

Snowy Valleys Council

ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June 2021



Snowy Valleys Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2021



Snowy Valleys Council

General Purpose Financial Statements

for the year ended 30 June 2021

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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

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

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

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

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

Snowy Valleys Council

General Purpose Financial Statements

for the year ended 30 June 2021

Statement by Councillors and Management

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

The attached general purpose financial statements have been prepared in accordance with:


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

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

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

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

Signed in accordance with a resolution of Council made on 07 October 2021.



James Hayes
Mayor
07 October 2021



Matthew Hyde
General Manager
07 October 2021



John Larter
Councillor
07 October 2021



Susanne Andres
Responsible Accounting Officer
07 October 2021

Snowy Valleys Council

Income Statement

for the year ended 30 June 2021

Original unaudited budget 2021	\$ '000	Notes	Actual 2021	Actual 2020
Income from continuing operations				
17,361	Rates and annual charges	B2-1	17,051	17,045
9,958	User charges and fees	B2-2	16,905	15,201
962	Other revenue	B2-3	3,705	1,822
10,705	Grants and contributions provided for operating purposes	B2-4	25,350	15,300
7,310	Grants and contributions provided for capital purposes	B2-4	11,740	11,724
471	Interest and investment income	B2-5	435	515
–	Other income	B2-6	1,513	1,108
46,767	Total income from continuing operations		76,699	62,715
Expenses from continuing operations				
16,497	Employee benefits and on-costs	B3-1	20,246	20,580
9,259	Materials and services	B3-2	34,453	22,814
477	Borrowing costs	B3-3	473	503
11,093	Depreciation, amortisation and impairment for non-financial assets	B3-4	11,172	11,704
5,382	Other expenses	B3-5	1,290	1,055
–	Net losses from the disposal of assets	B4-1	2,305	2,028
42,708	Total expenses from continuing operations		69,939	58,684
4,059	Operating result from continuing operations		6,760	4,031
4,059	Net operating result for the year attributable to Council		6,760	4,031
(3,251)	Net operating result for the year before grants and contributions provided for capital purposes		(4,980)	(7,693)

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

Snowy Valleys Council

Statement of Comprehensive Income

for the year ended 30 June 2021

\$ '000	Notes	2021	2020
Net operating result for the year – from Income Statement		6,760	4,031
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain on revaluation of IPP&E	C1-6	<u>10,992</u>	<u>60,595</u>
Total items which will not be reclassified subsequently to the operating result		10,992	60,595
Total other comprehensive income for the period		10,992	60,595
Total comprehensive income for the year attributable to Council		17,752	64,626

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

Snowy Valleys Council

Statement of Financial Position

as at 30 June 2021

\$ '000	Notes	2021	2020
ASSETS			
Current assets			
Cash and cash equivalents	C1-1	13,901	9,238
Investments	C1-2	19,116	32,619
Receivables	C1-4	12,129	7,810
Inventories	C1-5	92	136
Other		344	9
Total current assets		45,582	49,812
Non-current assets			
Investments	C1-2	5,000	–
Receivables	C1-4	11	11
Inventories	C1-5	147	147
Infrastructure, property, plant and equipment	C1-6	657,702	639,830
Investment property	C1-7	340	340
Intangible Assets	C1-8	448	606
Total non-current assets		663,648	640,934
Total assets		709,230	690,746
LIABILITIES			
Current liabilities			
Payables	C3-1	3,877	2,382
Contract liabilities	C3-2	8,629	9,212
Borrowings	C3-3	1,285	1,418
Employee benefit provisions	C3-4	4,621	4,418
Provisions	C3-5	509	1,966
Total current liabilities		18,921	19,396
Non-current liabilities			
Borrowings	C3-3	6,284	6,837
Employee benefit provisions	C3-4	388	398
Provisions	C3-5	1,770	–
Total non-current liabilities		8,442	7,235
Total liabilities		27,363	26,631
Net assets		681,867	664,115
EQUITY			
Accumulated surplus		600,084	593,324
IPPE revaluation reserve		81,783	70,791
Council equity interest		681,867	664,115
Total equity		681,867	664,115

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

Snowy Valleys Council

Statement of Changes in Equity

for the year ended 30 June 2021

\$ '000	Notes	as at 30/06/21			as at 30/06/20		
		Accumulated surplus	IPPE revaluation reserve	Total equity	Accumulated surplus	IPPE revaluation reserve	Total equity
Opening balance at 1 July		593,324	70,791	664,115	604,487	10,196	614,683
Changes due to AASB 1058 and AASB 15 adoption		–	–	–	(15,194)	–	(15,194)
Net operating result for the year		6,760	–	6,760	4,031	–	4,031
Restated net operating result for the period		6,760	–	6,760	4,031	–	4,031
Other comprehensive income							
– Gain on revaluation of IPP&E	C1-6	–	10,992	10,992	–	60,595	60,595
Other comprehensive income		–	10,992	10,992	–	60,595	60,595
Total comprehensive income		6,760	10,992	17,752	4,031	60,595	64,626
Closing balance at 30 June		600,084	81,783	681,867	593,324	70,791	664,115

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

Snowy Valleys Council

Statement of Cash Flows

for the year ended 30 June 2021

Original unaudited budget 2021	\$ '000	Notes	Actual 2021	Actual 2020
Cash flows from operating activities				
Receipts:				
17,361	Rates and annual charges		17,306	17,351
9,958	User charges and fees		15,718	15,749
471	Investment and interest revenue received		570	654
18,014	Grants and contributions		37,063	20,264
962	Other		6,102	7,710
Payments:				
(16,351)	Employee benefits and on-costs		(20,053)	(21,249)
(9,259)	Materials and services		(34,461)	(18,413)
–	Borrowing costs		(458)	(509)
–	Bonds, deposits and retention amounts refunded		(16)	(34)
(5,382)	Other		(4,780)	(9,039)
15,774	Net cash flows from operating activities	G1-1	16,991	12,484
Cash flows from investing activities				
Receipts:				
–	Sale of investment securities		–	79,462
–	Redemption of term deposits		27,115	–
–	Sale of real estate assets		–	4
–	Sale of infrastructure, property, plant and equipment		1,121	866
Payments:				
–	Purchase of investment securities		–	(73,347)
–	Acquisition of term deposits		(18,612)	–
(18,572)	Purchase of infrastructure, property, plant and equipment		(21,257)	(19,946)
–	Purchase of real estate assets		(9)	(1)
(18,572)	Net cash flows from investing activities		(11,642)	(12,962)
Cash flows from financing activities				
Receipts:				
–	Proceeds from borrowings		736	500
Payments:				
(1,817)	Repayment of borrowings		(1,422)	(1,403)
(1,817)	Net cash flows from financing activities		(686)	(903)
(4,615)	Net change in cash and cash equivalents		4,663	(1,381)
10,619	Cash and cash equivalents at beginning of year		9,238	10,619
6,004	Cash and cash equivalents at end of year	C1-1	13,901	9,238
32,619	plus: Investments on hand at end of year	C1-2	24,116	32,619
38,623	Total cash, cash equivalents and investments		38,017	41,857

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

Snowy Valleys Council

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A About Council and these financial statements

A1-1 Basis of preparation

These financial statements were authorised for issue by Council on 07 October 2021. Council has the power to amend and reissue these financial statements in cases where critical information is received from public submissions or where the OLG directs Council to amend the financial statements.

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

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

Council is a not for-profit entity.

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

Going Concern

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

Historical cost convention

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

Significant accounting estimates and judgements

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

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

Critical accounting estimates and assumptions

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

- (i) estimated fair values of investment properties – refer Note C1-7
- (ii) estimated fair values of infrastructure, property, plant and equipment – refer Note C1-6
- (iii) estimated landfill and quarry remediation provisions – refer Note C3-5
- (iv) employee benefit provisions – refer Note C3-4

Monies and other assets received by Council

The Consolidated Fund

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

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

- General purpose operations
- Water service
- Sewerage service
- Domestic Waste Management

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

- Batlow Development League
- Batlow Ciderfest
- Batlow Apple Blossom
- Talbingo Progress Association

A1-1 Basis of preparation (continued)

- Festival of the Falling Leaf
- Rock the Turf
- Tumut District Community Transport
- Tumut Community Gardens
- Glenroy and Pioneers Women Hut
- Khancoban United Volunteers Association
- Tumbarumba Men's Shed
- Tumbafest
- Tumbarumba Friends of the Library
- Tooma Recreation Reserve
- Tumbarumba Historical Society

Total income from continuing operations \$164,575

Total expenses from continuing operations \$86,319

Total net assets held (i.e. equity) \$174,962

The Trust Fund

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

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

COVID 19 Impacts

COVID 19 has caused a disruption to Council's operations with a number of staff working remotely from home or at other Council facilities away from the main administration building. Whilst this has caused some challenges for staff, it has not resulted in any significant additional costs to Council. There has however been a slight increase in some costs due to the purchase of additional PPE (ie gloves, sanitiser etc) which has increased during the COVID period. Cleaning of Council premises and Council facilities has also increased slightly.

Overall, Council does not see any major effect which are considered significant on its financial position due to COVID, and Council does not expect this to have any increase in future years.

Council is of the opinion that physical non-current assets will not experience any substantial declines in value due to Covid. Fair value for the majority of Council's non-current assets is determined by replacement cost where there is no anticipated material change in value due to Covid.

For assets where fair value is determined by market value, Council has no evidence of any material changes to these values.

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

Volunteer services

Council has recognised volunteer services which is included in the financial statements based on the average salary and on costs Council would be required to pay if the services had not been donated.

New accounting standards and interpretations issued not yet effective

New accounting standards and interpretations issued but not yet effective

A1-1 Basis of preparation (continued)

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

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

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

New accounting standards adopted during the year

During the year Council adopted all accounting standards and interpretations (as issued by the Australian Accounting Standards Board) which were mandatorily effective from the first time at 30 June 2021.

Those newly adopted standards did not have an impact on the reported position or performance of Council.

B Financial Performance

B1 Functions or activities

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

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

\$ '000	Income		Expenses		Operating result		Grants and contributions		Carrying amount of assets	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Functions or activities										
Towns and Villages	15,150	5,296	17,016	7,172	(1,866)	(1,876)	12,988	2,123	12,996	20,569
Growth Through Innovation	2,368	2,240	4,006	3,747	(1,638)	(1,507)	383	938	27,584	11,525
Our Natural Environment	14,370	12,838	9,424	8,886	4,946	3,952	1,808	1,094	117,206	115,067
Communications and Engagement	21,720	24,758	14,922	14,068	6,798	10,690	11,643	13,914	66,005	73,432
Our Infrastructure	23,091	17,583	24,571	24,811	(1,480)	(7,228)	10,268	6,949	485,439	470,153
Other	-	-	-	-	-	-	-	2,006	-	-
Total functions and activities	76,699	62,715	69,939	58,684	6,760	4,031	37,090	27,024	709,230	690,746

B1-2 Components of functions or activities

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

B2 Sources of income

B2-1 Rates and annual charges

\$ '000	2021	2020
Ordinary rates		
Residential	3,887	4,266
Farmland	4,152	4,036
Business	872	969
Less: pensioner rebates (mandatory)	(214)	(221)
Rates levied to ratepayers	8,697	9,050
Pensioner rate subsidies received	118	122
Total ordinary rates	8,815	9,172
Annual charges		
<small>(pursuant to s.496, s.496A, s.496B, s.501 & s.611)</small>		
Domestic waste management services	2,483	2,326
Stormwater management services	45	41
Water supply services	1,001	969
Sewerage services	4,134	4,011
Waste management services (non-domestic)	721	665
Annual charges levied	8,384	8,012
Pensioner subsidies received:		
– Water	55	55
– Sewerage	52	51
– Domestic waste management	68	64
Less: Pensioner Rebates	(323)	(309)
Total annual charges	8,236	7,873
Total rates and annual charges	17,051	17,045

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

Accounting policy

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

B2-2 User charges and fees

\$ '000	Timing	2021	2020
Specific user charges			
(per s.502 - specific 'actual use' charges)			
Water supply services	2	2,811	2,486
Sewerage services	2	459	179
Trade waste services	2	37	20
Total specific user charges		3,307	2,685
Other user charges and fees			
(i) Fees and charges – statutory and regulatory functions (per s.608)			
Inspection services	2	9	–
Planning and building regulation	2	473	357
Private works – section 67	2	4,109	3,984
Section 10.7 certificates (EP&A Act)	2	37	26
Section 603 certificates	2	46	31
Total fees and charges – statutory/regulatory		4,674	4,398
(ii) Fees and charges – other (incl. general user charges (per s.608))			
Cemeteries	2	245	215
Library and art gallery	2	8	9
Refuse and effluent disposal	2	–	12
Transport for NSW works (state roads not controlled by Council)	2	7,014	6,781
Swimming centres	2	87	50
Aged related services	2	198	121
Gravel sales	2	73	57
Sporting facilities fees	2	34	26
Waste transfer station fees	2	124	22
Childrens services fees	2	439	353
Community transport	2	63	71
Medical services	2	323	166
Other	2	316	235
Total fees and charges – other		8,924	8,118
Total user charges and fees		16,905	15,201
Timing of revenue recognition for user charges and fees			
User charges and fees recognised over time (1)		–	–
User charges and fees recognised at a point in time (2)		16,905	15,201
Total user charges and fees		16,905	15,201

Accounting policy

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

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

B2-3 Other revenue

\$ '000	Timing	2021	2020
Assets first time recognition	2	519	210
Batlow Cannery demolition reimbursement	2	854	–
Blaze Aid Camps reimbursement	2	213	–
Diesel rebate	2	101	–
Fines	2	29	32
Insurance claims recoveries	2	580	43
Legal fees recovery – rates and charges (extra charges)	2	–	24
PY disaster management reimbursement	2	502	–
Other	2	207	240
Sale of Southern Phones Shares	2	–	786
Sales – general	2	440	383
Southern phone dividend received	2	–	20
Workers compensation rebate	2	260	84
Total other revenue		3,705	1,822

Timing of revenue recognition for other revenue

Other revenue recognised over time (1)	–	–	–
Other revenue recognised at a point in time (2)		3,705	1,822
Total other revenue		3,705	1,822

Accounting policy for other revenue

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

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

Parking fees and fines are recognised as revenue when the fine has been paid.

B2-4 Grants and contributions

\$ '000	Timing	Operating 2021	Operating 2020	Capital 2021	Capital 2020
General purpose grants and non-developer contributions (untied)					
General purpose (untied)					
Current year allocation					
Financial assistance – general component	2	2,140	2,201	–	–
Financial assistance – local roads component	2	688	706	–	–
Payment in advance - future year allocation					
Financial assistance	2	3,026	3,081	–	–
Other					
Other grants	2	102	–	–	–
Amount recognised as income during current year		5,956	5,988	–	–
Special purpose grants and non-developer contributions (tied)					
Cash contributions					
Previously specific grants:					
Pensioners' rates subsidies:					
Water supplies	2	–	–	14	–
Sewerage services	2	–	–	53	–
Bushfire and emergency services	2	11,419	1,567	–	20
Child care	2	1,489	1,629	–	–
Community care	2	983	926	63	549
Economic development	2	–	–	450	387
Heritage and cultural	2	10	106	–	13
Library	2	97	96	–	–
Noxious weeds	1	67	64	–	–
Street lighting	2	51	–	–	–
Stronger Communities and Implementation Funding	2	1,355	2,226	6,491	6,954
Domestic Waste Fund Grant	2	–	–	690	67
Transport (roads to recovery)	2	872	872	–	–
Transport (other roads and bridges funding)	2	970	103	969	3,451
Previously contributions:					
Bushfire services		455	–	–	–
Recreation and culture	2	298	–	1,796	50
Transport for NSW contributions (regional roads, block grant)	2	1,250	1,209	–	–
Other contributions	1	78	69	259	140
Insurance rebate	2	–	104	–	–
Rural fire service (zone HQ)	2	–	251	–	–
Diesel rebate	2	–	90	–	–
Total special purpose grants and non-developer contributions – cash		19,394	9,312	10,785	11,631
Total special purpose grants and non-developer contributions (tied)		19,394	9,312	10,785	11,631
Total grants and non-developer contributions		25,350	15,300	10,785	11,631
Comprising:					
– Commonwealth funding		8,749	8,363	1,001	549
– State funding		15,043	2,685	9,661	10,786
– Other funding		1,558	4,252	123	296
		25,350	15,300	10,785	11,631

B2-4 Grants and contributions (continued)

Developer contributions

\$ '000	Notes	Timing	Operating 2021	Operating 2020	Capital 2021	Capital 2020
Developer contributions: (s7.4 & s7.11 - EP&A Act, s64 of the LGA):	G5					
Cash contributions						
S 7.4 – contributions using planning agreements		2	–	–	11	6
S 64 – water supply contributions		2	–	–	351	55
S 64 – sewerage service contributions		2	–	–	346	32
Total developer contributions – cash			–	–	708	93
Non-cash contributions						
S 7.11 – contributions towards amenities/services		2	–	–	247	–
Total developer contributions non-cash			–	–	247	–
Total developer contributions			–	–	955	93
Total contributions			–	–	955	93
Total grants and contributions			25,350	15,300	11,740	11,724
Timing of revenue recognition for grants and contributions						
Grants and contributions recognised over time (1)			–	–	–	–
Grants and contributions recognised at a point in time (2)			25,350	15,300	11,740	11,724
Total grants and contributions			25,350	15,300	11,740	11,724

B2-4 Grants and contributions (continued)

Unspent grants and contributions

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

\$ '000	Operating 2021	Operating 2020	Capital 2021	Capital 2020
Unspent grants and contributions				
Unspent funds at 1 July	2,099	2,158	6,916	13,571
Add: Funds recognised as revenue in the reporting year but not yet spent in accordance with the conditions	-	-	-	-
Add: Funds received and not recognised as revenue in the current year	711	1,478	9,914	546
Less: Funds recognised as revenue in previous years that have been spent during the reporting year	-	-	-	-
Less: Funds received in prior year but revenue recognised and funds spent in current year	(1,628)	(1,537)	(8,528)	(7,201)
Unspent funds at 30 June	1,182	2,099	8,302	6,916
Contributions				
Unspent funds at 1 July	3,640	3,496	-	-
Add: contributions recognised as revenue in the reporting year but not yet spent in accordance with the conditions	728	144	-	-
Add: contributions received and not recognised as revenue in the current year	-	-	-	-
Less: contributions recognised as revenue in previous years that have been spent during the reporting year	-	-	-	-
Unspent contributions at 30 June	4,368	3,640	-	-

Accounting policy

Accounting policy from 1 July 2019

Grant income under AASB 15

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

The performance obligations are varied based on the agreement but include performance obligations within AASB 15 grants such as completion of milestones. Payment terms vary depending on the terms of the grant, cash is received upfront for some grants and on the achievement of certain payment milestones for others.

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

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

Grant income

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

B2-4 Grants and contributions (continued)

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

Capital grants

Capital grants received to enable Council to acquire or construct an item of infrastructure, property, plant and equipment to identified specifications which will be under Council's control and which is enforceable are recognised as revenue as and when the obligation to construct or purchase is completed.

For construction projects, this is generally as the construction progresses in accordance with costs incurred since this is deemed to be the most appropriate measure of the completeness of the construction project as there is no profit margin.

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

Contributions

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

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

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

B2-5 Interest and investment income

\$ '000	2021	2020
Interest on financial assets measured at amortised cost		
– Overdue rates and annual charges (incl. special purpose rates)	28	83
– Cash and investments	407	432
Total interest and investment income (losses)	435	515
Interest and investment income is attributable to:		
Unrestricted investments/financial assets:		
Overdue rates and annual charges (general fund)	15	35
General Council cash and investments	257	151
Restricted investments/funds – external:		
Development contributions		
– Section 7.11	2	5
– Section 64	14	50
Water fund operations	50	96
Sewerage fund operations	69	123
Domestic waste management operations	24	44
Tumbarumba Retirement Village	4	11
Total interest and investment income	435	515

Accounting policy

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

B2-6 Other income

\$ '000	Notes	2021	2020
Rental income			
Investment properties			
Lease income (excluding variable lease payments not dependent on an index or rate)		3	–
Lease income relating to variable lease payments not dependent on an index or a rate		–	–
Total Investment properties		3	–
Other lease income			
Operating Lease Income		1,388	983
Leaseback fees - council vehicles		122	125
Total Other lease income		1,510	1,108
Total rental income	C2-1	1,513	1,108
Total other income		1,513	1,108

B3 Costs of providing services

B3-1 Employee benefits and on-costs

\$ '000	2021	2020
Salaries and wages	16,911	16,530
Employee termination costs	3	489
Travel expenses	6	6
Employee leave entitlements (ELE)	1,438	1,860
Superannuation	1,739	1,762
Workers' compensation insurance	394	325
Fringe benefit tax (FBT)	80	86
Payroll tax	32	49
Training costs (other than salaries and wages)	320	139
Protective clothing	13	9
Other	276	372
Total employee costs	21,212	21,627
Less: capitalised costs	(966)	(1,047)
Total employee costs expensed	20,246	20,580
Number of 'full-time equivalent' employees (FTE) at year end	209	209

Accounting policy

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

Retirement benefit obligations

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

Superannuation plans

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

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

B3-2 Materials and services

\$ '000	Notes	2021	2020
Raw materials and consumables		7,824	12,551
Contractor costs		19,655	3,093
Consultancy costs		2,720	2,371
Audit Fees	F2-1	78	115
Previously other expenses:			
Councillor and Mayoral fees and associated expenses	F1-2	181	232
Advertising		359	294
Bank charges		74	40
Electricity and heating		1,097	1,166
Insurance		780	820
Postage		66	56
Printing and stationery		155	166
Street lighting		7	23
Subscriptions and publications		161	170
Telephone and communications		252	309
Valuation fees		72	69
Travel expenses		36	37
Other expenses		434	823
Council Grant Programs		404	232
Legal expenses:			
– Legal expenses: debt recovery		19	157
– Legal expenses: other		78	90
Other		1	–
Total materials and services		34,453	22,814
Total materials and services		34,453	22,814

Accounting policy

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

B3-3 Borrowing costs

\$ '000	2021	2020
(i) Interest bearing liability costs		
Interest on loans	473	503
Total interest bearing liability costs	473	503
Total interest bearing liability costs expensed	473	503
Total borrowing costs expensed	473	503

Accounting policy

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

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

\$ '000	Notes	2021	2020
Depreciation and amortisation			
Plant and equipment		1,600	1,658
Office equipment		26	35
Furniture and fittings		1	4
Other Assets - Library Collection		–	1
Infrastructure:	C1-6		
– Buildings – non-specialised		1,025	952
– Buildings – specialised		379	368
– Other structures		362	332
– Roads		2,977	3,715
– Bridges		585	503
– Footpaths		187	217
– Other road assets		260	364
– Stormwater drainage		310	309
– Water supply network		1,250	1,239
– Sewerage network		1,573	1,432
– Other open space/recreational assets		357	311
Other assets		–	1
Reinstatement, rehabilitation and restoration assets:			
– Tip assets	C3-5,C1-6	48	52
– Quarry assets	C3-5,C1-6	74	53
Intangible assets	C1-8	158	158
Total gross depreciation and amortisation costs		11,172	11,704
Total depreciation and amortisation costs		11,172	11,704
Total depreciation, amortisation and impairment for non-financial assets		11,172	11,704

Accounting policy

Depreciation and amortisation

Depreciation and amortisation are calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives. Useful lives are included in Note C1-6 for IPP&E assets and Note C1-8 for intangible assets.

Impairment of non-financial assets

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

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

Other non-financial assets that do not meet the criteria above are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

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

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

B3-5 Other expenses

\$ '000	2021	2020
Other		
Contributions/levies to other levels of government		
– Emergency services levy (includes FRNSW, SES, and RFS levies)	748	528
– Other contributions/levies	304	299
– Donations, contributions and assistance to other organisations	56	50
– Tumut Visitor Centre	182	178
Total other	1,290	1,055
Total other expenses	1,290	1,055

Accounting policy

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

B4 Gains or losses

B4-1 Gain or loss from the disposal, replacement and de-recognition of assets

\$ '000	Notes	2021	2020
Gain (or loss) on disposal of plant and equipment	C1-6		
Proceeds from disposal – plant and equipment		1,121	692
Less: carrying amount of plant and equipment assets sold/written off		(857)	(1,007)
Gain (or loss) on disposal		264	(315)
Gain (or loss) on disposal of infrastructure	C1-6		
Proceeds from disposal – infrastructure		–	174
Less: carrying amount of infrastructure assets sold/written off		(2,506)	(1,826)
Gain (or loss) on disposal		(2,506)	(1,652)
Gain (or loss) on disposal of real estate assets held for sale	C1-5		
Proceeds from disposal – real estate assets		–	4
Less: carrying amount of real estate assets sold/written off		(63)	(65)
Gain (or loss) on disposal		(63)	(61)
Gain (or loss) on disposal of term deposits	C1-2		
Proceeds from disposal/redemptions/maturities – term deposits		27,115	39,731
Less: carrying amount of term deposits sold/redeemed/matured		(27,115)	(39,731)
Gain (or loss) on disposal		–	–
Net gain (or loss) on disposal of assets		(2,305)	(2,028)

Accounting policy

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

B5 Performance against budget

B5-1 Material budget variations

Council's original budget was adopted by the Council on 16 July 2020 and is not required to be audited. The original projections on which the budget was based have been affected by a number of factors. These include state and federal government decisions, including new grant programs, changing economic activity, environmental factors, and by decisions made by Council.

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

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

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

\$ '000	2021 Budget	2021 Actual	2021 ----- Variance -----	
REVENUES				
Rates and annual charges	17,361	17,051	(310)	(2)% U
User charges and fees	9,958	16,905	6,947	70% F
Private works additional work, Road Maintenance Council Contract expanded, Medical Centre and Swimming Pools revenue greater than expected				
Other revenues	962	3,705	2,743	285% F
Domestic Waste fees higher than budgeted, Septic fees budget omission, Insurance claims settled from prior year claims, Fuel rebate greater than budgeted, higher than usual Gravel sales				
Operating grants and contributions	10,705	25,350	14,645	137% F
Disaster recovery funding arrangements PY and CY, Winterbites events funding, New Council Implementation funding (NCIF) recognised on delivery of projects				
Capital grants and contributions	7,310	11,740	4,430	61% F
Additional grant funding for Local roads & community infrastructure grants (LRCl), Aerodrome stage 1, Wondalga Road, Batlow CVP PY (bushfire funding), Safer Communities funding (SCF) and Stronger Country Communities funding (SCCF) recognised on delivery of projects, Bushfire community recovery & resilience funding (BRRF) received, Sewer & Water fund contributions				
Interest and investment revenue	471	435	(36)	(8)% U
Falling interest rates in uncertain economic environment and limited investment opportunities				
Other income	-	1,513	1,513	∞ F
Lease income Caravan Park and other buildings budgeted elsewhere (user charges and fees)				

B5-1 Material budget variations (continued)

\$ '000	2021 Budget	2021 Actual	2021 ----- Variance -----	
EXPENSES				
Employee benefits and on-costs	16,497	20,246	(3,749)	(23)% U
Additional private works undertaken, correction of casual wages originally budgeted in materials and staff being engaged in delivery of additional projects for which funding was received during the year unable to be diverted to capital projects and required to perform overtime duties				
Materials and services	9,259	34,453	(25,194)	(272)% U
Additional costs incurred to deliver large amount of projects and bushfire recovery work (covered under recovery funding arrangements)				
Borrowing costs	477	473	4	1% F
Depreciation, amortisation and impairment of non-financial assets	11,093	11,172	(79)	(1)% U
Other expenses	5,382	1,290	4,092	76% F
Budgeted other expense charged through materials and services				
Net losses from disposal of assets	-	2,305	(2,305)	∞ U
Disposal of assets is a capital item and not budgeted for unless contained in the operational plan				

STATEMENT OF CASH FLOWS

Cash flows from operating activities	15,774	16,991	1,217	8% F
Additional revenue from private works, contract and grant income was offset by increased employee benefits and materials and contracts for private works and bushfire recovery works				
Cash flows from investing activities	(18,572)	(11,642)	6,930	(37)% F
Over budget capital purchases offset by redemption of term deposits and sale proceeds from disposal of IPPE				
Cash flows from financing activities	(1,817)	(686)	1,131	(62)% F
Drawdown of new loan for Streetlights LED replacement				

C Financial position

C1 Assets we manage

C1-1 Cash and cash equivalents

\$ '000	2021	2020
Cash and cash equivalents		
Cash on hand and at bank	3,062	1,038
Cash-equivalent assets		
– Deposits at call	10,839	8,200
Total cash and cash equivalents	13,901	9,238

Reconciliation of cash and cash equivalents

Total cash and cash equivalents per Statement of Financial Position	13,901	9,238
Balance as per the Statement of Cash Flows	13,901	9,238

Accounting policy

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

C1-2 Financial investments

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
Debt securities at amortised cost				
Long term deposits	19,116	5,000	32,619	–
Total	19,116	5,000	32,619	–
Total financial investments	19,116	5,000	32,619	–
Total cash assets, cash equivalents and investments	33,017	5,000	41,857	–

Accounting policy

Financial instruments are recognised initially on the date that the Council becomes party to the contractual provisions of the instrument. On initial recognition, all financial instruments are measured at fair value plus transaction costs (except for instruments measured at fair value through profit or loss where transaction costs are expensed as incurred).

Financial assets

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

Classification

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

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

Financial assets are not reclassified subsequent to their initial recognition.

Amortised cost

Assets measured at amortised cost are financial assets where:

- the business model is to hold assets to collect contractual cash flows, and

C1-2 Financial investments (continued)

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

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

Financial assets through profit or loss

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

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

C1-3 Restricted cash, cash equivalents and investments

\$ '000	2021		2020	
	Current	Non-current	Current	Non-current
Total cash, cash equivalents and investments	33,017	5,000	41,857	–
attributable to:				
External restrictions	26,199	5,000	27,324	–
Internal restrictions	9,198	–	12,578	–
Unrestricted ¹	(2,380)	–	1,955	–
	33,017	5,000	41,857	–

(1) At 30 June Council recognised outstanding Disaster Recovery Funding Arrangements (DRFA) claims in excess of \$5.5M as receivables (Note C1-4) for work delivered during the financial year 2020/21. These claims were still being evaluated and payment was yet to be received from the State Government, resulting in Council holding a negative unrestricted cash balance at year end.

\$ '000	2021	2020
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Details of restrictions

External restrictions – included in liabilities

Specific purpose unexpended grants – general fund	9,484	9,015
External restrictions – included in liabilities	9,484	9,015

External restrictions – other

External restrictions included in cash, cash equivalents and investments above comprise:

Developer contributions – general	369	356
Developer contributions – water fund	1,365	1,009
Developer contributions – sewer fund	2,633	2,275
Water fund	5,890	5,406
Sewer fund	7,777	6,642
Domestic waste management	2,885	1,798
Retirement village	643	670
Specific purpose contributions	49	49
Urban stormwater	104	104
External restrictions – other	21,715	18,309

C1-3 Restricted cash, cash equivalents and investments (continued)

\$ '000	2021	2020
Total external restrictions	31,199	27,324
Internal restrictions		
Council has internally restricted cash, cash equivalents and investments as follows:		
Aboriginal brungle reserve PW	45	45
Adelong showground reserve	10	10
Aerodrome	–	138
Asset renewals reserve	–	88
Batlow literary institute	51	51
Camp hudson	108	99
Caravan park	80	80
Carry over works	1,863	4,302
Community services	121	253
Community Transport	950	875
Contingencies	500	500
Employees leave entitlement	1,933	1,682
Insurance (risk management)	162	98
IT	96	102
Legal	50	50
Life long learner	2	2
Plant and vehicle replacement	1,281	1,929
Project development	394	884
Quarry rehab and capital works	1,113	946
Real estate asset management	–	8
Saleyards	37	37
Scholarship	6	6
Security deposits	9	9
Swimming pools	147	147
Talbingo reserve	118	118
Telecentre	26	26
Television translator/radio	32	32
Third age group	3	3
Tumut boys club	44	44
Xmas festivities	6	6
Youth council	11	8
Total internal restrictions	9,198	12,578
Total restrictions	40,397	39,902

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

C1-4 Receivables

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
Purpose				
Rates and annual charges	889	11	1,122	11
Interest and extra charges	120	-	123	-
User charges and fees	4,711	-	4,080	-
Accrued revenues				
– Interest on investments	92	-	224	-
– Other income accruals	5,956	-	2,292	-
Net GST receivable	392	-	-	-
Total	12,160	11	7,841	11
Less: provision of impairment				
Other debtors	(31)	-	(31)	-
Total provision for impairment – receivables	(31)	-	(31)	-
Total net receivables	12,129	11	7,810	11
Externally restricted receivables				
Water supply				
– Rates and availability charges	51	-	-	-
– Other	190	-	219	-
Sewerage services				
– Rates and availability charges	240	-	321	-
– Other	50	-	17	-
Domestic waste management	171	-	195	-
Total external restrictions	702	-	752	-
Unrestricted receivables	11,427	11	7,058	11
Total net receivables	12,129	11	7,810	11

Accounting policy

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.

C1-4 Receivables (continued)

Impairment

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

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

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

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

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

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

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

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

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

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

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

Rates and annual charges outstanding are secured against the property.

C1-5 Inventories

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
(i) Inventories at cost				
Real estate for resale	13	147	67	147
Stores and materials	79	–	69	–
Total inventories at cost	92	147	136	147
Total inventories	92	147	136	147

(i) Other disclosures

\$ '000	Notes	2021 Current	2021 Non-current	2020 Current	2020 Non-current
(a) Details for real estate development					
Residential		13	147	67	147
Total real estate for resale		13	147	67	147

(Valued at the lower of cost and net realisable value)

Represented by:

Acquisition costs		13	147	24	147
Development costs		–	–	43	–
Total costs		13	147	67	147
Total real estate for resale		13	147	67	147

Movements:

Real estate assets at beginning of the year		67	147	131	147
– Purchases and other costs		9	–	(66)	67
– WDV of sales (expense)	B4-1	(63)	–	2	(67)
Total real estate for resale		13	147	67	147

Accounting policy

Raw materials and stores, work in progress and finished goods

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

Land held for resale

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

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

C1-6 Infrastructure, property, plant and equipment

By aggregated asset class	At 1 July 2020			Asset movements during the reporting period							At 30 June 2021		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals ¹	Additions new assets	Carrying value of disposals	Depreciated-on expense	WIP transfers	Revaluation-decrements to equity (ARR)	Revaluation-increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
\$ '000													
Capital work in progress	1,733	–	1,733	3,652	–	–	–	(1,509)	–	–	3,876	–	3,876
Plant and equipment	20,411	(9,387)	11,024	3,047	599	(754)	(1,600)	–	–	–	21,656	(9,340)	12,316
Office equipment	1,089	(952)	137	–	–	(32)	(26)	–	–	–	177	(98)	79
Furniture and fittings	484	(430)	54	–	–	(50)	(1)	–	–	–	10	(7)	3
Land:													
– Operational land	7,965	–	7,965	–	–	–	–	–	(426)	139	7,678	–	7,678
– Community land	13,342	–	13,342	–	–	–	–	–	–	377	13,719	–	13,719
Infrastructure:													
– Buildings – non-specialised	48,418	(20,674)	27,744	736	144	(268)	(1,025)	816	–	–	49,697	(21,550)	28,147
– Buildings – specialised	17,368	(6,514)	10,854	1,384	298	(357)	(379)	10	–	–	18,418	(6,608)	11,810
– Other structures	11,099	(4,679)	6,420	1,134	281	(60)	(362)	273	–	–	12,513	(4,827)	7,686
– Roads	181,959	(50,895)	131,064	3,879	81	(1,348)	(2,977)	273	(1,096)	–	182,345	(52,469)	129,876
– Bridges	67,546	(23,122)	44,424	40	138	–	(585)	–	–	–	67,723	(23,706)	44,017
– Footpaths	15,772	(3,684)	12,088	1,492	119	(352)	(187)	4	(53)	–	16,863	(3,752)	13,111
– Kerb and gutter	29,451	(8,535)	20,916	–	–	–	(260)	–	–	74	29,451	(8,721)	20,730
– Bulk earthworks (non-depreciable)	201,636	–	201,636	1,256	62	–	–	–	(51)	–	202,903	–	202,903
– Stormwater drainage	36,984	(15,864)	21,120	61	56	–	(310)	–	–	11,304	47,605	(15,374)	32,231
– Water supply network	77,596	(30,523)	47,073	–	609	–	(1,250)	–	–	145	78,920	(32,343)	46,577
– Sewerage network	98,414	(33,796)	64,618	173	143	(21)	(1,573)	–	–	579	99,523	(35,604)	63,919
– Other open space/recreational assets	20,198	(3,785)	16,413	1,493	67	(121)	(357)	133	–	–	21,725	(4,097)	17,628
Other assets:													
– Library books	25	(23)	2	–	–	–	–	–	–	–	25	(23)	2
Reinstatement, rehabilitation and restoration assets (refer Note 16):													
– Tip assets	764	(90)	674	–	–	(115)	(48)	–	–	–	647	(136)	511
– Quarry assets	668	(139)	529	–	428	–	(74)	–	–	–	1,097	(214)	883
Total infrastructure, property, plant and equipment	852,922	(213,092)	639,830	18,347	3,025	(3,478)	(11,014)	–	(1,626)	12,618	876,571	(218,869)	657,702

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

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

By aggregated asset class	At 1 July 2019			Asset movements during the reporting period								At 30 June 2020		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals ¹	Additions new assets	Carrying value of disposals	Depreciated-on expense	WIP transfers	Adjustments and transfers	Revaluati-on decrements to equity (ARR)	Revaluati-on increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
\$ '000														
Capital work in progress	1,511	–	1,511	1,733	–	–	–	(1,511)	–	–	–	1,733	–	1,733
Plant and equipment	20,466	(8,669)	11,797	1,365	259	(784)	(1,658)	–	45	–	–	20,411	(9,387)	11,024
Office equipment	871	(804)	67	20	–	(4)	(35)	–	89	–	–	1,089	(952)	137
Furniture and fittings	1,061	(785)	276	–	–	(219)	(4)	–	1	–	–	484	(430)	54
Land:														
– Operational land	6,832	–	6,832	–	–	–	–	–	1,133	–	–	7,965	–	7,965
– Community land	14,474	–	14,474	–	–	–	–	–	(1,132)	–	–	13,342	–	13,342
Land improvements – non-depreciable	375	–	375	–	–	–	–	–	(375)	–	–	–	–	–
Infrastructure:														
– Buildings – non-specialised	47,049	(20,137)	26,912	1,209	588	(391)	(952)	–	420	(42)	–	48,418	(20,674)	27,744
– Buildings – specialised	17,751	(6,533)	11,218	563	801	(259)	(368)	–	(1,075)	(26)	–	17,368	(6,514)	10,854
– Other structures	11,629	(4,534)	7,095	433	160	(72)	(332)	–	(864)	–	–	11,099	(4,679)	6,420
– Roads	254,795	(78,278)	176,517	2,377	894	(536)	(3,715)	1,511	(82,999)	–	37,015	181,959	(50,895)	131,064
– Bridges	56,264	(24,629)	31,635	423	1,662	(16)	(503)	–	–	–	11,223	67,546	(23,122)	44,424
– Footpaths	14,482	(5,539)	8,943	273	1,190	(132)	(217)	–	45	–	1,986	15,772	(3,684)	12,088
– Bulk earthworks (non-depreciable)	111,096	–	111,096	621	1,527	–	–	–	84,570	–	3,822	201,636	–	201,636
– Stormwater drainage	36,628	(15,560)	21,068	376	9	(9)	(309)	–	(15)	–	–	36,984	(15,864)	21,120
– Water supply network	76,744	(29,031)	47,713	96	40	(118)	(1,239)	–	139	–	442	77,596	(30,523)	47,073
– Sewerage network	97,374	(32,137)	65,237	82	–	(29)	(1,432)	–	153	–	607	98,414	(33,796)	64,618
– Other open space/recreational assets	18,221	(3,500)	14,721	1,460	853	(261)	(311)	–	(49)	–	–	20,198	(3,785)	16,413
– Kerb and gutter	28,020	(12,576)	15,444	265	5	(3)	(364)	–	1	–	5,568	29,451	(8,535)	20,916
Other assets:														
– Library books	25	(22)	3	–	–	–	(1)	–	–	–	–	25	(23)	2
– Other	107	(21)	86	–	–	–	–	–	(86)	–	–	–	–	–
Reinstatement, rehabilitation and restoration assets (refer Note C3-5):														
– Tip assets	220	(62)	158	–	568	–	(52)	–	–	–	–	764	(90)	674
– Quarry assets	577	(87)	490	–	92	–	(53)	–	–	–	–	668	(139)	529
Total infrastructure, property, plant and equipment	816,572	(242,904)	573,668	11,296	8,648	(2,833)	(11,545)	–	1	(68)	60,663	852,922	(213,092)	639,830

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

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

Accounting policy

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

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

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

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

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

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

Plant and equipment	Years	Other equipment	Years
Office equipment	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 100
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 120
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	15 to 205		
Transportation assets		Other infrastructure assets	
Sealed roads: surface	2 to 60	Bulk earthworks	Infinite
Sealed roads: structure	60	Swimming pools	60
Unsealed roads	7 to 30	Unsealed roads	20
Bridge: concrete	100	Other open space/recreational assets	15 to 60
Bridge: other	40 to 80	Other infrastructure	50 to 200
Road subbase	200		
Kerb, gutter and footpaths	90		

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

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

Land under roads

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

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

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

Crown reserves

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

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

Rural Fire Service assets

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

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.

Externally restricted infrastructure, property, plant and equipment

\$ '000	as at 30/06/21			as at 30/06/20		
	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	533	100	433	539	88	451
WIP	5	–	5	–	–	–
Land						
– Operational land	797	–	797	866	–	866
– Community land	274	–	274	260	–	260
– Improvements – non-depreciable	16	–	16	16	–	16
Other Structures	89	56	33	114	61	53
Buildings	2,033	954	1,079	2,021	906	1,115
Infrastructure	78,918	32,343	46,575	77,595	30,523	47,072
Total water supply	82,665	33,453	49,212	81,411	31,578	49,833
Sewerage services						
Plant and equipment	625	181	444	586	122	464
WIP	31	–	31	–	–	–
Land						
– Operational land	365	–	365	226	–	226
– Community land	140	–	140	135	–	135
– Improvements – non-depreciable	125	–	125	125	–	125
– Improvements – depreciable	8	4	4	–	–	–
Other Structures	177	66	111	136	50	86
Buildings	1,230	396	834	1,220	382	838
Infrastructure	99,524	35,604	63,920	98,414	33,795	64,619
Total sewerage services	102,225	36,251	65,974	100,842	34,349	66,493
Domestic waste management						
Plant and equipment	18	6	12	18	4	14
Land						
– Operational land	408	–	408	436	–	436
– Improvements – non-depreciable	112	–	112	112	–	112
Buildings	1,434	335	1,099	1,379	303	1,076
Other structures	341	177	164	307	156	151
Other assets	382	58	324	1,116	137	979
Total domestic waste management	2,695	576	2,119	3,368	600	2,768
Total restricted infrastructure, property, plant and equipment	187,585	70,280	117,305	185,621	66,527	119,094

C1-7 Investment properties

\$ '000	2021	2020
Owned investment property		
Investment property on hand at fair value	340	340
Total owned investment property	340	340
Owned investment property		
At fair value		
Opening balance at 1 July	340	340
Closing balance at 30 June	340	340

Accounting policy

Investment property, principally comprising of residential building, is held for long-term rental yields and is not occupied by the Council. Changes in fair values are recorded in the Income Statement as part of other income.

C1-8 Intangible assets

Intangible assets are as follows:

\$ '000	2021	2020
Software		
Opening values at 1 July		
Gross book value	1,579	1,579
Accumulated amortisation	(904)	(746)
Accumulated impairment	(69)	(69)
Net book value – opening balance	606	764
Movements for the year		
Amortisation charges	(158)	(158)
Closing values at 30 June		
Gross book value	1,579	1,579
Accumulated amortisation	(1,062)	(904)
Accumulated impairment	(69)	(69)
Total software – net book value	448	606
Total intangible assets – net book value	448	606

Accounting policy

IT development and software

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

C2 Leasing activities

C2-1 Council as a lessor

Operating leases

Council leases out a number of properties and /or plant and equipment to community groups; these leases have been classified as operating leases for financial reporting purposes and the assets are included as investment property (refer note C1-7) and IPP&E in the Statement of Financial Position.

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

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

(i) Assets held as investment property

Investment property operating leases relate to a residential premise at Tumbarumba.

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

Lease income (excluding variable lease payments not dependent on an index or rate)	3	–
Total income relating to operating leases for investment property assets	3	–

Operating lease expenses

Direct operating expenses that generated rental income	3	2
--	---	---

(ii) Assets held as property, plant and equipment

Council provides operating leases on Council buildings for the purpose of emergency services, health services, State Government Organisations and community groups. These leases have been classified as operating leases for financial reporting purposes and the assets are included as IPP&E. They have not been classified under AASB 140 Investment Property as they are held for strategic purposes.

Lease income (excluding variable lease payments not dependent on an index or rate)	1,510	1,108
Total income relating to operating leases for Council assets	1,510	1,108

Accounting policy

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

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

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

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

C3 Liabilities of Council

C3-1 Payables

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
Payables				
Prepaid rates	793	-	771	-
Goods and services – operating expenditure	2	-	-	-
Accrued expenses:				
– Borrowings	57	-	68	-
– Other expenditure accruals	2,513	-	973	-
Security bonds, deposits and retentions	479	-	495	-
ATO – net GST payable	-	-	75	-
Other	33	-	-	-
Total payables	3,877	-	2,382	-
Total payables	3,877	-	2,382	-

Payables relating to restricted assets

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
Externally restricted assets				
Water	91	-	63	-
Sewer	22	-	27	-
Payables relating to externally restricted assets	113	-	90	-
Total payables relating to restricted assets	113	-	90	-
Total payables relating to unrestricted assets	3,764	-	2,292	-
Total payables	3,877	-	2,382	-

Accounting policy

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

Payables

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

C3-2 Contract Liabilities

\$ '000	Notes	2021 Current	2021 Non-current	2020 Current	2020 Non-current
Grants and contributions received in advance:					
Unexpended capital grants (to construct Council controlled assets)	(i)	8,407	-	6,843	-
Unexpended operating grants (received prior to performance obligation being satisfied)	(ii)	-	-	1,591	-
Total grants received in advance		8,407	-	8,434	-
User fees and charges received in advance:					
Other		222	-	-	-
Private Works Fees in advance		-	-	778	-
Total user fees and charges received in advance		222	-	778	-
Total contract liabilities		8,629	-	9,212	-

Notes

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

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

Contract liabilities relating to restricted assets

\$ '000	2021 Current	2021 Non-current	2020 Current	2020 Non-current
Externally restricted assets				
Unspent grants held as contract liabilities (excl. Water & Sewer)	8,268	-	9,149	-
Contract liabilities relating to externally restricted assets	8,268	-	9,149	-
Total contract liabilities relating to restricted assets	8,268	-	9,149	-
Total contract liabilities relating to unrestricted assets	361	-	63	-
Total contract liabilities	8,629	-	9,212	-

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

\$ '000	2021	2020
Grants and contributions received in advance:		
Capital grants (to construct Council controlled assets)	6,721	6,933
Operating grants (received prior to performance obligation being satisfied)	1,407	2,368
Total revenue recognised that was included in the contract liability balance at the beginning of the period	8,128	9,301

Accounting policy

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

C3-3 Borrowings

\$ '000	2021	2021	2020	2020
	Current	Non-current	Current	Non-current
Loans – secured ¹	1,285	6,284	1,418	6,837
Total borrowings	1,285	6,284	1,418	6,837

(1) Loans are secured over the general rating income of Council.
Disclosures on liability interest rate risk exposures and security can be found in Note E1-1.

Borrowings relating to restricted assets

\$ '000	2021	2021	2020	2020
	Current	Non-current	Current	Non-current
Externally restricted assets				
Water	624	1,649	593	2,271
Sewer	322	2,343	296	2,664
Borrowings relating to externally restricted assets	946	3,992	889	4,935
Total borrowings relating to restricted assets	946	3,992	889	4,935
Total borrowings relating to unrestricted assets	339	2,292	529	1,902
Total borrowings	1,285	6,284	1,418	6,837

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

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

(a) Changes in liabilities arising from financing activities

\$ '000	2020		Non-cash movements	2021
	Opening Balance	Cash flows	Acquisition due to change in accounting policy	Closing balance
Loans – secured	8,255	(686)	–	7,569
Total liabilities from financing activities	8,255	(686)	–	7,569

\$ '000	2019		Non-cash movements	2020
	Opening Balance	Cash flows	Acquisition due to change in accounting policy	Closing balance
Loans – secured	9,158	(903)	–	8,255
Total liabilities from financing activities	9,158	(903)	–	8,255

C3-3 Borrowings (continued)

(b) Financing arrangements

\$ '000	2021	2020
Total facilities		
Credit cards/purchase cards	50	50
Total financing arrangements	50	50
Drawn facilities		
– Credit cards/purchase cards	11	1
Total drawn financing arrangements	11	1
Undrawn facilities		
– Credit cards/purchase cards	39	49
Total undrawn financing arrangements	39	49

Accounting policy

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

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down.

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

C3-4 Employee benefit provisions

\$ '000	2021	2021	2020	2020
	Current	Non-current	Current	Non-current
Annual leave	1,642	–	1,598	–
Long service leave	2,598	388	2,663	398
Other leave – TOIL	381	–	157	–
Total employee benefit provisions	4,621	388	4,418	398

Employee benefit provisions relating to restricted assets

There is an internally restricted reserve for employee liabilities of \$1.933M.

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

\$ '000	2021	2020
The following provisions, even though classified as current, are not expected to be settled in the next 12 months.		
Provisions – employees benefits	2,943	2,776
	2,943	2,776

Description of and movements in provisions

\$ '000	ELE provisions			Total
	Annual leave	Long service leave	Other employee benefits	
2021				
At beginning of year	1,598	3,061	157	4,816
Additional provisions	1,274	393	713	2,380
Amounts used (payments)	(1,230)	(468)	(489)	(2,187)
Total ELE provisions at end of year	1,642	2,986	381	5,009
2020				
At beginning of year	1,638	3,345	203	5,186
Additional provisions	1,044	282	427	1,753
Amounts used (payments)	(1,084)	(566)	(473)	(2,123)
Total ELE provisions at end of year	1,598	3,061	157	4,816

C3-4 Employee benefit provisions (continued)

Accounting policy

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.

C3-5 Provisions

\$ '000	2021	2021	2020	2020
	Current	Non-Current	Current	Non-Current
Asset remediation/restoration:				
Asset remediation/restoration (future works)	509	1,770	1,966	–
Sub-total – asset remediation/restoration	509	1,770	1,966	–
Total provisions	509	1,770	1,966	–

Description of and movements in provisions

\$ '000	Other provisions	
	Asset remediation	Net carrying amount
2021		
At beginning of year	1,966	1,966
Unwinding of discount	26	26
Remeasurement effects	(26)	(26)
Revised cost recognised as remediation assets in IPP&E	313	313
Total other provisions at end of year	2,279	2,279
2020		
At beginning of year	807	807
Unwinding of discount	3	3
Revised cost recognised as remediation assets in IPP&E	660	660
Revised costs recognised in income statement	496	496
Total other provisions at end of year	1,966	1,966

Nature and purpose of provisions

Asset remediation

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

Accounting policy

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

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

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

Asset remediation – tips and quarries

Restoration

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

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

Rehabilitation

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

C3-5 Provisions (continued)

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.

D Council structure

D1 Results by fund

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

D1-1 Income Statement by fund

\$ '000	General 2021	Water 2021	Sewer 2021
Income from continuing operations			
Rates and annual charges	11,733	1,038	4,280
User charges and fees	13,331	2,999	575
Interest and investment revenue	299	55	81
Other revenues	2,945	569	191
Grants and contributions provided for operating purposes	25,335	–	15
Grants and contributions provided for capital purposes	10,975	365	400
Other income	1,513	–	–
Total income from continuing operations	66,131	5,026	5,542
Expenses from continuing operations			
Employee benefits and on-costs	18,938	675	633
Materials and services	29,758	2,148	2,547
Borrowing costs	167	170	136
Depreciation, amortisation and impairment of non-financial assets	8,211	1,318	1,643
Other expenses	778	320	192
Net losses from the disposal of assets	2,284	–	21
Total expenses from continuing operations	60,136	4,631	5,172
Operating result from continuing operations	5,995	395	370
Net operating result for the year	5,995	395	370
Net operating result attributable to each council fund	5,995	395	370
Net operating result for the year before grants and contributions provided for capital purposes	(4,980)	30	(30)

D1-2 Statement of Financial Position by fund

ASSETS

Current assets

Cash and cash equivalents	5,358	3,500	5,043
Investments	9,994	3,755	5,367
Receivables	11,598	241	290
Inventories	92	–	–
Other	344	–	–
Total current assets	27,386	7,496	10,700

Non-current assets

Investments	5,000	–	–
Receivables	11	–	–
Inventories	147	–	–
Infrastructure, property, plant and equipment	542,516	49,212	65,974
Investment property	340	–	–
Intangible assets	448	–	–
Total non-current assets	548,462	49,212	65,974

continued on next page ...

D1-2 Statement of Financial Position by fund (continued)

\$ '000	General 2021	Water 2021	Sewer 2021
TOTAL ASSETS	575,848	56,708	76,674
LIABILITIES			
Current liabilities			
Payables	3,764	91	22
Contract liabilities	8,629	–	–
Borrowings	339	624	322
Employee benefit provision	4,621	–	–
Provisions	509	–	–
Total current liabilities	17,862	715	344
Non-current liabilities			
Borrowings	2,292	1,649	2,343
Employee benefit provision	388	–	–
Provisions	1,770	–	–
Total non-current liabilities	4,450	1,649	2,343
TOTAL LIABILITIES	22,312	2,364	2,687
Net assets	553,536	54,344	73,987
EQUITY			
Accumulated surplus	479,534	52,519	68,031
Revaluation reserves	74,002	1,825	5,956
Council equity interest	553,536	54,344	73,987
Total equity	553,536	54,344	73,987

D2 Interests in other entities**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	2021 Net Profit	2021 Net Assets
Riverina Regional Library	Provision of Library Services to member local government areas	\$177K	\$4.852M

Reasons for non-recognition

Council holds 10.36% equity share in Riverina Library and has assessed this as not material, hence not recognised.

E Risks and accounting uncertainties

E1-1 Risks relating to financial instruments held

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

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

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

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

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

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

\$ '000	Carrying value 2021	Carrying value 2020	Fair value 2021	Fair value 2020
Financial assets				
Measured at amortised cost				
Cash and cash equivalents	13,901	9,238	13,901	9,238
Receivables	12,140	7,821	12,140	7,821
Investments				
– Debt securities at amortised cost	24,116	32,619	24,116	32,619
Total financial assets	50,157	49,678	50,157	49,678
Financial liabilities				
Payables	3,877	2,382	3,877	2,382
Borrowings	7,569	8,255	7,569	8,255
Total financial liabilities	11,446	10,637	11,446	10,637

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 market interest rates applicable to assets and liabilities with similar risk profiles, unless quoted market prices are available.
- Financial assets classified (i) **'at fair value through profit and loss'** or (ii) **'available-for-sale'** – are based upon quoted market prices (in active markets for identical investments) at the reporting date or independent valuation.

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

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

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

The risks associated with the instruments held are:

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

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

- **Credit risk** – the risk that the investment counterparty will not complete their obligations particular to a financial instrument, resulting in a financial loss to Council – be it of a capital or income nature.

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

(a) Market risk – interest rate and price risk

\$ '000	2021	2020
The impact on result for the year and equity of a reasonably possible movement in the price of investments held and interest rates is shown below. The reasonably possible movements were determined based on historical movements and economic conditions in place at the reporting date.		
Impact of a 1% movement in interest rates		
– Equity / Income Statement	380	419

(b) Credit risk

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

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

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

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

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.

Credit risk profile

Receivables – rates and annual charges

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

It is worth noting, that recent disaster declarations throughout the council area, together with the effects of COVID19 may have an effect on receivables moving forward.

\$ '000	Not yet overdue	< 1 year overdue	1 - 2 years overdue	2 - 5 years overdue	> 5 years overdue	Total
2021						
Gross carrying amount	–	511	155	92	142	900
2020						
Gross carrying amount	1	711	220	132	69	1,133

Receivables - non-rates and annual charges and contract assets

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

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

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

\$ '000	Not yet overdue	0 - 30 days overdue	31 - 60 days overdue	61 - 90 days overdue	> 91 days overdue	Total
2021						
Gross carrying amount	6,411	3,350	11	1,190	309	11,271
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	10.00%	0.27%
ECL provision	-	-	-	-	31	31
2020						
Gross carrying amount	2,965	3,556	72	28	98	6,719
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	31.63%	0.46%
ECL provision	-	-	-	-	31	31

(c) Liquidity risk

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

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

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

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

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

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

\$ '000	Weighted average interest rate	Subject to no maturity	payable in:			Total cash outflows	Actual carrying values
			≤ 1 Year	1 - 5 Years	> 5 Years		
2021							
Trade/other payables	0.00%	479	2,192	-	-	2,671	3,084
Loans and advances	4.96%	-	1,285	2,941	3,344	7,570	7,569
Total financial liabilities		479	3,477	2,941	3,344	10,241	10,653
2020							
Trade/other payables	0.00%	495	1,116	-	-	1,611	1,611
Loans and advances	5.93%	-	1,418	5,671	1,166	8,255	8,255
Total financial liabilities		495	2,534	5,671	1,166	9,866	9,866

E2-1 Fair value measurement

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

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

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

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

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

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

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

Fair value measurement hierarchy									
\$ '000	Notes	Date of latest valuation		Level 2 Significant observable inputs		Level 3 Significant unobservable inputs		Total	
		2021	2020	2021	2020	2021	2020	2021	2020
Recurring fair value measurements									
Infrastructure, property, plant and equipment C1-6									
Plant and equipment		30/06/18	30/06/18	–	–	12,316	11,024	12,316	11,024
Office equipment		30/06/21	13/05/16	–	–	79	137	79	137
Furniture and fittings		30/06/21	13/05/16	–	–	3	54	3	54
Operational land		30/06/21	13/05/16	–	–	7,678	7,965	7,678	7,965
Community land		30/06/21	13/05/16	–	–	13,719	13,342	13,719	13,342
Buildings – non-specialised		30/06/18	30/06/18	–	–	28,147	27,744	28,147	27,744
Buildings – specialised		30/06/18	30/06/18	–	–	11,810	10,854	11,810	10,854
Other structures		30/06/18	30/06/18	–	–	7,686	6,420	7,686	6,420
Roads		30/06/20	30/06/20	–	–	129,876	131,064	129,876	131,064
Bridges		30/06/20	30/06/20	–	–	44,017	44,424	44,017	44,424
Footpaths		30/06/20	30/06/20	–	–	13,107	12,088	13,107	12,088
Kerb and gutter		30/06/20	30/06/20	–	–	20,730	20,916	20,730	20,916
Bulk earthworks		30/06/20	30/06/20	–	–	202,903	201,636	202,903	201,636
Stormwater drainage		30/06/21	13/05/16	–	–	32,231	21,120	32,231	21,120
Water supply network		30/06/18	30/06/18	–	–	46,577	47,073	46,577	47,073
Sewerage network		30/06/18	30/06/18	–	–	63,919	64,618	63,919	64,618
Other open space/recreational assets		30/06/18	30/06/18	–	–	17,628	16,413	17,628	16,413
Other assets		30/06/18	30/06/18	–	–	2	2	2	2
Tips and quarries		30/06/21	30/06/20	–	–	1,394	1,203	1,394	1,203
Total infrastructure, property, plant and equipment				–	–	653,822	638,097	653,822	638,097

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.

Valuation techniques

Where Council is unable to derive fair valuations using quoted market prices of identical assets (ie. 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:

E2-1 Fair value measurement (continued)

Infrastructure, property, plant and equipment (IPPE)

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

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.

A comprehensive review office equipment and furniture and fittings assets' fair values was undertaken internally resulting in a reduction in the fair value for these assets of \$1,386,000.

Council does not undertake indexation of this asset class and a comprehensive valuation of Council's plant and equipment assets is scheduled for the 2022/23 financial year.

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.

A comprehensive valuation of stormwater drainage assets' fair values was determined by independent, external registered valuers as at 30 June 2021 using Level 3 inputs under the cost approach. The cost approach requires a number of inputs in order to determine Fair Value. There are also various techniques recommended (such as componentisation) that provide a more accurate assessment. The former Tumbarumba Shire stormwater assets were previously recorded in the asset register as bulk assets without any meaningful breakdown. These have been componentised as part of the 2020/21 revaluation.

The total fair value for stormwater assets increased by \$11,304,000.

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.

A valuation of other structure assets was undertaken by independent external valuers using Level 3 inputs effective 30 June 2018. Council applied indexation at 30 June 2021 based on a report by independent external valuers. The index movement since the last revaluation is 7.11%. The valuation applied as at 30 June 2018 remained unchanged due to the immaterial movement in current replacement costs to 30 June 2021.

A comprehensive valuation of Council's other structure assets is scheduled for the 2022/23 financial year.

Land improvement 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. Council reclassified its non-depreciable land improvement assets during the 2019/20 financial year and moved these to the bulk earthworks asset class.

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.

A valuation of land improvement assets was undertaken by independent external valuers using Level 3 inputs effective 30 June 2018. Council applied indexation at 30 June 2021 based on a report by independent external valuers. The index movement since the last revaluation is 5.75%. The valuation applied as at 30 June 2018 remained unchanged due to the immaterial movement in current replacement costs to 30 June 2021.

E2-1 Fair value measurement (continued)

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.

A land valuation was undertaken by the NSW Valuer General effective 1 July 2020. Council aligns its revaluation with the Valuer General cycle and uses the most recent land valuation. At the same time, the former Tumbarumba Shire land assets have been componentised with sufficient detail as they were originally brought onto Council's asset register as vague and inconsistent assets on 1 July 2017.

The total fair value for land assets increased by \$89,801.

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.

A valuation of building assets was undertaken by independent external valuers effective 30 June 2018. Council applied indexation at 30 June 2021 based on a report by independent external valuers. The index movement since the last revaluation is 7.11%. The valuation applied as at 30 June 2018 remained unchanged due to the immaterial movement in current replacement costs to 30 June 2021.

A comprehensive valuation of Council's land assets is scheduled for the 2022/23 financial year.

Road, bridge and footpath network (Transport assets)

Transport assets are valued using the cost approach but are disclosed at fair value in the notes. Road assets typically include sealed/unsealed pavements, surfaces (bituminous seals, asphaltic concrete), kerb and gutter, safety barriers, culverts. Footpath assets are typically constructed using concrete, gravel, pavers. Bridge assets typically include concrete/steel bridges. Although some timber bridges are still in use, they are being progressively phased out.

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. Transport assets are segmented into manageable lengths and uniform specifications.

A valuation of transport assets was undertaken by independent external valuers effective 30 June 2020. Council applied indexation at 30 June 2021 based on a report by independent external valuers. The index movement since the last revaluation is 0.64%. The valuation applied as at 30 June 2020 remained unchanged due to the immaterial movement in current replacement costs to 30 June 2021.

A comprehensive valuation of Council's land assets is scheduled for the 2024/25 financial year.

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.

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.

A comprehensive valuation of Council's water and sewer assets is scheduled for the 2021/22 financial year.

E2-1 Fair value measurement (continued)

Fair value measurements using significant unobservable inputs (level 3)

The valuation process for level 3 fair value measurements

Council 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 General's valuation.

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

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

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

	Valuation technique/s	Unobservable inputs
I,PP&E		
Operational Land	Land values	Cost per sq metre, Valuer General's (VG) Valuation
Community Land	Land values	Cost per sq metre, VG's Valuation
Building and other Structures	Gross replacement cost	Cost per unit, pattern of consumption, useful life, asset condition
Road, bridges and footpaths	Gross replacement cost	Cost per sq metre, dimensions and specification, pattern of consumption, components, useful life, residual value, asset condition
Bulk earthworks	Gross replacement cost	Cost per cubic metre
Stormwater Drainage	Gross replacement cost	Cost per unit per metre, pattern of consumption
Water supply network	Gross replacement cost	Unit rates, pattern of consumption, components, useful life, residual value, asset condition
Sewerage network	Gross replacement cost	Unit rates, pattern of consumption, components, useful life, residual value, asset condition
Plant and equipment	Cost	Useful life, residual value
Office equipment	Cost	Useful life, residual value
Furniture and fittings	Cost	Useful life, residual value
Other structure assets	Gross replacement cost	Useful life, condition, residual value
Tips and quarries	Obligation to make good, restore, rehabilitate and reinstate	Useful life, condition

E2-1 Fair value measurement (continued)

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

\$ '000	Plant and equipment		Office equipment		Furniture and fittings		Operational land	
	2021	2020	2021	2020	2021	2020	2021	2020
Opening balance	11,024	11,797	137	67	54	276	7,965	6,832
Total gains or losses for the period								
Other movements								
Transfers from/(to) another asset class	–	45	–	89	–	1	–	1,133
Purchases (GBV)	3,646	1,624	–	20	–	–	–	–
Disposals (WDV)	(754)	(784)	(32)	(4)	(50)	(219)	–	–
Depreciation and impairment	(1,600)	(1,658)	(26)	(35)	(1)	(4)	–	–
Revaluation increment/ decrement to equity	–	–	–	–	–	–	(287)	–
Closing balance	12,316	11,024	79	137	3	54	7,678	7,965

\$ '000	Community Land		Land improve- -ments		Buildings and other structures		Roads, bridges and footpaths	
	2021	2020	2021	2020	2021	2020	2021	2020
Opening balance	13,342	14,474	–	375	45,018	45,225	208,492	232,553
Total gains or losses for the period								
Other movements								
Transfers from/(to) another asset class	–	(1,132)	–	(375)	1,099	(1,520)	277	571
Purchases (GBV)	–	–	–	–	3,977	3,754	5,749	8,586
Disposals (WDV)	–	–	–	–	(685)	(722)	(1,700)	(687)
Depreciation and impairment	–	–	–	–	(1,766)	(1,651)	(4,009)	(4,799)
Revaluation decrement to income statement	–	–	–	–	–	(68)	–	–
Revaluation increment/ decrement to equity	377	–	–	–	–	–	(1,075)	(27,732)
Closing balance	13,719	13,342	–	–	47,643	45,018	207,734	208,492

E2-1 Fair value measurement (continued)

\$ '000	Bulk earthworks		Stormwater drainage		Water supply network		Sewerage network	
	2021	2020	2021	2020	2021	2020	2021	2020
Opening balance	201,636	111,096	21,120	21,068	47,073	47,713	64,618	65,237
Total gains or losses for the period								
Other movements								
Transfers from/(to) another asset class	–	1,046	–	(15)	–	139	–	153
Purchases (GBV)	1,318	2,148	117	385	609	136	316	82
Disposals (WDV)	–	–	–	(9)	–	(118)	(21)	(29)
Depreciation and impairment	–	–	(310)	(309)	(1,250)	(1,239)	(1,573)	(1,432)
Revaluation increment/decrement to equity	(51)	87,346	11,304	–	145	442	579	607
Closing balance	202,903	201,636	32,231	21,120	46,577	47,073	63,919	64,618

\$ '000	Other assets		Tips and quarries		Library books		Total	
	2021	2020	2021	2020	2021	2020	2021	2020
Opening balance	16,413	14,807	1,203	648	2	3	638,097	572,171
Transfers from/(to) another asset class	133	(135)	–	–	–	–	1,509	–
Purchases (GBV)	1,560	2,313	428	–	–	–	17,720	19,048
Disposals (WDV)	(121)	(261)	(115)	–	–	–	(3,478)	(2,833)
Depreciation and impairment	(357)	(311)	(122)	(105)	–	(1)	(11,014)	(11,544)
Revaluation decrement to income statement	–	–	–	–	–	–	–	(68)
Revaluation increment/decrement to equity	–	–	–	660	–	–	10,992	61,323
Closing balance	17,628	16,413	1,394	1,203	2	2	653,826	638,097

Highest and best use

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

E3-1 Contingencies

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

LIABILITIES NOT RECOGNISED

1. Guarantees

(i) Defined benefit superannuation contribution plans

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

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

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

Description of the funding arrangements.

Pooled employers are required to pay 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 member contributions for non-180 Point Members. Nil for 180 Point Members
Division C	2.5% salaries
Division D	1.64 times member contributions

For 180 point members, Employers are required to contribute 7% of salaries to these members accumulation accounts, which are paid in addition to members defined benefits.

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

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

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

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

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

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

The amount of Council employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense for the year ending 30 June 2021 was \$200,981.76.

E3-1 Contingencies (continued)

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

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

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

* Plus promotional increases

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

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 final end of year review will be completed around December 2021.

(ii) Statewide Limited

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

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

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

(iii) StateCover Limited

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

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

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

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

(iv) Other guarantees

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

2. Other liabilities

(i) Third party claims

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

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

E3-1 Contingencies (continued)

(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 have not been possible.

ASSETS NOT RECOGNISED

(i) Land under roads

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

(ii) Infringement notices/fines

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

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

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

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

F People and relationships

F1 Related party disclosures

F1-1 Key management personnel (KMP)

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

- Mayor;
- Councillors;
- General Manager;
- Directors;
- Public Officer.
- Responsible Accounting Officer

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

\$ '000	2021	2020 ¹
Compensation:		
Short-term benefits	1,275	1,089
Post-employment benefits	94	72
Other long-term benefits	24	14
Termination benefits	–	390
Total	1,393	1,565

(1) Comparative figures have been adjusted to only include those positions listed in Council's policy.

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 at normal arm's length terms.

F1-2 Councillor and Mayoral fees and associated expenses

\$ '000	2021	2020
The aggregate amount of Councillor and Mayoral fees and associated expenses included in materials and services expenses in the Income Statement are:		
Other Councillors' expenses (including Mayor)	181	232
Total	181	232

F2 Other relationships

F2-1 Audit fees

\$ '000	2021	2020
During the year, the following fees were incurred for services provided by the auditor of Council, related practices and non-related audit firms		
Auditors of the Council - NSW Auditor-General:		
(i) Audit and other assurance services		
Audit and review of financial statements	74	98
Remuneration for audit and other assurance services	74	98
Total Auditor-General remuneration	74	98
Non NSW Auditor-General audit firms		
(i) Audit and other assurance services		
Other audit and assurance services	4	17
Remuneration for audit and other assurance services	4	17
Total remuneration of non NSW Auditor-General audit firms	4	17
Total audit fees	78	115

G Other matters

G1-1 Statement of Cash Flows information

Reconciliation of net operating result to cash provided from operating activities

\$ '000	2021	2020
Net operating result from Income Statement	6,760	4,031
Adjust for non-cash items:		
Depreciation and amortisation	11,172	11,704
Net losses/(gains) on disposal of assets	2,305	2,028
Adoption of AASB 15/1058	–	(15,194)
Unwinding of discount rates on reinstatement provisions	26	3
+/- Movement in operating assets and liabilities and other cash items:		
Decrease/(increase) in receivables	(4,319)	509
Increase/(decrease) in provision for impairment of receivables	–	31
Decrease/(increase) in inventories	(10)	(12)
Decrease/(increase) in other current assets	(335)	43
Increase/(decrease) in payables	2	(24)
Increase/(decrease) in accrued interest payable	(11)	(9)
Increase/(decrease) in other accrued expenses payable	1,540	(999)
Increase/(decrease) in other liabilities	(36)	375
Increase/(decrease) in contract liabilities	(583)	9,212
Increase/(decrease) in provision for employee benefits	193	(370)
Increase/(decrease) in other provisions	287	1,156
Net cash provided from/(used in) operating activities from the Statement of Cash Flows	16,991	12,484

G2-1 Commitments

Capital commitments (exclusive of GST)

\$ '000	2021	2020
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:		
Property, plant and equipment		
Plant and equipment	850	522
Open Space	–	160
Other Structures	–	2,284
Road infrastructure	2,264	–
Total commitments	3,114	2,966
These expenditures are payable as follows:		
Within the next year	3,114	2,966
Total payable	3,114	2,966
Sources for funding of capital commitments:		
Externally restricted reserve	2,264	2,444
Internally restricted reserves	850	522
Total sources of funding	3,114	2,966

Details of capital commitments

Plant & Equipment

Fleet purchases

Road Infrastructure

Replacement of various bridges

G3 Statement of developer contributions as at 30 June 2021

G3-1 Summary of developer contributions

\$ '000	Opening balance at 1 July 2020	Contributions received during the year		Interest and investment income earned	Amounts expended	Internal borrowings	Held as restricted asset at 30 June 2021
		Cash	Non-cash				
Roads	129	–	–	3	–	–	132
Other	13	11	–	(5)	–	–	19
Recreational Space	214	–	–	4	–	–	218
S7.11 contributions – under a plan	356	11	–	2	–	–	369
Total S7.11 and S7.12 revenue under plans	356	11	–	2	–	–	369
S64 contributions	3,284	697	–	17	–	–	3,998
Total contributions	3,640	708	–	19	–	–	4,367

G3-1 Summary of developer contributions (continued)

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.

G3-2 Developer contributions by plan

\$ '000	Opening balance at 1 July 2020	Contributions received during the year		Interest and investment income earned	Amounts expended	Internal borrowings	Held as restricted asset at 30 June 2021
		Cash	Non-cash				
CONTRIBUTION PLAN NUMBER (former Tumut)							
Roads	129	-	-	3	-	-	132
Recreational Space	214	-	-	4	-	-	218
Other	13	11	-	(5)	-	-	19
Total	356	11	-	2	-	-	369

G4 Statement of performance measures

G4-1 Statement of performance measures – consolidated results

\$ '000	Amounts 2021	Indicator 2021	Indicators 2020 2019		Benchmark
1. Operating performance ratio					
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	(2,675)	(4.12)%	(11.11)%	1.84%	> 0.00%
Total continuing operating revenue excluding capital grants and contributions ¹	64,959				
2. Own source operating revenue ratio					
Total continuing operating revenue excluding all grants and contributions ¹	39,609	51.64%	56.91%	60.94%	> 60.00%
Total continuing operating revenue ¹	76,699				
3. Unrestricted current ratio					
Current assets less all external restrictions	18,681	2.81x	3.35x	3.83x	> 1.50x
Current liabilities less specific purpose liabilities	6,651				
4. Debt service cover ratio					
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	8,970	4.73x	3.43x	7.39x	> 2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	1,895				
5. Rates and annual charges outstanding percentage					
Rates and annual charges outstanding	1,020	5.56%	7.02%	4.27%	< 10.00%
Rates and annual charges collectable	18,335				
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	38,017	7.46	9.92	13.84	> 3.00
Monthly payments from cash flow of operating and financing activities	5,099	mths	mths	mths	mths

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

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

G4-2 Statement of performance measures by fund

\$ '000	General Indicators ³		Water Indicators		Sewer Indicators		Benchmark
	2021	2020	2021	2020	2021	2020	
1. Operating performance ratio							
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	(4.89)%	(10.98)%	0.64%	(21.23)%	(0.18)%	(3.36)%	> 0.00%
Total continuing operating revenue excluding capital grants and contributions ¹							
2. Own source operating revenue ratio							
Total continuing operating revenue excluding capital grants and contributions ¹	45.09%	50.54%	92.74%	93.59%	92.51%	98.85%	> 60.00%
Total continuing operating revenue ¹							
3. Unrestricted current ratio							
Current assets less all external restrictions	2.81x	3.35x	10.48x	3.54x	31.10x	10.63x	> 1.50x
Current liabilities less specific purpose liabilities							
4. Debt service cover ratio							
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	3.61x	2.86x	8.82x	3.12x	12.74x	9.58x	> 2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)							
5. Rates and annual charges outstanding percentage							
Rates and annual charges outstanding	5.35%	6.83%	6.74%	6.96%	5.93%	7.62%	< 10.00%
Rates and annual charges collectable							
6. Cash expense cover ratio							
Current year's cash and cash equivalents plus all term deposits	4.49	7.28	26.28	21.02	35.41	32.83	> 3.00
Monthly payments from cash flow of operating and financing activities	mths	mths	mths	mths	mths	mths	mths

(1) - (2) Refer to Notes at Note G4-1 above.

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

H Additional Council disclosures (unaudited)

H1-1 Council information and contact details

Principal place of business:

76 Capper St Tumut NSW 2720

Contact details

Mailing Address:

76 Capper St TUMUT NSW 2720

Opening hours:

8:30am - 4:30pm

Monday to Friday

Telephone: 1300 ASK SVC (1300 275 782)

Internet: www.svc.nsw.gov.au

Email: info@svc.nsw.gov.au

Officers

General Manager

Matthew Hyde

Responsible Accounting Officer

Susanne Andres

Public Officer

Shelley Jones

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 statements
Snowy Valleys Council

To the Councillors of the Snowy Valleys Council

Opinion

I have audited the accompanying financial statements of Snowy Valleys Council (the Council), which comprise the Statement by Councillors and Management, the Income Statement and Statement of Comprehensive Income for the year ended 30 June 2021, the Statement of Financial Position as at 30 June 2021, the Statement of Changes in Equity and Statement of Cash Flows for the year then ended and notes comprising a summary of significant accounting policies and other explanatory information.

In my opinion:

- the Council's accounting records have been kept in accordance with the requirements of the *Local Government Act 1993*, Chapter 13, Part 3, Division 2 (the Division)
- the financial statements:
 - have been prepared, in all material respects, in accordance with the requirements of this Division
 - are consistent with the Council's accounting records
 - present fairly, in all material respects, the financial position of the Council as at 30 June 2021, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- all information relevant to the conduct of the audit has been obtained
- no material deficiencies in the accounting records or financial statements have come to light during the audit.

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

Basis for Opinion

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

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

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

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

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

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

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

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

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

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



Michael Kharzoo
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

12 October 2021
SYDNEY



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

Contact: Michael Kharzoo
Phone no: (02) 9275 7188
Our ref: D2119952/1788

12 October 2021

Dear Mayor

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

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

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

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

SIGNIFICANT AUDIT ISSUES AND OBSERVATIONS

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

Rural fire-fighting equipment not recognised in the financial statements

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

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

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

INCOME STATEMENT

Operating result

	2021 \$m	2020* \$m	Variance %
Rates and annual charges revenue	17.1	17.1	0.1
Grants and contributions revenue	37.1	27.0	37.4
Operating result from continuing operations	6.8	4.0	70.0
Net operating result before capital grants and contributions	(5.0)	(7.7)	35.1

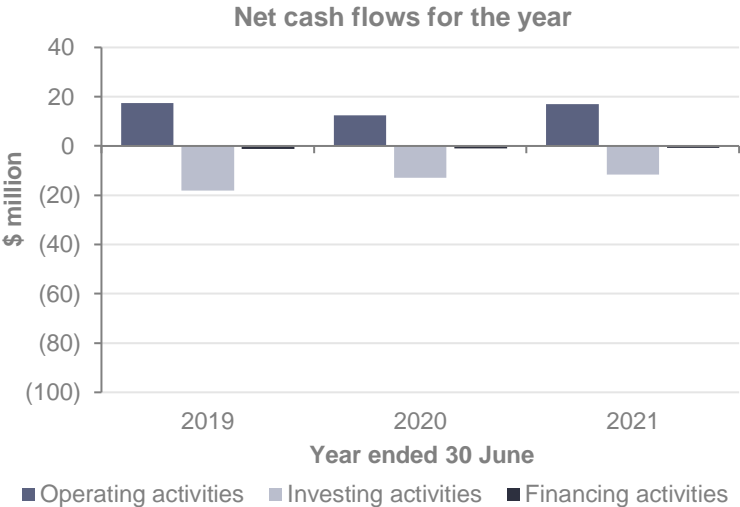
The Council's net operating surplus from continuing operations (\$6.8 million including depreciation and amortisation expense of \$11.2 million) was \$2.8 million higher than the 2019–20 result. This was driven by a \$1.9 million increase in other revenue and a \$1.7 million increase in user charges and fees.

The net operating deficit before capital grants and contributions (\$5.0 million) was \$2.7 million lower than the 2019–20 deficit. This was primarily driven by a \$1.9 million increase in other revenue and a \$1.7 million increase in user charges and fees.

Grants and contributions revenue (\$37.1 million) increased by \$10.1 million (37.4 per cent) in 2020–21 mainly due to \$11.4 million in bushfire and emergency services operating grants received during the year.

STATEMENT OF CASH FLOWS

- Councils cash and cash equivalents was \$13.9 million at 30 June 2021 (\$9.2 million at 30 June 2020). There was a net increase in cash and cash equivalents of \$4.7 million during 2020-21 financial year.
- Net cash provided by operating activities has increased by \$4.5 million. This is mainly due to the decrease in other cash payments of \$4.3 million.
- Net cash used in investing activities has decreased by \$1.3 million, which is mainly driven by the redemption of term deposits.
- Net cash used in financing activities decreased by \$0.2 million.



FINANCIAL POSITION

Cash and investments

Cash and investments	2021	2020	Commentary
	\$m	\$m	
Total cash, cash equivalents and investments	38.0	41.9	<ul style="list-style-type: none"> Externally restricted cash and investments are restricted in their use by externally imposed requirements. The increase of \$3.9 million is primarily due to a \$1.1 million increase in the sewer fund restriction and a \$1.1 million increase in the domestic waste management restriction. 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 decrease of \$3.4 million in the internal restrictions is primarily due to a \$2.4 million decrease in restrictions relating to carry over works. Unrestricted cash and investments was reported as \$2.4 million. There was a \$4.4 million decrease in the unrestricted cash and investments balance. Council is awaiting funding from Disaster Recovery Funding Arrangements claims of \$5.5 million.
Restricted cash and investments:			
• External restrictions	31.2	27.3	
• Internal restrictions	9.2	12.6	
• Unrestricted	(2.4)	2.0	

Debt

Council has a \$7.6 million of external borrowings (\$8.3 million in 2020) which is secured over the revenue of Council. Council repaid \$1.4 million of external borrowings and entered into a new loan for \$0.7 million.

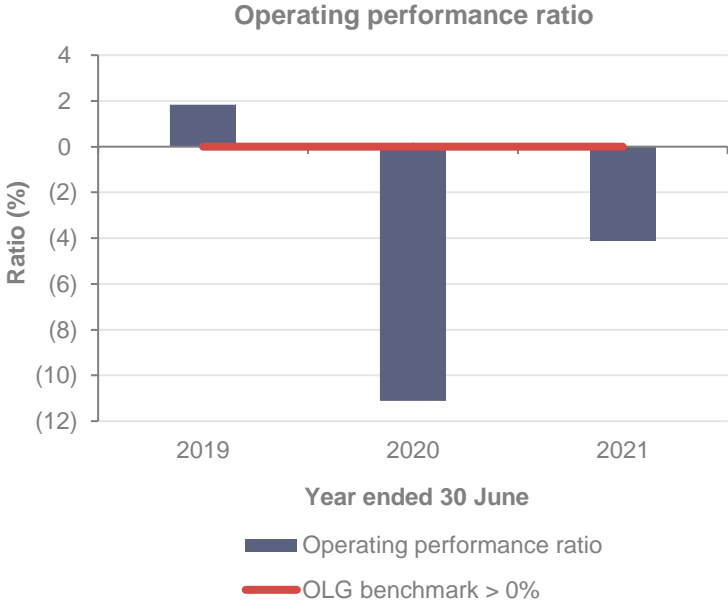
PERFORMANCE

Performance measures

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

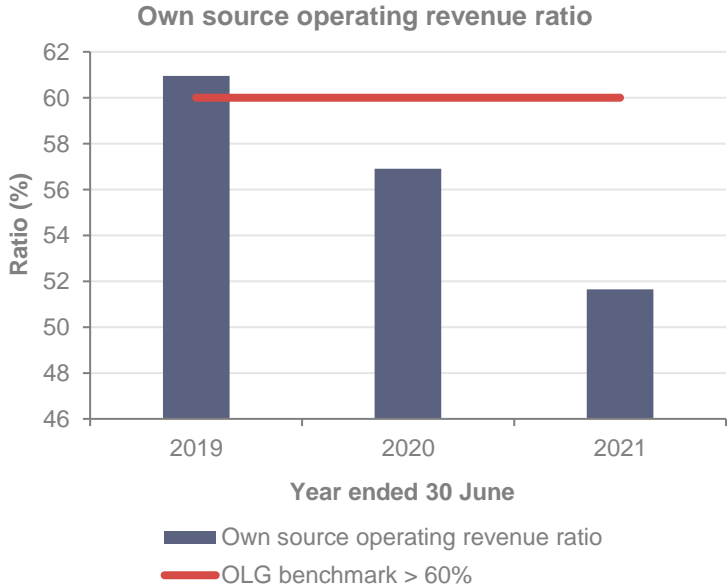
Operating performance ratio

- The 'operating performance ratio' measures how well council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by OLG is greater than zero per cent.
- The Council did not meet the OLG benchmark for the current reporting period.
- The operating performance ratio improved to -4.12 per cent (2020: -11.11 per cent) due to an increase in other revenue and user charges and fees.



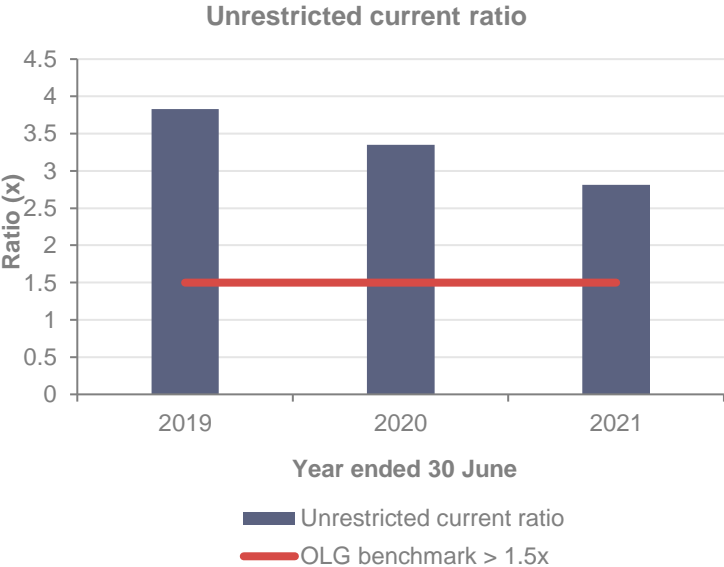
Own source operating revenue ratio

- The 'own source operating revenue ratio' measures council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by OLG is greater than 60 per cent.
- The Council did not meet the OLG benchmark for the current reporting period.
- The own source operating revenue ratio decreased in 2021, due to the \$10.1 million increase in grants and contributions received during the year primarily related to Bushfire and Emergency Services.



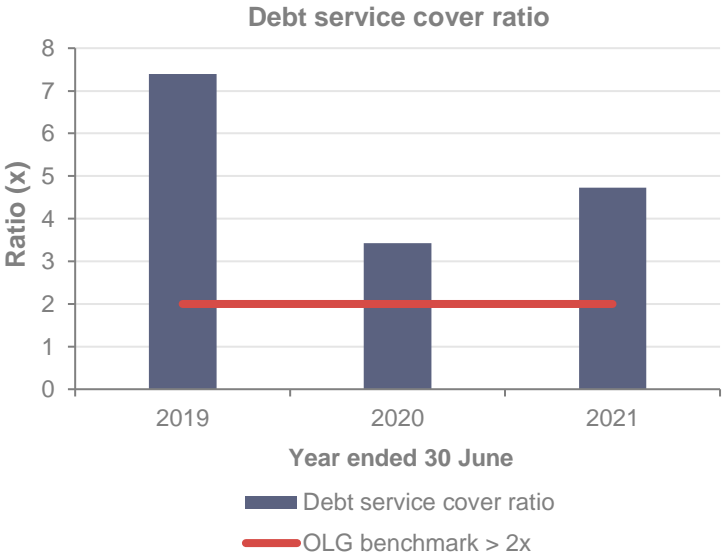
Unrestricted current ratio

- 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 exceeded the OLG benchmark for the current reporting period.
- Council's unrestricted current ratio has decreased to 2.81 times (2020: 3.35 times) due to a decrease in unrestricted current assets.



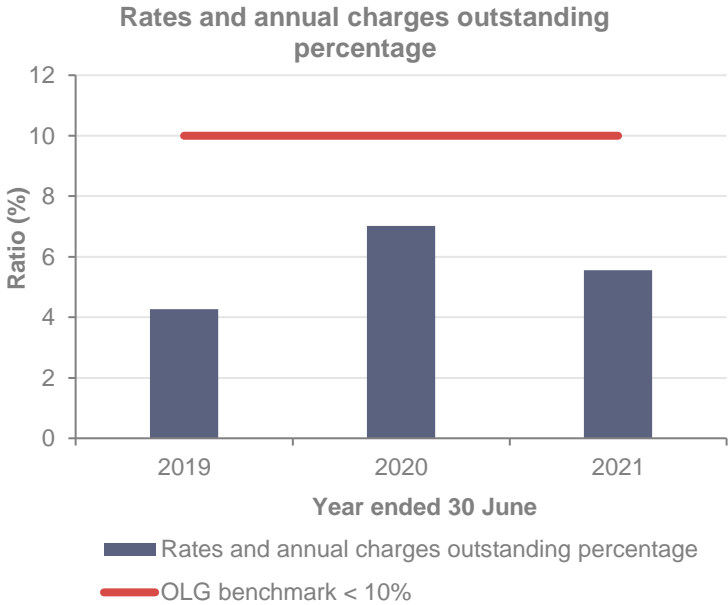
Debt service cover ratio

- 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 exceeded the OLG benchmark for the current reporting period.
- Council's debt service cover ratio increased to 4.73 times (2020: 3.43 times) due to increased operating surplus in the current year.



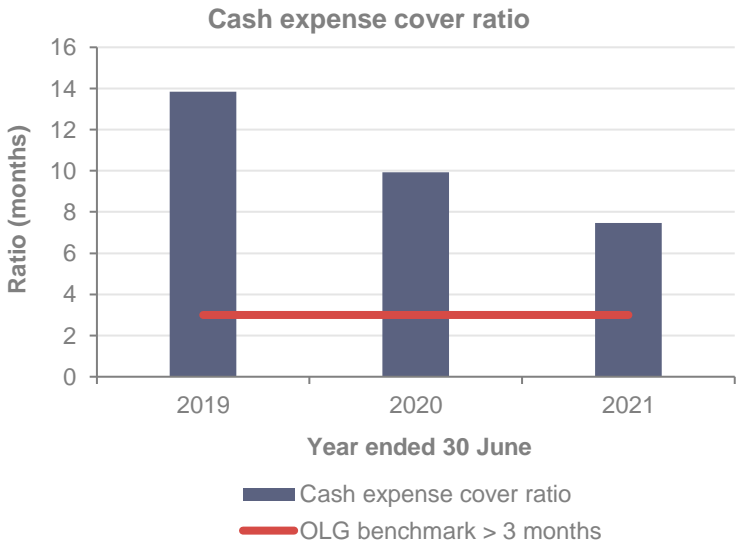
Rates and annual charges outstanding percentage

- The 'rates and annual charges outstanding percentage' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by OLG is less than 10 per cent for regional and rural councils.
- The Council exceeded the OLG benchmark for the current reporting period. Which is a reflection of the sound debt recovery procedures at the Council.



Cash expense cover ratio

- This liquidity ratio indicates the number of months the council can continue paying for its immediate expenses without additional cash inflow. The benchmark set by OLG is greater than three months.
- The Council exceeded the OLG benchmark for the current reporting period.
- The cash expense cover ratio decreased to 7.46 months (2020: 9.92 months) due to increased payments for operating activities.



Infrastructure, property, plant and equipment renewals

The Council renewed \$18.3 million of assets in the 2020-21 financial year, compared to \$11.3 million of assets in the 2019-20 financial year. The increase is primarily due to:

- \$2.1 million more capital work in progress renewals that were in progress at year-end;
- \$1.7 million more direct renewals for plant and equipment; and
- \$1.5 million more direct renewals for roads.

OTHER MATTERS

Impact of new accounting standards

AASB 1059 'Service Concession Arrangements: Grantors'

The Council adopted the new accounting standard AASB 1059 'Service Concession Arrangements: Grantors' for the first time in its 2020–21 financial statements.

AASB 1059 provides guidance for public sector entities (grantors) who enter into service concession arrangements with private sector operators for the delivery of public services.

AASB 1059 applies to arrangements involving an operator providing public services related to a service concession asset on behalf of a public sector grantor for a specified period of time and managing at least some of those services. Common examples include roads, prisons, hospitals, water distribution facilities and energy supply.

When AASB 1059 applies, the grantor recognises the service concession asset at current replacement cost when the grantor obtains control of the asset and recognises a corresponding financial liability or unearned revenue or a combination of both.

The Council does not have any service concession arrangements that fall under AASB 1059.

Legislative compliance

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

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



Michael Kharzoo
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

cc: Mr Matthew Hyde, General Manager
Mr Steven Walker, Audit, Risk and Improvement Committee Chair
Mr Jim Betts, Secretary of the Department of Planning, Industry and Environment

Snowy Valleys Council

SPECIAL PURPOSE FINANCIAL STATEMENTS

for the year ended 30 June 2021



Snowy Valleys Council

Special Purpose Financial Statements

for the year ended 30 June 2021

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Background

- i. These Special Purpose Financial Statements have been prepared for 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 2021

Statement by Councillors and Management

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

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

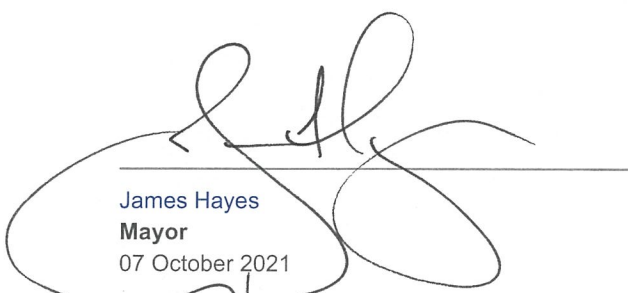
- the NSW Government Policy Statement 'Application of National Competition Policy to Local Government',
- the Division of Local Government Guidelines 'Pricing and Costing for Council Businesses – A Guide to Competitive Neutrality',
- the Local Government Code of Accounting Practice and Financial Reporting,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

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

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

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

Signed in accordance with a resolution of Council made on 07 October 2021.



James Hayes
Mayor
07 October 2021



Matthew Hyde
General Manager
07 October 2021



John Larter
Councillor
07 October 2021



Susanne Andres
Responsible Accounting Officer
07 October 2021

Snowy Valleys Council

Income Statement of water supply business activity

for the year ended 30 June 2021

\$ '000	2021	2020
Access charges	1,038	1,006
User charges	2,998	2,733
Fees	1	2
Interest	55	96
Grants and contributions provided for non-capital purposes	–	209
Other income	569	–
Total income from continuing operations	4,661	4,046
Expenses from continuing operations		
Employee benefits and on-costs	675	576
Borrowing costs	170	205
Materials and services	2,148	2,431
Depreciation, amortisation and impairment	1,318	1,311
Loss on sale of assets	–	112
Calculated taxation equivalents	18	18
Other expenses	320	382
Total expenses from continuing operations	4,649	5,035
Surplus (deficit) from continuing operations before capital amounts	12	(989)
Grants and contributions provided for capital purposes	365	54
Surplus (deficit) from continuing operations after capital amounts	377	(935)
Surplus (deficit) from all operations before tax	377	(935)
Less: corporate taxation equivalent [based on result before capital]	(3)	–
Surplus (deficit) after tax	374	(935)
Plus accumulated surplus	52,142	53,076
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	18	18
– Corporate taxation equivalent	3	–
Less:		
– Tax equivalent dividend paid	(18)	–
– Taxation equivalent payments	–	(18)
Closing accumulated surplus	52,519	52,141
Return on capital %	0.4%	(1.6)%
Subsidy from Council	551	1,223
Calculation of dividend payable:		
Surplus (deficit) after tax	374	(935)
Less: capital grants and contributions (excluding developer contributions)	(365)	(54)
Surplus for dividend calculation purposes	9	–
Potential dividend calculated from surplus	4	–

Snowy Valleys Council

Income Statement of sewerage business activity

for the year ended 30 June 2021

\$ '000	2021	2020
Access charges	4,280	4,159
User charges	539	238
Liquid trade waste charges	36	25
Interest	81	123
Grants and contributions provided for non-capital purposes	15	21
Other income	191	20
Total income from continuing operations	5,142	4,586
Expenses from continuing operations		
Employee benefits and on-costs	633	465
Borrowing costs	136	155
Materials and services	2,547	2,405
Depreciation, amortisation and impairment	1,643	1,500
Loss on sale of assets	21	29
Calculated taxation equivalents	17	17
Other expenses	192	214
Total expenses from continuing operations	5,189	4,785
Surplus (deficit) from continuing operations before capital amounts	(47)	(199)
Grants and contributions provided for capital purposes	400	32
Surplus (deficit) from continuing operations after capital amounts	353	(167)
Surplus (deficit) from all operations before tax	353	(167)
Surplus (deficit) after tax	353	(167)
Plus accumulated surplus	67,678	67,846
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	17	17
Less:		
– Tax equivalent dividend paid	(17)	–
- Tax Equivalent payments	–	(17)
Closing accumulated surplus	68,031	67,679
Return on capital %	0.1%	(0.1)%
Subsidy from Council	894	629
Calculation of dividend payable:		
Surplus (deficit) after tax	353	(167)
Less: capital grants and contributions (excluding developer contributions)	(400)	(32)
Surplus for dividend calculation purposes	–	–
Potential dividend calculated from surplus	–	–

Snowy Valleys Council

Statement of Financial Position of water supply business activity

as at 30 June 2021

\$ '000	2021	2020
ASSETS		
Current assets		
Cash and cash equivalents	3,500	2,660
Investments	3,755	3,755
Receivables	241	219
Total current assets	7,496	6,634
Non-current assets		
Infrastructure, property, plant and equipment	49,212	49,838
Total non-current assets	49,212	49,838
Total assets	56,708	56,472
LIABILITIES		
Current liabilities		
Payables	91	63
Borrowings	624	593
Total current liabilities	715	656
Non-current liabilities		
Borrowings	1,649	2,271
Total non-current liabilities	1,649	2,271
Total liabilities	2,364	2,927
Net assets	54,344	53,545
EQUITY		
Accumulated surplus	52,519	52,141
Revaluation reserves	1,825	1,404
Total equity	54,344	53,545

Snowy Valleys Council

Statement of Financial Position of sewerage business activity

as at 30 June 2021

\$ '000	2021	2020
ASSETS		
Current assets		
Cash and cash equivalents	5,043	3,547
Investments	5,367	5,367
Receivables	290	338
Total current assets	10,700	9,252
Non-current assets		
Investments	–	3
Infrastructure, property, plant and equipment	65,974	66,493
Total non-current assets	65,974	66,496
Total assets	76,674	75,748
LIABILITIES		
Current liabilities		
Payables	22	27
Borrowings	322	296
Total current liabilities	344	323
Non-current liabilities		
Borrowings	2,343	2,664
Total non-current liabilities	2,343	2,664
Total liabilities	2,687	2,987
Net assets	73,987	72,761
EQUITY		
Accumulated surplus	68,031	67,679
Revaluation reserves	5,956	5,082
Total equity	73,987	72,761

Note – Significant Accounting Policies

A statement summarising the supplemental accounting policies adopted in the preparation of the special purpose financial statements (SPFS) for National Competition Policy (NCP) reporting purposes follows.

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

The figures presented in these special purpose financial statements have been prepared in accordance with the recognition and measurement criteria of relevant Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and Australian Accounting Interpretations.

The disclosures in these special purpose financial statements have been prepared in accordance with the *Local Government Act 1993 (Act)*, the *Local Government (General) Regulation 2005 (Regulation)* and the Local Government Code of Accounting Practice and Financial Reporting.

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

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

National Competition Policy

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

The pricing and costing guidelines outline the process for identifying and allocating costs to activities and provide a standard for disclosure requirements. These disclosures are reflected in Council's pricing and/or financial reporting systems and include taxation equivalents, Council subsidies, and returns on investments (rate of return and dividends paid).

Declared business activities

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

Category 1

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

a. 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.

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.

Category 2

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

Nil

Taxation equivalent charges

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

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

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

Note – Significant Accounting Policies (continued)

Notional rate applied (%)

Corporate income tax rate – 27.5%

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

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

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

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

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

Income tax

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

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

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

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

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

The rate applied of 27.5% is 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 for all Category 1 businesses has been applied to all assets owned, or exclusively used by the business activity.

Loan and debt guarantee fees

The debt guarantee fee is designed to ensure that Council business activities face ‘true’ commercial borrowing costs in line with private sector competitors. In order to calculate a debt guarantee fee, Council has determined what the differential borrowing rate would have been between the commercial rate and Council’s borrowing rate for its business activities.

(i) Subsidies

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

(ii) Return on investments (rate of return)

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

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

The rate of return is calculated as follows:

Note – Significant Accounting Policies (continued)

Operating result before capital income + interest expense

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

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 1.52% at 30/06/21.

(iii) Dividends

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

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

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

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

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



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

To the Councillors of the Snowy Valleys Council

Opinion

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

The Declared Business Activities of the Council are:

- Water Supply
- Sewerage.

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Council's declared Business Activities as at 30 June 2021, and their financial performance for the year then ended, in accordance with the Australian Accounting Standards described in the Significant accounting policies note and the Local Government Code of Accounting Practice and Financial Reporting 2020–21 (LG Code).

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

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

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

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

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

Michael Kharzoo
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

12 October 2021
SYDNEY

Snowy Valleys Council

SPECIAL SCHEDULES
for the year ended 30 June 2021



Snowy Valleys Council

Special Schedules

for the year ended 30 June 2021

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Snowy Valleys Council

Permissible income for general rates

\$ '000	Notes	2020/21 Tumut Shire Council	2020/21 Tumbarumba Shire Council	2020/21 Snowy Valleys Council	2021/22 Snowy Valleys Council
Notional general income calculation ¹					
Last year notional general income yield	a	6,825	2,584	9,409	9,038
Plus or minus adjustments ²	b	8	2	10	32
Notional general income	c = a + b	6,833	2,586	9,419	9,070
Permissible income calculation					
Or rate peg percentage	e	2.60%	2.60%		2.00%
Less expiring special variation amount	g	(637)	-	(637)	-
Or plus rate peg amount	i = e x (c + g)	161	67	228	181
Sub-total	k = (c + g + h + i + j)	6,357	2,653	9,010	9,251
Plus (or minus) last year's carry forward total	l	19	-	19	(9)
Sub-total	n = (l + m)	19	-	19	(9)
Total permissible income	o = k + n	6,376	2,653	9,029	9,242
Less notional general income yield	p	6,385	2,653	9,038	9,244
Catch-up or (excess) result	q = o - p	(9)	-	(9)	(2)
Carry forward to next year ³	t = q + r + s	(9)	-	(9)	(2)

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) Carry forward amounts which are in excess (an amount that exceeds the permissible income) require ministerial approval by order published in the NSW Government Gazette in accordance with section 512 of the Local Government Act 1993. The OLG will extract these amounts from Council's Permissible income for general rates Statement in the financial data return (FDR) to administer this process.



INDEPENDENT AUDITOR'S REPORT

Special Schedule – Permissible income for general rates

Snowy Valleys Council

To the Councillors of Snowy Valleys Council

Opinion

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

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

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Schedule

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

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

Auditor's Responsibilities for the Audit of the Schedule

My objectives are to:

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

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

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

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

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

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

Michael Kharzoo
Director, Financial Audit

Delegate of the Auditor-General for New South Wales

12 October 2021
SYDNEY

Snowy Valleys Council

Report on infrastructure assets as at 30 June 2021

Asset Class	Asset Category	Estimated cost		2020/21 Required maintenance ^a	2020/21 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost					
		Estimated cost to bring assets to satisfactory standard	to bring to the agreed level of service set by Council					1	2	3	4	5	
		\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000						
Buildings	Council Offices/Administration	–	–	200	200	7,918	13,622	35.8%	49.5%	9.6%	5.0%	0.0%	
	Council Public Halls	–	–	37	37	1,674	4,571	3.5%	31.1%	56.7%	8.7%	0.0%	
	Council Works Depot	–	–	186	186	2,452	4,501	38.5%	36.4%	25.1%	0.0%	0.0%	
	Cultural Facilities	–	–	98	98	4,559	9,124	22.6%	31.4%	44.5%	1.5%	0.0%	
	Libraries	–	–	794	794	2,313	3,302	57.1%	36.4%	6.5%	0.0%	0.0%	
	Other Buildings	–	–	1,362	1,362	9,254	14,713	54.3%	33.3%	12.4%	0.0%	0.0%	
	Specialised Buildings	–	–	1,482	1,482	11,787	18,351	56.9%	17.3%	25.1%	0.7%	0.0%	
	Sub-total	–	–	4,159	4,159	39,957	68,184	42.8%	32.2%	23.1%	2.0%	0.0%	
Other structures	Other structures	–	–	266	266	7,686	12,513	54.1%	13.8%	24.3%	7.8%	0.0%	
	Sub-total	–	–	266	266	7,686	12,513	54.1%	13.8%	24.3%	7.8%	0.0%	
Roads	Unsealed roads	–	–	812	812	18,472	23,798	64.1%	30.0%	5.3%	0.6%	0.0%	
	Bridges	1,047	1,047	3	3	44,018	67,724	85.4%	10.3%	2.7%	1.6%	0.0%	
	Footpaths	–	–	56	56	10,627	14,141	63.6%	28.0%	8.4%	0.0%	0.0%	
	Other road assets	–	–	73	73	5,241	6,714	99.2%	0.0%	0.0%	0.8%	0.0%	
	Bulk earthworks	–	–	–	–	202,903	202,903	100.0%	0.0%	0.0%	0.0%	0.0%	
	Cycleways	–	–	13	13	2,475	2,713	86.6%	13.1%	0.0%	0.3%	0.0%	
	Kerb & Gutter	–	–	10	10	20,730	29,451	29.5%	40.0%	29.6%	0.9%	0.0%	
	Road Culverts	–	–	61	61	19,253	30,615	56.5%	43.0%	0.5%	0.0%	0.0%	
	Sealed Road Surface	–	–	957	957	17,558	29,159	58.0%	38.9%	3.0%	0.1%	0.0%	
	Sealed Road Structure	–	–	602	602	69,354	92,058	44.1%	51.2%	4.6%	0.1%	0.0%	
	Sub-total	1,047	1,047	2,587	2,587	410,631	499,276	75.6%	20.4%	3.6%	0.3%	0.0%	
Water supply network	Other	–	–	177	177	429	696	55.9%	26.7%	17.4%	0.0%	0.0%	
	Pumping Stations	–	–	222	222	1,581	4,044	13.1%	52.6%	16.3%	18.0%	0.0%	
	Reservoirs	–	–	41	41	5,949	10,748	37.0%	39.4%	14.7%	8.8%	0.0%	
	Treatment	–	–	1,976	1,976	14,889	27,456	45.3%	33.3%	17.9%	3.5%	0.0%	
	Mains	–	–	244	244	23,729	35,974	61.4%	34.8%	3.8%	0.1%	0.0%	
	Sub-total	–	–	2,660	2,660	46,577	78,918	49.9%	35.7%	11.0%	3.4%	0.0%	

Snowy Valleys Council

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

Asset Class	Asset Category	Estimated cost		2020/21 Required maintenance ^a	2020/21 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
		Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council					1	2	3	4	5
		\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000					
Sewerage network	Mains	–	–	468	468	37,142	56,581	31.2%	48.6%	19.4%	0.6%	0.2%
	Other	–	–	26	26	774	1,048	92.0%	7.2%	0.8%	0.0%	0.0%
	Pumping Stations	–	–	179	179	2,698	5,561	24.0%	43.7%	28.7%	3.6%	0.0%
	Treatment	188	188	1,951	1,951	23,305	36,333	65.4%	19.9%	7.5%	7.2%	0.0%
	Sub-total	188	188	2,624	2,624	63,919	99,523	43.9%	37.4%	15.4%	3.2%	0.1%
Stormwater drainage	Head Walls	–	–	–	–	495	851	7.5%	52.8%	37.6%	1.7%	0.4%
	Inlet and Junction Pits	–	–	–	–	5,186	7,974	28.5%	41.8%	29.6%	0.2%	0.0%
	Stormwater Conduits	–	–	34	34	26,547	38,777	31.0%	59.8%	9.1%	0.0%	0.0%
	Stormwater Converters	–	–	–	–	3	3	100.0%	0.0%	0.0%	0.0%	0.0%
	Sub-total	–	–	34	34	32,231	47,605	30.2%	56.7%	13.1%	0.1%	0.0%
Open space / recreational assets	Other Open Space/Recreation	–	–	1,288	1,288	14,296	15,573	96.3%	1.4%	1.0%	1.3%	0.0%
	Swimming pools	–	–	755	755	3,332	5,939	38.3%	26.6%	33.5%	1.6%	0.0%
	Sub-total	–	–	2,043	2,043	17,628	21,512	80.3%	8.4%	9.9%	1.4%	0.0%
Total – all assets		1,235	1,235	14,373	14,373	618,629	827,531	63.8%	26.6%	8.4%	1.2%	0.0%

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

Infrastructure asset condition assessment 'key'

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

Snowy Valleys Council

Report on infrastructure assets as at 30 June 2021

Infrastructure asset performance indicators (consolidated) *

\$ '000	Amounts 2021	Indicator 2021	Indicators		Benchmark
			2020	2019	
Buildings and infrastructure renewals ratio					
Asset renewals ¹	18,347	198.02%	126.22%	135.24%	>= 100.00%
Depreciation, amortisation and impairment	9,265				
Infrastructure backlog ratio					
Estimated cost to bring assets to a satisfactory standard	1,235	0.21%	0.23%	0.05%	< 2.00%
Net carrying amount of infrastructure assets	597,905				
Asset maintenance ratio					
Actual asset maintenance	14,373	100.00%	100.00%	100.00%	> 100.00%
Required asset maintenance	14,373				
Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	1,235	0.15%	0.16%	0.04%	
Gross replacement cost	827,531				

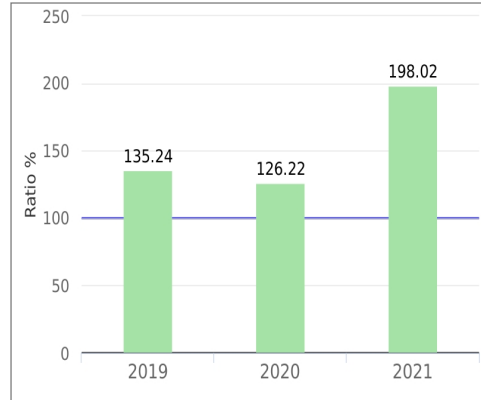
(*) All asset performance indicators are calculated using classes identified in the previous table.

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

Snowy Valleys Council

Report on infrastructure assets as at 30 June 2021

Buildings and infrastructure renewals ratio



Buildings and infrastructure renewals ratio

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

Commentary on result	
20/21 ratio	198.02%
Council renews assets as required. The infrastructure renewal has increased from 2020 indicating Council's achievement to renewing assets at a higher rate than they are depreciating.	

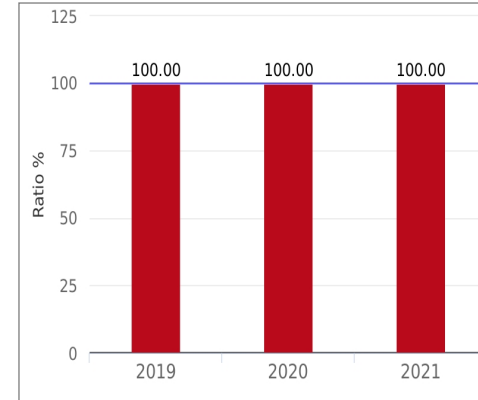
Benchmark: — $\geq 100.00\%$

■ Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting

■ Ratio is outside benchmark

Asset maintenance ratio



Asset maintenance ratio

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

Commentary on result	
20/21 ratio	100.00%
Council's commitment to maintain assets remains steady. Council continues to maintain its assets at a rate required to avoid creating an asset maintenance backlog.	

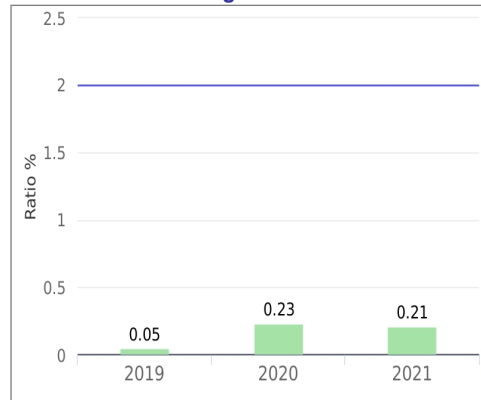
Benchmark: — $> 100.00\%$

■ Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting

■ Ratio is outside benchmark

Infrastructure backlog ratio



Infrastructure backlog ratio

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

Commentary on result	
20/21 ratio	0.21%
Assets are maintained at agreed levels with only a minor amount of backlog. Council aims to keep backlog to a minimum.	

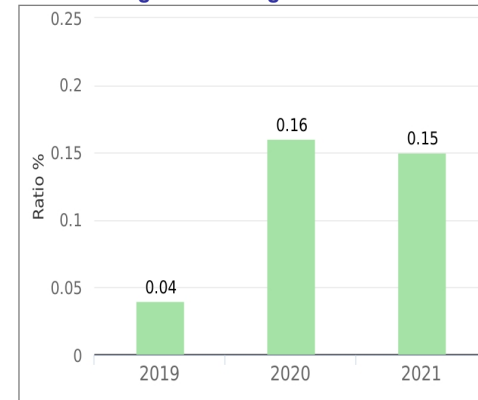
Benchmark: — $< 2.00\%$

■ Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting

■ Ratio is outside benchmark

Cost to bring assets to agreed service level



Cost to bring assets to agreed service level

This ratio provides a snapshot of the proportion of outstanding renewal works compared to the total value of assets under Council's care and stewardship.

Commentary on result	
20/21 ratio	0.15%
Council has maintained a low ratio. Council currently maintains its assets at the level requested by the community. This year remains similar to the past year and reflects Council's commitment to carry out works to reduce backlog to agreed service levels.	

Snowy Valleys Council

Report on infrastructure assets as at 30 June 2021

Infrastructure asset performance indicators (by fund)

\$ '000	General fund		Water fund		Sewer fund		Benchmark
	2021	2020	2021	2020	2021	2020	
Buildings and infrastructure renewals ratio							
Asset renewals ¹							
Depreciation, amortisation and impairment	282.12%	171.38%	0.00%	7.75%	11.00%	5.73%	>= 100.00%
Infrastructure backlog ratio							
Estimated cost to bring assets to a satisfactory standard							
Net carrying amount of infrastructure assets	0.21%	0.24%	0.00%	0.00%	0.29%	0.29%	< 2.00%
Asset maintenance ratio							
Actual asset maintenance							
Required asset maintenance	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	> 100.00%
Cost to bring assets to agreed service level							
Estimated cost to bring assets to an agreed service level set by Council							
Gross replacement cost	0.16%	0.18%	0.00%	0.00%	0.19%	0.19%	

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