Other borrowing costs			
Fair value adjustments on recognition of advances and deferred debtors			
– Remediation liabilities	12	100	180
Total other borrowing costs		100	180
<u>TOTAL BORROWING COSTS EXPENSED</u>		<u>249</u>	<u>413</u>

Accounting policy for borrowing costs

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 4. Expenses from continuing operations (continued)

\$ '000	2019	2018
(c) Materials and contracts		
Raw materials and consumables	5,581	5,514
Contractors	11,111	9,801
Consultants	787	650
Auditors remuneration ²	116	133
Legal expenses:		
– Legal expenses: planning and development	43	42
– Legal expenses: debt recovery	21	112
– Legal expenses: other	437	417
Operating leases:		
– Operating lease rentals: minimum lease payments ¹	322	304
Other	–	78
Total materials and contracts	<u>18,418</u>	<u>17,051</u>
TOTAL MATERIALS AND CONTRACTS	<u>18,418</u>	<u>17,051</u>

Accounting policy for operating leases

Leases in which a significant portion of the risks and rewards of ownership are not transferred to Council as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

1. Operating lease payments are attributable to:

Computers	322	281
Other	–	23
	<u>322</u>	<u>304</u>

2. Auditor remuneration

During the year, the following fees were incurred for services provided by the auditor of Council, related practices and non-related audit firms

Auditors of the Council - NSW Auditor-General:**(i) Audit and other assurance services**

Audit and review of financial statements	111	126
Remuneration for audit and other assurance services	<u>111</u>	<u>126</u>
Total Auditor-General remuneration	<u>111</u>	<u>126</u>

Non NSW Auditor-General audit firms**(i) Audit and other assurance services**

Audit and review of financial statements	5	7
Remuneration for audit and other assurance services	<u>5</u>	<u>7</u>
Total remuneration of non NSW Auditor-General audit firms	<u>5</u>	<u>7</u>
Total Auditor remuneration	<u>116</u>	<u>133</u>

Notes to the Financial Statements

for the year ended 30 June 2019

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	2019	2018
(d) Depreciation, amortisation and impairment of intangible assets and IPP&E			
Depreciation and amortisation			
Plant and equipment		1,575	1,566
Office equipment		282	287
Furniture and fittings		63	64
Land improvements (depreciable)		7	7
Infrastructure:			
– Buildings – non-specialised		1,329	1,099
– Buildings – specialised		1,037	864
– Other structures		509	584
– Roads		6,997	6,933
– Bridges		1,451	1,455
– Footpaths		92	89
– Stormwater drainage		627	627
– Water supply network		3,352	3,283
– Sewerage network		2,391	2,342
– Swimming pools		32	202
– Other open space/recreational assets		55	83
Other assets:			
– Library books		74	75
– Other		188	185
Reinstatement, rehabilitation and restoration assets:			
– Tip assets	9(a),12	313	108
– Quarry assets	9(a),12	1	–
Intangible assets	10	–	27
Total gross depreciation and amortisation costs		20,375	19,880
Total depreciation and amortisation costs		20,375	19,880
TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT / REVALUATION DECREMENT FOR INTANGIBLES AND IPP&E		20,375	19,880

Accounting policy for depreciation, amortisation and impairment expenses of intangibles and IPP&E**Depreciation and amortisation**

Depreciation and amortisation are calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives. Useful lives are included in Note 9 for IPPE assets.

Depreciation is capitalised where in-house assets have contributed to new assets.

Impairment of non-financial assets

Council assets held at fair value that are not held primarily for their ability to generate net cash flow, and that are deemed to be specialised, are no longer required to be tested for impairment under AASB 136. This is because these assets are assessed on an annual basis to ensure that the carrying amount is not materially different from fair value and therefore an impairment loss would be captured during this assessment.

Intangible assets that have an indefinite useful life, or are not yet available for use, are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets that do not meet the criteria above are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 4. Expenses from continuing operations (continued)

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 4. Expenses from continuing operations (continued)

\$ '000	2019	2018
(e) Other expenses		
Advertising	167	103
Bad and doubtful debts	52	99
Bank charges	139	85
Contributions/levies to other levels of government		
– NSW fire brigade levy	78	78
– NSW rural fire service levy	761	782
– NSW state emergency services	28	35
– Other contributions/levies	1	–
Councillor expenses – mayoral fee	43	76
Councillor expenses – councillors' fees	218	168
Councillors' expenses (incl. mayor) – other (excluding fees above)	91	59
Donations & Contributions		
– Tourism development	7	–
– SEWOL	53	18
– South east arts	17	16
– Tourism Snowy Mountains	60	40
– Boco rock community grants	296	16
– Community projects (SCF)	929	–
– Other	207	94
Election expenses	–	158
Electricity and heating	1,487	1,414
Insurance	1,288	1,252
Postage	110	83
Printing and stationery	379	347
Street lighting	316	213
Subscriptions and publications	84	89
Telephone and communications	697	662
Valuation fees	131	127
Licence fees – other	108	101
Marketing expenses	76	157
Quality monitoring	69	25
Software licences	987	1,177
Memberships	57	133
Other	234	83
Total other expenses	9,170	7,690
TOTAL OTHER EXPENSES	9,170	7,690

Accounting policy for other expenses

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 5. Gains or losses from the disposal, replacement and de-recognition of assets

\$ '000	Notes	2019	2018
Property (excl. investment property)			
Proceeds from disposal – property		239	429
Less: carrying amount of property assets sold/written off		(184)	(400)
Net gain/(loss) on disposal		55	29
Plant and equipment			
	9(a)		
Proceeds from disposal – plant and equipment		681	485
Less: carrying amount of plant and equipment assets sold/written off		(597)	(425)
Net gain/(loss) on disposal		84	60
<u>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</u>		<u>139</u>	<u>89</u>

Accounting policy for disposal of assets

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the Income Statement.

The gain or loss on sale of an asset is determined when control of the asset has irrevocably passed to the buyer and the asset is de-recognised.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 6(a). Cash and cash equivalent assets

\$ '000	2019	2018
Cash and cash equivalents		
Cash on hand and at bank	2,558	759
Cash-equivalent assets		
– Deposits at call	8,555	5,000
– Short-term deposits	–	10,500
Total cash and cash equivalents	11,113	16,259

Accounting policy for cash and cash equivalents

For Statement of Cash Flow presentation purposes, cash and cash equivalents include: 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 Statement of Financial Position.

Note 6(b). Investments

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Investments				
a. 'Financial assets at fair value through profit and loss'				
b. 'Financial assets at amortised cost' / 'held to maturity' (2018)	19,000	58,000	37,000	32,000
c. 'Financial assets at fair value through other comprehensive income' / 'available for sale financial assets' (2018)	–	219	–	–
Total Investments	19,000	58,219	37,000	32,000
TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS	30,113	58,219	53,259	32,000
Financial assets at amortised cost / held to maturity (2018)				
Long term deposits	19,000	58,000	37,000	32,000
Total	19,000	58,000	37,000	32,000
Financial assets at fair value through other comprehensive income / available for sale financial assets (2018)				
Unlisted equity securities	–	219	–	–
Total	–	219	–	–

Notes to the Financial Statements

for the year ended 30 June 2019

Note 6(b). Investments (continued)

	Fair value at 30/06/19	Dividend income recognised during 1/7/18 – 30/6/19
Financial assets designated as at fair value through other comprehensive income		
Unlisted equity Securities	219	27
Total	219	27

Financial assets designated as at fair value through other comprehensive income

At 1 July 2018, Council designated the investments shown below as financial assets as at fair value through other comprehensive income because these financial assets represent investments that the Council intends to hold for the long-term for strategic purposes. In 2018, these investments were classified as available for sale.

No strategic investments were disposed of during 2019, and there were no transfers of any cumulative gain or loss within equity relating to these investments.

Accounting policy for investments**Accounting policy under AASB 9 – applicable from 1 July 2018**

Financial instruments are recognised initially on the date that the Council becomes party to the contractual provisions of the instrument.

On initial recognition, all financial instruments are measured at fair value plus transaction costs (except for instruments measured at fair value through profit or loss where transaction costs are expensed as incurred).

Financial assets

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification

On initial recognition, Council classifies its financial assets into the following categories – those measured at:

- amortised cost
- fair value through profit and loss (FVTPL)
- fair value through other comprehensive income – equity instrument (FVOCI-equity)

Financial assets are not reclassified subsequent to their initial recognition.

Amortised cost

Assets measured at amortised cost are financial assets where:

- the business model is to hold assets to collect contractual cash flows, and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Council's financial assets measured at amortised cost comprise trade and other receivables and cash and cash equivalents in the Statement of Financial Position.

Subsequent to initial recognition, these assets are carried at amortised cost using the effective interest rate method less provision for impairment.

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

Fair value through other comprehensive income – equity instruments

Council has a number of strategic investments in entities over which they do not have significant influence nor control. Council has made an irrevocable election to classify these equity investments as fair value through other comprehensive income as they are not held for trading purposes.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 6(b). Investments (continued)

These investments are carried at fair value with changes in fair value recognised in other comprehensive income (financial asset reserve). On disposal any balance in the financial asset reserve is transferred to accumulated surplus and is not reclassified to profit or loss.

Other net gains and losses excluding dividends are recognised in Other Comprehensive Income Statement.

Financial assets through profit or loss

All financial assets not classified as measured at amortised cost or fair value through other comprehensive income as described above are measured at fair value through profit or loss.

Net gains or losses, including any interest or dividend income, are recognised in profit or loss.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 6(b). Investments (continued)

Accounting policy under AASB 139 – applicable for 2018 comparatives only

Classification

Council classifies its financial assets in the following categories: financial assets at fair value through profit or loss; loans and receivables; held-to-maturity investments; and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at each reporting date.

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

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Assets in this category are held at fair value with changes in value taken through profit or loss at each reporting period.

(b) Held to maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that Council's management has the positive intention and ability to hold to maturity. Assets in this category are measured at amortised cost.

(d) 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 are 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. Assets in this category are held at fair value with changes in fair value taken to other comprehensive income.

Recognition and de-recognition

Regular purchases and sales of financial assets are recognised on trade-date: the date on which Council commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement. Investments are de-recognised when the rights to receive cash flows from the financial assets have expired, or have been transferred, and Council has transferred substantially all the risks and rewards of ownership.

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in equity are included in the Income Statement as gains and losses from investment securities.

Impairment of financial assets

Council assesses at the end of each reporting period 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.

Impairment of available for sale investments

In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the assets are impaired.

Notes to the Financial Statements

for the year ended 30 June 2019

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

\$ '000	2019		2018	
	Current	Non-current	Current	Non-current
Total cash, cash equivalents and investments	30,113	58,219	53,259	32,000
attributable to:				
External restrictions	936	58,219	22,697	27,000
Internal restrictions	28,617	–	30,326	5,000
Unrestricted	560	–	236	–
	30,113	58,219	53,259	32,000

\$ '000	2019	2018
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Details of restrictions

External restrictions – other

Developer contributions – general	1,792	1,760
Developer contributions – water fund	2,493	1,857
Developer contributions – sewer fund	1,980	1,273
Specific purpose unexpended grants	5,303	3,035
Water supplies	17,042	13,839
Sewerage services	19,348	17,179
Domestic waste management	4,896	4,360
Stormwater management	–	41
Snowy River Hostel accommodation bonds	919	880
Yallambee Lodge accomodation bonds	3,178	3,460
Crown land reserves	1,284	21
Crown land – holiday parks	–	1,053
Home and community care	458	458
Boco rock community reserve	337	432
Kamoto-cooma friendship scholarship fund	44	41
Other	81	8

External restrictions – other

59,155 49,697

Total external restrictions

59,155 49,697

Internal restrictions

Plant and vehicle replacement	2,245	3,185
Employees leave entitlement	3,067	3,067
Deposits, retentions and bonds	682	682
Quarry operations	684	96
Uncompleted works	1,801	4,812
Waste management	998	1,023
Yallambee Lodge building/equipment replacement	1,047	1,632
Former Snowy River LGA	731	740
Former Bombala LGA	1,810	3,144
Merger implementation funding	4,460	2,216
Stronger communities fund	11,092	13,509
Other	–	1,220

Total internal restrictions

28,617 35,326

TOTAL RESTRICTIONS

87,772 85,023

Notes to the Financial Statements

for the year ended 30 June 2019

Note 7. Receivables

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Purpose				
Rates and annual charges	5,611	–	6,164	–
Interest and extra charges	432	–	216	–
User charges and fees	4,738	–	5,892	–
Accrued revenues				
– Interest on investments	1,184	–	1,013	–
– Other income accruals	649	–	36	–
Government grants and subsidies	517	–	1,075	–
Net GST receivable	484	–	498	–
Loans receivable	18	105	17	123
Other debtors	145	–	236	–
Total	13,778	105	15,147	123
Less: provision of impairment				
Rates and annual charges	–	–	(18)	–
User charges and fees	(78)	–	(123)	–
Total provision for impairment – receivables	(78)	–	(141)	–
<u>TOTAL NET RECEIVABLES</u>	<u>13,700</u>	<u>105</u>	<u>15,006</u>	<u>123</u>

\$ '000	2019	2018
Movement in provision for impairment of receivables		
Balance at the beginning of the year (calculated in accordance with AASB 139)	141	141
Opening impairment allowance calculated under AASB 9	57	–
Movement through provision	(120)	–
Balance at the end of the period	78	141

Accounting policy for receivables

Recognition and measurement

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

Receivables are recognised initially at fair value, and subsequently measured at amortised cost, using the effective interest method, less provision for impairment. Receivables are generally due for settlement within 30 days.

Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 7. Receivables (continued)

Impairment

Accounting policy under AASB 9 applicable from 1 July 2018

Impairment of financial assets measured at amortised cost is recognised on an expected credit loss (ECL) basis.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition, and when estimating ECL, the Council considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on Council's historical experience and informed credit assessment, and including forward-looking information.

When considering the ECL for rates debtors, Council takes into account that unpaid rates represent a charge against the rateable property that will be recovered when the property is next sold. For non-rates debtors, Council uses the presumption that an asset which is more than 30 days past due has seen a significant increase in credit risk.

The Council uses the presentation that a financial asset is in default when:

- the other party is unlikely to pay its credit obligations to the Council in full, without recourse by the Council to actions such as realising security (if any is held) or
- the financial assets (for non-rates debtors) are more than 90 days past due.

Credit losses are measured as the present value of the difference between the cash flows due to the entity, in accordance with the contract, and the cash flows expected to be received. This is applied using a probability weighted approach.

On initial recognition of the asset, an estimate of the expected credit losses for the next 12 months is recognised. Where the asset has experienced significant increase in credit risk then the lifetime losses are estimated and recognised.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

The Council writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty, and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation, or has entered into bankruptcy proceedings, or when the receivables are over 1 year past due, whichever occurs first.

None of the receivables that have been written off are subject to enforcement activity.

Where the Council renegotiates the terms of receivables due from certain customers, the new expected cash flows are discounted at the original effective interest rate, and any resulting difference to the carrying value is recognised in profit or loss.

Accounting policy under AASB 139 – applicable for 2018 comparatives only

For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss.

Collectability of receivables is reviewed on an ongoing basis. Debts that are known to be uncollectable are written off by reducing the carrying amount directly. An allowance account (provision for impairment of receivables) is used when there is objective evidence that the Council will not be able to collect all amounts due, according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the receivable is impaired. When a receivable for which an impairment allowance had been recognised becomes uncollectable in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the Income Statement.

Rates and annual charges outstanding are secured against the property.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 8. Inventories and other assets

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
(a) Inventories				
(i) Inventories at cost				
Real estate for resale	441	–	441	–
Stores and materials	1,254	–	1,129	–
Total inventories at cost	<u>1,695</u>	<u>–</u>	<u>1,570</u>	<u>–</u>
<u>TOTAL INVENTORIES</u>	<u>1,695</u>	<u>–</u>	<u>1,570</u>	<u>–</u>
(b) Other assets				
Prepayments	299	–	255	–
<u>TOTAL OTHER ASSETS</u>	<u>299</u>	<u>–</u>	<u>255</u>	<u>–</u>

Accounting policy for inventories and other assets

Raw materials and stores, work in progress and finished goods

Raw materials and stores, work in progress and finished goods are stated at the lower of cost and net realisable value. Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion, and the estimated costs necessary to make the sale.

Inventory held for distribution

Inventory held for distribution is held at cost, adjusted where applicable for any 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.

Notes to the Financial Statements
for the year ended 30 June 2019

Note 9(a). Infrastructure, property, plant and equipment

	as at 30/6/2018			Asset movements during the reporting period								as at 30/6/2019		
	Gross carrying amount	Accumulated depreciation	Net carrying amount	Additions renewals ¹	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Adjustments and transfers	Revaluation decrements to equity (ARR)	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation	Net carrying amount
\$ '000														
Capital work in progress	10,298	–	10,298	10,642	–	–	–	(4,201)	–	–	–	16,739	–	16,739
Plant and equipment	24,649	(14,022)	10,627	–	3,300	(597)	(1,575)	–	–	–	–	27,352	(15,597)	11,755
Office equipment	3,410	(2,490)	920	–	–	–	(282)	793	–	–	–	4,203	(2,772)	1,431
Furniture and fittings	1,007	(614)	393	–	139	–	(63)	49	–	–	–	1,195	(677)	518
Land:														
– Operational land	21,049	–	21,049	–	–	–	–	–	–	–	–	21,049	–	21,049
– Community land	11,408	–	11,408	–	–	–	–	–	–	–	–	11,408	–	11,408
Land improvements – depreciable	1,896	(145)	1,751	–	–	–	(7)	–	–	–	–	1,896	(152)	1,744
Infrastructure:														
– Buildings – non-specialised	60,057	(34,114)	25,943	158	–	–	(1,329)	–	–	–	–	60,215	(35,443)	24,772
– Buildings – specialised	57,194	(40,920)	16,274	495	–	(184)	(1,037)	509	3,841	(3,723)	–	58,132	(41,957)	16,175
– Other structures	14,756	(7,063)	7,693	364	–	–	(509)	434	(811)	–	–	14,743	(7,572)	7,171
– Roads	420,816	(165,098)	255,718	1,240	–	–	(6,997)	335	–	–	–	422,391	(172,095)	250,296
– Bridges	113,154	(54,840)	58,314	1,120	–	–	(1,451)	345	–	–	–	114,619	(56,291)	58,328
– Footpaths	16,745	(8,544)	8,201	218	–	–	(92)	122	–	–	–	17,085	(8,636)	8,449
– Bulk earthworks (non-depreciable)	515,602	–	515,602	–	–	–	–	–	–	–	–	515,602	–	515,602
– Stormwater drainage	31,389	(14,973)	16,416	1	–	–	(627)	746	–	–	–	32,136	(15,600)	16,536
– Water supply network	201,185	(109,498)	91,687	651	–	–	(3,352)	320	–	–	1,400	203,556	(112,850)	90,706
– Sewerage network	140,530	(68,068)	72,462	104	–	–	(2,391)	225	–	–	1,109	141,968	(70,459)	71,509
– Swimming pools	13,644	(8,784)	4,860	197	–	–	(32)	–	(2,428)	–	–	11,413	(8,816)	2,597
– Other open space/recreational assets	5,053	(3,149)	1,904	837	–	–	(55)	257	(602)	–	–	5,545	(3,204)	2,341
Other assets:														
– Library books	1,427	(1,095)	332	–	76	–	(74)	65	–	–	–	1,568	(1,169)	399
– Other	4,521	(1,750)	2,771	24	–	–	(188)	1	–	–	–	4,321	(1,713)	2,608
Reinstatement, rehabilitation and restoration assets (refer Note 12):														
– Tip assets	3,566	(1,245)	2,321	–	–	–	(313)	–	(60)	–	–	3,017	(1,069)	1,948
– Quarry assets	38	(5)	33	–	–	–	(1)	–	–	–	–	38	(6)	32
Total Infrastructure, property, plant and equipment	1,673,394	(536,417)	1,136,977	16,051	3,515	(781)	(20,375)	–	(60)	(3,723)	2,509	1,690,191	(556,078)	1,134,113

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

Notes to the Financial Statements
for the year ended 30 June 2019

Note 9(a). Infrastructure, property, plant and equipment (continued)

\$ '000	as at 30/6/2017			Asset movements during the reporting period							as at 30/6/2018		
	Gross carrying amount	Accumulated depreciation	Net carrying amount	Additions renewals ¹	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Adjustments and transfers	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation	Net carrying amount
Capital work in progress	4,372	–	4,372	6,797	–	–	–	(871)	–	–	10,298	–	10,298
Plant and equipment	23,708	(12,457)	11,251	–	1,358	(426)	(1,566)	10	–	–	24,649	(14,022)	10,627
Office equipment	3,410	(2,203)	1,207	–	–	–	(287)	–	–	–	3,410	(2,490)	920
Furniture and fittings	898	(550)	348	–	109	–	(64)	–	–	–	1,007	(614)	393
Land:													
– Operational land	20,806	–	20,806	14	–	(400)	–	–	(154)	783	21,049	–	21,049
– Community land	11,254	–	11,254	–	–	–	–	–	154	–	11,408	–	11,408
Land improvements – depreciable	1,896	(138)	1,758	–	–	–	(7)	–	–	–	1,896	(145)	1,751
Infrastructure:													
– Buildings – non-specialised	43,468	(25,399)	18,069	–	43	–	(1,099)	–	4,134	4,796	60,057	(34,114)	25,943
– Buildings – specialised	42,997	(24,935)	18,062	–	–	–	(864)	20	(4,134)	3,190	57,194	(40,920)	16,274
– Other structures	14,528	(6,479)	8,049	222	–	–	(584)	6	–	–	14,756	(7,063)	7,693
– Roads	418,722	(158,164)	260,558	1,955	–	–	(6,933)	138	–	–	420,816	(165,098)	255,718
– Bridges	113,154	(53,385)	59,769	–	–	–	(1,455)	–	–	–	113,154	(54,840)	58,314
– Footpaths	16,637	(8,455)	8,182	108	–	–	(89)	–	–	–	16,745	(8,544)	8,201
– Bulk earthworks (non-depreciable)	515,602	–	515,602	–	–	–	–	–	–	–	515,602	–	515,602
– Stormwater drainage	31,389	(14,346)	17,043	–	–	–	(627)	–	–	–	31,389	(14,973)	16,416
– Water supply network	196,222	(104,030)	92,192	842	–	–	(3,283)	–	–	1,936	201,185	(109,498)	91,687
– Sewerage network	136,933	(64,375)	72,558	25	–	–	(2,342)	697	–	1,524	140,530	(68,068)	72,462
– Swimming pools	13,644	(8,639)	5,005	57	–	–	(202)	–	–	–	13,644	(8,784)	4,860
– Other open space/recreational assets	4,997	(3,010)	1,987	–	–	–	(83)	–	–	–	5,053	(3,149)	1,904
Other assets:													
– Library books	1,375	(1,020)	355	–	52	–	(75)	–	–	–	1,427	(1,095)	332
– Other	4,162	(1,565)	2,597	359	–	–	(185)	–	–	–	4,521	(1,750)	2,771
Reinstatement, rehabilitation and restoration assets (refer Note 12):													
– Tip assets	1,804	(1,164)	640	–	–	–	(108)	–	1,789	–	3,566	(1,245)	2,321
– Quarry assets	38	(5)	33	–	–	–	–	–	–	–	38	(5)	33
Total Infrastructure, property, plant and equipment	1,622,016	(490,319)	1,131,697	10,379	1,562	(826)	(19,853)	–	1,789	12,229	1,673,394	(536,417)	1,136,977

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 9(a). Infrastructure, property, plant and equipment (continued)

Accounting policy for infrastructure, property, plant and equipment

Infrastructure, property, plant and equipment are held at fair value. Independent comprehensive valuations are performed at least every five years, however the carrying amount of assets is assessed by Council at each reporting date to confirm that it is not materially different from current fair value.

Water and sewerage network assets are indexed at each reporting period in accordance with the Rates Reference Manual issued by Department of Industry (DoI) – Water.

Increases in the carrying amounts arising on revaluation are credited to the revaluation reserve. To the extent that the increase reverses a decrease previously recognising profit or loss relating to that asset class, the increase is first recognised as profit or loss. Decreases that reverse previous increases of assets in the same class are first charged against revaluation reserves directly in equity to the extent of the remaining reserve attributable to the class; all other decreases are charged to the Income Statement.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to Council, and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Income Statement during the financial period in which they are incurred.

When infrastructure, property, plant and equipment are acquired by Council for nil or nominal consideration, the assets are initially recognised at their fair value at acquisition date.

Land is not depreciated. The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life, or over the shorter of the asset's useful life and the lease term, if there is no reasonable certainty that the Council will obtain ownership at the end of the lease term. Depreciation on other assets is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives as follows:

Plant and equipment	Years	Other equipment	Years
Office equipment	3 to 10	Playground equipment	5 to 15
Office furniture	5 to 30	Benches, seats etc.	5 to 15
Computer equipment	2 to 10		
Vehicles	2 to 8	Buildings	
Heavy plant/road making equipment	5 to 20	Buildings: masonry	50 to 100
Other plant and equipment	5 to 33	Buildings: other	10 to 128
Water and sewer assets		Stormwater assets	
Water Supply Structures	25 to 100	Pipes	70 to 100
Wastewater Structures	40 to 70	Pits	50 to 80
Reticulation pipes: PVC	80	Culverts	60 to 80
Reticulation pipes: other	80	Other	30 to 100
Pumps and telemetry	15 to 20		
Transportation assets		Other infrastructure assets	
Sealed roads: surface	10 to 20	Bulk earthworks	Infinite
Sealed roads: structure	40 to 100	Swimming pools	5 to 100
Unsealed roads	10 to 50	Other open space/recreational assets	5 to 100
Bridge: concrete	80 to 100		
Bridge: other	50 to 100		
Road pavements	40 to 80		
Kerb, gutter and footpaths	50 to 75		

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 9(a). Infrastructure, property, plant and equipment (continued)

Land under roads

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

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

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

Crown reserves

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

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

Rural Fire Service assets

Under Section 119 of the *Rural Fire Services Act 1997 (NSW)*, "all firefighting equipment purchased, or constructed wholly or from money to the credit of the Fund, is to be vested in the council of the area for, or on behalf of, which the firefighting equipment has been purchased or constructed".

Until such time as discussions on this matter have concluded and the legislation changed, Council will not recognise rural fire service plant and vehicle assets. Land and buildings maintained by Council are recognised as assets of the Council in these financial statements.

Note 9(b). Infrastructure, property, plant and equipment – current year impairments

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 10. Intangible assets

\$ '000	2019	2018
Intangible assets are as follows:		
Opening values at 1 July		
Gross book value	350	488
Accumulated amortisation	–	(106)
Net book value – opening balance	350	382
Movements for the year		
– Amortisation charges	–	(27)
– Gross book value written off	–	(138)
– Accumulated amortisation charges written off	–	133
Closing values at 30 June		
Gross book value	350	350
<u>TOTAL INTANGIBLE ASSETS – NET BOOK VALUE</u>	<u>350</u>	<u>350</u>
The net book value of intangible assets represents:		
– Hostel bed licences	350	350
	<u>350</u>	<u>350</u>

Notes to the Financial Statements

for the year ended 30 June 2019

Note 11. Payables and borrowings

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Payables				
Goods and services – operating expenditure	2,268	–	3,449	–
Accrued expenses:				
– Borrowings	5	–	18	–
– Salaries and wages	980	–	808	–
– Other expenditure accruals	753	–	527	–
Advances	787	–	784	–
Security bonds, deposits and retentions	1,376	–	896	–
Yallambee Lodge accommodation bonds	3,178	–	3,354	–
Snowy River Hostel accommodation bonds	919	–	864	–
Other	(12)	–	7	–
Total payables	10,254	–	10,707	–
Income received in advance				
Payments received in advance	–	–	196	–
Total income received in advance	–	–	196	–
Borrowings				
Loans – secured ¹	490	875	765	2,467
Total borrowings	490	875	765	2,467
<u>TOTAL PAYABLES AND BORROWINGS</u>	<u>10,744</u>	<u>875</u>	<u>11,668</u>	<u>2,467</u>

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

Disclosures on liability interest rate risk exposures, fair value disclosures and security can be found in Note 17.

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
(a) Payables and borrowings relating to restricted assets				
Externally restricted assets				
Water	188	174	157	264
Sewer	16	–	340	1,104
Domestic waste management	269	564	221	843
Yallambee Lodge accommodation bonds	3,178	–	3,354	–
Snowy River Hostel accommodation bonds	919	–	864	–
Payables and borrowings relating to externally restricted assets	4,570	738	4,936	2,211
Total payables and borrowings relating to restricted assets	4,570	738	4,936	2,211
Total payables and borrowings relating to unrestricted assets	6,174	137	6,732	256
<u>TOTAL PAYABLES AND BORROWINGS</u>	<u>10,744</u>	<u>875</u>	<u>11,668</u>	<u>2,467</u>

Notes to the Financial Statements

for the year ended 30 June 2019

Note 11. Payables and borrowings (continued)

(b) Changes in liabilities arising from financing activities

\$ '000	as at 30/6/2018	Cash flows	Non-cash acquisitions	Non-cash fair value changes	Other non-cash movements	as at 30/6/2019
	Opening Balance					Closing balance
Loans – secured	3,232	(1,867)	–	–	–	1,365
TOTAL	3,232	(1,867)	–	–	–	1,365

\$ '000	as at 30/6/2017	Cash flows	Non-cash acquisitions	Non-cash fair value changes	Other non-cash movements	as at 30/6/2018
	Opening Balance					Closing balance
Loans – secured	4,020	(788)	–	–	–	3,232
TOTAL	4,020	(788)	–	–	–	3,232

\$ '000	2019	2018
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(c) Financing arrangements**(i) Unrestricted access was available at balance date to the following lines of credit:**

Bank overdraft facilities ¹	300	300
Credit cards/purchase cards	105	75
Total financing arrangements	405	375

Undrawn facilities as at balance date:

– Bank overdraft facilities	300	300
– Credit cards/purchase cards	105	75
Total undrawn financing arrangements	405	375

Additional financing arrangements information**Breaches and defaults**

During the current and prior year, there were no defaults or breaches on any of the loans.

Security over loans

Loans are secured over future cash flows of Council

(1) The bank overdraft facility may be drawn at any time and may be terminated by the bank without notice.

Accounting policy for payables and borrowings

Council measures all financial liabilities initially at fair value less transaction costs, subsequently financial liabilities are measured at amortised cost using the effective interest rate method.

The financial liabilities of the Council comprise trade payables, bank and other loans and finance lease liabilities.

Payables

These amounts represent liabilities for goods and services provided to the council prior to the end of financial year that are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 11. Payables and borrowings (continued)

Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the Income Statement over the period of the borrowings using the effective-interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the drawdown occurs. To the extent that there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the Statement of Financial Position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in other income or finance cost.

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

Finance leases

Leases of property, plant and equipment where Council, as lessee, 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 fair value of the leased assets or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged 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.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 12. Provisions

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Provisions				
Employee benefits				
Annual leave	2,285	–	2,220	–
Long service leave	3,444	–	3,306	–
Other leave – TIL and flex	452	–	325	–
ELE on-costs	507	–	276	–
Sub-total – aggregate employee benefits	6,688	–	6,127	–
Asset remediation/restoration:				
Asset remediation/restoration (future works)	–	5,052	–	5,294
Sub-total – asset remediation/restoration	–	5,052	–	5,294
<u>TOTAL PROVISIONS</u>	<u>6,688</u>	<u>5,052</u>	<u>6,127</u>	<u>5,294</u>

\$ '000	2019	2018
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(a) Current provisions not anticipated to be settled within the next twelve months

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

Provisions – employees benefits	3,154	3,151
	<u>3,154</u>	<u>3,151</u>

(b) Description of and movements in provisions

\$ '000	ELE provisions				Total
	Annual leave	Long service leave	ELE on-costs	Other employee benefits	
2019					
At beginning of year	2,220	3,306	276	325	6,127
Other	65	138	231	127	561
Total ELE provisions at end of period	2,285	3,444	507	452	6,688
2018					
At beginning of year	2,195	3,918	335	264	6,712
Other	25	(612)	(59)	61	(585)
Total ELE provisions at end of period	2,220	3,306	276	325	6,127

Notes to the Financial Statements

for the year ended 30 June 2019

Note 12. Provisions (continued)

\$ '000	Other provisions	
	Asset remediation	Total
2019		
At beginning of year	5,294	5,294
Amounts used (payments)	(342)	(342)
Unwinding of discount	100	100
Total other provisions at end of period	5,052	5,052
2018		
At beginning of year	3,331	3,331
Additional provisions	1,963	1,963
Total other provisions at end of period	5,294	5,294

Accounting policy for provisions

Provisions are recognised when Council has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

Employee benefits**Short-term obligations**

Liabilities for wages and salaries (including non-monetary benefits, annual leave and accumulating sick leave expected to be wholly settled within 12 months after the end of the period in which the employees render the related service) are recognised in respect of employees' services up to the end of the reporting period, and are measured at the amounts expected to be paid when the liabilities are settled. The liability for annual leave and accumulating sick leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

Other long-term employee benefit obligations

The liability for long-service leave and annual leave, that is not expected to be wholly settled within 12 months after the end of the period in which the employees render the related service, is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made, in respect of services provided by employees up to the end of the reporting period, using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

On-costs

The employee benefit provisions include the aggregate on-cost liabilities that will arise when payment of current employee benefits is made in future periods.

These amounts include superannuation, payroll tax and workers compensation expenses which will be payable upon the future payment of certain leave liabilities which employees are entitled to at the reporting period.

The obligations are presented as current liabilities in the Statement of Financial Position, if the Council does not have an unconditional right to defer settlement for at least 12 months after the reporting date, regardless of when the actual settlement is expected to occur.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 12. Provisions (continued)

Provisions for close-down and restoration, and environmental clean-up costs – tips and quarries

Restoration

Close-down and restoration costs include the dismantling and demolition of infrastructure, and the removal of residual materials and 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. The costs are estimated on the basis of a closure plan. The cost estimates are calculated annually during the life of the operation to reflect known developments, e.g. updated cost estimates and revisions to the estimated lives of operations, and are subject to formal review at regular intervals.

Rehabilitation

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 reporting 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 reporting date. These costs are charged to the Income Statement. Movements in the environmental clean-up provisions are presented as an operating cost, except for the unwinding of the discount which is shown as a borrowing cost.

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

As noted above, the ultimate cost of environmental remediation is uncertain and cost estimates can vary in response to many factors, including changes to the relevant legal requirements, the emergence of new restoration techniques, or experience at other locations. The expected timing of expenditure can also change, for example in response to changes in quarry reserves or production rates. 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.

Other movements in the provisions for close-down and restoration 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.

Close-down and restoration 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.

Contingent Liability

Council is currently reviewing its closed and operating landfill sites to determine the requirements for future rehabilitation works in consultation with the NSW Environmental Protection Agency (EPA). Refer to note 16 Contingencies and other assets/liabilities not recognised 2. (iii) Asset remediation/restoration (future works).

Self-insurance

Council has decided to self-insure for various risks, including public liability and professional indemnity. A provision for self-insurance has been made to recognise outstanding claims. Council also maintains cash and investments to meet expected future claims; refer to Note 6(c).

Notes to the Financial Statements

for the year ended 30 June 2019

Note 13. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors

(a) Nature and purpose of reserves

Infrastructure, property, plant and equipment revaluation reserve

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

Fair value through other comprehensive income reserve (FVOCI)

Changes in the fair value of financial assets are taken through the fair value through other comprehensive income revaluation reserve. The accumulated changes in fair value are transferred to profit or loss when the financial asset is derecognised or impaired.

Available for sale investments revaluation reserve (2018 only)

Changes in fair value are taken to the available-for-sale investments revaluation reserve, amounts are recognised in profit and loss when the associated assets are sold or impaired.

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

During the year, Council adopted a number of new accounting standards. The impact of the adoption and associated transition disclosures are shown below.

The Council has adopted AASB 9 Financial Instruments for the first time in the current year with a date of initial adoption of 1 July 2018. As part of the adoption of AASB 9, the Council adopted consequential amendments to other accounting standards arising from the issue of AASB 9 as follows:

- AASB 101 Presentation of Financial Statements requires the impairment of financial assets to be presented in a separate line item in the income statement. In prior years, this information was presented as part of other expenses.
- AASB 7 Financial Instruments: Disclosures requires amended disclosures due to changes arising from AASB 9. These disclosures have been provided for the current year.

The key changes to Council's accounting policy and the impact on these financial statements from applying AASB 9 are described below.

Changes in accounting policies resulting from the adoption of AASB 9 have been applied retrospectively except Council has not restated any amounts relating to classification and measurement requirements, including impairment, which have been applied from 1 July 2018.

Classification of financial assets

The financial assets of Council have been reclassified into one of the following categories on adoption of AASB 9, based primarily on the business model in which a financial asset is managed and its contractual cash flow characteristics are:

- measured at amortised cost
- fair value through profit or loss
- fair value through other comprehensive income – equity instruments

Measurement of equity instruments

All equity instruments of the Council are measured at fair value under AASB 9 whereas there was a cost exception under AASB 139 that allowed certain unlisted investments to be carried at amortised cost in the absence of a reliable measurement of fair value. Any difference in the previous carrying amount and the fair value is recognised in the opening retained earnings (or other component of equity, as appropriate) at 1 July 2018.

Equity instruments are no longer subject to impairment testing and therefore all movements on equity instruments, classified as fair value through other comprehensive income, are taken to the relevant reserve.

Impairment of financial assets

The incurred loss model from AASB 139 has been replaced with an expected credit loss model in AASB 9 for assets measured at amortised cost. This has resulted in the earlier recognition of credit loss (bad debt provisions).

Notes to the Financial Statements

for the year ended 30 June 2019

Note 13. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)

Statement of Financial Position

\$ '000	Original Balance 1 July, 2018	Impact Increase/ (decrease)	Restated Balance 1 July, 2018
Adjustments to the current year figures for the year ended 30 June 2019			
Unlisted Equity Securities	–	219	219
Total assets	–	219	219
Unlisted Equity Securities	–	219	219
Total equity	–	219	219

Classification of financial assets and financial liabilities

The table below illustrates the classification and measurement of financial assets and liabilities under AASB 9 and AASB 139 at 1 July 2018.

\$ '000	Classific- ation under AASB 139	Classific- ation under AASB 9	Carrying amount under AASB 139	Reclassi- fication	Remeasu- rements	Carrying amount under AASB 9
Financial assets						
Unlisted Equity Securities	Available for sale	FVOCI-equity	–	219	–	219
Receivables	Receivables	Amortised cost	13,742	63	–	13,805
Cash & Cash Equivalents	N/A	N/A	30,113	–	–	30,113
Term Deposits (Investments)	Held to maturity	Amortised cost	58,000	–	–	58,000
Total financial assets under AASB 9 at 1 July 2018			101,855	282	–	102,137
Financial liabilities						
Payables	Other financial liabilities	Other financial liabilities	10,254	–	–	10,254
Loans	Other financial liabilities	Other financial liabilities	1,365	–	–	1,365
Total financial liabilities under AASB 9 at 1 July 2018			11,619	–	–	11,619

Notes to the Financial Statements

for the year ended 30 June 2019

Note 14. Statement of cash flows - additional information

\$ '000	Notes	2019	2018
(a) Reconciliation of cash assets			
Total cash and cash equivalent assets	6(a)	11,113	16,259
Balance as per the Statement of Cash Flows		11,113	16,259
(b) Reconciliation of net operating result to cash provided from operating activities			
Net operating result from Income Statement		2,246	1,499
Adjust for non-cash items:			
Depreciation and amortisation		20,375	19,880
Net losses/(gains) on disposal of assets		(139)	(89)
Unwinding of discount rates on reinstatement provisions		100	174
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		1,387	(4,225)
Increase/(decrease) in provision for impairment of receivables		(63)	-
Decrease/(increase) in inventories		(125)	(596)
Decrease/(increase) in other current assets		(44)	(70)
Increase/(decrease) in payables		(1,181)	1,832
Increase/(decrease) in accrued interest payable		(13)	(94)
Increase/(decrease) in other accrued expenses payable		398	545
Increase/(decrease) in other liabilities		147	1,023
Increase/(decrease) in provision for employee benefits		561	(585)
Increase/(decrease) in other provisions		(342)	1,789
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		23,307	21,083

Notes to the Financial Statements

for the year ended 30 June 2019

Note 15. Commitments

\$ '000	2019	2018
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(a) Capital commitments (exclusive of GST)

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

Property, plant and equipment

Transport Infrastructure	2,210	1,209
Plant and equipment	458	900
Water Infrastructure	327	628
Sewer Infrastructure	296	629
Other Infrastructure	1,441	1,518
Corporate Information System	3,343	–
Total commitments	8,075	4,884

These expenditures are payable as follows:

Within the next year	6,961	4,884
Later than one year and not later than 5 years	1,114	–
Total payable	8,075	4,884

Sources for funding of capital commitments:

Externally restricted reserves	7,452	1,257
Internally restricted reserves	623	3,627
Total sources of funding	8,075	4,884

(b) Operating lease commitments (non-cancellable)

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

Within the next year	180	–
Later than one year and not later than 5 years	180	–
Total non-cancellable operating lease commitments	360	–

Snowy Monaro Regional Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 16. Contingencies and other assets/liabilities not recognised

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

LIABILITIES NOT RECOGNISED

1. Guarantees

(i) Defined benefit superannuation contribution plans

Council is party to an Industry Defined Benefit Plan under the Local Government Superannuation Scheme, named The Local Government Superannuation Scheme – Pool B (the Scheme) which is a defined benefit plan that has been deemed to be a 'multi-employer fund' for purposes of AASB119 Employee Benefits for the following reasons:

- Assets are not segregated within the sub-group according to the employees of each sponsoring employer.
- The contribution rates have been the same for all sponsoring employers. That is, contribution rates have not varied for each sponsoring employer according to the experience relating to the employees of that sponsoring employer.
- Benefits for employees of all sponsoring employers are determined according to the same formulae and without regard to the sponsoring employer.
- The same actuarial assumptions are currently used in respect of the employees of each sponsoring employer.

Given the factors above, each sponsoring employer is exposed to the actuarial risks associated with current and former employees of other sponsoring employers, and hence shares in the associated gains and losses (to the extent that they are not borne by members).

Description of the funding arrangements.

Pooled employers are required to pay standard employer contributions and additional lump sum contributions to the fund.

The standard employer contributions were determined using the new entrant rate method under which a contribution rate sufficient to fund the total benefits over the working life-time of a typical new entrant is calculated. The current standard employer contribution rates are:

Division B	1.9 x times employee contributions
Division C	2.5% salaries
Division D	1.6 x times employee contributions

The additional lump sum contribution for each Pooled Employer is a share of the total additional contributions of \$40 million per annum from 1 July 2018 to 30 June 2021, apportioned according to each employer's share of the accrued liabilities as at 30 June 2018. These past services contributions are used to maintain the adequacy of the funding position for the accrued liabilities

The adequacy of contributions is assessed at each triennial actuarial investigation and monitored annually between triennials.

Description of the extent to which Council can be liable to the plan for other Council's obligations under the terms and conditions of the multi-employer plan

As stated above, each sponsoring employer (Council) is exposed to the actuarial risks associated with current and former employees of other sponsoring employers and hence shares in the associated gains and losses.

However, there is no relief under the Fund's trust deed for employers to walk away from their defined benefit obligations. Under limited circumstances, an employer may withdraw from the plan when there are no active members, on full payment of outstanding additional contributions. There is no provision for allocation of any surplus which may be present at the date of withdrawal of the Council.

There are no specific provisions under the Fund's trust deed dealing with deficits or surplus on wind-up.

The amount of Council employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense for the year ending 30 June 2019 was \$289,180.08. The last valuation of the Scheme was performed by Mr Richard Boyfield, FIAA on 31 December 2018 and covers the period ended 30 June 2018.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 16. Contingencies and other assets/liabilities not recognised (continued)

Council's expected contribution to the plan for the next annual reporting period is \$289,027.32.

The estimated employer reserves financial position for the Pooled Employers at 30 June 2019 is:

Employer reserves only *	\$millions	Asset Coverage
Assets	1,798.7	
Past Service Liabilities	1,784.2	100.8%
Vested Benefits	1,792.0	100.4%

* excluding member accounts and reserves in both assets and liabilities.

The share of this surplus that is broadly attributed to Council is estimated to be in the order of 0.43% as at 30 June 2019.

Council's share of that surplus cannot be accurately calculated as the Scheme is a mutual arrangement where assets and liabilities are pooled together for all member councils. For this reason, no liability for the deficiency has been recognised in Council's accounts. Council has a possible obligation that may arise should the Scheme require immediate payment to correct the deficiency.

The key economic long term assumptions used to calculate the present value of accrued benefits are:

Investment return	5.75% per annum
Salary inflation *	3.5% per annum
Increase in CPI	2.5% per annum

* Plus promotional increases

The contribution requirements may vary from the current rates if the overall sub-group experience is not in line with the actuarial assumptions in determining the funding program; however, any adjustment to the funding program would be the same for all sponsoring employers in the Pooled Employers group.

(ii) Statewide Limited

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

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

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

(iii) StateCover Limited

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

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

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

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

(iv) Other guarantees

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 16. Contingencies and other assets/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) Potential land acquisitions due to planning restrictions imposed by Council

Council has classified a number of privately owned land parcels as local open space or bushland.

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

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

(iii) Asset remediation/restoration (future works)

Council is currently reviewing its closed and operating landfill sites to determine the requirements for future rehabilitation works in consultation with the NSW Environmental Protection Agency (EPA).

Council has completed assessments and valuations on 15 closed and 3 active sites based on information available to date. However, negotiations are still in progress with the NSW EPA regarding significant inputs to the valuations and rehabilitation estimates are considered not sufficiently reliable to record the closed site provisions or restate the reported active site provision.

Council is working towards establishing a reliable estimate which is likely to have a significant material impact to the financial statements for the year ended 30 June 2020.

ASSETS NOT RECOGNISED

(i) Land under roads

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

(ii) Infringement notices/fines

Fines and penalty income, the result of Council issuing infringement notices is followed up and collected by the Infringement Processing Bureau.

Council's revenue recognition policy for such income is to account for it as revenue on receipt.

Accordingly, at year end, there is a potential asset due to Council representing issued but unpaid infringement notices.

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 17. Financial risk management

Risk management

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

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

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

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

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

\$ '000	Carrying value 2019	Carrying value 2018	Fair value 2019	Fair value 2018
Financial assets				
Measured at amortised cost				
Cash and cash equivalents	11,113	16,259	–	–
Receivables	13,805	15,129	–	–
Investments				
– 'Financial assets at amortised cost' / 'held to maturity' (2018)	77,000	69,000	–	–
Fair value through other comprehensive income				
Investments				
– 'Financial assets at fair value through other comprehensive income' / 'available for sale financial assets' (2018)	–	–	219	–
Total financial assets	101,918	100,388	219	–
Financial liabilities				
Payables	10,254	10,707	–	–
Loans/advances	1,365	3,232	–	–
Total financial liabilities	11,619	13,939	–	–

Fair value is determined as follows:

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

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

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

Council has an investment policy which complies with the Local Government Act 1993 and Minister's investment order 625. This policy is regularly reviewed by Council and it's staff and an investment report is tabled before Council on a monthly basis setting out the portfolio breakup and its performance as required by Local Government regulations.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 17. Financial risk management (continued)

The risks associated with the instruments held are:

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

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

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

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

The impact on result for the year and equity of a reasonably possible movement in the price of investments held and interest rates is shown below. The reasonably possible movements were determined based on historical movements and economic conditions in place at the reporting date.

\$ '000	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
2019				
Possible impact of a 10% movement in market values	259	259	(259)	(259)
Possible impact of a 1% movement in interest rates	881	881	(881)	(881)
2018				
Possible impact of a 10% movement in market values	6,900	6,900	(6,900)	(6,900)
Possible impact of a 1% movement in interest rates	690	690	(690)	(690)

Notes to the Financial Statements

for the year ended 30 June 2019

Note 17. Financial risk management (continued)

(b) Credit risk

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

Council manages the credit risk associated with these receivables by monitoring outstanding debt and employing stringent debt recovery procedures. Council also encourages ratepayers to pay their rates by the due date through incentives.

The credit risk for liquid funds and other short-term financial assets is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

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

Council makes suitable provision for doubtful receivables as required 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.

Credit risk profile**Receivables – rates and annual charges**

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

\$ '000	Not yet overdue	< 1 year overdue	1 - 2 years overdue	2 - 5 years overdue	> 5 years overdue	Total
2019						
Gross carrying amount	1,891	2,073	732	656	259	5,611
2018						
Gross carrying amount	1,456	3,417	670	469	152	6,164

Receivables - non-rates and annual charges

Council applies the simplified approach for non-rates and annual charges debtors to provide for expected credit losses prescribed by AASB 9, which permits the use of the lifetime expected loss provision. To measure the expected credit losses, non-rates and annual charges debtors have been grouped based on shared credit risk characteristics and the days past due.

The loss allowance provision as at 30 June 2019 is determined as follows. The expected credit losses incorporate forward-looking information.

\$ '000	Not yet overdue	0 - 30 days overdue	31 - 60 days overdue	61 - 90 days overdue	> 91 days overdue	Total
2019						
Gross carrying amount	4,909	138	275	2,498	452	8,272
Expected loss rate (%)	0.27%	1.10%	1.37%	1.56%	4.56%	0.94%
ECL provision	13	2	4	39	21	79

Notes to the Financial Statements

for the year ended 30 June 2019

Note 17. Financial risk management (continued)

(c) Liquidity risk

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

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

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

Borrowings are also subject to interest rate risk – the risk that movements in interest rates could adversely affect funding costs and debt servicing requirements. Council manages this risk through diversification of borrowing types, maturities and interest rate structures. The finance team regularly reviews interest rate movements to determine if it would be advantageous to refinance or renegotiate part or all of the loan portfolio.

The timing of cash flows presented in the table below to settle financial liabilities reflects the earliest contractual settlement dates. The timing of expected outflows is not expected to be materially different from contracted cashflows.

The amounts disclosed in the table are the undiscounted contracted cash flows and therefore the balances in the table may not equal the balances in the statement of financial position due to the effect of discounting.

\$ '000	Weighted average interest rate	Subject to no maturity	≤ 1 Year	payable in: 1 - 5 Years	> 5 Years	Total cash outflows	Actual carrying values
2019							
Trade/other payables	0.00%	1,376	8,878	–	–	10,254	10,254
Loans and advances	6.49%	–	567	798	–	1,365	1,365
Total financial liabilities		1,376	9,445	798	–	11,619	11,619
2018							
Trade/other payables	0.00%	896	9,811	–	–	10,707	10,707
Loans and advances	6.37%	–	972	2,766	–	3,738	3,232
Total financial liabilities		896	10,783	2,766	–	14,445	13,939

Notes to the Financial Statements

for the year ended 30 June 2019

Note 18. Material budget variations

Council's original financial budget for 18/19 was adopted by the Council on 28 June 2018 and is unaudited.

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

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

Material variations represent those variances between the original budget figure and the actual result that amount to **10%** or more.

Variation Key: **F** = Favourable budget variation, **U** = Unfavourable budget variation.

\$ '000	2019 Budget	2019 Actual	2019 ----- Variance -----	
REVENUES				
Rates and annual charges	30,173	31,546	1,373	5% F
User charges and fees	14,129	14,133	4	0% F
Interest and investment revenue	1,759	2,590	831	47% F
This favourable variance is largely a combination of higher than anticipated term deposit interest rates and extra cash on hand due to lower than anticipated capital works and additional capital grants.				
Other revenues	1,501	1,784	283	19% F
This favourable variance is largely due to internal income relating to Quarry material increasing by \$344k in the 2019 financial year.				
Operating grants and contributions	18,671	24,262	5,591	30% F
Council received the following additional operating grants in the 2019 year;				
- \$3.5mil Merger Implementation Funding				
- \$929k Stronger Communities Funding (Operating)				
- \$135k Additional Financial Assistance Grants				
Other contributing items include increases in funding for community services, vegetation management and planning				
Capital grants and contributions	5,617	6,936	1,319	23% F
Council received the following additional capital grants in the 2019 year;				
- \$500k Department of Health - Yallambee Lodge				
- \$2.1mil Stronger Country Communities Funding (Capital)				
- \$1.7mil Stronger Communities Funding (Capital)				
These were offset by less than anticipated grants for Water and Sewer capital projects by \$3.6m.				

Estimates for capital grants are based on information available during the development of Council's budget and fluctuations are expected as grant opportunities arise.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 18. Material budget variations (continued)

\$ '000	2019 Budget	2019 Actual	2019 ----- Variance -----	
Net gains from disposal of assets	836	139	(697)	(83)% U
Disposals of plant and fleet for the 2019 resulted in lower than anticipated profit on sale.				
EXPENSES				
Employee benefits and on-costs	29,077	30,932	(1,855)	(6)% U
Borrowing costs	298	249	49	16% F
Early settlement of a loan for Sewerage infrastructure during the 2019 financial year resulted in lower than anticipated borrowing costs.				
Materials and contracts	16,990	18,418	(1,428)	(8)% U
Depreciation and amortisation	18,547	20,375	(1,828)	(10)% U
This variance relates to revaluation increases to the water supply network, buildings and restated landfill assets since the time of setting the depreciation budget values.				
Other expenses	8,385	9,170	(785)	(9)% U

Notes to the Financial Statements

for the year ended 30 June 2019

Note 18. Material budget variations

\$ '000	2019 Budget	2019 Actual	2019 ----- Variance -----	
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STATEMENT OF CASH FLOWS

Net cash provided from (used in) operating activities	17,309	23,307	5,998	35% F
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This favourable variance relates to additional grants and contributions received in the 2019 financial year.

Net cash provided from (used in) investing activities	(39,166)	(26,586)	12,580	(32)% F
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Council's original budget forecasted \$40mil Capital Expenditure, actual Capital Expenditure was \$19.5mil. In addition purchases/sale of term deposit investments are not classified separately in the original cashflow budget.

Net cash provided from (used in) financing activities	928	(1,867)	(2,795)	(301)% U
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This unfavourable variance is the result of early settlement of a loan for Sewerage infrastructure during the 2019 financial year, offset by lower borrowing cost in this year and future years.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 19. Fair Value Measurement

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

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

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

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

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

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

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

(1) Assets and liabilities that have been measured and recognised at fair values

2019	Notes	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	6(b)					
– 'Financial assets at fair value through other comprehensive income'		30/06/19	–	219	–	219
Total financial assets			–	219	–	219
Infrastructure, property, plant and equipment						
	9(a)					
Plant & Equipment		13/05/16	–	–	11,755	11,755
Office Equipment		13/05/16	–	–	1,431	1,431
Furniture & Fittings		13/05/16	–	–	518	518
Operational Land		30/06/18	–	21,049	–	21,049
Community Land		13/05/16	–	–	11,408	11,408
Land Improvements		13/05/16	–	–	1,744	1,744
Buildings – Specialised		30/06/18	–	–	16,175	16,175
Buildings – Non Specialised		30/06/18	–	24,772	–	24,772
Other Structures		13/05/16	–	–	7,171	7,171
Road infrastructure		13/05/16	–	–	250,296	250,296
Bridges		13/05/16	–	–	58,328	58,328
Footpaths		13/05/16	–	–	8,449	8,449
Bulk Earthworks		13/05/16	–	–	515,602	515,602
Stormwater Drainage		13/05/16	–	–	16,536	16,536
Water Supply Network		30/06/17	–	–	90,706	90,706
Sewerage Network		30/06/17	–	–	71,509	71,509
Swimming Pools		13/05/16	–	–	2,597	2,597
Other Open Space/Recreational Assets		13/05/16	–	–	2,341	2,341
Library Books		13/05/16	–	–	399	399
Tip Restoration Asset		30/06/19	–	–	1,948	1,948
Quarry Restoration Asset		13/05/16	–	–	32	32
Other Assets		13/05/16	–	–	2,608	2,608
Total infrastructure, property, plant and equipment			–	45,821	1,071,553	1,117,374

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Notes to the Financial Statements

for the year ended 30 June 2019

Note 19. Fair Value Measurement (continued)

2018	Notes	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 and equipment						
	9(a)					
Plant & Equipment		13/05/16	–	–	10,627	10,627
Office Equipment		13/05/16	–	–	920	920
Furniture & Fittings		13/05/16	–	–	393	393
Operational Land		30/06/18	–	21,049	–	21,049
Community Land		13/05/16	–	–	11,408	11,408
Land Improvements		13/05/16	–	–	1,751	1,751
Buildings – Specialised		30/06/18	–	–	16,274	16,274
Buildings – Non Specialised		30/06/18	–	25,943	–	25,943
Other Structures		13/05/16	–	–	7,693	7,693
Road infrastructure		13/05/16	–	–	255,718	255,718
Bridges		13/05/16	–	–	58,314	58,314
Footpaths		13/05/16	–	–	8,201	8,201
Bulk Earthworks		13/05/16	–	–	515,602	515,602
Stormwater Drainage		13/05/16	–	–	16,416	16,416
Water Supply Network		30/06/17	–	–	91,687	91,687
Sewerage Network		30/06/17	–	–	72,462	72,462
Swimming Pools		13/05/16	–	–	4,860	4,860
Other Open Space/Recreational Assets		13/05/16	–	–	1,904	1,904
Library Books		13/05/16	–	–	332	332
Tip Restoration Asset		30/06/18	–	–	2,321	2,321
Quarry Restoration Asset		13/05/16	–	–	33	33
Other Assets		13/05/16	–	–	2,771	2,771
Total infrastructure, property, plant and equipment			–	46,992	1,079,687	1,126,679

Note that capital WIP is not included above since it is carried at cost.

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

The following transfers occurred between level 1 and level 2 fair value hierarchies during the year:

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 19. Fair Value Measurement (continued)

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

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

\$ '000	Level 3 I, PP and E
2018	
Opening balance	1,088,450
Purchases (GBV)	5,087
Disposals (WDV)	(426)
Depreciation and impairment	(18,754)
FV gains – other comprehensive income	6,650
WIP transfers	871
Other adjustments and transfers	(2,191)
Closing balance	1,079,687
2019	
Opening balance	1,079,687
Purchases (GBV)	8,766
Disposals (WDV)	(781)
Depreciation and impairment	(19,046)
FV gains – other comprehensive income	(1,214)
WIP transfers	4,201
Other adjustments and transfers	(60)
Closing balance	1,071,553

Notes to the Financial Statements
for the year ended 30 June 2019

Note 19. Fair Value Measurement (continued)

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

\$ '000	Fair value (30/6/19)	Valuation technique/s	Unobservable inputs
c. Significant unobservable valuation inputs used (for level 3 asset classes) and their relationship to fair value.			
Infrastructure, property, plant and equipment			
Plant & Equipment	11,755	Historical cost	Cost per unit, useful life, residual value, condition of asset
Office Equipment	1,431	Historical cost	Cost per unit, useful life, residual value, condition of asset
Furniture & Fittings	518	Historical cost	Cost per unit, useful life, residual value, condition of asset
Community Land	11,408	Current replacement cost	Cost per sq metre, Valuer General's Valuation
Land Improvements	1,744	Depreciated replacement cost	Useful life, residual value, condition of asset
Buildings - Specialised	16,175	Depreciated replacement cost	Cost per sq metre, dimensions & specification, pattern of consumption, components, useful life, condition of asset
Other Structures	7,171	Depreciated replacement cost	Cost per unit rates, pattern of consumption, components, useful life, asset condition
Road infrastructure	250,296	Depreciated replacement cost	Cost per sq metre, dimensions & specification, pattern of consumption, components, useful life, condition of asset
Bridges	58,328	Depreciated replacement cost	Cost per sq metre, dimensions & specification, pattern of consumption, components, useful life, condition of asset
Footpaths	8,449	Depreciated replacement cost	Cost per sq metre, pattern of consumption, components, useful life, condition of asset
Bulk Earthworks	515,602	Current replacement cost	Cost per sq metre
Stormwater Drainage	16,536	Depreciated replacement cost	Unit rates, cost per metre, useful life, condition of asset
Water Supply Network	90,706	Depreciated replacement cost	Unit rates, pattern of consumption, components, useful life, asset condition
Sewerage Network	71,509	Depreciated replacement cost	Unit rates, pattern of consumption, components, useful life, asset condition
Swimming Pools	2,597	Depreciated replacement cost	Cost per unit, useful life, condition of asset
Other Open Space/Recreational Assets	2,341	Depreciated replacement cost	Cost per unit, useful life, condition of asset
Library Books	399	Historical cost	Cost per unit, useful life, condition of asset
Tip Restoration Asset	1,948	Depreciated replacement cost	Cost per cubic / square metre, useful life

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Notes to the Financial Statements
for the year ended 30 June 2019

Note 19. Fair Value Measurement (continued)

\$ '000	Fair value (30/6/19)	Valuation technique/s	Unobservable inputs
Quarry Restoration Asset	32	Depreciated replacement cost	Cost per cubic / square metre, useful life
Other Assets	2,608	Depreciated replacement cost	Unit rates, asset condition, useful life

d. The valuation process for level 3 fair value measurements

Council uses the following processes for the fair valuation of Level 3 Infrastructure, Property, Plant and Equipment:

Plant & Equipment, Furniture & Fittings, Office Equipment, Other Assets - Actual cost less accumulated depreciation.

Community Land - Land values obtained by the NSW Valuer-General.

Specialised Buildings - Valued at Depreciated Replacement Cost by an independent qualified valuer.

Other Structures - Valued at Depreciated Replacement Cost by qualified Council staff.

Roads infrastructure and stormwater assets - Valued at Depreciated Replacement Cost by a combination of qualified Council staff and independent qualified valuer.

Water Supply Network - Valued at Depreciated Replacement Cost by qualified Council staff.

Sewerage Network - Valued at Depreciated Replacement Cost by qualified Council staff.

Recreational Assets (other than buildings) - Valued at Depreciated Replacement Cost by qualified Council staff.

Depreciated Replacement Cost is calculated from the current replacement value less the accumulated depreciation to account for the consumption of the service potential of the asset. The asset age is determined from the date of acquisition. If the date is not known, the asset age is determined by estimating the remaining life from an assessment of the asset condition, and subtracting the remaining life from the useful life of the asset.

The Current Replacement Value is the cost of a standard modern asset that would be installed if Council were deprived of the existing asset. Where specific estimates are available, these are used to determine the replacement values. In the absence of detailed estimates, unit rates are obtained from a recognised source and are appropriately factored to reflect the regional location of the asset.

Where appropriate, disposal costs are taken into account when calculating the Depreciated Replacement Cost.

Notes to the Financial Statements
for the year ended 30 June 2019

Note 19. Fair Value Measurement (continued)

(4) Highest and best use

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

Notes to the Financial Statements
for the year ended 30 June 2019

Note 20. Related Party Transactions

Key management personnel

Key management personnel (KMP) of the council are those persons having the authority and responsibility for planning, directing and controlling the activities of the council, directly or indirectly.

The aggregate amount of KMP compensation included in the Income Statement is:

\$ '000	2019	2018
Compensation:		
Short-term benefits	1,428	1,356
Post-employment benefits	83	103
Other long-term benefits	234	34
Total	1,745	1,493

Notes to the Financial Statements
for the year ended 30 June 2019

Note 21. Statement of developer contributions

Under the *Environmental Planning and Assessment Act 1979*, Council has significant obligations to provide Section 7.11 (contributions towards provision or improvement of amenities or services) infrastructure in new release areas.

It is possible that the funds contributed may be less than the cost of this infrastructure, requiring Council to borrow or use general revenue to fund the difference.

Summary of contributions and levies

\$ '000	as at 30/6/2018						as at 30/6/2019	
	Opening Balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Roads	783	20	–	21	(318)	–	506	–
Parking	37	–	–	1	–	–	38	–
Open space	122	10	–	3	–	–	135	–
Community facilities	29	–	–	1	–	–	30	–
Public parking	4	–	–	–	–	–	4	–
Roadworks	261	9	–	7	–	–	277	–
Open space and public art	23	9	–	1	–	–	33	–
Sport and recreation facilities	39	6	–	1	–	–	46	–
Community services and facilities	240	50	–	6	–	–	296	–
Shared pathways - Jindabyne area	9	5	–	–	–	–	14	–
Shared trails - Jindabyne area	23	24	–	1	–	–	48	–
Regional waste management	42	75	–	1	–	–	118	–
Bushfire services	31	15	–	1	–	–	47	–
S7.11 contributions – under a plan	1,643	223	–	44	(318)	–	1,592	–
S7.12 levies – under a plan	22	–	–	1	–	–	23	–
Total S7.11 and S7.12 revenue under plans	1,665	223	–	45	(318)	–	1,615	–
S7.11 not under plans	94	111	–	2	(30)	–	177	–
S64 contributions	3,131	1,257	–	85	–	–	4,473	–
Total contributions	4,890	1,591	–	132	(348)	–	6,265	–

Notes to the Financial Statements
for the year ended 30 June 2019

Note 21. Statement of developer contributions (continued)

\$ '000	as at 30/6/2018						as at 30/6/2019		
	Opening Balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)	
		Cash	Non-cash						
S7.11 Contributions – under a plan									
CONTRIBUTION PLAN (former Cooma-Monaro)									
Roads	783	20	–	21	(318)	–	506	–	
Parking	37	–	–	1	–	–	38	–	
Open space	122	10	–	3	–	–	135	–	
Community facilities	29	–	–	1	–	–	30	–	
Total	971	30	–	26	(318)	–	709	–	
CONTRIBUTION PLAN (former Snowy River)									
Public parking	4	–	–	–	–	–	4	–	
Roadworks	261	9	–	7	–	–	277	–	
Open space and public art	23	9	–	1	–	–	33	–	
Sport and recreation facilities	39	6	–	1	–	–	46	–	
Community services and facilities	240	50	–	6	–	–	296	–	
Shared pathways – Jindabyne area	9	5	–	–	–	–	14	–	
Shared trails – Jindabyne area	23	24	–	1	–	–	48	–	
Regional waste management	42	75	–	1	–	–	118	–	
Bushfire services	31	15	–	1	–	–	47	–	
Total	672	193	–	18	–	–	883	–	

Notes to the Financial Statements

for the year ended 30 June 2019

Note 21. Statement of developer contributions (continued)

\$ '000	as at 30/6/2018			Contributions received during the year	Interest earned in year	Expenditure during year	Internal borrowing (to)/from	as at 30/6/2019	
	Opening Balance	Cash	Non-cash					Held as restricted asset	Cumulative internal borrowings due/(payable)
S7.12 Levies – under a plan									
CONTRIBUTION PLAN NUMBER 1 (former Bombala)									
Other	22	–	–	1	–	–	–	23	–
Total	22	–	–	1	–	–	–	23	–
S7.11 Contributions – not under a plan									
(former Snowy River)									
Community facilities	25	–	–	–	–	–	–	25	–
Kerb and gutter	29	–	–	1	–	–	–	30	–
Voluntary payment agreement	40	111	–	1	(30)	–	–	122	–
Total	94	111	–	2	(30)	–	–	177	–

Notes to the Financial Statements

for the year ended 30 June 2019

Note 22. Financial result and financial position by fund

\$ '000	General ¹ 2019	Water 2019	Sewer 2019
Income Statement by fund			
Income from continuing operations			
Rates and annual charges	20,250	2,736	8,560
User charges and fees	8,294	5,693	146
Interest and investment revenue	1,527	498	565
Other revenues	1,379	238	167
Grants and contributions provided for operating purposes	24,152	57	53
Grants and contributions provided for capital purposes	5,329	585	1,022
Other income			
Net gains from disposal of assets	135	–	28
Total income from continuing operations	61,066	9,807	10,541
Expenses from continuing operations			
Employee benefits and on-costs	27,274	1,866	1,792
Borrowing costs	184	21	44
Materials and contracts	15,353	1,301	1,764
Depreciation and amortisation	14,421	3,462	2,492
Other expenses	5,071	2,090	2,009
Net losses from the disposal of assets	–	24	–
Total expenses from continuing operations	62,303	8,764	8,101
Operating result from continuing operations	(1,237)	1,043	2,440
Net operating result for the year	(1,237)	1,043	2,440
Net operating result attributable to each council fund	(1,237)	1,043	2,440
Net operating result for the year before grants and contributions provided for capital purposes	(6,566)	458	1,418

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

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 22. Financial result and financial position by fund (continued)

\$ '000	General ¹ 2019	Water 2019	Sewer 2019
Statement of Financial Position by fund			
ASSETS			
Current assets			
Cash and cash equivalents	5,959	2,464	2,690
Investments	10,189	4,212	4,599
Receivables	8,129	3,014	2,557
Inventories	1,695	–	–
Other	301	(2)	–
Total current assets	26,273	9,688	9,846
Non-current assets			
Investments	31,321	12,859	14,039
Receivables	–	–	105
Infrastructure, property, plant and equipment	965,862	94,107	74,144
Intangible assets	350	–	–
Total non-current assets	997,533	106,966	88,288
TOTAL ASSETS	1,023,806	116,654	98,134
LIABILITIES			
Current liabilities			
Payables	10,140	98	16
Borrowings	400	90	–
Provisions	6,688	–	–
Total current liabilities	17,228	188	16
Non-current liabilities			
Borrowings	701	174	–
Provisions	5,052	–	–
Total non-current liabilities	5,753	174	–
TOTAL LIABILITIES	22,981	362	16
Net assets	1,000,825	116,292	98,118
EQUITY			
Accumulated surplus	994,626	98,632	96,038
Revaluation reserves	5,980	17,660	2,080
Other reserves	219	–	–
Council equity interest	1,000,825	116,292	98,118
Total equity	1,000,825	116,292	98,118

NB. All amounts disclosed above are gross – that is, they include internal charges and recoveries made between the funds. Assets and liabilities shown in the water and sewer columns are restricted for use for these activities.

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 23(a). Statement of performance measures – consolidated results

\$ '000	Amounts 2019	Indicator 2019	Prior period 2018	Benchmark
1. Operating performance ratio				
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	(4,829)	(6.50)%	(3.67)%	>0.00%
Total continuing operating revenue excluding capital grants and contributions ¹	74,315			
2. Own source operating revenue ratio				
Total continuing operating revenue excluding all grants and contributions ¹	49,733	61.21%	66.36%	>60.00%
Total continuing operating revenue ¹	81,251			
3. Unrestricted current ratio				
Current assets less all external restrictions	39,302	4.05x	4.12x	>1.50x
Current liabilities less specific purpose liabilities	9,708			
4. Debt service cover ratio				
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	15,795	7.46x	14.76x	>2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	2,116			
5. Rates, annual charges, interest and extra charges outstanding percentage				
Rates, annual and extra charges outstanding	3,701	9.77%	10.64%	<10.00%
Rates, annual and extra charges collectible	37,868			
6. Cash expense cover ratio				
Current year's cash and cash equivalents plus all term deposits	88,113	16.14 mths	19.72 mths	>3.00 mths
Monthly payments from cash flow of operating and financing activities	5,459			

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

(2) Excludes impairment/revaluation decrements, net loss on sale of assets, and net loss on share of interests in joint ventures and associates

Notes to the Financial Statements
for the year ended 30 June 2019

Note 23(b). Statement of performance measures – by fund

\$ '000	General Indicators ³		Water Indicators		Sewer Indicators		Benchmark
	2019	2018	2019	2018	2019	2018	
1. Operating performance ratio							
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	(12.06)%	(9.23)%	4.97%	6.49%	14.94%	20.94%	>0.00%
Total continuing operating revenue excluding capital grants and contributions ¹							
2. Own source operating revenue ratio							
Total continuing operating revenue excluding capital grants and contributions ¹	51.09%	58.36%	93.45%	85.87%	89.77%	94.63%	>60.00%
Total continuing operating revenue ¹							
3. Unrestricted current ratio							
Current assets less all external restrictions	4.05x	4.12x	51.53x	85.14x	615.38x	42.70x	>1.50x
Current liabilities less specific purpose liabilities							
4. Debt service cover ratio							
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	3.85x	13.73x	187.67x	37.24x	89.86x	10.67x	>2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)							
5. Rates, annual charges, interest and extra charges outstanding percentage							
Rates, annual and extra charges outstanding	8.67%	9.20%	12.03%	16.43%	11.17%	13.37%	<10.00%
Rates, annual and extra charges collectible							
6. Cash expense cover ratio							
Current year's cash and cash equivalents plus all term deposits	11.11	13.77	36.61	64.57	31.73	49.78	>3.00
Payments from cash flow of operating and financing activities	mths	mths	mths	mths	mths	mths	mths

(1) - (2) Refer to Notes at Note 23a above.

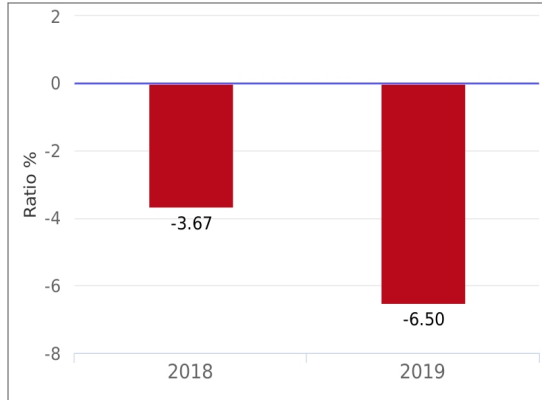
(3) General fund refers to all of Council's activities except for its water and sewer activities which are listed separately.

END OF AUDITED FINANCIAL STATEMENTS

Notes to the Financial Statements
for the year ended 30 June 2019

Note 23(c). Statement of performance measures – consolidated results (graphs)

1. Operating performance ratio



Purpose of operating performance ratio

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

Commentary on 2018/19 result

2018/19 ratio (6.50)%

The downward trend in this ratio is more a reflection of the timing of operating grant funding received compared to the year expended rather than a reflection of Council's performance. This includes the additional \$4.5 million received with the reintroduction of prepaid Financial Assistance Grants in 2017. However, Council acknowledges the need to introduce measures to address its operating deficit as part of Long Term Financial Planning.

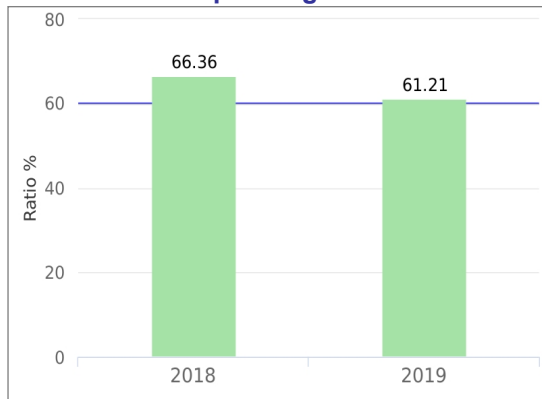
Benchmark: — > 0.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting #27

Ratio achieves benchmark

Ratio is outside benchmark

2. Own source operating revenue ratio



Purpose of own source operating revenue ratio

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

Commentary on 2018/19 result

2018/19 ratio 61.21%

The shift in this ratio reflects Council's dependence on external (Grant) funding. Council has met the benchmark minimum of 60% in the last two years, however this is largely as a result of Water and Sewer business activities. The general fund own source operating revenue ratio is not meeting this benchmark at 51% down from 58% in 2018 due to additional operating grants received.

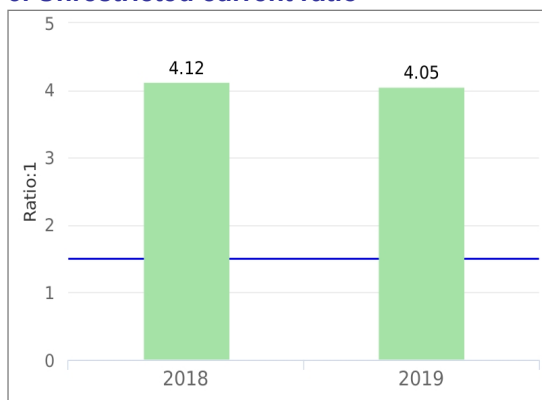
Benchmark: — > 60.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting #27

Ratio achieves benchmark

Ratio is outside benchmark

3. Unrestricted current ratio



Purpose of unrestricted current ratio

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

Commentary on 2018/19 result

2018/19 ratio 4.05x

Council continues to hold sufficient levels of cash to meet short term obligations.

Benchmark: — > 1.50x

Source of benchmark: Code of Accounting Practice and Financial Reporting #27

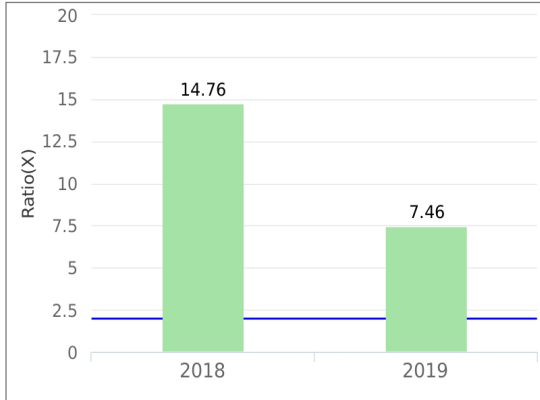
Ratio achieves benchmark

Ratio is outside benchmark

Notes to the Financial Statements
for the year ended 30 June 2019

Note 23(c). Statement of performance measures – consolidated results (graphs)

4. Debt service cover ratio



Purpose of debt service cover ratio

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

Commentary on 2018/19 result

2018/19 ratio 7.46x

Council continues to carry low levels of debt and sit above the industry benchmark minimum of 2x. The large reduction in the ratio this year is a result of early settlement of a loan for sewer infrastructure.

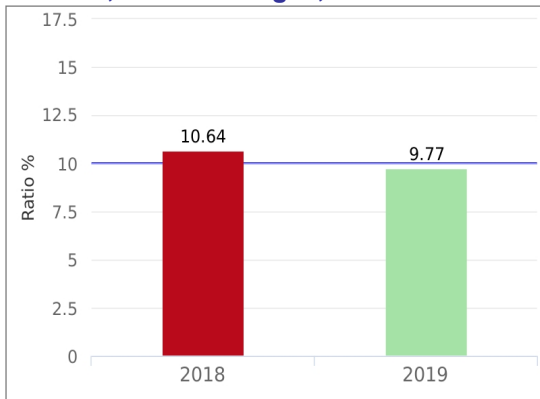
Benchmark: — > 2.00x

■ Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting #27

■ Ratio is outside benchmark

5. Rates, annual charges, interest and extra charges outstanding percentage



Purpose of rates, annual charges, interest and extra charges outstanding

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

Commentary on 2018/19 result

2018/19 ratio 9.77%

This ratio has been adjusted to exclude water and sewer access charges that were not due as at 30th June 2019 and include advanced payments of rates. Council ratio for uncollected rates and annual charges continues to improve on prior years and now meets the industry benchmark of 9.77%.

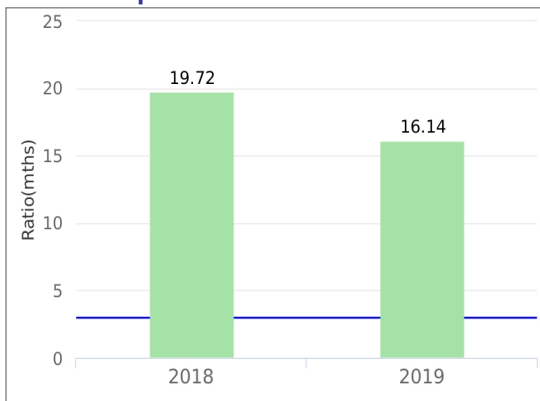
Benchmark: — < 10.00%

■ Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting #27

■ Ratio is outside benchmark

6. Cash expense cover ratio



Purpose of cash expense cover ratio

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

Commentary on 2018/19 result

2018/19 ratio 16.14 mths

Council continues to exceed the benchmark minimum ratio of over >3 times.

Benchmark: — > 3.00mths

■ Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting #27

■ Ratio is outside benchmark



INDEPENDENT AUDITOR'S REPORT

Report on the general purpose financial statements

Snowy Monaro Regional Council

To the Councillors of the Snowy Monaro Regional Council

Opinion

I have audited the accompanying financial statements of Snowy Monaro Regional Council (the Council), which comprise the Income Statement and Statement of Comprehensive Income for the year ended 30 June 2019, the Statement of Financial Position as at 30 June 2019, the Statement of Changes in Equity and Statement of Cash Flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the Statement by Councillors and Management.

In my opinion:

- the Council's accounting records have been kept in accordance with the requirements of the *Local Government Act 1993*, Chapter 13, Part 3, Division 2 (the Division)
- the financial statements:
 - have been presented, in all material respects, in accordance with the requirements of this Division
 - are consistent with the Council's accounting records
 - present fairly, in all material respects, the financial position of the Council as at 30 June 2019, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- all information relevant to the conduct of the audit has been obtained
- no material deficiencies in the accounting records or financial statements have come to light during the audit.

My opinion should be read in conjunction with the rest of this report.

Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under the standards are described in the 'Auditor's Responsibilities for the Audit of the Financial Statements' section of my report.

I am independent of the Council in accordance with the requirements of the:

- Australian Auditing Standards
- Accounting Professional and Ethical Standards Board's APES 110 'Code of Ethics for Professional Accountants' (APES 110).

I have fulfilled my other ethical responsibilities in accordance with APES 110.

Parliament promotes independence by ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of councils
- precluding the Auditor-General from providing non-audit services.

I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Other Information

The Council's annual report for the year ended 30 June 2019 includes other information in addition to the financial statements and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the special purpose financial statements and Special Schedules (the Schedules).

My opinion on the financial statements does not cover the other information. Accordingly, I do not express any form of assurance conclusion on the other information. However, as required by the *Local Government Act 1993*, I have separately expressed an opinion on the special purpose financial statements and Special Schedule - Permissible income for general rates.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude there is a material misstatement of the other information, I must report that fact.

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

The Councillors are responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards and the *Local Government Act 1993*, and for such internal control as the Councillors determine is necessary to enable the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Councillors are responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting except where the Council will be dissolved or amalgamated by an Act of Parliament, or otherwise cease operations.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on the financial statements.

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/ar4.pdf. The description forms part of my auditor's report.

My opinion does not provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- on the Original Budget information included in the Income Statement, Statement of Cash Flows, and Note 18 Material budget variations
- on the Special Schedules. A separate opinion has been provided on Special Schedule - Permissible income for general rates
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.



Lawrissa Chan
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

30 October 2019
SYDNEY



Peter Beer
 Mayor
 Snowy Monaro Regional Council
 PO Box 714
 COOMA NSW 2630

Contact: Lawrissa Chan
 Phone no: (02) 9275 7255
 Our ref: D1925065/1787

30 October 2019

Dear Mayor

**Report on the Conduct of the Audit
 for the year ended 30 June 2019
 Snowy Monaro Regional Council**

I have audited the general purpose financial statements (GPFS) of the Snowy Monaro Regional Council (the Council) for the year ended 30 June 2019 as required by section 415 of the *Local Government Act 1993* (the Act).

I expressed an unmodified opinion on the Council's GPFS.

This Report on the Conduct of the Audit (the Report) for the Council for the year ended 30 June 2019 is issued in accordance with section 417 of the Act. This Report should be read in conjunction with my audit opinion on the GPFS issued under section 417(2) of the Act.

INCOME STATEMENT

Operating result

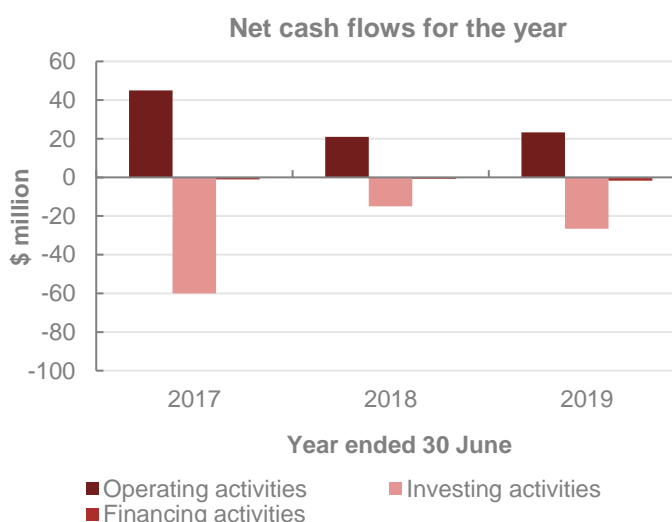
	2019	2018	Variance
	\$m	\$m	%
Rates and annual charges revenue	31.5	29.4	↑ 7.1
Grants and contributions revenue	31.2	24.7	↑ 26.3
Operating result for the year	2.2	1.5	↑ 46.7
Net operating result before capital grants and contributions	(4.7)	(2.5)	↓ 88

The following comments are made in respect of Council’s operating result for the year:

- Rates and annual charges revenue (\$31.5 million) increased by \$2.1 million (7.1 *per cent*) in 2018–2019. This is mainly due to the permissible rate increase of 2.3 per cent granted by the Minister for Local Government and increase in domestic waste management and sewerage service annual charges.
- Grants and contributions revenue (\$31.2 million) increased by \$6.5 million (26.3 per cent) in 2018–2019 due to:
 - New Council Implementation fund in 2018–19 (\$3.5 million)
 - Stronger Communities and Stronger Country Communities Funds (\$4.1 million).
- Council’s operating result was a surplus of \$2.2 million (\$1.5 million surplus for the year ended 30 June 2018). The increase of \$0.7 million was mainly attributed to the Council receiving \$3.5 million in the New Council Implementation fund this year and a total of \$4.1 million in the Stronger Communities and Stronger Country Communities Funds. This was offset by higher expenses, including \$3.4 million in employee expenses as the number of ‘full time equivalent’ employees increased from 340 in 2018 to 360 in 2019.
- The net operating result before capital grants and contributions was a deficit of \$4.7 million (\$2.5 million deficit for the year ended 30 June 2018). This is mainly due to the increase of \$3.4 million in employee expenses.

STATEMENT OF CASH FLOWS

- Council’s cash and cash equivalents was \$11.1 million (\$16.3 million for the year ended 30 June 2018). There was a net reduction in cash and cash equivalents of \$5.2 million at 30 June 2019.
- Net cash provided by operating activities increased by \$2.1 million. This is mainly due to increased cash receipts from grants and contributions.
- Net cash used in investing activities increased by \$10.8 million. This is mainly due to the \$5 million increase in the net sale and purchase of investments securities and the \$5.8 million increase in the purchase of infrastructure, property, plant and equipment.
- Net cash used in financing activities increased by \$1.1 million as there were higher repayments in borrowings and advances.



FINANCIAL POSITION

Cash and investments

Cash and investments	2019	2018	Commentary
	\$m	\$m	
External restrictions	59.2	49.7	<ul style="list-style-type: none"> • Externally restricted cash and investments are restricted in their use by externally imposed requirements. Council's externally restricted cash and investments have increased by \$9.5 million primarily due to: <ul style="list-style-type: none"> - Developer contributions (\$1.4 million) - Specific purpose unexpended grants (\$2.3 million) - Water supplies (\$3.2 million) - Sewerage services (\$2.2 million) • Internally restricted cash and investments have been restricted in their use by resolution or policy of Council. The \$6.7 million decrease in internally restricted funds are primarily due to: <ul style="list-style-type: none"> - Fewer uncompleted works in 2018–19 (\$3 million) - Fewer plant and vehicle replacements (\$0.9 million) • Unrestricted cash has remained consistent year on year.
Internal restrictions	28.6	35.3	
Unrestricted	0.6	0.2	
Cash and investments	88.4	85.2	

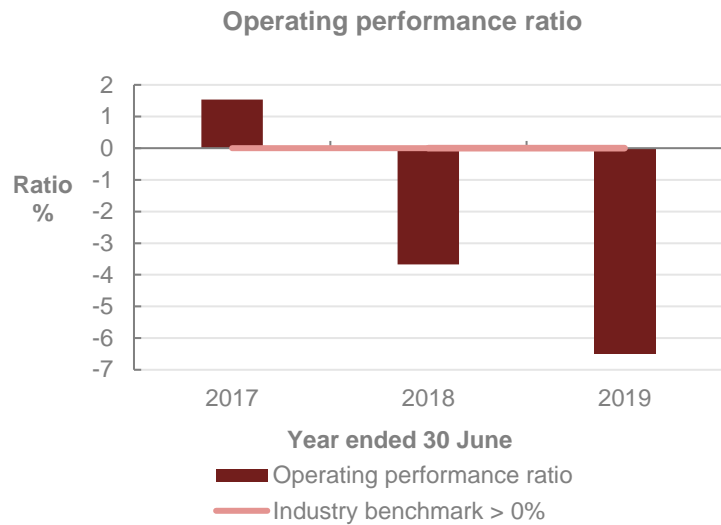
Debt

- Council has \$1.4 million of borrowings as at 30 June 2019 (2018: \$3.2 million).
- Council have an unrestricted overdraft facility of \$300 thousand which was undrawn as at 30 June 2019, as well as \$105 thousand of corporate credit cards facility which is undrawn as at 30 June 2019.

PERFORMANCE

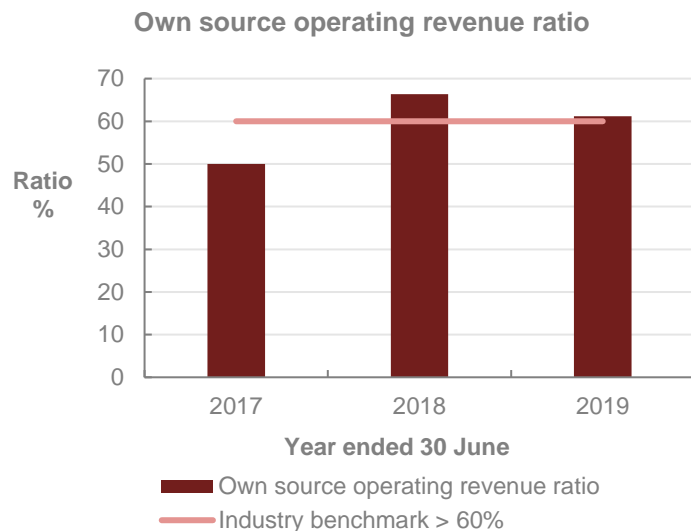
Operating performance ratio

- The 'operating performance ratio' measures how well council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by the former Office of Local Government (OLG) is greater than zero per cent.
- Council's operating performance ratio of -6.5 per cent is below the industry benchmark of greater than 0 per cent.
- The operating performance ratio decreased by 2.83 per cent compared to the prior year due to the higher operating expenses, such as \$3.4 million in employee expenses.



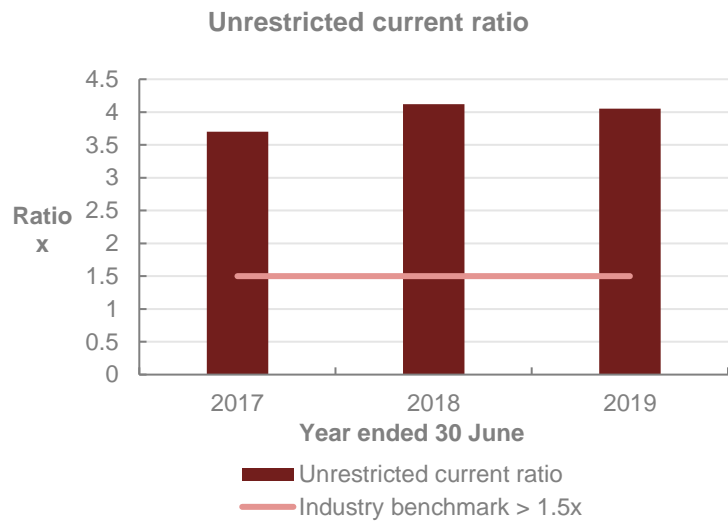
Own source operating revenue ratio

- The 'own source operating revenue ratio' measures council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by the former OLG is greater than 60 per cent.
- The 'Council's own source operating revenue ratio of 61.21 per cent is above the industry benchmark of 60 per cent. This indicates that the Council has a diversified source of income and does not have an overly strong reliance on operating grants and contributions.
- The Council's ratio decreased from the prior year (2018: 66.36 per cent), which was mainly due to the increase in grants and contributions received in the current year.



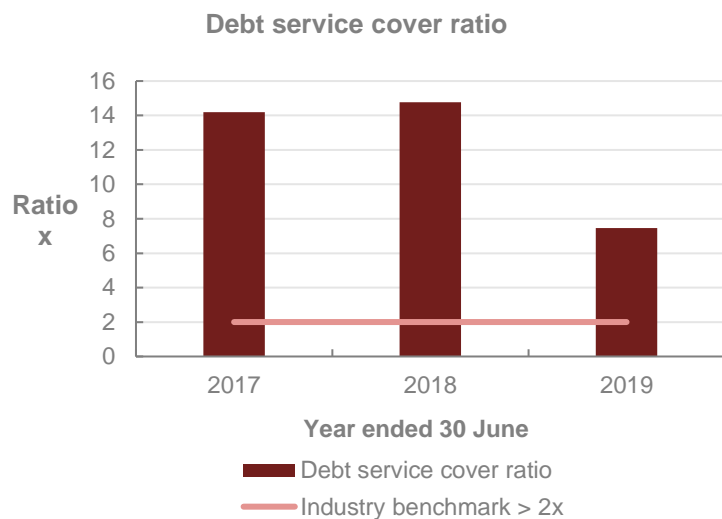
Unrestricted current ratio

- The 'unrestricted current ratio' is specific to local government and represents council's ability to meet its short-term obligations as they fall due. The benchmark set by the former OLG is greater than 1.5 times.
- The Council's liquidity ratio of 4.1 times is greater than the industry benchmark minimum of greater than 1.5 times. This indicates that the Council has sufficient liquidity to meet its current liabilities as and when they fall due.
- The Council's unrestricted current ratio has remained steady in comparison to the prior year (2018: 4.1 times)



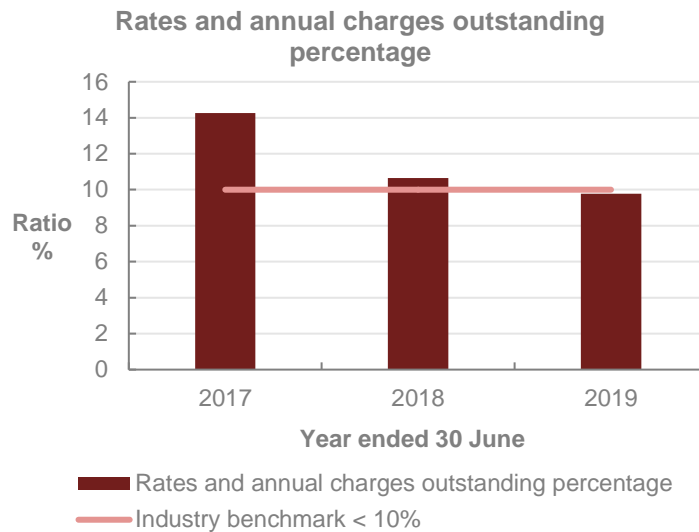
Debt service cover ratio

- The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by the former OLG is greater than two times.
- Council's debt service cover ratio of 7.6 times is higher than the industry benchmark of greater than 2 times.
- The decrease in the ratio compared with prior year (2018: 14.76 times) was due to the early settlement of a loan for sewer infrastructure.



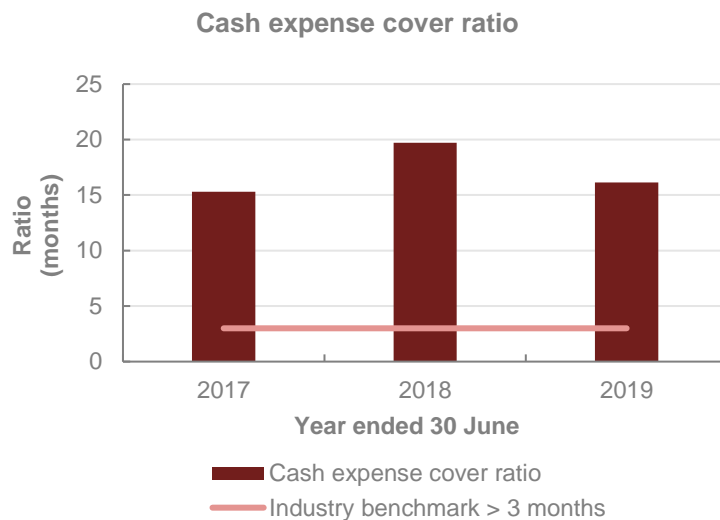
Rates and annual charges outstanding percentage

- The 'rates and annual charges outstanding percentage' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by the former OLG is less than 10 per cent for regional and rural councils.
- The Council's rates and annual charges outstanding ratio of 9.77 is within the benchmark of less than 10 per cent for regional and rural councils.
- The Council's rates and annual charges outstanding percentage has decreased slightly from the previous year (2018: 10.64 per cent) and is attributed to the improvements in the Council's debt collection procedures.



Cash expense cover ratio

- This liquidity ratio indicates the number of months the council can continue paying for its immediate expenses without additional cash inflow. The benchmark set by the former OLG is greater than three months.
- The Council's cash expense cover ratio was 16.1 months, which is above the industry benchmark of greater than 3 months. This indicates that Council had the capacity to cover 16.1 months of operating cash expenditure without additional cash inflows as at 30 June 2019.
- The Council's cash expense cover ratio has decreased by 3.6 months since the prior year due to additional payments for investment securities and infrastructure, property, plant and equipment in 2018–19.



Infrastructure, property, plant and equipment renewals

The Council has renewed \$16.1 million of assets in the 2018–19 financial year, compared to \$10.4 million in the prior year. The increase is primarily due to transport infrastructure projects.

OTHER MATTERS

New accounting standards implemented

Application period	Overview
AASB 9 'Financial Instruments' and revised AASB 7 'Financial Instruments: Disclosures'	
For the year ended 30 June 2019	<p>AASB 9 replaces AASB 139 'Financial Instruments: Recognition and Measurement' and changes the way financial instruments are treated for financial reporting.</p> <p>Key changes include:</p> <ul style="list-style-type: none">• a simplified model for classifying and measuring financial assets• a new method for calculating impairment• a new type of hedge accounting that more closely aligns with risk management. <p>The revised AASB 7 includes new disclosures as a result of AASB 9.</p> <p>Council's disclosure of the impact of adopting AASB 9 is disclosed in Note 13.</p>

Legislative compliance

My audit procedures did not identify any instances of non-compliance with legislative requirements or a material deficiency in the Council's accounting records or financial statements. The Council's:

- accounting records were maintained in a manner and form to allow the GPFS to be prepared and effectively audited
- staff provided all accounting records and information relevant to the audit.



Lawrissa Chan
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

cc: Peter Smith, Acting General Manager
Melissa Tooke, Chair of Audit, Risk and Improvement Committee
Jim Betts, Secretary of the Department of Planning, Industry and Environment

Snowy Monaro Regional Council

SPECIAL PURPOSE FINANCIAL STATEMENTS

for the year ended 30 June 2019

Stronger together ~ Better together



Special Purpose Financial Statements

for the year ended 30 June 2019

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Background

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

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

- iii. For Council, the principle of competitive neutrality and public reporting applies only to declared business activities.

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

Snowy Monaro Regional Council

Special Purpose Financial Statements

for the year ended 30 June 2019

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

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

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

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

- present fairly the operating result and financial position for each of Council's declared business activities for the year, and
- accord with Council's accounting and other records.
- present overhead reallocation charges to the water and sewerage businesses as fair and reasonable.

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

Signed in accordance with a resolution of Council made on 19 September 2019.



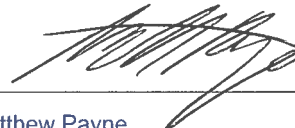
Peter Beer
Mayor
21 October 2019



Rogan Corbett
Councillor
21 October 2019



Peter Smith
Acting General Manager
21 October 2019



Matthew Payne
Responsible Accounting Officer
21 October 2019

Income Statement – Water Supply Business Activity

for the year ended 30 June 2019

\$ '000	2019	2018
Income from continuing operations		
Access charges	2,736	2,516
User charges	5,535	5,026
Fees	158	48
Interest	498	401
Grants and contributions provided for non-capital purposes	57	37
Profit from the sale of assets	–	46
Other income	238	190
Total income from continuing operations	9,222	8,264
Expenses from continuing operations		
Employee benefits and on-costs	1,866	1,696
Borrowing costs	21	26
Materials and contracts	1,301	1,056
Depreciation, amortisation and impairment	3,462	3,348
Loss on sale of assets	24	50
Other expenses	2,090	1,552
Total expenses from continuing operations	8,764	7,728
Surplus (deficit) from continuing operations before capital amounts	458	536
Grants and contributions provided for capital purposes	585	1,317
Surplus (deficit) from continuing operations after capital amounts	1,043	1,853
Surplus (deficit) from all operations before tax	1,043	1,853
Less: corporate taxation equivalent (27.5%) [based on result before capital]	(126)	(147)
SURPLUS (DEFICIT) AFTER TAX	917	1,706
Plus accumulated surplus	97,589	95,736
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	126	147
Closing accumulated surplus	98,632	97,589
Return on capital %	0.5%	0.6%
Subsidy from Council	763	1,935
Calculation of dividend payable:		
Surplus (deficit) after tax	917	1,706
Less: capital grants and contributions (excluding developer contributions)	(585)	(966)
Surplus for dividend calculation purposes	332	740
Potential dividend calculated from surplus	166	370

Income Statement – Sewerage Business Activity

for the year ended 30 June 2019

\$ '000	2019	2018
Income from continuing operations		
Access charges	8,560	7,612
User charges	91	323
Fees	55	31
Interest	565	438
Grants and contributions provided for non-capital purposes	53	43
Profit from the sale of assets	–	1
Other income	167	144
Total income from continuing operations	9,491	8,592
Expenses from continuing operations		
Employee benefits and on-costs	1,792	1,783
Borrowing costs	44	99
Materials and contracts	1,764	1,178
Depreciation, amortisation and impairment	2,492	2,403
Loss on sale of assets	(28)	3
Other expenses	2,009	1,327
Total expenses from continuing operations	8,073	6,793
Surplus (deficit) from continuing operations before capital amounts	1,418	1,799
Grants and contributions provided for capital purposes	1,022	442
Surplus (deficit) from continuing operations after capital amounts	2,440	2,241
Surplus (deficit) from all operations before tax	2,440	2,241
Less: corporate taxation equivalent (27.5%) [based on result before capital]	(390)	(495)
SURPLUS (DEFICIT) AFTER TAX	2,050	1,746
Plus accumulated surplus	93,598	91,357
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	390	495
Closing accumulated surplus	96,038	93,598
Return on capital %	2.0%	2.6%
Subsidy from Council	–	58
Calculation of dividend payable:		
Surplus (deficit) after tax	2,050	1,746
Less: capital grants and contributions (excluding developer contributions)	(1,022)	(36)
Surplus for dividend calculation purposes	1,028	1,710
Potential dividend calculated from surplus	514	855

Income Statement – Waste Management

for the year ended 30 June 2019

\$ '000	2019 Category 1	2018 Category 1
Income from continuing operations		
Access charges	4,524	3,975
User charges	883	817
Fees	1,476	1,312
Interest	166	122
Grants and contributions provided for non-capital purposes	38	25
Other income	1,659	1,759
Total income from continuing operations	8,746	8,010
Expenses from continuing operations		
Employee benefits and on-costs	2,790	2,650
Borrowing costs	169	263
Materials and contracts	2,485	2,996
Depreciation, amortisation and impairment	817	718
Loss on sale of assets	1	–
Other expenses	1,282	1,165
Total expenses from continuing operations	7,544	7,792
Surplus (deficit) from continuing operations before capital amounts	1,202	218
Grants and contributions provided for capital purposes	87	53
Surplus (deficit) from continuing operations after capital amounts	1,289	271
Surplus (deficit) from all operations before tax	1,289	271
Less: corporate taxation equivalent (27.5%) [based on result before capital]	(331)	(60)
SURPLUS (DEFICIT) AFTER TAX	958	211
Plus accumulated surplus	9,330	9,059
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	331	60
Closing accumulated surplus	10,619	9,330
Return on capital %	14.5%	5.1%

Income Statement – Residential Aged Care

for the year ended 30 June 2019

\$ '000	2019 Category 1	2018 Category 1
Income from continuing operations		
User charges	251	–
Fees	782	1,140
Interest	170	130
Grants and contributions provided for non-capital purposes	1,689	1,883
Other income	–	16
Total income from continuing operations	2,892	3,169
Expenses from continuing operations		
Employee benefits and on-costs	2,550	2,822
Materials and contracts	1,127	533
Depreciation, amortisation and impairment	296	260
Other expenses	199	167
Total expenses from continuing operations	4,172	3,782
Surplus (deficit) from continuing operations before capital amounts	(1,280)	(613)
Grants and contributions provided for capital purposes	500	20
Surplus (deficit) from continuing operations after capital amounts	(780)	(593)
Surplus (deficit) from all operations before tax	(780)	(593)
Less: corporate taxation equivalent (27.5%) [based on result before capital]	–	–
SURPLUS (DEFICIT) AFTER TAX	(780)	(593)
Plus accumulated surplus	6,993	7,586
Plus adjustments for amounts unpaid:		
Closing accumulated surplus	6,213	6,993
Return on capital %	(20.0)%	(9.3)%
Subsidy from Council	1,365	564

Statement of Financial Position – Water Supply Business Activity

as at 30 June 2019

\$ '000	2019	2018
ASSETS		
Current assets		
Cash and cash equivalents	2,464	942
Investments	4,212	8,790
Receivables	3,014	3,637
Other	(2)	(2)
Total current assets	9,688	13,367
Non-current assets		
Investments	12,859	5,965
Infrastructure, property, plant and equipment	94,107	94,938
Total non-current assets	106,966	100,903
TOTAL ASSETS	116,654	114,270
LIABILITIES		
Current liabilities		
Payables	98	72
Borrowings	90	85
Total current liabilities	188	157
Non-current liabilities		
Borrowings	174	264
Total non-current liabilities	174	264
TOTAL LIABILITIES	362	421
NET ASSETS	116,292	113,849
EQUITY		
Accumulated surplus	98,632	97,589
Revaluation reserves	17,660	16,260
TOTAL EQUITY	116,292	113,849

Statement of Financial Position – Sewerage Business Activity

as at 30 June 2019

\$ '000	2019	2018
ASSETS		
Current assets		
Cash and cash equivalents	2,690	1,107
Investments	4,599	10,333
Receivables	2,557	3,078
Total current assets	9,846	14,518
Non-current assets		
Investments	14,039	7,012
Receivables	105	123
Infrastructure, property, plant and equipment	74,144	74,359
Total non-current assets	88,288	81,494
TOTAL ASSETS	98,134	96,012
LIABILITIES		
Current liabilities		
Payables	16	16
Borrowings	–	324
Total current liabilities	16	340
Non-current liabilities		
Borrowings	–	1,104
Total non-current liabilities	–	1,104
TOTAL LIABILITIES	16	1,444
NET ASSETS	98,118	94,568
EQUITY		
Accumulated surplus	96,038	93,596
Revaluation reserves	2,080	971
TOTAL EQUITY	98,118	94,567

Statement of Financial Position – Waste Management

as at 30 June 2019

\$ '000	2019 Category 1	2018 Category 1
ASSETS		
Current assets		
Cash and cash equivalents	788	5,445
Investments	1,348	111
Receivables	664	619
Total current assets	2,800	6,175
Non-current assets		
Investments	4,115	–
Infrastructure, property, plant and equipment	9,430	9,355
Other	3	3
Total non-current assets	13,548	9,358
TOTAL ASSETS	16,348	15,533
LIABILITIES		
Current liabilities		
Payables	7	8
Borrowings	269	231
Total current liabilities	276	239
Non-current liabilities		
Borrowings	564	832
Provisions	5,013	5,255
Total non-current liabilities	5,577	6,087
TOTAL LIABILITIES	5,853	6,326
NET ASSETS	10,495	9,207
EQUITY		
Accumulated surplus	10,619	9,330
Revaluation reserves	(124)	(123)
TOTAL EQUITY	10,495	9,207

Statement of Financial Position – Residential Aged Care

as at 30 June 2019

\$ '000	2019 Category 1	2018 Category 1
ASSETS		
Current assets		
Cash and cash equivalents	533	–
Investments	3,692	4,948
Receivables	45	71
Total current assets	<u>4,270</u>	<u>5,019</u>
Non-current assets		
Infrastructure, property, plant and equipment	6,410	6,561
Intangible assets	350	350
Total non-current assets	<u>6,760</u>	<u>6,911</u>
TOTAL ASSETS	<u>11,030</u>	<u>11,930</u>
LIABILITIES		
Current liabilities		
Payables	4,097	4,218
Total current liabilities	<u>4,097</u>	<u>4,218</u>
TOTAL LIABILITIES	<u>4,097</u>	<u>4,218</u>
NET ASSETS	<u>6,933</u>	<u>7,712</u>
EQUITY		
Accumulated surplus	6,213	6,992
Revaluation reserves	720	720
TOTAL EQUITY	<u>6,933</u>	<u>7,712</u>

Snowy Monaro Regional Council

Notes to the Special Purpose Financial Statements

for the year ended 30 June 2019

Note 1. Significant Accounting Policies

A statement summarising the supplemental accounting policies adopted in the preparation of the Special Purpose Financial Statements (SPFS) for National Competition Policy (NCP) reporting purposes follows.

These financial statements are SPFS prepared for use by Council and the Office of Local Government. For the purposes of these statements, the Council is a non-reporting not-for-profit entity.

The figures presented in these Special Purpose Financial Statements have been prepared in accordance with the recognition and measurement criteria of relevant Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and Australian Accounting Interpretations.

The disclosures in these Special Purpose Financial Statements have been prepared in accordance with the Local Government Act 1993 (NSW), the *Local Government (General) Regulation 2005*, and the Local Government Code of Accounting Practice and Financial Reporting.

The statements are prepared on an accruals basis. They are based on historic costs and do not take into account changing money values or, except where specifically stated, current values of non-current assets. Certain taxes and other costs, appropriately described, have been imputed for the purposes of the National Competition Policy.

The Statement of Financial Position includes notional assets/liabilities receivable from/payable to Council's general fund. These balances reflect a notional intra-entity funding arrangement with the declared business activities.

National Competition Policy

Council has adopted the principle of 'competitive neutrality' in its business activities as part of the National Competition Policy which is being applied throughout Australia at all levels of government.

The framework for its application is set out in the June 1996 NSW government policy statement titled 'Application of National Competition Policy to Local Government'.

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

The pricing and costing guidelines outline the process for identifying and allocating costs to activities and provide a standard for disclosure requirements.

These disclosures are reflected in Council's pricing and/or financial reporting systems and include taxation equivalents, Council subsidies, return on investments (rate of return), and dividends paid.

Declared business activities

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

Category 1

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

a. Water Supply

Water supply services

b. Sewerage Service

Sewerage reticulation, treatment and associated activities

c. Waste Management

Collection and disposal of garbage

d. Aged Care Services

Combined services offered at Yallambee Lodge and Snowy River Hostel (previous years reported Yallambee Lodge only)

Notes to the Special Purpose Financial Statements

for the year ended 30 June 2019

Note 1. Significant Accounting Policies (continued)

Category 2

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

Nil

Monetary amounts

Amounts shown in the financial statements are in Australian dollars and rounded to the nearest one thousand dollars.

(i) Taxation equivalent charges

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

However, where Council does not pay some taxes which are generally paid by private sector businesses, such as income tax, these equivalent tax payments have been applied to all Council-nominated business activities and are reflected in Special Purpose Financial Statements.

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

Notional rate applied (%)

Corporate income tax rate – 27.5%

Land tax – the first \$692,000 of combined land values attracts 0%. For the combined land values in excess of \$692,001 up to \$4,231,000 the rate is 1.6% + \$100. For the remaining combined land value that exceeds \$4,231,000 a premium marginal rate of 2.0% applies.

Payroll tax – 5.45% on the value of taxable salaries and wages in excess of \$850,000.

In accordance with the Department of Industry (DoI) – Water guidelines, a payment for the amount calculated as the annual tax equivalent charges (excluding income tax) must be paid from water supply and sewerage business activities.

The payment of taxation equivalent charges, referred to in the DoI – Water guidelines as a 'dividend for taxation equivalent', may be applied for any purpose allowed under the *Local Government Act, 1993*.

Achievement of substantial compliance to the DoI – Water guidelines is not a prerequisite for the payment of the tax equivalent charges, however the payment must not exceed \$3 per assessment.

Income tax

An income tax equivalent has been applied on the profits of the business activities.

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

Accordingly, the return on capital invested is set at a pre-tax level - gain/(loss) from ordinary activities before capital amounts, as would be applied by a private sector competitor. That is, it should include a provision equivalent to the corporate income tax rate, currently 27.5%.

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

Since the taxation equivalent is notional – that is, it is payable to Council as the 'owner' of business operations - it represents an internal payment and has no effect on the operations of the Council. Accordingly, there is no need for disclosure of internal charges in the SPFS.

The rate applied of 27.5% is the equivalent company tax rate prevalent at reporting date. No adjustments have been made for variations that have occurred during the year.

Snowy Monaro Regional Council

Notes to the Special Purpose Financial Statements

for the year ended 30 June 2019

Note 1. Significant Accounting Policies (continued)

Local government rates and charges

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

Loan and debt guarantee fees

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

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

(ii) Subsidies

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

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

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

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

(iii) Return on investments (rate of return)

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

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

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

The rate of return is calculated as follows:

Operating result before capital income + interest expense

Written down value of I,PP&E as at 30 June

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 1.32% at 30/6/19.

(iv) Dividends

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

Local government water supply and sewerage businesses are permitted to pay an annual dividend from its water supply or sewerage business surplus.

Each dividend must be calculated and approved in accordance with the Department of Industry – Water guidelines and must not exceed:

- 50% of this surplus in any one year, or
- the number of water supply or sewerage assessments at 30 June 2019 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

In accordance with the Department of Industry – Water guidelines a Dividend Payment form, Statement of Compliance, Unqualified Independent Financial Audit Report and Compliance Audit Report are required to be submitted to the Department of Industry – Water.



INDEPENDENT AUDITOR'S REPORT
Report on the special purpose financial statements
Snowy Monaro Regional Council

To the Councillors of the Snowy Monaro Regional Council

Opinion

I have audited the accompanying special purpose financial statements (the financial statements) of Snowy Monaro Regional Council's (the Council) declared business activities, which comprise the Income Statement of each declared business activity for the year ended 30 June 2019, the Statement of Financial Position of each declared business activity as at 30 June 2019, Note 1 Significant accounting policies for the business activities declared by Council, and the Statement by Councillors and Management.

The declared business activities of the Council are:

- Water Supply
- Sewerage Service
- Waste Management
- Aged Care Services.

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Council's declared business activities as at 30 June 2019, and its financial performance for the year then ended, in accordance with the Australian Accounting Standards described in Note 1 and the Local Government Code of Accounting Practice and Financial Reporting – update number 27 (LG Code).

My opinion should be read in conjunction with the rest of this report.

Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under the standards are described in the 'Auditor's Responsibilities for the Audit of the Financial Statements' section of my report.

I am independent of the Council in accordance with the requirements of the:

- Australian Auditing Standards
- Accounting Professional and Ethical Standards Board's APES 110 'Code of Ethics for Professional Accountants' (APES 110).

I have fulfilled my other ethical responsibilities in accordance with APES 110.

Parliament promotes independence by ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as the auditor of councils
- precluding the Auditor-General from providing non-audit services.

I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Emphasis of Matter - Basis of Accounting

Without modifying my opinion, I draw attention to Note 1 to the financial statements which describes the basis of accounting. The financial statements have been prepared for the purpose of fulfilling the Council's financial reporting responsibilities under the LG Code. As a result, the financial statements may not be suitable for another purpose.

Other Information

The Council's annual report for the year ended 30 June 2019 includes other information in addition to the financial statements and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the general purpose financial statements and Special Schedules (the Schedules).

My opinion on the financial statements does not cover the other information. Accordingly, I do not express any form of assurance conclusion on the other information. However, as required by the *Local Government Act 1993*, I have separately expressed an opinion on the general purpose financial statements and Special Schedule 'Permissible income for general rates'.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude there is a material misstatement of the other information, I must report that fact.

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

The Councillors are responsible for the preparation and fair presentation of the financial statements and for determining that the accounting policies, described in Note 1 to the financial statements, are appropriate to meet the requirements in the LG Code. The Councillors' responsibility also includes such internal control as the Councillors determine is necessary to enable the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Councillors are responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless it is not appropriate to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements.

Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on the financial statements.

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/ar4.pdf. The description forms part of my auditor's report.

My opinion does not provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.



Lawrissa Chan
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

30 October 2019
SYDNEY

Snowy Monaro Regional Council

SPECIAL SCHEDULES
for the year ended 30 June 2019

Stronger together ~ Better together



Special Schedules

for the year ended 30 June 2019

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Permissible income for general rates

		2019/20 Bombala Council	2019/20 Cooma-Monaro Shire Council	2019/20 Snowy River Shire Council	2019/20 Snowy Monaro Regional	2018/19 Bombala Council	2018/19 Cooma-Monaro Shire Council	2018/19 Snowy River Shire Council	2018/19 Snowy Monaro Regional
Notional general income calculation ¹									
Last year notional general income yield	a	2,426	7,227	6,078	15,731	2,367	7,140	5,892	15,399
Plus or minus adjustments ²	b	4	57	67	128	3	47	53	103
Notional general income	c = a + b	2,430	7,284	6,145	15,859	2,370	7,187	5,945	15,502
Permissible income calculation									
Or rate peg percentage	e	2.70%	2.70%	2.70%		2.30%	2.30%	2.30%	
Or plus rate peg amount	i = e x (c + g)	66	197	166	429	55	165	137	357
Sub-total	k = (c + g + h + i + j)	2,496	7,481	6,311	16,288	2,425	7,352	6,082	15,859
Plus (or minus) last year's carry forward total	l	1	83	14	98	2	(42)	10	(30)
Sub-total	n = (l + m)	1	83	14	98	2	(42)	10	(30)
Total permissible income	o = k + n	2,497	7,564	6,325	16,386	2,427	7,310	6,092	15,829
Less notional general income yield	p	2,495	7,505	6,311	16,311	2,426	7,227	6,078	15,731
Catch-up or (excess) result	q = o - p	1	59	14	74	1	83	14	98
Less unused catch-up ⁵	s	-	-	(10)	(10)	-	-	-	-
Carry forward to next year ⁶	t = q + r + s	1	59	4	64	1	83	14	98

- (1) The notional general income will not reconcile with rate income in the financial statements in the corresponding year. The statements are reported on an accrual accounting basis which include amounts that relate to prior years' rates income.
- (2) Adjustments account for changes in the number of assessments and any increase or decrease in land value occurring during the year. The adjustments are called 'supplementary valuations' as defined in the Valuation of Land Act 1916.
- (5) Unused catch-up amounts will be deducted if they are not caught up within 2 years. Usually councils will have a nominal carry forward figure. These amounts can be adjusted for in setting the rates in a future year.
- (6) Carry forward amounts which are in excess (an amount that exceeds the permissible income) require ministerial approval by order published in the NSW Government Gazette in accordance with section 512 of the Local Government Act 1993. The OLG will extract these amounts from Council's Permissible income for general rates Statement in the financial data return (FDR) to administer this process.



INDEPENDENT AUDITOR'S REPORT
Special Schedule - Permissible income for general rates
Snowy Monaro Regional Council

To the Councillors of the Snowy Monaro Regional Council

Opinion

I have audited the accompanying Special Schedule – Permissible income for general rates (the Schedule) of Snowy Monaro Regional Council (the Council) for the year ending 30 June 2020.

In my opinion, the Schedule is prepared, in all material respects in accordance with the requirements of the Local Government Code of Accounting Practice and Financial Reporting – update number 27 (LG Code) and is in accordance with the books and records of the Council.

My opinion should be read in conjunction with the rest of this report.

Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under the standards are described in the 'Auditor's Responsibilities for the Audit of the Schedule' section of my report.

I am independent of the Council in accordance with the requirements of the:

- Australian Auditing Standards
- Accounting Professional and Ethical Standards Board's APES 110 'Code of Ethics for Professional Accountants' (APES 110).

I have fulfilled my other ethical responsibilities in accordance with APES 110.

Parliament promotes independence by ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of councils
- precluding the Auditor-General from providing non-audit services.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Emphasis of Matter - Basis of Accounting

Without modifying my opinion, I draw attention to the special purpose framework used to prepare the Schedule. The Schedule has been prepared for the purpose of fulfilling the Council's reporting obligations under the LG Code. As a result, the Schedule may not be suitable for another purpose.

Other Information

The Council's annual report for the year ended 30 June 2019 includes other information in addition to the Schedule and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the general purpose financial statements, special purpose financial statements and Special Schedule 'Report on infrastructure assets as at 30 June 2019'.

My opinion on the Schedule does not cover the other information. Accordingly, I do not express any form of assurance conclusion on the other information. However, as required by the *Local Government Act 1993*, I have separately expressed an opinion on the general purpose financial statements and the special purpose financial statements.

In connection with my audit of the Schedule, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Schedule or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude there is a material misstatement of the other information, I must report that fact.

I have nothing to report in this regard.

The Councillors' Responsibilities for the Schedule

The Councillors are responsible for the preparation of the Schedule in accordance with the LG Code. The Councillors' responsibility also includes such internal control as the Councillors determine is necessary to enable the preparation of the Schedule that is free from material misstatement, whether due to fraud or error.

In preparing the Schedule, the Councillors are responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless it is not appropriate to do so.

Auditor's Responsibilities for the Audit of the Schedule

My objectives are to:

- obtain reasonable assurance whether the Schedule as a whole is free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on the Schedule.

A description of my responsibilities for the audit of the Schedule is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/ar8.pdf. The description forms part of my auditor's report.

My opinion does not provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- about the security and controls over the electronic publication of the audited Schedule on any website where it may be presented
- about any other information which may have been hyperlinked to/from the Schedule.



Lawrissa Chan
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

30 October 2019
SYDNEY

Report on Infrastructure Assets

as at 30 June 2019

Asset Class	Asset Category	Estimated cost		2018/19 Required maintenance ^a	2018/19 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
		Estimated cost to bring assets to satisfactory standard	to bring to the agreed level of service set by Council					1	2	3	4	5
Buildings	Buildings	3,557	2,034	931	792	40,947	118,347	31.0%	11.0%	26.0%	22.0%	10.0%
	Sub-total	3,557	2,034	931	792	40,947	118,347	31.0%	11.0%	26.0%	22.0%	10.0%
Other structures	Other structures	443	233	104	89	7,171	14,743	33.0%	21.0%	35.0%	7.0%	4.0%
	Sub-total	443	233	104	89	7,171	14,743	33.0%	21.0%	35.0%	7.0%	4.0%
Roads	Sealed roads	10,566	4,270	3,178	1,843	116,533	202,768	16.0%	31.0%	42.0%	10.0%	1.0%
	Unsealed roads	11,706	7,538	2,440	2,893	87,136	161,415	16.0%	16.0%	47.0%	20.0%	1.0%
	Bridges	4,465	2,174	701	707	58,328	114,619	13.0%	32.0%	43.0%	4.0%	8.0%
	Footpaths	236	144	91	56	8,449	17,085	16.0%	24.0%	20.0%	40.0%	0.0%
	Other road assets	1,486	789	770	16	46,627	58,208	10.0%	48.0%	36.0%	6.0%	0.0%
	Bulk earthworks	–	–	–	–	515,602	515,602	100.0%	0.0%	0.0%	0.0%	0.0%
	Sub-total	28,459	14,915	7,180	5,515	832,675	1,069,697	55.8%	14.7%	21.9%	6.3%	1.3%
Water supply network	Water supply network	12,609	12,609	2,087	1,428	90,706	203,556	12.0%	18.0%	38.0%	32.0%	0.0%
	Sub-total	12,609	12,609	2,087	1,428	90,706	203,556	12.0%	18.0%	38.0%	32.0%	0.0%
Sewerage network	Sewerage network	18,448	18,448	1,455	1,039	71,509	141,968	13.0%	34.0%	32.0%	14.0%	7.0%
	Sub-total	18,448	18,448	1,455	1,039	71,509	141,968	13.0%	34.0%	32.0%	14.0%	7.0%
Stormwater drainage	Stormwater drainage	687	574	247	330	16,536	32,136	9.0%	59.0%	9.0%	17.0%	6.0%
	Sub-total	687	574	247	330	16,536	32,136	9.0%	59.0%	9.0%	17.0%	6.0%
Open space / recreational assets	Swimming pools	1,010	354	137	41	2,597	11,413	15.0%	4.0%	77.0%	3.0%	1.0%
	Other	354	152	45	72	2,341	5,545	24.0%	22.0%	37.0%	15.0%	2.0%
	Sub-total	1,364	506	182	113	4,938	16,958	17.9%	9.9%	63.9%	6.9%	1.4%
TOTAL - ALL ASSETS		65,567	49,319	12,186	9,306	1,064,482	1,597,405	43.1%	17.5%	25.5%	11.7%	2.2%

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

Infrastructure asset condition assessment 'key'

- 1 **Excellent/very good** No work required (normal maintenance)
- 2 **Good** Only minor maintenance work required

Report on Infrastructure Assets - Values (continued)
as at 30 June 2019

3	Satisfactory	Maintenance work required
4	Poor	Renewal required
5	Very poor	Urgent renewal/upgrading required

Report on Infrastructure Assets (continued)

as at 30 June 2019

\$ '000	Amounts 2019	Indicator 2019	Prior period 2018	Benchmark
Infrastructure asset performance indicators (consolidated) *				
Buildings and infrastructure renewals ratio ¹				
Asset renewals ²	14,106	78.93%	44.74%	>=100.00%
Depreciation, amortisation and impairment	17,872			
Infrastructure backlog ratio ¹				
Estimated cost to bring assets to a satisfactory standard	65,567	6.16%	6.45%	<2.00%
Net carrying amount of infrastructure assets	1,064,482			
Asset maintenance ratio				
Actual asset maintenance	9,306	76.37%	71.24%	>100.00%
Required asset maintenance	12,186			
Cost to bring assets to agreed service level				
Estimated cost to bring assets to an agreed service level set by Council	49,319	3.09%	3.33%	
Gross replacement cost	1,597,405			

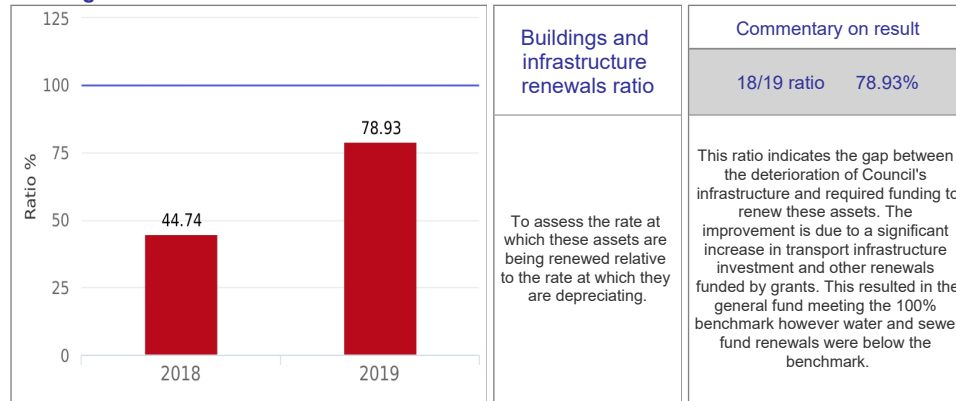
(*) All asset performance indicators are calculated using classes identified in the previous table.

(1) Excludes Work In Progress (WIP)

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

Report on Infrastructure Assets (continued)
as at 30 June 2019

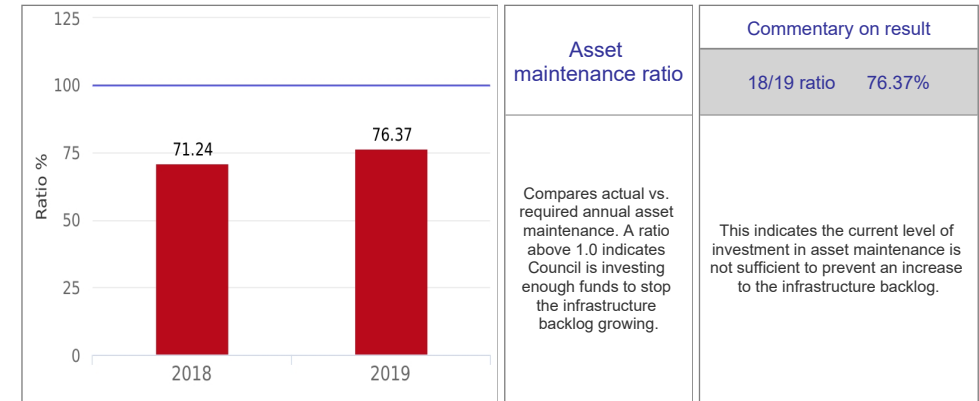
Buildings and infrastructure renewals ratio



Buildings and infrastructure renewals ratio	Commentary on result
	18/19 ratio 78.93%
To assess the rate at which these assets are being renewed relative to the rate at which they are depreciating.	This ratio indicates the gap between the deterioration of Council's infrastructure and required funding to renew these assets. The improvement is due to a significant increase in transport infrastructure investment and other renewals funded by grants. This resulted in the general fund meeting the 100% benchmark however water and sewer fund renewals were below the benchmark.

Benchmark: — $\geq 100.00\%$ ■ Ratio achieves benchmark
 Source of benchmark: Code of Accounting Practice and Financial Reporting #27 ■ Ratio is outside benchmark

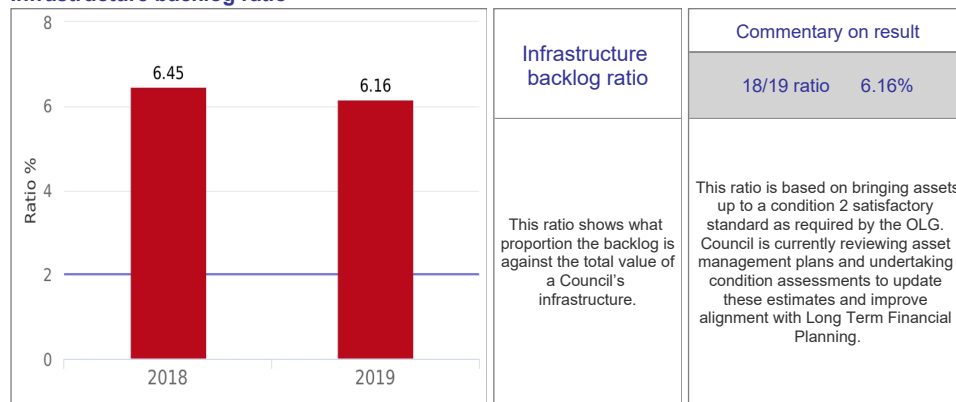
Asset maintenance ratio



Asset maintenance ratio	Commentary on result
	18/19 ratio 76.37%
Compares actual vs. required annual asset maintenance. A ratio above 1.0 indicates Council is investing enough funds to stop the infrastructure backlog growing.	This indicates the current level of investment in asset maintenance is not sufficient to prevent an increase to the infrastructure backlog.

Benchmark: — $> 100.00\%$ ■ Ratio achieves benchmark
 Source of benchmark: Code of Accounting Practice and Financial Reporting #27 ■ Ratio is outside benchmark

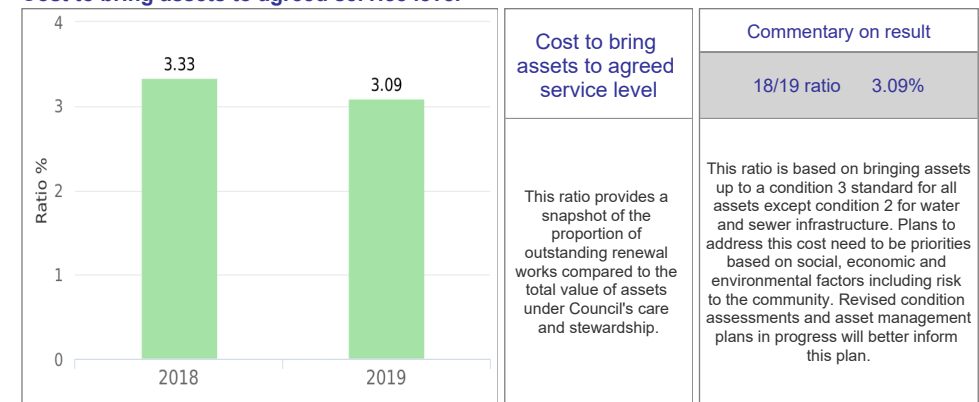
Infrastructure backlog ratio



Infrastructure backlog ratio	Commentary on result
	18/19 ratio 6.16%
This ratio shows what proportion the backlog is against the total value of a Council's infrastructure.	This ratio is based on bringing assets up to a condition 2 satisfactory standard as required by the OLG. Council is currently reviewing asset management plans and undertaking condition assessments to update these estimates and improve alignment with Long Term Financial Planning.

Benchmark: — $< 2.00\%$ ■ Ratio achieves benchmark
 Source of benchmark: Code of Accounting Practice and Financial Reporting #27 ■ Ratio is outside benchmark

Cost to bring assets to agreed service level



Cost to bring assets to agreed service level	Commentary on result
	18/19 ratio 3.09%
This ratio provides a snapshot of the proportion of outstanding renewal works compared to the total value of assets under Council's care and stewardship.	This ratio is based on bringing assets up to a condition 3 standard for all assets except condition 2 for water and sewer infrastructure. Plans to address this cost need to be priorities based on social, economic and environmental factors including risk to the community. Revised condition assessments and asset management plans in progress will better inform this plan.

Report on Infrastructure Assets (continued)
as at 30 June 2019

\$ '000	General fund		Water fund		Sewer fund		Benchmark
	2019	2018	2019	2018	2019	2018	
Infrastructure asset performance indicators (by fund)							
Buildings and infrastructure renewals ratio ¹							
Asset renewals ²							
Depreciation, amortisation and impairment	100.80%	52.51%	31.06%	36.77%	35.09%	16.27%	>=100.00%
Infrastructure backlog ratio ¹							
Estimated cost to bring assets to a satisfactory standard							
Net carrying amount of infrastructure assets	3.82%	4.15%	13.90%	14.45%	25.80%	25.28%	<2.00%
Asset maintenance ratio							
Actual asset maintenance							
Required asset maintenance	79.12%	67.93%	68.42%	74.70%	71.41%	86.05%	>100.00%
Cost to bring assets to agreed service level							
Estimated cost to bring assets to an agreed service level set by Council							
Gross replacement cost	1.46%	1.71%	6.19%	6.59%	12.99%	13.04%	

(1) Excludes Work In Progress (WIP)

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