

Snowy Monaro Regional Council

GENERAL PURPOSE FINANCIAL STATEMENTS

for the year ended 30 June 2021



Snowy Monaro Regional Council

General Purpose Financial Statements

for the year ended 30 June 2021

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Overview

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

81 Commissioner Street
COOMA NSW 2630

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

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

A description of the nature of Council's operations and its principal activities are provided in Note B1-2.

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

Snowy Monaro Regional Council

General Purpose Financial Statements

for the year ended 30 June 2021

Understanding Council's Financial Statements

Introduction

Each year NSW local governments are required to present audited financial statements to their council and community.

What you will find in the Statements

The financial statements set out the financial performance, financial position and cash flows of Council for the financial year ended 30 June 2021.

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

About the Primary Financial Statements

The financial statements incorporate five "primary" financial statements:

1. The Income Statement

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

2. The Statement of Comprehensive Income

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

3. The Statement of Financial Position

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

4. The Statement of Changes in Equity

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

5. The Statement of Cash Flows

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

About the Notes to the Financial Statements

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

About the Auditor's Reports

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

In NSW the auditor provides 2 audit reports:

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

Who uses the Financial Statements?

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

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

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

Snowy Monaro Regional Council

General Purpose Financial Statements

for the year ended 30 June 2021

Statement by Councillors and Management

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

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

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

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

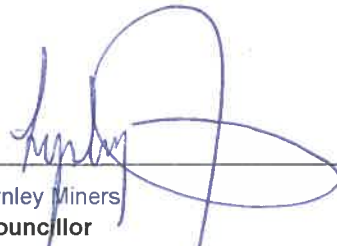
- present fairly the Council's operating result and financial position for the year,
- accord with Council's accounting and other records.

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

Signed in accordance with a resolution of Council made on 18 November 2021.



Peter Beer
Mayor
18 November 2021



Lynley Miners
Councillor
18 November 2021



Peter Bascomb
Chief Executive Officer
18 November 2021



John Bingham
Responsible Accounting Officer
18 November 2021

Snowy Monaro Regional Council

Income Statement

for the year ended 30 June 2021

Original unaudited budget 2021	\$ '000	Notes	Actual 2021	Restated Actual 2020
Income from continuing operations				
33,318	Rates and annual charges	B2-1	31,221	32,443
15,418	User charges and fees	B2-2	15,347	14,440
555	Other revenue	B2-3	1,315	1,988
21,010	Grants and contributions provided for operating purposes	B2-4	23,236	29,627
17,949	Grants and contributions provided for capital purposes	B2-4	9,775	14,343
1,385	Interest and investment revenue	B2-5	1,183	1,675
412	Other income	B2-6	844	892
1,002	Net gains from the disposal of assets	B4-1	–	798
91,049	Total income from continuing operations		82,921	96,206
Expenses from continuing operations				
32,616	Employee benefits and on-costs	B3-1	33,425	33,637
25,970	Materials and services	B3-2	27,464	25,973
167	Borrowing costs	B3-3	487	79
19,123	Depreciation, amortisation and impairment for non-financial assets	B3-4	22,039	20,486
1,609	Other expenses	B3-5	13,950	2,228
–	Net losses from the disposal of assets	B4-1	640	–
79,485	Total expenses from continuing operations		98,005	82,403
11,564	Operating result from continuing operations		(15,084)	13,803
11,564	Net operating result for the year attributable to Council		(15,084)	13,803
(6,385)	Net operating result for the year before grants and contributions provided for capital purposes		(24,859)	(540)

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

Snowy Monaro Regional Council

Statement of Comprehensive Income

for the year ended 30 June 2021

\$ '000	Notes	2021	Restated 2020
Net operating result for the year – from Income Statement		(15,084)	13,803
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of Infrastructure, Property, Plant & Equipment	C1-6	<u>4,632</u>	<u>45,817</u>
Total items which will not be reclassified subsequently to the operating result		4,632	45,817
Amounts which will be reclassified subsequently to the operating result when specific conditions are met			
Other movements		<u>–</u>	<u>(219)</u>
Total items which will be reclassified subsequently to the operating result when specific conditions are met		–	(219)
Total other comprehensive income for the year		<u>4,632</u>	<u>45,598</u>
Total comprehensive income for the year attributable to Council		<u>(10,452)</u>	<u>59,401</u>

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

Snowy Monaro Regional Council

Statement of Financial Position

as at 30 June 2021

\$ '000	Notes	2021	Restated 2020	Restated 1 July 2019
ASSETS				
Current assets				
Cash and cash equivalents	C1-1	38,008	6,546	11,113
Investments	C1-2	17,000	20,000	19,000
Receivables	C1-4	14,927	13,533	13,700
Inventories	C1-5	2,397	1,656	1,695
Other		560	423	299
Total current assets		72,892	42,158	45,807
Non-current assets				
Investments	C1-2	21,000	52,000	58,219
Receivables	C1-4	36	62	105
Infrastructure, property, plant and equipment	C1-6	1,218,076	1,215,249	1,146,936
Intangible Assets	C1-7	3,745	350	350
Right of use assets	C2-1	103	62	–
Total non-current assets		1,242,960	1,267,723	1,205,610
Total assets		1,315,852	1,309,881	1,251,417
LIABILITIES				
Current liabilities				
Payables	C3-1	9,567	8,990	10,254
Contract liabilities	C3-2	9,090	4,271	–
Lease liabilities	C2-1	76	49	–
Borrowings	C3-3	297	520	490
Employee benefit provisions	C3-4	6,855	6,918	6,688
Total current liabilities		25,885	20,748	17,432
Non-current liabilities				
Lease liabilities	C2-1	38	16	–
Borrowings	C3-3	58	356	875
Provisions	C3-5	31,107	19,545	5,052
Total non-current liabilities		31,203	19,917	5,927
Total liabilities		57,088	40,665	23,359
Net assets		1,258,764	1,269,216	1,228,058
EQUITY				
Accumulated surplus	C4-1	1,169,772	1,184,856	1,189,296
IPPE revaluation reserve	C4-1	88,992	84,360	38,543
Other reserves	C4-1	–	–	219
Council equity interest		1,258,764	1,269,216	1,228,058
Total equity		1,258,764	1,269,216	1,228,058

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

Snowy Monaro Regional Council

Statement of Changes in Equity

for the year ended 30 June 2021

	Notes	as at 30/06/21				as at 30/06/20			
		Accumulated surplus	IPPE revaluation reserve	Financial assets at FVOCI	Total equity	Accumulated surplus	IPPE revaluation reserve	Financial assets at FVOCI	Total equity
\$ '000						Restated	Restated		Restated
Opening balance at 1 July		1,177,692	71,537	–	1,249,229	1,189,296	25,720	219	1,215,235
Correction of prior period errors	G4-1	7,164	12,823	–	19,987	–	12,823	–	12,823
Changes due to AASB 1058 and AASB 15 adoption		–	–	–	–	(18,243)	–	–	(18,243)
Restated opening balance		1,184,856	84,360	–	1,269,216	1,171,053	38,543	219	1,209,815
Net operating result for the year		(15,084)	–	–	(15,084)	13,803	–	–	13,803
Restated net operating result for the period		(15,084)	–	–	(15,084)	13,803	–	–	13,803
Other comprehensive income									
– Gain (loss) on revaluation of infrastructure, property, plant & equipment	C1-6	–	4,632	–	4,632	–	45,817	–	45,817
Realised (gain) loss on available for sale investments recognised in operating result		–	–	–	–	–	–	(219)	(219)
Total comprehensive income		(15,084)	4,632	–	(10,452)	13,803	45,817	(219)	59,401
Closing balance		1,169,772	88,992	–	1,258,764	1,184,856	84,360	–	1,269,216

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

Snowy Monaro Regional Council

Statement of Cash Flows

for the year ended 30 June 2021

Original unaudited budget 2021	\$ '000	Notes	Actual 2021	Actual 2020
Cash flows from operating activities				
<i>Receipts:</i>				
33,318	Rates and annual charges		30,649	31,547
15,418	User charges and fees		14,730	16,317
1,385	Investment and interest revenue received		1,330	2,011
38,959	Grants and contributions		37,948	28,765
–	Bonds, deposits and retention amounts received		–	182
967	Other		7,062	7,918
<i>Payments:</i>				
(32,616)	Employee benefits and on-costs		(33,118)	(34,387)
(18,130)	Materials and services		(32,264)	(21,403)
(167)	Borrowing costs		(49)	(81)
–	Bonds, deposits and retention amounts refunded		(204)	–
(9,449)	Other		(3,840)	(11,459)
29,685	Net cash provided from (or used in) operating activities	G1-1	22,244	19,410
Cash flows from investing activities				
<i>Receipts:</i>				
–	Sale of investments		34,000	5,786
1,002	Sale of infrastructure, property, plant and equipment		1,197	1,128
<i>Payments:</i>				
(48,925)	Purchase of infrastructure, property, plant and equipment		(21,603)	(30,322)
–	Purchase of intangible assets		(3,771)	–
(47,923)	Net cash provided from (or used in) investing activities		9,823	(23,408)
Cash flows from financing activities				
<i>Payments:</i>				
–	Repayment of borrowings		(521)	(489)
–	Principal component of lease payments		(84)	(80)
–	Net cash flows from financing activities		(605)	(569)
(18,238)	Net change in cash and cash equivalents		31,462	(4,567)
11,113	cash and cash equivalents at beginning of reporting period		6,546	11,113
(7,125)	Cash and cash equivalents at end of reporting period	C1-1	38,008	6,546
72,000	Investments on hand – end of year	C1-2	38,000	72,000
64,875	Total cash, cash equivalents and investments		76,008	78,546

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

Snowy Monaro Regional Council

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A About Council and these financial statements

A1-1 Basis of preparation

These financial statements were authorised for issue by Snowy Monaro Regional Council ("the Council") on dd MMMM yyyy. Council has the power to amend and reissue these financial statements in cases where critical information is received from public submissions or where the OLG directs Council to amend the financial statements.

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

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

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Australian Accounting Interpretations, the *Local Government Act 1993 (Act)* and *Local Government (General) Regulation 2005 (Regulation)*, and the Local Government Code of Accounting Practice and Financial Reporting.

Council is a not for-profit entity.

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

Certain comparative figures in the prior period have been reclassified in order to conform to changes in current year presentation.

Historical cost convention

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

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) fair values of infrastructure, property, plant and equipment – refer Note C1-6
- (ii) landfill remediation provisions – refer Note C3-5
- (iii) employee benefit provisions – refer Note C3-4

Significant judgements in applying the Council's accounting policies

- i. Impairment of receivables – refer Note C1-4
- ii. Determination of whether performance obligations are sufficiently specific and whether the contract is within the scope of AASB 15 *Revenue from Contracts with Customers* and / or AASB 1058 *Income of Not-for-Profit Entities* – refer to Notes B2-2 – B2-4.
- iii. Determination of the lease term, discount rate (when not implicit in the lease) and whether an arrangement contains a lease – refer to Note C2-1.

Monies and other assets received by Council

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 activities have been included as part of the Consolidated Fund:

A1-1 Basis of preparation (continued)

- General purpose operations
- Water services
- Sewerage services
- Waste services
- Residential Aged Care

The Trust Fund

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

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

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

Goods and Services Tax (GST)

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

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

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

Volunteer services

Council is supported in some of its functions by volunteers. Whilst the support from volunteers is essential to providing these functions, Council has not recognised the income from the receipt of these volunteer services for the following reasons:

- Community Facility Management (Section 355) – the fair value of these services cannot be reliably measured.
- Community Transport – services would not be 'purchased' if not provided voluntarily.

New accounting standards and interpretations issued not yet effective

New accounting standards and interpretations issued but not yet effective

Certain new accounting standards and interpretations (ie. pronouncements) have been published by the Australian Accounting Standards Board that are not mandatory for the 30 June 2021 reporting period.

Council has elected not to apply any of these pronouncements in these financial statements before their operative dates.

As at the date of authorisation of these financial statements Council does not consider that any of these new (and still to be applied) standards and interpretations are likely to have a material impact on the Council's future financial statements, financial position, financial performance or cash flows.

New accounting standards released during the year

During the year Council adopted all accounting standards and interpretations (as issued by the Australian Accounting Standards Board) which were mandatorily effective from the first time at 30 June 2021. Council has reviewed the applicability of all new standards and interpretations and determined that none of these standards had a significant impact on reported position or performance.

COVID-19 Impact

The COVID-19 pandemic has impacted global, domestic and local economies and as a result of this ongoing pandemic Council's operations and financial situation has been impacted.

Council has responded to the impact on the local economy by providing;

- Fee waivers and/or reductions in rent for some tenants
- Extended hardship criteria for rate payers, including interest free periods.
- Deferral of the rates harmonisation process

A1-1 Basis of preparation (continued)

Council financial position has been impacted by;

- Increases in rates outstanding from \$6.5 mil to \$7.4 mil
- Loss in interest income from both overdue rates and charges and term deposits.
- Loss in revenue from fee waivers and rate reductions to tenants

B Financial Performance

B1 Functions or activities

B1-1 Functions or activities – income, expenses and assets

Income, expenses and assets have been directly attributed to the following functions or activities. Details of those functions or activities are provided in Note B1-2.

\$ '000	Income		Expenses		Operating result		Grants and contributions		Carrying amount of assets	
	2021	2020 Restated	2021	2020	2021	2020 Restated	2021	2020 Restated	2021	2020 Restated
Functions or activities										
Community	13,238	13,855	24,847	19,119	(11,609)	(5,264)	8,570	10,268	98,181	97,734
Economy	11,036	12,005	21,747	21,033	(10,711)	(9,028)	8,401	5,734	4,253	4,234
Environment	30,709	34,296	40,338	31,112	(9,629)	3,184	8,564	5,807	1,167,710	1,162,412
Leadership	29,373	36,050	11,072	11,139	18,301	24,911	7,476	22,161	45,708	45,501
Total functions and activities	84,356	96,206	98,004	82,403	(13,648)	13,803	33,011	43,970	1,315,852	1,309,881

B1-2 Components of functions or activities

Details relating to the Council's functions or activities as reported in B1-1 are as follows:

To deliver balanced planning across a complex set of needs for the Snowy Monaro region and the community, Council has aligned its Delivery Program and Operational Plan to the business planning principles of the quadruple bottom line: Community, Economy, Environment and Leadership.

These key themes are influenced by a range of factors, including state government legislation and regional priorities, as well as community conversations, the availability of resources and project affordability. Each theme is informed by outcomes and specific strategies to deliver them.

Community - Our communities are welcoming, inclusive and safe; our lifestyle needs are actively considered and planned for; and opportunities exist to enhance our health and social wellbeing.

- Our region's health and wellbeing needs will be met by providing quality health and well-being services that continually support the changing needs of our community, including community support and aged care services. Our recreation, sporting and leisure facilities will encourage our community to engage in active and healthy lifestyles, and our youth will be supported in reaching their full potential.
- Our region's diverse cultural identity will be preserved and celebrated for the richness it brings to our regional identity, and we will foster and support the arts, creative expression and spaces.
- We are committed to being a safe and caring community. We will develop, maintain and promote safe spaces and facilities that are accessible and inclusive, as well as actively foster and encourage positive social behaviours (including law and order).

Economy - We are a vibrant and prosperous community providing opportunities for growth and learning.

- We will attract diverse businesses and industries to the region, and will foster and support their adaptive, sustainable practices. We will capitalise on our proximity to ACT, Victoria and neighbouring NSW regions.
- We are committed to advocating for and promoting education and lifelong learning opportunities, together with providing access to spaces where people can connect and learn.
- We will acknowledge and celebrate the unique heritage and character of our region's towns and villages, and further promote our visitor accommodation and recreational infrastructure.

Environment - Our iconic natural environment and heritage are preserved and enhanced for future generations whilst balancing the needs for regional development and growth.

- We are committed to protecting and enhancing our existing natural environment, and ensuring our water, waste, sewer and stormwater management practices are contemporary, sustainable and efficient.
- We will ensure that plans for rural, urban and industrial development are sensitive to our region's natural environment and heritage. We will improve and maintain our publicly owned infrastructure and facilities, and advocate for a diverse range of housing and accommodation to suit the changing needs of our community.
- Our community will be connected through efficient transportation networks by ensuring our region's transportation corridors are improved and maintained. We are committed to ensuring our region has access to effective telecommunication infrastructure and services.

Leadership - We have contemporary civic leadership and governance that fosters trust and efficiency.

- We are committed to delivering holistic and integrated planning and decision making, and ensuring we implement sound governance practices to conduct Council business. We will advocate to, and work with, other levels of government, community and industry, and manage service delivery in an efficient and sustainable way.
- We will deliver public services and processes in a reliable and efficient way in response to our community's needs, and utilise sound fiscal management practices in pursuing and attracting other sources of revenue.
- Our community will be consulted and encouraged to engage in the development of plans, services and policies. We will ensure that residents have access to timely, relevant and accurate information on issues that affect them, so they feel empowered to participate in shaping the future of our region.

B2 Sources of income

B2-1 Rates and annual charges

\$ '000	2021	2020
Ordinary rates		
Residential	8,856	8,601
Farmland	5,362	5,207
Business	2,431	2,530
Less: pensioner rebates	(367)	(290)
Rates levied to ratepayers	16,282	16,048
Pensioner rate subsidies received	198	162
Total ordinary rates	16,480	16,210
Annual charges		
<small>(pursuant to s.496, s.496A, s.496B, s.501 & s.611)</small>		
Domestic waste management services	3,245	3,207
Stormwater management services	15	18
Water supply services	2,657	2,730
Sewerage services	6,751	8,479
Waste management services (non-domestic)	2,044	1,735
Less: pensioner rebates	(190)	(262)
Liquid trade waste	104	66
Onsite sewerage system management	97	109
Pensioner subsidies received:		
– Water	8	56
– Sewerage	10	51
– Domestic waste management	–	44
Total annual charges	14,741	16,233
Total rates and annual charges	31,221	32,443

Council has used 2019 year valuations provided by the NSW Valuer General in calculating its rates.

Accounting policy

Rates and annual charges are recognised as revenue at the beginning of the rating period to which they relate. Prepaid rates are recognised as a financial liability until the beginning of the rating period.

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

Pensioner rate subsidies are received from the NSW Government to provide a contribution towards the pensioner rebates and are recognised within the underlying revenue item based on their substance.

B2-2 User charges and fees

\$ '000	Timing	2021	2020
User charges			
Water supply services	1	5,298	6,046
Sewerage services	1	1,577	112
Waste management services (non-domestic)	2	917	953
Total user charges		7,792	7,111
Fees			
Waste disposal tipping fees	2	2,148	2,205
Aged care	1	966	973
Planning and building regulation	2	1,235	972
Community services	1	400	652
Cemeteries	2	288	275
RMS – road maintenance (not Council roads)	1	1,665	1,386
Saleyards	2	119	272
Swimming centres	2	148	116
Holiday park fees	2	162	113
Section 10.7 certificates (EP&A Act)	2	92	–
Community Facilities	2	32	80
Section 603 certificates	1	78	57
Sewer fees	2	63	54
Private works- s 67	1	44	47
Animal Control	2	25	10
Inspection Services	2	58	9
Water connection fees	2	14	–
Other	2	18	108
Total fees		7,555	7,329
Total user charges and fees		15,347	14,440
Timing of revenue recognition for user charges and fees			
User charges and fees recognised over time (1)		10,028	9,273
User charges and fees recognised at a point in time (2)		5,319	5,167
Total user charges and fees		15,347	14,440

Accounting policy

Revenue arising from user charges and fees is recognised when, or as, the performance obligation is completed and the customer receives the benefit of the goods / services being provided.

The performance obligation relates to the specific services which are provided to the customers and generally the payment terms are within 30 days of the provision of the service or in some cases such as caravan parks, the customer is required to pay on arrival or a deposit in advance. There is no material obligation for Council in relation to refunds or returns.

Where an upfront fee is charged such as joining fees for the swimming centre the fee is recognised on a straight-line basis over the expected life of the membership.

B2-3 Other revenue

\$ '000	Timing	2021	2020
Quarry sales	2	69	692
RFS expenses reimbursed	2	–	574
Insurance rebates	2	89	166
Sales - Landfill	2	158	109
Diesel rebate	2	230	87
Fines – parking	2	81	75
Commissions and agency fees	2	85	74
Insurance claims recoveries	2	152	62
Sales – general	2	56	49
Legal fees recovery – rates and charges (extra charges)	2	212	46
Reimbursement of expenses	2	61	31
Other	2	122	23
Total other revenue		1,315	1,988
Timing of revenue recognition for other revenue			
Other revenue recognised over time (1)		–	–
Other revenue recognised at a point in time (2)		1,315	1,988
Total other revenue		1,315	1,988

Accounting policy for other revenue

Where revenue is earned from the provision of specified goods / services under an enforceable contract, revenue is recognised when or as the the obligations are satisfied.

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

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

B2-4 Grants and contributions

\$ '000	Timing	Operating 2021	Operating 2020 Restated	Capital 2021	Capital 2020 Restated
General purpose grants and non-developer contributions (untied)					
General purpose (untied)					
Relating to current year					
Financial assistance – general component	2	3,339	3,407	–	–
Financial assistance – local roads component	2	1,384	1,411	–	–
Prepayment received in advance for subsequent year					
Financial assistance – general component	2	3,572	3,608	–	–
Financial assistance – local roads component	2	1,486	1,498	–	–
Amount recognised as income during current year		9,781	9,924	–	–
Special purpose grants and non-developer contributions (tied)					
Cash contributions					
Aged care	2	4,060	3,498	367	11
Bushfire and emergency services	2	609	1,517	–	–
Community care	1	2,026	2,169	–	–
Community transport	1	568	1,114	–	–
Domestic waste management	1	–	17	–	6
Economic development	1	18	94	75	63
Emergency Services Levy Subsidy	2	426	157	–	–
Employment and training programs	2	53	64	–	–
Environmental programs	1	–	117	–	–
Floodplain management	1	–	24	–	–
Heritage and cultural	1	44	13	–	–
Library	1	99	124	17	2
New council implementation fund	1	–	4,176	–	–
Noxious weeds	1	653	870	–	–
NSW rural fire services	1	470	457	254	271
Parks, sportsfields and reserves	1	–	88	179	–
Planning and building regulation	1	50	106	–	–
Recreation and culture	1	1	–	20	11
Sewerage services	1	–	–	4,529	1,555
Street lighting	2	49	49	–	–
Stronger Communities Fund	1	–	–	908	8,421
Stronger Country Communities Fund	1	–	–	669	935
Transport (other roads and bridges funding)	1	171	257	877	885
Transport (roads to recovery)	1	1,744	1,744	–	–
Water supplies	1	90	–	35	847
Youth services	1	24	7	96	–
Other specific grants	1	4	13	2	–
Transport for NSW contributions (regional roads, block grant)	1	2,164	2,758	–	–
Other contributions	1	23	52	–	16
Community care services	1	–	–	–	25
Boco Rock Community Fund	1	109	218	–	–
Yallambee lodge residential aged care	1	–	–	–	114
Total special purpose grants and non-developer contributions – cash		13,455	19,703	8,028	13,162
Total special purpose grants and non-developer contributions (tied)		13,455	19,703	8,028	13,162
Total grants and non-developer contributions		23,236	29,627	8,028	13,162

B2-4 Grants and contributions (continued)

\$ '000	Timing	Operating 2021	Operating 2020 Restated	Capital 2021	Capital 2020 Restated
Comprising					
– Commonwealth funding		17,484	18,479	2,525	74
– State funding		5,609	8,054	5,498	12,932
– Other funding		143	3,094	5	156
		23,236	29,627	8,028	13,162

B2-4 Grants and contributions (continued)

Developer contributions

\$ '000	Notes	Timing	Operating 2021	Operating 2020 Restated	Capital 2021	Capital 2020 Restated
Developer contributions:						
(s7.4 & s7.11 - EP&A Act, s64 of the LGA):						
Cash contributions						
S 7.11 – contributions towards amenities/services		2	–	–	362	631
S 7.12 – fixed development consent levies		2	–	–	–	4
S 64 – water supply contributions		2	–	–	739	270
S 64 – sewerage service contributions		2	–	–	646	276
Total developer contributions – cash			–	–	1,747	1,181
Total developer contributions			–	–	1,747	1,181
Total contributions			–	–	1,747	1,181
Total grants and contributions			23,236	29,627	9,775	14,343
Timing of revenue recognition for grants and contributions						
Grants and contributions recognised over time (1)			9,369	–	8,205	–
Grants and contributions recognised at a point in time (2)			13,867	29,627	1,570	14,343
Total grants and contributions			23,236	29,627	9,775	14,343

B2-4 Grants and contributions (continued)

Unspent grants and contributions

Certain grants and contributions are obtained by Council on the condition they be spent in a specified manner or in a future period but which are not yet spent in accordance with those conditions are as follows:

\$ '000	Operating 2021	Operating 2020 Restated	Capital 2021	Capital 2020 Restated
Unspent funds at 1 July	4,484	6,087	14,867	18,792
Add: Funds recognised as revenue in the reporting year but not yet spent in accordance with the conditions	107	–	1,782	1,314
Add: Funds received and not recognised as revenue in the current year	1,512	1,602	7,078	1,006
Less: Funds recognised as revenue in previous years that have been spent during the reporting year	–	(34)	–	–
Less: Funds received in prior year but revenue recognised and funds spent in current year	(2,412)	(3,171)	(2,795)	(6,245)
Unspent funds at 30 June	3,691	4,484	20,932	14,867

Accounting policy

Grants and contributions – enforceable agreement with sufficiently specific performance obligations

Grant and contribution revenue from an agreement which is enforceable and contains sufficiently specific performance obligations is recognised as or when control of each performance obligations is transferred.

The performance obligations vary according to the agreement but include when services are rendered, or on completion of services. Payment terms vary depending on the terms of the grant, cash is received upfront for some grants and on the achievement of certain payment milestones for others.

Performance obligations may be satisfied either at a point in time or over time and this is reflected in the revenue recognition pattern. Point in time recognition occurs when the beneficiary obtains control of the goods / services at a single time (e.g. completion of the project when a report / outcome is provided), whereas over time recognition is where the control of the services is ongoing throughout the project (e.g. provision of community health services through the year).

Where control is transferred over time, generally the input methods being either costs or time incurred are deemed to be the most appropriate methods to reflect the transfer of benefit.

Capital grants

Capital grants received by Council under an enforceable contract for the acquisition or construction of infrastructure, property, plant and equipment to identified specifications which will be under Council's control on completion are recognised as revenue as and when the obligation to construct or purchase is completed.

For construction projects, this is generally as the construction progresses in accordance with costs incurred since this is deemed to be the most appropriate measure of the completeness of the construction project.

For acquisitions of assets, the revenue is recognised when the asset is acquired and controlled by the Council.

Developer contributions

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

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

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

B2-4 Grants and contributions (continued)

Other grants and contributions

Assets, including cash, received from other grants and contributions are recognised at fair value when the asset is received. Council considers whether there are any related liability or equity items associated with the asset which are recognised in accordance with the relevant accounting standard.

Once the assets and liabilities have been recognised then income is recognised for any remaining asset value at the time that the asset is received.

B2-5 Interest and investment revenue

\$ '000	2021	2020
Interest on financial assets measured at amortised cost		
– Overdue rates and annual charges (incl. special purpose rates)	167	325
– Cash and investments	1,016	1,289
– Other	–	25
Dividend income relating to investments held at fair value through other comprehensive income	–	36
Total interest and investment income (losses)	1,183	1,675

Accounting policy

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

Dividends are recognised as income in the income statement when the shareholder's right to receive payment is established unless the dividend clearly represents a recovery of part of the cost of the investment.

B2-6 Other income

\$ '000	Notes	2021	2020
Rental income			
Other lease income			
Council Owned Properties		652	698
Leaseback fees - council vehicles		192	194
Total Other lease income		844	892
Total rental income	C2-2	844	892
Total other income		844	892

B3 Costs of providing services

B3-1 Employee benefits and on-costs

\$ '000	2021	2020
Salaries and wages	27,344	28,657
Employee termination costs (where material – other than vested leave paid)	111	–
Travel expenses	33	48
Employee leave entitlements (ELE)	2,079	2,255
ELE on-costs	116	102
Superannuation	2,557	2,819
Superannuation – defined benefit plans	171	–
Workers' compensation insurance	1,530	1,000
Payroll & fringe benefit tax	95	92
Training costs (other than salaries and wages)	137	306
Protective clothing	30	63
Vehicle allowance	238	186
Recruitment expenses	125	125
Other	18	54
Total employee costs	34,584	35,707
Less: capitalised costs	(1,159)	(2,070)
Total employee costs expensed	33,425	33,637
Number of 'full-time equivalent' employees (FTE) at year end	339	369

Accounting policy

Employee benefit expense is recognised when the employee has provided services in accordance with their individual employment contract.

Retirement benefit obligations

All Council employees are entitled to benefits on retirement, disability or death in accordance with their employment contract. Council contributes to eligible employees defined benefit plan and defined contribution plan on behalf of its employees.

Superannuation plans

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

Council participates in a defined benefit plan under the Local Government Superannuation Scheme. However, sufficient information to account for the plan as a defined benefit is not available, and therefore Council accounts for its obligations to defined benefit plans on the same basis as its obligations to defined contribution plans, i.e. as an expense when it becomes payable – refer to E3-1 for more information.

Capitalised Costs

Council employees provide services to enable Council to deliver various activities to the community. Where an employee is participating in a construction project their employment cost and associated on-costs are capitalised into the total cost of delivering that project.

B3-2 Materials and services

\$ '000	Notes	2021	2020
Raw materials and consumables		4,806	5,715
Contractors		14,183	11,615
Consultants		1,073	1,023
Audit Fees	F2-1	129	119
Councillor and Mayoral fees and associated expenses	F1-2	309	310
Advertising		153	206
Bank charges		103	142
Electricity and heating		1,695	1,568
Insurance		866	1,152
Postage & Freight		182	97
Printing and stationery		288	392
Street lighting		255	215
Telephone and communications		700	669
Valuation fees		109	110
Other expenses		–	484
Motor vehicle registration		164	–
Memberships and subscriptions – other		515	206
Licence fees		–	106
Quality monitoring		–	93
Software licences		1,273	996
Legal fees:			
– planning and development		222	148
– debt recovery		211	34
– other		49	333
Expenses from leases of low value assets		179	240
Total materials and services		27,464	25,973
Total materials and services		27,464	25,973

Accounting policy

Expenses are recorded on an accruals basis as Council receives the benefit from the goods or services.

B3-3 Borrowing costs

\$ '000	Notes	2021	2020
Interest on leases		5	3
Interest on loans		42	76
(ii) Other borrowing costs			
Discount adjustment relating to movement in provision for Remediation (Landfills)	C3-5	440	–
Total borrowing costs expensed		487	79

Accounting policy

Borrowing costs are recognised as an expense in accordance with the terms and conditions under the loan agreement.

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.

Interest on leases are recognised as the Council satisfies the payment of the lease instalment in accordance with the lease terms and agreement.

B3-4 Depreciation, amortisation and impairment of non-financial assets

\$ '000	Notes	2021	2020
Depreciation and amortisation			
Plant and equipment		1,626	1,538
Office equipment		418	411
Furniture and fittings		117	61
Land improvements (depreciable)		28	7
Infrastructure:	C1-6		
– Buildings – non-specialised		1,625	1,337
– Buildings – specialised		1,812	1,051
– Other structures		403	525
– Roads		6,901	7,028
– Bridges		1,074	1,462
– Footpaths		335	97
– Stormwater drainage		288	635
– Water supply network		2,132	2,707
– Sewerage network		1,444	2,133
– Swimming pools		86	36
– Other open space/recreational assets		472	137
Right of use assets	C2-1	92	83
Other assets:			
– Library books		89	54
– Other		46	182
Reinstatement, rehabilitation and restoration assets:			
– Landfill assets	C3-5,C1-6	1,001	1,001
– Quarry assets	C3-5,C1-6	1	1
Intangible assets	C1-7	376	–
Total gross depreciation and amortisation costs		20,366	20,486
Total depreciation and amortisation costs		20,366	20,486
Impairment / revaluation decrement of IPPE			
Community land		–	–
Infrastructure:	C1-6		
– Swimming pools		1,377	–
– Other open space/recreational assets		296	–
Total gross IPPE impairment / revaluation decrement costs		1,673	–
Total IPPE impairment / revaluation decrement costs charged to Income Statement		1,673	–
Total depreciation, amortisation and impairment for non-financial assets		22,039	20,486

Accounting policy

Depreciation and amortisation

Depreciation and amortisation are calculated using the straight line method to allocate their cost, net of their residual values, over estimated useful life. Useful life is included in Note C1-6 for IPPE assets.

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

Impairment of non-financial assets

Council assets held at fair value that are not held primarily for their ability to generate net cash flow, and that are deemed to be specialised, are not tested for impairment since these assets are assessed on an annual basis to ensure that the carrying amount is not materially different from fair value and therefore an impairment loss would be captured during this assessment.

Intangible assets not yet available for use, are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired.

Other non-financial assets that do not meet the criteria above are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by

B3-4 Depreciation, amortisation and impairment of non-financial assets (continued)

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).

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

B3-5 Other expenses

\$ '000	Notes	2021	2020
Impairment of receivables			
Rates and annual charges		93	–
User charges and fees		303	81
Interest and investment income		7	–
Total impairment of receivables	C1-4	403	81
Other			
– NSW fire brigade levy		95	64
– NSW rural fire service levy		1,363	960
– NSW state emergency services		40	24
– Other contributions/levies		66	11
– SEWOL		36	36
– South east arts		10	17
– Tourism Snowy Mountains		95	60
– Boco rock community grants		352	280
– Community Bushfire Recovery		101	580
– Other		267	109
– Community projects (SCF)		–	6
Landfill legacy sites		11,122	–
Total other		13,547	2,147
Total other expenses		13,950	2,228

Accounting policy

Other expenses are recorded on an accruals basis when Council has an obligation for the expenses.

Impairment expenses are recognised when identified - refer to Note C1-4

B4 Gains or losses**B4-1 Gain or loss from disposal, replacement and de-recognition of assets**

\$ '000	Notes	2021	2020
Gain (or loss) on disposal of property (excl. investment property)			
Proceeds from disposal – property		746	408
Less: carrying amount of property assets sold/written off		(397)	(370)
Gain (or loss) on disposal		349	38
Gain (or loss) on disposal of plant and equipment			
	C1-6		
Proceeds from disposal – plant and equipment		451	720
Less: carrying amount of plant and equipment assets sold/written off		(374)	(746)
Gain (or loss) on disposal		77	(26)
Gain (or loss) on disposal of infrastructure			
	C1-6		
Less: carrying amount of infrastructure assets sold/written off		(1,066)	–
Gain (or loss) on disposal		(1,066)	–
Gain (or loss) on disposal of investments			
	C1-2		
Proceeds from disposal/redemptions/maturities – investments		34,000	5,786
Less: carrying amount of investments sold/redeemed/matured		(34,000)	(5,000)
Gain (or loss) on disposal		–	786
Net gain (or loss) on disposal of assets		(640)	798

Accounting policy

Gains and losses on disposals are determined by comparing proceeds with carrying amount. The gain or loss on sale of an asset is determined when control of the asset has irrevocably passed to the buyer and the asset is de-recognised.

B5 Performance against budget

B5-1 Material budget variations

Council's original budget was adopted by the Council on 18/06/2020 and is not required to be audited. The original projections on which the budget was based have been affected by a number of factors. These include state and federal government decisions, including new grant programs, changing economic activity, environmental factors, and by decisions made by Council.

While these General Purpose Financial Statements include the original budget adopted by Council, the Act requires Council to review its financial budget on a quarterly basis, so it is able to manage the variation between actuals and budget that invariably occur during the year.

Material variations of more than 10% between original budget and actual results or where the variance is considered material by nature are explained below.

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

\$ '000	2021 Budget	2021 Actual	2021 ----- Variance -----	
REVENUES				
Rates and annual charges	33,318	31,221	(2,097)	(6)% U
User charges and fees	15,418	15,347	(71)	0% U
Other revenues	555	1,315	760	137% F
This favourable variance is due to increases in revenue from the diesel fuel rebate and legal fees recovered which were not in the original estimates and considered on-off.				
Operating grants and contributions	21,010	23,236	2,226	11% F
This favourable variance is due to the timing of recognition of certain grants received in prior years and recognised this year.				
Capital grants and contributions	17,949	9,775	(8,174)	(46)% U
This unfavorable variance is due to delays in completion of capital projects.				
Interest and investment revenue	1,385	1,183	(202)	(15)% U
This unfavourable variance is due to the low interest rate environment.				
Net gains from disposal of assets	1,002	-	(1,002)	(100)% U
This unfavourable variance is due to delays in plant sales due to supply.				
Other income	412	844	432	105% F
This favourable variance is due to the budget for other income sitting in other revenue.				
EXPENSES				
Employee benefits and on-costs	32,616	33,425	(809)	(2)% U
Materials and services	25,970	27,464	(1,494)	(6)% U
Borrowing costs	167	487	(320)	(192)% U
This unfavourable variance is due to a non-cash accounting recognition of unwinding of the provision for the landfill which wasn't included in the original estimates.				
Depreciation, amortisation and impairment of non-financial assets	19,123	22,039	(2,916)	(15)% U
This unfavourable variance is due to non-financial asset movement in the landfill remediation provision.				
Other expenses	1,609	13,950	(12,341)	(767)% U
This unfavourable variance is due to different coding for materials and services.				

B5-1 Material budget variations (continued)

\$ '000	2021 Budget	2021 Actual	2021 ----- Variance -----		
Net losses from disposal of assets	-	640	(640)	∞	U

STATEMENT OF CASH FLOWS

Cash flows from operating activities	29,685	22,244	(7,441)	(25)%	U
This unfavourable variance is due to declining revenues and increasing expenditure against budget for the period.					
Cash flows from investing activities	(47,923)	9,823	57,746	(120)%	F
This favourable variance is due to delays in completion of capital projects.					
Cash flows from financing activities	-	(605)	(605)	∞	U

C Financial position

C1 Assets we manage

C1-1 Cash and cash equivalents

\$ '000	2021	2020
Cash and cash equivalents		
Cash on hand and at bank	208	1,038
Cash-equivalent assets		
– Deposits at call	37,800	5,508
Total cash and cash equivalents	38,008	6,546

Reconciliation of cash and cash equivalents

Total cash and cash equivalents per Statement of Financial Position	38,008	6,546
Balance as per the Statement of Cash Flows	38,008	6,546

Accounting policy

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

C1-2 Financial investments

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
Debt securities at amortised cost				
Long term deposits	17,000	21,000	20,000	52,000
Total	17,000	21,000	20,000	52,000
Total financial investments	17,000	21,000	20,000	52,000
Total cash assets, cash equivalents and investments	55,008	21,000	26,546	52,000

C1-2 Financial investments (continued)

Accounting policy

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

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

Financial assets

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

Classification

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

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

Financial assets are not reclassified subsequent to their initial recognition.

Amortised cost

Assets measured at amortised cost are financial assets where:

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

Council's financial assets measured at amortised cost comprise trade and other receivables, term deposits and cash and cash equivalents in the Statement of Financial Position. Term deposits with an initial term of more than 3 months are classified as investments rather than cash and cash equivalents.

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

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

Financial assets through profit or loss

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

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

C1-3 Restricted cash, cash equivalents and investments

\$ '000	2021	2021	2020	2020
	Current	Non-current	Current	Non-current
attributable to:				
External restrictions	45,749	21,000	11,026	52,000
Internal restrictions	9,259	–	15,520	–
	55,008	21,000	26,546	52,000

\$ '000	2021	2020
		Restated
External restrictions – included in liabilities		
Specific purpose unexpended grants – general fund	8,890	3,163
Specific purpose unexpended grants - stronger communities fund	200	1,108
Specific purpose unexpended grants - new council implementation fund	–	–
External restrictions – included in liabilities	9,090	4,271
External restrictions – other		
External restrictions included in cash, cash equivalents and investments above comprise:		
Developer contributions – general	2,783	2,421
Developer contributions – water fund	3,591	2,816
Developer contributions – sewer fund	2,973	2,298
Specific purpose unexpended grants (recognised as revenue) – general fund	5,728	7,164
Water fund	22,041	19,733
Sewer fund	14,392	18,635
Domestic waste management	281	–
Snowy River Hostel accommodation bonds	1,169	1,169
Yallambee Lodge accomodation bonds	3,062	2,392
Crown land reserves	1,475	1,399
Home and community care	–	301
Boco rock community reserve	–	229
Kamoto-cooma friendship scholarship fund	44	45
Other	120	153
External restrictions – other	57,659	58,755
Total external restrictions	66,749	63,026
Internal restrictions		
Council has internally restricted cash, cash equivalents and investments as follows:		
Plant and vehicle replacement	626	1,294
Employees leave entitlement	1,383	1,383
Deposits, retentions and bonds	677	682
Uncompleted works	303	66
Waste management	2,483	7,274
Yallambee Lodge building/equipment replacement	–	700
Former Snowy River LGA	699	699
Former Bombala LGA	1,718	1,718
New Council Implementation funding Interest	–	378
Stronger communities fund Interest	1,370	1,326
Total internal restrictions	9,259	15,520
Total restrictions	76,008	78,546

Internal restrictions over cash, cash equivalents and investments are those assets restricted only by a resolution of the elected Council.

C1-4 Receivables

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
Purpose				
Rates and annual charges	7,474	–	6,507	–
Interest and extra charges	743	–	542	–
User charges and fees	4,686	–	2,913	–
Accrued revenues				
– Interest on investments	383	–	738	–
– Other income accruals	102	–	635	–
Government grants and subsidies	1,632	–	1,750	–
Net GST receivable	261	–	338	–
Loans receivable	24	36	24	62
Other debtors	–	–	168	–
Total	15,305	36	13,615	62
Less: provision of impairment				
User charges and fees	(378)	–	(82)	–
Total provision for impairment – receivables	(378)	–	(82)	–
Total net receivables	14,927	36	13,533	62

Accounting policy

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

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

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

C1-4 Receivables (continued)

Impairment

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

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

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

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

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

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

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

Council uses the simplified approach for trade receivables where the expected lifetime credit losses are recognised on day 1.

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

The Council writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings.

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

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

C1-5 Inventories

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
(i) Inventories at cost				
Real estate for resale	441	–	441	–
Stores and materials	1,927	–	1,186	–
Trading stock	29	–	29	–
Total inventories at cost	2,397	–	1,656	–
Total inventories	2,397	–	1,656	–

Accounting policy

Raw materials and stores, work in progress and finished goods

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

Land held for resale

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.

C1-6 Infrastructure, property, plant and equipment

By aggregated asset class	At 1 July 2020			Asset movements during the reporting period								At 30 June 2021		
	Gross carrying amount Restated	Accumulated depreciation and impairment	Net carrying amount Restated	Additions renewals ¹	Additions new assets	Carrying value of disposals	Depreciation expense	Impairment loss / revaluation decrements (recognised in P/L)	WIP transfers	Adjustments and transfers	Revaluation increments/(decrements) to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
\$ '000														
Capital work in progress	21,575	–	21,575	19,010	–	–	–	–	(7,346)	–	–	33,239	–	33,239
Plant and equipment	24,482	(11,604)	12,878	–	1,923	(374)	(1,626)	–	114	–	–	21,354	(8,439)	12,915
Office equipment	4,251	(3,177)	1,074	–	–	–	(418)	–	–	–	–	3,302	(2,646)	656
Furniture and fittings	1,206	(737)	469	–	–	–	(117)	–	–	–	–	1,206	(854)	352
Land:														
– Operational land	20,730	–	20,730	–	175	(397)	–	–	–	1,181	–	21,690	–	21,690
– Community land	24,231	–	24,231	–	–	–	–	–	–	(1,181)	2,685	25,734	–	25,734
Land improvements – depreciable	1,895	(158)	1,737	13	–	–	(28)	–	66	–	–	1,974	(186)	1,788
Infrastructure:														
– Buildings – non-specialised	60,655	(36,371)	24,284	555	–	(55)	(1,625)	–	373	–	–	61,376	(37,845)	23,531
– Buildings – specialised	59,967	(42,685)	17,282	331	–	(194)	(1,812)	–	571	(2,448)	–	51,848	(38,118)	13,730
– Other structures	10,327	(4,933)	5,394	22	–	–	(403)	–	303	626	482	9,681	(3,257)	6,424
– Roads	517,761	(161,683)	356,078	2,755	–	(502)	(6,901)	–	79	–	–	519,882	(168,372)	351,510
– Bridges	123,662	(50,018)	73,644	784	–	–	(1,074)	–	57	–	–	124,504	(51,092)	73,412
– Footpaths	14,407	(6,091)	8,316	41	–	–	(335)	–	39	–	–	14,488	(6,427)	8,061
– Bulk earthworks (non-depreciable)	441,706	–	441,706	–	–	(316)	–	–	–	–	–	441,391	–	441,391
– Stormwater drainage	28,325	(8,423)	19,902	–	–	–	(288)	–	–	–	–	28,325	(8,712)	19,613
– Water supply network	208,131	(117,224)	90,907	74	–	–	(2,132)	–	1,420	–	830	211,553	(120,454)	91,099
– Sewerage network	144,460	(74,012)	70,448	3	–	–	(1,444)	–	–	–	635	145,791	(76,151)	69,640
– Swimming pools	3,557	(1,318)	2,239	–	–	–	(86)	(1,377)	–	1,679	–	4,169	(1,714)	2,455
– Other open space/recreational assets	7,974	(3,674)	4,300	97	–	–	(472)	(296)	143	143	–	6,152	(2,237)	3,915
Other assets:														
– Library books	1,644	(1,223)	421	–	–	–	(89)	–	–	–	–	924	(591)	333
– Other	4,570	(2,120)	2,450	–	–	–	(46)	–	–	–	–	4,439	(2,035)	2,404
Reinstatement, rehabilitation and restoration assets (refer Note C3-5):														
– Landfill assets	18,941	(3,788)	15,153	–	–	–	(1,001)	–	–	–	–	18,943	(4,790)	14,153
– Quarry assets	38	(7)	31	–	–	–	(1)	–	–	–	–	38	(7)	31
Total infrastructure, property, plant and equipment	1,744,495	(529,246)	1,215,249	23,685	2,098	(1,838)	(19,898)	(1,673)	(4,181)	–	4,632	1,752,003	(533,927)	1,218,076

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

C1-6 Infrastructure, property, plant and equipment (continued)

By aggregated asset class	At 1 July 2019			Asset movements during the reporting period							At 30 June 2020		
	Gross carrying amount Restated	Accumulated depreciation and impairment	Net carrying amount Restated	Additions renewals ¹	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Adjustments and transfers	Revaluation increments/(decrements) to equity (ARR)	Gross carrying amount Restated	Accumulated depreciation and impairment	Net carrying amount Restated
\$ '000													
Capital work in progress	16,739	–	16,739	16,061	–	–	–	(11,304)	79	–	21,575	–	21,575
Plant and equipment	27,352	(15,597)	11,755	–	3,471	(746)	(1,538)	–	(64)	–	24,482	(11,604)	12,878
Office equipment	4,203	(2,772)	1,431	–	47	–	(411)	–	7	–	4,251	(3,177)	1,074
Furniture and fittings	1,195	(677)	518	12	–	–	(61)	–	–	–	1,206	(737)	469
Land:													
– Operational land	21,049	–	21,049	–	42	(370)	–	1	8	–	20,730	–	20,730
– Community land	24,231	–	24,231	–	–	–	–	–	–	–	24,231	–	24,231
Land improvements – depreciable	1,896	(152)	1,744	–	–	–	(7)	–	–	–	1,895	(158)	1,737
Infrastructure:													
– Buildings – non-specialised	60,215	(35,443)	24,772	395	–	–	(1,337)	46	408	–	60,655	(36,371)	24,284
– Buildings – specialised	58,132	(41,957)	16,175	983	600	–	(1,051)	475	100	–	59,967	(42,685)	17,282
– Other structures	14,743	(7,572)	7,171	26	10	–	(525)	43	(1,331)	–	10,327	(4,933)	5,394
– Roads	422,391	(172,095)	250,296	4,691	400	–	(7,028)	8,003	198	99,518	517,761	(161,683)	356,078
– Bridges	114,619	(56,291)	58,328	1,767	119	–	(1,462)	1,020	–	13,872	123,662	(50,018)	73,644
– Footpaths	17,085	(8,636)	8,449	25	80	–	(97)	270	–	(411)	14,407	(6,091)	8,316
– Bulk earthworks (non-depreciable)	515,602	–	515,602	–	–	–	–	–	–	(73,896)	441,706	–	441,706
– Stormwater drainage	32,136	(15,600)	16,536	12	25	–	(635)	118	–	3,846	28,325	(8,423)	19,902
– Water supply network	203,556	(112,850)	90,706	311	24	–	(2,707)	491	–	2,082	208,131	(117,224)	90,907
– Sewerage network	141,968	(70,459)	71,509	10	–	–	(2,133)	–	–	1,062	144,460	(74,012)	70,448
– Swimming pools	11,413	(8,816)	2,597	–	–	–	(36)	–	(322)	–	3,557	(1,318)	2,239
– Other open space/recreational assets	5,545	(3,204)	2,341	169	167	–	(137)	828	932	–	7,974	(3,674)	4,300
Other assets:													
– Library books	1,568	(1,169)	399	–	67	–	(54)	9	–	–	1,644	(1,223)	421
– Other	4,321	(1,713)	2,608	–	–	–	(182)	–	24	–	4,570	(2,120)	2,450
Reinstatement, rehabilitation and restoration assets (refer Note C3-5):													
– Tip assets	3,017	(1,069)	1,948	–	–	–	(1,001)	–	14,462	(256)	18,941	(3,788)	15,153
– Quarry assets	38	(6)	32	–	–	–	(1)	–	–	–	38	(7)	31
Total infrastructure, property, plant and equipment	1,703,014	(556,078)	1,146,936	24,462	5,052	(1,116)	(20,403)	–	14,501	45,817	1,744,495	(529,246)	1,215,249

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

C1-6 Infrastructure, property, plant and equipment (continued)

Accounting policy

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

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

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

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

When infrastructure, property, plant and equipment are acquired by Council at significantly below fair value, the assets are initially recognised at their fair value at acquisition date.

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	Years	Other equipment	Years
Office equipment	3 to 10	Playground equipment	3 to 15
Office furniture	5 to 30	Benches, seats etc.	5 to 15
Computer equipment	2 to 10		
Vehicles	2 to 8	Buildings	
Heavy plant/road making equipment	5 to 20	Buildings: masonry	50 to 100
Other plant and equipment	5 to 33	Buildings: other	10 to 100
		Stormwater assets	
Water and sewer assets		Pipes	70 to 100
Water Supply Structures	25 to 100	Pits	50 to 80
Wastewater Structures	40 to 70	Culverts	60 to 80
Reticulation pipes: PVC	80	Other	30 to 100
Reticulation pipes: other	80		
Pumps and telemetry	15 to 20		
		Other infrastructure assets	
Transportation assets		Bulk earthworks	Infinite
Sealed roads: surface	10 to 20	Swimming pools	5 to 100
Sealed roads: structure	40 to 100	Other open space/recreational assets	5 to 100
Unsealed roads	10 to 50		
Bridge: concrete	80 to 120		
Bridge: other	50 to 120		
Road pavements	40 to 80		
Kerb, gutter and footpaths	50 to 75		

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

C1-6 Infrastructure, property, plant and equipment (continued)

Land under roads

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

Council has elected not to recognise land under roads acquired before 1 July 2008. Land under roads acquired after 1 July 2008 is recognised in accordance with the IPPE accounting policy.

Crown reserves

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

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

Rural Fire Service assets

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

Notwithstanding the above, Council has determined that it does not control Rural Fire Service plant and vehicles, in accordance with SAC 4, AASB 10, and the Framework for the Preparation of Financial Statements. Council therefore does not recognise these assets.

Infrastructure, property, plant and equipment – current year impairments

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

C1-7 Intangible assets

Intangible assets are as follows:

\$ '000	2021	2020
Intangible Assets		
Opening values at 1 July		
Gross book value	350	350
Net book value – opening balance	350	350
Movements for the year		
Purchases	590	–
Development costs	3,181	–
Amortisation charges	(376)	–
Closing values at 30 June		
Gross book value	4,121	350
Accumulated amortisation	(376)	–
Total – net book value	3,745	350

Accounting policy

Software development costs

Software development costs include only those costs directly attributable to the development phase (including external direct costs of materials and services, direct payroll, and payroll-related costs of employees' time spent on the project) and are only recognised following completion of technical feasibility, and where Council has an intention and ability to use the asset. Amortisation is calculated on a straight-line basis over periods generally ranging from three to ten years.

Residential Aged Care - bed licences

Council owns and operates two Residential Aged Care facilities. Bed licences are granted by the Commonwealth Department of Health & Ageing in perpetuity and their useful life is considered to be indefinite. As a result, licenses are not amortised but are subject to an annual impairment assessment.

The licences issued by the Department of Health & Ageing are issued for no consideration and are recognised by Council at fair value, if and only if, it is probable that the future economic benefits attributable to the bed licences will flow to Council and the fair value of bed licences can be measured reliably.

C2 Leasing activities

C2-1 Council as a lessee

Council has leases over IT equipment. Information relating to the leases in place and associated balances and transactions is provided below.

Terms and conditions of leases

Office and IT equipment

Leases for office and IT equipment are generally for low value assets, except for significant items such as servers. The leases are for between 1 and 5 years and the payments are fixed.

Extension Options

Included in the leases for office and IT equipment are extension options to provide flexibility and certainty to Council operations and reduce costs. The extension options are at Council's discretion and have not been included in the lease liabilities.

(a) Right of use assets

\$ '000	IT Equipment
2021	
Opening balance at 1 July	62
Depreciation charge	(92)
Other movement	133
Balance at 30 June	103
2020	
Adoption of AASB 16 at 1 July 2019 –	145
Depreciation charge	(83)
Balance at 30 June	62

C2-1 Council as a lessee (continued)

(b) Lease liabilities

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
Lease liabilities	76	38	49	16

(c) (i) The maturity analysis

The maturity analysis of lease liabilities based on contractual undiscounted cash flows is shown in the table below:

\$ '000	< 1 year	1 – 5 years	> 5 years	Total	Total per Statement of Financial Position
2021					
Cash flows	76	38	–	114	114
2020					
Cash flows	49	16	–	65	65

(d) Income Statement

The amounts recognised in the Income Statement relating to leases where Council is a lessee are shown below:

\$ '000	2021	2020
Interest on lease liabilities	5	3
Depreciation of right of use assets	92	83
Expenses relating to low-value leases	179	240
	276	326

C2-1 Council as a lessee (continued)

(e) Statement of Cash Flows

\$ '000	2021	2020
Total cash outflow for leases	-	371
	-	371

Accounting policy

At inception of a contract, Council assesses whether a lease exists – i.e. does the contract convey the right to control the use of an identified asset for a period of time in exchange for consideration

Council has elected not to separate non-lease components from lease components for any class of asset and has accounted for payments as a single component.

At the lease commencement, Council recognises a right-of-use asset and associated lease liability for the lease term. The lease term includes extension periods where Council believes it is reasonably certain that the option will be exercised.

The right-of-use asset is measured using the cost model where cost on initial recognition comprises: the lease liability, initial direct costs, prepaid lease payments, estimated cost of removal and restoration, less any lease incentives received. The right-of-use asset is depreciated over the lease term on a straight-line basis and assessed for impairment in accordance with the impairment of asset accounting policy.

The lease liability is initially recognised at the present value of the remaining lease payments at the commencement of the lease. The discount rate is the rate implicit in the lease, however where this cannot be readily determined then the Council's incremental borrowing rate for a similar term with similar security is used.

Subsequent to initial recognition, the lease liability is measured at amortised cost using the effective interest rate method. The lease liability is re-measured when there is a lease modification, or change in estimate of the lease term or index upon which the lease payments are based (e.g. CPI).

Where the lease liability is re-measured, the right-of-use asset is adjusted to reflect the re-measurement.

Exceptions to lease accounting

Council has applied the exceptions to lease accounting for both short-term leases (i.e. leases with a term of less than or equal to 12 months) and leases of low-value assets. Council recognises the payments associated with these leases as an expense on a straight-line basis over the lease term.

Leases at significantly below market value / Concessionary leases

Council has elected to measure the right of use asset arising from the concessionary leases at cost which is based on the associated lease liability at initial recognition.

C2-2 Council as a lessor

Operating leases

Council leases out a number of Council owned properties. These leases have been classified as operating leases for financial reporting purposes and the assets are included as IPP&E (refer in this note part (v) below) in the Statement of Financial Position.

The amounts recognised in the Income Statement relating to operating leases where Council is a lessor are shown below:

\$ '000	2021	2020
---------	------	------

The amounts recognised in the Income Statement relating to operating leases where Council is a lessor are shown below

Lease income (excluding variable lease payments not dependent on an index or rate)	844	892
Total income relating to operating leases for Council assets	844	892

(iii) Maturity analysis of undiscounted lease payments to be received after reporting date for all operating leases:

Maturity analysis of future lease income receivable showing the undiscounted lease payments to be received after reporting date for operating leases:

< 1 year	505	524
1–2 years	469	473
2–3 years	427	442
3–4 years	156	398
4–5 years	46	128
> 5 years	311	323
Total undiscounted lease payments to be received	1,914	2,288

Accounting policy

When Council is a lessor, the lease is classified as either an operating or finance lease at inception date, based on whether substantially all of the risks and rewards incidental to ownership of the asset have been transferred to the lessee. If the risks and rewards have been transferred then the lease is classified as a finance lease, otherwise it is an operating lease.

When Council has a sub-lease over an asset and is the intermediate lessor then the head lease and sub-lease are accounted for separately. The classification of the sub-lease is based on the right-of-use asset which arises from the head lease rather than the useful life of the underlying asset.

If the lease contains lease and non-lease components, the non-lease components are accounted for in accordance with AASB 15 *Revenue from Contracts with Customers*.

The lease income is recognised on a straight-line basis over the lease term for an operating lease and as finance income using amortised cost basis for finance leases.

C3 Liabilities of Council

C3-1 Payables

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
Payables				
Goods and services – operating expenditure	1,202	–	41	–
Prepaid rates and user charges	1,323	–	835	–
Other	254	–	5	–
Accrued expenses:				
– Borrowings	1	–	3	–
– Salaries and wages	370	–	–	–
– Other expenditure accruals	790	–	2,987	–
Performance Bonds, Deposits and Retentions:				
- Security bonds, deposits and retentions	1,354	–	1,558	–
- Residential Aged Care accommodation bonds	4,231	–	3,561	–
Advances	42	–	–	–
Total payables	9,567	–	8,990	–
Total payables	9,567	–	8,990	–

C3-1 Payables (continued)

Accounting policy

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

Payables

Payables represent liabilities for goods and services provided to Council prior to the end of reporting period that are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

Performance Bonds, Deposits & Retentions

Residential aged care accommodation bonds become payable by Council on departure by the resident. As Council does not have an unconditional right to defer the refund for 12 months the accommodation bond is disclosed as a current liability.

C3-2 Contract Liabilities

\$ '000	Notes	2021 Current	2021 Non-current	2020 Current Restated	2020 Non-current
Grants and contributions received in advance:					
Unexpended capital grants (to construct Council controlled assets)	(i)	9,090	-	4,271	-
Total grants received in advance		9,090	-	4,271	-
Total contract liabilities		9,090	-	4,271	-

Notes

(i) Council has received funding to construct infrastructure assets. The funds received are under an enforceable contract which require Council to construct an identified asset which will be under Council's control on completion. The revenue is recognised as Council constructs the asset and the contract liability reflects the funding received which cannot yet be recognised as revenue. The revenue is expected to be recognised in the next 12 months.

(ii) The contract liability relates to grants received prior to the revenue recognition criteria in AASB 15 being satisfied since the performance obligations are ongoing.

C3-2 Contract Liabilities (continued)

Revenue recognised that was included in the contract liability balance at the beginning of the period

\$ '000	2021	2020 Restated
Grants and contributions received in advance:		
Capital grants (to construct Council controlled assets)	2,251	790
Capital contributions (to construct Council controlled assets)	–	41
Total revenue recognised that was included in the contract liability balance at the beginning of the period	2,251	831

Accounting policy

Contract liabilities are recorded when consideration is received from a customer / fund provider prior to Council transferring a good or service to the customer, Council records the funds which exceed revenue recognised as a contract liability.

C3-3 Borrowings

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
Loans – secured	297	58	520	356
Total borrowings	297	58	520	356

Current borrowings not anticipated to be settled within the next twelve months

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

C3-3 Borrowings (continued)

(a) Changes in liabilities arising from financing activities

\$ '000	2020		2021
	Opening Balance	Cash flows	Closing balance
Loans – secured	876	(521)	355
Lease liability (Note C2-1b)	65	49	114
Total liabilities from financing activities	941	(472)	469

\$ '000	2019		Non-cash movements	2020
	Opening Balance	Cash flows	Acquisition due to change in accounting policy	Closing balance
Loans – secured	1,365	(489)	–	876
Lease liability (Note C2-1b)	–	65	–	65
Total liabilities from financing activities	1,365	(424)	–	941

C3-3 Borrowings (continued)

(b) Financing arrangements

\$ '000	2021	2020
Total facilities		
Bank overdraft facilities ¹	–	300
Credit cards/purchase cards	107	105
Total financing arrangements	107	405
Drawn facilities		
– Credit cards/purchase cards	29	19
Total drawn financing arrangements	29	19
Undrawn facilities		
– Bank overdraft facilities	–	300
– Credit cards/purchase cards	78	86
Total undrawn financing arrangements	78	386

Additional financing arrangements information

Breaches and defaults

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

Security over loans and bank overdrafts

Loans and overdrafts are secured over future cash flows of Council

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

Accounting policy

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

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.

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 borrowing costs.

C3-4 Employee benefit provisions

\$ '000	2021	2021	2020	2020
	Current	Non-current	Current	Non-current
Annual leave	2,480	–	2,448	–
Long service leave	3,258	–	3,471	–
Other leave – TIL and flex	393	–	392	–
ELE on-costs	724	–	607	–
Total employee benefit provisions	6,855	–	6,918	–

Current employee benefit provisions not anticipated to be settled within the next twelve months

\$ '000	2021	2020
The following provisions, even though classified as current, are not expected to be settled in the next 12 months.		
Provisions – employees benefits	3,788	3,383
	3,788	3,383

C3-4 Employee benefit provisions (continued)

Accounting policy

Employee benefit provisions are presented as current liabilities in the Statement of Financial Position if 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 and therefore all annual leave and vested long service leave (or that which vests within 12 months) is presented as current.

Short-term obligations

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

Other long-term employee benefit obligations

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

On-costs

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

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

C3-5 Provisions

\$ '000	2021 Current	2021 Non-Current	2020 Current	2020 Non-Current
Other provisions				
Asset remediation/restoration (future works)	–	31,107	–	19,545
Total provisions	–	31,107	–	19,545
Provisions relating to restricted assets				
Total provisions relating to restricted assets	–	–	–	–
Total provisions relating to unrestricted assets	–	31,107	–	19,545
Total provisions	–	31,107	–	19,545

Current provisions not anticipated to be settled within the next twelve months

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

Description of and movements in provisions

\$ '000	Other provisions	
	Asset remediation	Net carrying amount
2021		

C3-5 Provisions (continued)

\$ '000	Other provisions	
	Asset remediation	Net carrying amount
At beginning of year	19,545	19,545
Changes to provision:		
– Additional provisions	11,122	11,122
Unwinding of discount	440	440
Total other provisions at end of year	31,107	31,107
2020		
At beginning of year	5,052	5,052
Additional provisions	13,693	13,693
Other	800	800
Total other provisions at end of year	19,545	19,545

Accounting policy

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 a borrowing cost.

C3-5 Provisions (continued)

Asset remediation – tips and quarries

Restoration

Close-down and restoration costs include the dismantling and demolition of infrastructure, and the removal of residual materials and remediation of disturbed areas. Estimated close-down and restoration costs are provided for in the accounting period when the obligation arising from the related disturbance occurs, whether this occurs during the development or during the operation phase, based on the net present value of estimated future costs.

Provisions for close-down and restoration costs do not include any additional obligations which are expected to arise from future disturbance. The costs are estimated on the basis of a closure plan. The cost estimates are calculated annually during the life of the operation to reflect known developments, e.g. updated cost estimates and revisions to the estimated lives of operations, and are subject to formal review at regular intervals.

Rehabilitation

Where rehabilitation is conducted systematically over the life of the operation, rather than at the time of closure, provision is made for the estimated outstanding continuous rehabilitation work at each reporting date, and the cost is charged to the Income Statement. Provision is made for the estimated present value of the costs of environmental clean-up obligations outstanding at the reporting date.

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

As noted above, the ultimate cost of environmental remediation is uncertain and cost estimates can vary in response to many factors, including changes to the relevant legal requirements, the emergence of new restoration techniques, or experience at other locations. The expected timing of expenditure can also change, for example in response to changes in quarry reserves or production rates. As a result, there could be significant adjustments to the provision for close down and restoration and environmental clean-up, which would affect future financial results.

Other movements in the provisions for close-down and restoration costs, including those resulting from new disturbance, updated cost estimates, changes to the estimated lives of operations, and revisions to discount rates, are capitalised within property, plant and equipment. These costs are then depreciated over the lives of the assets to which they relate.

Close-down and restoration costs are a normal consequence of tip and quarry operations, and the majority of close-down and restoration expenditure is incurred at the end of the life of the operations. Although the ultimate cost to be incurred is uncertain, Council estimates the respective costs based on feasibility and engineering studies, using current restoration standards and techniques.

C4 Reserves

C4-1 Nature and purpose of reserves

Infrastructure, property, plant and equipment revaluation reserve

The infrastructure, property, plant and equipment (IPPE) revaluation reserve is used to record increments and decrements in the revaluation of infrastructure, property, plant and equipment.

D Council structure

D1 Results by fund

General fund refers to all Council activities other than water and sewer. All amounts disclosed in this note are gross i.e. inclusive of internal charges and recoveries made between the funds. Assets and liabilities shown in the water and sewer columns are restricted for use for these activities.

D1-1 Income Statement by fund

\$ '000	General 2021	Water 2021	Sewer 2021
Income from continuing operations			
Rates and annual charges	21,667	2,725	6,829
User charges and fees	7,925	5,881	1,541
Interest and investment revenue	559	315	309
Other revenues	945	11	359
Grants and contributions provided for operating purposes	23,142	92	2
Grants and contributions provided for capital purposes	3,827	774	5,174
Other income	844	–	–
Total income from continuing operations	58,909	9,798	14,214
Expenses from continuing operations			
Employee benefits and on-costs	28,559	2,581	2,285
Borrowing costs	478	9	–
Materials and services	19,973	3,202	4,289
Depreciation, amortisation and impairment of non-financial assets	18,245	2,252	1,542
Other expenses	13,749	168	33
Net losses from the disposal of assets	626	10	4
Total expenses from continuing operations	81,630	8,222	8,153
Operating result from continuing operations	(22,721)	1,576	6,061
Net operating result for the year	(22,721)	1,576	6,061
Net operating result attributable to each council fund	(22,721)	1,576	6,061
Net operating result for the year before grants and contributions provided for capital purposes	(26,548)	802	887

D1-2 Statement of Financial Position by fund

\$ '000	General 2021	Water 2021	Sewer 2021
ASSETS			
Current assets			
Cash and cash equivalents	16,566	12,782	8,660
Investments	7,357	5,749	3,894
Receivables	7,182	3,608	4,137
Inventories	2,397	–	–
Other	560	–	–
Total current assets	34,062	22,139	16,691
Non-current assets			
Investments	9,088	7,101	4,811
Receivables	–	–	36
Infrastructure, property, plant and equipment	1,036,186	94,871	87,019
Intangible assets	3,745	–	–
Right of use assets	103	–	–
Total non-current assets	1,049,122	101,972	91,866
TOTAL ASSETS	1,083,184	124,111	108,557
LIABILITIES			
Current liabilities			
Payables	9,224	340	3
Contract liabilities	9,090	–	–
Lease liabilities	76	–	–
Borrowings	220	77	–
Employee benefit provision	6,855	–	–
Total current liabilities	25,465	417	3
Non-current liabilities			
Lease liabilities	38	–	–
Borrowings	58	–	–
Provisions	31,107	–	–
Total non-current liabilities	31,203	–	–
TOTAL LIABILITIES	56,668	417	3
Net assets	1,026,516	123,694	108,554
EQUITY			
Accumulated surplus	962,662	102,175	104,935
Revaluation reserves	63,854	21,519	3,619
Council equity interest	1,026,516	123,694	108,554
Total equity	1,026,516	123,694	108,554

E Risks and accounting uncertainties

E1-1 Risks relating to financial instruments held

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's objective is to maximise its return on cash and investments whilst maintaining an adequate level of liquidity and preserving capital. The finance team manages the cash and Investments portfolio with the assistance of independent advisors. Council has an investment policy which complies with the s 625 of the Act and the Ministerial Investment Order. The policy is regularly reviewed by Council and a monthly investment report is provided to Council setting out the make-up performance of the portfolio as required by local government regulations.

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 the finance team under policies approved by the Councillors.

The fair value of investments, receivables, loans, payable and lease liabilities approximates their carrying amount.

The risks associated with the financial instruments held are:

- interest rate risk – the risk that movements in interest rates could affect returns
- liquidity risk – the risk that Council will not be able to pay its debts as and when they fall due.
- credit risk – the risk that a contracting entity will not complete its obligations under a financial instrument, resulting in a financial loss to the Council.

Council manages these risks by diversifying its portfolio and only purchasing investments with high credit ratings or capital guarantees. Council also seeks advice from independent advisers before placing any cash and investments.

(a) Market risk – interest rate and price risk

\$ '000	2021	2020
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The impact on result for the year and equity of a reasonably possible movement in the price of investments held and interest rates is shown below. The reasonably possible movements were determined based on historical movements and economic conditions in place at the reporting date.

Council does not invest in investment products where capital invested is at risk other than by liquidation.

Impact of a 1% movement in interest rates		
– Equity / Income Statement	785	785
Impact of a 10% movement in price of investments		
– Equity / Income Statement	167	167

E1-1 Risks relating to financial instruments held (continued)

(b) Credit risk

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

Council manages the credit risk associated with these receivables by monitoring outstanding debt and outstanding balances in accordance with its debt management policy. Council also encourages ratepayers to pay their rates by the due date through incentives.

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.

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

There has been an increase in the concentration of investment with Council bank provider NAB due to the low interest rate environment. It is not considered a significant increase in credit risk due to the move into a high credit rated financial institution.

Credit risk profile

Receivables – rates and annual charges

Credit risk on rates and annual charges is minimised by the ability of Council to recover these debts as a secured charge over the land; 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 payment.

\$ '000	Not yet overdue	< 1 year overdue	1 - 2 years overdue	2 - 5 years overdue	> 5 years overdue	Total
2021						
Gross carrying amount	3,217	2,242	643	898	474	7,474
2020						
Gross carrying amount	1,668	2,575	942	1,044	278	6,507

Receivables - non-rates and annual charges and contract assets

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

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

\$ '000	Notes	Not yet overdue	0 - 30 days overdue	31 - 60 days overdue	61 - 90 days overdue	> 91 days overdue	Total
2021							
Gross carrying amount		7,468	141	35	34	189	7,867
Expected loss rate (%)		3.49%	10.63%	21.68%	35.49%	43.36%	4.80%
ECL provision		261	15	8	12	82	378
2020							
Gross carrying amount		4,487	807	283	738	855	7,170
Expected loss rate (%)		1.14%	3.38%	7.61%	12.94%	19.53%	5.05%
ECL provision		51	27	22	95	167	362

E1-1 Risks relating to financial instruments held (continued)

(c) Liquidity risk

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

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

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

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

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

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

\$ '000	Weighted average interest rate	Subject to no maturity	payable in: ≤ 1 Year	1 - 5 Years	> 5 Years	Total cash outflows	Actual carrying values
2021							
Trade/other payables	0.00%	1,354	8,213	–	–	9,567	9,567
Loans and advances	7.02%	–	297	58	–	355	355
Total financial liabilities		1,354	8,510	58	–	9,922	9,922
2020							
Trade/other payables	0.00%	1,558	7,432	–	–	8,990	8,990
Loans and advances	6.61%	–	562	314	–	876	876
Total financial liabilities		1,558	7,994	314	–	9,866	9,866

E2-1 Fair value measurement

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

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

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

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

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

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

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

\$ '000	Notes	Fair value measurement hierarchy					
		Level 2 Significant observable inputs		Level 3 Significant unobservable inputs		Total	
		2021	2020 Restated	2021	2020 Restated	2021	2020 Restated
Recurring fair value measurements							
Infrastructure, property, plant and equipment							
	C1-6						
Plant & Equipment		–	–	12,915	12,878	12,915	12,878
Office Equipment		–	–	656	1,074	656	1,074
Furniture & Fittings		–	–	352	469	352	469
Operational Land		21,690	20,730	–	–	21,690	20,730
Community Land		–	–	25,734	24,230	25,734	24,230
Land Improvements		–	–	1,788	1,737	1,788	1,737
Buildings – Specialised		–	–	13,730	17,282	13,730	17,282
Buildings – Non Specialised		23,531	24,284	–	–	23,531	24,284
Other Structures		–	–	6,424	5,394	6,424	5,394
Road infrastructure		–	–	351,510	356,078	351,510	356,078
Bridges		–	–	73,412	73,644	73,412	73,644
Footpaths		–	–	8,061	8,316	8,061	8,316
Bulk Earthworks		–	–	441,391	441,706	441,391	441,706
Stormwater Drainage		–	–	19,613	19,902	19,613	19,902
Water Supply Network		–	–	91,099	90,907	91,099	90,907
Sewerage Network		–	–	69,640	70,448	69,640	70,448
Swimming Pools		–	–	2,455	2,239	2,455	2,239
Other Open		–	–	–	–	–	–
Space/Recreational Assets		–	–	3,915	4,300	3,915	4,300
Library Books		–	–	333	421	333	421
Tip Restoration Asset		–	–	14,153	15,153	14,153	15,153
Quarry Restoration Asset		–	–	31	31	31	31
Other Assets		–	–	2,404	2,450	2,404	2,450
Total infrastructure, property, plant and equipment		45,221	45,014	1,139,616	1,148,659	1,184,837	1,193,673

Non-recurring fair value measurements

Transfers between level 1 and level 2 fair value hierarchies

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

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

E2-1 Fair value measurement (continued)

Fair value measurements using significant unobservable inputs (level 3)

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 - Historical 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 qualified Council staff.

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.

Historical Cost is the cost of assets based on current invoices and contract, which are based on observable inputs, however the remaining useful life and residual value is based on internal factors which are unobservable in the market.

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

E2-1 Fair value measurement (continued)

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.

	Valuation technique/s	Unobservable inputs
Infrastructure, property, plant and equipment		
Plant & Equipment	Historical cost	Cost per unit, useful life, residual value, condition of asset
Office Equipment	Historical cost	Cost per unit, useful life, residual value, condition of asset
Furniture & Fittings	Historical cost	Cost per unit, useful life, residual value, condition of asset
Community Land	Current replacement value	Cost per sq metre, Valuer General's Valuation
Land Improvements	Depreciated replacement cost	Useful life, residual value, condition of asset
Buildings - Specialised	Depreciated replacement cost	Cost per sq metre, dimensions & specification, pattern of consumption, components, useful life, condition of asset
Other Structures	Depreciated replacement cost	Cost per unit rates, pattern of consumption, components, useful life, asset condition
Road infrastructure	Depreciated replacement cost	Cost per sq metre, dimensions & specification, pattern of consumption, components, useful life, condition of asset
Bridges	Depreciated replacement cost	Cost per sq metre, dimensions & specification, pattern of consumption, components, useful life, condition of asset
Footpaths	Depreciated replacement cost	Cost per sq metre, pattern of consumption, components, useful life, condition of asset
Bulk Earthworks	Current replacement cost	Cost per sq metre
Stormwater Drainage	Depreciated replacement cost	Unit rates, cost per metre, useful life, condition of asset
Water Supply Network	Depreciated replacement cost	Unit rates, pattern of consumption, components, useful life, asset condition
Sewerage Network	Depreciated replacement cost	Unit rates, pattern of consumption, components, useful life, asset condition
Swimming Pools	Depreciated replacement cost	Cost per unit, useful life, condition of asset
Other Open Space/Recreational Assets	Depreciated replacement cost	Cost per unit, useful life, condition of asset
Library Books	Historical cost	Cost per unit, useful life, condition of asset
Landfill Restoration Asset	Depreciated replacement cost	Cost per cubic / square metre, useful life
Quarry Restoration Asset	Depreciated replacement cost	Cost per cubic / square metre, useful life
Other Assets	Depreciated replacement cost	Unit rates, asset condition, useful life

A reconciliation of the movements in recurring fair value measurements allocated to Level 3 of the hierarchy is provided below:

Level 3 I, PP and E	
2021	2020

E2-1 Fair value measurement (continued)

\$ '000		Restated
Opening balance	1,148,660	1,084,376
Total gains or losses for the period		
Recognised in other comprehensive income – revaluation surplus	4,632	45,817
Other movements		
Purchases (GBV)	8,835	13,016
Disposals (WDV)	(1,386)	(746)
Depreciation and impairment	(18,273)	(19,066)
WIP transfers	–	11,257
Other adjustments and transfers	(2,852)	14,006
Closing balance	1,139,616	1,148,660

Highest and best use

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

E3-1 Contingencies

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

LIABILITIES NOT RECOGNISED

1. Guarantees

(i) Defined benefit superannuation contribution plans

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

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

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

Description of the funding arrangements.

Pooled Employers are required to pay future service employer contributions and past service employer contributions to the Fund.

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

Division B	1.9 times member contributions for non-180 Point Members; Nil for 180 Point Members*
Division C	2.5% salaries
Division D	1.64 times member contributions

* For 180 Point Members, Employers are required to contribute 7% of salaries for the year ending 30 June 2021 (increasing to 7.5% in line with the increase in the Superannuation Guarantee) to these members' accumulation accounts, which are paid in addition to members' defined benefits.

The past service contribution for each Pooled Employer is a share of the total past service contributions of \$40.0 million for 1 July 2019 to 30 June 2021, apportioned according to each employer's share of the accrued liabilities as at 30 June 2019. These past service contributions are used to maintain the adequacy of the funding position for the accrued liabilities.

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

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

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

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

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

E3-1 Contingencies (continued)

The amount of Council employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense for the year ending 30 June 2020 was \$242,933. The last valuation of the Scheme was performed by the Fund Actuary, Richard Boyfield FIAA as at 30 June 2020.

Council's expected contribution to the plan for the next annual reporting period is \$272,653.

The estimated employer reserves financial position for the Pooled Employers at 30 June 2021 is:

Employer reserves only *	\$millions	Asset Coverage
Assets	2,620.5	
Past Service Liabilities	2,445.6	107.2%
Vested Benefits	2,468.7	106.2%

* excluding other accumulation accounts and reserves in both assets and liabilities.

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

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

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

(ii) CivicRisk Mutual

Council is a member of Civic Risk 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 June 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.

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.

E3-1 Contingencies (continued)

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

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

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

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

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

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.

F People and relationships

F1 Related party disclosures

F1-1 Key management personnel (KMP)

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

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

\$ '000	2021	2020
Compensation:		
Short-term benefits	1,293	2,317
Post-employment benefits	81	80
Other long-term benefits	–	224
Total	1,374	2,621

Other transactions with KMP and their related parties

Council has determined that transactions at arm's length between KMP and Council as part of Council delivering a public service objective (e.g. access to library or Council swimming pool by KMP) will not be disclosed.

F1-2 Councillor and Mayoral fees and associated expenses

\$ '000	2021	2020
The aggregate amount of Councillor and Mayoral fees and associated expenses included in materials and services expenses in the Income Statement are:		
Mayoral fee	44	44
Councillors' fees	225	223
Other Councillors' expenses (including Mayor)	40	43
Total	309	310

F2 Other relationships

F2-1 Audit fees

\$ '000	2021	2020
Auditors of the Council - NSW Auditor-General:		
(i) Audit and other assurance services		
Audit and review of financial statements	129	114
Total fees paid or payable to the Auditor-General	129	114
Non NSW Auditor-General audit firms		
(i) Audit and other assurance services		
Other non-assurance services	-	5
Total fees paid or payable for non-assurance services	-	5
Total audit fees	129	119

G Other matters

G1-1 Statement of Cash Flows information

Reconciliation of net operating result to cash provided from operating activities

\$ '000	2021	2020
Net operating result from Income Statement	(15,084)	13,803
Adjust for non-cash items:		
Depreciation and amortisation	20,366	20,486
Net losses/(gains) on disposal of assets	640	(798)
Adoption of AASB 15/1058	–	(18,243)
Losses/(gains) recognised on fair value re-measurements through the P&L:		
– Revaluation decrements / impairments of IPP&E direct to P&L	1,673	–
– Restatement of landfill restoration provisions	–	(13,693)
Unwinding of discount rates on reinstatement provisions	440	–
+/- Movement in operating assets and liabilities and other cash items:		
Decrease/(increase) in receivables	(1,664)	206
Increase/(decrease) in provision for impairment of receivables	296	4
Decrease/(increase) in inventories	(741)	39
Decrease/(increase) in other current assets	(137)	(124)
Increase/(decrease) in payables	1,161	(2,215)
Increase/(decrease) in accrued interest payable	(2)	(2)
Increase/(decrease) in other accrued expenses payable	(1,827)	1,254
Increase/(decrease) in other liabilities	1,245	(301)
Increase/(decrease) in contract liabilities	4,819	4,271
Increase/(decrease) in provision for employee benefits	(63)	230
Increase/(decrease) in other provisions	11,122	14,493
Net cash provided from/(used in) operating activities from the Statement of Cash Flows	22,244	19,410

G2-1 Commitments

Capital commitments (exclusive of GST)

\$ '000	2021	2020
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:		
Property, plant and equipment		
Transport Infrastructure	2,886	1,137
Plant and equipment	1,897	945
Water Infrastructure	1,065	259
Sewer Infrastructure	3,802	8,808
Other Infrastructure	2,168	2,723
Corporate	76	161
Total commitments	11,894	14,033
These expenditures are payable as follows:		
Within the next year	11,894	14,033
Total payable	11,894	14,033

G3-1 Events occurring after the reporting date

Council has commenced a divestment process of its residential aged care service provision. Due to changes in Commonwealth Government regulation the operating environment requires significantly more Council resources to remain a compliant provider. Council has engaged an external advisor to assist in the divestment process which are being assessed. An estimate of the financial effect of this event cannot be made at this time.

The Jindabyne Pool was closed on the 06 August 2021 after mould was discovered during a routine investigation linked to the heating, ventilation and air conditioning upgrade (HVAC) project. Specialist mould treatment measures were undertaken to enable the Pool to re-open safely to the public on the 15 November 2021. There are significant structural works in the ceiling and roof that still need to be undertaken after the air conditioning system is replaced. Council is currently finalising funding arrangements for the structural work estimated at \$2.243m, with works expected to commence early in 2022.

G4 Changes from prior year statements

G4-1 Correction of errors

Nature of prior-period error

Community Land

As part of the revaluation of community land undertaken in 2020/21 Council discovered Community Land assets totalling \$13.529m that were owned/controlled by Council prior to 30 June 2020 but were not recognised in the financial statements. Further, it was identified that certain properties totalling \$.706m were no longer in Council's ownership and not correctly recognised and recorded in Council's asset register.

The net error of \$12.823m identified above has been corrected by restating the infrastructure, property, plant and equipment balance at the beginning of the earliest period presented (1 July 2019) and taking the adjustment through to revaluation reserves at that date.

Contract Liabilities

During 2020/21 Council identified grants totaling \$7.164m as at 30 June 2020 that did not meet the revenue recognition criteria under AASB 15 'Revenue from contracts with customers'. These grants should have been recognised upon receipt of the funds in accordance with AASB 1058 'Income of not-for-profit entities'. As a result, contract liabilities have been reduced by \$7.164m and grant income increased by \$4.198m for operating grants and \$2.966m for capital grants.

The errors identified above have been corrected by restating the balances at the beginning of the earliest period presented (1 July 2020) and taking the adjustment through to accumulated surplus at that date.

Comparatives have been changed to reflect the correction of errors. The impact on each line item is shown in the tables below.

Changes to the opening Statement of Financial Position at 1 July 2019

Statement of Financial Position

\$ '000	Original Balance 1 July, 2019	Impact Increase/ (decrease)	Restated Balance 1 July, 2019
Infrastructure, property, plant and equipment	1,134,113	12,823	1,146,936
Total assets	1,238,594	12,823	1,251,417
Net assets	1,215,235	12,823	1,228,058
Revaluation reserves	25,720	12,823	38,543
Total equity	1,215,235	12,823	1,228,058

Adjustments to the comparative figures for the year ended 30 June 2020

G4-1 Correction of errors (continued)

Statement of Financial Position

\$ '000	Original Balance 30 June, 2020	Impact Increase/ (decrease)	Restated Balance 30 June, 2020
Infrastructure, property, plant and equipment	1,202,426	12,823	1,215,249
Total assets	1,297,058	12,823	1,309,881
Contract liabilities	11,435	(7,164)	4,271
Total liabilities	47,829	(7,164)	40,665
Net assets	1,249,229	19,987	1,269,216
Accumulated surplus	1,177,692	7,164	1,184,856
Revaluation reserves	71,537	12,823	84,360
Total equity	1,249,229	19,987	1,269,216

Income Statement

\$ '000	Original Balance 30 June, 2020	Impact Increase/ (decrease)	Restated Balance 30 June, 2020
Grants and contributions provided for operating purposes	25,429	4,198	29,627
Grants and contributions provided for capital purposes	11,377	2,966	14,343
Total income from continuing operations	89,042	7,164	96,206
Total expenses from continuing operations	82,403	–	82,403
Net operating result for the year	6,639	7,164	13,803

Statement of Comprehensive Income

\$ '000	Original Balance 30 June, 2020	Impact Increase/ (decrease)	Restated Balance 30 June, 2020
Net operating result for the year	6,639	7,164	13,803
Other comprehensive income	45,598	–	45,598
Total comprehensive income for the year	52,237	7,164	59,401

G5 Statement of developer contributions as at 30 June 2021

G5-1 Summary of developer contributions

\$ '000	Opening balance at 1 July 2020	Contributions received during the year		Interest and investment income earned	Amounts expended	Internal borrowings	Held as restricted asset at 30 June 2021	Cumulative balance of internal borrowings (to)/from
		Cash	Non-cash					
Roads	528	–	–	7	–	–	535	–
Parking	39	–	–	–	–	–	39	–
Open space	509	48	–	7	–	–	564	–
Community facilities	34	157	–	–	–	–	191	–
Public parking	9	–	–	–	–	–	9	–
Roadworks	305	1	–	3	–	–	309	–
Open space and public art	43	9	–	–	–	–	52	–
Sport and recreation facilities	53	5	–	1	–	–	59	–
Community services and facilities	357	42	–	4	–	–	403	–
Shared pathways - Jindabyne area	20	6	–	–	–	–	26	–
Shared trails - Jindabyne area	70	30	–	1	–	–	101	–
Regional waste management	181	51	–	2	–	–	234	–
Bushfire services	64	13	–	1	(21)	–	57	–
S7.11 contributions – under a plan	2,212	362	–	26	(21)	–	2,579	–
S7.12 levies – under a plan	28	–	–	–	(8)	–	20	–
Total S7.11 and S7.12 revenue under plans	2,240	362	–	26	(29)	–	2,599	–
S7.11 not under plans	181	–	–	3	–	–	184	–
S64 contributions	5,114	1,385	–	65	–	–	6,564	–
Total contributions	7,535	1,747	–	94	(29)	–	9,347	–

Under the Environmental Planning and Assessment Act 1979, Council has significant obligations to provide Section 7.11 (contributions towards provision or improvement of amenities or services) infrastructure in new release areas. It is possible that the funds contributed may be less than the cost of this infrastructure, requiring Council to borrow or use general revenue to fund the difference.

G5-2 Developer contributions by plan

\$ '000	Opening balance at 1 July 2020	Contributions received during the year		Interest and investment income earned	Amounts expended	Internal borrowings	Held as restricted asset at 30 June 2021	Cumulative balance of internal borrowings (to)/from
		Cash	Non-cash					
CONTRIBUTION PLAN (former Cooma-Monaro)								
Roads	528	–	–	7	–	–	535	–
Parking	39	–	–	–	–	–	39	–
Open space	509	48	–	7	–	–	564	–

G5-2 Developer contributions by plan (continued)

\$ '000	Opening balance at 1 July 2020	Contributions received during the year		Interest and investment income earned	Amounts expended	Internal borrowings	Held as restricted asset at 30 June 2021	Cumulative balance of internal borrowings (to)/from
		Cash	Non-cash					
Community facilities	34	157	-	-	-	-	191	-
Total	1,110	205	-	14	-	-	1,329	-
CONTRIBUTION PLAN (former Snowy River)								
Public parking	9	-	-	-	-	-	9	-
Roadworks	305	1	-	3	-	-	309	-
Open space and public art	43	9	-	-	-	-	52	-
Sport and recreation facilities	53	5	-	1	-	-	59	-
Community services and facilities	357	42	-	4	-	-	403	-
Shared pathways – Jindabyne area	20	6	-	-	-	-	26	-
Shared trails – Jindabyne area	70	30	-	1	-	-	101	-
Regional waste management	181	51	-	2	-	-	234	-
Bushfire services	64	13	-	1	(21)	-	57	-
Total	1,102	157	-	12	(21)	-	1,250	-

G5-2 Developer contributions by plan (continued)

S7.12 Levies – under a plan

\$ '000	Opening balance at 1 July 2020	Contributions received during the year		Interest and investment income earned	Amounts expended	Internal borrowings	Held as restricted asset at 30 June 2021	Cumulative balance of internal borrowings (to)/from
		Cash	Non-cash					
CONTRIBUTION PLAN NUMBER 1 (former Bombala)								
Other	28	-	-	-	(8)	-	20	-
Total	28	-	-	-	(8)	-	20	-

G5-3 Contributions not under plans

(former Snowy River)

Community facilities	26	-	-	1	-	-	27	-
Kerb and gutter	30	-	-	1	-	-	31	-
Voluntary payment agreement	125	-	-	1	-	-	126	-
Total	181	-	-	3	-	-	184	-

G6 Statement of performance measures

G6-1 Statement of performance measures – consolidated results

\$ '000	Amounts 2021	Indicator 2021	Indicator 2020 Restated	Benchmark
1. Operating performance ratio				
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	(22,143)	(30.27)%	(1.55)%	> 0.00%
Total continuing operating revenue excluding capital grants and contributions ¹	73,146			
2. Own source operating revenue ratio				
Total continuing operating revenue excluding all grants and contributions ¹	49,910	60.19%	53.91%	> 60.00%
Total continuing operating revenue ¹	82,921			
3. Unrestricted current ratio				
Current assets less all external restrictions	19,398	2.27x	5.40x	> 1.50x
Current liabilities less specific purpose liabilities	8,553			
4. Debt service cover ratio				
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	(1,290)	(1.18)x	29.80x	> 2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	1,092			
5. Rates and annual charges outstanding percentage				
Rates and annual charges outstanding	3,678	9.52%	12.09%	< 10.00%
Rates and annual charges collectable	38,649			
6. Cash expense cover ratio				
Current year's cash and cash equivalents plus all term deposits	76,008	13.02 mths	13.88 mths	> 3.00 mths
Monthly payments from cash flow of operating and financing activities	5,840			

(1) Excludes fair value increments on investment properties, reversal of revaluation decrements, reversal of impairment losses on receivables, net gain on sale of assets and net share of interests in joint ventures and associates using the equity method and includes pensioner rate subsidies

(2) Excludes impairment/revaluation decrements of IPPE, fair value decrements on investment properties, net loss on disposal of assets and net loss on share of interests in joint ventures and associates using the equity method

G6-2 Statement of performance measures by fund

\$ '000	General Indicators ³		Water Indicators		Sewer Indicators		Benchmark
	2021	2020	2021	2020	2021	2020	
1. Operating performance ratio							
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	(43.27)%	(5.08)%	8.89%	9.07%	9.81%	10.45%	> 0.00%
Total continuing operating revenue excluding capital grants and contributions ¹							
2. Own source operating revenue ratio							
Total continuing operating revenue excluding capital grants and contributions ¹	54.22%	44.09%	91.16%	89.06%	63.59%	83.61%	> 60.00%
Total continuing operating revenue ¹							
3. Unrestricted current ratio							
Current assets less all external restrictions	2.27x	5.40x	53.09x	82.80x	5,563.67	3,290.33x	> 1.50x
Current liabilities less specific purpose liabilities					x		
4. Debt service cover ratio							
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	(6.87)x	22.73x	29.17x	35.36x	∞	∞	> 2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)							
5. Rates and annual charges outstanding percentage							
Rates and annual charges outstanding	7.67%	11.15%	8.40%	13.31%	17.82%	14.02%	< 10.00%
Rates and annual charges collectable							
6. Cash expense cover ratio							
Current year's cash and cash equivalents plus all term deposits	6.89	7.57	51.51	45.87	31.52	39.29	> 3.00
Monthly payments from cash flow of operating and financing activities	mths	mths	mths	mths	mths	mths	mths

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

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

END OF AUDITED FINANCIAL STATEMENTS



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 by Councillors and Management, the Income Statement and Statement of Comprehensive Income for the year ended 30 June 2021, the Statement of Financial Position as at 30 June 2021, the Statement of Changes in Equity and Statement of Cash Flows for the year then ended and notes comprising a summary of significant accounting policies and other explanatory information.

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 prepared, 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 2021, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- all information relevant to the conduct of the audit has been obtained
- no material deficiencies in the accounting records or financial statements have come to light during the audit.

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

Basis for Opinion

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

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

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

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

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

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

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

Other Information

The Council's annual report for the year ended 30 June 2021 includes other information in addition to the financial statements and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the special purpose financial statements and Special Schedules (the Schedules).

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

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

In preparing the financial statements, the Councillors are responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

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

The scope of my audit does not include, nor provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- on the Original Budget information included in the Income Statement, Statement of Cash Flows, and Note B5-1 Material budget variations
- on the Special Schedules. A separate opinion has been provided on Special Schedule - Permissible income for general rates
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.



Lawrissa Chan
Delegate of the Auditor-General for New South Wales

30 November 2021
SYDNEY



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

Contact: Lawrissa Chan
Phone no: (02) 9275 7255
Our ref: D2124492/1787

30 November 2021

Dear Mayor

Report on the Conduct of the Audit for the year ended 30 June 2021 Snowy Monaro Regional Council

I have audited the general purpose financial statements (GPFS) of the Snowy Monaro Regional Council (the Council) for the year ended 30 June 2021 as required by section 415 of the *Local Government Act 1993* (the Act).

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

This Report on the Conduct of the Audit (the Report) for the Council for the year ended 30 June 2021 is issued in accordance with section 417 of the Act. This Report should be read in conjunction with my audit opinion on the GPFS issued under section 417(2) of the Act.

SIGNIFICANT AUDIT ISSUES AND OBSERVATIONS

I identified the following significant audit issues and observations during my audit of the Council's financial statements. These issues and observations were addressed as part of my audit.

Rural fire-fighting equipment not recognised in the financial statements

Council did not record rural fire-fighting equipment in the financial statements.

Rural fire fighting equipment, specifically the red fleet vehicles, is controlled by the Council and should be recognised in their financial statements. This is supported by the requirements of the *Rural Fires Act 1997* and service agreements between councils and the RFS.

The Department of Planning, Industry and Environment (inclusive of the Office of Local Government) confirmed in the 'Report on Local Government 2020' (tabled in Parliament on 27 May 2021) their view that rural firefighting equipment is not controlled by the NSW Rural Fire Service.

Council's financial sustainability

Council continues to face financial pressures in 2020–21. To meet day-to-day operational requirements, Council has been utilising internally restricted funds, which is decreasing.

Council prepared a cash flow forecast for the financial year 2021-22. Key assumptions include the re-prioritisation of the capital works program, reduction in operational expenditure and an increase in operating revenue. Council is also considering securing a special rate variation to support the operational cash flow needs of the future.

INCOME STATEMENT

Operating result

	2021	2020	Variance
	\$m	\$m	%
Rates and annual charges revenue	31.2	32.4	3.7
Grants and contributions revenue	33.0	44.0	25.0
Operating result from continuing operations	(15.1)	13.8	209
Net operating result before capital grants and contributions	(24.9)	(0.6)	4050

The Council's operating result from continuing operations was a deficit of \$15.1 million. This was mainly due to an additional provision of \$11.2 million to rehabilitate the council's 15 former landfill sites and a decrease in grant and contributions revenue by \$11.0 million, as explained below.

The net operating result before capital grants and contributions was a deficit of \$24.9 million. This was mainly due to:

- an increase of \$15.6 million in operating expenses, primarily due to the additional landfill rehabilitation expense of \$11.2 million
- a decrease in operating revenue by \$8.7 million, which mainly comprises of a reduction in operating grant revenue relating to the New Council Implementation Fund of \$4.2 million.

Rates and annual charges revenue decreased by \$1.2 million (3.7 per cent) in 2020–21 mainly due to a reduction in annual charges revenue from sewer services.

Grants and contributions revenue decreased by \$11.0 million (25 per cent) in 2020–21 due to the reduction in grant revenue from the Stronger Communities Fund of \$7.5 million and the New Council Implementation Fund of \$4.2 million.

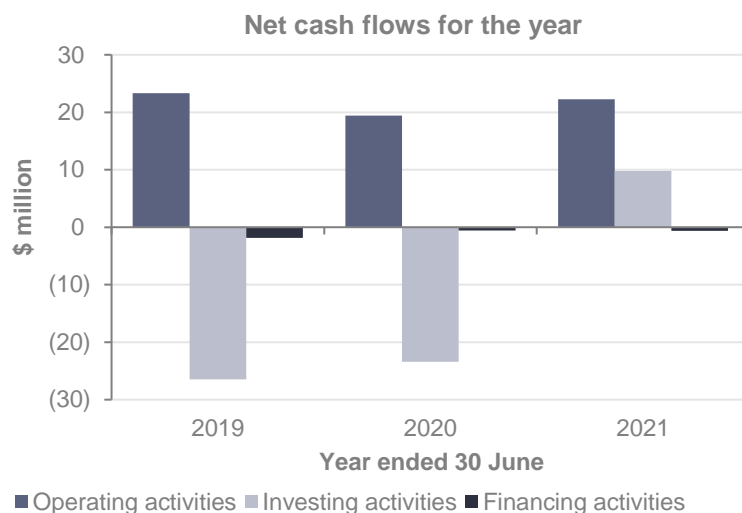
STATEMENT OF CASH FLOWS

The Statement of Cash Flows illustrates the flow of cash and cash equivalents moving in and out of Council during the year.

The increase in cash provided from operating activities is mainly due to increase in grants and contributions received during the year.

The increase in cash provided from investing activities is mainly due to the increase in sale of investments during the year.

The Council's cash and cash equivalents at 30 June 2021 was \$38.0 million (2020: \$6.5 million). The net cash flow for the year was an increase of \$31.5 million.



FINANCIAL POSITION

Cash and investments

Cash and investments	2021	2020	Commentary
	\$m	\$m	
Total cash, cash equivalents and investments	76.0	78.5	Total cash, cash equivalents and investments decreased by \$2.5 million.
External restrictions	66.7	63.0	Externally restricted cash and investments are restricted in their use by externally imposed requirements. The increase in Council's externally restricted cash and investments is mainly due to unexpanded grants (general fund) and water supplies fund.
Internal restrictions	9.3	15.5	Internally restricted cash and investments are due to council policy or decisions to restrict funds for forward plans including strategic capitals projects. The decrease in internally restricted cash and investments is mainly due to a reduction in available cash reserves for waste management, plant and equipment and Yallambee Lodge building replacement.

Debt

The Council has \$0.4 million of borrowings at 30 June 2021 (2020: \$0.9 million).

The Council has an accumulated drawdown facility limit of \$0.1 million as at 30 June 2021 (2020: \$0.4 million). As at 30 June 2021, \$0.078 million of the total facility remains unutilised.

PERFORMANCE

Performance measures

The following section provides an overview of the Council’s performance against the performance measures and performance benchmarks set by the Office of Local Government (OLG) within the Department of Planning, Industry and Environment.

Operating performance ratio

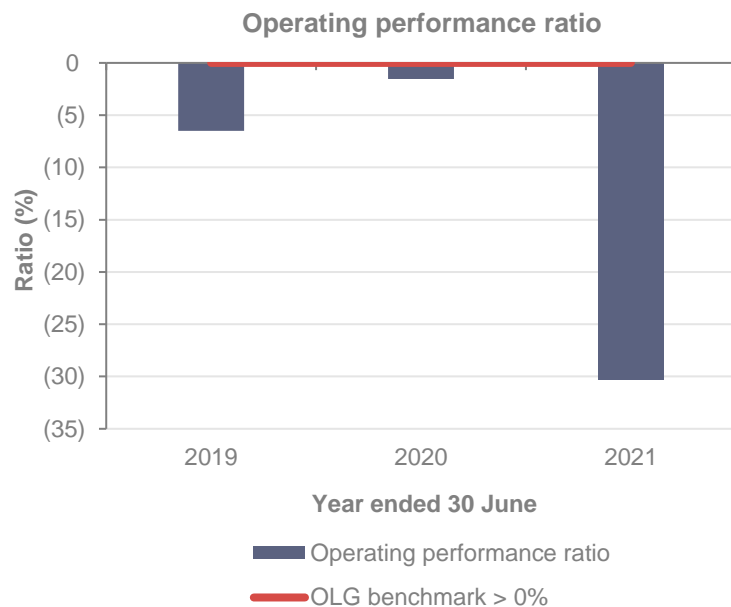
The ‘operating performance ratio’ measures how well council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by OLG is greater than zero per cent.

The Council did not meet the OLG benchmark for the current reporting period.

The operating performance ratio has decreased mainly due to:

- the increase in operating expenses, primarily due to the additional landfill rehabilitation expense of \$11.2 million
- a decrease in operating revenue, primarily due to a reduction in operating grant revenue.

The 2019-20 and 2018-19 ratios were restated to correct a prior period error.



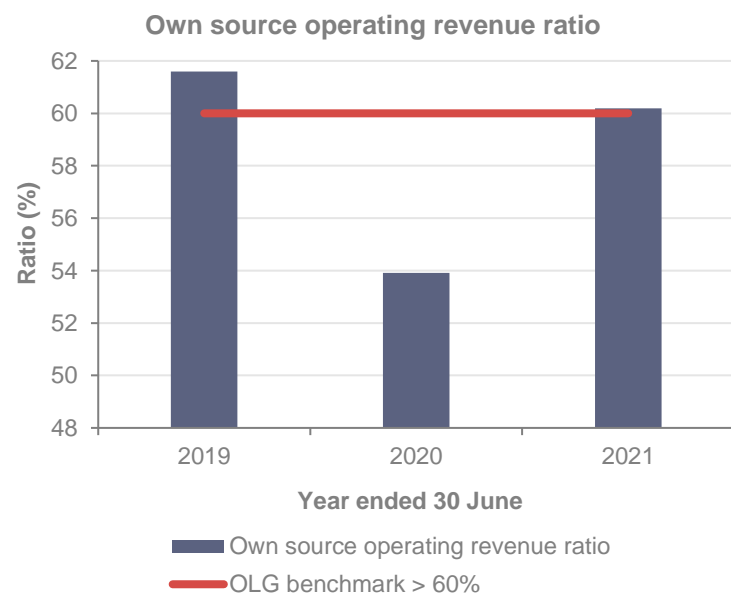
Own source operating revenue ratio

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 met the OLG benchmark for the current reporting period.

The own source operating revenue ratio has increased as there was a reduction in operating grants and contributions.

The 2019-20 and 2018-19 ratios were restated to correct a prior period error.



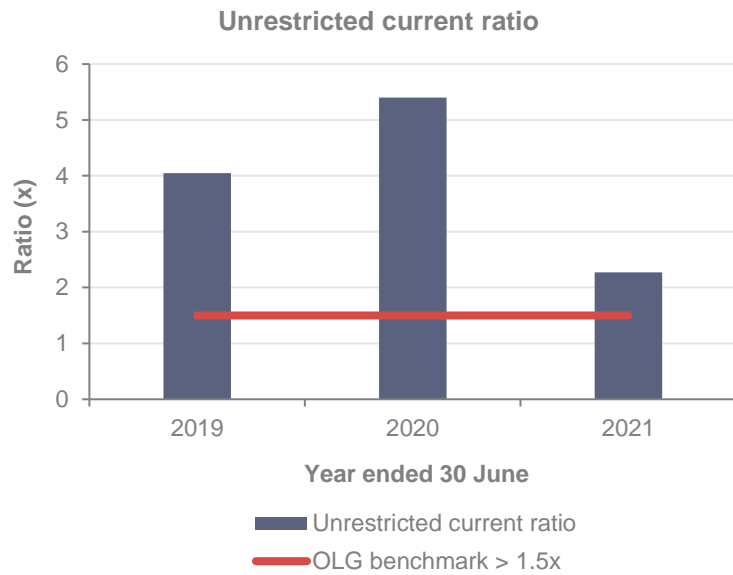
Unrestricted current ratio

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 met the OLG benchmark for the current reporting period.

The unrestricted current ratio decreased due to an increase in current liabilities.

The 2019-20 and 2018-19 ratios were restated to correct a prior period error.



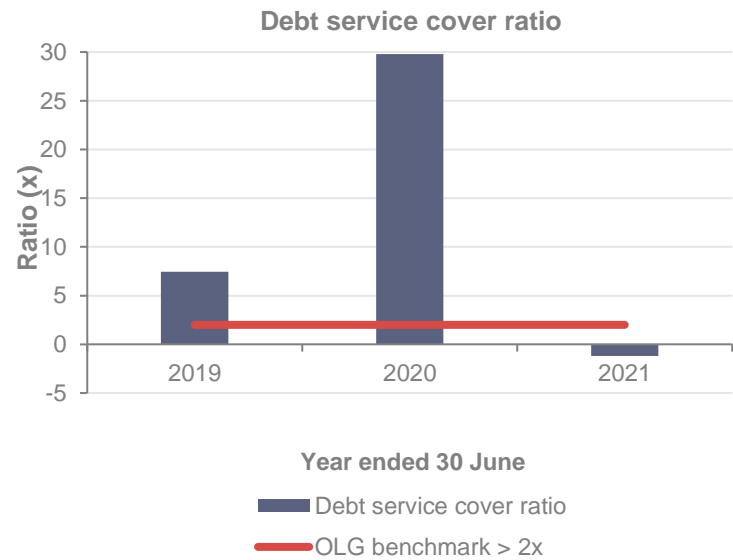
Debt service cover ratio

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 did not meet the OLG benchmark for the current reporting period.

The debt service cover ratio decreased due to the reduction in the operating result.

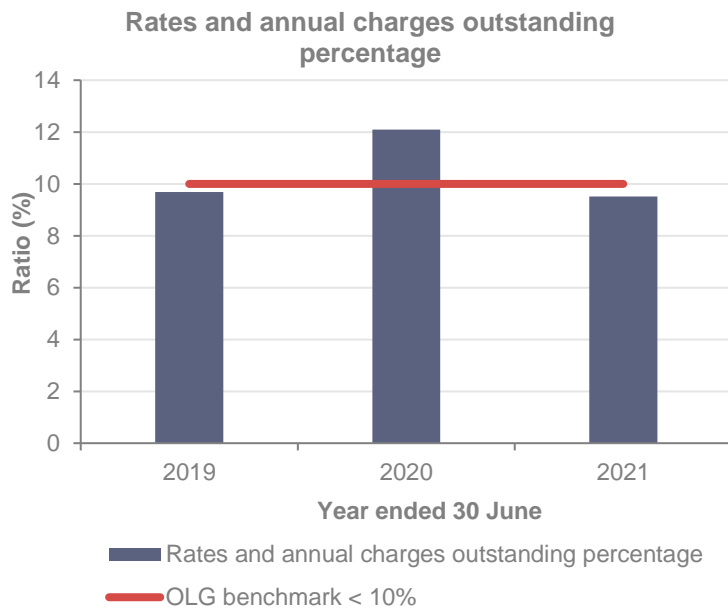
The 2019-20 and 2018-19 ratios were restated to correct a prior period error.



Rates and annual charges outstanding percentage

The 'rates and annual charges outstanding percentage' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by OLG is less than 10 per cent for regional and rural councils.

The Council met the OLG benchmark for the current reporting period.



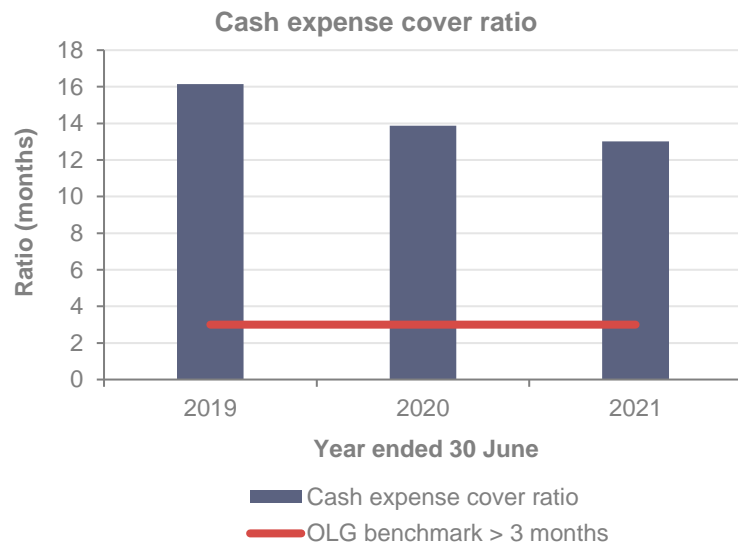
Cash expense cover ratio

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 met the OLG benchmark for the current reporting period.

The cash expense cover ratio is comparable to the prior period.

The 2019-20 and 2018-19 ratios were restated to correct a prior period error.



Infrastructure, property, plant and equipment renewals

Council reported asset renewals of \$4.7 million (\$8.4 million in 2019-20). Significant renewals included:

- road assets of \$2.8 million (\$4.7 million in 2019-20)
- bridge assets of \$0.8 million (\$1.8 million in 2019-20).

OTHER MATTERS

Legislative compliance

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

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



Lawrissa Chan
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

cc: Mr Peter Bascomb, Chief Executive Officer
Cr Melissa Tooke, Chair of Audit, Risk and Improvement Committee

Snowy Monaro Regional Council

SPECIAL PURPOSE FINANCIAL STATEMENTS

for the year ended 30 June 2021



Snowy Monaro Regional Council

Special Purpose Financial Statements

for the year ended 30 June 2021

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Background

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

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

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

Snowy Monaro Regional Council

Special Purpose Financial Statements

for the year ended 30 June 2021

Statement by Councillors and Management

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

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

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

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

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

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

Signed in accordance with a resolution of Council made on 18 November 2021.



Peter Beer
Mayor
18 November 2021



Lynley Miners
Councillor
18 November 2021



Peter Bascumb
Chief Executive Officer
18 November 2021



John Bingham
Responsible Accounting Officer
18 November 2021

Snowy Monaro Regional Council

Income Statement of water supply business activity

for the year ended 30 June 2021

\$ '000	2021	2020
Income from continuing operations		
Access charges	2,725	2,730
User charges	5,881	5,794
Fees	–	188
Interest	315	547
Grants and contributions provided for non-capital purposes	92	58
Other income	11	290
Total income from continuing operations	9,024	9,607
Expenses from continuing operations		
Employee benefits and on-costs	2,581	2,227
Borrowing costs	9	15
Materials and services	3,202	1,642
Depreciation, amortisation and impairment	2,252	2,825
Loss on sale of assets	10	21
Other expenses	168	2,025
Total expenses from continuing operations	8,222	8,755
Surplus (deficit) from continuing operations before capital amounts	802	852
Grants and contributions provided for capital purposes	774	1,117
Surplus (deficit) from continuing operations after capital amounts	1,576	1,969
Surplus (deficit) from all operations before tax	1,576	1,969
Less: corporate taxation equivalent [based on result before capital]	(209)	(234)
Surplus (deficit) after tax	1,367	1,735
Plus accumulated surplus	100,601	98,632
Equity adjustment - AASB 15/1058	–	–
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	209	234
Closing accumulated surplus	102,177	100,601
Return on capital %	0.9%	0.9%
Subsidy from Council	603	–
Calculation of dividend payable:		
Surplus (deficit) after tax	1,367	1,735
Less: capital grants and contributions (excluding developer contributions)	(774)	(1,117)
Surplus for dividend calculation purposes	593	618
Potential dividend calculated from surplus	297	309

Snowy Monaro Regional Council

Income Statement of sewerage business activity

for the year ended 30 June 2021

\$ '000	2021	2020
Income from continuing operations		
Access charges	6,829	8,546
User charges	1,541	25
Fees	–	66
Interest	309	582
Grants and contributions provided for non-capital purposes	2	51
Other income	359	376
Total income from continuing operations	9,040	9,646
Expenses from continuing operations		
Employee benefits and on-costs	2,285	2,179
Materials and services	4,289	2,099
Depreciation, amortisation and impairment	1,542	2,241
Loss on sale of assets	4	5
Other expenses	33	2,118
Total expenses from continuing operations	8,153	8,642
Surplus (deficit) from continuing operations before capital amounts	887	1,004
Grants and contributions provided for capital purposes	5,174	1,831
Surplus (deficit) from continuing operations after capital amounts	6,061	2,835
Surplus (deficit) from all operations before tax	6,061	2,835
Less: corporate taxation equivalent [based on result before capital]	(231)	(276)
Surplus (deficit) after tax	5,830	2,559
Plus accumulated surplus	98,873	96,038
Equity adjustment - AASB 15/1058	–	–
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	231	276
Closing accumulated surplus	104,934	98,873
Return on capital %	1.0%	1.3%
Subsidy from Council	410	–
Calculation of dividend payable:		
Surplus (deficit) after tax	5,830	2,559
Less: capital grants and contributions (excluding developer contributions)	(5,174)	(1,831)
Surplus for dividend calculation purposes	656	728
Potential dividend calculated from surplus	328	364

Snowy Monaro Regional Council

Income Statement of Waste Management business activity

for the year ended 30 June 2021

\$ '000	2021 Category 1	2020 Category 1
Income from continuing operations		
Access charges	5,337	4,859
User charges	3,071	1,064
Fees	–	2,208
Interest	116	158
Grants and contributions provided for non-capital purposes	10	9
Other income	158	2,246
Total income from continuing operations	8,692	10,544
Expenses from continuing operations		
Employee benefits and on-costs	2,762	2,875
Borrowing costs	471	51
Materials and services	3,715	3,433
Depreciation, amortisation and impairment	1,467	1,480
Loss on sale of assets	54	(43)
Other expenses	11,134	1,690
Total expenses from continuing operations	19,603	9,486
Surplus (deficit) from continuing operations before capital amounts	(10,911)	1,058
Grants and contributions provided for capital purposes	–	67
Surplus (deficit) from continuing operations after capital amounts	(10,911)	1,125
Surplus (deficit) from all operations before tax	(10,911)	1,125
Less: corporate taxation equivalent [based on result before capital]	–	(291)
Surplus (deficit) after tax	(10,911)	834
Plus accumulated surplus	11,744	10,619
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	–	291
Closing accumulated surplus	833	11,744
Return on capital %	(47.8)%	4.8%
Subsidy from Council	10,765	–

Snowy Monaro Regional Council

Income Statement of Residential Aged Care business activity

for the year ended 30 June 2021

\$ '000	2021 Category 1	2020 Category 1
Income from continuing operations		
User charges	329	314
Fees	637	697
Interest	30	98
Grants and contributions provided for non-capital purposes	2,843	1,952
Total income from continuing operations	3,839	3,061
Expenses from continuing operations		
Employee benefits and on-costs	3,225	2,971
Materials and services	2,986	1,658
Depreciation, amortisation and impairment	286	249
Other expenses	1	162
Total expenses from continuing operations	6,498	5,040
Surplus (deficit) from continuing operations before capital amounts	(2,659)	(1,979)
Grants and contributions provided for capital purposes	367	125
Surplus (deficit) from continuing operations after capital amounts	(2,292)	(1,854)
Surplus (deficit) from all operations before tax	(2,292)	(1,854)
Less: corporate taxation equivalent [based on result before capital]	-	-
Surplus (deficit) after tax	(2,292)	(1,854)
Plus accumulated surplus	3,859	5,713
Plus adjustments for amounts unpaid:		
Closing accumulated surplus	1,567	3,859
Return on capital %	(39.9)%	(30.3)%
Subsidy from Council	2,758	2,037

Snowy Monaro Regional Council

Statement of Financial Position of water supply business activity

as at 30 June 2021

\$ '000	2021	2020
ASSETS		
Current assets		
Cash and cash equivalents	12,782	747
Investments	5,749	6,885
Receivables	3,608	2,967
Total current assets	22,139	10,599
Non-current assets		
Investments	7,101	14,917
Infrastructure, property, plant and equipment	94,871	95,041
Total non-current assets	101,972	109,958
Total assets	124,111	120,557
LIABILITIES		
Current liabilities		
Payables	340	32
Borrowings	77	96
Total current liabilities	417	128
Non-current liabilities		
Borrowings	-	78
Total non-current liabilities	-	78
Total liabilities	417	206
Net assets	123,694	120,351
EQUITY		
Accumulated surplus	102,175	100,601
Revaluation reserves	21,519	19,750
Total equity	123,694	120,351

Snowy Monaro Regional Council

Statement of Financial Position of sewerage business activity

as at 30 June 2021

\$ '000	2021	2020
ASSETS		
Current assets		
Cash and cash equivalents	8,660	708
Investments	3,894	6,387
Receivables	4,137	2,776
Total current assets	16,691	9,871
Non-current assets		
Investments	4,811	13,838
Receivables	36	62
Infrastructure, property, plant and equipment	87,019	78,254
Total non-current assets	91,866	92,154
Total assets	108,557	102,025
LIABILITIES		
Current liabilities		
Payables	3	3
Total current liabilities	3	3
Total liabilities	3	3
Net assets	108,554	102,022
EQUITY		
Accumulated surplus	104,935	98,873
Revaluation reserves	3,619	3,149
Total equity	108,554	102,022

Snowy Monaro Regional Council

Statement of Financial Position of Waste Management business activity

as at 30 June 2021

\$ '000	2021 Category 1	2020 Category 1
ASSETS		
Current assets		
Cash and cash equivalents	4,598	236
Investments	2,066	2,222
Receivables	985	927
Total current assets	7,649	3,385
Non-current assets		
Investments	2,552	4,815
Infrastructure, property, plant and equipment	21,819	23,250
Total non-current assets	24,371	28,065
Total assets	32,020	31,450
LIABILITIES		
Current liabilities		
Contract liabilities	-	8
Payables	-	7
Borrowings	220	287
Total current liabilities	220	302
Non-current liabilities		
Borrowings	58	278
Provisions	31,067	19,507
Total non-current liabilities	31,125	19,785
Total liabilities	31,345	20,087
Net assets	675	11,363
EQUITY		
Accumulated surplus	840	11,744
Revaluation reserves	(165)	(381)
Total equity	675	11,363

Snowy Monaro Regional Council

Statement of Financial Position of Residential Aged Care business activity

as at 30 June 2021

\$ '000	2021 Category 1	2020 Category 1
ASSETS		
Current assets		
Cash and cash equivalents	–	56
Investments	–	1,658
Receivables	32	31
Total current assets	32	1,745
Non-current assets		
Infrastructure, property, plant and equipment	6,665	6,541
Intangible assets	350	350
Total non-current assets	7,015	6,891
Total assets	7,047	8,636
LIABILITIES		
Current liabilities		
Contract liabilities	123	496
Bank overdraft	689	–
Payables	4,230	3,561
Total current liabilities	5,042	4,057
Total liabilities	5,042	4,057
Net assets	2,005	4,579
EQUITY		
Accumulated surplus	1,566	3,859
Revaluation reserves	438	720
Total equity	2,004	4,579

Note – 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 (Act)*, the *Local Government (General) Regulation 2005 (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, fair value of non-current assets. Certain taxes and other costs, appropriately described, have been imputed for the purposes of the National Competition Policy.

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

National Competition Policy

Council has adopted the principle of 'competitive neutrality' in its business activities as part of the National Competition Policy which is being applied throughout Australia at all levels of government. The framework for its application is set out in the June 1996 NSW Government Policy statement titled 'Application of National Competition Policy to Local Government'. *The Pricing and Costing for Council Businesses – A Guide to Competitive Neutrality* issued by the Office of Local Government in July 1997 has also been adopted.

The pricing and costing guidelines outline the process for identifying and allocating costs to activities and provide a standard for disclosure requirements. These disclosures are reflected in Council's pricing and/or financial reporting systems and include taxation equivalents, Council subsidies, and returns 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 for residential and commercial activities

b. Sewerage Service

Sewerage reticulation, treatment and associated activities

c. Waste Management

Collection and disposal of garbage for residential and commercial activities

d. Residential Aged Care

Combined services offered at Yallabee Lodge and Snowy River Hostel

Note – Significant Accounting Policies (continued)

Category 2

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

Nil

Taxation equivalent charges

Council is liable to pay various taxes and financial duties. Where this is the case, they are disclosed as a cost of operations just like all other costs. However, where Council does not pay some taxes, which are generally paid by private sector businesses, such as income tax, these equivalent tax payments have been applied to all Council-nominated business activities and are reflected in special purpose financial statements. For the purposes of disclosing comparative information relevant to the private sector equivalent, the following taxation equivalents have been applied to all Council-nominated business activities (this does not include Council's non-business activities):

Notional rate applied (%)

Corporate income tax rate – **26%** (19/20 27.5%)

Land tax – the first \$755,000 of combined land values attracts **0%**. For the combined land values in excess of \$755,000 up to \$4,616,000 the rate is **\$100 + 1.6%**. For the remaining combined land value that exceeds \$4,616,000 a premium marginal rate of **2.0%** applies.

Payroll tax – **4.85%** on the value of taxable salaries and wages in excess of \$1,200,000.

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

The payment of taxation equivalent charges, referred to in the Best Practice Management of Water Supply and Sewer Guidelines as a 'dividend for taxation equivalent', may be applied for any purpose allowed under the Act.

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

Income tax

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

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

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

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

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

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

Local government rates and charges

A calculation of the equivalent rates and charges for all Category 1 businesses has been applied to all 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.

Note – Significant Accounting Policies (continued)

(i) Subsidies

Government policy requires that subsidies provided to customers, and the funding of those subsidies, must be explicitly disclosed. Subsidies occur where Council provides services on a less than cost recovery basis. This option is exercised on a range of services in order for Council to meet its community service obligations. The overall effect of subsidies is contained within the Income Statements of business activities.

(ii) 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'.

Funds are subsequently available for meeting commitments or financing future investment strategies. The rate of return is disclosed for each of Council's business activities on the Income Statement.

The rate of return is calculated as follows:

Operating result before capital income + interest expense

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

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 1.49% at 30/6/21.

(iii) Dividends

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

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

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

- 50% of this surplus in any one year, or
- the number of water supply or sewerage assessments at 30 June 2021 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

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



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

To the Councillors of the Snowy Monaro Regional Council

Opinion

I have audited the accompanying special purpose financial statements (the financial statements) of Snowy Monaro Regional Council's (the Council) Declared Business Activities, which comprise the Statement by Councillors and Management, the Income Statement of each Declared Business Activity for the year ended 30 June 2021, the Statement of Financial Position of each Declared Business Activity as at 30 June 2021 and the Significant accounting policies note.

The Declared Business Activities of the Council are:

- Water supply
- Sewerage
- Waste Management
- Aged Care.

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 2021, and their financial performance for the year then ended, in accordance with the Australian Accounting Standards described in the Significant accounting policies note and the Local Government Code of Accounting Practice and Financial Reporting 2020–21 (LG Code).

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

Basis for Opinion

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

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

- Australian Auditing Standards
- Accounting Professional and Ethical Standards Board's APES 110 'Code of Ethics for Professional Accountants (including Independence Standards)' (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 the Significant accounting policies note to the financial statements which describes the basis of accounting. The financial statements have been prepared for the purpose of fulfilling the Council's financial reporting responsibilities under the LG Code. As a result, the financial statements may not be suitable for another purpose.

Other Information

The Council's annual report for the year ended 30 June 2021 includes other information in addition to the financial statements and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the general purpose financial statements and Special Schedules (the Schedules).

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

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

In preparing the financial statements, the Councillors are responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

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

The scope of my audit does not include, nor provide assurance:

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

A handwritten signature in black ink, appearing to read 'Lawrissa Chan', written in a cursive style.

Lawrissa Chan

Delegate of the Auditor-General for New South Wales

30 November 2021
SYDNEY

Snowy Monaro Regional Council

SPECIAL SCHEDULES
for the year ended 30 June 2021



Snowy Monaro Regional Council

Special Schedules

for the year ended 30 June 2021

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Snowy Monaro Regional Council

Permissible income for general rates (Merger Councils)

\$ '000	Notes	2020/21 Former entity name 1	2020/21 Bombala Council	2020/21 Cooma-Monaro Shire Council	2020/21 Snowy River Shire Council	2020/21 Snowy Monaro Regional	2021/22 Former entity name 1	2021/22 Snowy Monaro Regional
Notional general income calculation ¹								
Last year notional general income yield	a	–	2,495	7,505	6,311	16,311	–	16,934
Plus or minus adjustments ²	b	–	(3)	45	98	140	121	121
Notional general income	c = a + b	–	2,492	7,550	6,409	16,451	121	17,055
Permissible income calculation								
Or rate peg percentage	e	0.00%	2.60%	2.60%	2.60%		2.00%	2.00%
Or plus rate peg amount	i = e x (c + g)	–	65	196	167	428	2	341
Sub-total	k = (c + g + h + i + j)	–	2,557	7,746	6,576	16,879	123	17,396
Plus (or minus) last year's carry forward total	l	–	2	59	4	65	–	14
Sub-total	n = (l + m)	–	2	59	4	65	–	14
Total permissible income	o = k + n	–	2,559	7,805	6,580	16,944	123	17,410
Less notional general income yield	p	–	2,556	7,802	6,576	16,934	17,399	17,399
Catch-up or (excess) result	q = o – p	–	2	3	4	9	(17,276)	11
Less unused catch-up ⁵	s	–	–	1	4	5	–	–
Carry forward to next year ⁶	t = q + r + s	–	2	4	8	14	(17,276)	11

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.
- (5) Unused catch-up amounts will be deducted if they are not caught up within 2 years. Usually councils will have a nominal carry forward figure. These amounts can be adjusted for in setting the rates in a future year.
- (6) Carry forward amounts which are in excess (an amount that exceeds the permissible income) require Ministerial approval by order published in the *NSW Government Gazette* in accordance with section 512 of the *Local Government Act 1993*. The OLG will extract these amounts from Council's Permissible income for general rates Statement in the financial data return (FDR) to administer this process.



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

To the Councillors of Snowy Monaro Regional Council

Opinion

I have audited the accompanying Special Schedule – Permissible income for general rates (the Schedule) of Snowy Monaro Regional Council (the Council) for the year ending 30 June 2022.

In my opinion, the Schedule is prepared, in all material respects in accordance with the requirements of the Local Government Code of Accounting Practice and Financial Reporting 2020–21 (LG Code) and is in accordance with the books and records of the Council.

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Other Information

The Council's annual report for the year ended 30 June 2021 includes other information in addition to the Schedule and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the general purpose financial statements, special purpose financial statements and Special Schedule 'Report on infrastructure assets as at 30 June 2021'.

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Schedule

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

In preparing the Schedule, the Councillors are responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting.

Auditor's Responsibilities for the Audit of the Schedule

My objectives are to:

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

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

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

The scope of my audit does not include, nor provide assurance:

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



Lawrissa Chan

Delegate of the Auditor-General for New South Wales

30 November 2021
SYDNEY

Snowy Monaro Regional Council

Report on infrastructure assets as at 30 June 2021

Asset Class	Asset Category	Estimated cost				Net carrying amount \$ '000	Gross replacement cost (GRC) \$ '000	Assets in condition as a percentage of gross replacement cost				
		Estimated cost to bring assets to satisfactory standard \$ '000	Estimated cost to bring to the agreed level of service set by Council \$ '000	2020/21 Required maintenance ^a \$ '000	2020/21 Actual maintenance \$ '000			1	2	3	4	5
Buildings	Buildings	22,813	22,813	7,960	1,186	37,261	113,224	12.0%	15.0%	17.0%	30.0%	26.0%
	Sub-total	22,813	22,813	7,960	1,186	37,261	113,224	12.0%	15.0%	17.0%	30.0%	26.0%
Other structures	Other structures	–	–	–	–	6,424	7,762	35.0%	23.0%	29.0%	11.0%	2.0%
	Sub-total	–	–	–	–	6,424	7,762	35.0%	23.0%	29.0%	11.0%	2.0%
Roads	Roads	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Sealed roads	1,472	1,472	3,712	2,267	251,668	392,415	33.0%	44.0%	22.0%	1.0%	0.0%
	Unsealed roads	882	882	748	2,883	99,842	127,467	58.0%	33.0%	6.0%	3.0%	0.0%
	Bridges	1,845	1,845	1,527	391	73,411	124,503	19.0%	57.0%	18.0%	6.0%	0.0%
	Footpaths	22	22	92	189	8,061	14,488	19.0%	33.0%	47.0%	1.0%	0.0%
	Other road assets	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Bulk earthworks	–	–	–	–	441,391	441,391	100.0%	0.0%	0.0%	0.0%	0.0%
	Other road assets (incl. bulk earth works)	–	–	–	–	–	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Sub-total	4,221	4,221	6,079	5,730	874,374	1,100,264	61.0%	26.4%	11.2%	1.4%	0.0%
Water supply network	Water supply network	–	–	4,201	5,887	91,099	211,552	1.0%	0.0%	99.0%	0.0%	0.0%
	Sub-total	–	–	4,201	5,887	91,099	211,552	1.0%	0.0%	99.0%	0.0%	0.0%
Sewerage network	Sewerage network	–	–	2,916	6,611	69,640	145,791	0.0%	0.0%	100.0%	0.0%	0.0%
	Sub-total	–	–	2,916	6,611	69,640	145,791	0.0%	0.0%	100.0%	0.0%	0.0%
Stormwater drainage	Stormwater drainage	–	–	–	–	19,613	28,325	48.0%	47.0%	3.0%	2.0%	0.0%
	Sub-total	–	–	–	–	19,613	28,325	48.0%	47.0%	3.0%	2.0%	0.0%
Open space / recreational assets	Swimming pools	–	–	44	268	2,455	4,169	48.0%	0.0%	52.0%	0.0%	0.0%
	Other	88	88	71	2,109	3,915	6,152	34.0%	33.0%	27.0%	6.0%	0.0%
	Sub-total	88	88	115	2,377	6,370	10,321	39.7%	19.7%	37.1%	3.6%	0.0%
Total – all assets		27,122	27,122	21,271	21,791	1,104,781	1,617,239	43.7%	20.1%	31.2%	3.2%	1.8%

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

Snowy Monaro Regional Council

Report on infrastructure assets as at 30 June 2021 (continued)

Infrastructure asset condition assessment 'key'

#	Condition	Integrated planning and reporting (IP&R) description
1	Excellent/very good	No work required (normal maintenance)
2	Good	Only minor maintenance work required
3	Satisfactory	Maintenance work required
4	Poor	Renewal required
5	Very poor	Urgent renewal/upgrading required

Snowy Monaro Regional Council

Report on infrastructure assets as at 30 June 2021

Infrastructure asset performance indicators (consolidated) *

\$ '000	Amounts 2021	Indicator 2021	Indicator 2020 Restated	Benchmark
Buildings and infrastructure renewals ratio				
Asset renewals ¹	<u>23,685</u>	129.82%	142.65%	>= 100.00%
Depreciation, amortisation and impairment	<u>18,245</u>			
Infrastructure backlog ratio				
Estimated cost to bring assets to a satisfactory standard	<u>27,122</u>	2.38%	5.91%	< 2.00%
Net carrying amount of infrastructure assets	<u>1,138,020</u>			
Asset maintenance ratio				
Actual asset maintenance	<u>21,791</u>	102.44%	50.53%	> 100.00%
Required asset maintenance	<u>21,271</u>			
Cost to bring assets to agreed service level				
Estimated cost to bring assets to an agreed service level set by Council	<u>27,122</u>	1.68%	3.12%	
Gross replacement cost	<u>1,617,239</u>			

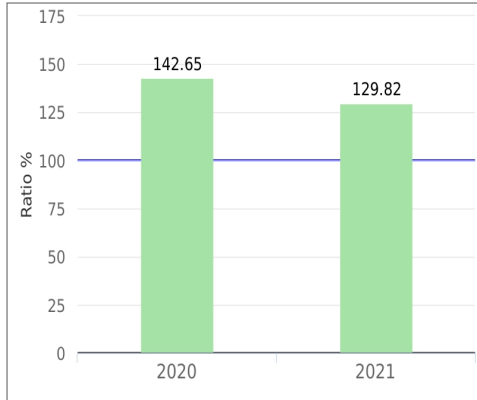
(*) All asset performance indicators are calculated using classes identified in the previous table.

(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

Report on infrastructure assets as at 30 June 2021

Buildings and infrastructure renewals ratio



Buildings and infrastructure renewals ratio

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

Commentary on result	
20/21 ratio	129.82%

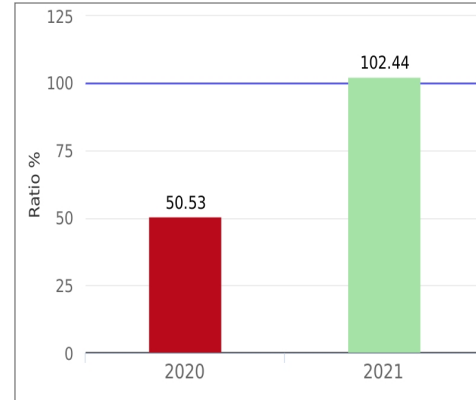
Benchmark: — $\geq 100.00\%$

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio is outside benchmark

Asset maintenance ratio



Asset maintenance ratio

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

Commentary on result	
20/21 ratio	102.44%

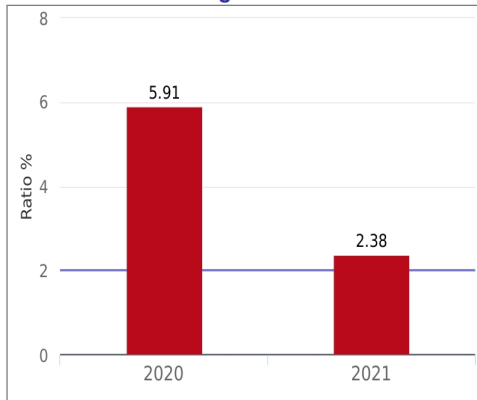
Benchmark: — $> 100.00\%$

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio is outside benchmark

Infrastructure backlog ratio



Infrastructure backlog ratio

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

Commentary on result	
20/21 ratio	2.38%

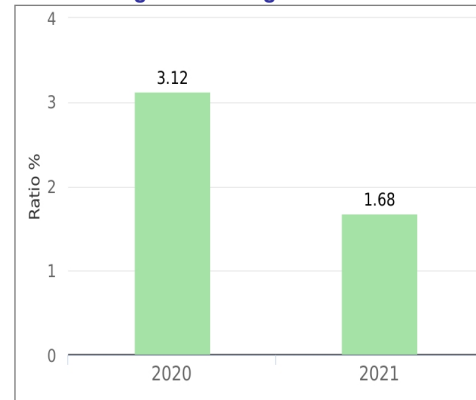
Benchmark: — $< 2.00\%$

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting

Ratio is outside benchmark

Cost to bring assets to agreed service level



Cost to bring assets to agreed service level

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.

Commentary on result	
20/21 ratio	1.68%

Snowy Monaro Regional Council

Report on infrastructure assets as at 30 June 2021

Infrastructure asset performance indicators (by fund)

\$ '000	General fund		Water fund		Sewer fund		Benchmark
	2021	2020	2021	2020	2021	2020	
Buildings and infrastructure renewals ratio							
Asset renewals ¹							
Depreciation, amortisation and impairment	161.46%	138.26%	0.00%	61.95%	0.00%	270.42%	>= 100.00%
Infrastructure backlog ratio							
Estimated cost to bring assets to a satisfactory standard							
Net carrying amount of infrastructure assets	2.78%	3.62%	0.00%	14.22%	0.00%	26.84%	< 2.00%
Asset maintenance ratio							
Actual asset maintenance							
Required asset maintenance	65.66%	51.20%	140.13%	40.31%	226.71%	61.72%	> 100.00%
Cost to bring assets to agreed service level							
Estimated cost to bring assets to an agreed service level set by Council							
Gross replacement cost	2.15%	1.47%	0.00%	6.21%	0.00%	13.09%	

(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.