

Snowy Monaro Regional Council

GENERAL PURPOSE FINANCIAL STATEMENTS

for the period 13 May 2016 to 30 June 2017



A trusted community partner

Snowy Monaro Regional Council

General Purpose Financial Statements

for the period 13 May 2016 to 30 June 2017

Contents	Page
1. Understanding Council's Financial Statements	2
2. Statement by Administrator and Management	3
3. Primary Financial Statements:	
– Income Statement	4
– Statement of Comprehensive Income	5
– Statement of Financial Position	6
– Statement of Changes in Equity	7
– Statement of Cash Flows	8
4. Notes to the Financial Statements	9
5. Independent Auditor's Reports:	
– On the Financial Statements (Sect 417 [2])	76
– On the Conduct of the Audit (Sect 417 [3])	79

Overview

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

Council's 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).

- (iii) All figures presented in these financial statements are presented in Australian currency.
- (iv) These financial statements were authorised for issue by the Council on 22 November 2017. Council has the power to amend and reissue these financial statements.

Snowy Monaro Regional Council

General Purpose Financial Statements

for the period 13 May 2016 to 30 June 2017

Understanding Council's financial statements

Introduction

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

What you will find in the statements

The financial statements set out the financial performance, financial position and cash flows of Council for the period 13 May 2016 to 30 June 2017.

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 annual 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 period 13 May 2016 to 30 June 2017

Statement by Administrator and Management

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

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

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

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

- present fairly the Council's operating result and financial position for the period 13 May 2016 to 30 June 2017, and
- accord with Council's accounting and other records.

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

Signed in accordance with a resolution of Council made on 06 September 2017.



Dean Lynch
Administrator



Joseph Vescio
General Manager



Jo-Anne Mackay
Responsible accounting officer

Snowy Monaro Regional Council

Income Statement

for the period 13 May 2016 to 30 June 2017

\$ '000	Notes	Actual 13/5/16 to 30/6/17
Income from continuing operations		
<i>Revenue:</i>		
Rates and annual charges	3a	30,281
User charges and fees	3b	14,700
Interest and investment revenue	3c	2,549
Other revenues	3d	2,206
Grants and contributions provided for operating purposes	3e,f	32,321
Grants and contributions provided for capital purposes	3e,f	17,864
<i>Other income:</i>		
Net gains from the disposal of assets	5	–
Net share of interests in joint ventures and associates using the equity method	19	–
Total income from continuing operations		99,921
Expenses from continuing operations		
Employee benefits and on-costs	4a	31,780
Borrowing costs	4b	524
Materials and contracts	4c	19,045
Depreciation and amortisation	4d	20,963
Other expenses	4e	11,371
Net losses from the disposal of assets	5	768
Total expenses from continuing operations		84,451
Operating result from continuing operations		15,470
Discontinued operations		
Net profit/(loss) from discontinued operations	24	–
Net operating result for the period		15,470
Gain on local government amalgamation		
Assets and liabilities transferred from former councils	29	1,170,081
Net result for the period		1,185,551
Net operating result attributable to Council		1,185,551
Net operating result for the period before grants and contributions provided for capital purposes		(2,394)

Snowy Monaro Regional Council

Statement of Comprehensive Income

for the period 13 May 2016 to 30 June 2017

\$ '000	Notes	Actual 13/5/16 to 30/6/17
Net result for the year (as per Income Statement)		1,185,551
Other comprehensive income:		
Amounts which will not be reclassified subsequently to the operating result		
Gain (loss) on revaluation of I,PP&E	20b (ii)	14,705
Total items which will not be reclassified subsequently to the operating result		14,705
Amounts which will be reclassified subsequently to the operating result when specific conditions are met		
Nil		
Total other comprehensive income for the period		14,705
Total comprehensive income for the period		1,200,256
Total comprehensive income attributable to Council		1,200,256

Snowy Monaro Regional Council

Statement of Financial Position

as at 30 June 2017

\$ '000	Notes	Actual 2017
ASSETS		
Current assets		
Cash and cash equivalents	6a	11,790
Investments	6b	43,984
Receivables	7	10,767
Inventories	8	974
Other	8	185
Non-current assets classified as 'held for sale'	22	–
Total current assets		67,700
Non-current assets		
Investments	6b	22,000
Receivables	7	137
Inventories	8	–
Infrastructure, property, plant and equipment	9	1,131,697
Investments accounted for using the equity method	19	–
Investment property	14	–
Intangible assets	25	382
Total non-current assets		1,154,216
TOTAL ASSETS		1,221,916
LIABILITIES		
Current liabilities		
Payables	10	7,195
Income received in advance	10	402
Borrowings	10	575
Provisions	10	6,712
Total current liabilities		14,884
Non-current liabilities		
Payables	10	–
Income received in advance	10	–
Borrowings	10	3,445
Provisions	10	3,331
Total non-current liabilities		6,776
TOTAL LIABILITIES		21,660
Net assets		1,200,256
EQUITY		
Retained earnings	20	1,185,551
Revaluation reserves	20	14,705
Other reserves	20	–
Total equity		1,200,256

This statement should be read in conjunction with the accompanying notes.

Snowy Monaro Regional Council

Statement of Changes in Equity

for the period 13 May 2016 to 30 June 2017

13/5/16 to 30/6/17			Asset	Other		Non-	Total
\$ '000	Notes	Retained	revaluation	reserves	Council	controlling	equity
		earnings	reserve	(Refer 20b)	interest	interest	
a. Net result for the year		1,185,551	–	–	1,185,551	–	1,185,551
b. Other comprehensive income							
– Revaluations: IPP&E asset revaluation reserve	20b (ii)	–	14,705	–	14,705	–	14,705
Other comprehensive income		–	14,705	–	14,705	–	14,705
Total comprehensive income (c&d)		1,185,551	14,705	–	1,200,256	–	1,200,256
Equity – balance at end of the reporting period		1,185,551	14,705	–	1,200,256	–	1,200,256

Snowy Monaro Regional Council

Statement of Cash Flows

for the period 13 May 2016 to 30 June 2017

\$ '000	Notes	Actual 13/5/16 to 30/6/17
Cash flows from operating activities		
Receipts:		
Rates and annual charges		33,075
User charges and fees		15,747
Investment and interest revenue received		2,447
Grants and contributions		50,643
Bonds, deposits and retention amounts received		433
Other		2,963
Payments:		
Employee benefits and on-costs		(31,034)
Materials and contracts		(21,475)
Borrowing costs		(298)
Other		(7,038)
Net cash provided (or used in) operating activities	11b	45,463
Cash flows from investing activities		
Receipts:		
Sale of infrastructure, property, plant and equipment		1,061
Payments:		
Purchase of investment securities		(41,984)
Purchase of infrastructure, property, plant and equipment		(19,233)
Purchase of real estate assets		(1)
Net cash provided (or used in) investing activities		(60,157)
Cash flows from financing activities		
Receipts:		
Nil		
Payments:		
Repayment of borrowings and advances		(1,080)
Net cash flow provided (used in) financing activities		(1,080)
Net increase/(decrease) in cash and cash equivalents		(15,774)
Plus: cash transferred on amalgamation of councils	29	27,564
Cash and cash equivalents – end of the year	11a	11,790
Additional Information:		
plus: Investments on hand – end of year	6b	65,984
Total cash, cash equivalents and investments		77,774

Please refer to Note 11 for information on the following:

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

Snowy Monaro Regional Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Contents of the notes accompanying the financial statements

Note	Details	Page
1	Summary of significant accounting policies	10
2(a)	Council functions/activities – financial information	22
2(b)	Council functions/activities – component descriptions	23
3	Income from continuing operations	24
4	Expenses from continuing operations	31
5	Gains or losses from the disposal of assets	35
6(a)	Cash and cash equivalent assets	36
6(b)	Investments	36
6(c)	Restricted cash, cash equivalents and investments – details	37
7	Receivables	40
8	Inventories and other assets	41
9(a)	Infrastructure, property, plant and equipment	42
9(b)	Externally restricted infrastructure, property, plant and equipment	43
9(c)	Infrastructure, property, plant and equipment – current year impairments	44 n/a
10(a)	Payables, borrowings and provisions	44
10(b)	Description of (and movements in) provisions	46
11	Statement of cash flows – additional information	47
12	Commitments for expenditure	48
13	Statement of performance measures:	
	13a (i) Local government industry indicators (consolidated)	49
	13a (ii) Local government industry graphs (consolidated)	50
	13b Local government industry indicators (by fund)	52
14	Investment properties	53 n/a
15	Financial risk management	53
16	Material budget variations	56 n/a
17	Statement of developer contributions	57
18	Contingencies and other liabilities/assets not recognised	60
19	Interests in other entities	61 n/a
20	Retained earnings, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors	62
21	Financial result and financial position by fund	63
22	'Held for sale' non-current assets and disposal groups	65 n/a
23	Events occurring after the reporting date	65 n/a
24	Discontinued operations	65 n/a
25	Intangible assets	66
26	Reinstatement, rehabilitation and restoration liabilities	67
27	Fair value measurement	69
28	Related party disclosures	72 n/a
29	Local Government amalgamation	73

n/a – not applicable

Snowy Monaro Regional Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 1. Summary of significant accounting policies

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.

(a) Basis of preparation

The local government (Council Amalgamations) Proclamation 2016 ('the Proclamation') under the Local Government Act 1993 (NSW) transferred the assets and liabilities of former councils:

- Snowy River Shire Council
- Cooma Monaro Shire Council
- Bombala Council

To Snowy Monaro Regional Council as at 13th May 2016.

Pursuant to the Proclamation, financial statements have been prepared for the period commencing on the date of establishment of Snowy Monaro Regional Council, being 13th May 2016 and ending on 30 June 2017.

Future reporting periods will be from 1 July to 30 June of the relevant year.

Assets and liabilities of Snowy River Shire Council, Cooma Monaro Shire Council and Bombala Council acquired as a result of amalgamation/boundary changes have been recognised by the Snowy Monaro Regional Council at the carrying amount recorded by the former councils.

Snowy Monaro Regional Council believes the carrying amounts are not materially different from their fair values as at the date of transfer 13th May 2016.

The fair value of the net assets has been shown as a gain on local government amalgamation in the income statement and further information is provided in Note 29.

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 for the purpose of preparing these financial statements.

(i) New and amended standards adopted by Council

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

(ii) Early adoption of standards

Council has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 13th May 2016.

(iii) 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 property, plant and equipment and investment property.

(iv) 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,

Snowy Monaro Regional Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 1. Summary of significant accounting policies (continued)

(ii) Estimated tip remediation provisions.

Significant judgements in applying the Council's accounting policies

(i) Impairment of Receivables

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

(b) Revenue recognition

Council recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to 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.

Revenue is measured at the fair value of the consideration received or receivable. Revenue is measured on major income categories as follows:

(i) Rates, annual charges, grants and contributions

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

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.

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

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

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.

(ii) User charges and fees

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

(iii) Sale of infrastructure, property, plant and equipment

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

(iv) Interest

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

(v) Rent

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

(vi) Dividend income

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

(vii) Other income

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

Snowy Monaro Regional Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 1. Summary of significant accounting policies (continued)

(c) Principles of consolidation

(i) 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
- Jindabyne Holiday Park
- Snowy River Health Centre
- Quarry Operations
- Yallambie Lodge.
- Monaro Regional Library
- Snowy River Hostel

Due to their immaterial value and nature, most Section 355 Committees entities and operations have been excluded from consolidation

(ii) 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.

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

(iii) County Councils

Council is not a member of any county councils.

(iv) Interests in other entities

Subsidiaries

Council has no interest in any subsidiaries.

Joint arrangements

Council has no interest in any joint arrangements.

(d) 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 property 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.

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 Council will obtain ownership at the end of the lease term.

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.

Lease income from operating leases where Council is a lessor is recognised as income on a straight-line basis over the lease term.

Snowy Monaro Regional Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 1. Summary of significant accounting policies (continued)

(e) Impairment of assets

Intangible assets that have an indefinite useful life or are not yet available for use are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired.

Other assets 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.

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 impairment are reviewed for possible reversal of the impairment at each reporting date.

(f) Cash and cash equivalents

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

Bank overdrafts are shown within borrowings in current liabilities on the Statement of Financial Position.

(g) Inventories

(i) 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.

Cost comprises direct materials, direct labour, and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to individual items of inventory on 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.

(ii) Inventory held for distribution

Inventory held for distribution is held at cost, adjusted where applicable for any loss of service potential.

(iii) 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.

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

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use.

They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets; assets arising from employee benefits; financial assets; and investment properties that are carried at fair value

Snowy Monaro Regional Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 1. Summary of significant accounting policies (continued)

and contractual rights under insurance contracts, which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of de-recognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

(i) Investments and other financial assets

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.

(i) 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 classified as current assets.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities

greater than 12 months after the reporting date which that are classified as non-current assets.

Loans and receivables are included in other receivables (Note 8) and receivables (Note 7) in the Statement of Financial Position.

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.

(iii) 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. If Council were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale.

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

(iv) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the reporting date.

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.

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

Snowy Monaro Regional Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 1. Summary of significant accounting policies (continued)

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.

Financial assets are derecognised 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.

Subsequent measurement

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

Changes in the fair value of other monetary and non-monetary securities classified as available-for-sale are recognised in equity.

Impairment

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.

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.

(i) Assets carried at amortised cost

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. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Council may measure impairment on the basis of an instrument's fair value using an observable market price.

Collectability of receivables is reviewed on an ongoing basis. Debts that are known to be uncollectible 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 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. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The amount of the impairment loss is recognised in the income statement within other expenses. When a receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the income statement.

Investment Policy

Council has an approved investment policy complying with Section 625 of the Local Government Act 1993 (NSW) and Clause 212 of the Local Government (General) Regulation 2005 (NSW).

Investments are placed and managed in accordance with that policy and having particular regard to authorised investments prescribed under the Ministerial Local Government Investment Order. Council maintains an investment policy that complies with the Act and ensures that it, or its

Snowy Monaro Regional Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 1. Summary of significant accounting policies (continued)

representatives, exercise the care, diligence and skill that a prudent person would exercise in investing Council funds.

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

(j) Fair value estimation – financial instruments

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

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

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. Council uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Council for similar financial instruments.

(k) Infrastructure, property, plant and equipment (IPPE)

Council's assets have been progressively revalued to fair value in accordance with a staged implementation advised by the Office of Local Government. At reporting date, the following classes of IPPE were stated at their fair value:

Externally valued:

- Operational land
- Buildings – specialised/non-specialised
- Roads assets including roads, bridges and footpaths
- Bulk earthworks
- Stormwater drainage
- Swimming pools
- Other open space/recreational assets

Internally valued:

- Community land
- Water and sewerage networks

As approximated by depreciated historical cost:

- Plant and equipment
- Land improvements
- Other structures
- Other infrastructure
- Other assets

Non-specialised assets with short useful lives are measured at depreciated historical cost as an approximation of fair value. Council has assessed that any difference between fair value and depreciated historical cost is unlikely to be material.

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

For all other asset classes, Council assesses at each reporting date whether there is any indication that a revalued asset's carrying amount may differ materially from that which would be determined if the asset were revalued at the reporting date. If any such indication exists, Council determines the asset's fair value and revalue the asset to that amount. Full revaluations are undertaken for all assets on a five-year cycle.

Increases in the carrying amounts arising on revaluation are credited to the asset 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

Snowy Monaro Regional Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 1. Summary of significant accounting policies (continued)

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.

Depreciation

Land is not depreciated.

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

- Office equipment	3 to 10 years
- Office furniture	5 to 30 years
- Computer equipment	2 to 10 years
- Vehicles	2 to 8 years
- Heavy plant/road making equipment	5 to 20 years
- Other plant and equipment	5 to 20 years

Other equipment

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

Buildings

- Buildings: masonry	50 to 100 years
- Buildings: other	10 to 128 years

Water and sewer assets

- Dams and reservoirs	80 to 100 years
- Bores	20 to 40 years
- Reticulation pipes: PVC	70 to 80 years
- Reticulation pipes: other	25 to 75 years
- Pumps and telemetry	15 to 20 years

Stormwater assets

- Drains	30 to 100 years
- Culverts	30 to 100 years
- Flood control structures	100 years

Transportation assets

- Sealed roads: surface	10 to 20 years
- Sealed roads: structure	30 to 100 years
- Unsealed roads	30 to 100 years
- Bridge: concrete	25 to 100 years
- Bridge: other	25 to 100 years

- Kerb, gutter and footpaths	30 to 100 years
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Other infrastructure assets

- Bulk earthworks	Infinite
- Swimming pools	5 to 100 years
- Other open space/ recreational assets	5 to 100 years

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

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

(l) Investment property

Investment property, principally comprising freehold office buildings, is held for long-term rental yields and is not occupied by the Council.

Investment property is carried at fair value, which is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, Council uses alternative valuation methods such as recent prices in less active markets, or discounted cash flow projections. Changes in fair values are recorded in the income statement as part of other income.

Properties that are under construction for future use as investment properties are regarded as investment properties. These are also carried at fair value unless the fair value cannot yet be reliably determined. Where that is the case, the property will be accounted for at cost until either the fair value becomes reliably determinable or construction is complete.

(m) 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.

Snowy Monaro Regional Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 1. Summary of significant accounting policies (continued)

(n) 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 draw down occurs. To the extent 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.

(o) 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.

(p) 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.

(q) Employee benefits

(i) 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.

(ii) 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

Snowy Monaro Regional Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 1. Summary of significant accounting policies (continued)

terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

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.

(iii) Retirement benefit obligations

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

Defined Benefit Plans

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

The present value of the defined benefit obligation is based on expected future payments that arise from membership of the fund to the reporting date, calculated annually by independent actuaries using the projected unit credit method.

Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. However, when this information is not reliably available, Council 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.

Defined Contribution Plans

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

(r) Land under roads

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

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.

(s) Self-insurance

Council does not self-insure.

(t) Intangible assets

IT development and software

Costs incurred in developing products or systems and costs incurred in acquiring software and licenses that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to software and systems. Costs capitalised include external direct costs of materials and service, direct payroll, and payroll related costs of employees' time spent on the project. Amortisation is calculated on a straight line basis over periods generally ranging from three to five years.

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

Hostel Bed Licences

Aged Hostel bed licences held by the entity have been recognised at their fair value as at 30 June 2008. The hostel has held these licences for a number of years; however they were not recognised at cost previous to 2008 as no consideration was paid.

The fair value amount for bed licences is based on the lowest limit of the range of values as provided by

Snowy Monaro Regional Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 1. Summary of significant accounting policies (continued)

the industry association representing aged care in NSW.

The bed licences have an infinite life; accordingly no amortisation has been applied to these values.

(u) 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.

(v) 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".

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

Until such time as discussions on this matter have concluded and the legislation changed, Council will exclude these assets, their values and depreciation charges from these financial statements.

(w) 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 taxation authority. 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 taxation authority 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 which that are recoverable from, or payable to the taxation authority are presented as operating cash flows.

(x) New accounting standards and interpretations issued not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for the current reporting period and which have not been applied.

As at the date of authorisation of the financial statements, the standards and interpretations listed below were in issue but not yet effective.

Effective for annual reporting periods beginning on or after 1 January 2017

AASB 2014-5 *Amendments to Australian Accounting Standards arising from AASB 15*

AASB 2015-8 *Amendments to Australian Accounting Standards – Effective Date of AASB 15*

AASB 2016-1 *Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses [AASB 112]*

AASB 2016-2 *Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107*

AASB 2016-4 *Amendments to Australian Accounting Standards – Recoverable Amount of Non-Cash-Generating Specialised Assets of Not-for-Profit Entities*

AASB 2016-7 *Amendments to Australian Accounting Standards - Deferral of AASB 15 for Not-for-Profit Entities*

Snowy Monaro Regional Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 1. Summary of significant accounting policies (continued)

Effective for annual reporting periods beginning on or after 13 February 2017

AASB 2017-2 *Amendments to Australian Accounting Standards - Further Annual Improvements 2014- 16 Cycle*

Effective for annual reporting periods beginning on or after 13 December 2017

AASB 2017-1 *Amendments to Australian Accounting Standards - Transfers of Investment Property, Annual Improvements 2014-2016 Cycle and Other Amendments*

Effective for annual reporting periods beginning on or after 1 January 2018

AASB 9 *Financial Instruments (December 2009)*

AASB 15 *Revenue from Contracts with Customers*

AASB 2010-7 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)*

AASB 2014-1 *Amendments to Australian Accounting Standards (Part E)*

AASB 2014-7 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2014)*
AASB 1057 *Application of Australian Accounting Standards*

AASB 2016-3 *Amendments to Australian Accounting Standards – Clarifications to AASB 15*

AASB 2016-5 *Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions*

AASB 2016-6 *Amendments to Australian Accounting Standards - Applying AASB 9 Financial Instruments with AASB 4 Insurance Contracts*

Effective for annual reporting periods beginning on or after 1 January 2019

AASB 16 *Leases*

AASB 16 *Leases (Appendix D)*

AASB 2016-8 *Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities*

AASB 1058 *Income of Not-for-Profit Entities*

AASB 2016-8 *Amendments to Australian Accounting Standards - Australian Implementation Guidance for Not-for-Profit Entities*

The full impact of these standards has yet to be ascertained or quantified but will range from additional and/or revised disclosures to changes in how certain transactions and balances are accounted for.

(y) Rounding of amounts

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

(z) Comparative figures

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

(aa) Disclaimer

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

Snowy Monaro Regional Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

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

Functions/activities	Income, expenses and assets have been directly attributed to the following functions/activities. Details of these functions/activities are provided in Note 2(b).				
	Income from continuing operations	Expenses from continuing operations	Operating result from continuing operations	Grants included in income from continuing operations	Total assets held (current and non-current)
	Actual 2017	Actual 2017	Actual 2017	Actual 2017	Actual 2017
Governance	20,125	3,233	16,892	20,214	4
Administration	5,437	10,962	(5,525)	492	103,205
Public order and safety	949	2,021	(1,072)	32	3,027
Health	161	220	(59)	–	11
Environment	6,959	8,018	(1,059)	1,856	22,359
Community services and education	6,258	7,536	(1,278)	3,012	10,698
Housing and community amenities	1,125	4,560	(3,435)	62	6,704
Water supplies	8,063	7,389	674	1,174	99,101
Sewerage services	8,348	10,345	(1,997)	52	79,878
Recreation and culture	957	6,335	(5,378)	229	25,754
Mining, manufacturing and construction	683	666	17	–	1,047
Transport and communication	8,119	20,069	(11,950)	6,571	861,833
Economic affairs	2,662	3,097	(435)	85	8,295
Total functions and activities	69,846	84,451	(14,605)	33,779	1,221,916
General purpose income ¹	30,075	–	30,075	13,498	–
Operating result from continuing operations	99,921	84,451	15,470	47,277	1,221,916

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

Snowy Monaro Regional Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

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

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

GOVERNANCE

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

ADMINISTRATION

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

PUBLIC ORDER AND SAFETY

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, Aboriginal and other community services and administration (excluding accommodation – as it is covered under 'housing and community amenities'); youth services; aged and disabled persons services;

HOUSING AND COMMUNITY AMENITIES

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

WATER SUPPLIES

SEWERAGE SERVICES

RECREATION AND CULTURE

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

MINING, MANUFACTURING AND CONSTRUCTION

Includes building control, quarries and pits, mineral resources, and abattoirs.

TRANSPORT AND COMMUNICATION

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

ECONOMIC AFFAIRS

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

Snowy Monaro Regional Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 3. Income from continuing operations

\$ '000	Notes	Actual 13/5/16 to 30/6/17
(a) Rates and annual charges		
Ordinary rates		
Residential		7,792
Farmland		4,715
Business		2,345
Total ordinary rates		14,852
Special rates		
Nil		
Annual charges (pursuant to s.496, s.496A, s.496B, s.501 & s.611)		
Domestic waste management services		2,591
Stormwater management services		17
Water supply services		3,768
Sewerage services		7,600
Waste management services (non-domestic)		1,277
Liquid trade waste		73
Onsite sewerage system management		103
Total annual charges		15,429
TOTAL RATES AND ANNUAL CHARGES		30,281

Council has used 2013 year valuations provided by the NSW Valuer General in calculating its rates.

Snowy Monaro Regional Council

Notes to the Financial Statements for the period 13 May 2016 to 30 June 2017

Note 3. Income from continuing operations (continued)

\$ '000	Notes	Actual 13/5/16 to 30/6/17
(b) User charges and fees		
Specific user charges (per s.502 – specific 'actual use' charges)		
Water supply services		4,085
Sewerage services		267
Waste management services (non-domestic)		773
Total user charges		5,125
Other user charges and fees		
(i) Fees and charges – statutory and regulatory functions (per s.608)		
Inspection services		81
Planning and building regulation		551
Private works – section 67		140
Regulatory fees		397
Section 149 certificates (EPA Act)		61
Section 603 certificates		48
Road opening permits		2
Animal control		7
Noxious weeds regulation		5
Sewerage inspection and application fees		17
Total fees and charges – statutory/regulatory		1,309

Snowy Monaro Regional Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 3. Income from continuing operations (continued)

\$ '000	Notes	Actual 13/5/16 to 30/6/17
(b) User charges and fees (continued)		
(ii) Fees and charges – other (incl. general user charges (per s.608))		
Cemeteries		353
Fire and emergency services levy (FESL) implementation		78
Lease rentals		64
Leaseback fees – Council vehicles		183
Recycling income (non-domestic)		57
Swimming centres		121
Waste disposal tipping fees		1,276
Water connection fees		16
Sewer connection fees		4
Snowy river health centre		126
Community services		407
Laundromat		7
Animal control		16
Holiday park fees		137
RMS - Road Maintenance Council Contract Routine Services		651
RMS - Road Maintenance Council Contract Ordered Works		2,999
Sale from stores		2
Residential Aged Care - Snowy River Hostel		254
Residential Aged Care - Yallambee Lodge		958
Saleyard dues and rents		401
Visitor centre sales		75
Library fees		15
Other		66
Total fees and charges – other		8,266
TOTAL USER CHARGES AND FEES		14,700

Snowy Monaro Regional Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 3. Income from continuing operations (continued)

\$ '000	Notes	Actual 13/5/16 to 30/6/17
(c) Interest and investment revenue (including losses)		
Interest		
– Interest on overdue rates and annual charges (incl. special purpose rates)		237
– Interest earned on investments (interest and coupon payment income)		2,210
– Interest (other)		59
Other		43
<u>TOTAL INTEREST AND INVESTMENT REVENUE</u>		<u>2,549</u>
Interest revenue is attributable to:		
Unrestricted investments/financial assets:		
Overdue rates and annual charges (general fund)		106
General Council cash and investments		1,619
Restricted investments/funds – external:		
Development contributions		
– Section 94		16
– Section 64		25
Water fund operations		308
Sewerage fund operations		355
Domestic waste management operations		120
Total interest and investment revenue recognised		<u>2,549</u>
(d) Other revenues		
Rental income – other council properties		576
Fines – parking		34
Fines – other		42
Legal fees recovery – rates and charges (extra charges)		94
Legal fees recovery – other		9
Commissions and agency fees		63
Diesel rebate		173
Insurance claim recoveries		58
Sales – general		13
Reimbursement of expenses		70
Quarry sales		679
Tourism events		13
Insurance rebates		289
RFS expenses reimbursed		37
Other		56
<u>TOTAL OTHER REVENUE</u>		<u>2,206</u>

Snowy Monaro Regional Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 3. Income from continuing operations (continued)

\$ '000	13/5/16 to 30/6/17 Operating	13/5/16 to 30/6/17 Capital
(e) Grants		
General purpose (untied)		
Financial assistance – general component	9,435	–
Financial assistance – local roads component	3,901	–
Pensioners' rates subsidies – general component	162	–
Total general purpose	13,498	–
Specific purpose		
Pensioners' rates subsidies:		
– Water	55	–
– Sewerage	52	–
– Domestic waste management	53	–
Water supplies	–	1,119
Bushfire and emergency services	12	–
Community care	1,653	–
Economic development	90	–
Employment and training programs	24	–
Flood restoration	79	–
Heritage and cultural	33	–
Library	118	–
Noxious weeds	296	–
NSW rural fire services	20	–
Public halls	5	–
Recreation and culture	–	18
Street lighting	19	–
Transport (roads to recovery)	3,375	–
Transport (other roads and bridges funding)	2,157	1,039
Community transport	533	–
Youth services	6	31
Planning and building regulation	38	–
Snowy River Hostel	430	–
Yallambee lodge residential aged care	1,658	–
Parks, sportsfields and reserves	–	89
Tourism	–	85
Domestic waste management	–	11
Stronger Communities Fund	1,000	14,000
New Council Implementation Fund	5,000	–
Boco Rock Community Fund	213	–
Other	246	222
Total specific purpose	17,165	16,614
Total grants	30,663	16,614
Grant revenue is attributable to:		
– Commonwealth funding	20,186	7
– State funding	10,000	16,478
– Other funding	477	129
	30,663	16,614

Snowy Monaro Regional Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 3. Income from continuing operations (continued)

\$ '000	Notes	13/5/16 to 30/6/17 Operating	13/5/16 to 30/6/17 Capital
(f) Contributions			
Developer contributions:			
(s93 & s94 – EP&A Act, s64 of the LGA):			
S 94 – contributions towards amenities/services		–	435
S 64 – water supply contributions		8	381
S 64 – sewerage service contributions		1	397
Total developer contributions	17	9	1,213
Other contributions:			
Bushfire services		65	–
Other councils – joint works/services		26	–
Roads and bridges		5	–
RMS contributions (regional roads, block grant)		606	–
Tourism		1	–
Noxious weeds		2	–
Fire and emergency		778	–
Community care services		106	–
Residential Aged Care		–	37
Library		36	–
Risk management		5	–
Yallambee lodge residential aged care		3	–
Other		16	–
Total other contributions		1,649	37
Total contributions		1,658	1,250
<u>TOTAL GRANTS AND CONTRIBUTIONS</u>		<u>32,321</u>	<u>17,864</u>

Snowy Monaro Regional Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 3. Income from continuing operations (continued)

\$ '000	Actual 13/5/16 to 30/6/17
(g) Unspent grants and contributions	
Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner:	
Unexpended at the close of the previous reporting period (former Councils)	4,292
Add: grants and contributions recognised in the current period but not yet spent:	2,326
Less: grants and contributions recognised in a previous reporting period now spent:	(1,595)
Net increase (decrease) in restricted assets during the period	731
Unexpended and held as restricted assets	<u><u>5,023</u></u>
Comprising:	
– Specific purpose unexpended grants	1,188
– Developer contributions	3,835
	<u><u>5,023</u></u>

Snowy Monaro Regional Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 4. Expenses from continuing operations

\$ '000	Notes	Actual 13/5/16 to 30/6/17
(a) Employee benefits and on-costs		
Salaries and wages		26,773
Travel expenses		43
Employee leave entitlements (ELE)		1,252
ELE on-costs		387
Superannuation		2,854
Workers' compensation insurance		569
Fringe benefit tax (FBT)		89
Payroll tax		119
Training costs (other than salaries and wages)		351
Protective clothing		59
Uniforms		50
Vehicle allowance		97
Recruitment expenses		314
Other		77
Total employee costs		33,034
Less: capitalised costs		(1,254)
<u>TOTAL EMPLOYEE COSTS EXPENSED</u>		<u>31,780</u>
(b) Borrowing costs		
(i) Interest bearing liability costs		
Interest on loans		325
Total interest bearing liability costs expensed		325
(ii) Other borrowing costs		
Discount adjustments relating to movements in provisions (other than ELE)		
– Remediation liabilities	26	172
Other borrowing costs		27
Total other borrowing costs		199
<u>TOTAL BORROWING COSTS EXPENSED</u>		<u>524</u>

Snowy Monaro Regional Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Actual 13/5/16 to 30/6/17
(c) Materials and contracts		
Raw materials and consumables		8,573
Contractor and consultancy costs		
– Weeds management		260
– Waste services		508
– RMS road maintenance council contracts		2,094
– Contractor and consultancy costs other		6,656
Auditors remuneration ⁽¹⁾		200
Legal expenses:		
– Legal expenses: planning and development		143
– Legal expenses: debt recovery		71
– Legal expenses: other		278
Operating leases:		
– Operating lease rentals: minimum lease payments ⁽²⁾		233
– Operating lease rentals: sub lease payments ⁽²⁾		29
Total materials and contracts		19,045
TOTAL MATERIALS AND CONTRACTS		19,045
1. Auditor remuneration		
During the year, the following fees were incurred for services provided by the other Council's Auditors:		
(i) Audit and other assurance services		
– Audit and review of financial statements: Council's Auditor		184
Remuneration for audit and other assurance services		184
(ii) Taxation services		
– Tax compliance services		16
Remuneration for taxation services		16
Total remuneration of other Council's Auditors		200
Total Auditor remuneration		200
2. Operating lease payments are attributable to:		
Computers		262
		262

Snowy Monaro Regional Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Actual 13/5/16 to 30/6/17
(d) Depreciation, amortisation and impairment		
Depreciation and amortisation		
Plant and equipment		1,827
Office equipment		325
Furniture and fittings		72
Land improvements (depreciable)		8
Infrastructure:		
– Buildings – non-specialised		1,200
– Buildings – specialised		985
– Other structures		624
– Roads		7,239
– Bridges		1,640
– Footpaths		463
– Stormwater drainage		711
– Water supply network		2,309
– Sewerage network		2,703
– Swimming pools		280
– Other open space/recreational assets		136
Other assets		
– Library books		85
– Other		214
Asset reinstatement costs	9 & 26	111
Intangible assets	25	31
Total depreciation and amortisation costs		<u>20,963</u>
Impairment		
Nil		
<u>TOTAL DEPRECIATION AND IMPAIRMENT COSTS EXPENSED</u>		<u>20,963</u>

Snowy Monaro Regional Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Actual 13/5/16 to 30/6/17
(e) Other expenses		
Advertising		163
Bad and doubtful debts		5
Bank charges		130
Cleaning		7
Computer software charges		95
Contributions/levies to other levels of government		
– NSW fire brigade levy		79
– NSW rural fire service levy		796
– NSW State Emergency Services		42
Councillor expenses – mayoral fee		3
Councillor expenses – councillors' fees		21
Council Administrator		192
Local Representative Council Fees		141
Councillors' expenses (incl. mayor) – other (excluding fees above)		55
Donations, contributions and assistance to other organisations (Section 356)		
– Tourism development		10
– SEWOL		4
– South east arts		16
– Boco Rock community grants		98
– Tourism snowy mountains		61
– Other		105
Electricity and heating		1,829
Fair value decrements – I,PP&E	9(a)	2,886
Insurance		1,371
Office expenses (including computer expenses)		10
Postage		98
Printing and stationery		325
Street lighting		125
Subscriptions and publications		73
Telephone and communications		635
Tourism expenses (excluding employee costs)		30
Valuation fees		105
Motor vehicle registration		28
Memberships and subscriptions – other		41
Community Projects		1,000
Licence fees – other		19
Marketing expenses		7
Quality monitoring		59
Software licences		596
Memberships		44
Other		67
TOTAL OTHER EXPENSES		11,371

Snowy Monaro Regional Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 5. Gains or losses from the disposal of assets

\$ '000	Notes	Actual 13/5/16 to 30/6/17
Property (excl. investment property)		
Proceeds from disposal – property		34
Less: carrying amount of property assets sold/written off		(369)
Net gain/(loss) on disposal		(335)
Plant and equipment		
Proceeds from disposal – plant and equipment		1,012
Less: carrying amount of plant and equipment assets sold/written off		(922)
Net gain/(loss) on disposal		90
Infrastructure		
Proceeds from disposal – infrastructure		–
Less: carrying amount of infrastructure assets sold/written off		(523)
Net gain/(loss) on disposal		(523)
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		(768)

Snowy Monaro Regional Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

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

\$ '000	Notes	2017	
		Actual Current	Actual Non-current
Cash and cash equivalents (Note 6a)			
Cash on hand and at bank		2,931	–
Cash-equivalent assets ¹			
– Deposits at call		7,779	–
– Short-term deposits		1,080	–
Total cash and cash equivalents		11,790	–
Investments (Note 6b)			
– Long term deposits		43,984	22,000
Total investments		43,984	22,000
TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS		55,774	22,000
¹ Those investments where time to maturity (from date of purchase) is < 3 mths.			
Cash, cash equivalents and investments were classified at year end in accordance with AASB 139 as follows:			
Cash and cash equivalents			
a. 'At fair value through the profit and loss'		11,790	–
Investments			
a. 'At fair value through the profit and loss'			
'Held to maturity'		43,984	22,000
Investments		43,984	22,000

Snowy Monaro Regional Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

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

\$ '000	13/5/16 to 30/6/17	13/5/16 to 30/6/17
	Actual Current	Actual Non-current
Total cash, cash equivalents and investments	55,774	22,000
attributable to:		
External restrictions (refer below)	22,180	18,000
Internal restrictions (refer below)	33,362	4,000
Unrestricted	232	–
	55,774	22,000

13/5/16 to 30/6/17	Transferred from former Councils	Transfers to restrictions	Transfers from restrictions	Closing balance
\$ '000				

Details of restrictions

External restrictions – included in liabilities

Yallambee lodge accommodation bonds	1,602	1,262	(384)	2,480
External restrictions – included in liabilities	1,602	1,262	(384)	2,480

External restrictions – other

Developer contributions – general (D)	1,201	494	(206)	1,489
Developer contributions – water fund (D)	1,097	393	–	1,490
Developer contributions – sewer fund (D)	480	376	–	856
Specific purpose unexpended grants (F)	1,199	–	(11)	1,188
Specific purpose unexpended grants-waste fund (F)	103	–	(103)	–
Water supplies (G)	9,814	2,057	–	11,871
Water supplies – other (G)	185	–	(185)	–
Sewerage services (G)	12,392	2,061	–	14,453
Sewerage services – other (G)	95	–	(95)	–
Domestic waste management (G)	3,153	671	(15)	3,809
Snowy River Hostel Accommodation Bonds	432	596	(235)	793
Crown land reserves	30	1	(10)	21
Jindabyne beautification special rate	248	–	(152)	96
Crown land – holiday parks	788	133	–	921
Emergency services special rate	14	–	(14)	–
Home and community care	292	77	–	369
Boco rock community reserve	166	6	(27)	145
Kamoto-cooma friendship scholarship fund	38	153	–	191
Waste fund – employee leave entitlements	157	–	(157)	–
Other	8	–	–	8
External restrictions – other	31,892	7,018	(1,210)	37,700
Total external restrictions	33,494	8,280	(1,594)	40,180

Snowy Monaro Regional Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

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

13/5/16 to 30/6/17 \$ '000	Transferred from former Councils	Transfers to restrictions	Transfers from restrictions	Closing balance
Internal restrictions				
Plant and vehicle replacement	2,740	503	–	3,243
Infrastructure replacement	578	–	(578)	–
Employees leave entitlement	2,958	385	–	3,343
Carry over works	1,355	–	(1,355)	–
Deposits, retentions and bonds	76	606	–	682
Property development	415	–	(415)	–
Jindabyne childcare centre	14	–	(14)	–
HACC vehicle replacement	197	180	(224)	153
Parks and gardens	26	–	(26)	–
Quarry operations	33	63	–	96
Infrastructure and facilities	472	–	(472)	–
Uncompleted works	378	3,232	(378)	3,232
Jindabyne holiday park property	260	–	(260)	–
Council elections	17	–	(17)	–
Waste management	1,815	–	(852)	963
Green team revolving energy	34	–	(34)	–
Rural fire service	31	–	(31)	–
Community development	15	–	(15)	–
Emergency services	20	–	(20)	–
Economic development	80	–	(80)	–
IR – bundian way infrastructure	100	–	(100)	–
IR – delegate main street upgrade	119	–	(119)	–
IR – bombala pool complex	300	–	(300)	–
IR – seal racecourse road	50	–	(50)	–
IR – town and villages drainage	200	–	(200)	–
IR – town and villages shared pathways	60	–	(60)	–
IR – town and villages urban reseals	300	–	(300)	–
IR – upgrade sport and recreation facilities	25	–	(25)	–
IR – saleyards infrastructure	100	–	(100)	–
Delegate disadvantaged units	38	–	(38)	–
SRWI – bombala cbd	300	–	(300)	–
SRWI – bombala river park	150	–	(150)	–
SRWI – community buildings	57	–	(57)	–
SRWI – delegate main street upgrade	60	–	(60)	–
SRWI – endeavour reserve viewing platform	40	–	(40)	–
SRWI – seal racecourse road	200	–	(200)	–
SRWI – sport and recreation facilities	115	–	(115)	–
SRWI – town and villages shared pathways	43	–	(43)	–
Business incentive scheme	49	–	(49)	–
Cemetery	173	–	(173)	–
Community services building	79	–	(79)	–

continued...

Snowy Monaro Regional Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

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

13/5/16 to 30/6/17 \$ '000	Transferred from former Councils	Transfers to restrictions	Transfers from restrictions	Closing balance
Internal restrictions (continued)				
Development	329	–	(329)	–
Election	80	–	(80)	–
Quarries	32	–	(32)	–
Risk management program	113	–	(113)	–
Yallambee lodge building/equipment replacement	1,632	–	–	1,632
Yallambee lodge employee leave entitlements	135	–	(135)	–
Strategic planning	40	–	(40)	–
Saleyards	53	–	(53)	–
Former Bombala LGA	–	3,270	–	3,270
Former Cooma-Monaro LGA	–	890	–	890
Former Snowy River LGA	–	906	–	906
Stronger Communities Fund	–	15,366	(1,004)	14,362
Merger Implementation Funding	–	5,152	(2,040)	3,112
Other	230	1,478	(230)	1,478
Total internal restrictions	16,716	32,031	(11,385)	37,362
TOTAL RESTRICTIONS	50,210	40,311	(12,979)	77,542

- A** Loan moneys which must be applied for the purposes for which the loans were raised.
- B** Advances by roads and maritime services for (RMS) works on the State's classified roads.
- C** Self insurance liability resulting from reported claims or incurred claims not yet reported.
- D** Development contributions which are not yet expended for the provision of services and amenities in accordance with contributions plans (refer Note 17).
- E** RMS contributions which are not yet expended for the provision of services and amenities in accordance with those contributions.
- F** Grants which are not yet expended for the purposes for which the grants were obtained. (refer Note 1 (b))
- G** Water, sewerage, domestic waste management (DWM) and other special rates/levies/charges are externally restricted assets and must be applied for the purposes for which they were raised.

Snowy Monaro Regional Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 7. Receivables

\$ '000	Notes	2017	
		Current	Non-current
Purpose			
Rates and annual charges		5,245	–
Interest and extra charges		375	–
User charges and fees		2,772	–
Loans Receivable		19	137
Accrued revenues			
– Interest on investments		398	–
– Other income accruals		566	–
Government grants and subsidies		978	–
Net GST receivable		541	–
Other debtors		14	–
Total		10,908	137
Less: provision for impairment			
Rates and annual charges		(65)	–
User charges and fees		(76)	–
Total provision for impairment – receivables		(141)	–
<u>TOTAL NET RECEIVABLES</u>		<u>10,767</u>	<u>137</u>
Externally restricted receivables			
Water supply			
– Specific purpose grants		11	–
– Rates and availability charges		1,097	–
– Other		1,154	–
Sewerage services			
– Specific purpose grants		10	–
– Rates and availability charges		2,338	–
– Other		196	137
Domestic waste management		597	–
Total external restrictions		5,403	137
Internally restricted receivables			
Nil			
Unrestricted receivables		5,364	–
<u>TOTAL NET RECEIVABLES</u>		<u>10,767</u>	<u>137</u>

Notes on debtors above:

- (i) Rates and annual charges outstanding are secured against the property.
- (ii) Doubtful rates debtors are provided for where the value of the property is less than the debt outstanding.
An allowance for other doubtful debts is made when there is objective evidence that a receivable is impaired.
- (iii) Interest was charged on overdue rates and charges at 8.50% (2016 8.50%).
Generally all other receivables are non-interest bearing.
- (iv) Please refer to Note 15 for issues concerning credit risk and fair value disclosures.

Snowy Monaro Regional Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 8. Inventories and other assets

\$ '000	Notes	2017	
		Current	Non-current
(a) Inventories			
(i) Inventories at cost			
Real estate for resale (refer below)		441	–
Stores and materials		487	–
Trading stock		46	–
Total inventories at cost		974	–
(ii) Inventories at net realisable value (NRV)			
Nil			
TOTAL INVENTORIES		974	–
(b) Other assets			
Prepayments		185	–
TOTAL OTHER ASSETS		185	–
Externally restricted assets			
Water			
Stores and materials		61	–
Total water		61	–
Sewerage			
Stores and materials		35	–
Total sewerage		35	–
Total externally restricted assets		96	–
Total unrestricted assets		1,063	–
TOTAL INVENTORIES AND OTHER ASSETS		1,159	–
(i) Other disclosures			
(a) Details for real estate development			
Residential		441	–
Total real estate for resale		441	–
(Valued at the lower of cost and net realisable value)			
Represented by:			
Acquisition costs		441	–
Total real estate for resale		441	–
Movements:			
Real estate assets at beginning of the year (former Councils)		440	–
– Purchases and other costs		1	–
Total real estate for resale		441	–

Snowy Monaro Regional Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 9a. Infrastructure, property, plant and equipment

Asset class \$ '000	IPP&E transferred from former Councils as at 13/5/2016			Asset movements during the reporting period							as at 30/6/2017		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Revaluation decrements to P&L	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
Capital work in progress	9,307	–	9,307	2,586	947	–	–	(8,468)	–	–	4,372	–	4,372
Plant and equipment	22,196	10,630	11,566	2,433	–	(921)	(1,827)	–	–	–	23,708	12,457	11,251
Office equipment	2,754	1,878	876	178	11	–	(325)	467	–	–	3,410	2,203	1,207
Furniture and fittings	856	478	378	5	18	–	(72)	19	–	–	898	550	348
Land:													
– Operational land	20,883	–	20,883	–	–	(90)	–	13	–	–	20,806	–	20,806
– Community land	11,254	–	11,254	–	–	–	–	–	–	–	11,254	–	11,254
Land improvements – depreciable	1,896	130	1,766	–	–	–	(8)	–	–	–	1,896	138	1,758
Infrastructure:													
– Buildings – non-specialised	41,577	24,199	17,378	242	1,686	(156)	(1,200)	119	–	–	43,468	25,399	18,069
– Buildings – specialised	41,719	23,950	17,769	336	155	(123)	(985)	910	–	–	42,997	24,935	18,062
– Other structures	13,630	5,855	7,775	646	49	–	(624)	203	–	–	14,528	6,479	8,049
– Roads	410,176	150,925	259,251	5,377	716	(339)	(7,239)	2,792	–	–	418,722	158,164	260,558
– Bridges	112,345	51,745	60,600	632	–	–	(1,640)	177	–	–	113,154	53,385	59,769
– Footpaths	16,359	7,992	8,367	96	182	–	(463)	–	–	–	16,637	8,455	8,182
– Bulk earthworks (non-depreciable)	515,157	–	515,157	130	61	–	–	254	–	–	515,602	–	515,602
– Stormwater drainage	31,147	13,635	17,512	213	–	–	(711)	29	–	–	31,389	14,346	17,043
– Water supply network	152,875	77,993	74,882	2,075	5	(145)	(2,309)	2,979	–	14,705	196,222	104,030	92,192
– Sewerage network	151,431	73,983	77,448	330	–	(38)	(2,703)	407	(2,886)	–	136,933	64,375	72,558
– Swimming pools	13,644	8,359	5,285	–	–	–	(280)	–	–	–	13,644	8,639	5,005
– Other open space/recreational assets	4,894	2,874	2,020	4	–	–	(136)	99	–	–	4,997	3,010	1,987
Other assets:													
– Library books	1,279	935	344	96	–	–	(85)	–	–	–	1,375	1,020	355
– Other	4,161	1,351	2,810	3	–	(2)	(214)	–	–	–	4,162	1,565	2,597
Reinstatement, rehabilitation and restoration assets (refer Note 26):													
– Tip assets	1,784	1,054	730	–	21	–	(111)	–	–	–	1,804	1,164	640
– Quarry assets	38	5	33	–	–	–	–	–	–	–	38	5	33
TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIP.	1,581,362	457,971	1,123,391	15,382	3,851	(1,814)	(20,932)	–	(2,886)	14,705	1,622,016	490,319	1,131,697

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

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

Snowy Monaro Regional Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

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

\$ '000	Actual		
	2017		
Class of asset	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount
Water supply			
WIP	670	–	670
Plant and equipment	878	352	526
Office equipment	11	5	6
Land			
– Operational land	1,611	–	1,611
– Improvements – depreciable	109	26	83
Buildings	363	279	84
Other structures	177	35	142
Infrastructure	196,223	104,030	92,193
Total water supply	200,042	104,727	95,315
Sewerage services			
WIP	809	–	809
Plant and equipment	946	500	446
Land			
– Operational land	1,156	–	1,156
– Community land	55	–	55
– Improvements – depreciable	85	20	65
Buildings	72	35	37
Other structures	125	31	94
Infrastructure	136,822	64,365	72,457
Other assets	8	4	4
Total sewerage services	140,078	64,955	75,123
Domestic waste management			
WIP	1,020	–	1,020
Plant and equipment	4,527	2,600	1,927
Office equipment	71	71	–
Land			
– Operational land	479	–	479
– Community land	167	–	167
– Improvements – depreciable	527	–	527
Buildings	708	263	445
Other structures	1,467	506	961
Infrastructure	203	49	154
Other assets	4,498	2,117	2,381
Total DWM	13,667	5,606	8,061
TOTAL RESTRICTED I,PP&E	353,787	175,288	178,499

Snowy Monaro Regional Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

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

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

Note 10a. Payables, borrowings and provisions

\$ '000	Notes	2017	
		Current	Non-current
Payables			
Goods and services – operating expenditure		1,617	–
Accrued expenses:			
– Borrowings		112	–
– Salaries and wages		745	–
– Other expenditure accruals		45	–
Advances		308	–
Security bonds, deposits and retentions		1,095	–
Yallambee lodge accommodation bonds		2,480	–
Snowy river hostel accommodation bonds		793	–
Total payables		7,195	–
Income received in advance			
Payments received in advance		402	–
Total income received in advance		402	–
Borrowings			
Loans – secured ¹		575	3,445
Total borrowings		575	3,445
Provisions			
Employee benefits:			
Annual leave		2,195	–
Long service leave		3,918	–
Other leave		34	–
Other leave – TIL and flex		230	–
ELE on-costs		335	–
Sub-total – aggregate employee benefits		6,712	–
Asset remediation/restoration (future works)	26	–	3,331
Total provisions		6,712	3,331
TOTAL PAYABLES, BORROWINGS AND PROVISIONS		14,884	6,776

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

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

Snowy Monaro Regional Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

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

\$ '000

(i) Liabilities relating to restricted assets

	2017	
	Current	Non-current
Externally restricted assets		
Water	209	349
Sewer	176	1,613
Domestic waste management	290	4,387
Yallambee lodge accomodation bonds	2,480	–
Snowy river hostel accomodation bonds	793	–
Liabilities relating to externally restricted assets	3,948	6,349
Internally restricted assets		
Nil		
Total liabilities relating to restricted assets	3,948	6,349
Total liabilities relating to unrestricted assets	10,936	427
TOTAL PAYABLES, BORROWINGS AND PROVISIONS	14,884	6,776

Snowy Monaro Regional Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

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

\$ '000

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

Nil

Note 10b. Description of and movements in provisions

Class of provision	2016	13/5/16 to 30/6/17				Closing balance as at 30/6/17
	Opening balance (former Councils)	Additional provisions	Decrease due to payments	Remeasurement effects due to discounting	Unused amounts reversed	
Annual leave	2,195	–	–	–	–	2,195
Long service leave	3,937	–	–	(19)	–	3,918
Other leave	98	166	–	–	–	264
ELE on-costs	101	234	–	–	–	335
Asset remediation	3,159	172	–	–	–	3,331
TOTAL	9,490	572	–	(19)	–	10,043

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

Snowy Monaro Regional Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 11. Statement of cash flows – additional information

\$ '000	Notes	Actual 2017
(a) Reconciliation of cash assets		
Total cash and cash equivalent assets	6a	11,790
Less bank overdraft	10	–
Balance as per the Statement of Cash Flows		11,790
(b) Reconciliation of net operating result to cash provided from operating activities		
Net result from Income Statement		15,470
Adjust for non-cash items:		
Depreciation and amortisation		20,963
Net losses/(gains) on disposal of assets		768
Losses/(gains) recognised on fair value re-measurements through the P&L:		
– Write offs relating to the fair valuation of I,PP&E		2,886
Unwinding of discount rates on reinstatement provisions		172
+/- Movement in operating assets and liabilities and other cash items: *		
Decrease/(increase) in receivables		4,568
Increase/(decrease) in provision for doubtful debts		(11)
Decrease/(increase) in inventories		138
Decrease/(increase) in other assets		292
Increase/(decrease) in payables		(2,568)
Increase/(decrease) in accrued interest payable		54
Increase/(decrease) in other accrued expenses payable		340
Increase/(decrease) in other liabilities		2,010
Increase/(decrease) in employee leave entitlements		381
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		45,463

* Movements exclude transfers from the former Councils

Snowy Monaro Regional Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

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

\$ '000	Actual 2017
(c) Non-cash investing and financing activities	
Nil	
(d) Financing arrangements	
Nil	

Note 12. Commitments for expenditure

(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

Water mains	383
Water treatment	536
Total commitments	919

These expenditures are payable as follows:

Within the next year	919
Total payable	919

Sources for funding of capital commitments:

Externally restricted reserves	919
Total sources of funding	919

Details of capital commitments

Balance of contract 2970221 and 007/2017 for water main replacements across the region.

Balance of contract 10005871 for Bombala water treatment plant controls system upgrade.

(b) Finance lease commitments

Nil

(c) Operating lease commitments (non-cancellable)

Nil

(d) Investment property commitments

Nil

Snowy Monaro Regional Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

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

\$ '000	Amounts 2017	Indicator 2017	Benchmark
Local government industry indicators – consolidated			
1. Operating performance ratio			
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions less operating expenses	<u>1,260</u>	1.54%	>0.00%
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	<u>82,057</u>		
2. Own source operating revenue ratio			
Total continuing operating revenue ⁽¹⁾ excluding all grants and contributions	<u>49,736</u>	49.78%	>60.00%
Total continuing operating revenue ⁽¹⁾	<u>99,921</u>		
3. Unrestricted current ratio			
Current assets less all external restrictions ⁽²⁾	<u>40,021</u>	3.66x	>1.5x
Current liabilities less specific purpose liabilities ^(3, 4)	<u>10,936</u>		
4. Debt service cover ratio			
Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation	<u>22,747</u>	14.18x	>2x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	<u>1,604</u>		
5. Rates, annual charges, interest and extra charges outstanding percentage			
Rates, annual and extra charges outstanding	<u>5,555</u>	14.27%	< 5% Metro <10% Rural
Rates, annual and extra charges collectible	<u>38,917</u>		
6. Cash expense cover ratio			
Current year's cash and cash equivalents plus all term deposits	<u>77,774</u>	15.32 mths	> 3 mths
Payments from cash flow of operating and financing activities	<u>5,077</u>		

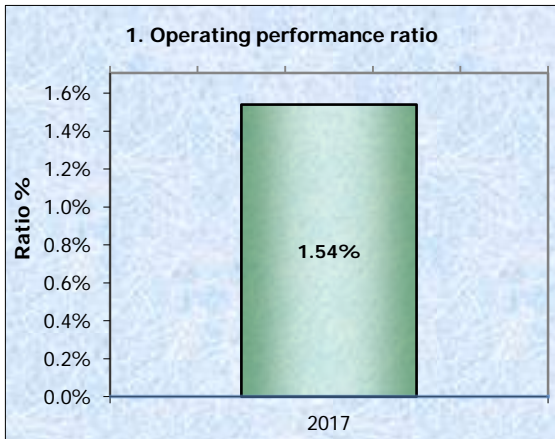
Notes

- (1) Excludes fair value adjustments and reversal of revaluation decrements, net gain/(loss) on sale of assets and the net share of interests in joint ventures and associates.
- (2) Refer Notes 6-8 inclusive.
Also excludes any real estate and land for resale not expected to be sold in the next 12 months.
- (3) Refer to Note 10(a).
- (4) Refer to Note 10(a)(ii) – excludes all payables and provisions not expected to be paid in the next 12 months (incl. ELE).

Snowy Monaro Regional Council

Notes to the Financial Statements for the period 13 May 2016 to 30 June 2017

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



Purpose of operating performance ratio

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

Commentary on 2017 result

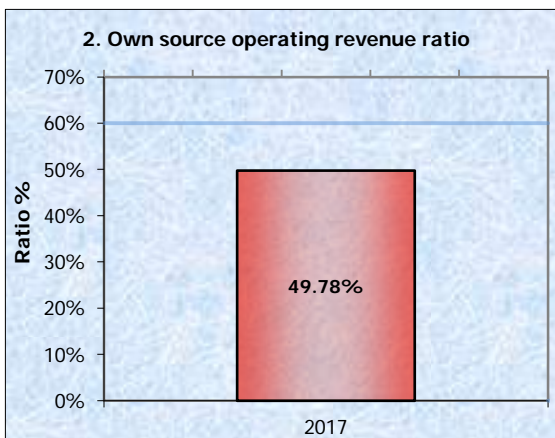
/17 ratio 1.54%

Council's performance was affected by the inclusion of expenditure for 12/5/16 to 30/06/2016 despite only recognising 12 months of annual rates and charges income as required. This has been more than offset by the receipt of the \$5m New Council Implementation Fund and prepayment of 2018 Financial Assistance Grants of \$4.5m which has inflated the 2017 result.

Benchmark: — Minimum $\geq 0.00\%$

Source for benchmark: Code of Accounting Practice and Financial Reporting #25

Ratio achieves benchmark
 Ratio is outside benchmark



Purpose of own source operating revenue ratio

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

Commentary on 2017 result

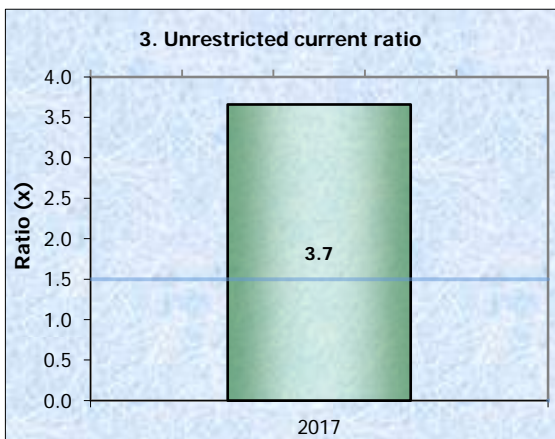
2017 Ratio 49.78%

Council is outside the 60% benchmark this financial year due to the above average grant income received. Council received significant one off grants of over \$25m. The main contributors to this were the Stronger Communities Fund (\$15m), New Council Implementation Fund (\$5m) and prepayment of 2018 FAG grants (\$4.5m).

Benchmark: — Minimum $\geq 60.00\%$

Source for benchmark: Code of Accounting Practice and Financial Reporting #25

Ratio achieves benchmark
 Ratio is outside benchmark



Purpose of unrestricted current ratio

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

Commentary on 2017 result

2017 Ratio 3.66x

Council is well ahead of the 1.5 benchmark illustrating council's ability to pay expenses as and when they fall due.

Benchmark: — Minimum ≥ 1.50

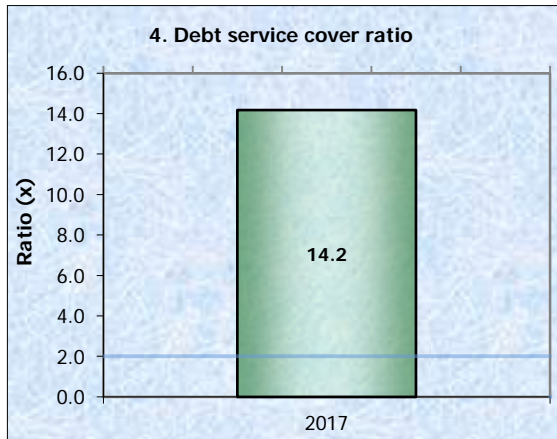
Source for benchmark: Code of Accounting Practice and Financial Reporting #25

Ratio achieves benchmark
 Ratio is outside benchmark

Snowy Monaro Regional Council

Notes to the Financial Statements for the period 13 May 2016 to 30 June 2017

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



Purpose of debt service cover ratio

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



Commentary on 2017 result

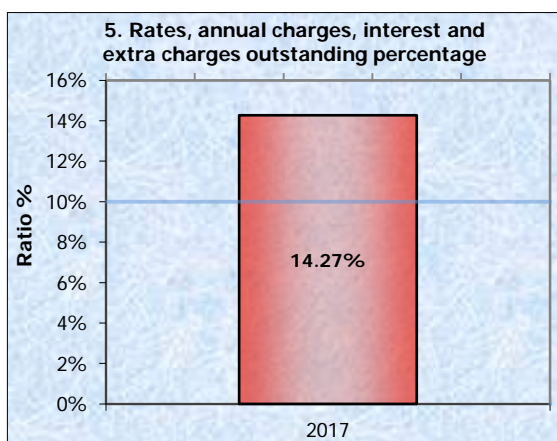
2017 Ratio 14.18x

Council maintains a low level of debt and far exceeds the service cover ratio benchmark of 2. The results by fund are general (16.0), water (26.0) and sewer (7.4).

Benchmark: ——— Minimum ≥ 2.00

Source for benchmark: Code of Accounting Practice and Financial Reporting #25

 Ratio achieves benchmark
 Ratio is outside benchmark



Purpose of rates and annual charges outstanding ratio

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



Commentary on 2017 result

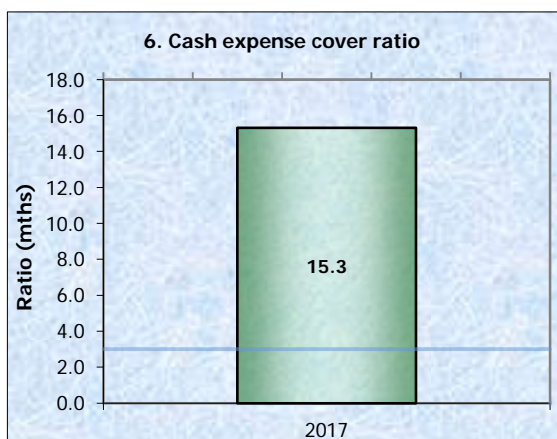
2017 Ratio 14.27%

The consolidated 2017 result of 14% is negatively impacted by tri annual water and sewer access charges not due until after 30 June 2017. The general fund outstanding percentage is 9% which is within the benchmark of 10%.

Benchmark: ——— Maximum $< 10.00\%$

Source for Benchmark: Code of Accounting Practice and Financial Reporting #25

 Ratio is within Benchmark
 Ratio is outside Benchmark



Purpose of cash expense cover ratio

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



Commentary on 2017 result

2017 Ratio 15.32 mths

Council maintains a strong ability to fund services as required and is well ahead of the benchmark of 3 months coverage.

Benchmark: ——— Minimum ≥ 3.00

Source for benchmark: Code of Accounting Practice and Financial Reporting #25

 Ratio achieves benchmark
 Ratio is outside benchmark

Snowy Monaro Regional Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

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

\$ '000	General ⁵ 2017	Water 2017	Sewer 2017	Benchmark
Local government industry indicators – by fund				
1. Operating performance ratio				
<u>Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions less operating expenses</u>	-0.76%	11.91%	8.55%	>0.00%
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions				
2. Own source operating revenue ratio				
<u>Total continuing operating revenue ⁽¹⁾ excluding all grants and contributions</u>	40.42%	84.54%	94.99%	>60.00%
Total continuing operating revenue ⁽¹⁾				
3. Unrestricted current ratio				
<u>Current assets less all external restrictions ⁽²⁾</u>	3.66x	43.25x	68.76x	>1.5x
Current liabilities less specific purpose liabilities ^(3, 4)				
4. Debt service cover ratio				
<u>Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation</u>	16.04x	25.96x	7.39x	>2x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)				
5. Rates, annual charges, interest and extra charges outstanding percentage				
<u>Rates, annual and extra charges outstanding</u>	9.06%	20.77%	22.84%	< 5%
Rates, annual and extra charges collectible				Metro <10% Rural
6. Cash expense cover ratio				
<u>Current year's cash and cash equivalents plus all term deposits</u> x12	17.51 mths	4.64 mths	5.11 mths	> 3 mths
Payments from cash flow of operating and financing activities				

Notes

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

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

Snowy Monaro Regional Council

Notes to the Financial Statements for the period 13 May 2016 to 30 June 2017

Note 14. Investment properties

\$ '000

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

Note 15. Financial risk management

Risk management

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

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

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

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

The fair value of Council's financial assets and financial liabilities approximates their carrying amount.

Snowy Monaro Regional Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 15. Financial risk management (continued)

\$ '000

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

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

The risks associated with the investments held are:

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

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

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

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

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

13/5/16 to 30/6/17	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
Possible impact of a 10% movement in market values	247	247	(247)	(247)
Possible impact of a 1% movement in interest rates	778	778	778	778

Snowy Monaro Regional Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 15. Financial risk management (continued)

\$ '000

(b) Credit risk

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

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

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

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

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

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

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

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

	2017 Rates and annual charges	2017 Other receivables
(i) Ageing of receivables – %		
Current (not yet overdue)	0%	87%
Overdue	100%	13%
	100%	100%

	Rates and annual charges	Other receivables
(ii) Ageing of receivables – value		
Rates and annual charges		
Current	–	5,026
< 1 year overdue	3,807	521
1 – 2 years overdue	746	24
2 – 5 years overdue	523	10
> 5 years overdue	169	219
	5,245	5,800

(iii) Movement in provision for impairment of receivables

	2017
Balance at the beginning of the year (former Councils)	152
+ new provisions recognised during the year	(11)
Balance at the end of the year	141

Snowy Monaro Regional Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 15. Financial risk management (continued)

\$ '000

(c) Liquidity risk

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

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

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

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

\$ '000	Subject to no maturity	payable in:						Total cash outflows	Actual carrying values
		≤ 1 Year	1-2 Yrs	2-3 Yrs	3-4 Yrs	4-5 Yrs	> 5 Yrs		
13/5/16 to 30/6/17									
Trade/other payables	1,095	6,100	–	–	–	–	–	7,195	7,195
Loans and advances	–	808	752	701	648	593	1,177	4,679	4,020
Total financial liabilities	1,095	6,908	752	701	648	593	1,177	11,874	11,215

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

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

	2017	
	Carrying value	Average interest rate
Trade/other payables	7,195	0.00%
Loans and advances – fixed interest rate	4,020	7.33%
	<u>11,215</u>	

Loan agreement breaches

Nil

Note 16. Material budget variations

In accordance with the Supplementary Code 25, this note is not required for new Councils.

Snowy Monaro Regional Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 17. Statement of developer contributions

\$ '000

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

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

SUMMARY OF CONTRIBUTIONS AND LEVIES

PURPOSE	S94 Funds transferred from former Councils	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	422	297	–	7	(25)	–	701	–
Parking	36	–	–	–	–	–	36	–
Open space	83	4	–	1	–	–	88	–
Community facilities	29	–	–	–	–	–	29	–
Public parking	4	–	–	–	–	–	4	–
Roadworks	228	4	–	3	–	–	235	–
Open space and public art	12	4	–	–	–	–	16	–
Sport and recreation facilities	23	12	–	–	–	–	35	–
Community services and facilities	171	28	–	2	–	–	201	–
Shared pathways - Jindabyne area	4	2	–	–	–	–	6	–
Regional waste management	65	40	–	1	(106)	–	–	–
Bushfire services	21	–	–	–	–	–	21	–
S94 contributions – under a plan	1,098	404	–	14	(144)	–	1,372	–
S94A levies – under a plan	22	–	–	–	–	–	22	–
Total S94 revenue under plans	1,120	404	–	14	(144)	–	1,394	–
S94 not under plans	81	31	–	2	(21)	–	93	–
S64 contributions	1,577	787	–	25	(41)	–	2,348	–
Total contributions	2,778	1,222	–	41	(206)	–	3,835	–

Snowy Monaro Regional Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 17. Statement of developer contributions (continued)

\$ '000

S94 CONTRIBUTIONS – UNDER A PLAN

CONTRIBUTION PLAN NUMBER (former Cooma-Monaro)

PURPOSE	S94 Funds transferred from former Councils	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	422	297	–	7	(25)	–	701	–
Parking	36	–	–	–	–	–	36	–
Open space	83	4	–	1	–	–	88	–
Community facilities	29	–	–	–	–	–	29	–
Total	570	301	–	8	(25)	–	854	–

CONTRIBUTION PLAN NUMBER (former Snowy River)

PURPOSE	S94 Funds transferred from former Councils	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					
Public parking	4	–	–	–	–	–	4	–
Roadworks	228	4	–	3	–	–	235	–
Open space and public art	12	4	–	–	–	–	16	–
Sport and recreation facilities	23	12	–	–	–	–	35	–
Community services and facilities	171	28	–	2	–	–	201	–
Shared pathways - Jindabyne area	4	2	–	–	–	–	6	–
Shared trails - Jindabyne area	–	13	–	–	(13)	–	–	–
Regional waste management	65	40	–	1	(106)	–	–	–
Bushfire services	21	–	–	–	–	–	21	–
Total	528	103	–	6	(119)	–	518	–

Snowy Monaro Regional Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 17. Statement of developer contributions (continued)

\$ '000

S94A LEVIES – UNDER A PLAN

CONTRIBUTION PLAN NUMBER 1 (former Bombala)

PURPOSE	S94 Funds transferred from former Councils	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Other	22		–	–	–	–	22	–
Total	22	–	–	–	–	–	22	–

S94 CONTRIBUTIONS – NOT UNDER A PLAN

(former Snowy River)

PURPOSE	S94 Funds transferred from former Councils	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					
Community facilities	30	–	–	–	(6)	–	24	–
Kerb and gutter	28	–	–	1	–	–	29	–
Voluntary payment agreement	23	31	–	1	(15)	–	40	–
Total	81	31	–	2	(21)	–	93	–

Snowy Monaro Regional Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 18. Contingencies and other assets/liabilities not recognised

\$ '000

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

LIABILITIES NOT RECOGNISED:

1. Guarantees

(i) Defined benefit superannuation contribution plans

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

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

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

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

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

(ii) Statewide Limited

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

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

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

(iii) StateCover Limited

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

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

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

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

(iv) Other guarantees

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

Snowy Monaro Regional Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

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

\$ '000

LIABILITIES NOT RECOGNISED (continued):

2. Other liabilities

(i) Third party claims

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

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

(ii) S94 plans

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

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

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

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

(iii) Potential land acquisitions due to planning restrictions imposed by Council

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

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

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

ASSETS NOT RECOGNISED:

(i) Land under roads

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

(ii) Infringement notices/fines

Fines 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.

Note 19. Interests in other entities

Council has no interest in any controlled entities, joint arrangements or associates.

Snowy Monaro Regional Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

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

\$ '000	Notes	Actual 2017
(a) Retained earnings		
Movements in retained earnings were as follows:		
a. Net result for the year		1,185,551
Balance at end of the reporting period		<u>1,185,551</u>
(b) Revaluation reserves		
(i) Reserves are represented by:		
– Infrastructure, property, plant and equipment revaluation reserve		14,705
Total		<u>14,705</u>
(ii) Reconciliation of movements in reserves:		
Infrastructure, property, plant and equipment revaluation reserve		
– Opening balance (former Councils)		–
– Revaluations for the year	9(a)	14,705
– Balance at end of year		<u>14,705</u>
TOTAL VALUE OF RESERVES		<u>14,705</u>

(iii) Nature and purpose of reserves

Infrastructure, property, plant and equipment revaluation reserve

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

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

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

(d) Voluntary changes in accounting policies

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

Snowy Monaro Regional Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 21. Financial result and financial position by fund

Income Statement by fund	Actual 13/5/16 to 30/6/17	Actual 13/5/16 to 30/6/17	Actual 13/5/16 to 30/6/17
\$ '000			
<u>Continuing operations</u>	Water	Sewer	General¹
Income from continuing operations			
Rates and annual charges	3,768	7,667	18,846
User charges and fees	4,120	314	10,266
Interest and investment revenue	326	362	1,861
Other revenues	289	197	1,720
Grants and contributions provided for operating purposes	88	53	32,180
Grants and contributions provided for capital purposes	1,468	397	15,999
Other income			
Net gains from disposal of assets	–	–	–
Total income from continuing operations	10,059	8,990	80,872
Expenses from continuing operations			
Employee benefits and on-costs	1,802	1,489	28,489
Borrowing costs	35	141	348
Materials and contracts	1,448	1,843	15,754
Depreciation and amortisation	2,409	2,793	15,761
Other expenses	1,846	4,478	5,047
Net losses from the disposal of assets	166	40	562
Total expenses from continuing operations	7,706	10,784	65,961
Operating result from continuing operations	2,353	(1,794)	14,911
<u>Discontinued operations</u>			
Net profit/(loss) from discontinued operations	–	–	–
Net operating result for the year	2,353	(1,794)	14,911
<u>Gain on local government amalgamation</u>			
Assets and liabilities transferred from former councils	93,383	93,151	983,547
Net result for the year	95,736	91,357	998,458
Net result attributable to each council fund	95,736	91,357	998,458
Net operating result for the year before grants and contributions provided for capital purposes	885	(2,191)	(1,088)

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

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

Snowy Monaro Regional Council

Notes to the Financial Statements

as at 30 June 2017

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

Statement of Financial Position by fund \$ '000	Actual 2017	Actual 2017	Actual 2017
ASSETS	Water	Sewer	General¹
Current assets			
Cash and cash equivalents	2,024	2,321	7,445
Investments	7,557	8,658	27,769
Receivables	2,262	2,544	5,961
Inventories	61	35	878
Other	–	–	185
Total current assets	11,904	13,558	42,238
Non-current assets			
Investments	3,780	4,330	13,890
Receivables	–	137	–
Infrastructure, property, plant and equipment	95,315	75,123	961,259
Intangible assets	–	–	382
Total non-current assets	99,095	79,590	975,531
TOTAL ASSETS	110,999	93,148	1,017,769
LIABILITIES			
Current liabilities			
Payables	130	57	7,008
Income received in advance	–	–	402
Borrowings	79	119	377
Provisions	–	–	6,712
Total current liabilities	209	176	14,499
Non-current liabilities			
Payables	–	–	–
Income received in advance	–	–	–
Borrowings	349	1,613	1,483
Provisions	–	–	3,331
Total non-current liabilities	349	1,613	4,814
TOTAL LIABILITIES	558	1,789	19,313
Net assets	110,441	91,359	998,456
EQUITY			
Retained earnings	95,736	91,359	998,456
Revaluation reserves	14,705	–	–
Other reserves	–	–	–
Total equity	110,441	91,359	998,456

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

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

Snowy Monaro Regional Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

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

\$ '000

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

Note 23. Events occurring after the reporting date

Events that occur between the end of the reporting period (30 June 2017) and the date when the financial statements are 'authorised for issue' have been taken into account in preparing these statements.

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

Accordingly, the 'authorised for issue' date is 22/11/17.

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

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

These financial statements (and the figures therein) incorporate all 'adjusting events' that provided evidence of conditions that existed at 30 June 2017.

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

These financial statements (and figures therein) do not incorporate any 'non-adjusting events' that have occurred after 30 June 2017 and which are only indicative of conditions that arose after 30 June 2017.

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

Note 24. Discontinued operations

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

Snowy Monaro Regional Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 25. Intangible assets

\$ '000	Actual 2017
Intangible assets represent identifiable non-monetary assets without physical substance.	
Intangible assets are as follows:	
Opening values (former Councils):	
Gross book value	488
Accumulated amortisation	(75)
Accumulated impairment	–
Net book value – opening balance (former Councils)	413
Movements for the year	
– Amortisation charges	(31)
Closing values:	
Gross book value (30/6)	488
Accumulated amortisation (30/6)	(106)
Accumulated impairment (30/6)	–
<u>TOTAL INTANGIBLE ASSETS – NET BOOK VALUE</u> ¹	<u>382</u>

¹ The net book value of intangible assets represent:

– Software	32
– Hostel bed licences	350
	<u>382</u>

Snowy Monaro Regional Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 26. Reinstatement, rehabilitation and restoration liabilities

\$ '000

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

Asset/operation	Estimated year of restoration	NPV of provision 2017
Jindabyne Landfill	2021	1,674
Adaminaby Landfill	2020	863
Cooma Landfill	2027	592
Bombala Quarries	2056	36
Bombala Landfill	2031	166
Balance at end of the reporting period	10(a)	<u>3,331</u>

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

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

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

Reconciliation of movement in provision for year:

Balance at beginning of year (former Councils)	3,159
Amortisation of discount (expensed to borrowing costs)	172
Total – reinstatement, rehabilitation and restoration provision	<u>3,331</u>

Amount of expected reimbursements

Of the above provisions for reinstatement, rehabilitation and restoration works, those applicable to garbage services and waste management are able to be funded through future charges incorporated within Council's annual domestic waste management charge.

Snowy Monaro Regional Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 26. Reinstatement, rehabilitation and restoration liabilities (continued)

\$ '000

Provisions for close down and restoration and for 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, eg updated cost estimates and revisions to the estimated lives of operations, and are subject to formal review at regular intervals

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.

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.

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.

Snowy Monaro Regional Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 27. Fair value measurement

\$ '000

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

– Infrastructure, property, plant and equipment

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

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

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

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

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

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

13/5/16 to 30/6/17	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					
Plant & Equipment	30/06/15	–	–	11,251	11,251
Office Equipment	30/06/15	–	–	1,207	1,207
Furniture & Fittings	30/06/15	–	–	348	348
Operational Land	30/06/13	–	20,806	–	20,806
Community Land	30/06/11	–	–	11,254	11,254
Land Improvements	30/06/14	–	–	1,758	1,758
Buildings - Specialised	30/06/13	–	–	18,062	18,062
Buildings - Non Specialised	30/06/13	–	18,069	–	18,069
Other Structures	12/05/16	–	–	8,049	8,049
Road infrastructure	30/06/15	–	–	260,558	260,558
Bridges	30/06/15	–	–	59,769	59,769
Footpaths	30/06/15	–	–	8,182	8,182
Bulk Earthworks	30/06/15	–	–	515,602	515,602
Stormwater Drainage	30/06/15	–	–	17,043	17,043
Water Supply Network	30/06/17	–	–	92,192	92,192
Sewerage Network	30/06/17	–	–	72,558	72,558
Swimming Pools	30/06/13	–	–	5,005	5,005
Other Open Space/Recreational Assets	30/06/13	–	–	1,987	1,987
Library Books	30/06/13	–	–	355	355
Tip Restoration Asset	30/06/14	–	–	640	640
Quarry Restoration Asset	30/06/14	–	–	33	33
Other Assets	30/06/11	–	–	2,597	2,597
Total infrastructure, property, plant and equipment		–	38,875	1,088,450	1,127,325

Snowy Monaro Regional Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 27. Fair value measurement (continued)

\$ '000

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

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

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

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

	Level 3 I, PP and E	Total
Balance on transfer from former Councils	1,075,823	1,075,823
Purchases (GBV)	13,772	13,772
Disposals (WDV)	(1,568)	(1,568)
Depreciation and impairment	(19,732)	(19,732)
FV gains – other comprehensive income	14,705	14,705
FV gains – Income Statement	(2,886)	(2,886)
WIP transfers	8,336	8,336
Closing balance – 30/6/17	<u>1,088,450</u>	<u>1,088,450</u>

Snowy Monaro Regional Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 27. Fair value measurement (continued)

\$ '000

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

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

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

Class	Fair value (30/6/17) \$'000	Valuation technique/s	Unobservable inputs
I,PP&E			
Plant & Equipment	11,251	Depreciated replacement cost	Cost per unit, useful life, residual value, condition of asset
Office Equipment	1,207	Depreciated replacement cost	Cost per unit, useful life, residual value, condition of asset
Furniture & Fittings	348	Depreciated replacement cost	Cost per unit, useful life, residual value, condition of asset
Community Land	11,254	Current replacement cost	Cost per sq metre, Valuer General's Valuation
Land Improvements	1,758	Depreciated replacement cost	Useful life, residual value, condition of asset
Buildings - Specialised	18,062	Depreciated replacement cost	Cost per sq metre, dimensions & specification, pattern of consumption, components, useful life, condition of asset
Other Structures	8,049	Depreciated replacement cost	Cost per unit rates, pattern of consumption, components, useful life, asset condition
Road infrastructure	260,558	Depreciated replacement cost	Cost per sq metre, dimensions & specification, pattern of consumption, components, useful life, condition of asset
Bridges	59,769	Depreciated replacement cost	Cost per sq metre, dimensions & specification, pattern of consumption, components, useful life, condition of asset
Footpaths	8,182	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	17,043	Depreciated replacement cost	Unit rates, cost per metre, useful life, condition of asset
Water Supply Network	92,192	Depreciated replacement cost	Unit rates, pattern of consumption, components, useful life, asset condition
Sewerage Network	72,558	Depreciated replacement cost	Unit rates, pattern of consumption, components, useful life, asset condition
Swimming Pools	5,005	Depreciated replacement cost	Cost per unit, useful life, condition of asset
Other Open Space/Recreational	1,987	Depreciated replacement cost	Cost per unit, useful life, condition of asset
Library Books	355	Depreciated replacement cost	Cost per unit, useful life, condition of asset
Tip Restoration Asset	640	Depreciated replacement cost	Cost per cubic / square metre, useful life
Quarry Restoration Asset	33	Depreciated replacement cost	Cost per cubic / square metre, useful life
Other Assets	2,597	Depreciated replacement cost	Unit rates, asset condition, useful life

Snowy Monaro Regional Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 27. Fair value measurement (continued)

\$ '000

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

c. 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.

(4). Highest and best use

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

Note 28. Related party disclosures

In accordance with the Supplementary Code 25, this note is not required for new Councils.

Snowy Monaro Regional Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 29. Local Government amalgamation

\$ '000	Notes	Actual 13/5/16 to 30/6/17
<p>The local government (Council Amalgamations) Proclamation 2016 ('the Proclamation') under the Local Government Act 1993 (NSW) transferred the assets and liabilities of the former councils Bombala Council, Cooma-Monaro Shire Council and Snowy River Shire Council to Snowy Monaro Regional Council as at 12 May 2016</p>		
<p>Gain on local government amalgamation</p>		
Assets and liabilities transferred from former councils	a	1,170,070
Accounting policy adjustments	b	11
		<u>1,170,081</u>

a. Assets and liabilities transferred from former councils

(i) Carrying amount of assets and liabilities transferred

Assets and liabilities of:

- Former Bombala Council
- Former Cooma-Monaro Shire Council
- Former Snowy River Shire Council

have been recognised by the Council at \$1,170,070,000

Council believes the carrying amounts are not materially different from their fair values as at the date of transfer 12 May 2016.

The fair value of the net assets has been shown as a gain on local government amalgamation in the income statement and further information is provided on the next page.

Snowy Monaro Regional Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 29. Local Government amalgamation (continued)

\$ '000

a. Assets and liabilities transferred from former councils (continued)

(i) Carrying amount of assets and liabilities transferred (continued)

	Former Bombala Council	Former Cooma- Monaro Shire Council	Former Snowy River Shire Council	Gain on local government amalgamation
ASSETS				
Current assets				
Cash and cash equivalents	2,395	5,979	19,190	27,564
Investments	9,000	11,000	–	20,000
Receivables	2,142	5,733	7,448	15,323
Inventories	307	224	580	1,111
Other	50	154	273	477
Total current assets	13,894	23,090	27,491	64,475
Non-current assets				
Investments	–	4,000	–	4,000
Receivables	–	–	153	153
Infrastructure, property, plant and equipment	267,734	441,818	413,838	1,123,391
Investments accounted for using the equity method	–	–	–	–
Intangible assets	63	–	350	413
Total non-current assets	267,797	445,818	414,341	1,127,957
TOTAL ASSETS	281,691	468,909	441,832	1,192,432
LIABILITIES				
Current liabilities				
Payables (excluding bank overdraft)	608	3,351	3,802	7,761
Borrowings	–	139	937	1,076
Provisions	1,297	2,874	1,731	5,902
Total current liabilities	1,905	6,364	6,470	14,739
Non-current liabilities				
Borrowings	–	–	4,024	4,024
Provisions	239	831	2,518	3,588
Total non-current liabilities	239	831	6,542	7,612
TOTAL LIABILITIES	2,144	7,195	13,012	22,351
Net assets transferred	279,547	461,714	428,820	1,170,081

Snowy Monaro Regional Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 29. Local Government amalgamation (continued)

\$ '000

(ii) Adjustments between former council carrying amount of assets and fair values recognised

The following adjustments were made to the carrying amount of the assets and liabilities received as part of the amalgamation in order to recognise them at fair value at the proclamation date.

	Actual 2017
Adjustments made to recognise net assets at fair value	
Recognition of assets not recorded by former council	11
Total adjustments	11

(iii) Rates and Non-Reciprocal Grants income

The rates and non-reciprocal grants revenue for the period from [commencement date] to 30 June 2016 were recorded in the financial statements of the former councils in accordance with AASB 1004 Contributions.

The assets transferred to Council include a portion of rates and non-reciprocal grants that were received but related to the period after the former councils ceased to exist.



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 statement of financial position as at 30 June 2017, the income statement, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the period 13 May 2016 to 30 June 2017, 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 2017, and of its financial performance and its cash flows for the period 13 May 2016 to 30 June 2017 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.

The Councillors' Responsibility 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 must assess the Council's ability to continue as a going concern except where the Council will be dissolved or amalgamated by an Act of Parliament. The assessment must disclose, as applicable, matters related to going concern and the appropriateness of using the going concern basis of accounting.

Auditor's Responsibility 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/ar3.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, Note 2(a) and Note 16 budget variation explanations
- on the attached Special Schedules
- 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

22 November 2017
SYDNEY

John Rooney
Mayor
Snowy Monaro Regional Council
PO Box 143
BERRIDALE NSW 2628

Contact: Lawrissa Chan
Phone no: 02 9275 7255
Our ref: D1730322/1787

Dear Cr Rooney

**Report on the Conduct of the Audit
for the Period 13 May 2016 to 30 June 2017
Snowy Monaro Regional Council**

We have audited the general purpose financial statements of Snowy Monaro Regional Council (the Council) for the period 13 May 2016 to 30 June 2017 as required by section 415 of the *Local Government Act 1993* (the Act). We expressed an unmodified opinion on the Council's general purpose financial statements.

This Report on the Conduct of the Audit (the Report) for the Council for the period 13 May 2016 to 30 June 2017 is issued in accordance with section 417 of the Act. Section 417(3) requires us to consider and report on matters pertinent to the Council's financial statements and audit. This Report should be read in conjunction with our audit opinion on the general purpose financial statements issued under section 417(2) of the Act.

INCOME STATEMENT

The operating results represent Council's activities for the period 13 May 2016 to 30 June 2017.

Operating result

	2017
	\$'000
Rates and annual charges	30,281
Grants and contributions (capital and operational)	50,185
Operating result for the period	15,470
Net result for the period (after assets and liabilities transferred from former Councils)	1,185,551
Net operating result before capital amounts	(2,394)

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

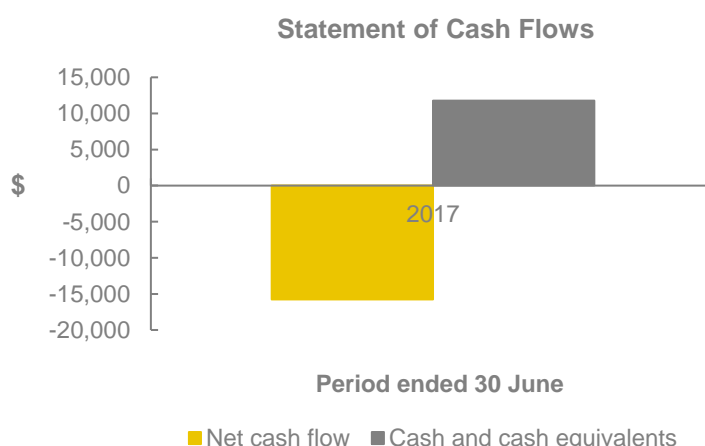
- Council’s operating surplus for the period was \$15.5 million. The operating result for the period included:
 - revenue from rates and annual charges of \$30.3 million
 - user charges and fees of \$14.7 million
 - grants and contributions of \$50.2 million
 - expenses for employee benefits and on-costs of \$31.8 million
 - materials and contracts of \$19 million.
- Council recorded a net result for the period after assets and liabilities transferred from former councils of \$1,185.6 million.
- The net operating result before capital contributions was a deficit of \$2.4 million.
- Grants and contributions (capital and operational) was \$50.2 million. Grant income included \$15 million Stronger Communities Fund and \$5 million New Council Implementation Fund, which are both non-recurring. In addition, Council received \$13.3 million Financial Assistance Grants, of which \$4.5 million related to 2017–18 and booked as income in June 2017.
- Council’s depreciation and amortisation expense for the period ended 30 June 2017 was \$21 million.

STATEMENT OF CASH FLOWS

- Council recorded a net decrease in cash and cash equivalents of \$15.8 million in 2017 before cash transferred on amalgamation. Cash transferred on amalgamation of former Councils was \$27.6 million.
- Net cash provided by operating activities amounted to \$45.5 million. Council recorded:
 - \$33.1 million cash receipts from rates and annual charges
 - \$15.7 million cash receipts from user charges and fees
 - \$50.6 million cash receipts from grants and contributions.

This was offset by \$31.0 million of cash payments on employee benefits and on-costs and \$21.5 million of cash payments for materials and contracts.

- Net cash used in investing activities totalled \$60.2 million. This is largely due to the purchase of investment securities of \$42.0 million and the purchase of infrastructure, property, plant and equipment of \$19.2 million.



FINANCIAL POSITION

Cash and Investments

Restricted Cash and Investments	2017	Commentary
	\$'000	
External restrictions	40,180	<ul style="list-style-type: none"> Externally restricted cash and investments are restricted in their use by externally imposed requirements. Externally restricted cash includes \$14.5 million for sewerage services, \$11.9 million for water suppliers, \$3.8 million for domestic waste management and 2.5 million for Yallambee lodge accommodation bonds.
Internal restrictions	37,362	
Unrestricted	232	<ul style="list-style-type: none"> Internally restricted cash and investments have been restricted in their use by resolution or policy of Council to reflect identified programs of works and any forward plans identified by Council. Internally restricted cash includes: <ul style="list-style-type: none"> \$14.4 million for the Stronger Communities Fund \$5.1 million from the former LGAs (Bombala, Cooma-Monaro and Snowy River) \$3.4 million for employee leave entitlements \$3.2 million for plant and equipment replacement \$3.2 million for uncompleted works \$3.1 million for Merger Implementation Funding.
Cash and investments	77,774	

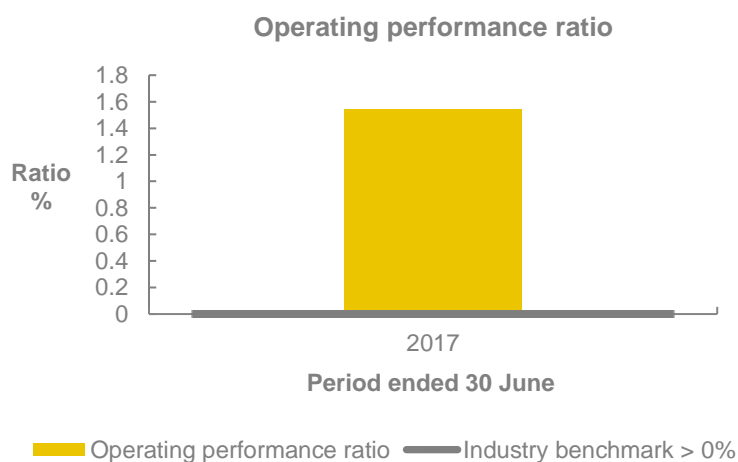
Debt

The Council had borrowings of \$4 million at 30 June 2017. All loans are secured over general rating income of Council.

PERFORMANCE RATIOS

Operating performance ratio

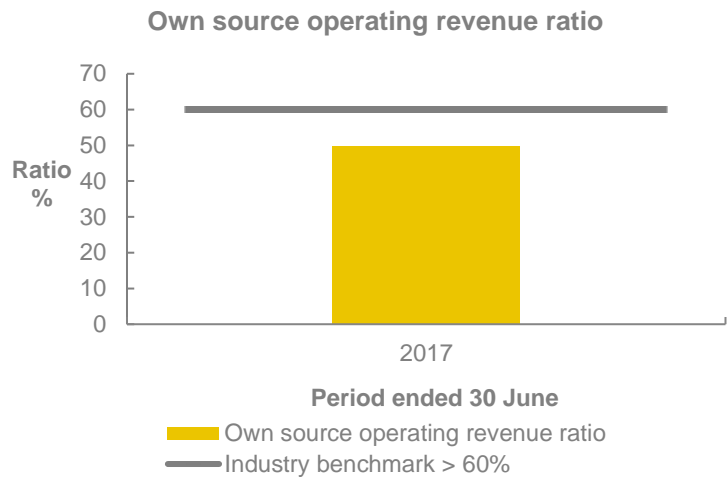
- The 'operating performance ratio' measures how well Council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by the Office of Local Government (OLG) is greater than zero per cent.
- The operating performance ratio was 1.54 per cent which is above the industry benchmark of > 0 per cent.



- The operating performance ratio was impacted by the receipt of \$5 million New Council Implementation Fund and \$4.5 million Financial Assistance Grants for 2017–18, which was booked as income in June 2017.

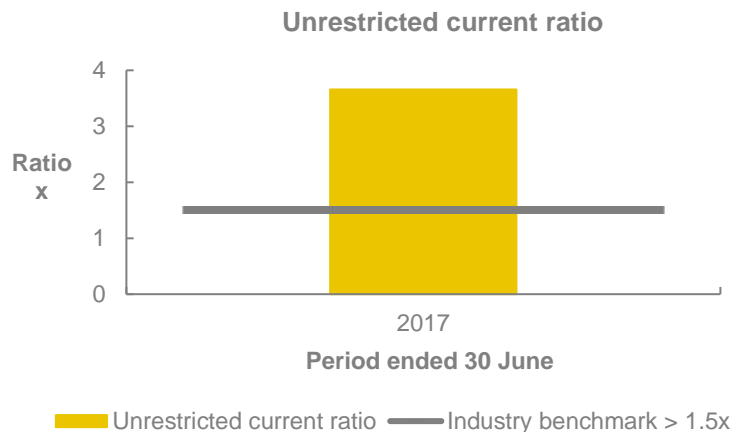
Own source operating revenue ratio

- 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 OLG is greater than 60 per cent.
- The Council's own source operating revenue ratio of 49.78 per cent is below the industry benchmark of 60 per cent.
- This is largely due to the increased level of grant activity at Council during the period. Council received \$15 million for the Stronger Communities Fund, \$5 million for the New Council Implementation Fund and \$4.5 million Financial Assistance Grants for 2017–18, which was booked as income in June 2017.



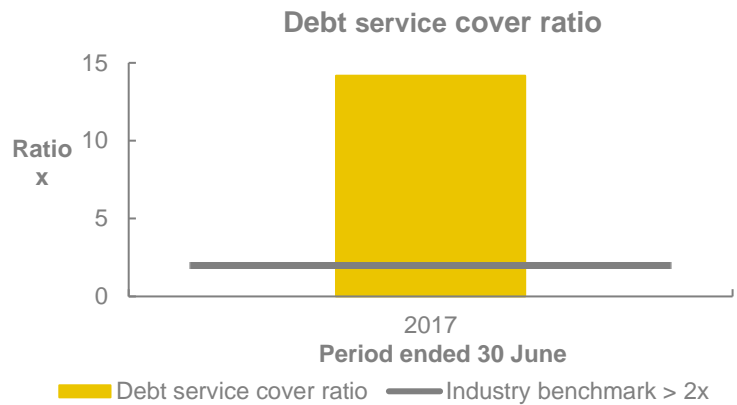
Unrestricted current ratio

- 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 OLG is greater than 1.5 times.
- The Council's liquidity ratio of 3.66 times is greater than the industry benchmark minimum of > 1.5 times.
- This indicates that Council has sufficient liquidity to meet its current liabilities as and when they fall due.



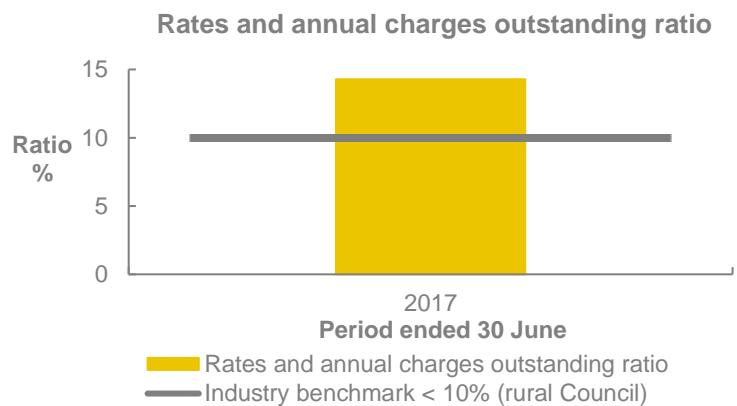
Debt service cover ratio

- The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by OLG is greater than two times.
- The Council's debt service cover ratio of 14.18 times is greater than the industry benchmark of > 2 times.
- This ratio indicates that Council has 14.18 times in operating cash available to service its debts. Council generates sufficient cash from its operations to fund its debt obligations.



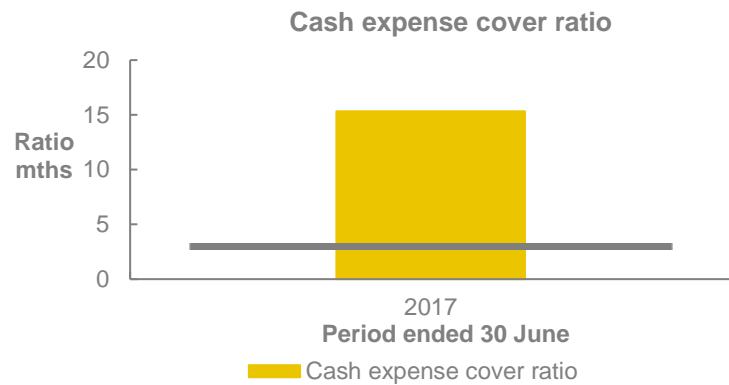
Rates and annual charges outstanding ratio

- The 'rates and annual charges outstanding ratio' assesses the impact of uncollected rates and annual charges on Council's liquidity and the adequacy of debt recovery efforts. The benchmark set by OLG is less than 10 per cent for rural councils.
- The Council's rates and annual charges outstanding ratio of 14.27 per cent is outside the industry benchmark of < 10 per cent for rural councils.
- This indicates that the Council needs to improve its debt collection processes.



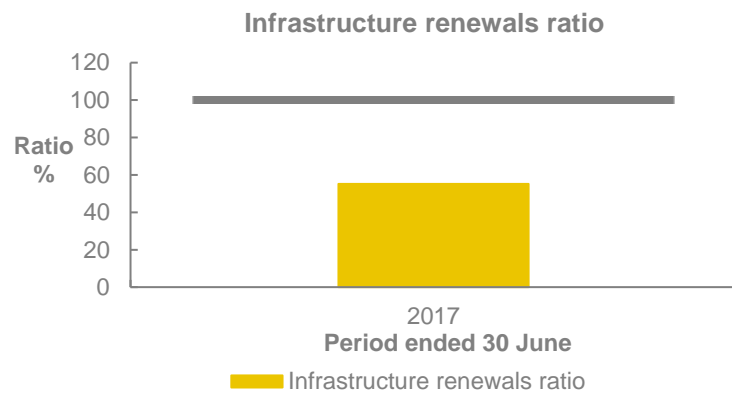
Cash expense cover ratio

- 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 OLG is greater than three months.
- The Council's cash expense cover ratio was 15.32 months, which is above the industry benchmark of > 3 months.
- This indicates that Council had the capacity to cover 15.32 months of cash expenditure without additional cash inflows at 30 June 2017.



Building and infrastructure renewals ratio

- The 'building and infrastructure renewals ratio' represents the rate at which assets are being renewed relative to the rate at which they are depreciating.
- The ratio of 55.12 per cent is below the industry benchmark of greater than 100 per cent.
- Council need to be aware of the deteriorating impact on infrastructure assets if this underperformance is sustained over an extended period.



Other Matters

Legislative compliance

Our 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 reports. The Council's:

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



Lawrissa Chan
Director, Financial Audit Services

22 November 2017
SYDNEY

Cc: Joseph Vescio, General Manager
Peter Cannizzaro, Director Corporate and Community Services
Max Shanahan, Chair of Audit and Risk Improvement Committee
Tim Hurst, Acting Chief Executive, Office of Local Government

Snowy Monaro Regional Council

SPECIAL PURPOSE FINANCIAL STATEMENTS

for the period 13 May 2016 to 30 June 2017



A trusted community partner

Snowy Monaro Regional Council

Special Purpose Financial Statements

for the period 13 May 2016 to 30 June 2017

Contents	Page
1. Statement by Administrator and Management	2
2. Special Purpose Financial Statements:	
Income Statement – Water Supply Business Activity	3
Income Statement – Sewerage Business Activity	4
Income Statement – Other Business Activities	5
Statement of Financial Position – Water Supply Business Activity	6
Statement of Financial Position – Sewerage Business Activity	7
Statement of Financial Position – Other Business Activities	8
3. Notes to the Special Purpose Financial Statements	9
4. Auditor’s Report	18

Background

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

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

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

Snowy Monaro Regional Council

Special Purpose Financial Statements

for the period 13 May 2016 to 30 June 2017

Statement by Administrator and Management

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

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

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

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

- present fairly the operating result and financial position for each of Council's declared business activities for the period 13 May 2016 to 30 June 2017, and
- accord with Council's accounting and other records.

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

Signed in accordance with a resolution of Council made on 06 September 2017.



Dean Lynch
Administrator



Joseph Vescio
General Manager



Jo Anne Mackay
Responsible accounting officer

Snowy Monaro Regional Council

Income Statement of Council's Water Supply Business Activity

for the period 13 May 2016 to 30 June 2017

\$ '000	Actual 13/5/16 to 30/6/17
Income from continuing operations	
Access charges	3,768
User charges	4,028
Fees	92
Interest	326
Grants and contributions provided for non-capital purposes	88
Profit from the sale of assets	–
Other income	289
Total income from continuing operations	8,591
Expenses from continuing operations	
Employee benefits and on-costs	1,802
Borrowing costs	35
Materials and contracts	1,448
Depreciation, amortisation and impairment	2,409
Water purchase charges	–
Loss on sale of assets	166
Calculated taxation equivalents	–
Debt guarantee fee (if applicable)	–
Other expenses	1,846
Total expenses from continuing operations	7,706
Surplus (deficit) from continuing operations before capital amounts	885
Grants and contributions provided for capital purposes	1,468
Surplus (deficit) from continuing operations after capital amounts	2,353
Surplus (deficit) from discontinued operations	–
Surplus (deficit) from all operations before tax	2,353
Less: corporate taxation equivalent (30%) [based on result before capital]	(266)
SURPLUS (DEFICIT) AFTER TAX	2,088
Plus Assets and liabilities transferred from former councils	93,383
Plus/less: prior period adjustments	–
Plus adjustments for amounts unpaid:	
– Taxation equivalent payments	–
– Debt guarantee fees	–
– Corporate taxation equivalent	266
Less:	
– Tax equivalent dividend paid	–
– Surplus dividend paid	–
Closing retained profits	95,736
Return on capital %	1.0%
Subsidy from Council	1,348
Calculation of dividend payable:	
Surplus (deficit) after tax	2,088
Less: capital grants and contributions (excluding developer contributions)	(1,468)
Surplus for dividend calculation purposes	620
Potential dividend calculated from surplus	310

Snowy Monaro Regional Council

Income Statement of Council's Sewerage Business Activity

for the period 13 May 2016 to 30 June 2017

\$ '000	Actual 13/5/16 to 30/6/17
Income from continuing operations	
Access charges	7,667
User charges	276
Liquid trade waste charges	–
Fees	38
Interest	362
Grants and contributions provided for non-capital purposes	53
Profit from the sale of assets	–
Other income	197
Total income from continuing operations	8,593
Expenses from continuing operations	
Employee benefits and on-costs	1,489
Borrowing costs	141
Materials and contracts	1,843
Depreciation, amortisation and impairment	2,793
Loss on sale of assets	40
Calculated taxation equivalents	–
Debt guarantee fee (if applicable)	–
Other expenses	4,478
Total expenses from continuing operations	10,784
Surplus (deficit) from continuing operations before capital amounts	(2,191)
Grants and contributions provided for capital purposes	397
Surplus (deficit) from continuing operations after capital amounts	(1,794)
Surplus (deficit) from discontinued operations	–
Surplus (deficit) from all operations before tax	(1,794)
Less: corporate taxation equivalent (30%) [based on result before capital]	–
SURPLUS (DEFICIT) AFTER TAX	(1,794)
Plus Assets and liabilities transferred from former councils	93,151
Plus/less: prior period adjustments	–
Plus adjustments for amounts unpaid:	
– Taxation equivalent payments	–
– Debt guarantee fees	–
– Corporate taxation equivalent	–
Less:	
– Tax equivalent dividend paid	–
– Surplus dividend paid	–
Closing retained profits	91,357
Return on capital %	-2.7%
Subsidy from Council	3,838
Calculation of dividend payable:	
Surplus (deficit) after tax	(1,794)
Less: capital grants and contributions (excluding developer contributions)	(397)
Surplus for dividend calculation purposes	–
Potential dividend calculated from surplus	–

Snowy Monaro Regional Council

Income Statement of Council's Other Business Activities

for the period 13 May 2016 to 30 June 2017

	Waste Management	Yallambee Lodge
	Category 1	Category 1
	Actual	Actual
	13/5/16	13/5/16
\$ '000	to 30/6/17	to 30/6/17
Income from continuing operations		
Access charges	3,748	–
User charges	893	–
Fees	1,892	958
Interest	120	107
Grants and contributions provided for non-capital purposes	60	1,661
Profit from the sale of assets	–	–
Other income	381	16
Total income from continuing operations	7,094	2,742
Expenses from continuing operations		
Employee benefits and on-costs	2,614	2,296
Borrowing costs	275	–
Materials and contracts	2,311	368
Depreciation, amortisation and impairment	819	243
Loss on sale of assets	8	–
Calculated taxation equivalents	–	–
Debt guarantee fee (if applicable)	–	–
Other expenses	911	321
Total expenses from continuing operations	6,938	3,228
Surplus (deficit) from continuing operations before capital amounts	156	(486)
Grants and contributions provided for capital purposes	65	–
Surplus (deficit) from continuing operations after capital amounts	221	(486)
Surplus (deficit) from discontinued operations	–	–
Surplus (deficit) from all operations before tax	221	(486)
Less: corporate taxation equivalent (30%) [based on result before capital]	(47)	–
SURPLUS (DEFICIT) AFTER TAX	174	(486)
Plus Assets and liabilities transferred from former councils	8,838	6,251
Plus/less: prior period adjustments	–	–
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	–	–
– Debt guarantee fees	–	–
– Corporate taxation equivalent	47	–
Add:		
– Subsidy paid/contribution to operations	–	–
Less:		
– TER dividend paid	–	–
– Dividend paid	–	–
Closing retained profits	9,059	5,765
Return on capital %	5.3%	-10.9%
Subsidy from Council	–	592

Snowy Monaro Regional Council

Statement of Financial Position – Council's Water Supply Business Activity
as at 30 June 2017

\$ '000	Actual 2017
ASSETS	
Current assets	
Cash and cash equivalents	2,024
Investments	7,557
Receivables	2,262
Inventories	61
Other	–
Non-current assets classified as held for sale	–
Total current assets	11,904
Non-current assets	
Investments	3,780
Receivables	–
Inventories	–
Infrastructure, property, plant and equipment	95,315
Investments accounted for using equity method	–
Investment property	–
Intangible assets	–
Other	–
Total non-current assets	99,095
TOTAL ASSETS	110,999
LIABILITIES	
Current liabilities	
Bank overdraft	–
Payables	130
Income received in advance	–
Borrowings	79
Provisions	–
Total current liabilities	209
Non-current liabilities	
Payables	–
Income received in advance	–
Borrowings	349
Provisions	–
Total non-current liabilities	349
TOTAL LIABILITIES	558
NET ASSETS	110,441
EQUITY	
Retained earnings	95,736
Revaluation reserves	14,705
Other reserves	–
TOTAL EQUITY	110,441

Snowy Monaro Regional Council

Statement of Financial Position – Council's Sewerage Business Activity

as at 30 June 2017

\$ '000	Actual 2017
ASSETS	
Current assets	
Cash and cash equivalents	2,321
Investments	8,658
Receivables	2,544
Inventories	35
Other	–
Non-current assets classified as held for sale	–
Total current Assets	13,558
Non-current assets	
Investments	4,330
Receivables	137
Inventories	–
Infrastructure, property, plant and equipment	75,123
Investments accounted for using equity method	–
Investment property	–
Intangible assets	–
Other	–
Total non-current assets	79,590
TOTAL ASSETS	93,148
LIABILITIES	
Current liabilities	
Bank overdraft	–
Payables	57
Income received in advance	–
Borrowings	119
Provisions	–
Total current liabilities	176
Non-current liabilities	
Payables	–
Income received in advance	–
Borrowings	1,613
Provisions	–
Total non-current liabilities	1,613
TOTAL LIABILITIES	1,789
NET ASSETS	91,359
EQUITY	
Retained earnings	91,359
Revaluation reserves	–
Other reserves	–
TOTAL EQUITY	91,359

Snowy Monaro Regional Council

Statement of Financial Position – Council's Other Business Activities

as at 30 June 2017

	Waste Management Category 1	Yallambee Lodge Category 1
\$ '000	Actual 2017	Actual 2017
ASSETS		
Current assets		
Cash and cash equivalents	2,083	–
Investments	2,996	3,720
Receivables	597	1
Inventories	–	–
Other	–	–
Non-current assets classified as held for sale	–	–
Total Current Assets	5,676	3,721
Non-current assets		
Investments	–	–
Receivables	–	66
Inventories	–	–
Infrastructure, property, plant and equipment	8,061	4,458
Investments accounted for using equity method	–	–
Investment property	–	–
Intangible assets	–	–
Total non-current assets	8,061	4,524
TOTAL ASSETS	13,737	8,245
LIABILITIES		
Current liabilities		
Bank overdraft	–	–
Payables	32	2,480
Income received in advance	–	–
Borrowings	257	–
Provisions	–	–
Total current liabilities	289	2,480
Non-current liabilities		
Payables	–	–
Income received in advance	–	–
Borrowings	1,092	–
Provisions	3,294	–
Total non-current liabilities	4,386	–
TOTAL LIABILITIES	4,675	2,480
NET ASSETS	9,062	5,765
EQUITY		
Retained earnings	9,062	5,765
Revaluation reserves	–	–
Other reserves	–	–
TOTAL EQUITY	9,062	5,765

Snowy Monaro Regional Council

Special Purpose Financial Statements

for the period 13 May 2016 to 30 June 2017

Contents of the notes accompanying the financial statements

Note	Details	Page
1	Summary of significant accounting policies	10
2	Water Supply Business Best-Practice Management disclosure requirements	13
3	Sewerage Business Best-Practice Management disclosure requirements	15

Snowy Monaro Regional Council

Notes to the Special Purpose Financial Statements

for the period 13 May 2016 to 30 June 2017

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, 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.

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. Yallambie Lodge

Aged care services

Monetary amounts

Amounts shown in the financial statements are in Australian currency and rounded to the nearest thousand dollars, except for Note 2 (Water Supply Best-Practice Management Disclosures) and Note 3 (Sewerage Best-Practice Management Disclosures).

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

(i) Taxation-equivalent charges

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

Snowy Monaro Regional Council

Notes to the Special Purpose Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 1. Significant accounting policies (continued)

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 – 30%

Land tax – the first \$549,000 of combined land values attracts 0%. For the combined land values in excess of \$549,001 up to \$3,357,000 the rate is 1.6% + \$100. For the remaining combined land value that exceeds \$3,357,000 a premium marginal rate of 2.0% applies.

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

In accordance with the Department of Primary Industries Water (DPIW), 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 NSW Office of Water Guidelines to as a 'dividend for taxation equivalent', may be applied for any purpose allowed under the *Local Government Act, 1993*.

Achievement of substantial compliance to the NSW Office of 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 30%.

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 30% is the equivalent company tax rate prevalent at reporting date. No adjustments have been made for variations that have occurred during the year.

Local government rates and charges

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

Loan and debt guarantee fees

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

Snowy Monaro Regional Council

Notes to the Special Purpose Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 1. Significant accounting policies (continued)

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 2.38% at 30/6/17.

(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 DPIW guidelines and must not exceed:

- (i) 50% of this surplus in any one year, or
- (ii) the number of water supply or sewerage assessments at 30 June 2017 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

In accordance with the DPIW guidelines a Dividend Payment form, Statement of Compliance, Unqualified Independent Financial Audit Report and Compliance Audit Report are required to be submitted to the DPIW prior to making the dividend and only after it has approved the final payment.

Snowy Monaro Regional Council

Notes to the Special Purpose Financial Statements for the period 13 May 2016 to 30 June 2017

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

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

2017

1. Calculation and payment of tax-equivalents

[all local government local water utilities must pay this dividend for tax equivalents]

(i)	Calculated tax equivalents	-
(ii)	Number of assessments multiplied by \$3/assessment	25,830
(iii)	Amounts payable for tax equivalents [lesser of (i) and (ii)]	-
(iv)	Amounts actually paid for tax equivalents	-

2. Dividend from surplus

(i)	50% of surplus before dividends [calculated in accordance with Best-Practice Management for Water Supply and Sewerage Guidelines]	309,750
(ii)	Number of assessments multiplied by \$30/assessment, less tax equivalent charges/assessment	258,300
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2017, less the cumulative dividends paid for the 2 years to 13 May 2016 and 30 June 2015	2,582,600

2017 Surplus 619,500

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	258,300
(v)	Dividend actually paid from surplus [refer below for required pre-dividend payment criteria]	-
(vi)	Are the overhead reallocation charges to the water business fair and reasonable? ^a	YES

3. Required outcomes for 6 criteria

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

(i)	Completion of strategic business plan (including financial plan)	YES
(ii)	Full cost recovery, without significant cross subsidies [refer item 2 (a) in table 1 on page 22 of the Best-Practice Guidelines]	NO
	– Complying charges [item 2 (b) in table 1]	NO
	– DSP with commercial developer charges [item 2 (e) in table 1]	NO
	– If dual water supplies, complying charges [item 2 (g) in table 1]	NO
(iii)	Sound water conservation and demand management implemented	YES
(iv)	Sound drought management implemented	YES
(v)	Complete performance reporting form (by 15 September each year)	YES
(vi)	a. Integrated water cycle management evaluation	NO
	b. Complete and implement integrated water cycle management strategy	NO

Snowy Monaro Regional Council

Notes to the Special Purpose Financial Statements for the period 13 May 2016 to 30 June 2017

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

Dollars amounts shown below are in whole dollars (unless otherwise indicated) 2017

National Water Initiative (NWI) financial performance indicators

NWI F1	Total revenue (water) Total income (w13) – grants for the acquisition of assets (w11a) – interest income (w9) – Aboriginal Communities W&S Program income (w10a)	\$'000	8,564
NWI F4	Revenue from residential usage charges (water) Income from residential usage charges (w6b) x 100 divided by the sum of [income from residential usage charges (w6a) + income from residential access charges (w6b)]	%	27.28%
NWI F9	Written down replacement cost of fixed assets (water) Written down current cost of system assets (w47)	\$'000	94,782
NWI F11	Operating cost (OMA) (water) Management expenses (w1) + operational and maintenance expenses (w2)	\$'000	5,095
NWI F14	Capital expenditure (water) Acquisition of fixed assets (w16)	\$'000	2,854
NWI F17	Economic real rate of return (water) [total income (w13) – interest income (w9) – grants for acquisition of assets (w11a) – operating costs (NWI F11) – current cost depreciation (w3)] x 100 divided by [written down current cost of system assets (w47) + plant and equipment (w33b)]	%	1.11%
NWI F26	Capital works grants (water) Grants for the acquisition of assets (w11a)	\$'000	1,174

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

Snowy Monaro Regional Council

Notes to the Special Purpose Financial Statements for the period 13 May 2016 to 30 June 2017

Note 3. Sewerage business best-practice management disclosure requirements

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

2017

1. Calculation and payment of tax-equivalents

[all local government local water utilities must pay this dividend for tax equivalents]

(i)	Calculated tax equivalents	-
(ii)	Number of assessments multiplied by \$3/assessment	22,857
(iii)	Amounts payable for tax equivalents [lesser of (i) and (ii)]	-
(iv)	Amounts actually paid for tax equivalents	-

2. Dividend from surplus

(i)	50% of surplus before dividends [calculated in accordance with Best-Practice Management for Water Supply and Sewerage Guidelines]	-
(ii)	Number of assessments x (\$30 less tax equivalent charges per assessment)	228,570
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2017, less the cumulative dividends paid for the 2 years to 13 May 2016 and 30 June 2015	116,400

2017 Surplus (2,191,000)

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

3. Required outcomes for 4 criteria

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

(i)	Completion of strategic business plan (including financial plan)	YES
(ii)	Pricing with full cost-recovery, without significant cross subsidies [refer item 2 (a) in table 1 on page 22 of the Best-Practice Guidelines]	NO
	Complying charges	
	(a) Residential [item 2 (c) in table 1]	YES
	(b) Non-residential [item 2 (c) in table 1]	YES
	(c) Trade waste [item 2 (d) in table 1]	NO
	DSP with commercial developer charges [item 2 (e) in table 1]	NO
	Liquid trade waste approvals and policy [item 2 (f) in table 1]	NO
(iii)	Complete performance reporting form (by 15 September each year)	YES
(iv)	a. Integrated water cycle management evaluation	NO
	b. Complete and implement integrated water cycle management strategy	NO

Snowy Monaro Regional Council

Notes to the Special Purpose Financial Statements for the period 13 May 2016 to 30 June 2017

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

Dollars amounts shown below are in whole dollars (unless otherwise indicated) 13/5/16
to 30/6/17

National Water Initiative (NWI) financial performance indicators

NWI F2	Total revenue (sewerage) Total income (s14) – grants for acquisition of assets (s12a) – interest income (s10) – Aboriginal Communities W&S Program income (w10a)	\$'000	8,632
NWI F10	Written down replacement cost of fixed assets (sewerage) Written down current cost of system assets (s48)	\$'000	74,677
NWI F12	Operating cost (sewerage) Management expenses (s1) + operational and maintenance expenses (s2)	\$'000	4,938
NWI F15	Capital expenditure (sewerage) Acquisition of fixed assets (s17)	\$'000	505
NWI F18	Economic real rate of return (sewerage) [total income (s14) – interest income (s10) – grants for acquisition of assets (s12a) – operating cost (NWI F12) – current cost depreciation (s3)] x 100 divided by [written down current cost (i.e. WDCC) of system assets (s48) + plant and equipment (s34b)]	%	1.20%
NWI F27	Capital works grants (sewerage) Grants for the acquisition of assets (12a)	\$'000	–

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

NWI F3	Total income (water and sewerage) Total income (w13 + s14) + gain/loss on disposal of assets (w14 + s15) minus grants for acquisition of assets (w11a + s12a) – interest income (w9 + s10)	\$'000	16,998
NWI F8	Revenue from community service obligations (water and sewerage) Community service obligations (NWI F25) x 100 divided by total income (NWI F3)	%	0.64%
NWI F16	Capital expenditure (water and sewerage) Acquisition of fixed assets (w16 + s17)	\$'000	3,359
NWI F19	Economic real rate of return (water and sewerage) [total income (w13 + s14) – interest income (w9 + s10) – grants for acquisition of assets (w11a + s12a) – operating cost (NWI F11 + NWI F12) – current cost depreciation (w3 + s3)] x 100 divided by [written down replacement cost of fixed assets (NWI F9 + NWI F10) + plant and equipment (w33b + s34b)]	%	1.15%
NWI F20	Dividend (water and sewerage) Dividend paid from surplus (2 (v) of Note 2 + 2 (v) of Note 3)	\$'000	–
NWI F21	Dividend payout ratio (water and sewerage) Dividend (NWI F20) x 100 divided by net profit after tax (NWI F24)	%	0.00%

Snowy Monaro Regional Council

Notes to the Special Purpose Financial Statements for the period 13 May 2016 to 30 June 2017

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

Dollars amounts shown below are in whole dollars (unless otherwise indicated) 13/5/16
to 30/6/17

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

NWI F22	Net debt to equity (water and sewerage) Overdraft (w36 + s37) + borrowings (w38 + s39) – cash and investments (w30 + s31) x 100 divided by [total assets (w35 + s36) – total liabilities (w40 + s41)]	%	-13.14%
NWI F23	Interest cover (water and sewerage) Earnings before interest and tax (EBIT) divided by net interest Earnings before interest and tax (EBIT): 1,961 Operating result (w15a + s16a) + interest expense (w4a + s4a) – interest income (w9 + s10) – gain/loss on disposal of assets (w14 + s15) + miscellaneous expenses (w4b + w4c + s4b + s4c) Net interest: - 508 Interest expense (w4a + s4a) – interest income (w9 + s10)		> 100
NWI F24	Net profit after tax (water and sewerage) Surplus before dividends (w15a + s16a) – tax equivalents paid (Note 2-1 (iv) + Note 3-1 (iv))	\$'000	(615)
NWI F25	Community service obligations (water and sewerage) Grants for pensioner rebates (w11b + s12b)	\$'000	108

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



INDEPENDENT AUDITOR'S REPORT
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 statement of financial position of each Declared Business Activity as at 30 June 2017, the income statement of each Declared Business Activity for the period 13 May 2016 to 30 June 2017, notes comprising a summary of significant accounting policies and other explanatory information 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
- Yallambie Lodge
- Saleyards
- Jindabyne Holiday Park
- Snowy River Health Centre
- Quarry.

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 2017, and their financial performance for the period 13 May 2016 to 30 June 2017, in accordance with the Australian Accounting Standards described in Note 1 and the Local Government Code of Accounting Practice and Financial Reporting (LG Code).

My opinion should be read in conjunction with the rest of this report and in particular, the Emphasis of Matter referring to the basis of accounting.

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 Council's financial reporting responsibilities under the LG Code. As a result, the financial statements may not be suitable for another purpose.

The Councillors' Responsibility 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 must assess the Council's ability to continue as a going concern except where the Council will be dissolved or amalgamated by an Act of Parliament. The assessment must disclose, as applicable, matters related to going concern and the appropriateness of using the going concern basis of accounting, as it affects the Council's Declared Business Activities.

Auditor's Responsibility 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:

http://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 best practice management disclosures in Notes 2 and 3 of the financial statements
- 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

22 November 2017
SYDNEY

Snowy Monaro Regional Council

SPECIAL SCHEDULES

for the period 13 May 2016 to 30 June 2017



SNOWY MONARO
REGIONAL COUNCIL
Stronger together Better together

A trusted community partner

Snowy Monaro Regional Council

Special Schedules

for the period 13 May 2016 to 30 June 2017

Contents		Page
Special Schedules¹		
Special Schedule 1	Net Cost of Services	2
Special Schedule 2(a)	Statement of Long Term Debt (all purposes)	4
Special Schedule 2(b)	Statement of Internal Loans (Sect. 410(3) LGA 1993)	n/a
Special Schedule 3	Water Supply Operations – incl. Income Statement	5
Special Schedule 4	Water Supply – Statement of Financial Position	8
Special Schedule 5	Sewerage Service Operations – incl. Income Statement	9
Special Schedule 6	Sewerage Service – Statement of Financial Position	12
Notes to Special Schedules 3 and 5		13
Special Schedule 7	Report on Infrastructure Assets	14
Special Schedule 8	Permissible Income Calculation	19

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

Background

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

Snowy Monaro Regional Council

Special Schedule 1 – Net Cost of Services

for the period 13 May 2016 to 30 June 2017

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
Governance	3,233	6,125	14,000	16,892
Administration	10,962	5,412	25	(5,525)
Public order and safety				
Fire service levy, fire protection, emergency services	1,760	806	10	(944)
Beach control	–	–	–	–
Enforcement of local government regulations	39	29	–	(10)
Animal control	222	78	–	(144)
Other	–	26	–	26
Total public order and safety	2,021	939	10	(1,072)
Health	220	161	–	(59)
Environment				
Noxious plants and insect/vermin control	1,249	353	–	(896)
Other environmental protection	25	–	–	(25)
Solid waste management	5,848	6,484	105	741
Street cleaning	83	–	–	(83)
Drainage	–	–	–	–
Stormwater management	813	17	–	(796)
Total environment	8,018	6,854	105	(1,059)
Community services and education				
Administration and education	218	95	31	(92)
Social protection (welfare)	–	–	–	–
Aged persons and disabled	7,109	6,072	52	(985)
Children's services	209	8	–	(201)
Total community services and education	7,536	6,175	83	(1,278)
Housing and community amenities				
Public cemeteries	220	348	–	128
Public conveniences	259	–	10	(249)
Street lighting	266	19	–	(247)
Town planning	1,830	459	84	(1,287)
Other community amenities	1,985	205	–	(1,780)
Total housing and community amenities	4,560	1,031	94	(3,435)
Water supplies	7,389	6,563	1,500	674
Sewerage services	10,345	7,991	357	(1,997)

Snowy Monaro Regional Council

Special Schedule 1 – Net Cost of Services (continued)
for the period 13 May 2016 to 30 June 2017

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
Recreation and culture				
Public libraries	758	187	–	(571)
Museums	–	–	–	–
Art galleries	–	–	–	–
Community centres and halls	803	123	–	(680)
Performing arts venues	–	–	–	–
Other performing arts	–	–	–	–
Other cultural services	255	71	–	(184)
Sporting grounds and venues	961	26	24	(911)
Swimming pools	1,216	121	–	(1,095)
Parks and gardens (lakes)	1,821	75	151	(1,595)
Other sport and recreation	521	132	47	(342)
Total recreation and culture	6,335	735	222	(5,378)
Fuel and energy	–	–	–	–
Agriculture	–	–	–	–
Mining, manufacturing and construction				
Building control	–	–	–	–
Other mining, manufacturing and construction	666	683	–	17
Total mining, manufacturing and const.	666	683	–	17
Transport and communication				
Urban roads (UR) – local	2,421	44	53	(2,324)
Urban roads – regional	4	–	–	(4)
Sealed rural roads (SRR) – local	2,655	1,307	833	(515)
Sealed rural roads (SRR) – regional	2,138	1,446	245	(447)
Unsealed rural roads (URR) – local	5,872	458	205	(5,209)
Unsealed rural roads (URR) – regional	630	727	–	97
Bridges on UR – local	3	92	–	89
Bridges on SRR – local	719	–	–	(719)
Bridges on URR – local	184	–	–	(184)
Bridges on regional roads	1,188	12	–	(1,176)
Parking areas	206	1	–	(205)
Footpaths	472	7	20	(445)
Aerodromes	6	–	–	(6)
Other transport and communication	3,571	2,669	–	(902)
Total transport and communication	20,069	6,763	1,356	(11,950)
Economic affairs				
Camping areas and caravan parks	410	512	42	144
Other economic affairs	2,687	2,038	70	(579)
Total economic affairs	3,097	2,550	112	(435)
Totals – functions	84,451	51,982	17,864	(14,605)
General purpose revenues ⁽¹⁾		30,075		30,075
Share of interests – joint ventures and associates using the equity method	–	–		–
NET OPERATING RESULT ⁽²⁾	84,451	82,057	17,864	15,470

(1) Includes: rates and annual charges (including ex gratia, excluding water and sewer), non-capital general purpose grants, interest on investments (excluding externally restricted assets) and interest on overdue rates and annual charges (2) As reported in the Income Statement

Snowy Monaro Regional Council

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

for the period 13 May 2016 to 30 June 2017

\$'000

Classification of debt	Principal outstanding at beginning of the year (former Councils)			New loans raised during the year	Debt redemption during the year		Transfers to sinking funds	Interest applicable for year	Principal outstanding at the end of the year		
	Current	Non-current	Total		From revenue	Sinking funds			Current	Non-current	Total
Loans (by source)											
Commonwealth Government	–	–	–	–	–	–	–	–	–	–	–
NSW Treasury Corporation	–	–	–	–	–	–	–	–	–	–	–
Other State Government	–	–	–	–	–	–	–	–	–	–	–
Public subscription	–	–	–	–	–	–	–	–	–	–	–
Financial institutions	1,076	4,024	5,100	–	1,080	–	–	325	575	3,445	4,020
Other	–	–	–	–	–	–	–	–	–	–	–
Total loans	1,076	4,024	5,100	–	1,080	–	–	325	575	3,445	4,020
Other long term debt											
Ratepayers advances	–	–	–	–	–	–	–	–	–	–	–
Government advances	–	–	–	–	–	–	–	–	–	–	–
Finance leases	–	–	–	–	–	–	–	–	–	–	–
Deferred payments	–	–	–	–	–	–	–	–	–	–	–
Total long term debt	–	–	–	–	–	–	–	–	–	–	–
Total debt	1,076	4,024	5,100	–	1,080	–	–	325	575	3,445	4,020

Notes: excludes (i) internal loans and (ii) principal inflows/outflows relating to loan re-financing.

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

Snowy Monaro Regional Council

Special Schedule 3 – Water Supply Income Statement

Includes all internal transactions, i.e. prepared on a gross basis
for the period 13 May 2016 to 30 June 2017

\$'000	Actuals 13/5/16 to 30/6/17
A Expenses and income	
Expenses	
1. Management expenses	
a. Administration	991
b. Engineering and supervision	652
2. Operation and maintenance expenses	
– dams and weirs	
a. Operation expenses	–
b. Maintenance expenses	63
– Mains	
c. Operation expenses	25
d. Maintenance expenses	1,266
– Reservoirs	
e. Operation expenses	75
f. Maintenance expenses	123
– Pumping stations	
g. Operation expenses (excluding energy costs)	181
h. Energy costs	290
i. Maintenance expenses	129
– Treatment	
j. Operation expenses (excluding chemical costs)	305
k. Chemical costs	464
l. Maintenance expenses	301
– Other	
m. Operation expenses	155
n. Maintenance expenses	75
o. Purchase of water	–
3. Depreciation expenses	
a. System assets	2,321
b. Plant and equipment	88
4. Miscellaneous expenses	
a. Interest expenses	35
b. Revaluation decrements	–
c. Other expenses	–
d. Impairment – system assets	–
e. Impairment – plant and equipment	–
f. Aboriginal Communities Water and Sewerage Program	–
5. Total expenses	7,539

Snowy Monaro Regional Council

Special Schedule 3 – Water Supply Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis
for the period 13 May 2016 to 30 June 2017

\$'000	Actuals 13/5/16 to 30/6/17
Income	
6. Residential charges	
a. Access (including rates)	3,143
b. Usage charges	1,179
7. Non-residential charges	
a. Access (including rates)	625
b. Usage charges	2,914
8. Extra charges	6
9. Interest income	320
10. Other income	316
10a. Aboriginal Communities Water and Sewerage Program	–
11. Grants	
a. Grants for acquisition of assets	1,174
b. Grants for pensioner rebates	55
c. Other grants	–
12. Contributions	
a. Developer charges	326
b. Developer provided assets	–
c. Other contributions	–
13. Total income	10,058
14. Gain (or loss) on disposal of assets	(166)
15. Operating result	2,353
15a. Operating result (less grants for acquisition of assets)	1,179

Snowy Monaro Regional Council

Special Schedule 3 – Water Supply Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis
for the period 13 May 2016 to 30 June 2017

\$'000	Actuals 13/5/16 to 30/6/17
B Capital transactions	
Non-operating expenditures	
16. Acquisition of fixed assets	
a. New assets for improved standards	615
b. New assets for growth	1,170
c. Renewals	949
d. Plant and equipment	120
17. Repayment of debt	92
18. Totals	<u><u>2,946</u></u>
Non-operating funds employed	
19. Proceeds from disposal of assets	15
20. Borrowing utilised	–
21. Totals	<u><u>15</u></u>
C Rates and charges	
22. Number of assessments	
a. Residential (occupied)	7,389
b. Residential (unoccupied, ie. vacant lot)	292
c. Non-residential (occupied)	918
d. Non-residential (unoccupied, ie. vacant lot)	11
23. Number of ETs for which developer charges were received	37 ET
24. Total amount of pensioner rebates (actual dollars)	\$ 102,665

Snowy Monaro Regional Council

Special Schedule 4 – Water Supply Statement of Financial Position

Includes internal transactions, i.e. prepared on a gross basis
as at 30 June 2017

\$'000	Actuals Current	Actuals Non-current	Actuals Total
ASSETS			
25. Cash and investments			
a. Developer charges	1,490	–	1,490
b. Special purpose grants	–	–	–
c. Accrued leave	–	–	–
d. Unexpended loans	–	–	–
e. Sinking fund	–	–	–
f. Other	6,716	5,155	11,871
26. Receivables			
a. Specific purpose grants	11	–	11
b. Rates and availability charges	1,097	–	1,097
c. User charges	882	–	882
d. Other	272	–	272
27. Inventories	61	–	61
28. Property, plant and equipment			
a. System assets	–	94,782	94,782
b. Plant and equipment	–	533	533
29. Other assets	–	–	–
30. Total assets	10,529	100,470	110,999
LIABILITIES			
31. Bank overdraft	–	–	–
32. Creditors	130	–	130
33. Borrowings	79	349	428
34. Provisions			
a. Tax equivalents	–	–	–
b. Dividend	–	–	–
c. Other	–	–	–
35. Total liabilities	209	349	558
36. NET ASSETS COMMITTED	10,320	100,121	110,441
EQUITY			
37. Accumulated surplus			95,736
38. Asset revaluation reserve			14,705
39. Other reserves			–
40. TOTAL EQUITY			110,441
Note to system assets:			
41. Current replacement cost of system assets			199,153
42. Accumulated current cost depreciation of system assets			(104,371)
43. Written down current cost of system assets			94,782

Snowy Monaro Regional Council

Special Schedule 5 – Sewerage Service Income Statement

Includes all internal transactions, i.e. prepared on a gross basis
for the period 13 May 2016 to 30 June 2017

\$'000	Actuals 13/5/16 to 30/6/17
A Expenses and income	
Expenses	
1. Management expenses	
a. Administration	760
b. Engineering and supervision	305
2. Operation and maintenance expenses	
– mains	
a. Operation expenses	87
b. Maintenance expenses	505
– Pumping stations	
c. Operation expenses (excluding energy costs)	142
d. Energy costs	131
e. Maintenance expenses	222
– Treatment	
f. Operation expenses (excl. chemical, energy, effluent and biosolids management costs)	652
g. Chemical costs	150
h. Energy costs	314
i. Effluent management	67
j. Biosolids management	78
k. Maintenance expenses	952
– Other	
l. Operation expenses	520
m. Maintenance expenses	53
3. Depreciation expenses	
a. System assets	2,708
b. Plant and equipment	85
4. Miscellaneous expenses	
a. Interest expenses	135
b. Revaluation decrements	2,886
c. Other expenses	–
d. Impairment – system assets	–
e. Impairment – plant and equipment	–
f. Aboriginal Communities Water and Sewerage Program	–
g. Tax equivalents dividends (actually paid)	–
5. Total expenses	10,752

Snowy Monaro Regional Council

Special Schedule 5 – Sewerage Service Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis
for the period 13 May 2016 to 30 June 2017

\$'000	Actuals 13/5/16 to 30/6/17
Income	
6. Residential charges (including rates)	6,773
7. Non-residential charges	
a. Access (including rates)	842
b. Usage charges	299
8. Trade waste charges	
a. Annual fees	99
b. Usage charges	18
c. Excess mass charges	–
d. Re-inspection fees	–
9. Extra charges	4
10. Interest income	358
11. Other income	147
11a. Aboriginal Communities Water and Sewerage Program	–
12. Grants	
a. Grants for acquisition of assets	–
b. Grants for pensioner rebates	53
c. Other grants	–
13. Contributions	
a. Developer charges	397
b. Developer provided assets	–
c. Other contributions	–
14. Total income	8,990
15. Gain (or loss) on disposal of assets	(32)
16. Operating result	(1,794)
16a. Operating result (less grants for acquisition of assets)	(1,794)

Snowy Monaro Regional Council

Special Schedule 5 – Sewerage Service Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis
for the period 13 May 2016 to 30 June 2017

\$'000	Actuals 13/5/16 to 30/6/17
B Capital transactions	
Non-operating expenditures	
17. Acquisition of fixed assets	
a. New assets for improved standards	52
b. New assets for growth	–
c. Renewals	410
d. Plant and equipment	43
18. Repayment of debt	355
19. Totals	860
Non-operating funds employed	
20. Proceeds from disposal of assets	15
21. Borrowing utilised	–
22. Totals	15
C Rates and charges	
23. Number of assessments	
a. Residential (occupied)	6,537
b. Residential (unoccupied, ie. vacant lot)	321
c. Non-residential (occupied)	751
d. Non-residential (unoccupied, ie. vacant lot)	10
24. Number of ETs for which developer charges were received	37 ET
25. Total amount of pensioner rebates (actual dollars)	\$ 96,291

Snowy Monaro Regional Council

Special Schedule 6 – Sewerage Service Statement of Financial Position

Includes internal transactions, i.e. prepared on a gross basis
as at 30 June 2017

\$'000	Actuals Current	Actuals Non-current	Actuals Total
ASSETS			
26. Cash and investments			
a. Developer charges	856	–	856
b. Special purpose grants	–	–	–
c. Accrued leave	–	–	–
d. Unexpended loans	–	–	–
e. Sinking fund	–	–	–
f. Other	9,522	4,931	14,453
27. Receivables			
a. Specific purpose grants	10	–	10
b. Rates and availability charges	2,338	–	2,338
c. User charges	144	–	144
d. Other	52	137	189
28. Inventories	35	–	35
29. Property, plant and equipment			
a. System assets	–	74,677	74,677
b. Plant and equipment	–	446	446
30. Other assets	–	–	–
31. Total assets	<u>12,957</u>	<u>80,191</u>	<u>93,148</u>
LIABILITIES			
32. Bank overdraft	–	–	–
33. Creditors	57	–	57
34. Borrowings	119	1,613	1,732
35. Provisions			
a. Tax equivalents	–	–	–
b. Dividend	–	–	–
c. Other	–	–	–
36. Total liabilities	<u>176</u>	<u>1,613</u>	<u>1,789</u>
37. NET ASSETS COMMITTED	<u>12,781</u>	<u>78,578</u>	<u>91,359</u>
EQUITY			
38. Accumulated surplus			91,359
39. Asset revaluation reserve			–
40. Other reserves			–
41. TOTAL EQUITY			<u>91,359</u>
Note to system assets:			
42. Current replacement cost of system assets			139,133
43. Accumulated current cost depreciation of system assets			(64,456)
44. Written down current cost of system assets			<u>74,677</u>

Snowy Monaro Regional Council

Notes to Special Schedules 3 and 5

for the period 13 May 2016 to 30 June 2017

Administration ⁽¹⁾

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

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

Engineering and supervision ⁽¹⁾

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

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

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

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

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

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

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

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

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

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

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

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

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

Notes:

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

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

Snowy Monaro Regional Council

Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2017

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2016/17 Required maintenance ^a	2016/17 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Buildings	Buildings	3,180	1,818	664	726	36,131	86,465	30.3%	10.5%	26.8%	22.0%	10.4%
	Sub-total	3,180	1,818	664	726	36,131	86,465	30.3%	10.5%	26.8%	22.0%	10.4%
Other	Other structures	530	271	100	260	8,049	14,528	28.2%	23.1%	38.2%	7.0%	3.5%
	Sub-total	530	271	100	260	8,049	14,528	28.2%	23.1%	38.2%	7.0%	3.5%
Roads	Sealed roads	11,743	5,653	3,062	2,634	121,310	200,272	15.7%	30.8%	43.5%	10.0%	0.0%
	Unsealed roads	11,395	7,338	2,367	2,737	90,709	160,459	15.5%	15.4%	46.8%	19.5%	2.8%
	Bridges	5,616	3,530	655	441	59,769	113,154	12.0%	32.3%	43.9%	4.3%	7.5%
	Footpaths	222	133	84	9	8,182	16,637	14.1%	24.3%	19.5%	41.5%	0.6%
	Other road assets	1,406	756	726	19	48,539	57,991	9.5%	47.7%	36.2%	6.2%	0.4%
	Bulk earthworks	–	–	–	–	515,602	515,602	98.2%	0.4%	1.4%		0.0%
	Sub-total	30,382	17,410	6,894	5,840	844,111	1,064,115	54.9%	14.7%	22.9%	6.3%	1.3%
Water supply Supply	Water supply network	12,923	12,923	1,863	2,188	92,192	196,222	11.9%	17.5%	38.1%	31.9%	0.6%
	Sub-total	12,923	12,923	1,863	2,188	92,192	196,222	11.9%	17.5%	38.1%	31.9%	0.6%
Sewerage Network	Sewerage network	17,850	17,850	1,818	2,078	72,558	136,933	13.3%	33.9%	32.0%	14.0%	6.8%
	Sub-total	17,850	17,850	1,818	2,078	72,558	136,933	13.3%	33.9%	32.0%	14.0%	6.8%

Snowy Monaro Regional Council

Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2017 (continued)

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2016/17 Required maintenance ^a	2016/17 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Stormwater drainage	Stormwater drainage	652	540	231	81	17,043	31,389	6.6%	61.2%	8.6%	17.2%	6.4%
	Sub-total	652	540	231	81	17,043	31,389	6.6%	61.2%	8.6%	17.2%	6.4%
Open space/ Recreational Assets	Swimming pools	1,143	334	154	171	5,005	13,644	12.8%	3.7%	79.1%	3.4%	1.0%
	Other	333	143	38	57	1,987	4,997	4.4%	27.5%	46.4%	19.4%	2.3%
	Sub-total	1,476	477	192	228	6,992	18,641	10.5%	10.1%	70.3%	7.7%	1.3%
	TOTAL – ALL ASSETS	66,993	51,289	11,762	11,401	1,077,076	1,548,293	42.6%	17.5%	26.3%	11.3%	2.3%

Notes:

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

Infrastructure asset condition assessment 'key'

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

Snowy Monaro Regional Council

Special Schedule 7 – Report on Infrastructure Assets (continued)
for the period 13 May 2016 to 30 June 2017

\$ '000	Amounts 2017	Indicator 2017
Infrastructure asset performance indicators * consolidated		
1. Infrastructure renewals ratio		
Asset renewals ⁽¹⁾	<u>10,081</u>	55.12%
Depreciation, amortisation and impairment	<u>18,290</u>	
2. Infrastructure backlog ratio		
Estimated cost to bring assets to a satisfactory standard	<u>66,993</u>	11.89%
Net carrying amount of infrastructure assets	<u>563,232</u>	
3. Asset maintenance ratio		
Actual asset maintenance	<u>11,401</u>	0.97
Required asset maintenance	<u>11,762</u>	
4. Cost to bring assets to agreed service level		
Estimated cost to bring assets to an agreed service level set by Council	<u>51,289</u>	3.31%
Gross replacement cost	<u>1,548,293</u>	

Notes

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

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

Snowy Monaro Regional Council

Special Schedule 7 – Report on Infrastructure Assets (continued) for the period 13 May 2016 to 30 June 2017

<p>1. Infrastructure renewals ratio</p> <p>Ratio %</p> <p>2017</p> <p>55%</p>	<p>Purpose of asset renewals ratio</p> <p>To assess the rate at which these assets are being renewed relative to the rate at which they are depreciating.</p>	<p>Commentary on 2017 Result</p> <p>2017 Ratio 55.12%</p> <p>This indicates a significant funding gap between the deterioration of council's infrastructure and the required funding to renew these assets. The new council's Long Term Financial Plan (LTFP) will need consider what is required to close this gap over the next 10 years.</p>
<p>Benchmark: — Minimum $\geq 100.00\%$ Source for benchmark: Code of Accounting Practice and Financial Reporting #25</p>		<p>■ Ratio achieves benchmark ■ Ratio is outside benchmark</p>
<p>2. Infrastructure backlog ratio</p> <p>Ratio %</p> <p>2017</p> <p>11.9%</p>	<p>Purpose of infrastructure backlog ratio</p> <p>This ratio shows what proportion the backlog is against the total value of a Council's infrastructure.</p>	<p>Commentary on 2017 Result</p> <p>2017 Ratio 11.89%</p> <p>This ratio is based on bringing assets up to a condition 2 satisfactory standard as required by the OLG. Work is in progress for the consolidation of the former council's asset registers, review of condition and risk ratings and alignment of backlog methodology to inform the LTFP.</p>
<p>Benchmark: — Maximum $< 2.00\%$ Source for benchmark: Code of Accounting Practice and Financial Reporting #25</p>		<p>■ Ratio achieves benchmark ■ Ratio is outside benchmark</p>
<p>3. Asset maintenance ratio</p> <p>Ratio (x)</p> <p>2017</p> <p>0.97</p>	<p>Purpose of asset maintenance ratio</p> <p>Compares actual vs. required annual asset maintenance. A ratio above 1.0 indicates Council is investing enough funds to stop the infrastructure backlog growing.</p>	<p>Commentary on 2017 Result</p> <p>2017 Ratio 0.97 x</p> <p>The consolidated result is very close to the benchmark, however, the general fund result is 0.88. This indicates the current level of investment in asset maintenance is not sufficient to prevent an increase to the infrastructure backlog.</p>
<p>Benchmark: — Minimum > 1.00 Source for benchmark: Code of Accounting Practice and Financial Reporting #25</p>		<p>■ Ratio achieves benchmark ■ Ratio is outside benchmark</p>
<p>4. Cost to bring assets to agreed service level</p> <p>Ratio %</p> <p>2017</p> <p>3.31%</p>	<p>Purpose of agreed service level ratio</p> <p>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.</p>	<p>Commentary on 2017 Result</p> <p>2017 Ratio 3.31%</p> <p>The new council will need to rationalise this with the consolidation and review of the former council's asset registers and development of the Community Strategic Plan and Long Term Financial Plan. Plan's will need to be prioritised based on social, economic and environmental factors including risk to the community.</p>

Snowy Monaro Regional Council

Special Schedule 7 – Report on Infrastructure Assets (continued) for the period 13 May 2016 to 30 June 2017

\$ '000	Water 2017	Sewer 2017	General ⁽¹⁾ 2017
Infrastructure asset performance indicators by fund			
1. Infrastructure renewals ratio			
Asset renewals ⁽²⁾	89.87%	12.21%	57.81%
Depreciation, amortisation and impairment			
2. Infrastructure backlog ratio			
Estimated cost to bring assets to a satisfactory standard	14.02%	24.60%	9.09%
Net carrying amount of infrastructure assets			
3. Asset maintenance ratio			
Actual asset maintenance	1.17	1.14	0.88
Required asset maintenance			
4. Cost to bring assets to agreed service level			
Estimated cost to bring assets to an agreed service level set by Council	6.59%	13.04%	1.69%
Gross replacement cost			
	prior period: 0.00%	0.00%	0.00%

Notes

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

Snowy Monaro Regional Council

Special Schedule 8 – Permissible Income Calculation

for the year ended 30 June 2018

\$'000		Calculation 2017/18	Calculation 2017/18	Calculation 2017/18	Calculation 2017/18
		Bombala Council	Cooma-Monaro Shire Council	Snowy River Shire Council	Total
Notional general income calculation ⁽¹⁾					
Last year notional general income yield	a	2,340	6,989	5,803	15,132
Plus or minus adjustments ⁽²⁾	b	(10)	(11)	76	55
Notional general income	c = (a + b)	2,330	6,978	5,879	15,187
Permissible income calculation					
Special variation percentage ⁽³⁾	d	0.00%	0.00%	0.00%	0.00%
Or rate peg percentage	e	1.50%	1.50%	1.50%	1.50%
Or crown land adjustment (incl. rate peg percentage)	f	0.00%	0.00%	0.00%	0.00%
Less expiring special variation amount	g	–	–	–	–
Plus special variation amount	h = d x (c – g)	–	–	–	–
Or plus rate peg amount	i = c x e	35	105	88	228
Or plus Crown land adjustment and rate peg amount	j = c x f	–	–	–	–
Sub-total	k = (c + g + h + i + j)	2,365	7,083	5,967	15,415
Plus (or minus) last year's carry forward total	l	4	15	(65)	(46)
Less valuation objections claimed in the previous year	m	–	–	–	–
Sub-total	n = (l + m)	4	15	(65)	(46)
Total permissible income	o = k + n	2,369	7,098	5,902	15,369
Less notional general income yield	p	2,367	7,140	5,892	15,399
Catch-up or (excess) result	q = o – p	2	(42)	10	(30)
Plus income lost due to valuation objections claimed ⁽⁴⁾	r	–	–	–	–
Less unused catch-up ⁽⁵⁾	s	–	–	–	–
Carry forward to next year	t = q + r – s	2	(42)	10	(30)

Snowy Monaro Regional Council

Special Schedule 8 – Permissible Income Calculation

for the year ended 30 June 2018

Notes

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



INDEPENDENT AUDITOR'S REPORT

Special Schedule No. 8

Snowy Monaro Regional Council

To the Councillors of Snowy Monaro Regional Council

Opinion

I have audited the accompanying special purpose financial statement comprising the reconciliation of total permissible general income (Special Schedule No. 8) of Snowy Monaro Regional Council (the Council) for the year ending 30 June 2018.

In my opinion, Special Schedule No. 8 of Snowy Monaro Regional Council for 30 June 2018 is prepared, in all material respects in accordance with the requirements of the Local Government Code of Accounting Practice and Financial Reporting (LG Code) issued by the Office of Local Government (OLG), 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, and in particular the Emphasis of Matter paragraph, which describes the basis of accounting.

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 Special Schedule No.8' section of my report.

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

- Australian Auditing Standards
- ethical requirements of the 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 notes and explanations in Special Schedule No. 8 that instruct councils in its preparation so it complies with OLG's requirements as described in the LG Code. As a result, Special Schedule No. 8 may not be suitable for another purpose.

Councillors' Responsibility for Special Schedule No. 8

The Councillors of the Council are responsible for the preparation of Special Schedule No. 8 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 Special Schedule No. 8 that is free from material misstatement, whether due to fraud or error.

In preparing Special Schedule No.8, the Councillors must assess the Council's ability to continue as a going concern except where the Council will be dissolved or amalgamated by an Act of Parliament. The assessment must disclose, as applicable, matters related to going concern and the appropriateness of using the going concern basis of accounting.

Auditor's Responsibility for the Audit of Special Schedule No. 8

My objectives are to:

- obtain reasonable assurance whether Special Schedule No. 8 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 Special Schedule No. 8.

A description of my responsibilities for the audit of Special Schedule No.8 is located at the Auditing and Assurance Standards Board website at http://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 Special Schedule No. 8 on any website where they may be presented
- about any other information which may have been hyperlinked to/from Special Schedule No. 8.



Lawrissa Chan
Director, Financial Audit Services

22 November 2017
SYDNEY