



Snowy
Valleys
Council

ANNUAL FINANCIAL STATEMENTS

2017 - 2018

Snowy Valleys Council

General Purpose Financial Statements for the year ended 30 June 2018

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Overview

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

76 Capper St, Tumut
Winton St, Tumbarumba

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.svc.nsw.gov.au.

Snowy Valleys Council

General Purpose Financial Statements for the year ended 30 June 2018

Understanding Council's financial statements

Introduction

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

What you will find in the statements

The financial statements set out the financial performance, financial position and cash flows of Council for the financial year ended 30 June 2018.

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

About the Councillor/Management Statement

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

About the primary financial statements

The financial statements incorporate five 'primary' financial statements:

1. The Income Statement

Summarises Council's financial performance for the year, listing all income and expenses.

This statement also displays Council's original adopted budget to provide a comparison between what was projected and what actually occurred.

2. The Statement of Comprehensive Income

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

3. The Statement of Financial Position

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

4. The Statement of Changes in Equity

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

5. The Statement of Cash Flows

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

About the Notes to the Financial Statements

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

About the Auditor's Reports

Council's annual financial statements are required to be audited by the NSW Audit Office. In NSW the auditor provides 2 audit reports:

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

Who uses the financial statements?

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

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

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

Snowy Valleys Council

General Purpose Financial Statements

for the year ended 30 June 2018

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 financial 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 25 October 2018.



James Hayes
Mayor
30 November 2018



John Larter
Councillor
30 November 2018



Matthew Hyde
General Manager
30 November 2018



Sarah Pentland
Responsible Accounting Officer
30 November 2018

Snowy Valleys Council

Income Statement

for the year ended 30 June 2018

Original unaudited budget 2018	\$ '000	Notes	Actual 2018	Actual 13/5/16 to 30/6/17
Income from continuing operations				
Revenue:				
19,140	Rates and annual charges	3a	15,890	16,704
19,404	User charges and fees	3b	15,957	21,130
734	Interest and investment revenue	3c	1,364	1,513
979	Other revenues	3d	1,307	1,019
8,423	Grants and contributions provided for operating purposes	3e,f	11,069	19,107
9,037	Grants and contributions provided for capital purposes	3e,f	6,082	12,098
Other income:				
122	Net gains from the disposal of assets	5	–	–
57,839	Total income from continuing operations		51,669	71,571
Expenses from continuing operations				
17,460	Employee benefits and on-costs	4a	18,408	18,576
686	Borrowing costs	4b	649	800
16,873	Materials and contracts	4c	14,837	20,205
11,001	Depreciation and amortisation	4d	10,541	12,324
4,390	Other expenses	4e	4,775	5,559
–	Net losses from the disposal of assets	5	1,084	2,271
–	Revaluation decrement / impairment of IPP&E	4d	4,046	2,785
50,410	Total expenses from continuing operations		54,340	62,520
7,429	Operating result from continuing operations		(2,671)	9,051
7,429	Net operating result for the year		(2,671)	9,051
Gain on local government amalgamation				
–	Assets and liabilities transferred from former councils		–	594,898
7,429	Net result for the year		(2,671)	603,949
7,429	Net result attributable to Council		(2,671)	603,949
(1,608)	Net operating result for the year before grants and contributions provided for capital purposes		(8,753)	(3,047)

Snowy Valleys Council

Statement of Comprehensive Income
for the year ended 30 June 2018

\$ '000	Notes	2018	13/5/16 to 30/6/17
Net result for the year (as per Income Statement)		(2,671)	603,949
Other comprehensive income:			
Amounts that will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of IPP&E	10a	5,521	1,757
Total items which will not be reclassified subsequently to the operating result		5,521	1,757
Amounts that will be reclassified subsequently to the operating result when specific conditions are met			
Nil			
Total other comprehensive income for the year		5,521	1,757
Total comprehensive income for the year		2,850	605,706
Total comprehensive income attributable to Council		2,850	605,706

Snowy Valleys Council

Statement of Financial Position
as at 30 June 2018

\$ '000	Notes	2018	2017
ASSETS			
Current assets			
Cash and cash equivalents	6a	12,674	13,240
Investments	6b	34,963	36,084
Receivables	7	6,826	6,726
Inventories	8	274	560
Other	8	173	49
Non-current assets classified as 'held for sale'	9	–	72
Total current assets		54,910	56,731
Non-current assets			
Receivables	7	11	237
Inventories	8	147	147
Infrastructure, property, plant and equipment	10	570,637	567,336
Intangible assets	11	922	1,080
Total non-current assets		571,717	568,800
TOTAL ASSETS		626,627	625,531
LIABILITIES			
Current liabilities			
Payables	12	2,349	2,159
Borrowings	12	1,260	1,183
Provisions	13	5,054	5,746
Total current liabilities		8,663	9,088
Non-current liabilities			
Borrowings	12	9,159	10,425
Provisions	13	249	312
Total non-current liabilities		9,408	10,737
TOTAL LIABILITIES		18,071	19,825
Net assets		608,556	605,706
EQUITY			
Accumulated surplus	14	601,278	603,949
Revaluation reserves	14	7,278	1,757
Total equity		608,556	605,706

Snowy Valleys Council

Statement of Changes in Equity

for the year ended 30 June 2018

\$ '000	Notes	2018	IPP&E	Total equity	13/5/16	IPP&E	Total equity
		Accumulated surplus	revaluation reserve		to 30/6/17	revaluation reserve	
Opening balance		603,949	1,757	605,706	–	–	–
Net result for the year		(2,671)	–	(2,671)	603,949	–	603,949
Other comprehensive income							
– Gain (loss) on revaluation of IPP&E	10a	–	5,521	5,521	–	1,757	1,757
Other comprehensive income		–	5,521	5,521	–	1,757	1,757
Total comprehensive income		(2,671)	5,521	2,850	603,949	1,757	605,706
Equity – balance at end of the reporting period		601,278	7,278	608,556	603,949	1,757	605,706

Snowy Valleys Council

Statement of Cash Flows

for the year ended 30 June 2018

Original unaudited budget 2018	\$ '000	Notes	Actual 2018	Actual 13/5/16 to 30/6/17
Cash flows from operating activities				
Receipts:				
19,096	Rates and annual charges		16,230	19,055
19,286	User charges and fees		15,132	27,211
734	Investment and interest revenue received		1,294	1,394
17,329	Grants and contributions		17,380	31,097
–	Bonds, deposits and retention amounts received		–	143
848	Other		3,498	559
Payments:				
(16,960)	Employee benefits and on-costs		(18,675)	(18,382)
(17,119)	Materials and contracts		(16,992)	(22,130)
(686)	Borrowing costs		(610)	(757)
–	Bonds, deposits and retention amounts refunded		(57)	–
(3,894)	Other		(4,546)	(6,929)
18,634	Net cash provided (or used in) operating activities	15b	12,654	31,261
Cash flows from investing activities				
Receipts:				
7,478	Sale of investment securities		31,401	13,509
48	Sale of real estate assets		201	–
153	Sale of infrastructure, property, plant and equipment		832	627
Payments:				
(1,761)	Purchase of investment securities		(30,280)	(23,875)
(23,508)	Purchase of infrastructure, property, plant and equipment		(14,177)	(12,525)
–	Purchase of real estate assets		(8)	–
(17,590)	Net cash provided (or used in) investing activities		(12,031)	(22,264)
Cash flows from financing activities				
Receipts:				
500	Proceeds from borrowings and advances		–	–
Payments:				
(1,121)	Repayment of borrowings and advances		(1,189)	(1,254)
(621)	Net cash flow provided (used in) financing activities		(1,189)	(1,254)
423	Net increase/(decrease) in cash and cash equivalents		(566)	7,743
–	Plus: cash and cash equivalents – beginning of year	15a	13,240	–
–	Plus: cash transferred on amalgamation of councils		–	5,497
423	Cash and cash equivalents – end of the year	15a	12,674	13,240
Additional Information:				
	Investments on hand – end of year	6b	34,963	36,084
	Total cash, cash equivalents and investments		47,637	49,324

Snowy Valleys Council

Notes to the Financial Statements

for the year ended 30 June 2018

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Snowy Valleys Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 1. Basis of preparation

These financial statements were authorised for issue by Council on 25/10/2018.

Council has the power to amend and reissue these financial statements.

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Australian Accounting Interpretations, the *Local Government Act 1993 (NSW)* and Regulations, and the Local Government Code of Accounting Practice and Financial Reporting. Council is a not-for-profit entity for the purpose of preparing these financial statements.

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

Full dollars have been used in Note 22 Related party disclosures in relation to the disclosure of specific related party transactions.

Unless otherwise indicated, all amounts disclosed in the financial statements are actual amounts.

Specific budgetary amounts have been included for comparative analysis (to actuals) in the following reports and notes:

- Income statement
- Statement of cash flows
- Note 20 – Material budget variations

and are clearly marked.

(a) New and amended standards adopted by Council

AASB 124 Related Party Disclosures was adopted for the first time in the financial statements.

The impact adopting this standard has had no impact on the reporting of Council's financial position or performance.

Note 22 has now been included in these financial statements for related parties and incorporates all required related party disclosures.

(b) Historical cost convention

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

(c) Significant accounting estimates and judgements

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

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

Snowy Valleys Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 1. Basis of preparation (continued)

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year include:

- (i) estimated fair values of infrastructure, property, plant and equipment – refer Note 10,
- (ii) estimated tip remediation provisions – refer Note 13,
- (iii) employee benefit provisions – refer Note 13.

Significant judgements in applying the Council's accounting policies

- (iv) Impairment of receivables

Council has made a significant judgement about the impairment of a number of its receivables in 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 other assets 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 service
- Sewerage service
- Domestic Waste Management
- Private Works Services (consolidated into Council from 1/7/2017 with Assets and Liabilities transferred as at 30/06/18).

Due to their immaterial value and nature the following Committees, Entities and Operations have been excluded from consolidation:

- Batlow Development League
- Talbingo Progress Association
- Festival of the Falling Leaf and Rock the Turf
- Glenroy Recreation Reserve
- Khancoban Community Hall
- Khancoban Op Shop
- Tumbarumba Voices
- Tumbarumba Men's Shed
- Tumbarumba Friends of the Library
- Pioneer Women Hut
- RSL Youth Council
- Tooma Recreation Reserve
- Tumbarumba Historical Society
- Rosewood Community Shed
- Khancoban Artisans Gallery

Snowy Valleys Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 1. Basis of preparation (continued)

Total income from continuing operations \$264,414

Total expenses from continuing operations \$240,022

Total net assets held (i.e. equity) \$298,811

(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 other assets 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 other assets subject to Council's control have been included in these reports.

Trust monies and other assets held by Council but are not subject to the control of Council and have been excluded from these financial statements:

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

Goods and Services Tax (GST)

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

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

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

New accounting standards and interpretations issued not yet effective

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

Council has not applied any pronouncements before their operative date in the current reporting period beginning 1 July 2017.

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

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

- AASB 9 *Financial Instruments*

AASB 9 replaces AASB 139 *Financial Instruments: Recognition and Measurement*, and addresses the classification, measurement and disclosure of financial assets and liabilities. The standard also introduces a new impairment model that requires impairment provisions to be based on expected credit losses, rather than incurred credit losses.

The standard is not expected to have a material impact on Council's future financial statements.

Snowy Valleys Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 1. Basis of preparation (continued)

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

- AASB 15 *Revenue from Contracts with Customers*, AASB 1058 *Income of Not-for-Profit Entities* and AASB 2016-8 *Amendments to Australian Accounting Standards - Australian Implementation Guidance for Not-for-Profit Entities*

AASB 15 will replace AASB 118 *Revenue*, AASB 111 *Construction Contracts* and a number of Interpretations. AASB 2016-8 provides Australian requirements and guidance for not-for-profit entities in applying AASB 9 and AASB 15, and AASB 1058 will replace AASB 1004 *Contributions*.

Together they contain a comprehensive and robust framework for the recognition, measurement and disclosure of income including revenue from contracts with customers.

Based on preliminary assessments to date, these standards are not expected to have a material impact on council's overall financial position, financial performance or cashflows.

- AASB 16 *Leases*

Under this standard a lease liability will initially be measured at the present value of the lease payments to be made over the lease term. A corresponding right-of-us asset will also be recognised over the lease term. Operating lease expenses will decrease and interest and depreciation expense will increase.

Council does not have any finance or operating leases as at 30 June 2018. This standard is not expected to have a material impact on Council's future financial statements.

Snowy Valleys Council

Notes to the Financial Statements

for the year ended 30 June 2018

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

Functions/activities	Income, expenses and assets have been directly attributed to the following functions/activities. Details of these functions/activities are provided in Note 2(b).									
	Income from continuing operations		Expenses from continuing operations		Operating result from continuing operations		Grants included in income from continuing operations		Total assets held (current and non-current)	
	2018	13/5/16 to 30/6/17	2018	13/5/16 to 30/6/17	2018	13/5/16 to 30/6/17	2018	13/5/16 to 30/6/17	2018	2017
Towns and Villages	4,364	3,438	6,250	5,509	(1,886)	(2,071)	2,979	2,074	17,531	7,351
Growth Through Innovation	1,111	1,745	7,332	3,132	(6,221)	(1,387)	–	10	2,132	5,783
Our Natural Environment	11,951	14,087	14,025	17,328	(2,074)	(3,241)	132	560	154,307	113,040
Communications and Engagement	16,866	42,240	9,174	16,058	7,692	26,182	5,594	23,015	51,460	95,324
Our Infrastructure	17,377	10,061	17,559	20,493	(182)	(10,432)	4,379	2,429	392,110	404,033
Total functions and activities	51,669	71,571	54,340	62,520	(2,671)	9,051	14,105	28,088	626,627	625,531

Snowy Valleys Council

Notes to the Financial Statements

for the year ended 30 June 2018

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:

Towns and Villages

A sense of community and belonging, where people are friendly and support each other
 Retention of the local identity for each town and village
 Fair resource allocation across the Snowy Valleys region
 Services which support wellbeing for local people such as libraries, childcare and aged care
 Preservation and celebration of local history and heritage
 Promotion and support of arts and cultural activities
 Events which bring people together and promote the offerings of the region

Growth Through Innovation

Support for existing industries, as well as initiatives to attract new employment opportunities across the region
 Tourism initiatives to attract more people to the area and in turn boost the local economy
 Initiatives to attract young families to the area to create a more diverse demography
 Sustainable tourism initiatives which boost the economy and promote sustainable living
 Support for small business and a reduction in red tape when dealing with government agencies
 Improved telecommunication services including mobile phone reception and high speed internet access

Our Natural Environment

To protect the natural environment and promote its beauty to local and visitors
 Opportunities to make use of the natural environment for sustainable recreation activities
 To ensure the cleanliness of local waterways, lakes and streams

Communications and Engagement

Councillors, the Council executive and staff to be accessible and open to listening
 To be communicated to in a timely manner on all Council decisions
 Additional communication in the context of the recent merger and as the new Council becomes established
 Opportunities to be actively involved in engagement activities which inform Council decision making
 Opportunities to be involved in committees which provide direct advice to Council on local issues

Our Infrastructure

Improved roads
 Amenities, infrastructure and facilities which meet community needs
 Reliable waste and sewage services
 Continuation of resource allocation towards sports grounds and facilities to enable recreation activities
 Improvements to sustainable transport infrastructure including walking tracks and cycleways
 Initiatives to encourage sustainable transport options for locals including public transport
 Continued access to local swimming pools

Snowy Valleys Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 3. Income from continuing operations

\$ '000	2018	13/5/16 to 30/6/17
(a) Rates and annual charges		
Ordinary rates		
Residential	3,895	3,752
Farmland	3,840	3,861
Business	948	876
Less: pensioner rebates (mandatory)	(306)	–
Total ordinary rates	8,377	8,489
Annual charges (pursuant to s.496, s.496A, s.496B, s.501 & s.611)		
Domestic waste management services	1,828	2,414
Stormwater management services	35	43
Water supply services	1,062	1,292
Sewerage services	4,104	4,359
Waste management services (non-domestic)	484	107
Total annual charges	7,513	8,215
TOTAL RATES AND ANNUAL CHARGES	15,890	16,704

Council has used 2017 year valuations provided by the NSW Valuer General in calculating its rates.

Accounting policy for rates and annual charges

Rates, annual charges, grants and contributions (including developer contributions) are recognised as revenue when the Council obtains control over the assets comprising these receipts. Developer contributions may only be expended for the purposes for which the contributions were required, but the Council may apply contributions according to the priorities established in work schedules.

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

Snowy Valleys Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 3. Income from continuing operations (continued)

\$ '000	2018	13/5/16 to 30/6/17
(b) User charges and fees		
Specific user charges (per s.502 – specific 'actual use' charges)		
Domestic waste management services	7	26
Water supply services	3,289	3,393
Sewerage services	27	48
Trade waste services	11	13
Total specific user charges	3,334	3,480
Other user charges and fees		
(i) Fees and charges – statutory and regulatory functions (per s.608)		
Inspection services	–	44
Planning and building regulation	315	391
Private works – section 67	1,641	4,091
Regulatory/ statutory fees	–	25
Registration fees	–	11
Section 149 certificates (EPA Act)	40	15
Section 603 certificates	36	33
Total fees and charges – statutory/regulatory	2,032	4,610
(ii) Fees and charges – other (incl. general user charges (per s.608))		
Cemeteries	252	333
Library and art gallery	12	14
RMS (formerly RTA) charges (state roads not controlled by Council)	8,849	10,916
Saleyards	–	19
Swimming centres	52	149
Aged related services	93	170
Gravel sales	167	34
Sundry admin income	–	23
Sporting facilities fees	11	32
Sewerage treatment fees	–	35
Rental income	–	220
Solar bonus scheme	–	4
Waste transfer station fees	78	74
Childrens services fees	505	468
Caravan park lease	163	184
Tumbafest ticket sales and charges	115	106
Community transport	124	118
Other	170	141
Total fees and charges – other	10,591	13,040
TOTAL USER CHARGES AND FEES	15,957	21,130

Accounting policy for user charges and fees

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

Snowy Valleys Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 3. Income from continuing operations (continued)

\$ '000	2018	13/5/16 to 30/6/17
(c) Interest and investment revenue (including losses)		
Interest		
– Overdue rates and annual charges (incl. special purpose rates)	73	115
– Cash and investments	1,291	1,398
TOTAL INTEREST AND INVESTMENT REVENUE	1,364	1,513
Interest revenue is attributable to:		
Unrestricted investments/financial assets:		
Overdue rates and annual charges (general fund)	73	107
General Council cash and investments	953	770
Restricted investments/funds – external:		
Development contributions		
– Section 7.11	7	7
– Section 64	73	70
Water fund operations	78	124
Sewerage fund operations	120	171
Domestic waste management operations	40	5
Tumbarumba Retirement Village	20	18
Restricted investments/funds – internal:		
Internally restricted assets	–	241
Total interest and investment revenue recognised	1,364	1,513

Accounting policy for interest and investment revenue

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

Snowy Valleys Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 3. Income from continuing operations (continued)

\$ '000	Notes	2018	13/5/16 to 30/6/17
(d) Other revenues			
Rental income – other council properties		490	322
Fines		44	44
Legal fees recovery – rates and charges (extra charges)		104	31
Legal fees recovery – other		–	6
Commissions and agency fees		–	90
Diesel rebate		–	61
Sales – general		588	213
Property mutual insurance rebate		–	26
Workers compensation rebate		–	21
Southern phone dividend received		–	31
Risk management and OHS incentive		–	39
Other		81	135
<u>TOTAL OTHER REVENUE</u>		<u>1,307</u>	<u>1,019</u>

Accounting policy for other revenue

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

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

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

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

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

Snowy Valleys Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 3. Income from continuing operations (continued)

\$ '000	2018 Operating	13/5/16 to 30/6/17 Operating	2018 Capital	13/5/16 to 30/6/17 Capital
(e) Grants				
General purpose (untied)				
Current year allocation				
Financial assistance – general component	2,037	4,024	–	–
Financial assistance – local roads component	675	1,181	–	–
Payment in advance – future year allocation				
Financial assistance	2,779	2,667	–	–
Other				
Pensioners' rates subsidies – general component	103	133	–	–
Total general purpose	5,594	8,005	–	–
Specific purpose				
Pensioners' rates subsidies:				
– Water	45	59	–	–
– Sewerage	44	61	–	–
– Domestic waste management	43	66	–	–
Water supplies	–	27	–	–
Sewerage services	–	32	–	–
Bushfire and emergency services	335	12	–	–
Community care	1,342	370	883	–
Heritage and cultural	349	187	70	–
Library	–	24	–	–
Noxious weeds	–	178	–	–
NSW rural fire services	–	149	–	–
Recreation and culture	–	62	604	90
Street lighting	46	45	–	–
Transport (roads to recovery)	–	850	1,021	–
Transport (other roads and bridges funding)	1,332	417	2,397	328
Natural disaster	–	580	–	–
Mannus dam restoration	–	10	–	–
Pines boat ramp	–	19	–	–
Khancoban preschool	–	129	–	–
Before and after school care	–	84	–	–
Stronger communities grant	–	–	–	10,000
MSO grant	–	344	–	–
Mobile pre-school	–	372	–	–
Sewer treatment plant	–	–	–	10
Carcoola childrens centre	–	537	–	–
Tumbafest	–	10	–	–
Merger implementation grant	–	5,000	–	–
Other	–	18	–	13
Total specific purpose	3,536	9,642	4,975	10,441
Total grants	9,130	17,647	4,975	10,441
Grant revenue is attributable to:				
– Commonwealth funding	5,541	6,163	–	328
– State funding	3,581	11,484	3,954	10,113
– Other funding	8	–	1,021	–
	9,130	17,647	4,975	10,441

Snowy Valleys Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 3. Income from continuing operations (continued)

\$ '000	Notes	2018 Operating	13/5/16 to 30/6/17 Operating	2018 Capital	13/5/16 to 30/6/17 Capital
(f) Contributions					
Developer contributions:					
(s7.4 & s7.11 – EP&A Act, s64 of the LGA):					
Cash contributions					
S 7.11 – contributions towards amenities/services		–	–	7	23
S 64 – water supply contributions		–	–	6	20
S 64 – sewerage service contributions		–	–	10	31
Total developer contributions – cash		–	–	23	74
Total developer contributions	23	–	–	23	74
Other contributions:					
Cash contributions					
Recreation and culture		61	22	–	48
Roads and bridges		–	68	–	65
RMS contributions (regional roads, block grant)		1,448	654	1,084	766
Other		–	41	–	–
Children’s services		–	29	–	–
RMS contributions (PAMP projects)		–	–	–	2
Tumba fest		–	44	–	–
Community programs		–	82	–	–
Insurance rebate		–	106	–	–
Rural fire service (zone HQ)		107	175	–	–
Vehicle usage contribution		152	111	–	–
Youth worker		–	9	–	–
Diesel rebate		60	74	–	–
HACC contributions		–	36	–	–
Blakeney millar labyrinth construction		–	–	–	555
Batlow literary contribution		–	–	–	138
Other		111	9	–	9
Total other contributions – cash		1,939	1,460	1,084	1,583
Total other contributions		1,939	1,460	1,084	1,583
Total contributions		1,939	1,460	1,107	1,657
TOTAL GRANTS AND CONTRIBUTIONS		11,069	19,107	6,082	12,098

Accounting policy for contributions

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

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

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.

Snowy Valleys Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 3. Income from continuing operations (continued)

\$ '000	2018	13/5/16 to 30/6/17
(g) Unspent grants and contributions		
Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner:		
Operating grants		
Unexpended at the close of the previous reporting period	1,711	–
Add: operating grants recognised in the current period but not yet spent	100	1,789
Less: operating grants recognised in a previous reporting period now spent	(15)	(78)
Unexpended and held as restricted assets (operating grants)	1,796	1,711
Capital grants		
Unexpended at the close of the previous reporting period	13,878	962
Add: capital grants recognised in the current period but not yet spent	195	264
Add: capital grants received for the provision of goods and services in a future period	389	12,698
Less: capital grants recognised in a previous reporting period now spent	(1,998)	(46)
Unexpended and held as restricted assets (capital grants)	12,464	13,878
Contributions		
Unexpended at the close of the previous reporting period	3,137	2,986
Add: contributions recognised in the current period but not yet spent	86	151
Unexpended and held as restricted assets (contributions)	3,223	3,137

Snowy Valleys Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 4. Expenses from continuing operations

\$ '000	2018	13/5/16 to 30/6/17
(a) Employee benefits and on-costs		
Salaries and wages	14,944	13,807
Employee termination costs	50	605
Travel expenses	43	34
Employee leave entitlements (ELE)	1,661	1,763
Superannuation	1,675	1,818
Workers' compensation insurance	520	579
Fringe benefit tax (FBT)	81	73
Payroll tax	47	68
Training costs (other than salaries and wages)	209	275
Other	173	241
Total employee costs	19,403	19,263
Less: capitalised costs	(995)	(687)
TOTAL EMPLOYEE COSTS EXPENSED	18,408	18,576
Number of 'full-time equivalent' employees (FTE) at year end	228	209

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, when 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 18 for more information.

(b) Borrowing costs

	2018	13/5/16 to 30/6/17
(i) Interest bearing liability costs		
Interest on loans	649	799
Total interest bearing liability costs expensed	649	799
(ii) Other borrowing costs		
Discount adjustments relating to movements in provisions (other than ELE)		
– Remediation liabilities	13	1
Total other borrowing costs	–	1
TOTAL BORROWING COSTS EXPENSED	649	800

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.

Snowy Valleys Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 4. Expenses from continuing operations (continued)

\$ '000	2018	13/5/16 to 30/6/17
(c) Materials and contracts		
Raw materials and consumables	12,654	18,184
Contractor and consultancy costs		
– Sealing contract	1,061	848
– IT service contract	–	89
– Town planning consultants	–	29
– LGFS portfolio	–	10
– Implementation fund consultancies	726	685
– Stronger communities infrastructure consultancies	53	36
Auditors remuneration ⁽²⁾	134	133
Legal expenses:		
– Legal expenses: debt recovery	28	33
– Legal expenses: other	114	53
Operating leases:		
– Operating lease rentals: minimum lease payments ⁽¹⁾	67	105
TOTAL MATERIALS AND CONTRACTS	14,837	20,205
Operating leases		
Leases in which a significant portion of the risks and rewards of ownership are not transferred to Council as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.		
1. Operating lease payments are attributable to:		
Other	67	105
	67	105
2. Auditor remuneration		
During the year the following fees were paid or payable for services provided by the auditor of Council, related practices and non-related audit firms		
Auditors of the Council – NSW Auditor-General:		
(i) Audit and other assurance services		
Audit and review of financial statements	78	73
Remuneration for audit and other assurance services	78	73
Total Auditor-General remuneration	78	73
Non NSW Auditor-General audit firms:		
(i) Audit and other assurance services		
Other audit and assurance services	56	60
Remuneration for audit and other assurance services	56	60
Total remuneration of non NSW Auditor-General audit firms	56	60
Total Auditor remuneration	134	133

Snowy Valleys Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	2018	13/5/16 to 30/6/17
(d) Depreciation, amortisation and impairment			
Depreciation and amortisation			
Plant and equipment	10	1,703	2,744
Office equipment	10	72	83
Furniture and fittings	10	36	45
Land improvements (depreciable)	10	2	116
Infrastructure:			
– Buildings – non-specialised	10	756	835
– Buildings – specialised	10	247	250
– Other structures	10	314	469
– Roads	10	3,578	4,032
– Bridges	10	489	628
– Footpaths	10	211	161
– Other road assets	10	353	290
– Stormwater drainage	10	306	332
– Water supply network	10	1,042	1,041
– Sewerage network	10	1,084	822
– Other open space/recreational assets	10	181	245
– Other infrastructure	10	–	6
Other assets:			
– Heritage collections	10	–	3
– Library books	10	–	5
– Other	10	–	20
Reinstatement, rehabilitation and restoration assets:			
– Tip assets	10 & 13	6	13
– Quarry assets	10 & 13	3	5
Intangible assets	11	158	179
Total depreciation and amortisation costs		<u>10,541</u>	<u>12,324</u>

Snowy Valleys Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	2018	13/5/16 to 30/6/17
(d) Depreciation, amortisation and impairment (continued)			
Impairment / revaluation decrement of IPP&E			
Plant and equipment		1,473	–
Community land		–	242
Infrastructure:			
– Other structures		278	–
– Water supply network		2,295	2,543
Total IPP&E impairment / revaluation decrement costs / (reversals)		4,046	2,785
<u>TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT / REVALUATION DECREMENT COSTS EXPENSED</u>		<u>14,587</u>	<u>15,109</u>

Accounting policy for depreciation, amortisation and impairment expenses**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 10 for IPP&E assets and Note 11 for intangible assets.

Impairment of non-financial assets

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

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

Impairment of financial assets

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

Snowy Valleys Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 4. Expenses from continuing operations (continued)

\$ '000	2018	13/5/16 to 30/6/17
(e) Other expenses		
Advertising	545	425
Bank charges	83	49
Contributions/levies to other levels of government		
– Emergency services levy (includes FRNSW, SES, and RFS levies)	375	157
– NSW rural fire service levy	55	261
– Other contributions/levies	25	58
Councillors' expenses (incl. mayor) – other (excluding fees above)	282	319
Donations, contributions and assistance to other organisations	27	263
Electricity and heating	922	1,012
Insurance	926	907
Postage	63	45
Printing and stationery	169	136
Street lighting	48	44
Subscriptions and publications	429	292
Telephone and communications	241	214
Valuation fees	74	68
Stronger communities grants expenditure	466	1,136
Other	45	173
<u>TOTAL OTHER EXPENSES</u>	<u>4,775</u>	<u>5,559</u>

Accounting policy for other expenses

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

Snowy Valleys Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 5. Gains or losses from the disposal of assets

\$ '000	Notes	2018	13/5/16 to 30/6/17
Plant and equipment	10		
Proceeds from disposal – plant and equipment		728	627
Less: carrying amount of plant and equipment assets sold/written off		(711)	(2,235)
Net gain/(loss) on disposal		17	(1,608)
Infrastructure	10		
Less: carrying amount of infrastructure assets sold/written off		(1,329)	(663)
Net gain/(loss) on disposal		(1,329)	(663)
Real estate assets held for sale	8		
Proceeds from disposal – real estate assets		201	–
Less: carrying amount of real estate assets sold/written off		(77)	–
Net gain/(loss) on disposal		124	–
Financial assets	6		
Proceeds from disposal/redemptions/maturities – financial assets		31,401	13,509
Less: carrying amount of financial assets sold/redeemed/matured		(31,401)	(13,509)
Net gain/(loss) on disposal		–	–
Non-current assets classified as ‘held for sale’	9		
Proceeds from disposal – non-current assets ‘held for sale’		104	–
Net gain/(loss) on disposal		104	–
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		(1,084)	(2,271)

Accounting policy for disposal of assets

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 derecognised.

Note 6(a). Cash and cash equivalent assets

Cash and cash equivalents			
Cash on hand and at bank		7,356	7,609
Cash-equivalent assets			
– Deposits at call		5,318	5,631
Total cash and cash equivalents		12,674	13,240

Accounting policy for cash and cash equivalents

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

Snowy Valleys Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 6(b). Investments

\$ '000	2018	2018	2017	2017
	Current	Non-current	Current	Non-current
Investments				
a. 'At fair value through the profit and loss'				
– 'Held for trading'	8,014	–	–	–
b. 'Held to maturity'	26,949	–	36,084	–
Total investments	34,963	–	36,084	–
TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS				
	47,637	–	49,324	–
Held to maturity investments				
Long term deposits	26,949	–	36,084	–
Total	26,949	–	36,084	–

Accounting policy for investments**Classification**

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

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

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

(b) Held to maturity investments

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

Recognition and de-recognition

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

Snowy Valleys Council

Notes to the Financial Statements
for the year ended 30 June 2018

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

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
Total cash, cash equivalents and investments	47,637	–	49,324	–
Attributable to:				
External restrictions (refer below)	28,235	–	26,411	–
Internal restrictions (refer below)	17,035	–	20,323	–
Unrestricted	2,367	–	2,590	–
	47,637	–	49,324	–

\$ '000	2018		2017	
---------	------	--	------	--

Details of restrictions

External restrictions – included in liabilities

Funds in trust	–	57
External restrictions – included in liabilities	–	57

External restrictions – other

Developer contributions – general	252	254
Developer contributions – water fund	852	826
Developer contributions – sewer fund	2,119	2,057
Specific purpose unexpended grants	14,260	15,589
Water supplies	3,841	1,961
Sewerage services	4,716	3,918
Domestic waste management	1,325	890
Retirement village	717	693
Specific purpose contributions	49	49
Urban stormwater	104	117
External restrictions – other	28,235	26,354
Total external restrictions	28,235	26,411

Snowy Valleys Council

Notes to the Financial Statements

for the year ended 30 June 2018

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

\$ '000	2018	2017
Internal restrictions		
Plant and vehicle replacement	2,487	2,432
Employees leave entitlement	1,267	2,707
Carry over works	5,523	4,450
Aboriginal brungle reserve PW	45	45
Adelong showground reserve	10	10
Airfield	62	61
Public toilets	115	115
Scholarship	6	6
SWS surplus holding account	456	456
Tree management	39	39
Open space	107	106
FBT liability	–	107
Television services	71	71
Aerodrom obstacle lighting	60	60
Airfield reseals	60	60
Playground	77	77
Plant TSC vehicles	–	208
Plant IWD vehicle	–	667
Packards pit	40	40
Life long learner	1	1
Legal	105	105
IT	103	103
Khancoban community reserve	–	26
Other waste management	5	5
Basalt quarry rehab	–	413
Quarry rehab and capital works	703	168
Tumbafest	83	71
Television translator/radio	32	32
Replacement of office equipment	75	51
Private works contingency reserve	–	400
Mannus quarry rehab	–	125
Community services	127	325
Capital projects reserve	1,271	1,882
Uncompleted works	–	1,204
Project development	76	51
Elections	72	72
Contingencies	508	628
Community development	32	32
Carpark improvements	112	95
Camp hudson	70	48
Emergency services	86	86

(continued on the next page...)

Snowy Valleys Council

Notes to the Financial Statements

for the year ended 30 June 2018

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

\$ '000	2018	2017
Internal restrictions (cont'd)		
Bridge maintenance	57	57
Batlow literary institute	56	56
Xmas festivities	7	1
Youth council	8	10
Visy emergency works	160	27
Unit development	142	142
Tumut boys club	44	44
Third age group	3	3
Telstra tower	18	18
Telecentre	25	27
Talbingo reserve	124	124
Asset renewals reserve	88	88
IWD plant dividend	464	464
Insurance (risk management)	124	124
Swimming pools	312	312
Hazard reduction	53	53
Shire signage	84	84
Security deposits	9	8
Community Transport	357	125
Caravan park	77	95
Saleyards	38	42
General gravel pit	203	203
Real estate asset management	38	38
IWD dividend reserve	538	538
Other	120	–
Total internal restrictions	17,035	20,323
TOTAL RESTRICTIONS	45,270	46,734

Snowy Valleys Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 7. Receivables

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
Purpose				
Rates and annual charges	447	11	561	237
Interest and extra charges	80	–	56	–
User charges and fees	4,808	–	2,613	–
Private works	–	–	201	–
Accrued revenues				
– Interest on investments	354	–	308	–
– Other income accruals	258	–	1,323	–
Amounts due from other councils	–	–	432	–
Government grants and subsidies	862	–	1,091	–
Net GST receivable	17	–	142	–
Total	6,826	11	6,727	237
Less: provision for impairment				
User charges and fees	–	–	(1)	–
Total provision for impairment – receivables	–	–	(1)	–
TOTAL NET RECEIVABLES	6,826	11	6,726	237
Externally restricted receivables				
Water supply				
– Rates and availability charges	–	–	137	–
– Other	1,555	–	1,712	–
Sewerage services				
– Rates and availability charges	236	–	31	–
– Other	180	–	372	–
Domestic waste management	156	–	30	–
Total external restrictions	2,127	–	2,282	–
Unrestricted receivables	4,699	11	4,444	237
TOTAL NET RECEIVABLES	6,826	11	6,726	237
Movement in provision for impairment of receivables				
Balance at the beginning of the year			2018	13/5/16 to 30/6/17
			1	2
– amounts provided for but recovered during the year			(1)	(1)
Balance at the end of the year			–	1

Snowy Valleys Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 7. Receivables (continued)

Accounting policy for receivables

Recognition and measurement

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets. Loans and receivables are included in inventories and other assets (Note 8) and receivables (Note 7) in the Statement of Financial Position. Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Receivables are generally due for settlement within 30 days.

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

Impairment

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

Collectability of receivables is reviewed on an on-going basis. Debts that are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of receivables) is used when there is objective evidence that Council will not be able to collect all amounts due according to the original terms of the receivables.

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the receivable is impaired. When a receivable for which an impairment allowance had been recognised becomes uncollectable in a subsequent period it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the Income statement.

Note 8. Inventories and other assets

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
(a) Inventories				
(i) Inventories at cost				
Real estate for resale (refer below)	192	147	261	147
Stores and materials	82	–	299	–
Total inventories at cost	274	147	560	147
TOTAL INVENTORIES	274	147	560	147
(b) Other assets				
Prepayments	173	–	49	–
TOTAL OTHER ASSETS	173	–	49	–

Externally restricted assets

There are no restrictions applicable to the above assets.

Snowy Valleys Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 8. Inventories and other assets (continued)

\$ '000	Notes	2018		2017	
		Current	Non-current	Current	Non-current
(i) Other disclosures					
(a) Details for real estate development					
Residential		192	147	261	147
Total real estate for resale		192	147	261	147
(Valued at the lower of cost and net realisable value)					
Represented by:					
Acquisition costs		78	147	135	147
Development costs		114	–	126	–
Total costs		192	147	261	147
Total real estate for resale		192	147	261	147
Movements:					
Real estate assets at beginning of the year		261	147	261	147
– Purchases and other costs		8	–	–	–
– WDV of sales (expense)	5	(77)	–	–	–
Total real estate for resale		192	147	261	147

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

The following inventories and other assets, even though classified as current are not expected to be recovered in the next 12 months;

	2018	2017
Real estate for resale	104	213
	104	213

Accounting policy**Raw materials and stores, work in progress and finished goods**

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

Inventory held for distribution

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

Real estate held for resale/capitalisation of borrowing costs

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

Snowy Valleys Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 9. Non-current assets classified as held for sale (and disposal groups)

\$ '000	2018	2018	2017	2017
	Current	Non-current	Current	Non-current
(i) Non-current assets and disposal group assets				
Non-current assets 'held for sale'				
Land	–	–	72	–
Total non-current assets 'held for sale'	–	–	72	–
TOTAL NON-CURRENT ASSETS CLASSIFIED AS 'HELD FOR SALE'				
	–	–	72	–

\$ '000	Assets 'held for sale'	
	2018	13/5/16 to 30/6/17
(ii) Reconciliation of non-current assets 'held for sale'		
Opening balance	72	72
Less: carrying value of assets/operations sold	(72)	–
Balance still unsold after 12 months:	–	72
Closing balance of 'held for sale' non-current assets and operations	–	72

Accounting policy for non-current assets classified as held for sale

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets; assets arising from employee benefits; financial assets; and investment property that are carried at fair value.

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

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale.

Snowy Valleys Council

Notes to the Financial Statements
for the year ended 30 June 2018

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

Asset class \$ '000	as at 30/6/2017			Asset movements during the reporting period									as at 30/6/2018		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals	Additions new assets	Carrying value of disposals	Depreciation expense	Impairment loss / revaluation decrements (recognised in IS)	WIP transfers	Adjustments and transfers	Revaluation decrements to equity (ARR)	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
Capital work in progress	239	–	239	–	133	–	–	–	(239)	–	–	–	133	–	133
Plant and equipment	20,262	8,517	11,745	2,774	54	(716)	(1,703)	(1,473)	–	832	–	–	19,955	8,442	11,513
Office equipment	1,576	1,002	574	–	–	–	(72)	–	–	(88)	–	–	1,438	1,024	414
Furniture and fittings	1,195	788	407	–	–	–	(36)	–	–	–	–	–	1,195	824	371
Land:															
– Operational land	7,645	–	7,645	–	–	(72)	–	–	–	(964)	–	–	6,609	–	6,609
– Community land	13,612	–	13,612	–	–	–	–	–	–	1,043	–	–	14,655	–	14,655
Land improvements – non-depreciable	1,063	11	1,052	100	122	–	–	–	–	(1,052)	–	–	222	–	222
Land improvements – depreciable	4,423	1,521	2,902	–	12	(37)	(2)	–	–	(3,110)	–	298	65	2	63
Infrastructure:															
– Buildings – non-specialised	54,627	19,499	35,128	264	130	(564)	(756)	–	–	(10,287)	–	3,055	46,581	19,611	26,970
– Buildings – specialised	17,447	7,258	10,189	368	1,246	(97)	(247)	–	181	772	(1,812)	–	16,752	6,152	10,600
– Other structures	6,071	1,910	4,161	117	131	(34)	(314)	(278)	40	6,361	(1,243)	–	13,665	4,724	8,941
– Roads	250,973	73,892	177,081	4,884	80	(248)	(3,578)	–	18	(1,927)	–	–	251,301	74,991	176,310
– Bridges	55,711	23,511	32,200	–	–	–	(489)	–	–	–	–	–	55,711	24,000	31,711
– Footpaths	12,300	4,507	7,793	219	10	(35)	(211)	–	–	1,569	–	–	14,746	5,401	9,345
– Kerb and gutter	20,261	8,481	11,780	688	125	(5)	(353)	–	–	3,252	–	–	27,700	12,213	15,487
– Bulk earthworks (non-depreciable)	107,813	–	107,813	1,104	8	(183)	–	–	–	100	–	–	108,842	–	108,842
– Stormwater drainage	36,351	14,953	21,398	37	113	(12)	(306)	–	–	10	–	–	36,491	15,251	21,240
– Water supply network	78,527	27,125	51,402	40	95	(22)	(1,042)	(2,295)	–	(342)	–	–	75,302	27,466	47,836
– Sewerage network	93,970	29,478	64,492	196	37	(14)	(1,084)	–	–	(740)	–	2,103	95,264	30,274	64,990
– Other open space/recreational assets	9,036	3,976	5,060	945	110	–	(181)	–	–	4,902	–	3,120	17,221	3,265	13,956
– Other infrastructure	338	19	319	–	–	–	–	–	–	(314)	–	–	5	–	5
Other assets:															
– Heritage collections	172	18	154	–	–	–	–	–	–	–	–	–	172	18	154
– Library books	25	21	4	–	–	–	–	–	–	–	–	–	25	21	4
– Other	111	87	24	–	107	–	–	–	–	(17)	–	–	114	–	114
Reinstatement, rehabilitation and restoration assets (refer Note 13):															
– Tip assets	239	113	126	–	–	(1)	(6)	–	–	–	–	–	238	119	119
– Quarry assets	76	40	36	–	–	–	(3)	–	–	–	–	–	76	43	33
TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIP.	794,063	226,727	567,336	11,736	2,513	(2,040)	(10,383)	(4,046)	–	–	(3,055)	8,576	804,478	233,841	570,637

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

Snowy Valleys Council

Notes to the Financial Statements

for the year ended 30 June 2018

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 valuations are performed at least every five years, however the carrying amount of assets is assessed at each reporting date to confirm that it is not materially different from current fair value.

Water supply and sewerage network assets are indexed at each reporting period in accordance with the Rates Reference Manual issued by Crown Lands and Water (CLAW).

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

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	5 to 10	Playground equipment	5 to 20
Office furniture	10 to 20	Benches, seats etc.	10 to 20
Computer equipment	4		
Vehicles	5 to 8	Buildings	
Heavy plant/road making equipment	5 to 8	Buildings: masonry	50 to 200
Other plant and equipment	5 to 15	Buildings: other	20 to 40
Water and sewer assets		Stormwater assets	
Dams and reservoirs	40 to 100	Drains	50 to 110
Bores	20 to 40	Culverts	50 to 110
Reticulation pipes: PVC	70 to 80	Flood control structures	80 to 100
Reticulation pipes: other	45 to 75		
Pumps and telemetry	10 to 205		
Transportation assets		Other infrastructure assets	
Sealed roads: surface	2 to 60	Bulk earthworks	Infinite
Sealed roads: structure	60	Swimming pools	50
Unsealed roads	7 to 30	Unsealed roads	20
Bridge: concrete	100	Other open space/recreational assets	20
Bridge: other	40 to 80	Other infrastructure	20
Footpaths	100		
Road subbase	200		
Kerb, gutter and footpaths	90		

Snowy Valleys Council

Notes to the Financial Statements

for the year ended 30 June 2018

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

Accounting policy for infrastructure, property, plant and equipment (continued)

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the Income statement.

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 fire fighting equipment purchased or constructed wholly or from money to the credit of the Fund is to be vested in the council of the area for or on behalf of which the fire fighting equipment has been purchased or constructed*".

These assets are under the control of RFS to enable that service to comply with the Service Delivery contract with Council and have not been recognised in these statements.

Until such time as discussions on this matter have concluded and the legislation changed, Council will not recognise rural fire service assets including land, buildings, plant and vehicles.

Snowy Valleys Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 10(b). Externally restricted infrastructure, property, plant and equipment

\$ '000 Class of asset	2018			2017		
	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount
Water supply						
Plant and equipment	524	33	491	53	45	8
Land						
– Operational land	866	–	866	866	–	866
– Community land	260	–	260	260	–	260
– Improvements – non-depreciable	16	–	16	16	–	16
– Improvements – depreciable	–	–	–	102	1	101
Buildings	2,028	824	1,204	3,454	1,662	1,792
Infrastructure	75,302	27,466	47,836	78,527	27,125	51,402
Other assets	–	–	–	12	–	12
Total water supply	78,996	28,323	50,673	83,290	28,833	54,457
Sewerage services						
Plant and equipment	602	52	550	192	185	7
Land						
– Operational land	226	–	226	226	–	226
– Community land	135	–	135	135	–	135
– Improvements – non-depreciable	125	–	125	125	–	125
– Improvements – depreciable	6	1	5	131	60	71
Buildings	1,223	325	898	1,014	408	606
Infrastructure	95,265	30,274	64,991	93,970	29,478	64,492
Other assets	110	22	88	–	–	–
Total sewerage services	97,692	30,674	67,018	95,793	30,131	65,662
Domestic waste management						
Plant and equipment	18	–	18	57	52	5
Land						
– Operational land	436	–	436	436	–	436
– Improvements – non-depreciable	76	–	76	76	–	76
– Improvements – depreciable	–	–	–	54	19	35
Buildings	1,320	240	1,080	1,447	171	1,276
Other structures	223	66	157	382	182	200
Infrastructure	–	–	–	30	2	28
Other assets	485	152	333	248	28	220
Total DWM	2,558	458	2,100	2,730	454	2,276
TOTAL RESTRICTED IPP&E	179,246	59,455	119,791	181,813	59,418	122,395

Snowy Valleys Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 11. Intangible assets

\$ '000	2018	2017
Intangible assets represent identifiable non-monetary assets without physical substance.		
Intangible assets are as follows:		
Opening values:		
Gross book value (1/7)	1,579	1,577
Accumulated amortisation (1/7)	(430)	(251)
Accumulated impairment (1/7)	(69)	(69)
Net book value – opening balance	1,080	1,257
Movements for the year		
– Development costs	–	2
– Amortisation charges	(158)	(179)
Closing values:		
Gross book value (30/6)	1,579	1,579
Accumulated amortisation (30/6)	(588)	(430)
Accumulated impairment (30/6)	(69)	(69)
<u>TOTAL INTANGIBLE ASSETS – NET BOOK VALUE</u> ¹	<u>922</u>	<u>1,080</u>

¹ The net book value of intangible assets represent:

– Integrated Business Software	922	1,080
	922	1,080

Accounting policy for intangible assets

IT development and software

Costs incurred in developing products or systems and costs incurred in acquiring software and licenses that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to software and systems. Costs capitalised include external direct costs of materials and service, direct payroll, and payroll related costs of employees' time spent on the project. Amortisation is calculated on a straight line basis over a 10 year period.

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

Snowy Valleys Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 12. Payables and borrowings

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
Payables				
Goods and services – operating expenditure	60	–	969	–
Accrued expenses:				
– Borrowings	86	–	36	–
– Salaries and wages	267	–	153	–
– Other expenditure accruals	1,334	–	216	–
Security bonds, deposits and retentions	591	–	648	–
Employee deductions	11	–	74	–
Other	–	–	63	–
Total payables	2,349	–	2,159	–
Borrowings				
Loans – secured ¹	1,260	9,159	1,183	10,425
Total borrowings	1,260	9,159	1,183	10,425
TOTAL PAYABLES AND BORROWINGS	3,609	9,159	3,342	10,425

(a) Payables and borrowings relating to restricted assets

	2018		2017	
	Current	Non-current	Current	Non-current
Externally restricted assets				
Water	590	3,421	563	3,959
Sewer	278	3,260	290	3,536
Domestic waste management	–	–	–	174
Other	–	–	57	–
Payables and borrowings relating to externally restricted assets	868	6,681	910	7,669
Total payables and borrowings relating to restricted assets	868	6,681	910	7,669
Total payables and borrowings relating to unrestricted assets	2,741	2,478	2,432	2,756
TOTAL PAYABLES AND BORROWINGS	3,609	9,159	3,342	10,425

¹ Loans are secured over the total income of Council

Disclosures on liability interest rate risk exposures, fair value disclosures and security can be found in Note 19.

Snowy Valleys Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 12. Payables and borrowings (continued)

\$ '000

(b) Changes in liabilities arising from financing activities

Class of borrowings	Opening balance as at 1/7/17	Cash flows	Non-cash changes			Closing balance as at 30/6/18
			Acquisition	Fair value changes	Other non-cash movements	
Loans – secured	11,608	(1,189)	–	–	–	10,419
TOTAL	11,608	(1,189)	–	–	–	10,419

\$ '000

2018

2017

(c) Financing arrangements

(i) Unrestricted access was available at balance date to the following lines of credit:

Credit cards/purchase cards	50	35
Total financing arrangements	50	35
Drawn facilities as at balance date:		
– Credit cards/purchase cards	7	10
Total drawn financing arrangements	7	10
Undrawn facilities as at balance date:		
– Credit cards/purchase cards	43	25
Total undrawn financing arrangements	43	25

Snowy Valleys Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 12. Payables and borrowings (continued)

Accounting policy for payables and borrowings

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 draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

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

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

Finance leases

Leases of property, plant and equipment where Council, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that Council will obtain ownership at the end of the lease term.

Snowy Valleys Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 13. Provisions

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
Provisions				
Employee benefits:				
Annual leave	1,655	–	1,646	–
Long service leave	3,022	159	3,417	148
Other leave – TOIL	135	–	89	–
Sub-total – aggregate employee benefits	4,812	159	5,152	148
Asset remediation/restoration:				
Asset remediation/restoration (future works)	242	90	174	164
Sub-total – asset remediation/restoration	242	90	174	164
Other provisions:				
Redundancies	–	–	420	–
Sub-total – other provisions	–	–	420	–
<u>TOTAL PROVISIONS</u>	<u>5,054</u>	<u>249</u>	<u>5,746</u>	<u>312</u>

(a) Provisions relating to restricted assets

There is an internally restricted reserve for employee leave liabilities of \$1.267M.

\$ '000	2018	2017
---------	------	------

(b) 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	3,542	3,505
	<u>3,542</u>	<u>3,505</u>

Snowy Valleys Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 13. Provisions (continued)

\$ '000

(c) Description of and movements in provisions

2018	ELE provisions			Total
	Annual leave	Long service leave	Other employee benefits	
At beginning of year	1,646	3,565	89	5,300
Additional provisions	1,017	591	251	1,859
Amounts used (payments)	(1,008)	(975)	(205)	(2,188)
Total ELE provisions at end of year	1,655	3,181	135	4,971

2017	ELE provisions			Total
	Annual leave	Long service leave	Other employee benefits	
At beginning of year	1,506	3,484	128	5,118
Additional provisions	826	363	271	1,460
Amounts used (payments)	(686)	(282)	(310)	(1,278)
Total ELE provisions at end of year	1,646	3,565	89	5,300

2018	Other provisions		Total
	Redundancies	Asset remediation	
At beginning of year	420	338	758
Changes to provision:			
– Revised discount rate	–	(11)	(11)
Amounts used (payments)	(420)	–	(420)
Other	–	5	5
Total other provisions at end of year	–	332	332

2017	Other provisions		Total
	Redundancies	Asset remediation	
At beginning of year	83	316	399
Changes to provision:			
– Revised discount rate	–	21	21
Additional provisions	337	–	337
Unwinding of discount	–	1	1
Total other provisions at end of year	420	338	758

Snowy Valleys Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 13. Provisions (continued)

Nature and purpose of non-employee benefit provisions

Asset remediation

Council has a legal/public obligation to make, restore, rehabilitate and reinstate the Council tip and quarry.

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.

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.

Snowy Valleys Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 13. 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, eg updated cost estimates and revisions to the estimated lives of operations, and are subject to formal review at regular intervals.

Rehabilitation

Where rehabilitation is conducted systematically over the life of the operation, rather than at the time of closure, provision is made for the estimated outstanding continuous rehabilitation work at each reporting date and the cost is charged to the Income Statement.

Provision is made for the estimated present value of the costs of environmental clean up obligations outstanding at the reporting date. These costs are charged to the Income Statement. Movements in the environmental clean up provisions are presented as an operating cost, except for the unwinding of the discount which is shown as a borrowing cost.

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

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

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

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

Snowy Valleys Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 14. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors

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.

Note 15. Statement of cash flows – additional information

\$ '000	Notes	2018	2017
(a) Reconciliation of cash assets			
Total cash and cash equivalent assets	6a	12,674	13,240
Balance as per the Statement of Cash Flows		12,674	13,240
(b) Reconciliation of net operating result to cash provided from operating activities			
Net operating result from Income Statement		(2,671)	9,051
Adjust for non-cash items:			
Depreciation and amortisation	4d	10,541	12,324
Net losses/(gains) on disposal of assets	5	1,084	2,271
Losses/(gains) recognised on fair value re-measurements through the Income Statement:			
– Revaluation decrements / impairments of IPP&E direct to Income Statement	10a	4,046	2,785
Unwinding of discount rates on reinstatement provisions	13c	(11)	22
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		127	6,416
Increase/(decrease) in provision for doubtful debts		(1)	(1)
Decrease/(increase) in inventories		217	219
Decrease/(increase) in other assets		(124)	165
Increase/(decrease) in payables		(909)	(944)
Increase/(decrease) in accrued interest payable		50	21
Increase/(decrease) in other accrued expenses payable		1,232	(638)
Increase/(decrease) in other liabilities		(183)	(949)
Increase/(decrease) in employee leave entitlements		(329)	182
Increase/(decrease) in other provisions		(415)	337
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		12,654	31,261

Snowy Valleys Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 16. Interests in other entities

\$ '000

Subsidiaries, joint arrangements and associates not recognised

The following subsidiaries, joint arrangements and associates have not been recognised in this financial report.

Name of entity/operation	Principal activity/type of entity	2018 Net profit	2018 Net assets
Riverina Regional Library	Provision of Library Services to member local government areas	\$224K	\$4.48M

Reasons for non-recognition

Council holds 10.82% equity share in Riverina Library and has assessed this as not material, hence not recognised.

Snowy Valleys Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 17. Commitments for expenditure

\$ '000	2018	2017
(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		
Buildings	–	684
Plant and equipment	740	225
Network for One Domain	–	91
Road - Clarkes Hill Resconstruction	–	158
Total commitments	740	1,158
These expenditures are payable as follows:		
Within the next year	740	1,158
Total payable	740	1,158
Sources for funding of capital commitments:		
Future grants and contributions	–	158
Unexpended grants	–	91
Internally restricted reserves	740	909
Total sources of funding	740	1,158
Details of capital commitments		
2 Specialised Garbage Trucks and 1 Tip Truck on order.		
(b) Operating lease commitments (non-cancellable)		
a. Commitments under non-cancellable operating leases at the reporting date, but not recognised as liabilities are payable:		
Within the next year	740	101
Total non-cancellable operating lease commitments	740	101
b. Non-cancellable operating leases include the following assets:		
IT Equipment including Servers, Laptops and PC's		
Conditions relating to operating leases:		
– All operating lease agreements are secured only against the leased asset.		
– No lease agreements impose any financial restrictions on Council regarding future debt etc.		

Snowy Valleys Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 18. Contingencies and other liabilities/assets not recognised

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

LIABILITIES NOT RECOGNISED:

1. Guarantees

(i) Defined benefit superannuation contribution plans

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

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

While the scheme's most recent full actuarial review indicated that the net assets of the scheme were sufficient to meet the accrued benefits of the scheme's defined benefit member category, member councils are required to make contributions in future years where the scheme goes into deficit (as has occurred in previous years).

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

Future planned contributions being made to the defined benefit scheme to rectify past (and projected) deficit positions will be recognised as an expense when they become payable – similar to the accounting for defined contributions plans.

Member councils are treated as Pooled Employers for the purposes of AASB 119. Pooled Employers are required to pay standard employer contributions and additional lump sum contributions to the Fund.

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

Division B	1.9 times employee contributions
Division C	2.5% salaries
Division D	1.64 times employee contributions

The additional lump sum contribution for each Pooled Employer is a share of the total additional contributions of \$40 million per annum from 1 July 2017 for 4 years to 30 June 2021, apportioned according to each employer's share of the accrued liabilities as at 30 June 2017. These additional lump sum contributions are used to fund the deficit of assets to accrued liabilities as 30 June 2017.

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

As stated 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.

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 entity.

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

There is no provision for the allocation of any surplus which may be present at the date of withdrawal of an employer.

Snowy Valleys Council

Notes to the Financial Statements

for the year ended 30 June 2018

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

LIABILITIES NOT RECOGNISED (continued):

1. Guarantees (continued)

(i) Defined benefit superannuation contribution plans (cont'd)

The plan is a defined benefit plan. However, 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). As such, there is not sufficient reliable information to allow each sponsoring employer to account for its proportionate share of the defined benefit obligation, sub-group assets and costs associated with the sub-group in the same way as it would for a single employer sponsored defined benefit plan.

The amount of Council employer contributions to the defined benefit section of the Fund and recognised as an expense and disclosed as part of superannuation expenses at Note 4 (a) for the year ending 30 June 2018 was \$281,190.

The last valuation of the Fund was by the Actuary, Mr Richard Boyfield, FIAA on 12 December 2017, relating to the period ended 30 June 2017.

Council's expected contributions to the Fund for the next annual reporting period is \$265,941.

The estimated employer reserves financial position for the Pooled Employers at 30 June 2018 is:

Employer reserves only *	\$ millions	Asset Coverage
Assets	1,817.8	
Past Service Liabilities	1,787.5	101.7%
Vested Benefits	1,778.0	102.2%

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

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

Investment return	6.0% 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.

Please note that the estimated employer reserves financial position above is a preliminary calculation and once all the relevant information has been received by the Funds Actuary, the 2018 triennial review will be completed around December 2018.

Council's additional lump sum contribution is around 0.44% of the total additional lump sum contributions for all Pooled Employers (of \$40m each year from 1 July 2017 to 30 June 2021) provides an indication of the level of participation of Council compared with other employers in the Pooled Employer sub-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.

Snowy Valleys Council

Notes to the Financial Statements

for the year ended 30 June 2018

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

LIABILITIES NOT RECOGNISED (continued):

1. Guarantees (continued)

(iii) StateCover Limited

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

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

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

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

(iv) Other guarantees

Council has provided no other guarantees.

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.

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.

Snowy Valleys Council

Notes to the Financial Statements

for the year ended 30 June 2018

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

ASSETS NOT RECOGNISED (continued):

(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.

(iii) Investment in Southern Phones

Council owns 2 ordinary (Class A) shares and 1 redeemable preference share (Class B to ZZ) of Southern Phones a Company Limited by shares. The net assets of Southern Phones at 30 June 2018 was approximately \$22.3 million. This represents an ownership interest of approximately \$637K.

As there is no active market for these shares and fair value cannot be reliably determined, Council has elected not to recognise the fair value of shares in their financial statements.

Snowy Valleys Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 19. Financial risk management

\$ '000

Risk management

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

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

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

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

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

	Carrying value		Fair value	
	2018	2017	2018	2017
Financial assets				
Cash and cash equivalents	12,674	13,240	20,688	13,240
Investments				
– 'Held for trading'	8,014	–	–	–
– 'Held to maturity'	26,949	36,084	26,949	36,084
Receivables	6,837	6,963	6,837	6,963
Total financial assets	54,474	56,287	54,474	56,287
Financial liabilities				
Payables	2,349	2,159	2,349	2,159
Loans/advances	10,419	11,608	10,419	11,608
Total financial liabilities	12,768	13,767	12,768	13,767

Fair value is determined as follows:

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

Snowy Valleys Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 19. Financial risk management (continued)

\$ '000

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

Council'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 Ministerial Investment Order 625. This policy is regularly reviewed by Council and its staff and a monthly Investment report is provided to Council setting out the make-up and performance of the portfolio as required by Local Government regulations.

The risks associated with the investments held are:

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

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

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

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

	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
2018				
Possible impact of a 10% movement in market values	2,069	2,069	(2,069)	(2,069)
Possible impact of a 1% movement in interest rates	207	207	(207)	(207)
13/5/16 to 30/6/17				
Possible impact of a 10% movement in market values	3,491	3,491	(3,491)	(3,491)
Possible impact of a 1% movement in interest rates	474	474	(474)	(474)

Snowy Valleys Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 19. Financial risk management (continued)

\$ '000

(b) Credit risk

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

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

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

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

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

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

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

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

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

	2018 Rates and annual charges	2018 Other receivables	2017 Rates and annual charges	2017 Other receivables
(i) Ageing of receivables – %				
Current (not yet overdue)	2%	72%	15%	94%
Overdue	98%	28%	85%	6%
	100%	100%	100%	100%
(ii) Ageing of receivables – value			2018	2017
Rates and annual charges				
Current			11	118
< 1 year overdue			197	395
1 – 2 years overdue			142	184
2 – 5 years overdue			88	87
> 5 years overdue			20	14
			458	798
Other receivables				
Current			4,609	5,790
0 – 30 days overdue			125	62
31 – 60 days overdue			339	132
61 – 90 days overdue			803	102
> 91 days overdue			503	80
			6,379	6,166

Snowy Valleys Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 19. Financial risk management (continued)

\$ '000

(c) Liquidity risk

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

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

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

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 by borrowing long term and fixing the interest rate on a 4-year renewal basis. The Finance Section regularly reviews interest rate movements to determine if it would be advantageous to refinance or renegotiate part or all of the loan portfolio.

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

\$ '000	Weighted average interest rate	Subject to no maturity	payable in:			Total cash outflows	Actual carrying values
			≤ 1 Year	1 – 5 Years	> 5 Years		
2018							
Trade/other payables	0.00%	591	1,758	-	-	2,349	2,349
Loans and advances	5.78%	-	1,835	6,349	2,235	10,419	10,419
Total financial liabilities		591	3,593	6,349	2,235	12,768	12,768
2017							
Trade/other payables	0.00%	648	1,511	-	-	2,159	2,159
Loans and advances	6.07%	-	1,899	6,896	2,813	11,608	11,608
Total financial liabilities		648	3,410	6,896	2,813	13,767	13,767

Snowy Valleys Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 20. Material budget variations

\$ '000

Council's original financial budget for 17/18 was adopted by the Council on 29 June 2017 and is not required to be audited.

While the Income Statement included in this General Purpose Financial Report 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.

Note that for variations* of budget to actual :

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

F = Favourable budget variation, **U** = Unfavourable budget variation

\$ '000	2018 Budget	2018 Actual	2018 Variance*	
REVENUES				
Rates and annual charges	19,140	15,890	(3,250)	(17%) U
Budget incorrectly included water usage as annual charges instead of User charges and fees. Rates and annual charges for 2017/18 are as expected.				
User charges and fees	19,404	15,957	(3,447)	(18%) U
Budget was prepared based on the business arm of Council for private works continuing. During 2017/18 private works were not actively pursued due to the business arm being disbanded.				
Interest and investment revenue	734	1,364	630	86% F
Income realised from investment revenue exceeded expectations. Returns from new investments have provided a higher level of return.				
Other revenues	979	1,307	328	34% F
Other revenues are higher than budgeted due to classification of rental income being different in former Councils. Actual figures have been classified as other revenues and will be budgeted accordingly in future budgets.				
Operating grants and contributions	8,423	11,069	2,646	31% F
Transport Grant funding received higher than expected for 2017/18.				
Capital grants and contributions	9,037	6,082	(2,955)	(33%) U
Grant for Rosewood Rail Trail to be received in 2018/19 financial year.				
Net gains from disposal of assets	122	-	(122)	(100%) U
Net losses from the disposal of assets occurred during the year.				

Snowy Valleys Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 20. Material budget variations (continued)

\$ '000	2018 Budget	2018 Actual	2018 ----- Variance* -----		
EXPENSES					
Employee benefits and on-costs	17,460	18,408	(948)	(5%)	U
Borrowing costs	686	649	37	5%	F
Materials and contracts	16,873	14,837	2,036	12%	F
Decrease in private works expenditure					
Depreciation and amortisation	11,001	10,541	460	4%	F
Other expenses	4,390	4,775	(385)	(9%)	U
Net losses from disposal of assets	-	1,084	(1,084)	0%	U
Disposal of assets are not budgeted.					
Revaluation decrement / impairment of IPP&E	-	4,046	(4,046)	0%	U
Revaluations are not budgeted.					

Budget variations relating to Council's Cash Flow Statement include:

Cash flows from operating activities	18,634	12,654	(5,980)	(32%)	U
Budgeted amount for Rates and annual charges and User Fees and charges over stated.					
Cash flows from investing activities	(17,590)	(12,031)	5,559	(32%)	F
Investments redeemed and held as cash equivalents in Treasury Corporation investments.					
Cash flows from financing activities	(621)	(1,189)	(568)	91%	U
Loan for Tumbarumba Caravan Park not drawn down.					

Snowy Valleys Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 21. Fair value measurement

\$ '000

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

- Infrastructure, property, plant and equipment
- Financial assets

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

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

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

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

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

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

2018	Date of latest valuation	Fair value measurement hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Recurring fair value measurements					
Financial assets					
Investments					
Other financial assets	30/06/18	–	8,014	–	8,014
Total financial assets		–	8,014	–	8,014
Infrastructure, property, plant and equipment					
Plant and equipment	30/06/18	–	–	11,513	11,513
Office equipment	13/05/16	–	–	414	414
Furniture and fittings	13/05/16	–	–	371	371
Operational land	13/05/16	–	–	6,609	6,609
Community land	13/05/16	–	–	14,655	14,655
Land improvements non-depreciable	13/05/16	–	–	222	222
Land improvements - depreciable	30/06/18	–	–	63	63
Buildings - non-specialised	30/06/18	–	–	26,970	26,970
Buildings - specialised	30/06/18	–	–	10,600	10,600
Other structures	30/06/18	–	–	8,941	8,941
Roads	13/05/16	–	–	176,309	176,309
Bridges	13/05/16	–	–	31,711	31,711
Footpaths	13/05/16	–	–	9,345	9,345
Kerb and gutter	13/05/16	–	–	15,487	15,487
Bulk earthworks	13/05/16	–	–	108,842	108,842
Stormwater drainage	13/05/16	–	–	21,240	21,240
Water supply network	30/06/17	–	–	47,836	47,836
Sewerage network	30/06/17	–	–	64,991	64,991
Other open space/recreational assets	13/05/16	–	–	13,956	13,956
Other infrastructure	13/05/16	–	–	5	5
Heritage collection	13/05/16	–	–	154	154
Other assets	13/05/16	–	–	118	118
Tips and quarries	13/05/16	–	–	152	152
Total infrastructure, property, plant and equipment		–	–	570,504	570,504

Snowy Valleys Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 21. Fair value measurement (continued)

\$ '000

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

2017	Date of latest valuation	Fair value measurement hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Recurring fair value measurements					
Infrastructure, property, plant and equipment					
Plant and equipment	13/05/16	—	—	11,745	11,745
Office equipment	13/05/16	—	—	574	574
Furniture and fittings	13/05/16	—	—	407	407
Operational land	13/05/16	—	—	7,645	7,645
Community land	13/05/16	—	—	13,612	13,612
Land improvements non-depreciable	13/05/16	—	—	1,052	1,052
Land improvements - depreciable	13/05/16	—	—	2,902	2,902
Buildings - non-specialised	13/05/16	—	—	35,128	35,128
Buildings - specialised	13/05/16	—	—	10,189	10,189
Other structures	13/05/16	—	—	4,161	4,161
Roads	13/05/16	—	—	177,081	177,081
Bridges	13/05/16	—	—	32,200	32,200
Footpaths	13/05/16	—	—	7,793	7,793
Kerb and gutter	13/05/16	—	—	11,780	11,780
Bulk earthworks	13/05/16	—	—	107,813	107,813
Stormwater drainage	13/05/16	—	—	21,398	21,398
Water supply network	30/06/17	—	—	51,402	51,402
Sewerage network	30/06/17	—	—	64,492	64,492
Other open space/recreational assets	13/05/16	—	—	5,060	5,060
Other infrastructure	13/05/16	—	—	319	319
Heritage collection	13/05/16	—	—	154	154
Other assets	13/05/16	—	—	28	28
Tips and quarries	13/05/16	—	—	162	162
Total infrastructure, property, plant and equipment		—	—	567,097	567,097
Non-recurring fair value measurements					
Non-current assets classified as 'held for sale'					
Surplus Lands Adelong	30/06/15	—	—	72	72
Total NCA's classified as 'held for sale'		—	—	72	72

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

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

Snowy Valleys Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 21. Fair value measurement (continued)

(3) Valuation techniques used to derive level 2 and level 3 fair values

Where Council is unable to derive fair valuations using quoted market prices of identical assets (i.e. level 1 inputs), Council instead utilises a spread of both observable inputs (level 2 inputs) and unobservable inputs (level 3 inputs).

The fair valuation techniques Council has employed while utilising level 2 and level 3 inputs are as follows:

Infrastructure, property, plant and equipment

Plant and equipment, office equipment and furniture and fittings

Plant and equipment, office equipment and furniture and fittings are valued at cost but are disclosed at fair value in the notes. The carrying amount of these assets is assumed to approximate fair value due to the nature of the items (being readily sourced and replaceable).

The key unobservable inputs to the valuation are the remaining useful life and remaining value. Council reviews these assets against replacement costs of similar assets. There has been no change to the valuation process during the reporting period.

Typical assets within these classes include, plant/equipment - trucks, cars, mowers, graders, rollers, loaders, office equipment – computers, printers, furniture/fittings – work desks/chairs

Stormwater drainage assets

Stormwater drainage assets are valued using the cost approach but are disclosed at fair value in the notes. These assets typically include pipes/conduits, pits, headwalls located in urban areas.

The key unobservable inputs to the valuation are the remaining useful life, condition and remaining value. Replacement costs are compiled 'in house' by experienced engineers and are calculated by either applying recent actual project costs or by sourcing supplier component costs and then estimating project costs. When estimating project costs, consideration is given to project specifications, location, site conditions and construction techniques. Unit rates for box culverts range from \$626 to \$4,351/m, for reinforced and uPVC pipes from \$45 to \$2,208/m, for headwalls from \$144 to \$6,795/unit and for pits from \$225 to \$21,568/unit.

There has been no change to the valuation process during the reporting period.

Other structure assets

Other structure assets are valued using the cost approach but are disclosed at fair value in the notes. These assets typically include retaining walls, shelters, swimming pools. Where possible larger assets such as swimming pools are componentised into significant parts.

The key unobservable inputs to the valuation are the remaining useful life, condition and remaining value. Replacement costs are compiled 'in house' by experienced engineers and are calculated by either applying recent actual project costs or by sourcing supplier component costs and then estimating project costs.

When estimating project costs, consideration is given to project specifications, location, site conditions and construction techniques. Unit rates for retaining walls range from \$224 to \$1,740/m² and for shelters from \$280 to \$86,700/unit.

There has been no change to the valuation process during the reporting period.

Land improvement depreciable and non-depreciable assets

These assets are valued using the cost approach but are disclosed at fair value in the notes. These assets typically include playing fields, playground equipment, tables /seats.

The key unobservable inputs to the valuation are the remaining useful life, condition and remaining value. Replacement costs are compiled 'in house' by experienced engineers and are calculated by either applying recent actual project costs or by sourcing supplier component costs and then estimating project costs.

Snowy Valleys Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 21. Fair value measurement (continued)

When estimating project costs, consideration is given to project specifications, location, site conditions and construction techniques. Unit rates include \$40/m³ for ground works, for tracks/paths range from \$20 to \$189/m² and for play equipment from \$1,120 to \$47,459/unit.

There has been no change to the valuation process during the reporting period.

Operational and Community land assets

These assets are valued using the cost approach but are disclosed at fair value in the notes. These assets typically include saleable Operational Land such as land associated with works depot, offices and non-saleable Community Land associated with town commons, parks.

The key unobservable inputs to the valuation are the remaining useful life, condition and remaining value. Replacement costs are either sourced from actual recent purchase costs, from qualified valuers or from Valuer-General Unimproved Capital Values. Unit rates range from \$0.64 to \$4,455/m².

There has been no change to the valuation process during the reporting period.

Buildings – non specialised and specialised assets

These assets are valued using the cost approach but are disclosed at fair value in the notes. These assets typically include Council offices (non specialised) and water/sewer treatment plant buildings (specialised).

The key unobservable inputs to the valuation are the remaining useful life, condition and remaining value. Replacement costs are compiled 'in house' by experienced engineers and are calculated by either applying recent actual project costs or by sourcing supplier component costs and then estimating project costs. Alternatively, quotations can be sourced from qualified professionals.

Buildings are componentised into significant parts to assist in applying appropriate useful lives and replacement costs.

When estimating project costs, consideration is given to project specifications, location, site conditions and construction techniques. Unit rates for roofs range from \$158 to \$311/m², for internal floors from \$50 to \$181/m², for external walls from \$308 to \$805 and for mechanical components from \$10,546 to \$78,552/unit.

There has been no change to the valuation process during the reporting period.

Road assets

Road assets are valued using the cost approach but are disclosed at fair value in the notes. These assets typically include sealed/unsealed pavements, surfaces (bituminous seals, asphaltic concrete), kerb and gutter, safety barriers, culverts.

The key unobservable inputs to the valuation are the remaining useful life, condition and remaining value. Replacement costs are compiled 'in house' by experienced engineers and are calculated by either applying recent actual project costs or by sourcing supplier component costs and then estimating project costs. Where applicable contract rates are applied (eg, surface assets).

Roads/surfaces/kerb assets are segmented into manageable lengths and uniform specifications.

When estimating project costs, consideration is given to project specifications, location, site conditions and construction techniques. Unit rates for unsealed pavement range from \$1.66 to \$12.03/m², for sealed pavements from \$2.13 to \$88.47/m², for surface assets from \$2.07 to \$200/m², for kerb and gutter assets from \$86 to \$313/m and for rural road culverts from \$168 to \$12,500/m.

There has been no change to the valuation process during the reporting period.

Bridge assets

Bridge assets are valued using the cost approach but are disclosed at fair value in the notes. These assets typically include concrete/steel bridges. Although some timber bridges are still in use, they are being progressively phased out.

Snowy Valleys Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 21. Fair value measurement (continued)

The key unobservable inputs to the valuation are the remaining useful life, condition and remaining value. Replacement costs are compiled 'in house' by experienced engineers and are calculated by either applying recent actual project costs or by sourcing supplier component costs and then estimating project costs. Where applicable contract rates are applied.

When estimating project costs, consideration is given to project specifications, location, site conditions and construction techniques. Unit rates range from \$860 to \$5,761/m².

There has been no change to the valuation process during the reporting period.

Footpath assets

Footpath assets are valued using the cost approach but are disclosed at fair value in the notes. These assets are typically constructed using concrete, gravel, pavers.

The key unobservable inputs to the valuation are the remaining useful life, condition and remaining value. Replacement costs are compiled 'in house' by experienced engineers and are calculated by either applying recent actual project costs or by sourcing supplier component costs and then estimating project costs.

Footpath assets are segmented into manageable lengths and uniform specifications.

When estimating project costs, consideration is given to project specifications, location, site conditions and construction techniques. Unit rates range from \$65 to \$214/m².

There has been no change to the valuation process during the reporting period.

Water supply and Sewerage network assets

Water supply and Sewerage network assets are valued using the cost approach but are disclosed at fair value in the notes. These assets typically include mains/conduits, pumping stations, reservoirs.

The key unobservable inputs to the valuation are the remaining useful life, condition and remaining value. Replacement costs were last compiled by Australis Advisory Group and are calculated by either applying recent actual project costs or by sourcing supplier component costs and then estimating project costs. The key reference industry document used is 2017 Australis Asset Advisory Group Valuation Report and data.

Mains are segmented into manageable lengths and uniform specifications.

When estimating project costs, consideration is given to project specifications, location, site conditions and construction techniques. Unit rates for water mains range from \$16.25 to \$443/m, for sewer mains from \$18 to \$912 and for water reservoirs from \$20,250 to \$769,500/unit.

Water supply and Sewerage network assets are indexed at each reporting period in accordance with the Rates Reference Manual issued by Crown Lands and Water.

There has been no change to the valuation process during the reporting period.

Non-current assets classified as 'held for sale'

The value of Council land 'held for sale' is based on the valuation provided by the Valuer General's Department.

There has been no change to the valuation process during the reporting period.

Snowy Valleys Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 21. Fair value measurement (continued)

\$ '000

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

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

	Plant and equipment	Office equipment	Furniture and fittings	Operational land	Total
Opening balance – 13/5/16	22,802	603	451	7,649	31,505
Transfers from/(to) another asset class	(9,313)	4	1	(10)	(9,318)
Purchases (GBV)	2,427	50	–	15	2,492
Disposals (WDV)	(1,427)	–	–	(47)	(1,474)
Depreciation and impairment	(2,744)	(83)	(45)	–	(2,872)
Revaluation increment to equity	–	–	–	38	38
Closing balance – 30/6/17	11,745	574	407	7,645	20,371
Transfers from/(to) another asset class	832	(88)	–	(964)	(220)
Purchases (GBV)	2,828	–	–	–	2,828
Disposals (WDV)	(716)	–	–	(72)	(788)
Depreciation and impairment	(1,703)	(72)	(36)	–	(1,811)
Revaluation decrement to income statement	(1,473)	–	–	–	(1,473)
Closing balance – 30/6/18	11,513	414	371	6,609	18,907
	Community land	Land improve- -ments	Buildings and other structures	Roads, bridges & footpaths	Total
Opening balance – 13/5/16	13,844	5,490	63,508	229,020	311,862
Transfers from/(to) another asset class	10	(1,605)	(13,612)	(633)	(15,840)
Purchases (GBV)	–	83	1,997	5,598	7,678
Disposals (WDV)	–	(1)	(911)	(370)	(1,282)
Depreciation and impairment	–	(116)	(1,554)	(5,111)	(6,781)
Revaluation decrement to income statement	(242)	–	–	–	(242)
Revaluation increment to equity	–	103	50	350	503
Closing balance – 30/6/17	13,612	3,954	49,478	228,854	295,898
Transfers from/(to) another asset class	1,043	(4,162)	(2,933)	2,912	(3,140)
Purchases (GBV)	–	234	2,256	6,006	8,496
Disposals (WDV)	–	(37)	(695)	(288)	(1,020)
Depreciation and impairment	–	(2)	(1,317)	(4,631)	(5,950)
Revaluation decrement to income statement	–	–	(278)	–	(278)
Revaluation increment to equity	–	298	–	–	298
Closing balance – 30/6/18	14,655	285	46,511	232,853	294,304

Snowy Valleys Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 21. Fair value measurement (continued)

\$ '000

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

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

	Bulk earthworks	Stormwater drainage	Water supply network	Sewerage network	Total
Opening balance – 13/5/16	107,068	20,994	37,227	58,806	224,095
Transfers from/(to) another asset class	43	93	17,407	5,109	22,652
Purchases (GBV)	702	607	426	282	2,017
Disposals (WDV)	–	(61)	(74)	(2)	(137)
Depreciation and impairment	–	(332)	(1,041)	(822)	(2,195)
Revaluation decrement to income statement	–	–	(2,543)	–	(2,543)
Revaluation increment to equity	–	97	–	1,119	1,216
Closing balance – 30/6/17	107,813	21,398	51,402	64,492	245,105
Transfers from/(to) another asset class	100	10	(342)	(740)	(972)
Purchases (GBV)	1,112	150	135	233	1,630
Disposals (WDV)	(183)	(12)	(22)	(14)	(231)
Depreciation and impairment	–	(306)	(1,042)	(1,084)	(2,432)
Revaluation decrement to income statement	–	–	(2,295)	–	(2,295)
Revaluation increment to equity	–	–	–	2,103	2,103
Closing balance – 30/6/18	108,842	21,240	47,836	64,990	242,908

	Other assets	Tips and quarries	Heritage collection	Library books	Total
Opening balance – 13/5/16	3,170	158	157	9	3,494
Transfers from/(to) another asset class	1,781	8	–	–	1,789
Purchases (GBV)	1,039	14	–	–	1,053
Disposals (WDV)	(5)	–	–	–	(5)
Depreciation and impairment	(271)	(18)	(3)	(5)	(297)
Closing balance – 30/6/17	5,714	162	154	4	6,034
Transfers from/(to) another asset class	4,332	–	–	–	4,332
Purchases (GBV)	1,162	–	–	–	1,162
Disposals (WDV)	(72)	(1)	–	–	(73)
Depreciation and impairment	(181)	(9)	–	–	(190)
Revaluation increment to equity	3,120	–	–	–	3,120
Closing balance – 30/6/18	14,075	152	154	4	14,385

Snowy Valleys Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 21. Fair value measurement (continued)

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

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

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

I,PP&E

Class	Fair value (30/6/18) \$'000	Valuation technique/s	Unobservable inputs
Operational Land	6,609	Land values	Cost per sq meter, Valuer General's Valuation
Community Land	14,655	Land values	Cost per sq meter, Valuer General's Valuation
Building and other Structures	37,566	Gross replacement cost	Cost per unit, pattern of consumption, useful life, asset condition
Road, bridges and footpaths	232,852	Gross replacement cost	Cost per sq metre, dimensions and specification, pattern of consumption, components, useful life, residual value, asset condition
Bulk earthworks	108,842	Gross replacement cost	Cost per cubic metre
Stormwater Drainage	21,240	Gross replacement cost	Cost per unit per metre, pattern of consumption
Water supply network	47,836	Gross replacement cost	Unit rates, pattern of consumption, components, useful life, residual value, asset condition
Sewerage network	64,991	Gross replacement cost	Unit rates, pattern of consumption, components, useful life, residual value, asset condition

Non-current assets classified as 'held for sale'

Class	Fair value (30/6/18) \$'000	Valuation technique/s	Unobservable inputs
Surplus Land	-	Land Values	Cost per sq meter, Valuer General's valuation

c. The valuation process for level 3 fair value measurements

Council assesses the expertise required for the valuation of all assets classes in determining who will undertake the valuations. A qualified external valuer is used where required.

Operational and Community Land is valued using the Valuer Generals valuation.

Management reviews valuation reports for consistency and accuracy and to ensure all valuation movements are fully explained.

(5). Highest and best use

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

Snowy Valleys Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 22. Related party transactions

\$ '000

a. 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:

Compensation:	2018
Short-term benefits	1,826
Post-employment benefits	135
Other long-term benefits	39
Termination benefits	369
Total	<u>2,369</u>

b. Other transactions with KMP and their related parties

There were no material transactions with KMP and their related parties during the financial year.
All transactions were conducted on normal arm's length terms.

c. Other related party transactions

Nil

Snowy Valleys Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 23. Statement of developer contributions

\$ '000

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

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Roads	108	–	–	2	–	–	110	–
Parking	16	–	–	1	(17)	–	–	–
Recreational Space	128	7	–	3	–	–	138	–
Other	3	–	–	1	–	–	4	–
S7.11 contributions – under a plan	255	7	–	7	(17)	–	252	–
Total S7.11 and S7.12 revenue under plans	255	7	–	7	(17)	–	252	–
S64 contributions	2,882	16	–	73	–	–	2,971	–
Total contributions	3,137	23	–	80	(17)	–	3,223	–

Snowy Valleys Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 23. Statement of developer contributions (continued)

\$ '000

S7.11 CONTRIBUTIONS – UNDER A PLAN

CONTRIBUTION PLAN NUMBER (former Tumut)

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Roads	108	–	–	2	–	–	110	–
Parking	16	–	–	1	(17)	–	–	–
Recreational Space	128	7	–	3	–	–	138	–
Other	3	–	–	1	–	–	4	–
Total	255	7	–	7	(17)	–	252	–

Snowy Valleys Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 24. Financial result and financial position by fund

Income Statement by fund			
\$ '000	2018	2018	2018
Continuing operations	Water	Sewer	General¹
Income from continuing operations			
Rates and annual charges	1,174	4,262	10,454
User charges and fees	3,289	48	12,620
Interest and investment revenue	130	141	1,093
Other revenues	8	1	1,298
Grants and contributions provided for operating purposes	56	81	10,932
Grants and contributions provided for capital purposes	14	21	6,047
Total income from continuing operations	4,671	4,554	42,444
Expenses from continuing operations			
Employee benefits and on-costs	820	1,105	16,483
Borrowing costs	283	177	189
Materials and contracts	1,172	1,459	12,206
Depreciation and amortisation	1,113	1,136	8,292
Other expenses	2,926	246	1,603
Net losses from the disposal of assets	–	–	1,084
Revaluation decrement / impairment of IPPE	–	–	4,046
Total expenses from continuing operations	6,314	4,123	43,903
Operating result from continuing operations	(1,643)	431	(1,459)
Net operating result for the year	(1,643)	431	(1,459)
Net result attributable to each council fund	(1,643)	431	(1,459)
Net operating result for the year before grants and contributions provided for capital purposes	(1,657)	410	(7,506)

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

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

Snowy Valleys Council

Notes to the Financial Statements

as at 30 June 2018

Note 24. Financial result and financial position by fund (continued)

Statement of Financial Position by fund			
\$ '000	2018	2018	2018
ASSETS	Water	Sewer	General¹
Current assets			
Cash and cash equivalents	956	1,368	10,350
Investments	3,737	5,467	25,759
Receivables	1,555	416	4,855
Inventories	–	–	274
Other	–	–	173
Total current assets	6,248	7,251	41,411
Non-current assets			
Receivables	–	–	11
Inventories	–	–	147
Infrastructure, property, plant and equipment	50,673	67,018	452,946
Intangible assets	–	–	922
Total non-current assets	50,673	67,018	454,026
TOTAL ASSETS	56,921	74,269	495,437
LIABILITIES			
Current liabilities			
Payables	55	2	2,292
Borrowings	535	276	449
Provisions	–	–	5,054
Total current liabilities	590	278	7,795
Non-current liabilities			
Borrowings	3,421	3,260	2,478
Provisions	–	–	249
Total non-current liabilities	3,421	3,260	2,727
TOTAL LIABILITIES	4,011	3,538	10,522
Net assets	52,910	70,731	484,915
EQUITY			
Accumulated surplus	52,910	67,509	480,859
Revaluation reserves	–	3,222	4,056
Total equity	52,910	70,731	484,915

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

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

Snowy Valleys Council

Notes to the Financial Statements

as at 30 June 2018

Note 24. Financial result and financial position by fund (continued)

\$ '000

Details of individual internal loans for the year ended 30 June 2018

(in accordance with s410(3) of the *Local Government Act 1993*)

Details of individual internal loans	Council ID / Ref	Council ID / Ref
Borrower (by purpose)	Caravan Park Loan	Pool Loan
Lender (by purpose)	ELE Reserve	General Reserve
Date raised	31/12/08	10/11/04
Term (years)	11	14
Dates of maturity	31/12/19	10/11/18
Rate of interest	6.50%	5.00%
Amount originally raised	350,000	250,000
Total repaid during year (principal and interest)	42,072	24,100
Principal outstanding at end of year	75,250	21,242

Snowy Valleys Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 25(a). Statement of performance measures – consolidated results

\$ '000	Amounts 2018	Indicator 2018	Indicator 2017	Benchmark
Local government industry indicators – consolidated				
1. Operating performance ratio				
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions less operating expenses	(3,623)	-7.95%	3.38%	> 0.00%
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	45,587			
2. Own source operating revenue ratio				
Total continuing operating revenue ⁽¹⁾ excluding all grants and contributions	34,518	66.81%	56.40%	> 60.00%
Total continuing operating revenue ⁽¹⁾	51,669			
3. Unrestricted current ratio				
Current assets less all external restrictions ⁽²⁾	24,444	5.75x	5.95x	> 1.5x
Current liabilities less specific purpose liabilities ^(3, 4)	4,253			
4. Debt service cover ratio				
Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation	7,567	4.12x	7.37x	> 2x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	1,838			
5. Rates, annual charges, interest and extra charges outstanding percentage				
Rates, annual and extra charges outstanding	538	3.18%	4.25%	< 10% regional & rural
Rates, annual and extra charges collectible	16,921			
6. Cash expense cover ratio				
Current year's cash and cash equivalents plus all term deposits	39,623	11.30 mths	12.0 mths	> 3 mths
Monthly payments from cash flow of operating and financing activities	3,506			

Notes

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

⁽²⁾ Refer Notes 6-8 inclusive.

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

⁽³⁾ Refer to Notes 12 and 13.

⁽⁴⁾ Refer to Note 12(b) and 13(b) – excludes all payables and provisions not expected to be paid in the next 12 months (incl. ELE).

Snowy Valleys Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 25(b). Statement of performance measures – by fund

\$ '000	General indicators ⁵		Water indicators		Sewer indicators		Benchmark
	2018	2017	2018	2017	2018	2017	
Local government industry indicators – by fund							
1. Operating performance ratio							
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions less operating expenses	-6.43%	8.15%	-35.97%	-47.48%	8.67%	7.77%	> 0.00%
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions							
2. Own source operating revenue ratio							
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	60.00%	49.78%	98.50%	97.32%	97.76%	97.24%	> 60.00%
Total continuing operating revenue ⁽¹⁾							
3. Unrestricted current ratio							
Current assets less all external restrictions ⁽²⁾	5.75x	5.95x	9.15x	6.77x	18.46x	14.90x	> 1.5x
Current liabilities less specific purpose liabilities ^(3, 4)							

Notes

(1) - (4) Refer to Notes at Note 25a above.

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

Snowy Valleys Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 25(b). Statement of performance measures – by fund (continued)

\$ '000	General indicators ⁵		Water indicators		Sewer indicators		Benchmark
	2018	2017	2018	2017	2018	2017	
Local government industry indicators – by fund (continued)							
4. Debt service cover ratio							
Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation	4.21x	14.88x	2.81x	2.53x	9.71x	4.31x	> 2x
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	2.63%	4.78%	0.00%	9.93%	5.54%	0.71%	< 10% regional & rural
Rates, annual and extra charges collectible							
6. Cash expense cover ratio							
Current year's cash and cash equivalents plus all term deposits	12.42	12.76	3.70	3.23	5.58	11.52	> 3 months
Monthly payments from cash flow of operating and financing activities	months	months	months	months	months	months	

Notes

(1) Refer to Notes at Note 25a above.

(5) 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

Snowy Valleys Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 26. Council information and contact details

Principal place of business:

76 Capper St Tumut NSW 2720 and
Winton St, Tumbarumba NSW

Contact details**Mailing address:**

76 Capper St Tumut NSW 2720

Opening hours:

8:30 am - 4:30 pm

Telephone: 02 6947 2555

Internet: www.svc.nsw.gov.au

Email: info@svc.nsw.gov.au

Officers**GENERAL MANAGER**

Matthew Hyde

RESPONSIBLE ACCOUNTING OFFICER

Sarah Pentland

PUBLIC OFFICER

Robyn Harvey

AUDITORS

NSW Audit Office
Level 15, 1 Margaret St
Sydney NSW 2000

Elected members**MAYOR**

James Hayes

COUNCILLORS

John Larter (Deputy Mayor)
Andrianna Benjamin
Cate Cross
Julia Ham
Margaret Isselman
Geoff Pritchard
Cor Smit
Bruce Wright

Other information

ABN: 53 558 891 887



INDEPENDENT AUDITOR'S REPORT
Report on the general purpose financial report
Snowy Valleys Council

To the Councillors of the Snowy Valleys Council

Opinion

I have audited the accompanying financial report of Snowy Valleys Council (the Council), which comprise the Income Statement and Statement of Comprehensive Income for the year ended 30 June 2018, the Statement of Financial Position as at 30 June 2018, the Statement of Changes in Equity and Statement of Cash Flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the Statement by Councillors and Management.

In my opinion,

- the Council's accounting records have been kept in accordance with the requirements of the *Local Government Act 1993*, Chapter 13, Part 3, Division 2 (the Division)
- the financial report:
 - has been presented, in all material respects, in accordance with the requirements of this Division
 - is consistent with the Council's accounting records
 - presents fairly, in all material respects, the financial position of the Council as at 30 June 2018, 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 report 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 Report' section of my report.

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

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

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

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

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

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

Other Information

Other information comprises the information included in the Council's annual report for the year ended 30 June 2018, other than the financial report 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 report 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 2 - Permissible income for general rates.

In connection with my audit of the financial report, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report 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 Report

The Councillors are responsible for the preparation and fair presentation of the financial report 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 report that is free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Report

My objectives are to:

- obtain reasonable assurance about whether the financial report 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 financial report.

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

My opinion does *not* provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- on the Original Budget information included in the Income Statement, Statement of Cash Flows, and Note 20 Material budget variations
- on the Special Schedules. A separate opinion has been provided on Special Schedule 2 - Permissible income for general rates
- about the security and controls over the electronic publication of the audited financial report on any website where it may be presented
- about any other information which may have been hyperlinked to/from the financial report.

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

Lawrissa Chan
Director

30 November 2018
SYDNEY

Cr James Hayes
Mayor
Snowy Valleys Council
76 Capper Street
TUMUT NSW 2720

Contact: Lawrissa Chan
Phone no: 02 9275 7255
Our ref: D1829029/1788

30 November 2018

Dear Mayor

**Report on the Conduct of the Audit
for the year ended 30 June 2018
Snowy Valleys Council**





I have audited the general purpose financial statements of the Snowy Valleys Council (the Council) for the year ended 30 June 2018 as required by section 415 of the *Local Government Act 1993* (the Act).

I expressed an unmodified opinion on the Council's general purpose financial statements.

This Report on the Conduct of the Audit (the Report) for the Council for the year ended 30 June 2018 is issued in accordance with section 417 of the Act. This Report should be read in conjunction with my audit opinion on the general purpose financial statements issued under section 417(2) of the Act.

INCOME STATEMENT

Operating result

	2018 \$m	2017* \$m	Variance %
Rates and annual charges revenue	15.9	16.7	4.8 
User charges and fees	16.0	21.1	24.2 
Grants and contributions revenue	17.2	31.2	44.9 
Materials and contracts	14.8	20.2	26.7 

* The initial reporting period of Council was from 13 May 2016 to 30 June 2017.

Operating result cont'd

	2018 \$m	2017* \$m	Variance %
Operating result for the year	(2.7)	9.1	129.7
Net operating result before capital amounts	(8.8)	(3.0)	193

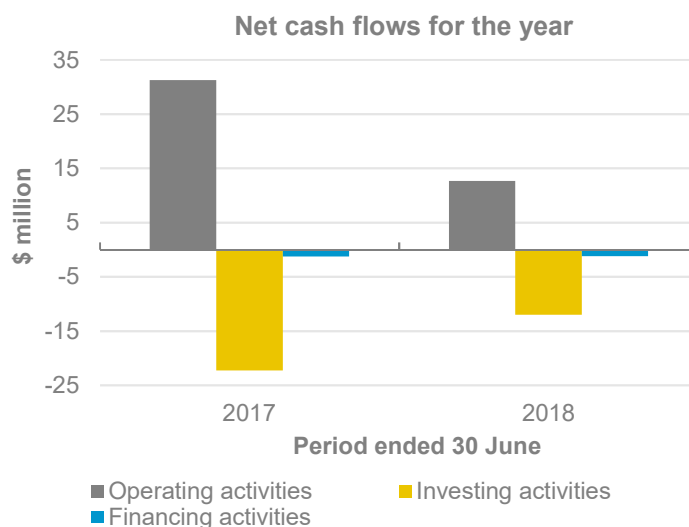
* The initial reporting period of Council was from 13 May 2016 to 30 June 2017.

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

- Rates and annual charges revenue was \$15.9 million (\$16.7 million for the period ended 30 June 2017). The decrease is due to the Council having a longer reporting period in FY17 from 13 May 2016 to 30 June 2017. Otherwise, there was a permissible rate increase of 1.5 per cent granted by the Minister for Local Government and a rise in the total number of rateable properties.
- User charges and fees revenue was \$16.0 million (\$21.1 million for the period ended 30 June 2017). The movement is mainly attributable to the reduction in private works (\$2.5 million) and RMS income (\$2.1 million).
- Grants and contributions revenue was \$17.2 million (\$31.2 million for the period ended 30 June 2017). The movement is mainly due to merger funding provided in the prior year as a result of the amalgamation of the former Councils. This includes the Stronger Communities (\$10 million) and merger implementation funding (\$5 million). There was also a reduction in financial assistance grants of \$2.4 million.
- Materials and contracts was \$14.8 million (\$20.2 million for the period ended 30 June 2017). The movement is mainly due to a reduction in raw materials and consumables of \$5.4 million from the prior year.
- Council's operating result was a \$2.7 million deficit (\$9.1 million surplus for the period ended 30 June 2017). The decrease is mainly attributed to the \$15 million merger funding received by the newly amalgamated Council in the previous financial period. The Council budgeted for a surplus of \$7.4 million.
- The Council's net operating result before capital grants and contributions was a deficit of \$8.8 million (\$3.0 million deficit for the period ended 30 June 2017). The movement was mainly due to the decrease in operational grants received during the year.

STATEMENT OF CASH FLOWS

- Council's cash and cash equivalents was \$12.7 million at 30 June 2018 (\$13.2 million for the year ended 30 June 2017). There was a net decrease in cash and cash equivalents of \$566 thousand for the year ended 30 June 2018.
- Net cash provided by operating activities has decreased by \$18.6 million. This is mainly due to the decrease in cash receipts from grants and contributions of \$13.7 million and user charges and fees of \$12.1 million, which is partially offset by the reduction in cash payments for materials and contracts of \$5.2 million.
- Net cash used in investing activities has reduced by \$10.2 million as there were more sales of investment securities.
- Net cash used in financing activities of \$1.2 million has remained relatively consistent from the previous financial period (2017: \$1.3 million).



FINANCIAL POSITION

Cash and Investments

Cash and Investments	2018	2017	Commentary
	\$'000	\$'000	
External restrictions	28,235	26,411	<ul style="list-style-type: none"> • Externally restricted cash and investments are restricted in their use by externally imposed requirements. The movement in external restrictions is primarily due to the additional \$1.9 million required for the Council's water supply programs. • 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 movement in internal restrictions is due to the reduction in employees' leave entitlement (\$1.4 million), uncompleted works (\$1.2 million) and replacement of TSC and IWD plant vehicles (\$875 thousand). • Unrestricted cash and investments was \$2.4 million which is available to provide liquidity for day-to-day operations of the Council. This is consistent with \$2.6 million as at 30 June 2017.
Internal restrictions	17,035	20,323	
Unrestricted	2,367	2,590	
Cash and investments	47,637	49,324	

Debt

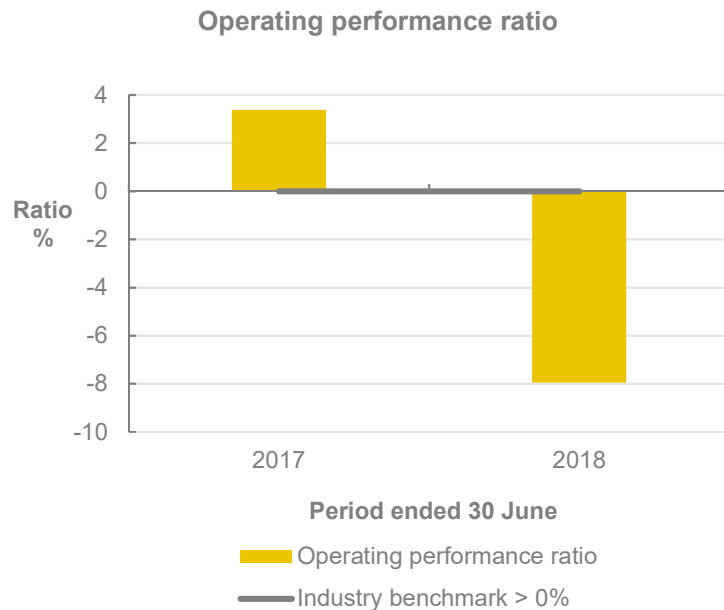
- Council has \$10.4 million of borrowings as at 30 June 2018 (2017: \$11.6 million).

PERFORMANCE RATIOS

The definition of each ratio analysed below (except for the 'building and infrastructure renewals ratio') is included in Note 25(a) of the Council's audited general purpose financial statements. The 'building and infrastructure renewals ratio' is defined in Council's Special Schedule 7 which has not been audited.

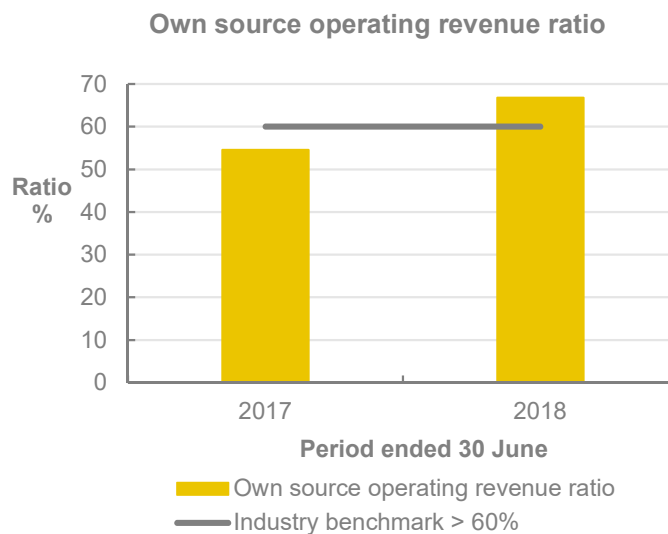
Operating performance ratio

- The 'operating performance ratio' measures how well Council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by the Office of Local Government (OLG) is greater than zero percent.
- The operating performance ratio of -7.95% is below the industry benchmark of greater than zero percent.
- The operating performance ratio of -7.95% (2017: 3.38%) has decreased due to the reduction in operational grant income. In the prior period, \$5 million of merger implementation grant funding was received. There has also been a reduction in Financial Assistance Grants received of \$2.4 million.



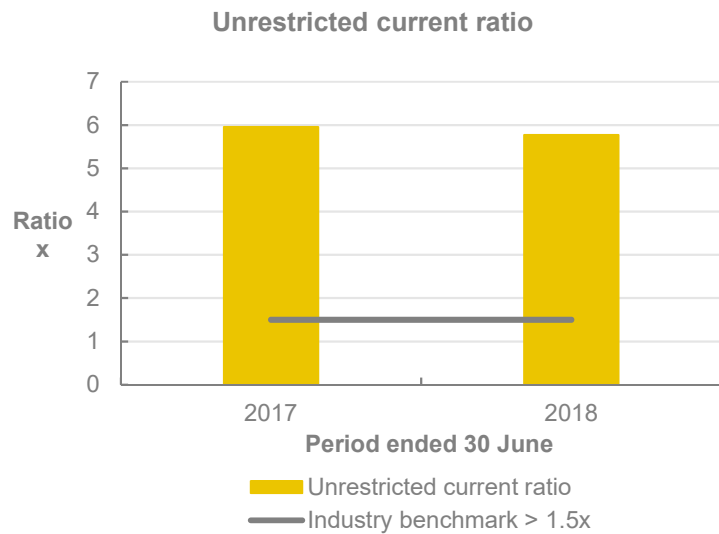
Own source operating revenue ratio

- 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%.
- The Council's own source operating revenue ratio of 66.8% is above the industry benchmark of 60%. This indicates that the Council is not heavily reliant on external funding sources, such as grants and contributions.
- The own source operating revenue ratio increased to 66.8% (2017: 56.4%) as there was less funding received from grants and contributions in the current year.



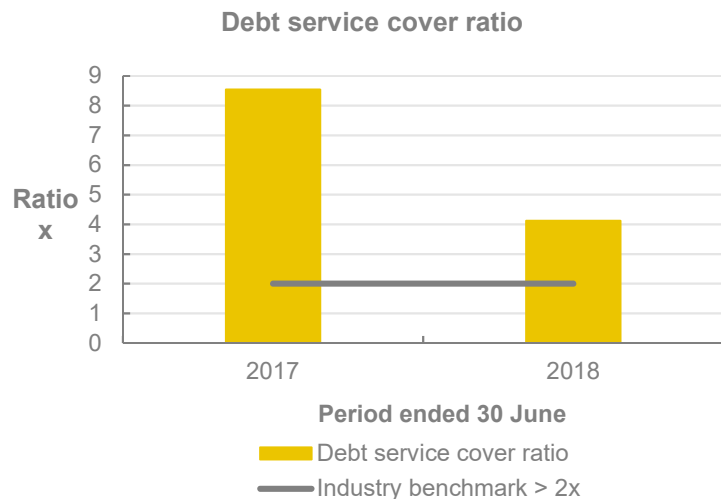
Unrestricted current ratio

- The 'unrestricted current ratio' is specific to local government and represents Council's ability to meet its short-term obligations as they fall due. The benchmark set by OLG is greater than 1.5 times.
- The Council's liquidity ratio of 5.8 times is greater than the industry benchmark minimum of greater than 1.5 times. This indicates that Council has sufficient liquidity to meet its current liabilities as and when they fall due.
- The Council's unrestricted current ratio of 5.8 times (2017: 6.0 times) has decreased due to the increase in externally restricted cash and cash equivalents in the current financial year.



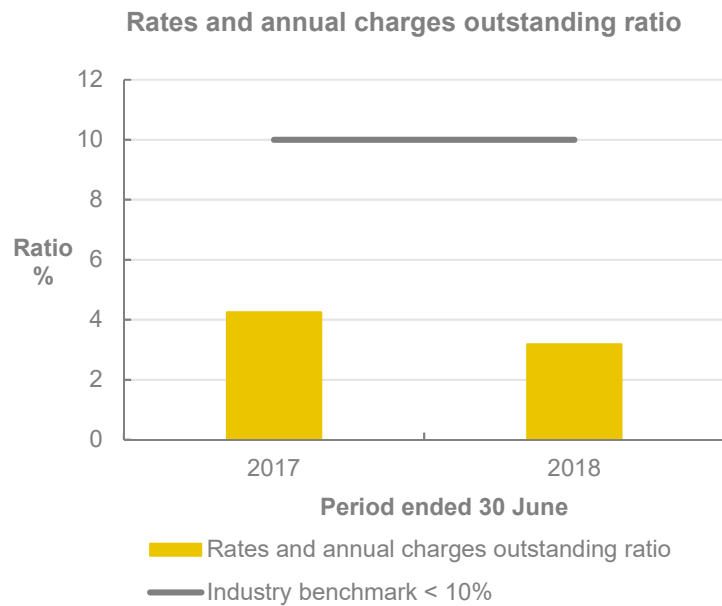
Debt service cover ratio

- The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by OLG is greater than two times.
- The Council's debt service cover ratio of 4.1 times is greater than the industry benchmark of greater than 2 times. The ratio indicates that the Council has adequate operating cash to fund its debt obligations.
- The Council's debt service cover ratio of 4.1 times (2017: 7.4 times) has decreased due to the decrease in the operating result before capital amounts.



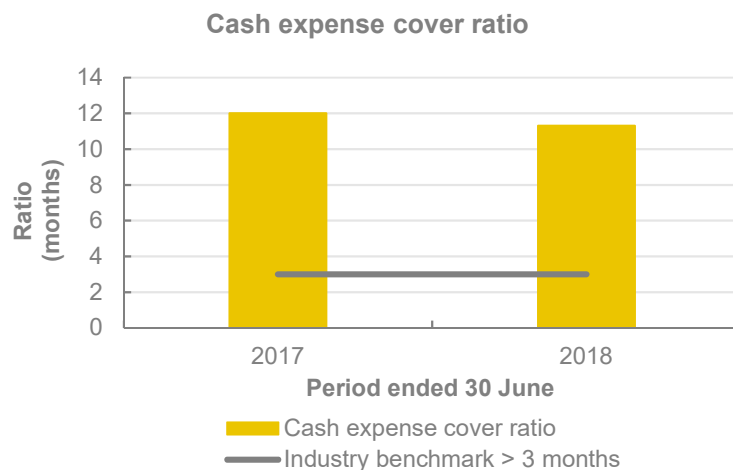
Rates and annual charges outstanding ratio

- The 'rates and annual charges outstanding ratio' assesses the impact of uncollected rates and annual charges on Council's liquidity and the adequacy of debt recovery efforts. The benchmark set by OLG is less than 10% for regional and rural Councils.
- The Council's rates and annual charges outstanding ratio of 3.2% has achieved the industry benchmark of less than 10% for regional and rural councils.
- The rates and annual charges ratio has decreased to 3.2% (2017: 4.3%) indicating that the Council's rate recovery measures continue to be effective in collecting and reducing outstanding debts.



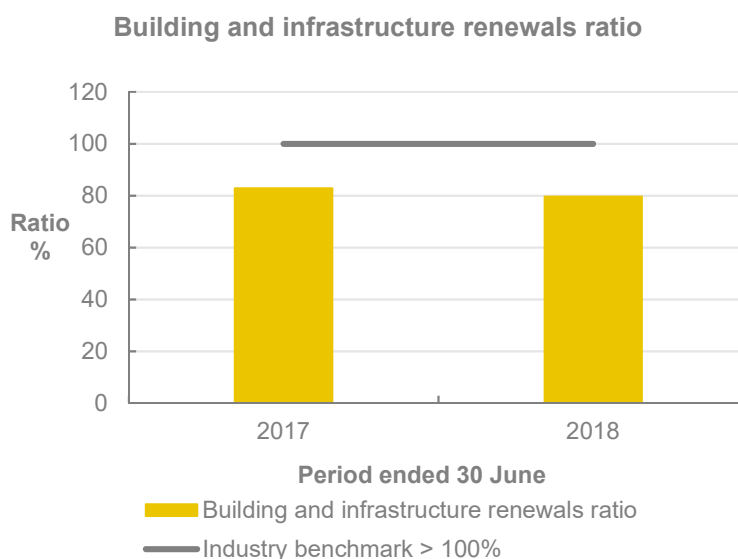
Cash expense cover ratio

- The cash expense cover 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 11.3 months, which is above the industry benchmark of greater than 3 months. This indicates that Council had the capacity to cover 11.3 months of operating cash expenditure without additional cash inflows at 30 June 2018.
- The cash expense cover ratio decreased to 11.3 months (2017: 12.0 months) due to the reduction in cash flow provided by operating activities.



Building and infrastructure renewals ratio (unaudited)

- The 'building and infrastructure renewals ratio' assesses the rate at which these assets are being renewed against the rate at which they are depreciating. The benchmark set by OLG is greater than 100%. This ratio is sourced from Council's Special Schedule 7 which has not been audited.
- The Council's building and infrastructure renewals ratio of 79.6% is below the industry benchmark of greater than 100%. Council needs to be aware of the deteriorating impact on infrastructure assets if this underperformance is sustained over an extended period.
- The Council's building and infrastructure renewals ratio of 79.6% is consistent with the prior period (2017: 82.7%).



OTHER MATTERS

New accounting standards implemented

AASB 124 'Related Party Disclosures'

Effective for annual reporting periods beginning on or 1 July 2016

AASB 2015-6 extended the scope of AASB 124 to include not-for-profit public-sector entities. As a result, Council's financial statements disclosed the:

- compensation paid to their key management personnel
- nature of their related party relationships
- amount and nature of their related party transactions, outstanding balances and commitments and outstanding balances (including commitments).

AASB 2016-2 'Disclosure Initiative – Amendments to AASB 107'

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

This Standard requires entities to provide disclosures that enable users of financial statements to evaluate changes (both cash flows and non-cash changes) in liabilities arising from financing activities.

Council's disclosure of the changes in their liabilities arising from financing activities is disclosed in Note 12(b).

AASB 2016-4 'Recoverable Amount of Non-Cash Generating Specialised Assets of Not-for-Profit Entities' – Amendment to AASB 116 & 136

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

This Standard no longer requires not-for-profit entities to consider AASB 136 Impairment of Assets for non-cash-generating specialised assets at fair value.

It is expected for not-for-profit entities holding non-cash-generating, the recoverable amount of these assets is expected to be materially the same as fair value, determined under AASB 113 Fair Value Measurement.

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 reports. The Council's:

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



Lawrissa Chan
Director, Financial Audit Services

cc: Matthew Hyde, General Manager
Robyn Harvey, Director Internal Services
David Maxwell, Audit, Risk and Improvement Committee Chair
Tim Hurst, Chief Executive of the Office of Local Government

Snowy Valleys Council

SPECIAL PURPOSE FINANCIAL STATEMENTS

for the year ended 30 June 2018

**Leading, engaging & supporting
strong & vibrant communities**



Snowy Valleys Council

Special Purpose Financial Statements

for the year ended 30 June 2018

Contents	Page
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Income Statement – Sewerage Business Activity	4
Income Statement – Other Business Activities	5
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Background

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

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

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

Snowy Valleys Council

Special Purpose Financial Statements for the year ended 30 June 2018

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:

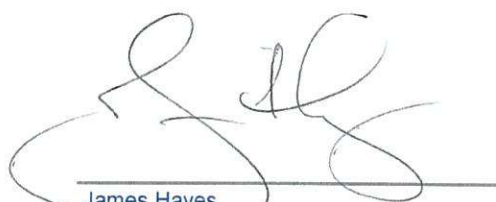
- the NSW Government Policy Statement 'Application of National Competition Policy to Local Government',
- the Division of Local Government Guidelines 'Pricing and Costing for Council Businesses – A Guide to Competitive Neutrality',
- the Local Government Code of Accounting Practice and Financial Reporting,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

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

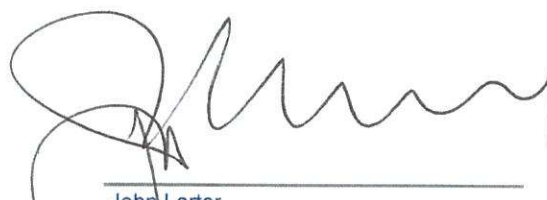
- present fairly the operating result and financial position for each of Council's declared business activities for the year, and
- accord with Council's accounting and other records.

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 25 October 2018.



James Hayes
Mayor
30 November 2018



John Larter
Councillor
30 November 2018



Matthew Hyde
General Manager
30 November 2018



Sarah Pentland
Responsible Accounting Officer
30 November 2018

Snowy Valleys Council

Income Statement of Council's Water Supply Business Activity

for the year ended 30 June 2018

\$ '000	2018	13/5/16 to 30/6/17
Income from continuing operations		
Access charges	1,174	1,379
User charges	3,289	3,449
Interest	130	144
Grants and contributions provided for non-capital purposes	56	90
Other income	8	7
Total income from continuing operations	4,657	5,069
Expenses from continuing operations		
Employee benefits and on-costs	820	901
Borrowing costs	283	340
Materials and contracts	1,172	1,446
Depreciation, amortisation and impairment	1,113	1,734
Loss on sale of assets	–	97
Calculated taxation equivalents	18	14
Debt guarantee fee (if applicable)	58	61
Other expenses	2,926	2,944
Total expenses from continuing operations	6,390	7,537
Surplus (deficit) from continuing operations before capital amounts	(1,733)	(2,468)
Grants and contributions provided for capital purposes	14	47
Surplus (deficit) from continuing operations after capital amounts	(1,719)	(2,421)
Surplus (deficit) from all operations before tax	(1,719)	(2,421)
Less: corporate taxation equivalent (30%) [based on result before capital]	–	–
SURPLUS (DEFICIT) AFTER TAX	(1,719)	(2,421)
Plus opening retained profits	54,571	56,931
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	18	14
– Debt guarantee fees	58	61
Less:		
– Tax equivalent dividend paid	(18)	(14)
Closing retained profits	52,910	54,571
Return on capital %	-2.9%	-3.9%
Subsidy from Council	2,783	3,424
Calculation of dividend payable:		
Surplus (deficit) after tax	(1,719)	(2,421)
Less: capital grants and contributions (excluding developer contributions)	(3)	(16)
Surplus for dividend calculation purposes	–	–
Potential dividend calculated from surplus	–	–

Snowy Valleys Council

Income Statement of Council's Sewerage Business Activity

for the year ended 30 June 2018

\$ '000	2018	13/5/16 to 30/6/17
Income from continuing operations		
Access charges	4,262	4,383
User charges	37	100
Liquid trade waste charges	11	14
Interest	141	221
Grants and contributions provided for non-capital purposes	81	107
Other income	1	3
Total income from continuing operations	4,533	4,828
Expenses from continuing operations		
Employee benefits and on-costs	1,105	934
Borrowing costs	177	217
Materials and contracts	1,459	1,522
Depreciation, amortisation and impairment	1,136	1,427
Loss on sale of assets	–	6
Calculated taxation equivalents	17	13
Debt guarantee fee (if applicable)	23	5
Other expenses	246	334
Total expenses from continuing operations	4,163	4,458
Surplus (deficit) from continuing operations before capital amounts	370	370
Grants and contributions provided for capital purposes	21	24
Surplus (deficit) from continuing operations after capital amounts	391	394
Surplus (deficit) from all operations before tax	391	394
Less: corporate taxation equivalent (30%) [based on result before capital]	(111)	(111)
SURPLUS (DEFICIT) AFTER TAX	280	283
Plus opening retained profits	67,095	66,696
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	17	13
– Debt guarantee fees	23	5
– Corporate taxation equivalent	111	111
Less:		
– Tax equivalent dividend paid	(17)	(13)
Closing retained profits	67,509	67,095
Return on capital %	0.8%	0.9%
Subsidy from Council	1,216	976
Calculation of dividend payable:		
Surplus (deficit) after tax	280	283
Less: capital grants and contributions (excluding developer contributions)	(15)	(4)
Surplus for dividend calculation purposes	265	279
Potential dividend calculated from surplus	133	140

Snowy Valleys Council

Income Statement of Council's Other Business Activities
for the year ended 30 June 2018

Private Works

Category 1

\$ '000	2018	13/5/16 to 30/6/17
Income from continuing operations		
User charges	10,080	9,910
Interest	–	196
Grants and contributions provided for non-capital purposes	–	114
Profit from the sale of assets	–	96
Other income	2	92
Total income from continuing operations	10,082	10,408
Expenses from continuing operations		
Employee benefits and on-costs	1,379	2,399
Materials and contracts	7,312	5,005
Depreciation, amortisation and impairment	–	1,135
Other expenses	13	471
Total expenses from continuing operations	8,704	9,010
Surplus (deficit) from continuing operations before capital amounts	1,378	1,398
Surplus (deficit) from continuing operations after capital amounts	1,378	1,398
Surplus (deficit) from all operations before tax	1,378	1,398
Less: corporate taxation equivalent (30%) [based on result before capital]	(413)	(419)
SURPLUS (DEFICIT) AFTER TAX	965	979
Plus opening retained profits	14,981	14,292
Plus/less: other adjustments	–	(248)
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	413	419
Less:		
– Transfer to General Fund	(16,359)	–
– Dividend paid	–	(461)
Closing retained profits	–	14,981
Return on capital %	n/a	25.1%
Subsidy from Council	–	–

Snowy Valleys Council

Statement of Financial Position – Council's Water Supply Business Activity
as at 30 June 2018

\$ '000	2018	2017
ASSETS		
Current assets		
Cash and cash equivalents	956	1,013
Investments	3,737	1,952
Receivables	1,555	1,671
Total current assets	6,248	4,636
Non-current assets		
Infrastructure, property, plant and equipment	50,673	54,457
Total non-current assets	50,673	54,457
TOTAL ASSETS	56,921	59,093
LIABILITIES		
Current liabilities		
Payables	55	54
Borrowings	535	509
Total current liabilities	590	563
Non-current liabilities		
Borrowings	3,421	3,959
Total non-current liabilities	3,421	3,959
TOTAL LIABILITIES	4,011	4,522
NET ASSETS	52,910	54,571
EQUITY		
Accumulated surplus	52,910	54,571
TOTAL EQUITY	52,910	54,571

Snowy Valleys Council

Statement of Financial Position – Council's Sewerage Business Activity
as at 30 June 2018

\$ '000	2018	2017
ASSETS		
Current assets		
Cash and cash equivalents	1,368	3,277
Investments	5,467	2,697
Receivables	416	404
Total current Assets	7,251	6,378
Non-current assets		
Infrastructure, property, plant and equipment	67,018	65,662
Total non-current assets	67,018	65,662
TOTAL ASSETS	74,269	72,040
LIABILITIES		
Current liabilities		
Payables	2	28
Borrowings	276	262
Total current liabilities	278	290
Non-current liabilities		
Borrowings	3,260	3,536
Total non-current liabilities	3,260	3,536
TOTAL LIABILITIES	3,538	3,826
NET ASSETS	70,731	68,214
EQUITY		
Accumulated surplus	67,509	67,095
Revaluation reserves	3,222	1,119
TOTAL EQUITY	70,731	68,214

Snowy Valleys Council

Statement of Financial Position – Council's Other Business Activities

as at 30 June 2018

Private Works

Category 1

\$ '000	2018	2017
ASSETS		
Current assets		
Cash and cash equivalents	–	5,251
Investments	–	4,500
Receivables	–	1,675
Inventories	–	22
Total Current Assets	–	11,448
Non-current assets		
Infrastructure, property, plant and equipment	–	5,567
Total non-current assets	–	5,567
TOTAL ASSETS	–	17,015
LIABILITIES		
Current liabilities		
Payables	–	183
Provisions	–	1,791
Total current liabilities	–	1,974
Non-current liabilities		
Provisions	–	60
Total non-current liabilities	–	60
TOTAL LIABILITIES	–	2,034
NET ASSETS	–	14,981
EQUITY		
Accumulated surplus	–	14,981
TOTAL EQUITY	–	14,981

Snowy Valleys Council

Special Purpose Financial Statements

for the year ended 30 June 2018

Contents of the notes accompanying the financial statements

Note	Details	Page
1	Summary of significant accounting policies	10
2	Water Supply Business Best-Practice Management disclosure requirements	14
3	Sewerage Business Best-Practice Management disclosure requirements	16

Snowy Valleys Council

Notes to the Special Purpose Financial Statements

for the year ended 30 June 2018

Note 1. Significant accounting policies

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

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

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

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

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

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. Snowy Valleys Council Sewerage Service

Comprising the whole of the operations and assets of the sewerage reticulation and treatment system, servicing the towns of Adelong, Batlow, Khancoban, Talbingo, Tumbarumba and Tumut.

Snowy Valleys Council

Notes to the Special Purpose Financial Statements for the year ended 30 June 2018

Note 1. Significant accounting policies (continued)

b. Snowy Valleys Council Water Supply Service

Comprising the whole of the operations and assets of the water supply system servicing the towns of Adelong, Batlow, Khancoban, Talbingo, Tumbarumba and Tumut.

c. Snowy Valleys Council Private Works

Independent works unit servicing the needs of Council and government bodies, including Roads and Maritime Services and private parties.

Provides the majority of Council's maintenance and construction services on a provider/client service basis.

This business unit is currently being restructured and has not continue to be an independent works unit but an integrated works division of Snowy Valleys Council during 2017-18.

Category 2

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

Nil

Monetary amounts

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

As required by Crown Lands and Water (CLAW), the amounts shown in Note 2 and Note 3 are disclosed in whole dollars.

(i) Taxation-equivalent charges

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

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

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

Notional rate applied (%)

Corporate income tax rate – **30%**

Land tax – the first \$629,000 of combined land values attracts **0%**. For the combined land values in excess of \$629,001 up to \$3,846,000 the rate is **1.6% + \$100**. For the remaining combined land value that exceeds \$3,846,000 a premium marginal rate of **2.0%** applies.

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

In accordance with Crown Lands and Water (CLAW), 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.

Snowy Valleys Council

Notes to the Special Purpose Financial Statements for the year ended 30 June 2018

Note 1. Significant accounting policies (continued)

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

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

Income tax

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

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

Accordingly, the return on capital invested is set at a pre-tax level - gain/(loss) from ordinary activities before capital amounts, as would be applied by a private sector competitor. That is, it should include a provision equivalent to the corporate income tax rate, currently 30%.

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

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

The rate applied of 30% is/is not the equivalent company tax rate prevalent at reporting date. No adjustments have been made for variations that have occurred during the year.

Local government rates and charges

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

Loan and debt guarantee fees

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

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

(ii) Subsidies

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

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

Accordingly, 'subsidies disclosed' (in relation to National Competition Policy) represents the 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.

Snowy Valleys Council

Notes to the Special Purpose Financial Statements for the year ended 30 June 2018

Note 1. Significant accounting policies (continued)

(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:

$$\frac{\text{Operating result before capital income + interest expense}}{\text{Written down value of I,PP\&E as at 30 June}}$$

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 2.63% at 30/6/18.

(iv) Dividends

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

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

Each dividend must be calculated and approved in accordance with the DPIW guidelines and must not exceed:

- (i) 50% of this surplus in any one year, or
- (ii) the number of water supply or sewerage assessments at 30 June 2018 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

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

END OF AUDITED SPECIAL PURPOSE FINANCIAL STATEMENTS

Snowy Valleys Council

Notes to the Special Purpose Financial Statements for the year ended 30 June 2018

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

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

2018

1. Calculation and payment of tax-equivalents

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

(i)	Calculated tax equivalents	76,000
(ii)	Number of assessments multiplied by \$3/assessment	17,967
(iii)	Amounts payable for tax equivalents [lesser of (i) and (ii)]	17,967
(iv)	Amounts actually paid for tax equivalents	17,967

2. Dividend from surplus

(i)	50% of surplus before dividends [calculated in accordance with Best-Practice Management for Water Supply and Sewerage Guidelines]	–
(ii)	Number of assessments multiplied by \$30/assessment, less tax equivalent charges/assessment	161,703
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2018, less the cumulative dividends paid for the 2 years to 30 June 2017 and 12 May 2016	(4,159,494)

2018 Surplus	(1,722,000)	2017 Surplus	(2,437,000)	2016 Surplus	(494)
		2017 Dividend	–	2016 Dividend	–

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

3. Required outcomes for 6 criteria

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

(i)	Completion of strategic business plan (including financial plan)	YES
(ii)	Full cost recovery, without significant cross subsidies [refer item 2 (a) in table 1 on page 22 of the Best-Practice Guidelines]	YES
	– Complying charges [item 2 (b) in table 1]	YES
	– DSP with commercial developer charges [item 2 (e) in table 1]	YES
	– If dual water supplies, complying charges [item 2 (g) in table 1]	YES
(iii)	Sound water conservation and demand management implemented	YES
(iv)	Sound drought management implemented	YES
(v)	Complete performance reporting form (by 15 September each year)	YES
(vi)	a. Integrated water cycle management evaluation	YES
	b. Complete and implement integrated water cycle management strategy	YES

Snowy Valleys Council

Notes to the Special Purpose Financial Statements for the year ended 30 June 2018

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

Dollars amounts shown below are in whole dollars (unless otherwise indicated) 2018

National Water Initiative (NWI) financial performance indicators

NWI F1	Total revenue (water) Total income (w13) – grants for the acquisition of assets (w11a) – interest income (w9) – Aboriginal Communities W&S Program income (w10a)	\$'000	4,535
NWI F4	Revenue from residential usage charges (water) Income from residential usage charges (w6b) x 100 divided by the sum of [income from residential usage charges (w6a) + income from residential access charges (w6b)]	%	73.69%
NWI F9	Written down replacement cost of fixed assets (water) Written down current cost of system assets (w47)	\$'000	50,182
NWI F11	Operating cost (OMA) (water) Management expenses (w1) + operational and maintenance expenses (w2)	\$'000	2,260
NWI F14	Capital expenditure (water) Acquisition of fixed assets (w16)	\$'000	135
NWI F17	Economic real rate of return (water) [total income (w13) – interest income (w9) – grants for acquisition of assets (w11a) – operating costs (NWI F11) – current cost depreciation (w3)] x 100 divided by [written down current cost of system assets (w47) + plant and equipment (w33b)]	%	2.29%
NWI F26	Capital works grants (water) Grants for the acquisition of assets (w11a)	\$'000	–

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

Snowy Valleys Council

Notes to the Special Purpose Financial Statements for the year ended 30 June 2018

Note 3. Sewerage business best-practice management disclosure requirements

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

2018

1. Calculation and payment of tax-equivalents

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

(i)	Calculated tax equivalents	40,000
(ii)	Number of assessments multiplied by \$3/assessment	16,569
(iii)	Amounts payable for tax equivalents [lesser of (i) and (ii)]	16,569
(iv)	Amounts actually paid for tax equivalents	16,569

2. Dividend from surplus

(i)	50% of surplus before dividends [calculated in accordance with Best-Practice Management for Water Supply and Sewerage Guidelines]	132,500
(ii)	Number of assessments x (\$30 less tax equivalent charges per assessment)	149,121
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2018, less the cumulative dividends paid for the 2 years to 30 June 2017 and 12 May 2016	543,555

2018 Surplus	265,000	2017 Surplus	279,000	2016 Surplus	(445)
		2017 Dividend	-	2016 Dividend	-

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	132,500
(v)	Dividend actually paid from surplus [refer below for required pre-dividend payment criteria]	-
(vi)	Are the overhead reallocation charges to the sewer business fair and reasonable? ^a	YES

3. Required outcomes for 4 criteria

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

(i)	Completion of strategic business plan (including financial plan)	YES
(ii)	Pricing with full cost-recovery, without significant cross subsidies [refer item 2 (a) in table 1 on page 22 of the Best-Practice Guidelines]	YES
	Complying charges	
	(a) Residential [item 2 (c) in table 1]	YES
	(b) Non-residential [item 2 (c) in table 1]	YES
	(c) Trade waste [item 2 (d) in table 1]	YES
	DSP with commercial developer charges [item 2 (e) in table 1]	YES
	Liquid trade waste approvals and policy [item 2 (f) in table 1]	YES
(iii)	Complete performance reporting form (by 15 September each year)	YES
(iv)	a. Integrated water cycle management evaluation	YES
	b. Complete and implement integrated water cycle management strategy	YES

Snowy Valleys Council

Notes to the Special Purpose Financial Statements
for the year ended 30 June 2018Note 3. Sewerage business
best-practice management disclosure requirements (continued)

Dollars amounts shown below are in whole dollars (unless otherwise indicated) 2018

National Water Initiative (NWI) financial performance indicators

NWI F2	Total revenue (sewerage) Total income (s14) – grants for acquisition of assets (s12a) – interest income (s10) – Aboriginal Communities W&S Program income (w10a)	\$'000	4,412
NWI F10	Written down replacement cost of fixed assets (sewerage) Written down current cost of system assets (s48)	\$'000	66,469
NWI F12	Operating cost (sewerage) Management expenses (s1) + operational and maintenance expenses (s2)	\$'000	2,736
NWI F15	Capital expenditure (sewerage) Acquisition of fixed assets (s17)	\$'000	–
NWI F18	Economic real rate of return (sewerage) [total income (s14) – interest income (s10) – grants for acquisition of assets (s12a) – operating cost (NWI F12) – current cost depreciation (s3)] x 100 divided by [written down current cost (i.e. WDCC) of system assets (s48) + plant and equipment (s34b)]	%	0.81%
NWI F27	Capital works grants (sewerage) Grants for the acquisition of assets (12a)	\$'000	–

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

NWI F3	Total income (water and sewerage) Total income (w13 + s14) + gain/loss on disposal of assets (w14 + s15) minus grants for acquisition of assets (w11a + s12a) – interest income (w9 + s10)	\$'000	8,953
NWI F8	Revenue from community service obligations (water and sewerage) Community service obligations (NWI F25) x 100 divided by total income (NWI F3)	%	0.97%
NWI F16	Capital expenditure (water and sewerage) Acquisition of fixed assets (w16 + s17)	\$'000	135
NWI F19	Economic real rate of return (water and sewerage) [total income (w13 + s14) – interest income (w9 + s10) – grants for acquisition of assets (w11a + s12a) – operating cost (NWI F11 + NWI F12) – current cost depreciation (w3 + s3)] x 100 divided by [written down replacement cost of fixed assets (NWI F9 + NWI F10) + plant and equipment (w33b + s34b)]	%	1.45%
NWI F20	Dividend (water and sewerage) Dividend paid from surplus (2 (v) of Note 2 + 2 (v) of Note 3)	\$'000	–
NWI F21	Dividend payout ratio (water and sewerage) Dividend (NWI F20) x 100 divided by net profit after tax (NWI F24)	%	0.00%

Snowy Valleys Council

Notes to the Special Purpose Financial Statements
for the year ended 30 June 2018Note 3. Sewerage business
best-practice management disclosure requirements (continued)

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

2018

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

NWI F22	Net debt to equity (water and sewerage) Overdraft (w36 + s37) + borrowings (w38 + s39) – cash and investments (w30 + s31) x 100 divided by [total assets (w35 + s36) – total liabilities (w40 + s41)]	%	<input type="text" value="-3.26%"/>
NWI F23	Interest cover (water and sewerage) Earnings before interest and tax (EBIT) divided by net interest Earnings before interest and tax (EBIT): <input type="text" value="1,702"/> Operating result (w15a + s16a) + interest expense (w4a + s4a) – interest income (w9 + s10) – gain/loss on disposal of assets (w14 + s15) + miscellaneous expenses (w4b + w4c + s4b + s4c) Net interest: <input type="text" value="190"/> Interest expense (w4a + s4a) – interest income (w9 + s10)		<input type="text" value="9"/>
NWI F24	Net profit after tax (water and sewerage) Surplus before dividends (w15a + s16a) – tax equivalents paid (Note 2-1 (iv) + Note 3-1 (iv))	\$'000	<input type="text" value="(1,265)"/>
NWI F25	Community service obligations (water and sewerage) Grants for pensioner rebates (w11b + s12b)	\$'000	<input type="text" value="87"/>

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



INDEPENDENT AUDITOR'S REPORT

Report on the special purpose financial report

Snowy Valleys Council

To the Councillors of the Snowy Valleys Council

Opinion

I have audited the accompanying special purpose financial report (the financial report) of Snowy Valley Council's (the Council) Declared Business Activities, which comprise the Income Statement of each Declared Business Activity for the year ended 30 June 2018, the Statement of Financial Position of each Declared Business Activity as at 30 June 2018, notes comprising a summary of Significant accounting policies and other explanatory information for the Business Activities declared by Council, and the Statement by Councillors and Management.

The Declared Business Activities of the Council are:

- Water Supply Business Activity
- Sewerage Supply Business Activity
- Other Business Activities.

In my opinion, the financial report presents fairly, in all material respects, the financial position of the Council's declared Business Activities as at 30 June 2018, and its financial performance for the year then ended, in accordance with the Australian Accounting Standards described in Note 1 and the Local Government Code of Accounting Practice and Financial Reporting (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 Report' section of my report.

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Other Information

Other information comprises the information included in the Council's annual report for the year ended 30 June 2018, other than the financial report 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 report 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 2 - Permissible income for general rates.

In connection with my audit of the financial report, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report 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 Report

The Councillors are responsible for the preparation and fair presentation of the financial report and for determining that the accounting policies, described in Note 1 to the financial report, 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 report that is free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Report

My objectives are to:

- obtain reasonable assurance about whether the financial report 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 financial report.

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

My opinion does not provide assurance:

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

A handwritten signature in black ink, appearing to read 'Lawrissa Chan', with a stylized flourish at the end.

Lawrissa Chan
Director, Financial Audit Services

30 November 2018
SYDNEY

Snowy Valleys Council

SPECIAL SCHEDULES

for the year ended 30 June 2018

Leading, engaging & supporting
strong & vibrant communities



Snowy Valleys Council

Special Schedules

for the year ended 30 June 2018

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¹ Special Schedules are not audited (with the exception of Special Schedule 2).

Background

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

Snowy Valleys Council

Special Schedule 1 – Net Cost of Services
for the year ended 30 June 2018

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
Governance	430	2	–	(428)
Administration	10,468	2,408	–	(8,060)
Public order and safety				
Fire service levy, fire protection, emergency services	2,351	797	855	(699)
Enforcement of local government regulations	25	1	–	(24)
Animal control	150	75	–	(75)
Total public order and safety	2,526	873	855	(798)
Health	50	10	–	(40)
Environment				
Noxious plants and insect/vermin control	262	60	–	(202)
Other environmental protection	359	20	–	(339)
Solid waste management	2,290	2,547	–	257
Stormwater management	324	–	–	(324)
Total environment	3,235	2,627	–	(608)
Community services and education				
Administration and education	1,923	1,339	660	76
Aged persons and disabled	211	286	–	75
Total community services and education	2,134	1,625	660	151
Housing and community amenities				
Public cemeteries	279	252	–	(27)
Public conveniences	209	–	–	(209)
Street lighting	216	–	–	(216)
Town planning	661	383	–	(278)
Total housing and community amenities	1,365	635	–	(730)
Water supplies	6,314	4,553	6	(1,755)
Sewerage services	4,122	4,385	10	273

Snowy Valleys Council

Special Schedule 1 – Net Cost of Services (continued)
for the year ended 30 June 2018

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
Recreation and culture				
Public libraries	746	89	463	(194)
Community centres and halls	61	–	–	(61)
Sporting grounds and venues	34	3	–	(31)
Swimming pools	891	52	274	(565)
Parks and gardens (lakes)	2,722	11	397	(2,314)
Total recreation and culture	4,454	155	1,134	(3,165)
Fuel and energy	–	–	–	–
Agriculture	–	–	–	–
Mining, manufacturing and construction				
Building control	347	85	–	(262)
Other mining, manufacturing and construction	95	167	–	72
Total mining, manufacturing and const.	442	252	–	(190)
Transport and communication				
Urban roads (UR) – local	444	–	–	(444)
Sealed rural roads (SRR) – local	1,741	–	1,385	(356)
Sealed rural roads (SRR) – regional	7,105	1,815	1,430	(3,860)
Unsealed rural roads (URR) – local	478	–	–	(478)
Unsealed rural roads (URR) – regional	98	–	–	(98)
Bridges	28	–	496	468
Parking areas	11	–	–	(11)
Footpaths	58	–	–	(58)
Aerodromes	62	18	–	(44)
Other transport and communication	7,367	10,259	–	2,892
Total transport and communication	17,392	12,092	3,311	(1,989)
Economic affairs				
Camping areas and caravan parks	107	169	106	168
Other economic affairs	1,301	804	–	(497)
Total economic affairs	1,408	973	106	(329)
Totals – functions	54,340	30,590	6,082	(17,668)
General purpose revenues ⁽¹⁾		14,997		14,997
Share of interests – joint ventures and associates using the equity method	–	–		–
NET OPERATING RESULT ⁽²⁾	54,340	45,587	6,082	(2,671)

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

(2) As reported in the Income Statement

grants, interest on investments (excluding externally restricted assets) and interest on overdue rates and annual charges

Snowy Valleys Council

Special Schedule 2 – Permissible income for general rates

for the year ended 30 June 2019

\$'000		2018/19	2018/19	2018/19	2017/18	2017/18	2017/18
		Former Tumbarumba Shire Council	Former Tumut Shire Council	Snowy Valleys Council	Former Tumbarumba Shire Council	Former Tumut Shire Council	Snowy Valleys Council
Notional general income calculation ⁽¹⁾							
Last year notional general income yield	a	2,432	6,531	8,963	2,409	6,429	8,838
Plus or minus adjustments ⁽²⁾	b	11	(13)	(2)	–	(8)	(8)
Notional general income	c = (a + b)	2,443	6,518	8,961	2,409	6,421	8,830
Permissible income calculation							
Special variation percentage ⁽³⁾	d	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Or rate peg percentage	e	2.30%	2.30%	2.30%	1.50%	1.50%	1.50%
Or crown land adjustment (incl. rate peg percentage)	f	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Less expiring special variation amount	g	–	–	–	–	–	–
Plus special variation amount	h = d x (c – g)	–	–	–	–	–	–
Or plus rate peg amount	i = c x e	56	150	206	36	96	132
Or plus Crown land adjustment and rate peg amount	j = c x f	–	–	–	–	–	–
Sub-total	k = (c + g + h + i + j)	2,499	6,668	9,167	2,445	6,517	8,962
Plus (or minus) last year's carry forward total	l	13	17	30	–	31	31
Less valuation objections claimed in the previous year	m	–	–	–	–	–	–
Sub-total	n = (l + m)	13	17	30	–	31	31
Total permissible income	o = k + n	2,512	6,685	9,197	2,445	6,548	8,993
Less notional general income yield	p	2,512	6,667	9,179	2,432	6,531	8,963
Catch-up or (excess) result	q = o – p	0	18	18	13	17	30
Plus income lost due to valuation objections claimed ⁽⁴⁾	r	–	–	–	–	–	–
Less unused catch-up ⁽⁵⁾	s	–	(18)	(18)	–	–	–
Carry forward to next year	t = q + r – s	0	0	(0)	13	17	30

Snowy Valleys Council

Special Schedule 2 – Permissible income for general rates (continued) for the year ended 30 June 2019

Notes

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



INDEPENDENT AUDITOR'S REPORT

Special Schedule 2 - Permissible Income for general rates

Snowy Valleys Council

To the Councillors of Snowy Valleys Council

Opinion

I have audited the accompanying Special Schedule 2 – Permissible Income for general rates (the Schedule) of Snowy Valleys Council (the Council) for the year ending 30 June 2019.

In my opinion, the Schedule of the Council for the year ending 30 June 2019 is prepared, in all material respects in accordance with the requirements of the Local Government Code of Accounting Practice and Financial Reporting (LG Code) issued by the Office of Local Government (OLG), and is in accordance with the books and records of the Council.

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

Basis for Opinion

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

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

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

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

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

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

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

Other Information

Other information comprises the information included in the Council's annual report for the year ended 30 June 2018, other than 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 the Special Schedules excluding Special Schedule 2 (the other Schedules).

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Schedule

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

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

Auditor's Responsibilities for the Audit of the Schedule

My objectives are to:

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

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

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

My opinion does *not* provide assurance:

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



Lawrissa Chan
Director

30 November 2018
SYDNEY

Snowy Valleys Council

Special Schedule 3 – Water Supply Income Statement

Includes all internal transactions, i.e. prepared on a gross basis
for the year ended 30 June 2018

\$'000	2018	13/5/16 to 30/6/17
A Expenses and income		
Expenses		
1. Management expenses		
a. Administration	877	733
b. Engineering and supervision	93	61
2. Operation and maintenance expenses		
– Mains		
c. Operation expenses	–	25
d. Maintenance expenses	202	320
– Reservoirs		
e. Operation expenses	–	–
f. Maintenance expenses	36	63
– Pumping stations		
g. Operation expenses (excluding energy costs)	–	–
h. Energy costs	91	275
i. Maintenance expenses	25	59
– Treatment		
j. Operation expenses (excluding chemical costs)	–	21
k. Chemical costs	53	140
l. Maintenance expenses	605	735
– Other		
m. Operation expenses	–	–
n. Maintenance expenses	278	411
o. Purchase of water	–	–
3. Depreciation expenses		
a. System assets	1,042	1,325
b. Plant and equipment	71	409
4. Miscellaneous expenses		
a. Interest expenses	283	340
b. Revaluation decrements	2,635	2,525
c. Other expenses	23	59
g. Tax equivalents dividends (actually paid)	18	14
5. Total expenses	6,332	7,515

Snowy Valleys Council

Special Schedule 3 – Water Supply Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis
for the year ended 30 June 2018

\$'000	2018	13/5/16 to 30/6/17
Income		
6. Residential charges		
a. Access (including rates)	1,174	1,434
b. Usage charges	3,289	3,527
7. Non-residential charges		
a. Access (including rates)	–	–
b. Usage charges	–	–
8. Extra charges	–	–
9. Interest income	130	144
10. Other income	2	10
10a. Aboriginal Communities Water and Sewerage Program	–	–
11. Grants		
a. Grants for acquisition of assets	–	–
b. Grants for pensioner rebates	43	63
c. Other grants	13	27
12. Contributions		
a. Developer charges	14	47
b. Developer provided assets	–	–
c. Other contributions	–	–
13. Total income	<u>4,665</u>	<u>5,252</u>
14. Gain (or loss) on disposal of assets	6	(97)
15. Operating result	<u>(1,661)</u>	<u>(2,360)</u>
15a. Operating result (less grants for acquisition of assets)	(1,661)	(2,360)

Snowy Valleys Council

Special Schedule 3 – Water Supply Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis
for the year ended 30 June 2018

\$'000	2018	13/5/16 to 30/6/17
B Capital transactions		
Non-operating expenditures		
16. Acquisition of fixed assets		
c. Renewals	95	758
d. Plant and equipment	40	517
17. Repayment of debt	536	501
18. Totals	671	1,776
Non-operating funds employed		
19. Proceeds from disposal of assets	–	–
20. Borrowing utilised	–	–
21. Totals	–	–
C Rates and charges		
22. Number of assessments		
a. Residential (occupied)	5,053	5,038
b. Residential (unoccupied, ie. vacant lot)	109	109
c. Non-residential (occupied)	820	817
d. Non-residential (unoccupied, ie. vacant lot)	7	10
23. Number of ETs for which developer charges were received	ET	– ET
24. Total amount of pensioner rebates (actual dollars)	\$ 99,969	\$ 105,663

Snowy Valleys Council

Special Schedule 4 – Water Supply Statement of Financial Position

Includes internal transactions, i.e. prepared on a gross basis
as at 30 June 2018

\$'000	Current	Non-current	Total
ASSETS			
25. Cash and investments			
a. Developer charges	852	–	852
b. Special purpose grants	–	–	–
c. Accrued leave	–	–	–
d. Unexpended loans	–	–	–
e. Sinking fund	–	–	–
f. Other	3,841	–	3,841
26. Receivables			
a. Specific purpose grants	–	–	–
b. Rates and availability charges	–	–	–
c. User charges	140	–	140
d. Other	1,415	–	1,415
27. Inventories	–	–	–
28. Property, plant and equipment			
a. System assets	–	50,182	50,182
b. Plant and equipment	–	491	491
29. Other assets	–	–	–
30. Total assets	6,248	50,673	56,921
LIABILITIES			
31. Bank overdraft	–	–	–
32. Creditors	55	–	55
33. Borrowings	535	3,421	3,956
34. Provisions			
a. Tax equivalents	–	–	–
b. Dividend	–	–	–
c. Other	–	–	–
35. Total liabilities	590	3,421	4,011
36. NET ASSETS COMMITTED	5,658	47,252	52,910
EQUITY			
37. Accumulated surplus			52,910
38. Asset revaluation reserve			–
39. Other reserves			–
40. TOTAL EQUITY			52,910
Note to system assets:			
41. Current replacement cost of system assets			78,472
42. Accumulated current cost depreciation of system assets			(28,290)
43. Written down current cost of system assets			50,182

Snowy Valleys Council

Special Schedule 5 – Sewerage Service Income Statement

Includes all internal transactions, i.e. prepared on a gross basis
for the year ended 30 June 2018

\$'000	2018	13/5/16 to 30/6/17
A Expenses and income		
Expenses		
1. Management expenses		
a. Administration	1,203	941
b. Engineering and supervision	91	54
2. Operation and maintenance expenses		
– mains		
a. Operation expenses	17	79
b. Maintenance expenses	138	183
– Pumping stations		
c. Operation expenses (excluding energy costs)	–	–
d. Energy costs	32	32
e. Maintenance expenses	83	113
– Treatment		
f. Operation expenses (excl. chemical, energy, effluent and biosolids management costs)	–	–
g. Chemical costs	211	291
h. Energy costs	141	95
i. Effluent management	–	–
j. Biosolids management	–	–
k. Maintenance expenses	759	993
– Other		
l. Operation expenses	–	–
m. Maintenance expenses	61	56
3. Depreciation expenses		
a. System assets	1,084	966
b. Plant and equipment	52	461
4. Miscellaneous expenses		
a. Interest expenses	178	217
b. Revaluation decrements	44	40
c. Other expenses	11	64
d. Impairment – system assets	–	–
e. Impairment – plant and equipment	–	–
f. Aboriginal Communities Water and Sewerage Program	–	–
g. Tax equivalents dividends (actually paid)	17	13
5. Total expenses	4,122	4,598

Snowy Valleys Council

Special Schedule 5 – Sewerage Service Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis
for the year ended 30 June 2018

\$'000	2018	13/5/16 to 30/6/17
Income		
6. Residential charges (including rates)	3,363	3,693
7. Non-residential charges		
a. Access (including rates)	538	595
b. Usage charges	361	288
8. Trade waste charges		
a. Annual fees	–	32
b. Usage charges	11	13
c. Excess mass charges	–	–
d. Re-inspection fees	–	–
9. Extra charges	–	–
10. Interest income	141	221
11. Other income	37	21
11a. Aboriginal Communities Water and Sewerage Program	–	–
12. Grants		
a. Grants for acquisition of assets	–	10
b. Grants for pensioner rebates	44	59
c. Other grants	37	48
13. Contributions		
a. Developer charges	21	14
b. Developer provided assets	–	–
c. Other contributions	–	3
14. Total income	<u>4,553</u>	<u>4,997</u>
15. Gain (or loss) on disposal of assets	–	–
16. Operating result	<u>431</u>	<u>399</u>
16a. Operating result (less grants for acquisition of assets)	431	389

Snowy Valleys Council

Special Schedule 5 – Sewerage Service Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis
for the year ended 30 June 2018

\$'000	2018	13/5/16 to 30/6/17
B Capital transactions		
Non-operating expenditures		
17. Acquisition of fixed assets		
a. New assets for improved standards	–	–
b. New assets for growth	–	–
c. Renewals	–	625
d. Plant and equipment	–	492
18. Repayment of debt	–	260
19. Totals	<u>–</u>	<u>1,377</u>
Non-operating funds employed		
20. Proceeds from disposal of assets	–	–
21. Borrowing utilised	–	–
22. Totals	<u>–</u>	<u>–</u>
C Rates and charges		
23. Number of assessments		
a. Residential (occupied)	4,616	4,524
b. Residential (unoccupied, ie. vacant lot)	159	276
c. Non-residential (occupied)	739	710
d. Non-residential (unoccupied, ie. vacant lot)	9	27
24. Number of ETs for which developer charges were received	ET	– ET
25. Total amount of pensioner rebates (actual dollars)	\$ 93,417	\$ 98,858

Snowy Valleys Council

Special Schedule 6 – Sewerage Service Statement of Financial Position

Includes internal transactions, i.e. prepared on a gross basis
as at 30 June 2018

\$'000	Current	Non-current	Total
ASSETS			
26. Cash and investments			
a. Developer charges	2,119	–	2,119
b. Special purpose grants	–	–	–
c. Accrued leave	–	–	–
d. Unexpended loans	–	–	–
e. Sinking fund	–	–	–
f. Other	4,716	–	4,716
27. Receivables			
a. Specific purpose grants	–	–	–
b. Rates and availability charges	236	–	236
c. User charges	180	–	180
d. Other	–	–	–
28. Inventories	–	–	–
29. Property, plant and equipment			
a. System assets	–	66,469	66,469
b. Plant and equipment	–	549	549
30. Other assets	–	–	–
31. Total assets	7,251	67,018	74,269
LIABILITIES			
32. Bank overdraft	–	–	–
33. Creditors	2	–	2
34. Borrowings	276	3,260	3,536
35. Provisions			
a. Tax equivalents	–	–	–
b. Dividend	–	–	–
c. Other	–	–	–
36. Total liabilities	278	3,260	3,538
37. NET ASSETS COMMITTED	6,973	63,758	70,731
EQUITY			
38. Accumulated surplus			67,509
39. Asset revaluation reserve			3,222
40. Other reserves			–
41. TOTAL EQUITY			70,731
Note to system assets:			
42. Current replacement cost of system assets			97,090
43. Accumulated current cost depreciation of system assets			(30,621)
44. Written down current cost of system assets			66,469

Snowy Valleys Council

Notes to Special Schedules 3 and 5

for the year ended 30 June 2018

Administration ⁽¹⁾

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

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

Engineering and supervision ⁽¹⁾

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

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

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

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

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

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

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

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

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

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

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

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

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

Notes:

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

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

Snowy Valleys Council

Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2018

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2017/18 Required maintenance ^a	2017/18 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Buildings	Council Offices/Administration	–	–	30	–	8,110	13,351	38%	31%	29%	2%	0%
	Council Public Halls	–	–	6	–	1,792	4,454	38%	23%	20%	19%	0%
	Council Works Depot	–	–	18	–	2,607	4,456	50%	35%	15%	0%	0%
	Cultural Facilities	–	–	22	–	4,834	8,980	36%	22%	31%	11%	0%
	Libraries	–	–	14	–	1,543	2,529	56%	31%	13%	0%	0%
	Other Buildings	–	–	60	125	8,084	12,811	56%	25%	18%	1%	0%
	Specialised Buildings	–	–	–	–	10,600	16,748	44%	25%	27%	4%	0%
	Sub-total	–	–	150	125	37,570	63,329	44.5%	26.6%	24.3%	4.6%	0.0%
Other structures	Other structures	1,078	1,078	175	–	8,941	13,665	74%	10%	10%	6%	0%
	Sub-total	1,078	1,078	175	–	8,941	13,665	74.0%	10.0%	10.0%	6.0%	0.0%
Roads	Unsealed roads	–	–	672	672	26,745	37,666	53%	32%	15%	0%	0%
	Bridges	–	–	43	43	16,971	28,189	65%	26%	9%	0%	0%
	Footpaths	–	–	55	55	13,749	23,889	62%	24%	14%	0%	0%
	Other road assets	–	–	208	208	8,780	14,758	99%	1%	0%	0%	0%
	Bulk earthworks	–	–	–	–	108,842	108,842	100%	0%	0%	0%	0%
	Cycleways	–	–	–	–	1,170	1,391	73%	23%	4%	0%	0%
	Kerb & Gutter	–	–	38	38	19,135	34,325	29%	36%	34%	1%	0%
	Road Culverts	–	–	28	28	13,586	20,656	96%	4%	0%	0%	0%
	Sealed Road Surface	–	–	808	808	14,627	29,641	50%	45%	4%	1%	0%
	Sealed Road Structure	–	–	116	116	102,603	158,760	70%	27%	3%	0%	0%
Sub-total	–	–	1,968	1,968	326,208	458,117	72.8%	20.7%	6.4%	0.1%	0.0%	

Snowy Valleys Council

Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2018 (continued)

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2017/18 Required maintenance ^a	2017/18 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Water supply network	Other	–	–	41	41	446	634	50%	35%	15%	0%	0%
	Pumping Stations	–	–	33	33	1,855	3,907	15%	62%	17%	6%	0%
	Reservoirs	–	–	32	32	6,163	10,384	38%	46%	13%	3%	0%
	Treatment	–	–	159	159	16,062	26,460	45%	40%	12%	3%	0%
	Mains	–	–	291	291	23,310	33,917	53%	42%	5%	0%	0%
	Sub-total	–	–	556	556	47,836	75,302	46.1%	42.8%	9.3%	1.8%	0.0%
Sewerage network	Mains	–	–	219	219	35,988	53,746	26%	53%	20%	1%	0%
	Other	–	–	16	16	858	1,001	75%	25%	0%	0%	0%
	Pumping Stations	–	–	110	110	2,970	5,477	27%	49%	19%	5%	0%
	Treatment	182	182	252	252	25,174	35,040	60%	24%	10%	6%	0%
	Sub-total	182	182	597	597	64,990	95,264	39.1%	41.8%	16.1%	3.1%	0.0%

Snowy Valleys Council

Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2018 (continued)

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2017/18 Required maintenance ^a	2017/18 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Stormwater drainage	Head Walls	–	–	–	–	111	192	83%	14%	3%	0%	0%
	Inlet and Junction Pits	–	–	–	15	4,111	6,611	82%	18%	0%	0%	0%
	Stormwater Conduits	–	–	–	33	17,013	29,619	79%	20%	1%	0%	0%
	Stormwater Converters	–	–	–	–	5	5	1%	0%	0%	0%	99%
	Sub-total	–	–	–	48	21,240	36,427	79.6%	19.6%	0.8%	0.0%	0.0%
Open space/recreational assets	Other Open Space/Recreation	–	–	299	299	10,768	2,403	66%	18%	11%	5%	0%
	Swimming pools	93	93	47	47	3,188	5,436	67%	4%	21%	8%	0%
	Sub-total	93	93	346	346	13,956	7,839	66.7%	8.3%	17.9%	7.1%	0.0%
Other infrastructure assets	Other Infrastructure Assets	–	–	–	9	5	5	1%	0%	0%	0%	99%
	Sub-total	–	–	–	9	5	5	1.0%	0.0%	0.0%	0.0%	99.0%
TOTAL – ALL ASSETS		1,353	1,353	3,792	3,649	520,746	749,948	63.7%	25.7%	9.3%	1.2%	0.0%

Notes:

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

Infrastructure asset condition assessment 'key'

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

Snowy Valleys Council

Special Schedule 7 – Report on Infrastructure Assets (continued)
for the year ended 30 June 2018

	Amounts 2018	Indicator 2018	Indicator 2017	Benchmark
Infrastructure asset performance indicators * consolidated				
1. Buildings and infrastructure renewals ratio ⁽¹⁾				
Asset renewals ⁽²⁾	<u>8,862</u>	79.59%	82.74%	>= 100%
Depreciation, amortisation and impairment	<u>11,134</u>			
2. Infrastructure backlog ratio ⁽¹⁾				
Estimated cost to bring assets to a satisfactory standard	<u>1,353</u>	0.26%	0.05%	< 2.00%
Net carrying amount of infrastructure assets	<u>520,809</u>			
3. Asset maintenance ratio				
Actual asset maintenance	<u>3,649</u>	96.23%	101.40%	> 100%
Required asset maintenance	<u>3,792</u>			
4. Cost to bring assets to agreed service level				
Estimated cost to bring assets to an agreed service level set by Council	<u>1,353</u>	0.18%	0.03%	
Gross replacement cost	<u>749,948</u>			

Notes

* All asset performance indicators are calculated using the asset 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.

Snowy Valleys Council

Special Schedule 7 – Report on Infrastructure Assets (continued) for the year ended 30 June 2018

<p>1. Buildings and infrastructure renewals ratio</p> <p>Benchmark: ——— Minimum $\geq 100.00\%$ Source for benchmark: Code of Accounting Practice and Financial Reporting #26</p>	<p>Purpose of asset renewals ratio</p> <p>To assess the rate at which these assets are being renewed relative to the rate at which they are depreciating.</p>	<p>Commentary on 2017/18 result</p> <p>2017/18 Ratio 79.59%</p> <p>Council renews assets as required and revaluations and stocktakes of assets continue to build accurate asset management plans. The renewal of Clarke's Hill through grant funding being the major project.</p>
<p>2. Infrastructure backlog ratio</p> <p>Benchmark: ——— Maximum $< 2.00\%$ Source for benchmark: Code of Accounting Practice and Financial Reporting #26</p>	<p>Purpose of infrastructure backlog ratio</p> <p>This ratio shows what proportion the backlog is against the total value of a Council's infrastructure.</p>	<p>Commentary on 2017/18 result</p> <p>2017/18 Ratio 0.26%</p> <p>Assets maintained at agreed levels with only a minor amount of backlog. Council aims to keep its backlog to a minimum.</p>
<p>3. Asset maintenance ratio</p> <p>Benchmark: ——— Minimum $> 100.00\%$ Source for benchmark: Code of Accounting Practice and Financial Reporting #26</p>	<p>Purpose of asset maintenance ratio</p> <p>Compares actual vs. required annual asset maintenance. A ratio above 100% indicates Council is investing enough funds to stop the infrastructure backlog growing.</p>	<p>Commentary on 2017/18 result</p> <p>2017/18 Ratio 96.23%</p> <p>Council funds required maintenance with a slight reduction this financial below benchmark. Maintenance continues to be focused on to maintain existing assets.</p>
<p>4. Cost to bring assets to agreed service level</p>	<p>Purpose of agreed service level ratio</p> <p>This ratio provides a snapshot of the proportion of outstanding renewal works compared to the total value of assets under Council's care and stewardship.</p>	<p>Commentary on 2017/18 result</p> <p>2017/18 Ratio 0.18%</p> <p>Councils assets are maintained to agreed service levels.</p>

Snowy Valleys Council

Special Schedule 7 – Report on Infrastructure Assets (continued)
for the year ended 30 June 2018

	General indicators ⁽¹⁾		Water indicators		Sewer indicators		Benchmark
	2018	2017	2018	2017	2018	2017	
Infrastructure asset performance indicators by fund							
1. Buildings and infrastructure renewals ratio ⁽²⁾							
Asset renewals ⁽³⁾	126.53%	156.11%	4.05%	10.55%	21.49%	23.48%	>= 100%
Depreciation, amortisation and impairment							
2. Infrastructure backlog ratio ⁽²⁾							
Estimated cost to bring assets to a satisfactory standard	0.29%	0.07%	0.00%	0.00%	0.28%	0.00%	< 2.00%
Net carrying amount of infrastructure assets							
3. Asset maintenance ratio							
Actual asset maintenance	94.58%	99.55%	100.00%	101.29%	100.00%	109.36%	> 100%
Required asset maintenance							
4. Cost to bring assets to agreed service level							
Estimated cost to bring assets to an agreed service level set by Council	0.20%	0.03%	0.00%	0.00%	0.19%	0.00%	
Gross replacement cost							

Notes

- (1) General fund refers to all of Council's activities except for its water and sewer activities which are listed separately.
- (2) Excludes Work In Progress (WIP)
- (3) 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.