

Snowy Monaro Regional Council

ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2020



Snowy Monaro Regional Council

GENERAL PURPOSE FINANCIAL STATEMENTS

for the year ended 30 June 2020



General Purpose Financial Statements

for the year ended 30 June 2020

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Overview

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

81 Commissioner Street
COOMA NSW 2630

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

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

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

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

Snowy Monaro Regional Council

General Purpose Financial Statements

for the year ended 30 June 2020

Understanding Council's Financial Statements

Introduction

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

What you will find in the Statements

The financial statements set out the financial performance, financial position and cash flows of Council for the financial year ended 30 June 2020.

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

About the Councillor/Management Statement

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

About the Primary Financial Statements

The financial statements incorporate five "primary" financial statements:

1. The Income Statement

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

2. The Statement of Comprehensive Income

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

3. The Statement of Financial Position

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

4. The Statement of Changes in Equity

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

5. The Statement of Cash Flows

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

About the Notes to the Financial Statements

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

About the Auditor's Reports

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

In NSW the auditor provides 2 audit reports:

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

Who uses the Financial Statements?

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

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

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

Snowy Monaro Regional Council

General Purpose Financial Statements

for the year ended 30 June 2020

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 17 September 2020.



Peter Beer
Mayor
17 September 2020



Lynley Miners
Councillor
17 September 2020



Peter Bascomb
Chief Executive Officer
17 September 2020



David Rawlings
Responsible Accounting Officer
17 September 2020

Income Statement

for the year ended 30 June 2020

Original unaudited budget 2020	\$ '000	Notes	Actual 2020	Actual 2019
Income from continuing operations				
31,589	Rates and annual charges	3a	32,443	31,546
14,505	User charges and fees	3b	14,440	13,370
1,872	Other revenues	3c	1,988	2,547
19,603	Grants and contributions provided for operating purposes	3d,3e	25,429	24,262
13,862	Grants and contributions provided for capital purposes	3d,3e	11,377	6,936
1,928	Interest and investment revenue	4	1,675	2,590
903	Net gains from the disposal of assets	6	798	139
–	Rental income	13e	892	–
84,262	Total income from continuing operations		89,042	81,390
Expenses from continuing operations				
28,021	Employee benefits and on-costs	5a	33,637	30,932
290	Borrowing costs	5b	79	249
19,763	Materials and contracts	5c	19,227	18,418
19,272	Depreciation and amortisation	5d	20,486	20,375
8,446	Other expenses	5e	8,974	9,170
75,792	Total expenses from continuing operations		82,403	79,144
8,470	Operating result from continuing operations		6,639	2,246
8,470	Net operating result for the year		6,639	2,246
(5,336)	Net operating result for the year before grants and contributions provided for capital purposes		(4,738)	(4,690)

The Council has not restated comparatives when initially applying AASB 1058 *Income of Not-for-Profit Entities*, AASB 15 *Revenue from Contracts with Customers* and AASB 16 *Leases*. The comparative information has been prepared under AASB 111 *Construction Contracts*, AASB 118 *Revenue*, AASB 1004 *Contributions*, AASB 117 *Leases* and related Accounting Interpretations.

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

Statement of Comprehensive Income

for the year ended 30 June 2020

\$ '000	Notes	2020	2019
Net operating result for the year (as per Income Statement)		6,639	2,246
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of Infrastructure, Property, Plant & Equipment	10(a)	45,817	(1,214)
Total items which will not be reclassified subsequently to the operating result		45,817	(1,214)
Amounts which will be reclassified subsequently to the operating result when specific conditions are met			
Other movements		(219)	–
Total items which will be reclassified subsequently to the operating result when specific conditions are met		(219)	–
Total other comprehensive income for the year		45,598	(1,214)
Total comprehensive income for the year		52,237	1,032

The Council has not restated comparatives when initially applying AASB 1058 *Income of Not-for-Profit Entities*, AASB 15 *Revenue from Contracts with Customers* and AASB 16 *Leases*. The comparative information has been prepared under AASB 111 *Construction Contracts*, AASB 118 *Revenue*, AASB 1004 *Contributions*, AASB 117 *Leases* and related Accounting Interpretations.

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

Statement of Financial Position

as at 30 June 2020

\$ '000	Notes	2020	2019
ASSETS			
Current assets			
Cash and cash equivalents	7(a)	6,546	11,113
Investments	7(b)	20,000	19,000
Receivables	8	13,533	13,700
Inventories	9a	1,656	1,695
Other	9b	423	299
Total current assets		<u>42,158</u>	<u>45,807</u>
Non-current assets			
Investments	7(b)	52,000	58,219
Receivables	8	62	105
Infrastructure, property, plant and equipment	10(a)	1,202,426	1,134,113
Intangible Assets	11	350	350
Right of use assets	13a	62	–
Total non-current assets		<u>1,254,900</u>	<u>1,192,787</u>
Total assets		<u>1,297,058</u>	<u>1,238,594</u>
LIABILITIES			
Current liabilities			
Payables	14	8,990	10,254
Contract liabilities	12	11,435	–
Lease liabilities	13b	49	–
Borrowings	14	520	490
Provisions	15	6,918	6,688
Total current liabilities		<u>27,912</u>	<u>17,432</u>
Non-current liabilities			
Lease liabilities	13b	16	–
Borrowings	14	356	875
Provisions	15	19,545	5,052
Total non-current liabilities		<u>19,917</u>	<u>5,927</u>
Total liabilities		<u>47,829</u>	<u>23,359</u>
Net assets		<u>1,249,229</u>	<u>1,215,235</u>
EQUITY			
Accumulated surplus	16	1,177,692	1,189,296
Revaluation reserves	16	71,537	25,720
Other reserves	16	–	219
Council equity interest		<u>1,249,229</u>	<u>1,215,235</u>
Total equity		<u>1,249,229</u>	<u>1,215,235</u>

The Council has not restated comparatives when initially applying AASB 1058 *Income of Not-for-Profit Entities*, AASB 15 *Revenue from Contracts with Customers* and AASB 16 *Leases*. The comparative information has been prepared under AASB 111 *Construction Contracts*, AASB 118 *Revenue*, AASB 1004 *Contributions*, AASB 117 *Leases* and related Accounting Interpretations.

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

Statement of Changes in Equity
for the year ended 30 June 2020

\$ '000	Notes	as at 30/06/20				as at 30/06/19			
		Accumulated surplus	IPP&E revaluation reserve	Financial assets at FVOCI	Total equity	Accumulated surplus	IPP&E revaluation reserve	Financial assets at FVOCI	Total equity
Opening balance		1,189,296	25,720	219	1,215,235	1,187,050	26,934	–	1,213,984
Changes due to AASB 9 adoption	16b	–	–	–	–	–	–	219	219
Changes due to AASB 1058 and AASB 15 adoption	16	(18,243)	–	–	(18,243)	–	–	–	–
Changes due to AASB 16 adoption	16	–	–	–	–	–	–	–	–
Net operating result for the year		6,639	–	–	6,639	2,246	–	–	2,246
Restated opening balance		6,639	–	–	6,639	2,246	–	–	2,246
– Gain (loss) on revaluation of infrastructure, property, plant & equipment	10(a)	–	45,817	–	45,817	–	(1,214)	–	(1,214)
– Realised (gain) loss on available for sale investments recognised in operating result		–	–	(219)	(219)	–	–	–	–
Total comprehensive income		6,639	45,817	(219)	52,237	2,246	(1,214)	–	1,032
Closing balance		1,177,692	71,537	–	1,249,229	1,189,296	25,720	219	1,215,235

The Council has not restated comparatives when initially applying AASB 1058 *Income of Not-for-Profit Entities*, AASB 15 *Revenue from Contracts with Customers* and AASB 16 *Leases*. The comparative information has been prepared under AASB 111 *Construction Contracts*, AASB 118 *Revenue*, AASB 1004 *Contributions*, AASB 117 *Leases* and related Accounting Interpretations.

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

Statement of Cash Flows

for the year ended 30 June 2020

Original unaudited budget 2020	\$ '000	Notes	Actual 2020	Actual 2019
Cash flows from operating activities				
Receipts:				
31,287	Rates and annual charges		31,547	32,081
14,194	User charges and fees		16,317	15,049
1,928	Investment and interest revenue received		2,011	2,203
34,081	Grants and contributions		28,765	31,756
–	Bonds, deposits and retention amounts received		182	480
1,492	Other		7,918	5,381
Payments:				
(28,023)	Employee benefits and on-costs		(34,387)	(30,199)
(19,546)	Materials and contracts		(21,403)	(19,724)
(290)	Borrowing costs		(81)	(162)
(8,284)	Other		(11,459)	(13,558)
26,839	Net cash provided from (or used in) operating activities	17b	19,410	23,307
Cash flows from investing activities				
Receipts:				
–	Sale of investments		5,786	11,000
903	Sale of infrastructure, property, plant and equipment		1,128	920
Payments:				
–	Purchase of investments		–	(19,000)
(36,606)	Purchase of infrastructure, property, plant and equipment		(30,322)	(19,506)
(35,703)	Net cash provided from (or used in) investing activities		(23,408)	(26,586)
Cash flows from financing activities				
Payments:				
–	Repayment of borrowings and advances		(489)	(1,867)
–	Lease liabilities (principal repayments)		(80)	–
–	Net cash flow provided (used in) financing activities		(569)	(1,867)
(8,864)	Net increase/(decrease) in cash and cash equivalents		(4,567)	(5,146)
11,113	cash and cash equivalents at beginning of reporting period	17a	11,113	16,259
2,249	Cash and cash equivalents at end of reporting period	17a	6,546	11,113
77,219	Investments on hand – end of year	7(b)	72,000	77,219
79,468	Total cash, cash equivalents and investments		78,546	88,332

The Council has not restated comparatives when initially applying AASB 1058 *Income of Not-for-Profit Entities*, AASB 15 *Revenue from Contracts with Customers* and AASB 16 *Leases*. The comparative information has been prepared under AASB 111 *Construction Contracts*, AASB 118 *Revenue*, AASB 1004 *Contributions*, AASB 117 *Leases* and related Accounting Interpretations.

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

Notes to the Financial Statements

for the year ended 30 June 2020

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Snowy Monaro Regional Council

Notes to the Financial Statements

for the year ended 30 June 2020

Note 1. Basis of preparation

These financial statements were authorised for issue by Snowy Monaro Regional Council ("the Council") on 17 September 2020. 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 (NSW)* and Regulations, and the Local Government Code of Accounting Practice and Financial Reporting.

Council is a not for-profit entity.

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

(a) Historical cost convention

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

(b) 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 10a
- (ii) tip remediation provisions – refer Note 15
- (iii) employee benefit provisions – refer Note 15

Significant judgements in applying the council's accounting policies

- (i) Impairment of receivables

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

Monies and other assets received by Council

(a) The Consolidated Fund

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

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

- General purpose operations
- Water services
- Sewerage services

Notes to the Financial Statements

for the year ended 30 June 2020

Note 1. Basis of preparation (continued)

- Waste services
- Yallambee Lodge
- Snowy Monaro Regional Library
- Snowy River Hostel

(b) The Trust Fund

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

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

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

Goods and Services Tax (GST)

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

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

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

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 2020 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 adopted during the year

During the year Council adopted the following accounting standards and interpretations (as issued by the Australian Accounting Standards Board) which were mandatorily effective from 1 July 2019:

- AASB 16 Leases
- AASB 15 Revenue from contracts with customers and associated amending standards
- AASB 1058 Income of Not-for-profit entities

Further information on the newly adopted standards which had a material impact on Council's reported financial position, financial performance and/or associated financial statement disclosures can be found at Note 12 and Note 13.

Notes to the Financial Statements

for the year ended 30 June 2020

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

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

\$ '000	Income from continuing operations		Expenses from continuing operations		Operating result from continuing operations		Grants included in income from continuing operations		Carrying amount of assets	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Functions or activities										
Community	9,330	11,487	19,119	16,786	(9,789)	(5,299)	5,743	8,277	59,071	57,713
Economy	11,911	11,273	21,033	20,492	(9,122)	(9,219)	5,640	5,137	787,654	769,544
Environment	33,198	29,188	31,112	27,425	2,086	1,763	4,709	1,867	309,062	273,314
Leadership	34,603	29,442	11,139	14,441	23,464	15,001	16,350	11,457	141,271	138,023
Total functions and activities	89,042	81,390	82,403	79,144	6,639	2,246	32,442	26,738	1,297,058	1,238,594

Snowy Monaro Regional Council

Notes to the Financial Statements

for the year ended 30 June 2020

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

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

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 Canberra, 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.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations

\$ '000	AASB	2020	2019
(a) Rates and annual charges			
Ordinary rates			
Residential	1058 (1)	8,601	8,273
Farmland	1058 (1)	5,207	5,044
Business	1058 (1)	2,530	2,444
Less: pensioner rebates (mandatory)	1058 (1)	(290)	(295)
Rates levied to ratepayers		16,048	15,466
Pensioner rate subsidies received	1058 (1)	162	165
Total ordinary rates		16,210	15,631
Annual charges			
<small>(pursuant to s.496, s.496A, s.496B, s.501 & s.611)</small>			
Domestic waste management services	1058 (1)	3,207	3,067
Stormwater management services	1058 (1)	18	15
Water supply services	1058 (1)	2,730	2,736
Sewerage services	1058 (1)	8,479	8,464
Waste management services (non-domestic)	1058 (1)	1,735	1,550
Less: pensioner rebates (mandatory)	1058 (1)	(262)	(288)
Liquid trade waste	1058 (1)	66	96
Onsite sewerage system management	1058 (1)	109	120
Pensioner subsidies received:			
– Water	1058 (1)	56	57
– Sewerage	1058 (1)	51	52
– Domestic waste management	1058 (1)	44	46
Total annual charges		16,233	15,915
TOTAL RATES AND ANNUAL CHARGES		32,443	31,546

The **AASB** notation (above) identifies the revenue recognition pattern for material items of Council revenue:

- 15 (1)** indicates income recognised under AASB 15 “at a point in time”,
- 15 (2)** indicates income recognised under AASB 15 “over time”,
- 1058 (1)** indicates income recognised under AASB 1058 “at a point in time”, while
- 1058 (2)** indicates income recognised under AASB 1058 “over time”.

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

Accounting policy for rates and charges

Rates and annual charges are recognised as revenue when the Council obtains control over the assets comprising these receipts which is 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 in substance a rates payment.

2019 accounting policy

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

\$ '000	AASB	2020	2019
(b) User charges and fees			
User charges			
Water supply services	15 (2)	6,046	5,778
Sewerage services	15 (2)	112	183
Waste management services (non-domestic)	15 (1)	953	637
Total user charges		7,111	6,598
Fees			
Waste disposal tipping fees	15 (1)	2,116	1,391
RMS – road maintenance council contract ordered works	15 (2)	937	1,333
Aged care	15 (2)	973	989
Planning and building regulation	15 (1)	817	792
Community services	15 (2)	652	396
Cemeteries	15 (1)	275	262
RMS – road maintenance council contract routine services	15 (2)	449	388
Saleyards	15 (1)	272	238
Swimming centres	15 (1)	116	96
Holiday park fees	15 (1)	113	149
Section 10.7 certificates (EP&A Act)	15 (1)	95	128
Community Facilities	15 (1)	65	66
Recycling income (non-domestic)	15 (1)	89	82
Regulatory Fees	15 (1)	60	118
Section 603 certificates	15 (2)	57	60
Sewer fees	15 (1)	54	37
Private works- s 67	15 (2)	47	23
Snowy River Health Centre	15 (1)	16	22
Animal Control	15 (1)	10	26
Inspection Services	15 (1)	9	23
Sale from stores	15 (1)	7	10
Noxious weeds regulation	15 (1)	–	31
Water connection fees	15 (1)	–	7
Other	15 (1)	100	105
Total fees		7,329	6,772
TOTAL USER CHARGES AND FEES		14,440	13,370

The **AASB** notation (above) identifies the revenue recognition pattern for material items of Council revenue:

15 (1) indicates income recognised under AASB 15 “at a point in time”,

15 (2) indicates income recognised under AASB 15 “over time”,

1058 (1) indicates income recognised under AASB 1058 “at a point in time”, while

1058 (2) indicates income recognised under AASB 1058 “over time”.

Accounting policy for user charges and fees

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. There is no material obligation for Council in relation to refunds or returns.

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

Licences granted by Council are all either short-term or low value and all revenue from licences is recognised at the time that the licence is granted rather than the term of the licence.

2019 accounting policy

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

\$ '000	AASB	2020	2019
(c) Other revenues			
RFS expenses reimbursed	15 (1)	574	–
Quarry sales	15 (1)	692	624
Insurance rebates	15 (1)	166	151
Sales - Landfill	15 (1)	109	244
Diesel rebate	1058 (1)	87	148
Fines – parking	15 (1)	75	68
Insurance claims recoveries	15 (1)	62	148
Commissions and agency fees	15 (1)	74	76
Sales – general	15 (1)	49	52
Legal fees recovery – rates and charges (extra charges)	15 (1)	46	21
Reimbursement of expenses	15 (1)	31	56
Rental income – other council properties (2019 only)		–	928
Other	15 (1)	23	31
<u>TOTAL OTHER REVENUE</u>		<u>1,988</u>	<u>2,547</u>

The **AASB** notation (above) identifies the revenue recognition pattern for material items of Council revenue:

15 (1) indicates income recognised under AASB 15 “at a point in time”,

15 (2) indicates income recognised under AASB 15 “over time”,

1058 (1) indicates income recognised under AASB 1058 “at a point in time”, while

1058 (2) indicates income recognised under AASB 1058 “over time”.

Accounting policy for other revenue

Where the revenue relates to a contract with customer, the revenue is recognised when or as the performance obligation is completed and the customer receives the benefit of the goods / services being provided.

Where the revenue relates to a contract which is not enforceable or does not contain sufficiently specific performance obligations then revenue is recognised when an unconditional right to a receivable arises or the cash is received, which is earlier.

2019 accounting policy:

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

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

\$ '000	AASB	Operating 2020	Operating 2019	Capital 2020	Capital 2019
(d) Grants					
General purpose (untied)					
Relating to current year					
Financial assistance – general component	1058 (1)	3,407	3,331	–	–
Financial assistance – local roads component	1058 (1)	1,411	1,380	–	–
Prepayment received in advance for subsequent year					
Financial assistance – general component	1058 (1)	3,608	3,453	–	–
Financial assistance – local roads component	1058 (1)	1,498	1,432	–	–
Total general purpose		9,924	9,596	–	–
Specific purpose (tied)					
Aged care	1058 (1)	2,719	2,619	11	500
Bushfire and emergency services	1058 (1)	890	–	–	–
Community care	1058 (2)	2,114	1,690	–	–
Community transport	1058 (2)	567	610	–	–
Domestic waste management	1058 (2)	9	–	6	12
Economic development	1058 (2)	–	–	63	150
Employment and training programs	1058 (1)	64	119	–	–
Environmental programs	1058 (2)	3	–	–	–
Floodplain management	1058 (2)	24	171	–	–
Heritage and cultural	1058 (2)	13	19	–	–
Library	1058 (2)	120	77	2	15
New council implementation fund	1058 (2)	2,731	3,500	–	–
Noxious weeds	1058 (2)	688	519	–	–
NSW rural fire services	1058 (2)	457	494	271	278
Parks, sportsfields and reserves	1058 (2)	9	82	–	–
Planning and building regulation	1058 (2)	12	84	–	–
Recreation and culture	1058 (2)	–	–	11	109
Sewerage services	1058 (2)	–	–	1,555	350
Street lighting	1058 (1)	49	43	–	–
Stronger Communities Fund	1058 (2)	–	928	5,455	1,161
Stronger Country Communities Fund	1058 (2)	–	–	935	2,097
Transport (other roads and bridges funding)	1058 (2)	247	–	885	388
Transport (roads to recovery)	1058 (2)	1,744	1,081	–	–
Water supplies	1058 (2)	–	–	847	–
Youth services	1058 (2)	5	3	–	–
Other	1058 (2)	12	37	–	6
Total specific purpose		12,477	12,076	10,041	5,066
Total grants		22,401	21,672	10,041	5,066
Comprising					
– Commonwealth funding		17,116	14,964	74	650
– State funding		5,280	6,559	9,966	4,337
– Other funding		5	149	1	79
		22,401	21,672	10,041	5,066

The **AASB** notation (above) identifies the revenue recognition pattern for material items of Council revenue:

15 (1) indicates income recognised under AASB 15 “at a point in time”,

15 (2) indicates income recognised under AASB 15 “over time”,

1058 (1) indicates income recognised under AASB 1058 “at a point in time”, while

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

1058 (2) indicates income recognised under AASB 1058 “over time”.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

\$ '000	Notes	AASB	Operating 2020	Operating 2019	Capital 2020	Capital 2019
(e) Contributions						
Developer contributions: (s7.4 & s7.11 - EP&A Act, s64 of the LGA):						
Cash contributions						
S 7.11 – contributions towards amenities/services		1058 (1)	–	–	631	334
S 7.12 – fixed development consent levies		1058 (1)	–	–	4	–
S 64 – water supply contributions		1058 (1)	–	–	270	585
S 64 – sewerage service contributions		1058 (1)	–	–	276	673
Total developer contributions – cash			–	–	1,181	1,592
Total developer contributions	25		–	–	1,181	1,592
Other contributions:						
Cash contributions						
RMS contributions (regional roads, block grant)		1058 (2)	2,758	2,285	–	–
Other		1058 (2)	52	104	16	278
Community care services		1058 (2)	–	–	25	–
Boco Rock Community Fund		1058 (2)	218	201	–	–
Yallambee lodge residential aged care		1058 (2)	–	–	114	–
Total other contributions – cash			3,028	2,590	155	278
Total other contributions			3,028	2,590	155	278
Total contributions			3,028	2,590	1,336	1,870
TOTAL GRANTS AND CONTRIBUTIONS			25,429	24,262	11,377	6,936

Accounting policy for grants and contributions**Accounting policy from 1 July 2019****Grant income under AASB 15**

Where grant income arises from an agreement which is enforceable and contains sufficiently specific performance obligations then the revenue are recognised when control of each performance obligations is satisfied.

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.

Each performance obligation is considered to ensure that the revenue recognition reflects the transfer of control and within grant agreements there may be some performance obligations where control transfers at a point in time and others which have continuous transfer of control over the life of the contract.

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.

Grant income

Assets arising from grants in the scope of AASB 1058 is recognised at the assets fair value when the asset is received. Councils considers whether there are any related liability or equity items associated with the asset which are recognised in accordance with the relevant accounting standard.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

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

Capital grants

Capital grants received to enable Council to acquire or construct an item of infrastructure, property, plant and equipment to identified specifications which will be under Council's control and which is enforceable 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 as there is no profit margin.

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

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*.

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

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

Accounting policy prior to 1 July 2019

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

\$ '000	2020	2019
(f) Unspent grants and contributions – external restrictions		
Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner due to externally imposed restrictions.		
Operating grants		
Unexpended at the close of the previous reporting period	5,775	5,647
Add: operating grants recognised as income in the current period but not yet spent (2019 only)	–	1,754
Add: operating grants received for the provision of goods and services in a future period	1,594	38
Less: operating grants recognised in a previous reporting period now spent (2019 only)	–	(1,664)
Less: operating grants received in a previous reporting period now spent and recognised as income	(3,171)	–
Unexpended and held as externally restricted assets (operating grants)	4,198	5,775
Capital grants		
Unexpended at the close of the previous reporting period	12,468	10,328
Add: capital grants recognised as income in the current period but not yet spent (2019 only)	–	2,143
Add: capital grants received for the provision of goods and services in a future period	1,014	500
Less: capital grants recognised in a previous reporting period now spent (2019 only)	–	(503)
Less: capital grants received in a previous reporting period now spent and recognised as income	(6,245)	–
Unexpended and held as externally restricted assets (capital grants)	7,237	12,468
Contributions		
Unexpended at the close of the previous reporting period	6,636	4,843
Add: contributions recognised as income in the current period but not yet spent	–	418
Add: contributions received for the provision of goods and services in a future period	1,601	1,724
Add: contributions recognised as income in the current period obtained in respect of a future rating identified by Council for the purpose of establishing a rate (2019 only)	–	–
Less: contributions recognised in a previous reporting period now spent	(321)	(349)
Unexpended and held as externally restricted assets (contributions)	7,916	6,636

Notes to the Financial Statements

for the year ended 30 June 2020

Note 4. Interest and investment revenue

\$ '000	2020	2019
Interest on financial assets measured at amortised cost		
– Overdue rates and annual charges (incl. special purpose rates)	325	259
– Cash and investments	1,289	2,276
– Other	25	28
Dividend income relating to investments held at fair value through other comprehensive income	36	27
Total Interest and investment income	1,675	2,590
Interest revenue is attributable to:		
Unrestricted investments/financial assets:		
Overdue rates and annual charges (general fund)	261	259
General Council cash and investments	387	1,201
Restricted investments/funds – external:		
Development contributions		
– Section 7.11	38	48
– Section 64	96	85
Water fund operations	418	447
Sewerage fund operations	456	522
Domestic waste management operations	19	28
Total interest and investment revenue	1,675	2,590

Accounting policy for interest and investment revenue

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations

\$ '000	2020	2019
(a) Employee benefits and on-costs		
Salaries and wages	28,657	25,421
Travel expenses	48	31
Employee leave entitlements (ELE)	2,255	2,453
ELE on-costs	102	138
Superannuation	2,819	2,582
Workers' compensation insurance	1,000	671
Fringe benefit tax (FBT)	(5)	33
Payroll tax	97	106
Training costs (other than salaries and wages)	306	276
Protective clothing	63	59
Vehicle allowance	186	131
Recruitment expenses	125	159
Other	54	48
Total employee costs	35,707	32,108
Less: capitalised costs	(2,070)	(1,176)
TOTAL EMPLOYEE COSTS EXPENSED	33,637	30,932
Number of 'full-time equivalent' employees (FTE) at year end	369	360

Accounting policy for employee benefits and on-costs

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

Retirement benefit obligations

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

Superannuation plans

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations (continued)

\$ '000	Notes	2020	2019
(b) Borrowing costs			
Interest on leases		3	–
Interest on loans		76	149
– Remediation liabilities	15	–	100
<u>TOTAL BORROWING COSTS EXPENSED</u>		<u>79</u>	<u>249</u>

Accounting policy for borrowing costs

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations (continued)

\$ '000	2020	2019
(c) Materials and contracts		
Raw materials and consumables	5,715	5,581
Contractors	11,615	11,111
Consultants	1,023	787
Auditors remuneration ²	119	116
Legal fees:		
– planning and development	148	43
– debt recovery	34	21
– other	333	437
Expenses from leases of low value assets (2020 only)	240	–
Operating leases expense (2019 only):		
– Computers	–	322
Total materials and contracts	<u>19,227</u>	<u>18,418</u>
TOTAL MATERIALS AND CONTRACTS	<u>19,227</u>	<u>18,418</u>

Accounting policy for materials and contracts

Expenses are recorded on an accruals basis as the council receives the goods or services.

Operating leases (2019 only)

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

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

Audit and review of financial statements	114	111
Total fees paid or payable to the Auditor-General	<u>114</u>	<u>111</u>

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

Other non-assurance services	5	5
Total fees paid or payable for non-assurance services	<u>5</u>	<u>5</u>

Total Remuneration of Auditors	<u>119</u>	<u>116</u>
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Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations (continued)

\$ '000	Notes	2020	2019
(d) Depreciation, amortisation and impairment of non-financial assets			
Depreciation and amortisation			
Plant and equipment		1,538	1,575
Office equipment		411	282
Furniture and fittings		61	63
Land improvements (depreciable)		7	7
Infrastructure:	10(a)		
– Buildings – non-specialised		1,337	1,329
– Buildings – specialised		1,051	1,037
– Other structures		525	509
– Roads		7,028	6,997
– Bridges		1,462	1,451
– Footpaths		97	92
– Stormwater drainage		635	627
– Water supply network		2,707	3,352
– Sewerage network		2,133	2,391
– Swimming pools		36	32
– Other open space/recreational assets		137	55
Right of use assets	13	83	–
Other assets:			
– Library books		54	74
– Other		182	188
Reinstatement, rehabilitation and restoration assets:			
– Tip assets	15,10(a)	1,001	313
– Quarry assets	15,10(a)	1	1
Total gross depreciation and amortisation costs		<u>20,486</u>	<u>20,375</u>
Total depreciation and amortisation costs		<u>20,486</u>	<u>20,375</u>
<u>TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT FOR NON-FINANCIAL ASSETS</u>		<u>20,486</u>	<u>20,375</u>

Accounting policy for depreciation, amortisation and impairment expenses of non-financial assets**Depreciation and amortisation**

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

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

Impairment of non-financial assets

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations (continued)

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations (continued)

\$ '000	2020	2019
(e) Other expenses		
Advertising	196	167
Bad and doubtful debts	81	52
Bank charges	142	139
Contributions/levies to other levels of government		
– NSW fire brigade levy	64	78
– NSW rural fire service levy	960	761
– NSW state emergency services	24	28
– Other contributions/levies	11	1
Councillor expenses – mayoral fee	44	43
Councillor expenses – councillors' fees	223	218
Councillors' expenses (incl. mayor) – other (excluding fees above)	43	91
RFS Expenses	579	–
Donations & Contributions		
– Boco rock community grants	280	296
– Community projects (SCF)	6	929
– SEWOL	36	53
– South east arts	17	17
– Tourism development	–	7
– Tourism Snowy Mountains	60	60
– Other	109	207
Electricity and heating	1,568	1,487
Insurance	1,152	1,288
Licence fees	106	108
Marketing expenses	11	76
Memberships	111	57
Postage	97	110
Printing and stationery	392	379
Quality monitoring	93	69
Street lighting	215	316
Subscriptions and publications	95	84
Software licences	996	987
Telephone and communications	669	697
Valuation fees	110	131
Other	484	234
Total other expenses	8,974	9,170
TOTAL OTHER EXPENSES	8,974	9,170

Accounting policy for other expenses

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 6. Gain or loss from disposal, replacement and de-recognition of assets

\$ '000	Notes	2020	2019
Property (excl. investment property)			
Proceeds from disposal – property		408	239
Less: carrying amount of property assets sold/written off		(370)	(184)
Net gain/(loss) on disposal		38	55
Plant and equipment			
	10(a)		
Proceeds from disposal – plant and equipment		720	681
Less: carrying amount of plant and equipment assets sold/written off		(746)	(597)
Net gain/(loss) on disposal		(26)	84
Investments			
	7(b)		
Proceeds from disposal/redemptions/maturities – investments		5,786	–
Less: carrying amount of investments sold/redeemed/matured		(5,000)	–
Net gain/(loss) on disposal		786	–
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		798	139

Accounting policy for disposal of assets

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 7(a). Cash and cash equivalents

\$ '000	2020	2019
Cash and cash equivalents		
Cash on hand and at bank	1,038	2,558
Cash-equivalent assets		
– Deposits at call	5,508	8,555
Total cash and cash equivalents	6,546	11,113

Accounting policy for cash and cash equivalents

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 7(b). Investments

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Investments				
a. 'Financial assets at fair value through profit and loss'				
b. 'Financial assets at amortised cost'	20,000	52,000	19,000	58,000
c. 'Financial assets at fair value through other comprehensive income' / 'available for sale financial assets' (2018)	–	–	–	219
Total Investments	20,000	52,000	19,000	58,219
TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS				
	26,546	52,000	30,113	58,219
Financial assets at amortised cost				
Long term deposits	20,000	52,000	19,000	58,000
Total	20,000	52,000	19,000	58,000
Financial assets at fair value through other comprehensive income				
Unlisted equity securities	–	–	–	219
Total	–	–	–	219

Notes to the Financial Statements

for the year ended 30 June 2020

Note 7(b). Investments (continued)

Accounting policy for investments

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

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

Financial assets

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

Classification

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

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

Financial assets are not reclassified subsequent to their initial recognition.

Amortised cost

Assets measured at amortised cost are financial assets where:

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

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

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

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

Financial assets through profit or loss

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 7(c). Restricted cash, cash equivalents and investments

\$ '000	2020		2019	
	Current	Non-current	Current	Non-current
Total cash, cash equivalents and investments	26,546	52,000	30,113	58,219
attributable to:				
External restrictions	11,026	52,000	936	58,219
Internal restrictions	15,520	–	28,617	–
Unrestricted	–	–	560	–
	26,546	52,000	30,113	58,219

\$ '000	2020	2019
External restrictions – included in liabilities		
Specific purpose unexpended grants – general fund	5,916	–
Specific purpose unexpended grants - stronger communities fund	4,074	–
Specific purpose unexpended grants - new council implementation fund	1,445	–
External restrictions – included in liabilities	11,435	–
External restrictions – other		
Developer contributions – general	2,421	1,792
Developer contributions – water fund	2,816	2,493
Developer contributions – sewer fund	2,298	1,980
Specific purpose unexpended grants (recognised as revenue) – general fund	–	5,303
Water supplies	19,733	17,042
Sewerage services	18,635	19,348
Domestic waste management	–	4,896
Snowy River Hostel accommodation bonds	1,169	919
Yallambee Lodge accomodation bonds	2,392	3,178
Crown land reserves	1,399	1,284
Home and community care	301	458
Boco rock community reserve	229	337
Kamoto-cooma friendship scholarship fund	45	44
Other	153	81
External restrictions – other	51,591	59,155
Total external restrictions	63,026	59,155
Internal restrictions		
Plant and vehicle replacement	1,294	2,245
Employees leave entitlement	1,383	3,067
Deposits, retentions and bonds	682	682
Quarry operations	–	684
Uncompleted works	66	1,801
Waste management	7,274	998
Yallambee Lodge building/equipment replacement	700	1,047
Former Snowy River LGA	699	731
Former Bombala LGA	1,718	1,810
New Council Implementation funding Interest	378	284
Stronger communities fund Interest	1,326	1,105
New Council Implementation Funding	–	4,176
Stronger Communities Fund	–	9,987
Total internal restrictions	15,520	28,617

Notes to the Financial Statements

for the year ended 30 June 2020

Note 7(c). Restricted cash, cash equivalents and investments (continued)

\$ '000	2020	2019
TOTAL RESTRICTIONS	<u>78,546</u>	<u>87,772</u>

Notes to the Financial Statements

for the year ended 30 June 2020

Note 8. Receivables

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Purpose				
Rates and annual charges	6,507	–	5,611	–
Interest and extra charges	542	–	432	–
User charges and fees	2,913	–	4,738	–
Accrued revenues				
– Interest on investments	738	–	1,184	–
– Other income accruals	635	–	649	–
Government grants and subsidies	1,750	–	517	–
Net GST receivable	338	–	484	–
Loans receivable	24	62	18	105
Other debtors	168	–	145	–
Total	13,615	62	13,778	105
Less: provision of impairment				
User charges and fees	(82)	–	(78)	–
Total provision for impairment – receivables	(82)	–	(78)	–
<u>TOTAL NET RECEIVABLES</u>	<u>13,533</u>	<u>62</u>	<u>13,700</u>	<u>105</u>

Accounting policy for receivables

Recognition and measurement

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 8. 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, or when the receivables are over 1 year past due, whichever occurs first.

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

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

Rates and annual charges outstanding are secured against the property.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 9. Inventories and other assets

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
(a) Inventories				
(i) Inventories at cost				
Real estate for resale	441	–	441	–
Stores and materials	1,186	–	1,254	–
Trading stock	29	–	–	–
Total inventories at cost	1,656	–	1,695	–
<u>TOTAL INVENTORIES</u>	<u>1,656</u>	<u>–</u>	<u>1,695</u>	<u>–</u>
(b) Other assets				
Prepayments	423	–	299	–
<u>TOTAL OTHER ASSETS</u>	<u>423</u>	<u>–</u>	<u>299</u>	<u>–</u>

Accounting policy for inventories and other assets

Raw materials and stores, work in progress and finished goods

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

Land held for resale/capitalisation of borrowing costs

Land held for resale is stated at the lower of cost and net realisable value. Cost is assigned by specific identification and includes the cost of acquisition, and development and borrowing costs during development. When development is completed, borrowing costs and other holding charges are expensed as incurred.

Borrowing costs included in the cost of land held for resale are those costs that would have been avoided if the expenditure on the acquisition and development of the land had not been made. Borrowing costs incurred while active development is interrupted for extended periods are recognised as expenses.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 10(a). Infrastructure, property, plant and equipment

	as at 30/06/19			Asset movements during the reporting period							as at 30/06/20		
	Gross carrying amount	Accumulated depreciation	Net carrying amount	Additions renewals ¹	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Adjustments and transfers	Revaluation increments/(decrements) to equity (ARR)	Gross carrying amount	Accumulated depreciation	Net carrying amount
\$ '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	11,408	–	11,408	–	–	–	–	–	–	–	11,408	–	11,408
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 15):													
– 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	1,690,191	(556,078)	1,134,113	24,462	5,052	(1,116)	(20,403)	–	14,501	45,817	1,731,672	(529,246)	1,202,426

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

Notes to the Financial Statements
for the year ended 30 June 2020

Note 10(a). Infrastructure, property, plant and equipment (continued)

	as at 30/06/18			Asset movements during the reporting period								as at 30/06/19		
	Gross carrying amount	Accumulated depreciation	Net carrying amount	Additions renewals ¹	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Adjustments and transfers	Revaluation decrements to equity (ARR)	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation	Net carrying amount
\$ '000														
Capital work in progress	10,298	–	10,298	10,642	–	–	–	(4,201)	–	–	–	16,739	–	16,739
Plant and equipment	24,649	(14,022)	10,627	–	3,300	(597)	(1,575)	–	–	–	–	27,352	(15,597)	11,755
Office equipment	3,410	(2,490)	920	–	–	–	(282)	793	–	–	–	4,203	(2,772)	1,431
Furniture and fittings	1,007	(614)	393	–	139	–	(63)	49	–	–	–	1,195	(677)	518
Land:														
– Operational land	21,049	–	21,049	–	–	–	–	–	–	–	–	21,049	–	21,049
– Community land	11,408	–	11,408	–	–	–	–	–	–	–	–	11,408	–	11,408
Land improvements – depreciable	1,896	(145)	1,751	–	–	–	(7)	–	–	–	–	1,896	(152)	1,744
Infrastructure:														
– Buildings – non-specialised	60,057	(34,114)	25,943	158	–	–	(1,329)	–	–	–	–	60,215	(35,443)	24,772
– Buildings – specialised	57,194	(40,920)	16,274	495	–	(184)	(1,037)	509	3,841	(3,723)	–	58,132	(41,957)	16,175
– Other structures	14,756	(7,063)	7,693	364	–	–	(509)	434	(811)	–	–	14,743	(7,572)	7,171
– Roads	420,816	(165,098)	255,718	1,240	–	–	(6,997)	335	–	–	–	422,391	(172,095)	250,296
– Bridges	113,154	(54,840)	58,314	1,120	–	–	(1,451)	345	–	–	–	114,619	(56,291)	58,328
– Footpaths	16,745	(8,544)	8,201	218	–	–	(92)	122	–	–	–	17,085	(8,636)	8,449
– Bulk earthworks (non-depreciable)	515,602	–	515,602	–	–	–	–	–	–	–	–	515,602	–	515,602
– Stormwater drainage	31,389	(14,973)	16,416	1	–	–	(627)	746	–	–	–	32,136	(15,600)	16,536
– Water supply network	201,185	(109,498)	91,687	651	–	–	(3,352)	320	–	–	1,400	203,556	(112,850)	90,706
– Sewerage network	140,530	(68,068)	72,462	104	–	–	(2,391)	225	–	–	1,109	141,968	(70,459)	71,509
– Swimming pools	13,644	(8,784)	4,860	197	–	–	(32)	–	(2,428)	–	–	11,413	(8,816)	2,597
– Other open space/recreational assets	5,053	(3,149)	1,904	837	–	–	(55)	257	(602)	–	–	5,545	(3,204)	2,341
Other assets:														
– Library books	1,427	(1,095)	332	–	76	–	(74)	65	–	–	–	1,568	(1,169)	399
– Other	4,521	(1,750)	2,771	24	–	–	(188)	1	–	–	–	4,321	(1,713)	2,608
Reinstatement, rehabilitation and restoration assets (refer Note 15):														
– Tip assets	3,566	(1,245)	2,321	–	–	–	(313)	–	(60)	–	–	3,017	(1,069)	1,948
– Quarry assets	38	(5)	33	–	–	–	(1)	–	–	–	–	38	(6)	32
Total Infrastructure, property, plant and equipment	1,673,394	(536,417)	1,136,977	16,051	3,515	(781)	(20,375)	–	(60)	(3,723)	2,509	1,690,191	(556,078)	1,134,113

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 10(a). Infrastructure, property, plant and equipment (continued)

Accounting policy for infrastructure, property, plant and equipment

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

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

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 10(a). Infrastructure, property, plant and equipment (continued)

Land under roads

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

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

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

Crown reserves

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

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

Rural Fire Service assets

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

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

Notes to the Financial Statements
for the year ended 30 June 2020

Note 10(b). Infrastructure, property, plant and equipment – current year impairments

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 11. Intangible assets

Intangible assets are as follows:

\$ '000	2020	2019
Intangible Assets		
Opening values at 1 July		
Gross book value	350	350
Net book value – opening balance	350	350
Movements for the year		
Closing values at 30 June		
Gross book value	350	350
Total – net book value	350	350

Council owns and operates two Residential Aged Care facilities. Bed licences are granted by the Federal 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 in Council's books 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.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 12. Contract liabilities

\$ '000	Notes	2020 Current	2020 Non-current
Contract liabilities			
Grants and contributions received in advance:			
Unexpended capital grants (to construct Council controlled assets)	(i)	7,237	–
Unexpended operating grants (received prior to performance obligation being satisfied)	(ii)	4,198	–
Total grants received in advance		11,435	–
Total contract liabilities		11,435	–

Notes

(i) Council has received funding to construct infrastructure. 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.

\$ '000	2020 Current	2020 Non-current
(i) Contract liabilities relating to restricted assets		
Externally restricted assets		
Unspent grants held as contract liabilities (excl. Water & Sewer)	11,435	–
Contract liabilities relating to externally restricted assets	11,435	–
Total contract liabilities relating to restricted assets	11,435	–
Total contract liabilities	11,435	–

Notes to the Financial Statements

for the year ended 30 June 2020

Note 12. Contract liabilities (continued)

\$ '000	2020
(ii) Revenue recognised (during the financial year) from opening contract liability balances	
Grants and contributions received in advance:	
Capital grants (to construct Council controlled assets)	6,245
Operating grants (received prior to performance obligation being satisfied)	3,171
Capital contributions (to construct Council controlled assets)	41
Total Revenue recognised during the financial year that was included in the contract liability balance at the beginning of the period	9,457

Significant changes in contract assets and liabilities

The contract liabilities have arisen on adoption of AASB 15 and AASB 1058. Previously income received in advance was recognised for reciprocal contracts. The increase in a contract liability is primarily due to grants in the scope of AASB 15 and capital grants received by Council to acquire or construct assets which will be under Council's control. Previously, revenue was recognised on receipt of the funds.

Accounting policy for contract assets and liabilities

Where the amounts billed to customers are based on the achievement of various milestones established in the contract, the amounts recognised as revenue in a given period do not necessarily coincide with the amounts billed to or certified by the customer.

When a performance obligation is satisfied by transferring a promised good or service to the customer before the customer pays consideration or before the payment is due, Council presents the work in progress as a contract asset, unless the rights to that amount of consideration are unconditional, in which case Council recognises a receivable.

When an amount of consideration is received from a customer / fund provider prior to Council transferring a good or service to the customer, Council presents the funds which exceed revenue recognised as a contract liability.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 13. Leases

The Council has applied AASB 16 using the modified retrospective (cumulative catch-up) method and therefore the comparative information has not been restated and continues to be reported under AASB 117 and related Interpretations.

(i) 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.

\$ '000	IT Equipment
(a) Right of use assets	
Adoption of AASB 16 at 1 July 2019 –	145
Depreciation charge	(83)
<u>Balance at 30 June 2020</u>	<u>62</u>

Notes to the Financial Statements

for the year ended 30 June 2020

Note 13. Leases (continued)

\$ '000	2020 Current	2020 Non-current
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(b) Lease liabilities

(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
Cash flows	49	16	–	65	65

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

(c) Income Statement

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

Interest on lease liabilities	3
Depreciation of right of use assets	83
Expenses relating to low-value leases	240
	<u>326</u>

Notes to the Financial Statements

for the year ended 30 June 2020

Note 13. Leases (continued)

\$ '000	2020
(d) Statement of Cash Flows	
Total cash outflow for leases	371
	371

Accounting policy**Accounting policies under AASB 16 – applicable from 1 July 2019**

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. The right-of-use 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.

Accounting policy under AASB 117 and associated Accounting Interpretations (2019 only)

Refer to Note 5c and Note 16.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 13. Leases (continued)

(ii) Council as a lessor

(e) Operating leases

Council leases out a number of 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	2020
(i) Operating lease income	
Other lease income	
Room/Facility Hire	698
Leaseback fees - council vehicles	194
Total income relating to operating leases	892

(iv) Maturity analysis of contractual lease income

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

< 1 year	524
1–2 years	473
2–3 years	442
3–4 years	398
4–5 years	128
> 5 years	323
Total undiscounted contractual lease income receivable	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 then 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.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 14. Payables and borrowings

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Payables				
Goods and services – operating expenditure	41	–	2,256	–
Accrued expenses:				
– Borrowings	3	–	5	–
– Salaries and wages	–	–	980	–
– Other expenditure accruals	2,987	–	753	–
Advances	835	–	787	–
Security bonds, deposits and retentions	1,558	–	1,376	–
Yallambee Lodge accommodation bonds	2,392	–	3,178	–
Snowy River Hostel accommodation bonds	1,169	–	919	–
Other	5	–	–	–
Total payables	8,990	–	10,254	–
Borrowings				
Loans – secured ¹	520	356	490	875
Total borrowings	520	356	490	875
<u>TOTAL PAYABLES AND BORROWINGS</u>	<u>9,510</u>	<u>356</u>	<u>10,744</u>	<u>875</u>

(1) Loans are secured over the general rating income of Council.
Disclosures on liability interest rate risk exposures, fair value disclosures and security can be found in Note 17.

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
(a) Payables and borrowings relating to restricted assets				
Externally restricted assets				
Water	128	78	188	174
Sewer	3	–	16	–
Domestic waste management	287	278	269	564
Yallambee Lodge accommodation bonds	2,392	–	3,178	–
Snowy River Hostel accommodation bonds	1,169	–	919	–
Payables and borrowings relating to externally restricted assets	3,979	356	4,570	738
Total payables and borrowings relating to restricted assets	3,979	356	4,570	738
Total payables and borrowings relating to unrestricted assets	5,531	–	6,174	137
<u>TOTAL PAYABLES AND BORROWINGS</u>	<u>9,510</u>	<u>356</u>	<u>10,744</u>	<u>875</u>

Notes to the Financial Statements

for the year ended 30 June 2020

Note 14. Payables and borrowings (continued)

(b) Changes in liabilities arising from financing activities

\$ '000	as at 30/06/19		as at 30/06/20	
	Opening Balance	Cash flows	Closing balance	
Loans – secured	1,365	(489)	876	
Lease liabilities	–	65	65	
TOTAL	1,365	(424)	941	

\$ '000	as at 30/06/18		Non-cash changes		as at 30/06/19	
	Opening Balance	Cash flows	Other non-cash movement		Closing balance	
Loans – secured	3,232	(1,867)	–		1,365	
TOTAL	3,232	(1,867)	–		1,365	

Notes to the Financial Statements

for the year ended 30 June 2020

Note 14. Payables and borrowings (continued)

\$ '000	2020	2019
(c) Financing arrangements		
Total facilities		
Bank overdraft facilities ¹	300	300
Credit cards/purchase cards	105	105
Total financing arrangements	405	405
Drawn facilities		
– Credit cards/purchase cards	19	–
Total drawn financing arrangements	19	–
Undrawn facilities		
– Bank overdraft facilities	300	300
– Credit cards/purchase cards	86	105
Total undrawn financing arrangements	386	405

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.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 14. Payables and borrowings (continued)

Accounting policy for payables and borrowings

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

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

Payables

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

Borrowings

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 15. Provisions

\$ '000	2020		2019	
	Current	Non-current	Current	Non-current
Provisions				
Employee benefits				
Annual leave	2,448	–	2,285	–
Long service leave	3,471	–	3,444	–
Other leave – TIL and flex	392	–	452	–
ELE on-costs	607	–	507	–
Other provisions				
Asset remediation/restoration (future works)	–	19,545	–	5,052
TOTAL PROVISIONS	6,918	19,545	6,688	5,052

\$ '000	2020	2019
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(a) Current provisions not anticipated to be settled within the next twelve months

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

Provisions – employees benefits	3,383	3,154
	3,383	3,154

(b) Description of and movements in non-employee benefit provisions

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 15. Provisions (continued)

Accounting policy for provisions

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

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

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

Employee benefits

Short-term obligations

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

Other long-term employee benefit obligations

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

On-costs

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 15. Provisions (continued)

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

Restoration

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

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

Rehabilitation

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

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.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 16. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors

(a) Nature and purpose of reserves

Infrastructure, property, plant and equipment revaluation reserve

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

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

During the year ended 30 June 2020, the Council has adopted AASB 15 *Revenue from Contracts with Customers*, AASB 1058 *Income of Not-for-profit Entities* and AASB 16 *Leases* using the modified retrospective (cumulative catch-up) method and therefore the comparative information for the year ended 30 June 2019 has not been restated and continues to comply with AASB 111 *Construction Contracts*, AASB 117 *Leases*, AASB 118 *Revenue*, AASB 1004 *Contributions* and associated Accounting Interpretations.

All adjustments on adoption of AASB 15 and AASB 1058 have been taken to retained earnings at 1 July 2019.

The impacts of adopting these standards and associated transition disclosures are provided below:

(ii) AASB 15 and AASB 1058

The following approach has been applied on transition to AASB 15 and AASB 1058:

- Council has not adopted the completed contract expedient and therefore has not excluded revenue which was fully recognised in previous years in accordance with the former accounting standards and pronouncements.
- Council has retrospectively restated contracts for modifications that occurred before 1 July 2019 unless such contract modification were minor.

Grants – operating

Under AASB 1004, most grant income was recognised as revenue on receipt. Under AASB 15, where an agreement is enforceable and contains sufficiently specific performance obligations, the revenue is either recognised over time as the work is performed, or recognised at the point in time that the control of the services passes to the customer.

Grants – capital

Under AASB 1004, most grant monies were recorded as revenue on receipt. Under AASB 1058, where Council has received assets (including cash) to acquire or construct a non-financial asset, the asset is to be controlled by Council and the contract is enforceable, then the asset is recognised as a contract liability on receipt and recorded as revenue as the performance obligation to acquire or construct the asset is completed.

Changes in presentation

In addition to the above changes in accounting policies, the Council has also amended the presentation of certain items to align them with the requirements of AASB 15 and AASB 1058:

- Additional line items of contract liabilities have been created.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 16. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)

\$ '000	Balance at 1 July 2019
Opening contract balances at 1 July 2019	
Contract liabilities	
– Under AASB 15	–
– Under AASB 1058	(18,243)
Total Contract liabilities	<u>(18,243)</u>

Comparison of financial statement line items under AASB 15 compared to previous standards for the current year

The following tables show the impact of adopting AASB 15 and AASB 1058 on the Council's financial statements for the year ended 30 June 2020.

Statement of Financial Position

\$ '000	Carrying amount per Statement of Financial Position under AASB 15 and AASB 1058	Reclassific- ation	Remeasur-e ment	Carrying amount under previous revenue standards
Current assets				
Cash and cash equivalents	6,546	–	–	6,546
Investments	20,000	–	–	20,000
Receivables	13,533	–	–	13,533
Inventories	1,656	–	–	1,656
Other	423	–	–	423
Total current assets	<u>42,158</u>	<u>–</u>	<u>–</u>	<u>42,158</u>
Current liabilities				
Payables	8,990	–	–	8,990
Contract liabilities	11,435	–	(11,435)	–
Lease liabilities	49	–	–	49
Borrowings	520	–	–	520
Provisions	6,918	–	–	6,918
Total current liabilities	<u>27,912</u>	<u>–</u>	<u>(11,435)</u>	<u>16,477</u>

Notes to the Financial Statements

for the year ended 30 June 2020

Note 16. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)

\$ '000	Carrying amount per Statement of Financial Position under AASB 15 and AASB 1058	Reclassific- ation	Remeasur-e ment	Carrying amount under previous revenue standards
Non-current assets				
Investments	52,000	–	–	52,000
Receivables	62	–	–	62
Infrastructure, property, plant and equipment	1,202,426	–	–	1,202,426
Intangible assets	350	–	–	350
Right of use assets	62	–	–	62
Total non-current assets	1,254,900	–	–	1,254,900
Non-current liabilities				
Lease liabilities	16	–	–	16
Borrowings	356	–	–	356
Provisions	19,545	–	–	19,545
Total Non-current liabilities	19,917	–	–	19,917
Net assets	1,249,229	–	11,435	1,260,664
Equity				
Accumulated surplus	1,177,692	–	11,435	1,189,127
Revaluation reserves	71,537	–	–	71,537
Council equity interest	1,249,229	–	11,435	1,260,664
Total equity	1,249,229	–	11,435	1,260,664

Notes to the Financial Statements

for the year ended 30 June 2020

Note 16. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)

Income Statement

\$ '000	Income Statement and comprehensive income under AASB 15 and AASB 1058	Reclassification	Remeasurement	Income Statement and comprehensive income under previous revenue standards
<u>Income from continuing operations</u>				
Rates and annual charges	32,443	–	–	32,443
User charges and fees	14,440	–	–	14,440
Other revenues	1,988	–	–	1,988
Grants and contributions provided for operating purposes	25,429	–	(1,577)	23,852
Grants and contributions provided for capital purposes	11,377	–	(5,280)	6,097
Interest and investment income	1,675	–	–	1,675
Net gains from the disposal of assets	798	–	–	798
Rental income	892	–	–	892
Total Income from continuing operations	89,042	–	(6,857)	82,185
<u>Expenses from continuing operations</u>				
Employee benefits and on-costs	33,637	–	–	33,637
Borrowing costs	79	–	–	79
Materials and contracts	19,227	–	–	19,227
Depreciation and amortisation	20,486	–	–	20,486
Other expenses	8,974	–	–	8,974
Total Expenses from continuing operations	82,403	–	–	82,403
Total Operating result from continuing operations	6,639	–	(6,857)	(218)
Net operating result for the year	6,639	–	(6,857)	(218)
Total comprehensive income	52,237	–	–	52,237

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

Statement of Financial Position

\$ '000	Original Balance 1 July, 2019	Impact Increase/ (decrease)	Restated Balance 1 July, 2019
Contract assets	–	–	–
Total assets	–	–	–
Contract liabilities	–	18,243	18,243
Total liabilities	–	18,243	18,243
Accumulated surplus	–	(18,243)	(18,243)
Total equity	–	(18,243)	(18,243)

Notes to the Financial Statements

for the year ended 30 June 2020

Note 16. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)**(iii) AASB 16 Leases****Council as a lessee**

Under AASB 117, Council assessed whether leases were operating or finance leases, based on its assessment of whether the significant risks and rewards of ownership had been transferred to Council or remained with the lessor. Under AASB 16, there is no differentiation between finance and operating leases for the lessee and therefore all leases which meet the definition of a lease are recognised on the statement of financial position (except for short-term leases and leases of low-value assets).

Council has used the exception to lease accounting for short-term leases and leases of low-value assets, and the lease expense relating to these leases is recognised in the Income Statement on a straight-line basis.

Practical expedients used on transition

AASB 16 includes a number of practical expedients which can be used on transition. Council has used the following expedients:

- Contracts which had previously been assessed as not containing leases under AASB 117 were not re-assessed on transition to AASB 16.
- Lease liabilities have been discounted using the Council's incremental borrowing rate at 1 July 2019.
- Right-of-use assets at 1 July 2019 have been measured at an amount equal to the lease liability adjustment by the any prepaid or accrued lease payments.
- A single discount rate was applied to all leases with similar characteristics.
- The right-of-use asset was adjusted by the existing onerous lease provision (where relevant) at 30 June 2019 rather than perform impairment testing of the right-of-use asset.
- Excluded leases with an expiry date prior to 30 June 2020 from the Statement of Financial Position, and lease expenses for these leases have been recorded on a straight-line basis over the remaining term.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

Financial statement impact of adoption of AASB 16

Council has recognised right-of-use assets and lease liabilities of \$145,878 at 1 July 2019 for leases previously classified as operating leases, or leases that are significantly below market value which were previously off balance sheet.

The weighted average lessee's incremental borrowing rate applied to lease liabilities at 1 July 2019 was 3.2%

\$ '000	Balance at 1 July 2019
Operating lease commitments at 30 June 2019 per Council financial statements	360
Reconciliation of lease liabilities recognised on adoption of AASB 16 Leases	
Operating lease commitments discounted using the incremental borrowing rate at 1 July 2019	347
Add:	
Contracts not accounted for as operating lease commitments last year	13
Less:	
Leases for low-value assets included in commitments note	(215)
Lease liabilities recognised at 1 July 2019	145

Council as a lessor

For the arrangements where Council is a lessor, there are no significant accounting policy changes on adoption of AASB 16 except for sub-leases, which have now been classified in relation to the right-of-use asset under the head lease rather than the underlying asset.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 16. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)

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

Statement of Financial Position

\$ '000	Original Balance 1 July, 2019	Impact Increase/ (decrease)	Restated Balance 1 July, 2019
Rights-of-use assets	–	145	145
Total assets	–	145	145
Payables – accrued interest on leases (30/6/2019)	–	–	–
Leases	–	145	145
Total liabilities	–	145	145
Accumulated surplus	–	–	–
Total equity	–	–	–

Notes to the Financial Statements

for the year ended 30 June 2020

Note 17. Statement of cash flow information

\$ '000	Notes	2020	2019
(a) Reconciliation of cash and cash equivalents			
Total cash and cash equivalents per Statement of Financial Position	7(a)	6,546	11,113
Balance as per the Statement of Cash Flows		6,546	11,113
(b) Reconciliation of net operating result to cash provided from operating activities			
Net operating result from Income Statement		6,639	2,246
Adjust for non-cash items:			
Depreciation and amortisation		20,486	20,375
Net losses/(gains) on disposal of assets		(798)	(139)
Adoption of AASB 15/1058		(18,243)	–
Losses/(gains) recognised on fair value re-measurements through the P&L:			
– Restatement of landfill restoration provisions		(13,693)	–
Unwinding of discount rates on reinstatement provisions		–	100
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		206	1,387
Increase/(decrease) in provision for impairment of receivables		4	(63)
Decrease/(increase) in inventories		39	(125)
Decrease/(increase) in other current assets		(124)	(44)
Increase/(decrease) in payables		(2,215)	(1,181)
Increase/(decrease) in accrued interest payable		(2)	(13)
Increase/(decrease) in other accrued expenses payable		1,254	398
Increase/(decrease) in other liabilities		(301)	147
Increase/(decrease) in contract liabilities		11,435	–
Increase/(decrease) in provision for employee benefits		230	561
Increase/(decrease) in other provisions		14,493	(342)
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		19,410	23,307

Notes to the Financial Statements

for the year ended 30 June 2020

Note 18. Commitments

\$ '000	2020	2019
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(a) Capital commitments (exclusive of GST)

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

Property, plant and equipment

Transport Infrastructure	1,137	2,210
Plant and equipment	945	458
Water Infrastructure	259	327
Sewer Infrastructure	8,808	296
Other Infrastructure	2,723	1,441
Corporate Information System	161	3,343
Total commitments	14,033	8,075

These expenditures are payable as follows:

Within the next year	14,033	6,961
Later than one year and not later than 5 years	–	1,114
Total payable	14,033	8,075

Details of capital commitments

Commitments relate to capital works in progress including;

Bombala Sewer Treatment Plant
Bombala Pump Station Upgrade
Delegate River Bridge Replacement
Dalgety Showground Pavilion
RFS East Jindabyne Station
Yallambee Lodge Building Extension
Lions Park Upgrade
Heavy Plant - Prime Mover

\$ '000	2020	2019
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(b) Non-cancellable operating lease commitments (2019 only)

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

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

Refer to Note 15 for information relating to leases for 2020.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 19. 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 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.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 19. Contingencies (continued)

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

The amount of Council employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense for the year ending 30 June 2020 was \$313,151.05. The last valuation of the Scheme was performed by the Fund Actuary, Richard Boyfield FIAA as at 30 June 2019.

Council's expected contribution to the plan for the next annual reporting period is \$290,954.12.

The estimated employer reserves financial position for the Pooled Employers at 30 June 2020 is:

Employer reserves only *	\$millions	Asset Coverage
Assets	1,695.2	
Past Service Liabilities	1,773.2	95.6%
Vested Benefits	1,757.5	96.5%

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

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

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

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

* Plus promotional increases

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

(ii) Statewide Limited

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

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

The future realisation and finalisation of claims incurred but not reported to 30 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.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 19. Contingencies (continued)

(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.

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

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

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

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

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

(iii) Asset remediation/restoration (future works)

Council has revised its remediation provisions and asset values for operating landfill sites at Cooma, Bombala and Jindabyne based on latest available information. This provision value has increased from \$5 to \$18.7 million.

Council also has draft remediation valuations on 15 closed sites based on information available to date. However the estimates are still considered contingent and provisions have not been included in the financial statements for the year ended 30 June 2020 for these sites. Provisions will be accounted for as agreements are reached with the NSW Environmental Protection Agency (EPA) setting out the rehabilitation requirements for each individual site which will enable more reliable estimates to be calculated.

ASSETS NOT RECOGNISED

(i) Land under roads

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

(ii) Infringement notices/fines

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 20. Financial risk management

Risk management

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

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

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

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

The fair value of investments, receivables, loans, payables and lease liabilities approximates the carrying amount

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

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

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

The risks associated with the instruments held are:

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

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

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

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

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

\$ '000	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
2020				
Possible impact of a 10% movement in market values	167	167	(167)	(167)
Possible impact of a 1% movement in interest rates	785	785	(785)	(785)
2019				
Possible impact of a 10% movement in market values	259	259	(259)	(259)
Possible impact of a 1% movement in interest rates	881	881	(881)	(881)

Notes to the Financial Statements

for the year ended 30 June 2020

Note 20. Financial risk management (continued)

(b) Credit risk

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

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

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

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

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

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

Credit risk profile

Receivables – rates and annual charges

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

\$ '000	Not yet overdue	< 1 year overdue	1 - 2 years overdue	2 - 5 years overdue	> 5 years overdue	Total
2020						
Gross carrying amount	1,668	2,575	942	1,044	278	6,507
2019						
Gross carrying amount	1,891	2,073	732	656	259	5,611

Receivables - non-rates and annual charges

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

The loss allowance provision as at 30 June 2020 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
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
2019							
Gross carrying amount		4,909	138	275	2,498	452	8,272
Expected loss rate (%)		0.27%	1.10%	1.37%	1.56%	4.56%	0.94%
ECL provision		13	2	4	39	21	79

Notes to the Financial Statements

for the year ended 30 June 2020

Note 20. Financial risk management (continued)

(c) Liquidity risk

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

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

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

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

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

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

\$ '000	Weighted average interest rate	Subject to no maturity	≤ 1 Year	payable in: 1 - 5 Years	> 5 Years	Total cash outflows	Actual carrying values
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
2019							
Trade/other payables	0.00%	1,376	8,878	–	–	10,254	10,254
Loans and advances	6.49%	–	567	798	–	1,365	1,365
Total financial liabilities		1,376	9,445	798	–	11,619	11,619

Notes to the Financial Statements

for the year ended 30 June 2020

Note 21. Material budget variations

Council's original financial budget was adopted by the Council on 20/06/2019 and is unaudited.

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

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

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

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

\$ '000	2020 Budget	2020 Actual	2020 ----- Variance -----		
REVENUES					
Rates and annual charges	31,589	32,443	854	3%	F
User charges and fees	14,505	14,440	(65)	0%	U
Other revenues	1,872	1,988	116	6%	F
Operating grants and contributions	19,603	25,429	5,826	30%	F
Relates to new grants received, increases to existing funding and impacts of the new accounting standards in relation to income recognition. The most significant variations include;					
Re-recognition of income attributable to New Council Implementation Funding expended (AASB 1058)					
New funding received for bushfire recovery					
Additional community care funding with an increase in Home Care Package and NDIS consumers					
Additional weeds management funding					
A detailed breakdown of grants can be found at note 3 (d)					
Capital grants and contributions	13,862	11,377	(2,485)	(18)%	U
Capital grant funding has been impacted by the introduction of the new accounting standards in relation to income recognition and the timing of large capital works projects. The most notable variations include;					
Re-recognition of the Stronger Communities Funds expended (AASB 1058 (1))					
Greater than expected s 7.11 developer contributions received					
Offset by timing variations on Water and Sewer Treatment Plant and Yallabee Building Extension projects					
Details of capital grants and contributions received can be found at note 3 (d)					
Interest and investment revenue	1,928	1,675	(253)	(13)%	U
With both Council's cash balance and interest received on overdue rates and charges ahead of budget, the key driver of this unfavourable variance is falling interest rates resulting from the economic impact of COVID 19. Council's annualised return on investment has reduced to 2.16% by June 2020 compared to the budgeted rate of 2.5%.					
Net gains from disposal of assets	903	798	(105)	(12)%	U
Consideration received on the sale of plant and fleet resulted returned lower values than expected compared to the carrying value of the assets offset by additional proceeds received through the sale of Council's Southern Phone Shares.					
Rental income	–	892	892	∞	F
This variation is an impact of the new accounting standards with rental and leaseback income previously reported as other revenues now presented as a separate line item in the income statement.					

Notes to the Financial Statements

for the year ended 30 June 2020

Note 21. Material budget variations (continued)

\$ '000	2020 Budget	2020 Actual	2020 ----- Variance -----	
EXPENSES				
Employee benefits and on-costs	28,021	33,637	(5,616)	(20)% U
Contributing factors to this variation include;				
An overstated employment vacancy rate assumption applied to the original budget				
One off costs associated with Council's organisational redesign				
Additional Residential aged care employment costs largely due to the impact of the Royal Commission and New Aged Care Quality Standards				
Bushfire related employment costs for section 44 works and the recovery team				
Increased service delivery needs for Home Care Package and NDIS consumers				
Borrowing costs	290	79	211	73% F
Council re-stated its landfill restoration provisions for its active sites with no discount adjustment required in the first year.				
Materials and contracts	19,763	19,227	536	3% F
Depreciation and amortisation	19,272	20,486	(1,214)	(6)% U
Other expenses	8,446	8,974	(528)	(6)% U
STATEMENT OF CASH FLOWS				
Cash flows from operating activities	26,839	19,410	(7,429)	(28)% U
This unfavourable variance is largely attributable timing of capital grant funding received for infrastructure projects in progress and is expected to be received in 2021.				
Cash flows from investing activities	(35,703)	(23,408)	12,295	(34)% F
Relates to Council's capital works budget originally estimated at \$36.6 million compared to the actual expenditure of \$29.5 million.				
Cash flows from financing activities	-	(569)	(569)	∞ U

Notes to the Financial Statements

for the year ended 30 June 2020

Note 22. Fair Value Measurement

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

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

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

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

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

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

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

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

2020	Fair value measurement hierarchy				Total
	Date of latest valuation	Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
\$ '000					
Recurring fair value measurements					
Infrastructure, property, plant and equipment					
Plant & Equipment	13/05/2016	–	–	12,878	12,878
Office Equipment	13/05/2016	–	–	1,074	1,074
Furniture & Fittings	13/05/2016	–	–	469	469
Operational Land	13/05/2018	–	20,730	–	20,730
Community Land	13/05/2016	–	–	11,408	11,408
Land Improvements	13/05/2016	–	–	1,737	1,737
Buildings – Specialised	30/06/2018	–	–	17,282	17,282
Buildings – Non Specialised	30/06/2018	–	24,284	–	24,284
Other Structures	13/05/2016	–	–	5,394	5,394
Road infrastructure	30/06/2020	–	–	356,078	356,078
Bridges	30/06/2020	–	–	73,644	73,644
Footpaths	30/06/2020	–	–	8,316	8,316
Bulk Earthworks	30/06/2020	–	–	441,706	441,706
Stormwater Drainage	30/06/2020	–	–	19,902	19,902
Water Supply Network	30/06/2017	–	–	90,907	90,907
Sewerage Network	30/06/2017	–	–	70,448	70,448
Swimming Pools	13/05/2016	–	–	2,239	2,239
Other Open Space/Recreational Assets	13/05/2016	–	–	4,300	4,300
Library Books	13/05/2016	–	–	421	421
Tip Restoration Asset	30/06/2020	–	–	15,153	15,153
Quarry Restoration Asset	13/05/2016	–	–	31	31
Other Assets	13/05/2016	–	–	2,450	2,450
Total infrastructure, property, plant and equipment		–	45,014	1,135,837	1,180,851

2019	Fair value measurement hierarchy				Total
	Date of latest valuation	Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
\$ '000					

Notes to the Financial Statements

for the year ended 30 June 2020

Note 22. Fair Value Measurement (continued)

2019 \$ '000	Date of latest valuation	Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobserv- able inputs	Total
Financial assets					
Investments					
– 'Financial assets at fair value through other comprehensive income'					
	30/06/19	–	219	–	219
Total financial assets		–	219	–	219
Infrastructure, property, plant and equipment					
Plant & Equipment	13/05/16	–	–	11,755	11,755
Office Equipment	13/05/16	–	–	1,431	1,431
Furniture & Fittings	13/05/16	–	–	518	518
Operational Land	30/06/18	–	21,049	–	21,049
Community Land	13/05/16	–	–	11,408	11,408
Land Improvements	13/05/16	–	–	1,744	1,744
Buildings – Specialised	30/06/18	–	–	16,175	16,175
Buildings – Non Specialised	30/06/18	–	24,772	–	24,772
Other Structures	13/05/16	–	–	7,171	7,171
Road infrastructure	13/05/16	–	–	250,296	250,296
Bridges	13/05/16	–	–	58,328	58,328
Footpaths	13/05/16	–	–	8,449	8,449
Bulk Earthworks	13/05/16	–	–	515,602	515,602
Stormwater Drainage	13/05/16	–	–	16,536	16,536
Water Supply Network	30/06/17	–	–	90,706	90,706
Sewerage Network	30/06/17	–	–	71,509	71,509
Swimming Pools	13/05/16	–	–	2,597	2,597
Other Open Space/Recreational Assets	13/05/16	–	–	2,341	2,341
Library Books	13/05/16	–	–	399	399
Tip Restoration Asset	30/06/19	–	–	1,948	1,948
Quarry Restoration Asset	13/05/16	–	–	32	32
Other Assets	13/05/16	–	–	2,608	2,608
Total infrastructure, property, plant and equipment		–	45,821	1,071,553	1,117,374

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

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

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

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

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

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

\$ '000	Level 3 I, PP and E
2019	
Opening balance	1,079,687
Purchases (GBV)	8,766
Disposals (WDV)	(781)
Depreciation and impairment	(19,046)

continued on next page ...

Notes to the Financial Statements

for the year ended 30 June 2020

Note 22. Fair Value Measurement (continued)

\$ '000	Level 3 I, PP and E
FV gains – other comprehensive income	(1,214)
WIP transfers	4,201
Other adjustments and transfers	(60)
Closing balance	1,071,553
2020	
Opening balance	1,071,553
Purchases (GBV)	13,016
Disposals (WDV)	(746)
Depreciation and impairment	(19,066)
FV gains – other comprehensive income	45,817
WIP transfers	11,257
Other adjustments and transfers	14,006
Closing balance	1,135,837

Notes to the Financial Statements

for the year ended 30 June 2020

Note 22. Fair Value Measurement (continued)

c. 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.

\$ '000	Fair value (30/6/20)	Valuation technique/s	Unobservable inputs
Infrastructure, property, plant and equipment			
Plant & Equipment	12,878	Historical cost	Cost per unit, useful life, residual value, condition of asset
Office Equipment	1,074	Historical cost	Cost per unit, useful life, residual value, condition of asset
Furniture & Fittings	469	Historical cost	Cost per unit, useful life, residual value, condition of asset
Community Land	11,408	Current replacement cost	Cost per sq metre, Valuer General's Valuation
Land Improvements	1,737	Depreciated replacement cost	Useful life, residual value, condition of asset
Buildings - Specialised	17,282	Depreciated replacement cost	Cost per sq metre, dimensions & specification, pattern of consumption, components, useful life, condition of asset
Other Structures	5,394	Depreciated replacement cost	Cost per unit rates, pattern of consumption, components, useful life, asset condition
Road infrastructure	356,078	Depreciated replacement cost	Cost per sq metre, dimensions & specification, pattern of consumption, components, useful life, condition of asset
Bridges	73,644	Depreciated replacement cost	Cost per sq metre, dimensions & specification, pattern of consumption, components, useful life, condition of asset
Footpaths	8,316	Depreciated replacement cost	Cost per sq metre, pattern of consumption, components, useful life, condition of asset
Bulk Earthworks	441,706	Current replacement cost	Cost per sq metre
Stormwater Drainage	19,902	Depreciated replacement cost	Unit rates, cost per metre, useful life, condition of asset
Water Supply Network	90,907	Depreciated replacement cost	Unit rates, pattern of consumption, components, useful life, asset condition
Sewerage Network	70,448	Depreciated replacement cost	Unit rates, pattern of consumption, components, useful life, asset condition
Swimming Pools	2,239	Depreciated replacement cost	Cost per unit, useful life, condition of asset
Other Open Space/Recreational Assets	4,300	Depreciated replacement cost	Cost per unit, useful life, condition of asset
Library Books	421	Historical cost	Cost per unit, useful life, condition of asset
Tip Restoration Asset	15,153	Depreciated replacement cost	Cost per cubic / square metre, useful life
Quarry Restoration Asset	31	Depreciated replacement cost	Cost per cubic / square metre, useful life
Other Assets	2,450	Depreciated replacement cost	Unit rates, asset condition, useful life

d. The valuation process for level 3 fair value measurements

continued on next page ...

Notes to the Financial Statements

for the year ended 30 June 2020

Note 22. Fair Value Measurement (continued)

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

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

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

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

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

Roads infrastructure and stormwater assets - Valued at Depreciated Replacement Cost by 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.

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

(4) Highest and best use

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 23. Related party disclosures

Key management personnel

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

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

\$ '000	2020	2019
Compensation:		
Short-term benefits	2,317	1,428
Post-employment benefits	80	83
Other long-term benefits	224	234
Total	2,621	1,745

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.

Note 24. Events occurring after the reporting date

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

Notes to the Financial Statements
for the year ended 30 June 2020

Note 25. Statement of developer contributions

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

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

Summary of contributions and levies

	as at 30/06/19			as at 30/06/20					
	Opening Balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)	
\$ '000	Cash	Non-cash							
Roads	506	11	–	11	–	–	528	–	
Parking	38	–	–	1	–	–	39	–	
Open space	135	417	–	3	(46)	–	509	–	
Community facilities	30	3	–	1	–	–	34	–	
Public parking	4	5	–	–	–	–	9	–	
Roadworks	277	22	–	6	–	–	305	–	
Open space and public art	33	9	–	1	–	–	43	–	
Sport and recreation facilities	46	6	–	1	–	–	53	–	
Community services and facilities	296	55	–	6	–	–	357	–	
Shared pathways - Jindabyne area	14	6	–	–	–	–	20	–	
Shared trails - Jindabyne area	48	21	–	1	–	–	70	–	
Regional waste management	118	61	–	2	–	–	181	–	
Bushfire services	47	16	–	1	–	–	64	–	
S7.11 contributions – under a plan	1,592	632	–	34	(46)	–	2,212	–	
S7.12 levies – under a plan	23	4	–	1	–	–	28	–	
Total S7.11 and S7.12 revenue under plans	1,615	636	–	35	(46)	–	2,240	–	
S7.11 not under plans	177	–	–	4	–	–	181	–	
S64 contributions	4,473	546	–	–	95	–	5,114	–	
Total contributions	6,265	1,182	–	39	49	–	7,535	–	

Notes to the Financial Statements

for the year ended 30 June 2020

Note 25. Statement of developer contributions (continued)

\$ '000	as at 30/06/19							as at 30/06/20	
	Opening Balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)	
		Cash	Non-cash						
S7.11 Contributions – under a plan									
CONTRIBUTION PLAN (former Cooma-Monaro)									
Roads	506	11	–	11	–	–	528	–	
Parking	38	–	–	1	–	–	39	–	
Open space	135	417	–	3	(46)	–	509	–	
Community facilities	30	3	–	1	–	–	34	–	
Total	709	431	–	16	(46)	–	1,110	–	
CONTRIBUTION PLAN (former Snowy River)									
Public parking	4	5	–	–	–	–	9	–	
Roadworks	277	22	–	6	–	–	305	–	
Open space and public art	33	9	–	1	–	–	43	–	
Sport and recreation facilities	46	6	–	1	–	–	53	–	
Community services and facilities	296	55	–	6	–	–	357	–	
Shared pathways – Jindabyne area	14	6	–	–	–	–	20	–	
Shared trails – Jindabyne area	48	21	–	1	–	–	70	–	
Regional waste management	118	61	–	2	–	–	181	–	
Bushfire services	47	16	–	1	–	–	64	–	
Total	883	201	–	18	–	–	1,102	–	

Notes to the Financial Statements

for the year ended 30 June 2020

Note 25. Statement of developer contributions (continued)

\$ '000	as at 30/06/19						as at 30/06/20	
	Opening Balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
S7.12 Levies – under a plan								
CONTRIBUTION PLAN NUMBER 1 (former Bombala)								
Other	23	4	–	1	–	–	28	–
Total	23	4	–	1	–	–	28	–
S7.11 Contributions – not under a plan								
(former Snowy River)								
Community facilities	25	–	–	1	–	–	26	–
Kerb and gutter	30	–	–	–	–	–	30	–
Voluntary payment agreement	122	–	–	3	–	–	125	–
Total	177	–	–	4	–	–	181	–

Notes to the Financial Statements

for the year ended 30 June 2020

Note 26. Result by fund

\$ '000	General ¹ 2020	Water 2020	Sewer 2020
Income Statement by fund			
Income from continuing operations			
Rates and annual charges	21,167	2,730	8,546
User charges and fees	8,367	5,982	91
Interest and investment revenue	546	547	582
Other revenues	1,322	290	376
Grants and contributions provided for operating purposes	25,320	58	51
Grants and contributions provided for capital purposes	8,429	1,117	1,831
Net gains from disposal of assets	798	–	–
Rental income	892	–	–
Total income from continuing operations	66,841	10,724	11,477
Expenses from continuing operations			
Employee benefits and on-costs	29,231	2,227	2,179
Borrowing costs	64	15	–
Materials and contracts	15,486	1,642	2,099
Depreciation and amortisation	15,420	2,825	2,241
Other expenses	4,831	2,025	2,118
Net losses from the disposal of assets	(26)	21	5
Total expenses from continuing operations	65,006	8,755	8,642
Operating result from continuing operations	1,835	1,969	2,835
Net operating result for the year	1,835	1,969	2,835
Net operating result attributable to each council fund	1,835	1,969	2,835
Net operating result for the year before grants and contributions provided for capital purposes	(6,594)	852	1,004

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

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

\$ '000	General ¹ 2020	Water 2020	Sewer 2020
Statement of Financial Position by fund			
ASSETS			
Current assets			
Cash and cash equivalents	5,091	747	708
Investments	6,728	6,885	6,387
Receivables	7,790	2,967	2,776
Inventories	1,656	–	–
Other	423	–	–
Total current assets	21,688	10,599	9,871
Non-current assets			
Investments	23,245	14,917	13,838
Receivables	–	–	62

Notes to the Financial Statements

for the year ended 30 June 2020

Note 26. Result by fund (continued)

\$ '000	General ¹ 2020	Water 2020	Sewer 2020
Infrastructure, property, plant and equipment	1,029,131	95,041	78,254
Intangible assets	350	–	–
Right of use assets	62	–	–
Total non-current assets	1,052,788	109,958	92,154
TOTAL ASSETS	1,074,476	120,557	102,025
LIABILITIES			
Current liabilities			
Payables	8,955	32	3
Contract liabilities	11,435	–	–
Lease liabilities	49	–	–
Borrowings	424	96	–
Provisions	6,918	–	–
Total current liabilities	27,781	128	3
Non-current liabilities			
Lease liabilities	16	–	–
Borrowings	278	78	–
Provisions	19,545	–	–
Total non-current liabilities	19,839	78	–
TOTAL LIABILITIES	47,620	206	3
Net assets	1,026,856	120,351	102,022
EQUITY			
Accumulated surplus	978,218	100,601	98,873
Revaluation reserves	48,638	19,750	3,149
Council equity interest	1,026,856	120,351	102,022
Total equity	1,026,856	120,351	102,022

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 27(a). Statement of performance measures – consolidated results

\$ '000	Amounts 2020	Indicator 2020	Prior period 2019	Benchmark
1. Operating performance ratio				
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	(5,536)	(7.20)%	(6.50)%	>0.00%
Total continuing operating revenue excluding capital grants and contributions ¹	76,867			
2. Own source operating revenue ratio				
Total continuing operating revenue excluding all grants and contributions ¹	51,438	58.29%	61.60%	>60.00%
Total continuing operating revenue ¹	88,244			
3. Unrestricted current ratio				
Current assets less all external restrictions	25,389	2.79x	4.05x	>1.50x
Current liabilities less specific purpose liabilities	9,115			
4. Debt service cover ratio				
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	15,029	23.19x	7.46x	>2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	648			
5. Rates, annual charges, interest and extra charges outstanding percentage				
Rates, annual and extra charges outstanding	4,698	12.09%	9.69%	<10.00%
Rates, annual and extra charges collectible	38,857			
6. Cash expense cover ratio				
Current year's cash and cash equivalents plus all term deposits	78,546	13.88 mths	16.14 mths	>3.00 mths
Monthly payments from cash flow of operating and financing activities	5,658			

(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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 27(b). Statement of performance measures – by fund

\$ '000	General Indicators ³		Water Indicators		Sewer Indicators		Benchmark
	2020	2019	2020	2019	2020	2019	
1. Operating performance ratio							
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	(12.88)%	(12.06)%	9.07%	4.97%	10.45%	14.94%	>0.00%
Total continuing operating revenue excluding capital grants and contributions ¹							
2. Own source operating revenue ratio							
Total continuing operating revenue excluding capital grants and contributions ¹	48.88%	51.62%	89.06%	93.45%	83.61%	89.77%	>60.00%
Total continuing operating revenue ¹							
3. Unrestricted current ratio							
Current assets less all external restrictions	2.79x	4.05x	82.80x	51.53x	3,290.33	615.38x	>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	14.85x	3.85x	35.36x	187.67x	∞	89.86x	>2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)							
5. Rates, annual charges, interest and extra charges outstanding percentage							
Rates, annual and extra charges outstanding	11.15%	8.54%	13.31%	12.03%	14.02%	11.17%	<10.00%
Rates, annual and extra charges collectible							
6. Cash expense cover ratio							
Current year's cash and cash equivalents plus all term deposits	7.57	11.11	45.87	36.61	39.29	31.73	>3.00
Payments from cash flow of operating and financing activities	mths	mths	mths	mths	mths	mths	mths

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

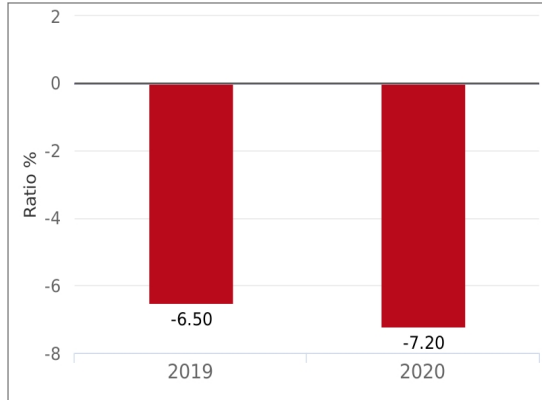
(3) General fund refers to all of Council's activities except for its water and sewer activities which are listed separately.

END OF AUDITED FINANCIAL STATEMENTS

Notes to the Financial Statements
for the year ended 30 June 2020

Note 27(c). Statement of performance measures – consolidated results (graphs)

1. Operating performance ratio



Purpose of operating performance ratio

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

Commentary on 2019/20 result

2019/20 ratio (7.20)%

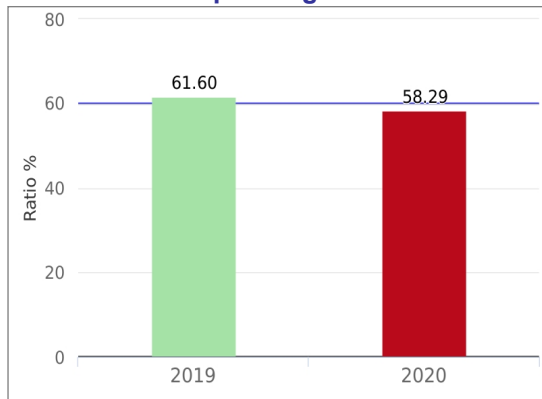
Although Council's operating deficit for 2020 of \$4.7 million was more favourable than the budget deficit of \$5.4 million, this is not sustainable. Council is currently implementing cost saving and efficiency measures to improve its operating performance ratio. Further strategies will be reviewed through Council's Long Term Financial Planning to work towards achieving this benchmark in future.

Benchmark: — > 0.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting #28

Ratio achieves benchmark (Green bar)
Ratio is outside benchmark (Red bar)

2. Own source operating revenue ratio



Purpose of own source operating revenue ratio

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

Commentary on 2019/20 result

2019/20 ratio 58.29%

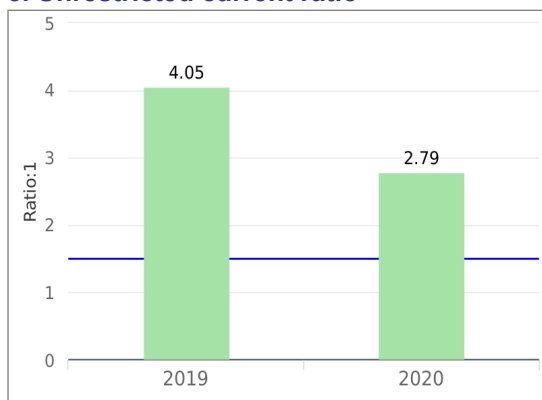
This ratio is impacted by the introduction of the new accounting standard AASB 1058. This resulted in the re-recognition of income for grants received in prior years but expended in the 2020 financial year. This included \$2.7 million of expenditure from the New Council Implementation Fund grant. Excluding this from the ratio calculation results in Council exceeding the 60% benchmark.

Benchmark: — > 60.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting #28

Ratio achieves benchmark (Green bar)
Ratio is outside benchmark (Red bar)

3. Unrestricted current ratio



Purpose of unrestricted current ratio

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

Commentary on 2019/20 result

2019/20 ratio 2.79x

Although Council is still above the industry benchmark, general fund operating deficits are contributing to the downward trend in this ratio. Council needs to continue to closely monitor its budget and implement Long Term Financial Plans to ensure it does not run out of unrestricted cash.

Benchmark: — > 1.50x

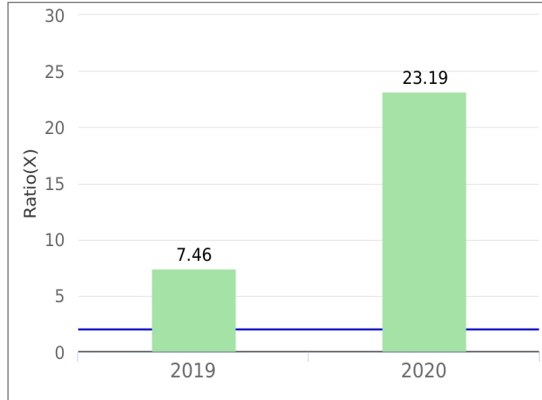
Source of benchmark: Code of Accounting Practice and Financial Reporting #28

Ratio achieves benchmark (Green bar)
Ratio is outside benchmark (Red bar)

Notes to the Financial Statements
for the year ended 30 June 2020

Note 27(c). Statement of performance measures – consolidated results (graphs)

4. Debt service cover ratio



Purpose of debt service cover ratio

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

Commentary on 2019/20 result

2019/20 ratio 23.19x

Council continues to carry low levels of debt and is well above the industry benchmark. The variation between the last 2 financial years relates to the principal repayment for early settlement of a sewer infrastructure loan in 2019.

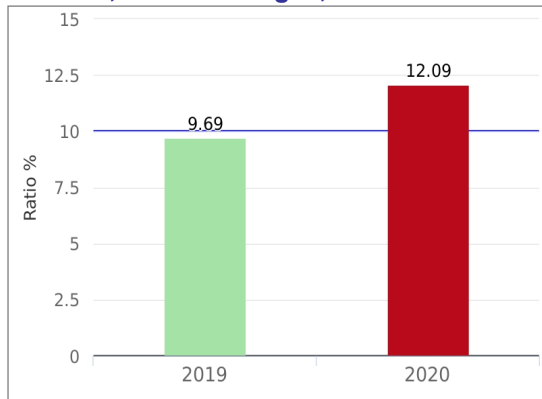
Benchmark: — > 2.00x

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting #28

Ratio is outside benchmark

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



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

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

Commentary on 2019/20 result

2019/20 ratio 12.09%

As a result of the impacts of bushfires and COVID-19 Council has not as actively pursued outstanding debts. Council will commence discussions with people to enter into arrangements where they can ensure the number of people that get into financial difficulty is minimised.

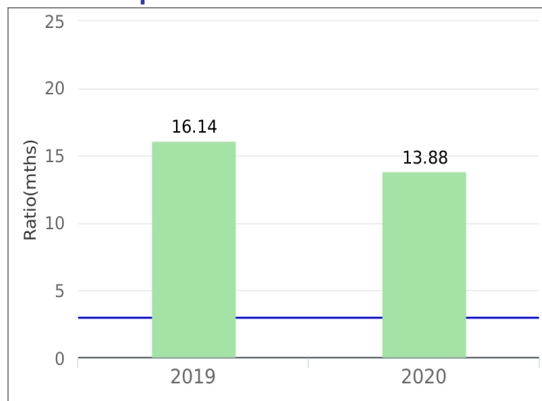
Benchmark: — < 10.00%

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting #28

Ratio is outside benchmark

6. Cash expense cover ratio



Purpose of cash expense cover ratio

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

Commentary on 2019/20 result

2019/20 ratio 13.88 mths

Council continues to exceed the benchmark minimum ratio for its cash expense cover.

Benchmark: — > 3.00mths

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting #28

Ratio is outside benchmark



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

To the Councillors of 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 2020, the Statement of Financial Position as at 30 June 2020, 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 2020, 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 2020 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 21 Material budget variations
- on the Special Schedules. A separate opinion has been provided on Special Schedule - Permissible income for general rates
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.



Lawrissa Chan
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

23 November 2020
SYDNEY



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

Contact: Lawrissa Chan
 Phone no: (02) 9275 7255
 Our ref: D2026920/1787

23 November 2020

Dear Mayor

**Report on the Conduct of the Audit
 for the year ended 30 June 2020
 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 2020 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 2020 is issued in accordance with section 417 of the Act. This Report should be read in conjunction with my audit opinion on the GPFS issued under section 417(2) of the Act.

INCOME STATEMENT

Operating result

	2020	2019	Variance
	\$m	\$m	%
Rates and annual charges revenue	32.4	31.5	↑ 2.8
Grants and contributions revenue	36.8	31.2	↑ 18.0
Operating result from continuing operations	6.6	2.2	↑ 195.6
Net operating result before capital grants and contributions	(4.7)	(4.7)	↑ 1.0

The Council's operating result from continuing operations was a surplus of \$6.6 million, which was \$4.4 million higher compared with the prior year. This was mainly due to the change in the timing of revenue recognition for certain grants as a result of the new accounting standards.

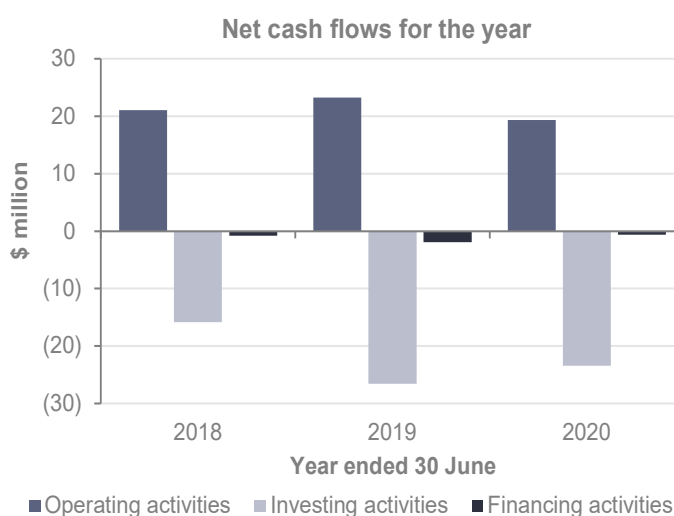
The Council's net operating result before capital grants and contributions remained steady compared with the prior year.

Rates and annual charges revenue has increased by \$0.9 million (2.8 per cent), mainly due to the 2.7 per cent rate peg increase.

Grants and contributions revenue increased by \$5.6 million (18.0 per cent), mainly due to the change in the timing of revenue recognition for certain grants as a result of the new accounting standards.

STATEMENT OF CASH FLOWS

- Council's cash and cash equivalents was \$6.5 million (\$11.1 million for the year ended 30 June 2019). There was a net decrease in cash and cash equivalents of \$4.6 million at 30 June 2020.
- Net cash inflows from operating activities decreased by \$3.9 million mainly due to the increase of \$4.1 million payments in employee benefits and on costs during the year.
- Net cash outflows from investing activities decreased by \$3.2 million mainly due to a net decrease in purchase of investments of \$13.8 million offset by a net increase in purchase of infrastructure, property, plant and equipment of \$10.6 million during the year.
- Net cash outflows from financing activities decreased by \$1.3 million mainly due to a \$1.4 million reduction in the repayment of borrowings and advances during the year.



FINANCIAL POSITION

Cash and investments

Cash and investments	2020	2019	Commentary
	\$m	\$m	
External restrictions	63.0	59.2	<ul style="list-style-type: none"> Externally restricted cash and investments are restricted in their use by externally imposed requirements. Council's externally restricted cash and investments have increased by \$3.8 million primarily due to: <ul style="list-style-type: none"> Reclassification of unexpended grants from internally restricted to externally restricted in 2020 (\$6.1 million increase). water supplies (\$2.7 million increase) domestic waste management (\$4.9 million decrease) Internally restricted cash and investments have been restricted in their use by resolution or policy of Council to reflect identified programs of works and any forward plans identified by Council. The \$13.1 million decrease in internally restricted funds are primarily due to: <ul style="list-style-type: none"> Stronger communities fund (\$9.8 million) New council implementation fund (\$4.1 million) Unrestricted cash was nil. Council is using internally restricted funds to manage its general operations.
Internal restrictions	15.5	28.6	
Unrestricted	-	0.6	
Cash and investments	78.5	88.4	

Debt

Council has \$0.9 million of borrowings with Westpac as at 30 June 2020 (2019: \$1.4 million).

Council has an overdraft facility limit of \$0.3 million with Westpac as at 30 June 2020 (2019: \$0.3 million). As at 30 June 2020, \$0.3 million of the facility remains unutilised.

Council has a credit card facility limit of \$0.1 million with National Australia Bank as at 30 June 2020 (2019: \$0.1 million). As at 30 June 2020, \$0.1 million of the facility remains unutilised.

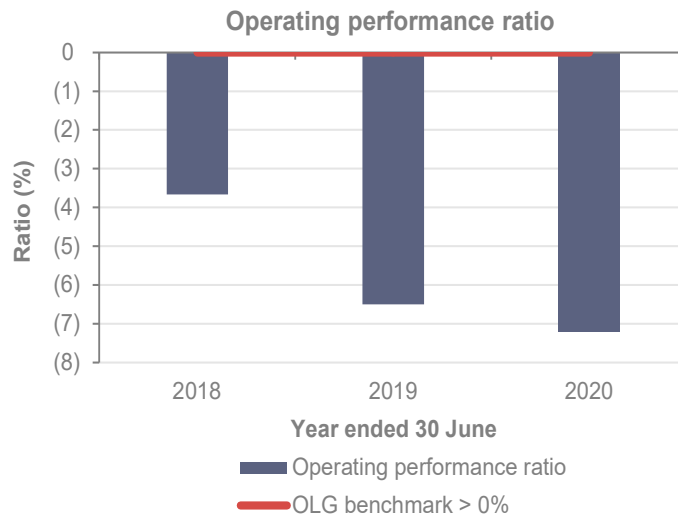
PERFORMANCE

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.

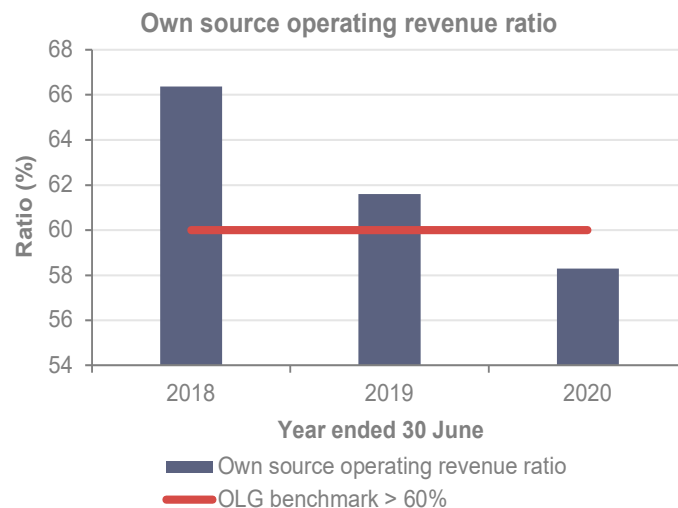
Operating performance ratio

- 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.
- Council's operating performance ratio of -7.2% is below the industry benchmark of greater than 0 per cent.
- The operating performance ratio has declined mainly due to the increase in operating expenses of \$3.3 million during the year.



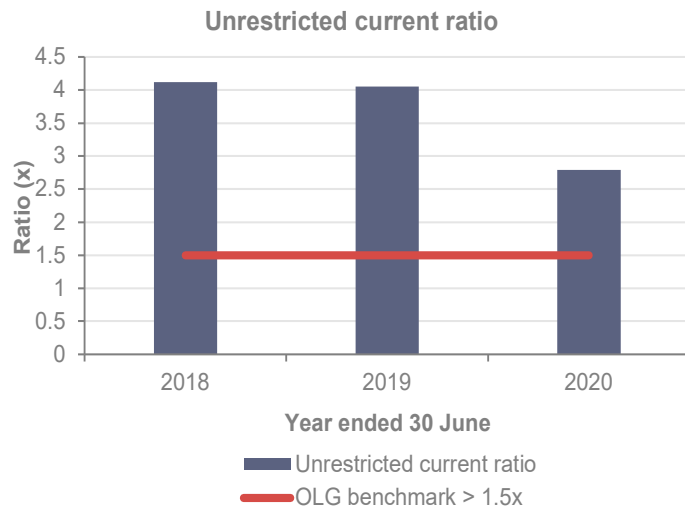
Own source operating revenue ratio

- 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.
- Council's own source operating revenue ratio of 58.3% is below the industry benchmark of 60%.
- The own source operating revenue ratio has declined mainly due to the change in the timing of revenue recognition for certain grants as a result of the new accounting standards.



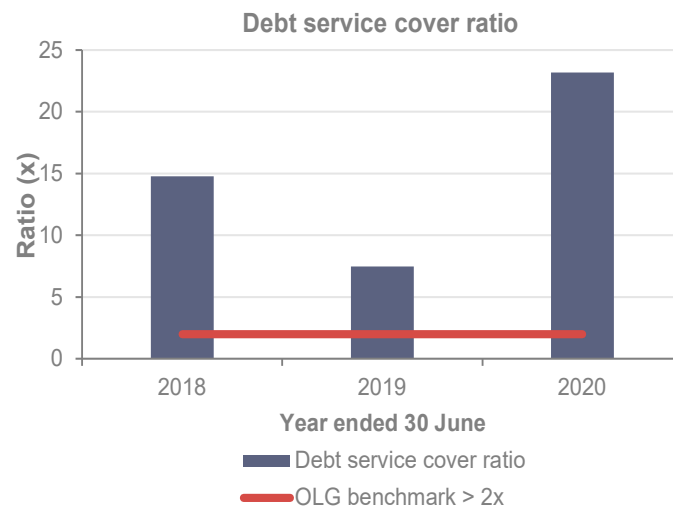
Unrestricted current ratio

- 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.
- Council's liquidity ratio of 2.8 times is greater than the industry benchmark minimum of 1.5 times.
- The Council's unrestricted current ratio has decreased compared to the prior year due to the decrease in current assets, an increase in externally restricted cash of \$10 million and an increase in current liabilities.



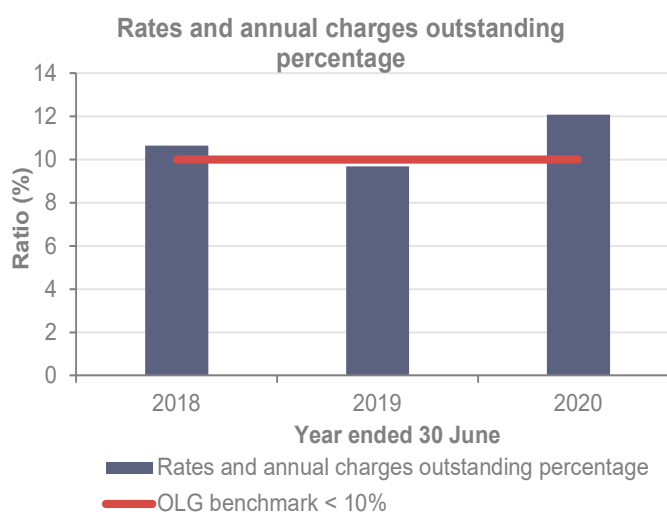
Debt service cover ratio

- 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.
- Council's debt service cover ratio of 23.2 times is higher than the industry benchmark of greater than 2 times.
- The increase in the ratio is due to a reduction in repayments of borrowings and a decrease in borrowing costs of \$1.4 million during the year.



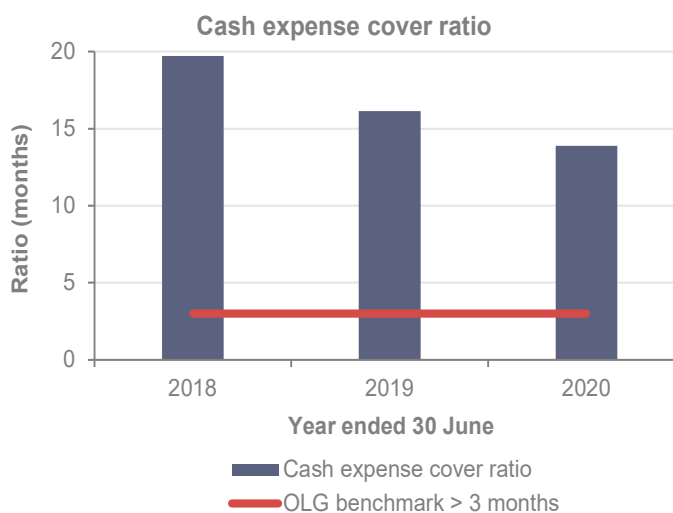
Rates and annual charges outstanding percentage

- 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's rates and annual charges outstanding percentage of 12.1% exceeded the industry benchmark of less than 10% for regional councils.
- The rates and annual charges percentage has increased from the prior year as some ratepayers have experienced financial difficulties due to the impacts of COVID-19 and the recent bushfires.



Cash expense cover ratio

- This liquidity ratio indicates the number of months the council can continue paying for its immediate expenses without additional cash inflow. The benchmark set by OLG is greater than three months.
- The Council's cash expense cover ratio was 13.9 months, which is above the industry benchmark of greater than 3 months.
- The cash expense cover ratio has decreased due to a decrease in cash, cash equivalents and term deposits in the current year.



Infrastructure, property, plant and equipment renewals

The Council has renewed \$24.5 million of assets in the 2019-20 financial year, compared to \$16.1 million of assets in the prior year.

OTHER MATTERS

Impact of new accounting standards

AASB 15 'Revenue from Contracts with Customers' and AASB 1058 'Income for Not-for-Profit Entities'

The Council adopted the new accounting standards AASB 15 'Contracts with Customers' and AASB 1058 'Income of Not-for-Profit Entities' (collectively referred to as the Revenue Standards) for the first time in their 2019–20 financial statements.

AASB 15 introduces a new approach to recognising revenue based on the principle that revenue is recognised when control of a good or service transfers to a customer. AASB 15 impacts the timing and amount of revenue recorded in a councils' financial statements, particularly for grant revenue. AASB 15 also increases the amount of disclosures required.

AASB 1058 prescribes how not-for-profit entities account for transactions conducted on non-commercial terms and the receipt of volunteer services. AASB 1058 significantly impacts the timing and amount of income recorded in a councils' financial statements, particularly for grant income and rates which are paid before the commencement of the rating period.

The Council recognised a \$18.2 million adjustment to opening accumulated surplus at 1 July 2019 on adoption of the new Revenue Standards.

The Council disclosed the impact of adopting the new Revenue Standards in Note 16.

AASB 16 'Leases'

The Council adopted the new accounting standard AASB 16 'Leases' for the first time in their 2019–20 financial statements.

AASB 16 changes the way lessees treat operating leases for financial reporting. With a few exceptions, operating leases will now be recorded in the Statement of Financial Position as a right-of-use asset, with a corresponding lease liability.

AASB 16 results in lessees recording more assets and liabilities in the Statement of Financial Position and changes the timing and pattern of expenses recorded in the Income Statement.

The Council recognised \$0.1 million of right-of-use assets and lease liabilities at 1 July 2019 on adoption of AASB 16.

The Council disclosed the impact of adopting AASB 16 in Note 16.

Legislative compliance

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

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



Lawrissa Chan
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

cc: Peter Bascomb, Chief Executive Officer
Cr Melissa Tooke, Chair of Audit, Risk and Improvement Committee
Jim Betts, Secretary of the Department of Planning, Industry and Environment

Snowy Monaro Regional Council

SPECIAL PURPOSE FINANCIAL STATEMENTS

for the year ended 30 June 2020



Special Purpose Financial Statements

for the year ended 30 June 2020

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

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 2020

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 17 September 2020.



Peter Beer
Mayor
17 September 2020



Lynley Mirjers
Councillor
17 September 2020



Peter Bascomb
Chief Executive Officer
17 September 2020



David Rawlings
Responsible Accounting Officer
17 September 2020

Income Statement – Water Supply Business Activity

for the year ended 30 June 2020

\$ '000	2020	2019
Income from continuing operations		
Access charges	2,730	2,736
User charges	5,794	5,535
Fees	188	158
Interest	547	498
Grants and contributions provided for non-capital purposes	58	57
Other income	290	238
Total income from continuing operations	9,607	9,222
Expenses from continuing operations		
Employee benefits and on-costs	2,227	1,866
Borrowing costs	15	21
Materials and contracts	1,642	1,301
Depreciation, amortisation and impairment	2,825	3,462
Loss on sale of assets	21	24
Other expenses	2,025	2,090
Total expenses from continuing operations	8,755	8,764
Surplus (deficit) from continuing operations before capital amounts	852	458
Grants and contributions provided for capital purposes	1,117	585
Surplus (deficit) from continuing operations after capital amounts	1,969	1,043
Surplus (deficit) from all operations before tax	1,969	1,043
Less: corporate taxation equivalent (27.5%) [based on result before capital]	(234)	(126)
SURPLUS (DEFICIT) AFTER TAX	1,735	917
Plus accumulated surplus	98,632	97,589
Equity adjustment - AASB 15/1058	–	–
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	234	126
Closing accumulated surplus	100,601	98,632
Return on capital %	0.9%	0.5%
Subsidy from Council	–	763
Calculation of dividend payable:		
Surplus (deficit) after tax	1,735	917
Less: capital grants and contributions (excluding developer contributions)	(1,117)	(585)
Surplus for dividend calculation purposes	618	332
Potential dividend calculated from surplus	309	166

Income Statement – Sewerage Business Activity

for the year ended 30 June 2020

\$ '000	2020	2019
Income from continuing operations		
Access charges	8,546	8,560
User charges	25	91
Fees	66	55
Interest	582	565
Grants and contributions provided for non-capital purposes	51	53
Other income	376	167
Total income from continuing operations	9,646	9,491
Expenses from continuing operations		
Employee benefits and on-costs	2,179	1,792
Borrowing costs	–	44
Materials and contracts	2,099	1,764
Depreciation, amortisation and impairment	2,241	2,492
Loss on sale of assets	5	(28)
Other expenses	2,118	2,009
Total expenses from continuing operations	8,642	8,073
Surplus (deficit) from continuing operations before capital amounts	1,004	1,418
Grants and contributions provided for capital purposes	1,831	1,022
Surplus (deficit) from continuing operations after capital amounts	2,835	2,440
Surplus (deficit) from all operations before tax	2,835	2,440
Less: corporate taxation equivalent (27.5%) [based on result before capital]	(276)	(390)
SURPLUS (DEFICIT) AFTER TAX	2,559	2,050
Plus accumulated surplus	96,038	93,598
Equity adjustment - AASB 15/1058	–	–
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	276	390
Closing accumulated surplus	98,873	96,038
Return on capital %	1.3%	2.0%
Subsidy from Council	–	–
Calculation of dividend payable:		
Surplus (deficit) after tax	2,559	2,050
Less: capital grants and contributions (excluding developer contributions)	(1,831)	(1,022)
Surplus for dividend calculation purposes	728	1,028
Potential dividend calculated from surplus	364	514

Income Statement – Waste Management

for the year ended 30 June 2020

\$ '000	2020 Category 1	2019 Category 1
Income from continuing operations		
Access charges	4,859	4,524
User charges	1,064	883
Fees	2,208	1,476
Interest	158	166
Grants and contributions provided for non-capital purposes	9	38
Other income	2,246	1,659
Total income from continuing operations	10,544	8,746
Expenses from continuing operations		
Employee benefits and on-costs	2,875	2,790
Borrowing costs	51	169
Materials and contracts	3,433	2,485
Depreciation, amortisation and impairment	1,480	817
Loss on sale of assets	(43)	1
Other expenses	1,690	1,282
Total expenses from continuing operations	9,486	7,544
Surplus (deficit) from continuing operations before capital amounts	1,058	1,202
Grants and contributions provided for capital purposes	67	87
Surplus (deficit) from continuing operations after capital amounts	1,125	1,289
Surplus (deficit) from all operations before tax	1,125	1,289
Less: corporate taxation equivalent (27.5%) [based on result before capital]	(291)	(331)
SURPLUS (DEFICIT) AFTER TAX	834	958
Plus accumulated surplus	10,619	9,330
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	291	331
Closing accumulated surplus	11,744	10,619
Return on capital %	4.8%	14.5%

Income Statement – Residential Aged Care

for the year ended 30 June 2020

\$ '000	2020 Category 1	2019 Category 1
Income from continuing operations		
User charges	314	251
Fees	697	782
Interest	98	170
Grants and contributions provided for non-capital purposes	1,952	1,689
Total income from continuing operations	3,061	2,892
Expenses from continuing operations		
Employee benefits and on-costs	2,971	2,550
Materials and contracts	1,658	1,127
Depreciation, amortisation and impairment	249	296
Other expenses	162	199
Total expenses from continuing operations	5,040	4,172
Surplus (deficit) from continuing operations before capital amounts	(1,979)	(1,280)
Grants and contributions provided for capital purposes	125	500
Surplus (deficit) from continuing operations after capital amounts	(1,854)	(780)
Surplus (deficit) from all operations before tax	(1,854)	(780)
Less: corporate taxation equivalent (27.5%) [based on result before capital]	–	–
SURPLUS (DEFICIT) AFTER TAX	(1,854)	(780)
Plus accumulated surplus	5,713	6,993
Plus adjustments for amounts unpaid:		
Closing accumulated surplus	3,859	6,213
Return on capital %	(30.3)%	(20.0)%
Subsidy from Council	2,037	1,365

Statement of Financial Position – Water Supply Business Activity

as at 30 June 2020

\$ '000	2020	2019
ASSETS		
Current assets		
Cash and cash equivalents	747	2,464
Investments	6,885	4,212
Receivables	2,967	3,014
Other	–	(2)
Total current assets	10,599	9,688
Non-current assets		
Investments	14,917	12,859
Infrastructure, property, plant and equipment	95,041	94,107
Total non-current assets	109,958	106,966
TOTAL ASSETS	120,557	116,654
LIABILITIES		
Current liabilities		
Payables	32	98
Borrowings	96	90
Total current liabilities	128	188
Non-current liabilities		
Borrowings	78	174
Total non-current liabilities	78	174
TOTAL LIABILITIES	206	362
NET ASSETS	120,351	116,292
EQUITY		
Accumulated surplus	100,601	98,632
Revaluation reserves	19,750	17,660
TOTAL EQUITY	120,351	116,292

Statement of Financial Position – Sewerage Business Activity

as at 30 June 2020

\$ '000	2020	2019
ASSETS		
Current assets		
Cash and cash equivalents	708	2,690
Investments	6,387	4,599
Receivables	2,776	2,557
Total current assets	9,871	9,846
Non-current assets		
Investments	13,838	14,039
Receivables	62	105
Infrastructure, property, plant and equipment	78,254	74,144
Total non-current assets	92,154	88,288
TOTAL ASSETS	102,025	98,134
LIABILITIES		
Current liabilities		
Payables	3	16
Total current liabilities	3	16
TOTAL LIABILITIES	3	16
NET ASSETS	102,022	98,118
EQUITY		
Accumulated surplus	98,873	96,038
Revaluation reserves	3,149	2,080
TOTAL EQUITY	102,022	98,118

Statement of Financial Position – Waste Management

as at 30 June 2020

\$ '000	2020 Category 1	2019 Category 1
ASSETS		
Current assets		
Cash and cash equivalents	236	788
Investments	2,222	1,348
Receivables	927	664
Total current assets	3,385	2,800
Non-current assets		
Investments	4,815	4,115
Infrastructure, property, plant and equipment	23,250	9,430
Other	–	3
Total non-current assets	28,065	13,548
TOTAL ASSETS	31,450	16,348
LIABILITIES		
Current liabilities		
Contract liabilities	8	–
Payables	7	7
Borrowings	287	269
Total current liabilities	302	276
Non-current liabilities		
Borrowings	278	564
Provisions	19,507	5,013
Total non-current liabilities	19,785	5,577
TOTAL LIABILITIES	20,087	5,853
NET ASSETS	11,363	10,495
EQUITY		
Accumulated surplus	11,744	10,619
Revaluation reserves	(381)	(124)
TOTAL EQUITY	11,363	10,495

Statement of Financial Position – Residential Aged Care

as at 30 June 2020

\$ '000	2020 Category 1	2019 Category 1
ASSETS		
Current assets		
Cash and cash equivalents	56	533
Investments	1,658	3,692
Receivables	31	45
Total current assets	1,745	4,270
Non-current assets		
Infrastructure, property, plant and equipment	6,541	6,410
Intangible assets	350	350
Total non-current assets	6,891	6,760
TOTAL ASSETS	8,636	11,030
LIABILITIES		
Current liabilities		
Contract liabilities	496	–
Payables	3,561	4,097
Total current liabilities	4,057	4,097
TOTAL LIABILITIES	4,057	4,097
NET ASSETS	4,579	6,933
EQUITY		
Accumulated surplus	3,859	6,213
Revaluation reserves	720	720
TOTAL EQUITY	4,579	6,933

Notes to the Special Purpose Financial Statements

for the year ended 30 June 2020

Note 1. Significant Accounting Policies

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

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

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

The disclosures in these Special Purpose Financial Statements have been prepared in accordance with the Local Government Act 2093 (NSW), the *Local Government (General) Regulation 2005*, and the Local Government Code of Accounting Practice and Financial Reporting.

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

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

National Competition Policy

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

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

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

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

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

Declared business activities

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

Category 1

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

a. Water Supply

Water supply services

b. Sewerage Service

Sewerage reticulation, treatment and associated activities

c. Waste Management

Collection and disposal of garbage

d. Aged Care Services

Combined services offered at Yallabee Lodge and Snowy River Hostel

Notes to the Special Purpose Financial Statements

for the year ended 30 June 2020

Note 1. Significant Accounting Policies (continued)

Category 2

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

Nil

Monetary amounts

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

(i) Taxation equivalent charges

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

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

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

Notional rate applied (%)

Corporate income tax rate – 27.5%

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

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

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

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

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

Income tax

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

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

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

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

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

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

Snowy Monaro Regional Council

Notes to the Special Purpose Financial Statements

for the year ended 30 June 2020

Note 1. Significant Accounting Policies (continued)

Local government rates and charges

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

Loan and debt guarantee fees

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

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

(ii) Subsidies

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

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

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

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

(iii) Return on investments (rate of return)

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

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

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

The rate of return is calculated as follows:

Operating result before capital income + interest expense

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

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 0.88% at 30/6/20.

(iv) Dividends

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

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

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

- 50% of this surplus in any one year, or
- the number of water supply or sewerage assessments at 30 June 2020 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 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 2020, the Statement of Financial Position of each Declared Business Activity as at 30 June 2020 and Note 1 Significant accounting policies for the Business Activities declared by Council.

The Declared Business Activities of the Council are:

- Water Supply
- Sewerage
- Waste Management
- Residential 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 2020, and their financial performance for the year then ended, in accordance with the Australian Accounting Standards described in Note 1 and the Local Government Code of Accounting Practice and Financial Reporting – update number 28 (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 Note 1 to the financial statements which describes the basis of accounting. The financial statements have been prepared for the purpose of fulfilling the Council's financial reporting responsibilities under the LG Code. As a result, the financial statements may not be suitable for another purpose.

Other Information

The Council's annual report for the year ended 30 June 2020 includes other information in addition to the financial statements and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the general purpose financial statements and Special Schedules (the Schedules).

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

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

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

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
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

23 November 2020
SYDNEY

Snowy Monaro Regional Council

SPECIAL SCHEDULES
for the year ended 30 June 2020



Special Schedules

for the year ended 30 June 2020

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Permissible income for general rates

\$ '000	Notes	2020/21 Bombala Council	2020/21 Cooma-Monaro Shire Council	2020/21 Snowy River Shire Council	2020/21 Snowy Monaro Regional	2019/20 Bombala Council	2019/20 Cooma-Monaro Shire Council	2019/20 Snowy River Shire Council	2019/20 Snowy Monaro Regional
Notional general income calculation ¹									
Last year notional general income yield	a	2,495	7,505	6,311	16,311	2,426	7,227	6,078	15,731
Plus or minus adjustments ²	b	(3)	45	98	140	4	57	67	128
Notional general income	c = a + b	2,492	7,550	6,409	16,451	2,430	7,284	6,145	15,859
Permissible income calculation									
Or rate peg percentage	e	2.60%	2.60%	2.60%		2.70%	2.70%	2.70%	
Or plus rate peg amount	i = e x (c + g)	65	196	167	428	66	197	166	429
Sub-total	k = (c + g + h + i + j)	2,557	7,746	6,576	16,879	2,496	7,481	6,311	16,288
Plus (or minus) last year's carry forward total	l	2	59	4	65	1	83	14	98
Sub-total	n = (l + m)	2	59	4	65	1	83	14	98
Total permissible income	o = k + n	2,559	7,805	6,580	16,944	2,497	7,564	6,325	16,386
Less notional general income yield	p	2,556	7,802	6,576	16,934	2,495	7,505	6,311	16,311
Catch-up or (excess) result	q = o - p	2	3	4	9	1	59	14	74
Less unused catch-up ⁵	s	-	1	4	5	-	-	(10)	(10)
Carry forward to next year ⁶	t = q + r + s	2	4	8	14	1	59	4	64

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 2021.

In my opinion, the Schedule is prepared, in all material respects in accordance with the requirements of the Local Government Code of Accounting Practice and Financial Reporting – update number 28 (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 2020 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 2020.

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
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

23 November 2020
SYDNEY

Report on Infrastructure Assets
as at 30 June 2020

Asset Class	Asset Category	Estimated cost		2019/20 Required maintenance ^a	2019/20 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost					
		Estimated cost to bring assets to satisfactory standard	to bring level of service set by Council					1	2	3	4	5	
		\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000						
(a) Report on Infrastructure Assets - Values													
Buildings	Buildings	3,685	2,107	4,035	700	41,566	120,622	31.0%	11.0%	26.0%	22.0%	10.0%	
	Sub-total	3,685	2,107	4,035	700	41,566	120,622	31.0%	11.0%	26.0%	22.0%	10.0%	
Other structures	Other structures	315	166	310	60	5,394	10,327	33.0%	21.0%	35.0%	7.0%	4.0%	
	Sub-total	315	166	310	60	5,394	10,327	33.0%	21.0%	35.0%	7.0%	4.0%	
Roads	Sealed roads	10,830	4,377	2,889	2,060	162,341	222,268	18.0%	63.0%	11.0%	7.0%	1.0%	
	Unsealed roads	11,999	7,726	2,913	2,846	148,838	224,066	0.0%	15.0%	66.0%	13.0%	6.0%	
	Bridges	4,577	2,228	866	337	73,644	123,662	13.0%	32.0%	43.0%	4.0%	8.0%	
	Footpaths	242	148	288	22	8,316	14,407	16.0%	24.0%	20.0%	40.0%	0.0%	
	Other road assets	1,523	809	500	21	44,899	71,427	10.0%	48.0%	36.0%	6.0%	0.0%	
	Bulk earthworks	–	–	–	–	441,706	441,706	100.0%	0.0%	0.0%	0.0%	0.0%	
	Sub-total	29,171	15,288	7,456	5,286	879,744	1,097,536	46.2%	22.9%	23.2%	5.4%	2.3%	
Water supply network	Water supply network	12,924	12,924	4,091	1,649	90,907	208,130	12.0%	18.0%	38.0%	32.0%	0.0%	
	Sub-total	12,924	12,924	4,091	1,649	90,907	208,130	12.0%	18.0%	38.0%	32.0%	0.0%	
Sewerage network	Sewerage network	18,909	18,909	2,996	1,849	70,448	144,459	13.0%	34.0%	32.0%	14.0%	7.0%	
	Sub-total	18,909	18,909	2,996	1,849	70,448	144,459	13.0%	34.0%	32.0%	14.0%	7.0%	
Stormwater drainage	Stormwater drainage	704	588	255	139	19,902	28,325	9.0%	59.0%	9.0%	17.0%	6.0%	
	Sub-total	704	588	255	139	19,902	28,325	9.0%	59.0%	9.0%	17.0%	6.0%	
Open space / recreational assets	Swimming pools	1,035	363	36	68	2,239	3,557	15.0%	4.0%	77.0%	3.0%	1.0%	
	Other	362	156	239	60	4,300	7,974	24.0%	22.0%	37.0%	15.0%	2.0%	
	Sub-total	1,397	519	275	128	6,539	11,531	21.2%	16.4%	49.3%	11.3%	1.7%	
TOTAL - ALL ASSETS		67,105	50,501	19,418	9,811	1,114,500	1,620,930	36.8%	22.9%	26.1%	11.1%	3.1%	

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

Infrastructure asset condition assessment 'key'

1 **Excellent/very good** No work required (normal maintenance)

Report on Infrastructure Assets - Values (continued)

as at 30 June 2020

2	Good	Only minor maintenance work required
3	Satisfactory	Maintenance work required
4	Poor	Renewal required
5	Very poor	Urgent renewal/upgrading required

Report on Infrastructure Assets (continued)

as at 30 June 2020

\$ '000	Amounts 2020	Indicator 2020	Prior period 2019	Benchmark
Infrastructure asset performance indicators (consolidated) *				
Buildings and infrastructure renewals ratio ¹				
Asset renewals ²	24,462	142.65%	78.93%	>=100.00%
Depreciation, amortisation and impairment	17,148			
Infrastructure backlog ratio ¹				
Estimated cost to bring assets to a satisfactory standard	67,105	6.02%	6.16%	<2.00%
Net carrying amount of infrastructure assets	1,114,500			
Asset maintenance ratio				
Actual asset maintenance	9,811	50.53%	76.37%	>100.00%
Required asset maintenance	19,418			
Cost to bring assets to agreed service level				
Estimated cost to bring assets to an agreed service level set by Council	50,501	3.12%	3.09%	
Gross replacement cost	1,620,930			

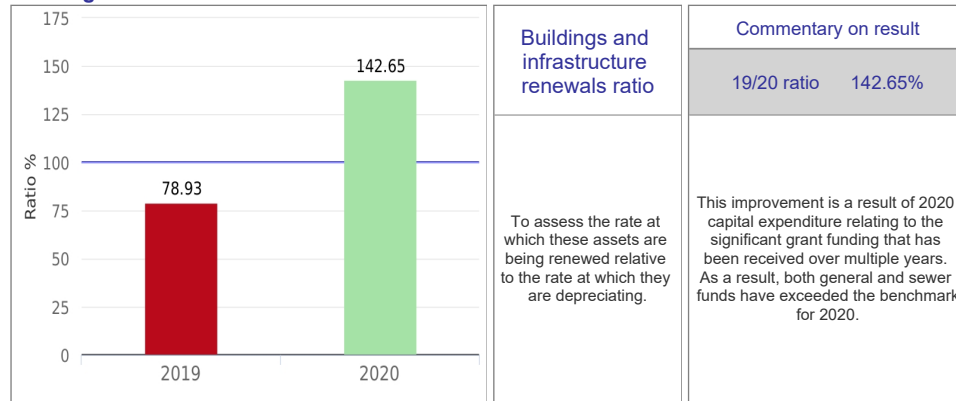
(*) All asset performance indicators are calculated using classes identified in the previous table.

(1) Excludes Work In Progress (WIP)

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

Report on Infrastructure Assets (continued)
as at 30 June 2020

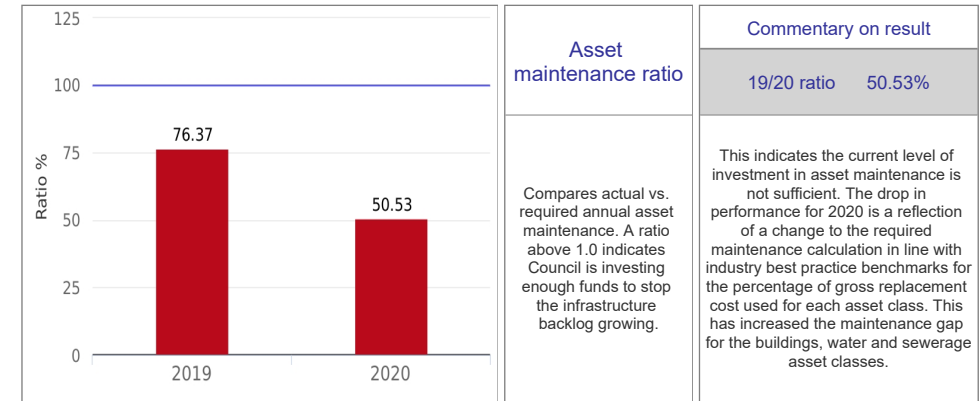
Buildings and infrastructure renewals ratio



Buildings and infrastructure renewals ratio	Commentary on result
	19/20 ratio 142.65%
To assess the rate at which these assets are being renewed relative to the rate at which they are depreciating.	This improvement is a result of 2020 capital expenditure relating to the significant grant funding that has been received over multiple years. As a result, both general and sewer funds have exceeded the benchmark for 2020.

Benchmark: — $\geq 100.00\%$ ■ Ratio achieves benchmark
 Source of benchmark: Code of Accounting Practice and Financial Reporting #28 ■ Ratio is outside benchmark

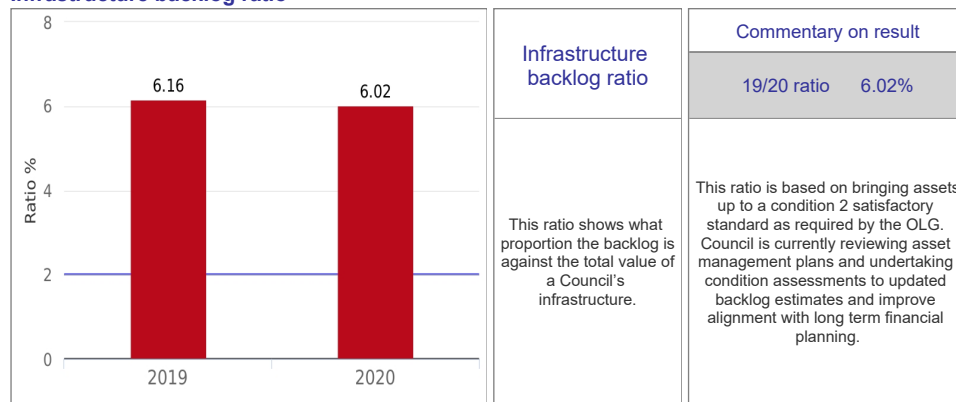
Asset maintenance ratio



Asset maintenance ratio	Commentary on result
	19/20 ratio 50.53%
Compares actual vs. required annual asset maintenance. A ratio above 1.0 indicates Council is investing enough funds to stop the infrastructure backlog growing.	This indicates the current level of investment in asset maintenance is not sufficient. The drop in performance for 2020 is a reflection of a change to the required maintenance calculation in line with industry best practice benchmarks for the percentage of gross replacement cost used for each asset class. This has increased the maintenance gap for the buildings, water and sewerage asset classes.

Benchmark: — $> 100.00\%$ ■ Ratio achieves benchmark
 Source of benchmark: Code of Accounting Practice and Financial Reporting #28 ■ Ratio is outside benchmark

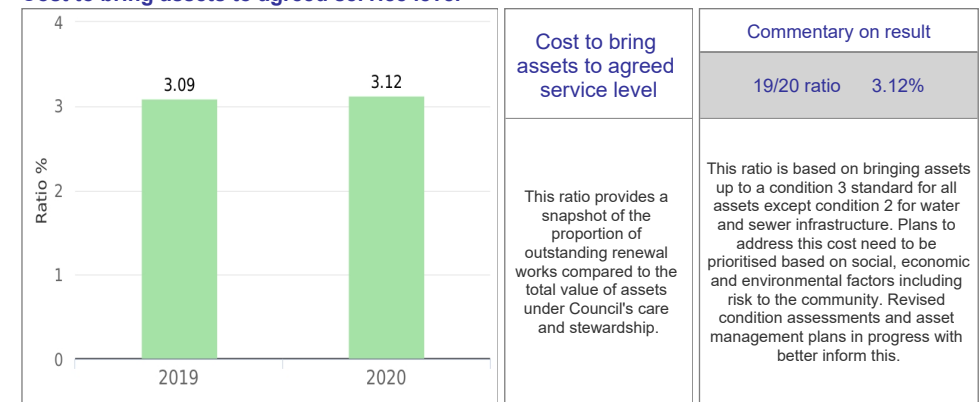
Infrastructure backlog ratio



Infrastructure backlog ratio	Commentary on result
	19/20 ratio 6.02%
This ratio shows what proportion the backlog is against the total value of a Council's infrastructure.	This ratio is based on bringing assets up to a condition 2 satisfactory standard as required by the OLG. Council is currently reviewing asset management plans and undertaking condition assessments to updated backlog estimates and improve alignment with long term financial planning.

Benchmark: — $< 2.00\%$ ■ Ratio achieves benchmark
 Source of benchmark: Code of Accounting Practice and Financial Reporting #28 ■ Ratio is outside benchmark

Cost to bring assets to agreed service level



Cost to bring assets to agreed service level	Commentary on result
	19/20 ratio 3.12%
This ratio provides a snapshot of the proportion of outstanding renewal works compared to the total value of assets under Council's care and stewardship.	This ratio is based on bringing assets up to a condition 3 standard for all assets except condition 2 for water and sewer infrastructure. Plans to address this cost need to be prioritised based on social, economic and environmental factors including risk to the community. Revised condition assessments and asset management plans in progress with better inform this.

Report on Infrastructure Assets (continued)
as at 30 June 2020

\$ '000	General fund		Water fund		Sewer fund		Benchmark
	2020	2019	2020	2019	2020	2019	
Infrastructure asset performance indicators (by fund)							
Buildings and infrastructure renewals ratio ¹							
Asset renewals ²							
Depreciation, amortisation and impairment	138.26%	100.80%	61.95%	31.06%	270.42%	35.09%	>=100.00%
Infrastructure backlog ratio ¹							
Estimated cost to bring assets to a satisfactory standard							
Net carrying amount of infrastructure assets	3.70%	3.82%	14.22%	13.90%	26.84%	25.80%	<2.00%
Asset maintenance ratio							
Actual asset maintenance							
Required asset maintenance	51.20%	79.12%	40.31%	68.42%	61.72%	71.41%	>100.00%
Cost to bring assets to agreed service level							
Estimated cost to bring assets to an agreed service level set by Council							
Gross replacement cost	1.47%	1.46%	6.21%	6.19%	13.09%	12.99%	

(1) Excludes Work In Progress (WIP)

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