

Snowy Valleys Council

ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2020



Snowy Valleys Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2020



General Purpose Financial Statements

for the year ended 30 June 2020

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Overview

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

76 Capper St, Tumut
Winton St, Tumbarumba

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

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

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

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

General Purpose Financial Statements

for the year ended 30 June 2020

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

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

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

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

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

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

Signed in accordance with a resolution of Council made on 19 November 2020.



James Hayes
Mayor
19 November 2020



Matthew Hyde
General Manager
19 November 2020



John Larter
Councillor
19 November 2020



Susanne Andres
Responsible Accounting Officer
19 November 2020

Income Statement

for the year ended 30 June 2020

Original unaudited budget 2020	\$ '000	Notes	Actual 2020	Actual 2019 ¹
Income from continuing operations				
17,840	Rates and annual charges	3a	17,045	16,714
8,796	User charges and fees	3b	15,201	15,068
1,152	Other revenues	3c	1,822	1,186
10,282	Grants and contributions provided for operating purposes	3d,3e	15,300	17,385
5,377	Grants and contributions provided for capital purposes	3d,3e	11,724	4,794
865	Interest and investment income	4	515	1,640
–	Rental income	14	1,108	–
44,312	Total income from continuing operations		62,715	56,787
Expenses from continuing operations				
15,589	Employee benefits and on-costs	5a	20,580	18,209
500	Borrowing costs	5b	503	508
9,742	Materials and contracts	5c	18,377	15,852
11,047	Depreciation and amortisation	5d	11,704	11,603
3,832	Other expenses	5e	5,492	4,865
–	Net losses from the disposal of assets	6	2,028	2,541
40,710	Total expenses from continuing operations		58,684	53,578
3,602	Operating result from continuing operations		4,031	3,209
3,602	Net operating result for the year		4,031	3,209
3,602	Net operating result attributable to council		4,031	3,209
(1,775)	Net operating result for the year before grants and contributions provided for capital purposes		(7,693)	(1,585)

(1) The Council has not restated comparatives when initially applying AASB 9 *Financial Instruments*. The comparative information has been prepared under AASB 139 *Financial Instruments: Recognition and Measurement*.

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

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

Statement of Comprehensive Income

for the year ended 30 June 2020

\$ '000	Notes	2020	2019 ¹
Net operating result for the year (as per Income Statement)		4,031	3,209
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain on revaluation of IPP&E	10(a)	60,595	2,918
Total items which will not be reclassified subsequently to the operating result		60,595	2,918
Total other comprehensive income for the period		60,595	2,918
Total comprehensive income for the year		64,626	6,127
 Total comprehensive income attributable to Council		 64,626	 6,127

(1) The Council has not restated comparatives when initially applying AASB 9 *Financial Instruments*. The comparative information has been prepared under AASB 139 *Financial Instruments: Recognition and Measurement*.

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

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

Statement of Financial Position

as at 30 June 2020

\$ '000	Notes	2020	2019 ¹
ASSETS			
Current assets			
Cash and cash equivalents	7(a)	9,238	10,619
Investments	7(b)	32,619	38,734
Receivables	8	7,810	8,350
Inventories	9a	136	188
Other	9b	9	52
Total current assets		49,812	57,943
Non-current assets			
Receivables	8	11	11
Inventories	9a	147	147
Infrastructure, property, plant and equipment	10(a)	639,830	573,668
Investment property	11	340	340
Intangible Assets	12	606	764
Total non-current assets		640,934	574,930
Total assets		690,746	632,873
LIABILITIES			
Current liabilities			
Payables	15	2,382	2,610
Income received in advance	15	—	429
Contract liabilities	13	9,212	—
Borrowings	15	1,418	1,367
Provisions	16	6,384	5,826
Total current liabilities		19,396	10,232
Non-current liabilities			
Borrowings	15	6,837	7,791
Provisions	16	398	167
Total non-current liabilities		7,235	7,958
Total liabilities		26,631	18,190
Net assets		664,115	614,683
EQUITY			
Accumulated surplus	17	593,324	604,487
Revaluation reserves	17	70,791	10,196
Council equity interest		664,115	614,683
Total equity		664,115	614,683

(1) The Council has not restated comparatives when initially applying AASB 9 *Financial Instruments*. The comparative information has been prepared under AASB 139 *Financial Instruments: Recognition and Measurement*.

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

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

Statement of Changes in Equity

for the year ended 30 June 2020

\$ '000	Notes	as at 30/06/20			as at 30/06/19 ¹		
		Accumulated surplus	IPP&E revaluation reserve	Total equity	Accumulated surplus	IPP&E revaluation reserve	Total equity
Opening balance		604,487	10,196	614,683	601,278	7,278	608,556
Changes due to AASB 1058 and AASB 15 adoption	17	(15,194)	–	(15,194)	–	–	–
Changes due to AASB 16 adoption		–	–	–	–	–	–
Net operating result for the year		4,031	–	4,031	3,209	–	3,209
Restated net operating result for the period		4,031	–	4,031	3,209	–	3,209
Other comprehensive income							
– Gain on revaluation of IPP&E	10(a)	–	60,595	60,595	–	2,918	2,918
Other comprehensive income		–	60,595	60,595	–	2,918	2,918
Total comprehensive income		4,031	60,595	64,626	3,209	2,918	6,127
Equity – balance at end of the reporting period		593,324	70,791	664,115	604,487	10,196	614,683

(1) The Council has not restated comparatives when initially applying AASB 9 *Financial Instruments*. The comparative information has been prepared under AASB 139 *Financial Instruments: Recognition and Measurement*.

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

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

Statement of Cash Flows

for the year ended 30 June 2020

Original unaudited budget 2020	\$ '000	Notes	Actual 2020	Actual 2019
Cash flows from operating activities				
Receipts:				
17,840	Rates and annual charges		17,351	16,504
8,796	User charges and fees		15,749	14,500
865	Investment and interest revenue received		654	1,588
11,554	Grants and contributions		20,264	23,041
5,257	Other		7,710	3,241
Payments:				
(15,389)	Employee benefits and on-costs		(21,249)	(18,013)
(9,742)	Materials and contracts		(18,413)	(17,448)
–	Borrowing costs		(509)	(507)
–	Bonds, deposits and retention amounts refunded		(34)	(62)
(3,832)	Other		(9,039)	(5,489)
	Net cash provided (or used in) operating activities	18b	12,484	17,355
15,349				
Cash flows from investing activities				
Receipts:				
–	Sale of investment securities		79,462	15,925
–	Sale of real estate assets		4	172
–	Sale of infrastructure, property, plant and equipment		866	680
Payments:				
–	Purchase of investment securities		(73,347)	(19,696)
–	Purchase of investment property		–	(340)
(24,223)	Purchase of infrastructure, property, plant and equipment		(19,946)	(14,890)
–	Purchase of real estate assets		(1)	–
(24,223)	Net cash provided (or used in) investing activities		(12,962)	(18,149)
Cash flows from financing activities				
Receipts:				
–	Proceeds from borrowings and advances		500	–
Payments:				
(1,817)	Repayment of borrowings and advances		(1,403)	(1,261)
(1,817)	Net cash flow provided (used in) financing activities		(903)	(1,261)
(10,691)	Net increase/(decrease) in cash and cash equivalents		(1,381)	(2,055)
–	Plus: cash and cash equivalents – beginning of year	18a	10,619	12,674
(10,691)	Cash and cash equivalents – end of the year	18a	9,238	10,619
–	plus: Investments on hand – end of year	7(b)	32,619	38,734
(10,691)	Total cash, cash equivalents and investments		41,857	49,353

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

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Notes to the Financial Statements

for the year ended 30 June 2020

Note 1. Basis of preparation

These financial statements were authorised for issue by Council on 19 November 2020. Council has the power to amend and reissue these financial statements in cases where critical information is received from public submissions or where the OLG directs Council to amend the financial statements.

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

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

Council is a not for-profit entity.

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

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.

(a) Historical cost convention

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

(b) Significant accounting estimates and judgements

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

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

Critical accounting estimates and assumptions

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

- (i) estimated fair values of investment properties – refer Note 11
- (ii) estimated fair values of infrastructure, property, plant and equipment – refer Note 10
- (iii) estimated landfill and quarry remediation provisions – refer Note 16
- (iv) employee benefit provisions – refer Note 16

Monies and other assets received by Council

(a) The Consolidated Fund

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 1. Basis of preparation (continued)

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
- Festival of the Falling Leaf
- Rock the Turf
- Tumut District Community Transport
- Camp Hudson
- Tumut Community Gardens
- Christmas in Tumut
- 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 \$886,913

Total expenses from continuing operations \$586,629

Total net assets held (i.e. equity) \$605,173

(b) The Trust Fund

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

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

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.

Council has also due to COVID, provided rental relief to the Wagga Family Dentists who are a visiting dental service providing services to the Tumbarumba community via Council owned premises of Roth's Medical Centre, and also for the Tumut Caravan park for lease collection. Both of these measures were introduced to compensate for loss of income due to the compulsory lockdowns, and both of these measures are considered to only have a marginal impact on our results.

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

Prolonged drought and recent bushfires in our Council area have effected our community, and Council is trying to continue to offer assistance to all rate payers during this COVID period.

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.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 1. Basis of preparation (continued)

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

Certain new accounting standards and interpretations (ie. pronouncements) have been published by the Australian Accounting Standards Board that are not mandatory for the 30 June 2020 reporting period.

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

Council's assessment of these new standards and interpretations (where they have been deemed as having a material impact on Council's future financial performance, financial position and cash flows) are set out below:

AASB 1059 Service Concession Arrangements: Grantors

AASB 2018-5 Amendments to Australian Accounting Standards - Deferral of AASB 1059

AASB 2019-2 Amendments to Australian Accounting Standards – Implementation of AASB 1059

This standard provides guidance for public sector entities (grantors) who have entered into service concession arrangements with private sector operators.

AASB 1059 requires grantors to recognise a service concession asset and, in most cases, a corresponding liability on the balance sheet.

A control approach is used to assess the service concession arrangements in place.

On initial recognition the asset is measured at current replacement cost based on AASB 13 Fair Value Measurement and existing assets of the grantors are reclassified at the date of transition.

After initial recognition, the grantor accounts for the assets under either AASB 116 Property, Plant and Equipment or AASB 138 Intangible Assets.

The nature of the consideration given to the operator will affect whether the grantor applies either the 'financial liability' or the 'grant of right' model for the recognition of the liability.

AASB 2019-2 makes amendments to the recognition and measurement of the asset and liability where the modified retrospective approach to transition is being used and provides a practical expedient due to the different effective dates of AASB 16 and AASB 1059.

Council does not expect any material impact to future financial statements as we do not generally enter into service concession arrangements.

This standard has an effective date for the 30 June 2021 reporting period.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 1. Basis of preparation (continued)

New accounting standards adopted during the year

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

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

Further information on the newly adopted standards which had a material impact on Council's reported financial position, financial performance and/or associated financial statement disclosures can be found at Note 17.

Notes to the Financial Statements

for the year ended 30 June 2020

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

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

\$ '000	Income from continuing operations		Expenses from continuing operations		Operating result from continuing operations		Grants included in income from continuing operations		Carrying amount of assets	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Functions or activities										
Towns and Villages	5,296	4,344	7,172	6,482	(1,876)	(2,138)	2,123	2,862	20,569	18,683
Growth Through Innovation	2,240	861	3,747	3,203	(1,507)	(2,342)	938	27	11,525	9,612
Our Natural Environment	12,838	13,126	8,886	12,502	3,952	624	1,094	85	115,067	124,841
Communications and Engagement	24,758	22,860	14,068	8,285	10,690	14,575	13,914	12,583	73,432	60,522
Our Infrastructure	17,583	15,596	24,811	23,106	(7,228)	(7,510)	6,949	4,551	470,153	419,215
Total functions and activities	62,715	56,787	58,684	53,578	4,031	3,209	25,018	20,108	690,746	632,873

Notes to the Financial Statements

for the year ended 30 June 2020

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

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

- **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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations

\$ '000	AASB	2020	2019
(a) Rates and annual charges			
Ordinary rates			
Residential	1058 (1)	4,266	4,160
Farmland	1058 (1)	4,036	3,927
Business	1058 (1)	969	958
Less: pensioner rebates (mandatory)	1058 (1)	(221)	(235)
Rates levied to ratepayers		9,050	8,810
Pensioner rate subsidies received	1058 (1)	122	129
Total ordinary rates		9,172	8,939
Annual charges			
(pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Domestic waste management services	1058 (1)	2,326	1,843
Stormwater management services	1058 (1)	41	41
Water supply services	1058 (1)	969	1,261
Sewerage services	1058 (1)	4,011	4,256
Waste management services (non-domestic)	1058 (1)	665	512
Annual charges levied		8,012	7,913
Pensioner subsidies received:			
– Water	1058 (1)	55	55
– Sewerage	1058 (1)	51	52
– Domestic waste management	1058 (1)	64	57
Less: Pensioner Rebates	1058 (1)	(309)	(302)
Total annual charges		7,873	7,775
TOTAL RATES AND ANNUAL CHARGES		17,045	16,714

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

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

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

Accounting policy for rates and charges

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

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.

2019 accounting policy

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

\$ '000	AASB	2020	2019
(b) User charges and fees			
Specific user charges			
(per s.502 - specific 'actual use' charges)			
Domestic waste management services	15 (1)	–	10
Water supply services	15 (1)	2,486	3,144
Sewerage services	15 (1)	179	490
Trade waste services	15 (1)	20	26
Total specific user charges		2,685	3,670
Other user charges and fees			
(i) Fees and charges – statutory and regulatory functions (per s.608)			
Planning and building regulation	15 (1)	357	315
Private works – section 67	15 (1)	3,984	1,382
Section 10.7 certificates (EP&A Act)	15 (1)	26	65
Section 603 certificates	15 (1)	31	36
Total fees and charges – statutory/regulatory		4,398	1,798
(ii) Fees and charges – other (incl. general user charges (per s.608))			
Cemeteries	15 (1)	215	223
Library and art gallery	15 (1)	9	14
Refuse and effluent disposal	15 (1)	12	–
RMS (formerly RTA) charges (state roads not controlled by Council)	15 (1)	6,781	8,105
Swimming centres	15 (1)	50	68
Aged related services	15 (1)	121	126
Gravel sales	15 (1)	57	108
Sporting facilities fees	15 (1)	26	49
Waste transfer station fees	15 (1)	22	15
Caravan park lease	15 (1)	–	186
Childrens services fees	15 (1)	353	407
Tumbafest ticket sales and charges	15 (1)	–	53
Community transport	15 (1)	71	100
Medical services	15 (1)	166	–
Other	15 (1)	235	146
Total fees and charges – other		8,118	9,600
TOTAL USER CHARGES AND FEES		15,201	15,068

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

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

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

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

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

Accounting policy for user charges and fees

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

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

2019 accounting policy

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

\$ '000	AASB	2020	2019
(c) Other revenues			
Rental income – other council properties (2019 only)		–	448
Fines	15 (1)	32	63
Legal fees recovery – rates and charges (extra charges)	15 (1)	24	34
Insurance claims recoveries	1058 (1)	43	–
Sales – general	15 (1)	383	505
Other	15 (1)	240	136
Workers compensation rebate	1058 (1)	84	–
Southern phone dividend received	1058 (1)	20	–
Sale of Southern Phones Shares	15 (1)	786	–
Assets first time recognition	1058 (1)	210	–
<u>TOTAL OTHER REVENUE</u>		<u>1,822</u>	<u>1,186</u>

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

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

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

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

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

Accounting policy for other revenue

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

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

2019 accounting policy:

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

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

\$ '000	AASB	Operating 2020	Operating 2019	Capital 2020	Capital 2019
(d) Grants					
General purpose (untied)					
Current year allocation					
Financial assistance – general component	1058 (1)	2,201	2,144	–	–
Financial assistance – local roads component	1058 (1)	706	687	–	–
Payment in advance - future year allocation					
Financial assistance	1058 (1)	3,081	2,935	–	–
Total general purpose		5,988	5,766	–	–
Specific purpose					
Bushfire and emergency services	1058 (1)	1,567	44	20	–
Child care	1058 (1)	1,629	–	–	–
Community care	1058 (1)	926	4,151	549	3,636
Economic development	1058 (1)	–	–	387	–
Heritage and cultural	1058 (1)	106	1,928	13	96
Library	1058 (1)	96	–	–	–
Noxious weeds	1058 (2)	64	–	–	–
Recreation and culture	1058 (1)	–	28	–	25
Street lighting	1058 (1)	–	46	–	–
Transport (roads to recovery)	1058 (1)	872	1,817	–	–
Transport (other roads and bridges funding)	15 (1)	103	1,778	3,451	793
Stronger Communities and Implementation Funding	1058 (1)	2,226	–	6,954	–
Domestic Waste Fund Grant	1058 (1)	–	–	67	–
Total specific purpose		7,589	9,792	11,441	4,550
Total grants		13,577	15,558	11,441	4,550
Grant revenue is attributable to:					
– Commonwealth funding		8,363	8,852	549	–
– State funding		2,685	6,355	10,786	–
– Other funding		2,529	351	106	4,550
		13,577	15,558	11,441	4,550

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

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

\$ '000	Notes	AASB	Operating 2020	Operating 2019	Capital 2020	Capital 2019
(e) Contributions						
Developer contributions: (s7.4 & s7.11 - EP&A Act, s64 of the LGA):						
Cash contributions						
S 7.4 – contributions using planning agreements		1058 (1)	–	–	6	–
S 64 – water supply contributions		1058 (1)	–	–	55	38
S 64 – sewerage service contributions		1058 (1)	–	–	32	65
Total developer contributions – cash			–	–	93	103
Total developer contributions	26		–	–	93	103
Other contributions:						
Cash contributions						
Recreation and culture		1058 (1)	–	22	50	–
RMS contributions (regional roads, block grant)		1058 (1)	1,209	1,167	–	–
Other		1058 (2)	69	378	140	141
Insurance rebate		1058 (1)	104	–	–	–
Rural fire service (zone HQ)		1058 (1)	251	142	–	–
Vehicle usage contribution		1058 (1)	–	118	–	–
Diesel rebate		1058 (1)	90	–	–	–
Total other contributions – cash			1,723	1,827	190	141
Total other contributions			1,723	1,827	190	141
Total contributions			1,723	1,827	283	244
TOTAL GRANTS AND CONTRIBUTIONS			15,300	17,385	11,724	4,794

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

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

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

Where grant income arises from an agreement which is enforceable and contains sufficiently specific performance obligations then the revenue 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.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

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.

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

Capital grants

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

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

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

Contributions

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

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

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

Accounting policy prior to 1 July 2019

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

\$ '000	2020	2019
(f) Unspent grants and contributions – external restrictions		
Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner due to externally imposed restrictions.		
Operating grants		
Unexpended at the close of the previous reporting period	2,158	1,796
Add: operating grants recognised as income in the current period but not yet spent (2019 only)	–	3,666
Add: operating grants received for the provision of goods and services in a future period	1,478	–
Less: operating grants recognised in a previous reporting period now spent (2019 only)	–	(3,304)
Less: operating grants received in a previous reporting period now spent and recognised as income	(1,537)	–
Unexpended and held as externally restricted assets (operating grants)	2,099	2,158
Capital grants		
Unexpended at the close of the previous reporting period	13,571	12,464
Add: capital grants recognised as income in the current period but not yet spent (2019 only)	–	2,640
Add: capital grants received for the provision of goods and services in a future period	546	–
Less: capital grants recognised in a previous reporting period now spent (2019 only)	–	(1,533)
Less: capital grants received in a previous reporting period now spent and recognised as income	(7,201)	–
Unexpended and held as externally restricted assets (capital grants)	6,916	13,571
Contributions		
Unexpended at the close of the previous reporting period	3,496	3,223
Add: contributions recognised as income in the current period but not yet spent	144	–
Add: contributions received for the provision of goods and services in a future period	–	277
Less: contributions recognised in a previous reporting period now spent	–	(4)
Unexpended and held as externally restricted assets (contributions)	3,640	3,496

Note 4. Interest and investment income

\$ '000	2020	2019
Interest on financial assets measured at amortised cost		
– Overdue rates and annual charges (incl. special purpose rates)	83	80
– Cash and investments	432	1,560
Total Interest and investment income	515	1,640
Interest revenue is attributable to:		
Unrestricted investments/financial assets:		
Overdue rates and annual charges (general fund)	35	80
General Council cash and investments	151	1,025
Restricted investments/funds – external:		
Development contributions		
– Section 7.11	5	7
– Section 64	50	74

Notes to the Financial Statements

for the year ended 30 June 2020

Note 4. Interest and investment income (continued)

\$ '000	2020	2019
Water fund operations	96	161
Sewerage fund operations	123	221
Domestic waste management operations	44	55
Tumbarumba Retirement Village	11	17
Total interest and investment revenue	515	1,640

Accounting policy for interest and investment revenue

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations

\$ '000	2020	2019
(a) Employee benefits and on-costs		
Salaries and wages	16,530	15,286
Employee termination costs	489	13
Travel expenses	6	51
Employee leave entitlements (ELE)	1,860	1,913
Superannuation	1,762	1,684
Workers' compensation insurance	325	303
Fringe benefit tax (FBT)	86	81
Payroll tax	49	49
Training costs (other than salaries and wages)	139	228
Protective clothing	9	—
Other	372	154
Total employee costs	21,627	19,762
Less: capitalised costs	(1,047)	(1,553)
TOTAL EMPLOYEE COSTS EXPENSED	20,580	18,209
Number of 'full-time equivalent' employees (FTE) at year end	209	213

Accounting policy for employee benefits and on-costs

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

Retirement benefit obligations

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

Superannuation plans

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

Council participates in a defined benefit plan under the Local Government Superannuation Scheme, however, sufficient information to account for the plan as a defined benefit is not available and therefore Council accounts for its obligations to defined benefit plans on the same basis as its obligations to defined contribution plans, i.e. as an expense when it becomes payable – refer to Note 21 for more information.

\$ '000	2020	2019
(b) Borrowing costs		
(i) Interest bearing liability costs		
Interest on loans	503	508
Total interest bearing liability costs	503	508
Total interest bearing liability costs expensed	503	508
TOTAL BORROWING COSTS EXPENSED	503	508

Accounting policy for borrowing costs

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations (continued)

\$ '000	2020	2019
(c) Materials and contracts		
Raw materials and consumables	14,922	13,551
– Sealing contract	1,938	851
– Implementation fund consultancies	677	667
– Stronger Country Community Fund and Stronger Community Fund consultancies	478	406
Auditors remuneration ²	115	198
Legal expenses:		
– Legal expenses: debt recovery	157	–
– Legal expenses: other	90	75
Operating leases expense (2019 only):		
– Operating lease rentals: minimum lease payments ¹	–	104
Total materials and contracts	18,377	15,852
TOTAL MATERIALS AND CONTRACTS	18,377	15,852

Accounting policy for materials and contracts

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

1. Operating lease payments are attributable to:

IT Equipment	–	104
	–	104

2. Auditor remuneration

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	98	103
Remuneration for audit and other assurance services	98	103

Total Auditor-General remuneration

98	103
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Non NSW Auditor-General audit firms**(i) Audit and other assurance services**

Other audit and assurance services	17	95
Remuneration for audit and other assurance services	17	95

Total remuneration of non NSW Auditor-General audit firms

17	95
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Total Auditor remuneration

115	198
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Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations (continued)

\$ '000	Notes	2020	2019
(d) Depreciation, amortisation and impairment of non-financial assets			
Depreciation and amortisation			
Plant and equipment		1,658	1,587
Office equipment		35	19
Furniture and fittings		4	23
Other Assets - Library Collection		1	1
Other Assets		–	21
Infrastructure:	10(a)		
– Buildings – non-specialised		952	957
– Buildings – specialised		368	382
– Other structures		332	362
– Roads		3,715	3,746
– Bridges		503	505
– Footpaths		217	208
– Other road assets		364	363
– Stormwater drainage		309	307
– Water supply network		1,239	1,203
– Sewerage network		1,432	1,376
– Other open space/recreational assets		311	331
Other assets		1	–
Reinstatement, rehabilitation and restoration assets:			
– Tip assets	16,10(a)	52	12
– Quarry assets	16,10(a)	53	43
Intangible assets	12	158	157
Total gross depreciation and amortisation costs		11,704	11,603
Total depreciation and amortisation costs		11,704	11,603
<u>TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT FOR NON-FINANCIAL ASSETS</u>		<u>11,704</u>	<u>11,603</u>

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

Depreciation and amortisation are calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives. Useful lives are included in Note 10 for IPP&E assets and Note 12 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 no longer required to be tested for impairment under AASB 136. This is because these assets are assessed on an annual basis to ensure that the carrying amount is not materially different from fair value and therefore an impairment loss would be captured during this assessment.

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations (continued)

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.

\$ '000	2020	2019
(e) Other expenses		
Advertising	294	288
Travel expenses	37	–
Bank charges	40	72
Contributions/levies to other levels of government		
– Emergency services levy (includes FRNSW, SES, and RFS levies)	528	428
– Tumut Visitor Centre	178	167
– Other contributions/levies	299	27
Councillors' expenses (incl. mayor) – other (excluding fees above)	232	257
Donations, contributions and assistance to other organisations	50	35
Electricity and heating	1,166	1,044
Insurance	820	759
Postage	56	51
Printing and stationery	166	184
Street lighting	23	21
Subscriptions and publications	170	526
Telephone and communications	309	270
Valuation fees	69	69
Stronger communities grants expenditure	–	90
Council Grant Programs	232	178
Other	823	399
Total other expenses	5,492	4,865
TOTAL OTHER EXPENSES	5,492	4,865

Accounting policy for other expenses

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 6. Gain or loss from disposal of assets

\$ '000	Notes	2020	2019
Plant and equipment	10(a)		
Proceeds from disposal – plant and equipment		692	680
Less: carrying amount of plant and equipment assets sold/written off		(1,007)	(653)
Net gain/(loss) on disposal		(315)	27
Infrastructure	10(a)		
Proceeds from disposal – infrastructure		174	–
Less: carrying amount of infrastructure assets sold/written off		(1,826)	(2,680)
Net gain/(loss) on disposal		(1,652)	(2,680)
Real estate assets held for sale	9		
Proceeds from disposal – real estate assets		4	172
Less: carrying amount of real estate assets sold/written off		(65)	(60)
Net gain/(loss) on disposal		(61)	112
Investments	7(b)		
Proceeds from disposal/redemptions/maturities – investments		39,731	15,925
Less: carrying amount of investments sold/redeemed/matured		(39,731)	(15,925)
Net gain/(loss) on disposal		–	–
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		(2,028)	(2,541)

Accounting policy for disposal of assets

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

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

Note 7(a). Cash and cash equivalents

\$ '000	2020	2019
Cash and cash equivalents		
Cash on hand and at bank	1,038	749
Cash-equivalent assets		
– Deposits at call	8,200	9,870
Total cash and cash equivalents	9,238	10,619

Accounting policy for cash and cash equivalents

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 7(b). Investments

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Investments				
a. 'Financial assets at fair value through profit and loss'				
– 'Held for trading'	–	–	9,617	–
b. 'Financial assets at amortised cost'	32,619	–	29,117	–
Total Investments	32,619	–	38,734	–
TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS	41,857	–	49,353	–
Financial assets at fair value through the profit and loss				
Investments in Treasury Corporation	–	–	9,617	–
Total	–	–	9,617	–
Financial assets at amortised cost				
Long term deposits	32,619	–	29,117	–
Total	32,619	–	29,117	–

Accounting policy for investments

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

Financial assets

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

Classification

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

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

Financial assets are not reclassified subsequent to their initial recognition.

Amortised cost

Assets measured at amortised cost are financial assets where:

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

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

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

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

Financial assets through profit or loss

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Total cash, cash equivalents and investments	41,857	–	49,353	–
attributable to:				
External restrictions	27,324	–	31,829	–
Internal restrictions	12,578	–	15,917	–
Unrestricted	1,955	–	1,607	–
	41,857	–	49,353	–

\$ '000	2020	2019
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Details of restrictions

External restrictions – included in liabilities

Specific purpose unexpended grants – general fund (2020 only)	9,015	–
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External restrictions – included in liabilities	9,015	–
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External restrictions – other

Developer contributions – general	356	348
Developer contributions – water fund	1,009	939
Developer contributions – sewer fund	2,275	2,208
Specific purpose unexpended grants (recognised as revenue) – general fund	–	15,729
Water supplies	5,406	4,677
Sewerage services	6,642	5,669
Domestic waste management	1,798	1,389
Retirement village	670	717
Specific purpose contributions	49	49
Urban stormwater	104	104

External restrictions – other	18,309	31,829
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Total external restrictions	27,324	31,829
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Internal restrictions

Aboriginal brungle reserve PW	45	45
Adelong showground reserve	10	10
Aerodrome obstacle lighting	60	60
Airfield	18	62
Airfield reseals	60	60
Asset renewals reserve	88	88
Batlow literary institute	51	56
Camp hudson	99	90
Caravan park	80	80
Carry over works	4,302	6,726
Community services	253	275
Community Transport	875	826
Contingencies	500	500
Employees leave entitlement	1,682	2,152
Hazard reduction	–	52
Insurance (risk management)	98	124
IT	102	102
Legal	50	105
Life long learner	2	2

continued on next page ...

Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	2020	2019
Other waste management	—	5
Plant and vehicle replacement	1,929	2,748
Project development	884	98
Quarry rehab and capital works	946	945
Real estate asset management	8	37
Saleyards	37	37
Scholarship	6	6
Security deposits	9	9
Swimming pools	147	312
Talbingo reserve	118	123
Telecentre	26	26
Television translator/radio	32	32
Third age group	3	3
Tumbafest	—	60
Tumut boys club	44	44
Xmas festivities	6	8
Youth council	8	9
Total internal restrictions	12,578	15,917
TOTAL RESTRICTIONS	39,902	47,746

Notes to the Financial Statements

for the year ended 30 June 2020

Note 8. Receivables

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Purpose				
Rates and annual charges	1,122	11	657	11
Interest and extra charges	123	–	74	–
User charges and fees	4,080	–	3,085	–
Accrued revenues				
– Interest on investments	224	–	412	–
– Other income accruals	2,292	–	3,953	–
Net GST receivable	–	–	169	–
Total	7,841	11	8,350	11
Less: provision of impairment				
Other debtors	(31)	–	–	–
Total provision for impairment – receivables	(31)	–	–	–
<u>TOTAL NET RECEIVABLES</u>	<u>7,810</u>	<u>11</u>	<u>8,350</u>	<u>11</u>
Externally restricted receivables				
Water supply				
– Other	219	–	1,349	–
Sewerage services				
– Rates and availability charges	321	–	310	–
– Other	17	–	207	–
Domestic waste management	195	–	166	–
Total external restrictions	752	–	2,032	–
Unrestricted receivables	7,058	11	6,318	11
TOTAL NET RECEIVABLES	7,810	11	8,350	11

Accounting policy for receivables

Recognition and measurement

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 8. Receivables (continued)

Impairment

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

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

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

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

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

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

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

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

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

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

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.

COVID 19

Council has not experienced any major impact on its rate and user charges collections during the COVID 19 period, when compared to previous years financial information. Accordingly, no adjustments have been made to councils impairment provision.

In the 2020/2021 period, we do however expect some effect on our cashflow and interest income due to State Government legislation that rate instalments can be deferred until 30th September, with no interest being charged for the 1st 6 months. This effect is only considered minor, and at this stage is unable to be measured.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 9. Inventories and other assets

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
(a) Inventories				
(i) Inventories at cost				
Real estate for resale	67	147	131	147
Stores and materials	69	–	57	–
Total inventories at cost	136	147	188	147
TOTAL INVENTORIES	136	147	188	147

(b) Other assets

Prepayments	9	–	52	–
TOTAL OTHER ASSETS	9	–	52	–

(i) Other disclosures

\$ '000	Notes	2020 Current	2020 Non-current	2019 Current	2019 Non-current
(a) Details for real estate development					
Residential		67	147	131	147
Total real estate for resale		67	147	131	147

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

Represented by:

Acquisition costs	24	147	51	147
Development costs	43	–	80	–
Total costs	67	147	131	147
Total real estate for resale	67	147	131	147

Movements:

Real estate assets at beginning of the year	131	147	192	147
– Purchases and other costs	(66)	67	(1)	–
– WDV of sales (expense)	2	(67)	(60)	–
Total real estate for resale	67	147	131	147

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

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

\$ '000	2020	2019
Real estate for resale	–	74
	–	74

Notes to the Financial Statements

for the year ended 30 June 2020

Note 9. Inventories and other assets (continued)

Accounting policy for inventories and other assets

Raw materials and stores, work in progress and finished goods

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

Land held for resale/capitalisation of borrowing costs

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

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

	as at 30/06/19			Asset movements during the reporting period								as at 30/06/20		
	Gross carrying amount	Accumulated depreciation	Net carrying amount	Additions renewals ¹	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Adjustments and transfers	Revaluation-decrements to equity (ARR)	Revaluation-increments to equity (ARR)	Gross carrying amount	Accumulated depreciation	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
– Kerb and gutter	28,020	(12,576)	15,444	265	5	(3)	(364)	–	1	–	5,568	29,451	(8,535)	20,916
– 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
Other assets:														
– Library books	25	(22)	3	–	–	–	(1)	–	–	–	–	25	(23)	2
– Other	107	(21)	86	–	–	–	–	–	(86)	–	–	–	–	–
Reinstatement, rehabilitation and restoration assets (refer Note 16):														
– 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).

Notes to the Financial Statements

for the year ended 30 June 2020

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

	as at 30/06/18			Asset movements during the reporting period										as at 30/06/19		
	Gross carrying amount	Accumulated depreciation	Net carrying amount	Additions renewals ¹	Additions new assets	Carrying value of disposals	Depreciati-on expense	WIP transfers	Adjustme-nts and transfers	Tfrs from/(to) investment properties	Revaluati-on decrements to equity (ARR)	Revaluati-on increments to equity (ARR)	Gross carrying amount	Accumulated depreciation	Net carrying amount	
\$ '000																
Capital work in progress	133	–	133	1,511	–	–	–	(133)	–	–	–	–	1,511	–	1,511	
Plant and equipment	19,955	(8,442)	11,513	2,605	124	(858)	(1,587)	–	–	–	–	–	20,466	(8,669)	11,797	
Office equipment	1,438	(1,024)	414	–	–	(328)	(19)	–	–	–	–	–	871	(804)	67	
Furniture and fittings	1,195	(824)	371	–	–	(72)	(23)	–	–	–	–	–	1,061	(785)	276	
Land:																
– Operational land	6,609	–	6,609	–	280	(57)	–	–	–	–	–	–	6,832	–	6,832	
– Community land	14,655	–	14,655	–	–	(181)	–	5	(5)	–	–	–	14,474	–	14,474	
Land improvements – non-depreciable	222	–	222	153	–	–	–	–	–	–	–	–	375	–	375	
Land improvements – depreciable	65	(2)	63	–	–	–	–	–	(63)	–	–	–	–	–	–	
Infrastructure:																
– Buildings – non-specialised	46,581	(19,611)	26,970	1,097	–	(414)	(957)	–	107	(340)	–	449	47,049	(20,137)	26,912	
– Buildings – specialised	16,752	(6,152)	10,600	554	484	–	(382)	–	(61)	–	–	23	17,751	(6,533)	11,218	
– Other structures	13,665	(4,724)	8,941	208	41	(996)	(362)	–	(737)	–	–	–	11,629	(4,534)	7,095	
– Roads	251,301	(74,991)	176,310	4,005	–	(357)	(3,746)	12	(118)	–	–	411	254,795	(78,278)	176,517	
– Bridges	55,711	(24,000)	31,711	–	–	–	(505)	–	429	–	–	–	56,264	(24,629)	31,635	
– Footpaths	14,746	(5,401)	9,345	135	50	–	(208)	–	(379)	–	–	–	14,482	(5,539)	8,943	
– Bulk earthworks (non-depreciable)	108,842	–	108,842	1,352	–	–	–	–	902	–	–	–	111,096	–	111,096	
– Stormwater drainage	36,491	(15,251)	21,240	96	–	–	(307)	–	27	–	–	12	36,628	(15,560)	21,068	
– Water supply network	75,302	(27,466)	47,836	297	4	(58)	(1,203)	–	–	–	–	837	76,744	(29,031)	47,713	
– Sewerage network	95,264	(30,274)	64,990	338	8	(12)	(1,376)	–	–	–	–	1,289	97,374	(32,137)	65,237	
– Other open space/recreational assets	17,221	(3,265)	13,956	635	569	–	(331)	116	(224)	–	–	–	18,221	(3,500)	14,721	
– Other infrastructure	5	–	5	–	–	–	–	–	(5)	–	–	–	–	–	–	
– Kerb and gutter	27,700	(12,213)	15,487	187	–	–	(363)	–	134	–	–	–	28,020	(12,576)	15,444	
Other assets:																
– Heritage collections	172	(18)	154	–	–	–	–	–	–	–	(154)	–	–	–	–	
– Library books	25	(21)	4	–	–	–	(1)	–	–	–	–	–	25	(22)	3	
– Other	114	–	114	–	–	–	(21)	–	(7)	–	–	–	107	(21)	86	
Other Assets	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	
Reinstatement, rehabilitation and restoration assets (refer Note 17):																
– Tip assets	238	(119)	119	–	–	–	(12)	–	–	–	–	51	220	(62)	158	
– Quarry assets	76	(43)	33	–	500	–	(43)	–	–	–	–	–	577	(87)	490	
Total Infrastructure, property, plant and equipment	804,478	(233,841)	570,637	13,173	2,060	(3,333)	(11,446)	–	–	(340)	(154)	3,072	816,572	(242,904)	573,668	

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

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

Accounting policy for infrastructure, property, plant and equipment

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

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

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

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

When infrastructure, property, plant and equipment are acquired by Council 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 110
Bores	20 to 40	Culverts	50 to 110
Reticulation pipes: PVC	70 to 80	Flood control structures	80 to 100
Reticulation pipes: other	45 to 75		
Pumps and telemetry	15 to 205		
Transportation assets		Other infrastructure assets	
Sealed roads: surface	2 to 60	Bulk earthworks	Infinite
Sealed roads: structure	60	Swimming pools	50
Unsealed roads	7 to 30	Unsealed roads	20
Bridge: concrete	100	Other open space/recreational assets	20
Bridge: other	40 to 80	Other infrastructure	20
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.

Notes to the Financial Statements

for the year ended 30 June 2020

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

Land under roads

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

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

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

Crown reserves

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

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

Rural Fire Service assets

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

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.

Notes to the Financial Statements

for the year ended 30 June 2020

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

\$ '000	as at 30/06/20			as at 30/06/19		
	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	539	88	451	539	61	478
Land						
– Operational land	866	–	866	866	–	866
– Community land	260	–	260	260	–	260
– Improvements – non-depreciable	16	–	16	16	–	16
Other Structures	114	61	53	114	59	55
Buildings	2,021	906	1,115	2,021	863	1,158
Infrastructure	77,595	30,523	47,072	76,744	29,030	47,714
Total water supply	81,411	31,578	49,833	80,560	30,013	50,547
Sewerage services						
Plant and equipment	586	122	464	587	87	500
Land						
– Operational land	226	–	226	226	–	226
– Community land	135	–	135	135	–	135
– Improvements – non-depreciable	125	–	125	125	–	125
Other Structures	136	50	86	147	49	98
Buildings	1,220	382	838	1,220	353	867
Infrastructure	98,414	33,795	64,619	97,374	32,136	65,238
Total sewerage services	100,842	34,349	66,493	99,814	32,625	67,189
Domestic waste management						
Plant and equipment	18	4	14	18	2	16
Land						
– Operational land	436	–	436	436	–	436
– Improvements – non-depreciable	112	–	112	76	–	76
Buildings	1,379	303	1,076	1,431	304	1,127
Other structures	307	156	151	254	111	143
Other assets	1,116	137	979	468	99	369
Total DWM	3,368	600	2,768	2,683	516	2,167
TOTAL RESTRICTED IPP&E	185,621	66,527	119,094	183,057	63,154	119,903

Note 11. Investment properties

\$ '000	2020	2019
Owned investment property		
Investment property on hand at fair value	340	340
Total owned investment property	340	340

Notes to the Financial Statements

for the year ended 30 June 2020

Note 11. Investment properties (continued)

\$ '000	2020	2019
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(a) Reconciliation – owned investment property

Reconciliation of annual movement:

Opening balance	340	–
– Transfers from/(to) owner occupied (Note 10)	–	340
CLOSING BALANCE – OWNED INVESTMENT PROPERTY	340	340

(b) Valuation basis (2019 only)

The basis of valuation of investment properties is fair value, being the amounts for which the properties could be exchanged between willing parties in arms length transaction, based on current prices in an active market for similar properties in the same location and condition and subject to similar leases.

The 2019 revaluations are not based on an independent assessment and valuation, however using market rental of \$340 per week, we have based Fair Market value on \$100 per \$100,000, thus \$340,000.

\$ '000	2020	2019
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(c) Leasing arrangements – Council as lessor (2019 only)

The investment properties are leased to tenants under long-term operating leases with rentals payable monthly.

Future minimum lease payments receivable under non-cancellable investment property operating leases not recognised in the financial statements are receivable as follows:

Within 1 year	14	11
Total minimum lease payments receivable	14	11

Residential Tenancy Agreement commenced 5/4/2019 and is for a term of 12 months (ending 4/4/2020). Rent amount of \$340 per week is payable in advance (started 5/4/2019). A bond has also been paid of \$1360 on this property.

\$ '000	2020	2019
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(d) Investment property income and expenditure – summary (2019 only)

Direct operating expenses on investment property:

– that generated rental income	2	9
Net revenue contribution from investment property	2	9
Total income attributable to investment property	2	9

Accounting policy for investment property

Investment property, principally comprising freehold office buildings, 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 a separate line item.

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 12. Intangible assets

Intangible assets are as follows:

\$ '000	2020	2019
Software		
Opening values at 1 July		
Gross book value	1,579	1,579
Accumulated amortisation	(746)	(588)
Accumulated impairment	(69)	(69)
Net book value – opening balance	764	922
Movements for the year		
– Other movements	–	(1)
– Amortisation charges	(158)	(157)
Closing values at 30 June		
Gross book value	1,579	1,579
Accumulated amortisation	(904)	(746)
Accumulated impairment	(69)	(69)
Total software – net book value	606	764
TOTAL INTANGIBLE ASSETS – NET BOOK VALUE	606	764

Accounting policy for intangible assets

IT development and software

Costs incurred in developing products or systems and costs incurred in acquiring software and licenses that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to software and systems.

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

Note 13. Contract assets and liabilities

\$ '000	Notes	2020 Current	2020 Non-current
Contract liabilities			
Grants and contributions received in advance:			
Unexpended capital grants (to construct Council controlled assets)	(i)	6,843	–
Unexpended operating grants (received prior to performance obligation being satisfied)	(ii)	1,591	–
Total grants received in advance		8,434	–

User fees and charges received in advance:

continued on next page ...

Notes to the Financial Statements

for the year ended 30 June 2020

Note 13. Contract assets and liabilities (continued)

\$ '000	Notes	2020 Current	2020 Non-current
Private Works Fees in advance		778	—
Total user fees and charges received in advance		778	—
Total contract liabilities		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.

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

\$ '000	2020
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(ii) Revenue recognised (during the financial year) from opening contract liability balances**Grants and contributions received in advance:**

Capital grants (to construct Council controlled assets)	6,933
Operating grants (received prior to performance obligation being satisfied)	2,368

Total Revenue recognised during the financial year that was included in the contract liability balance at the beginning of the period	9,301
--	--------------

Significant changes in contract assets and liabilities

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

Accounting policy for contract assets and liabilities

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 13. Contract assets and liabilities (continued)

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

Note 14. Leases

(ii) 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 11) 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	2020
(i) Operating lease income	
Operating Lease Income	983
Leaseback fees - council vehicles	125
Total income relating to operating leases	1,108

(ii) Operating lease expenses

Investment properties

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

Accounting policy

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

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

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

The lease income is recognised on a straight-line basis over the lease term.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 15. Payables and borrowings

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Payables				
Prepaid rates	771	—	—	—
Goods and services – operating expenditure	—	—	24	—
Accrued expenses:				
– Borrowings	68	—	77	—
– Salaries and wages	—	—	299	—
– Other expenditure accruals	973	—	1,673	—
Security bonds, deposits and retentions	495	—	529	—
ATO – net GST payable	75	—	—	—
Employee deductions	—	—	1	—
Other	—	—	7	—
Total payables	2,382	—	2,610	—
Income received in advance (2019 only)				
Payments received in advance	—	—	429	—
Total income received in advance	—	—	429	—
Borrowings				
Loans – secured ¹	1,418	6,837	1,367	7,791
Total borrowings	1,418	6,837	1,367	7,791
<u>TOTAL PAYABLES AND BORROWINGS</u>	<u>3,800</u>	<u>6,837</u>	<u>4,406</u>	<u>7,791</u>

(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 20 or Note 22.

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
(a) Payables and borrowings relating to restricted assets				
Externally restricted assets				
Water	656	2,271	612	2,860
Sewer	323	2,664	292	2,970
Payables and borrowings relating to externally restricted assets	979	4,935	904	5,830
Total payables and borrowings relating to restricted assets	979	4,935	904	5,830
Total payables and borrowings relating to unrestricted assets	2,821	1,902	3,502	1,961
<u>TOTAL PAYABLES AND BORROWINGS</u>	<u>3,800</u>	<u>6,837</u>	<u>4,406</u>	<u>7,791</u>

Notes to the Financial Statements

for the year ended 30 June 2020

Note 15. Payables and borrowings (continued)

(b) Changes in liabilities arising from financing activities

	as at 30/06/19		Non-cash changes	as at 30/06/20
	Opening Balance	Cash flows	Acquisition due to change in accounting policy	Closing balance
\$ '000				
Loans – secured	9,158	(903)	–	8,255
TOTAL	9,158	(903)	–	8,255

	as at 30/06/18		as at 30/06/19
	Opening Balance	Cash flows	Closing balance
\$ '000			
Loans – secured	10,419	(1,261)	9,158
TOTAL	10,419	(1,261)	9,158

\$ '000	2020	2019
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(c) Financing arrangements

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

Credit cards/purchase cards	50	49
Total financing arrangements	50	49

Drawn facilities as at balance date:

– Credit cards/purchase cards	1	13
Total drawn financing arrangements	1	13

Undrawn facilities as at balance date:

– Credit cards/purchase cards	49	36
Total undrawn financing arrangements	49	36

Accounting policy for payables and borrowings

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

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

Payables

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 15. Payables and borrowings (continued)

Borrowings

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

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

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

Note 16. Provisions

\$ '000	2020 Current	2020 Non-current	2019 Current	2019 Non-current
Provisions				
Employee benefits				
Annual leave	1,598	–	1,638	–
Long service leave	2,663	398	3,178	167
Other leave – TOIL	157	–	203	–
Sub-total – aggregate employee benefits	4,418	398	5,019	167
Asset remediation/restoration:				
Asset remediation/restoration (future works)	1,966	–	807	–
Sub-total – asset remediation/restoration	1,966	–	807	–
<u>TOTAL PROVISIONS</u>	<u>6,384</u>	<u>398</u>	<u>5,826</u>	<u>167</u>

(a) Provisions relating to restricted assets

There is an internally restricted reserve for employee liabilities of \$2.182M.

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

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

Provisions – employees benefits	2,776	3,052
	<u>2,776</u>	<u>3,052</u>

Notes to the Financial Statements

for the year ended 30 June 2020

Note 16. Provisions (continued)

(c) Description of and movements in provisions

\$ '000	ELE provisions			Total
	Annual leave	Long service leave	Other employee benefits	
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
2019				
At beginning of year	1,655	3,181	135	4,971
Additional provisions	1,187	627	496	2,310
Amounts used (payments)	(1,204)	(463)	(428)	(2,095)
Total ELE provisions at end of year	1,638	3,345	203	5,186

\$ '000	Other provisions	
	Asset remediation	Total
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
2019		
At beginning of year	332	332
Unwinding of discount	10	10
Other	465	465
Revised cost recognised as remediation assets in IPP&E	—	—
Revised costs recognised in income statement	—	—
Total other provisions at end of year	807	807

Nature and purpose of non-employee benefit provisions

Asset remediation

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

Accounting policy for provisions

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 16. Provisions (continued)

Employee benefits

Short-term obligations

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

Other long-term employee benefit obligations

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

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

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

Restoration

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

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

Rehabilitation

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

Provision is made for the estimated present value of the costs of environmental clean-up obligations outstanding at the reporting date. 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.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 17. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors

(a) Nature and purpose of reserves

Infrastructure, property, plant and equipment revaluation reserve

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

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

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

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

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

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

Statement of Financial Position

(ii) AASB 15 and AASB 1058

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

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

Costs incurred in fulfilling customer contracts

Prior to adopting AASB 15 Council would recognise direct costs associated with fulfilling customer contracts as expenses when incurred, as they did not qualify for recognition as assets under any other accounting standards. Under AASB 15, as these costs relate directly to the contracts, generate resources used in satisfying the contracts, and are expected to be recovered, they are capitalised as 'costs to fulfil a contract' assets and released through profit and loss on the same basis as the revenue is recognised.

Transfer of control to a customer – over time or at a point in time

AASB 15 has specific criteria regarding whether control is transferred over time or at a point in time. The entity has reviewed its contracts and concluded that the criteria for recognition over time is not met in some circumstances. In such cases, revenue and related production costs will be recognised at the delivery of each separate performance obligation instead of over the contract using a single margin.

Principal v agent

Prior to adoption of AASB 15, the Council had assessed that they were a principal in transactions where another party was involved in providing the goods or services including pass-through grants.

Under AASB 15, the indicators of a principal have changed and there are now a number of performance obligations within grant agreements where the Council is acting as an agent since the only obligation is to transfer the funds to a third party. The result is that Council can only recognise the "commission" to which they are entitled rather than the gross revenue and expenses. There is no change to reported profit.

Licences

Council has reviewed the licences it grants and considers that all licences are either short-term or low value and elects to recognise all revenue from licences up-front rather than spreading them over the life of the licence.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 17. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)**Prepaid rates**

Under AASB 1004, rates were recorded as revenue at the earliest of receipt of the funds from the ratepayer and the beginning of the rating period. Under AASB 1058, prepaid rates are recognised as a financial liability until the beginning of the rating period.

Grants – operating

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

Grants – capital

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

Volunteer Services

Council has chosen to disclose income recognised during the period recognising volunteer services. Volunteer services are services received from individuals or other entities without charge or for consideration significantly less than the fair value of those services. The fair value of these services have been measured and would have been purchased if they had not been donated.

	Balance at 1 July 2019
\$ '000	
Opening contract balances at 1 July 2019	
Contract liabilities	
– Under AASB 15	11,272
– Under AASB 1058	3,922
Total Contract liabilities	15,194

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

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

Statement of Financial Position

	Carrying amount per Statement of Financial Position under AASB 15 and AASB 1058	Reclassific- ation	Remeasur- ement	Carrying amount under previous revenue standards	Notes
\$ '000					
Current assets					
Cash and cash equivalents	9,238	–	–	9,238	
Investments	32,619	–	–	32,619	
Receivables	7,810	–	–	7,810	
Inventories	136	–	–	136	
Other	9	–	–	9	
Total current assets	49,812	–	–	49,812	
Current liabilities					

Notes to the Financial Statements

for the year ended 30 June 2020

Note 17. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)

\$ '000	Carrying amount per Statement of Financial Position under AASB 15 and AASB 1058	Reclassification	Remeasurement	Carrying amount under previous revenue standards	Notes
Payables	2,382	778	–	3,160	
Contract liabilities	9,212	(778)	(8,434)	–	
Borrowings	1,418	–	–	1,418	
Provisions	6,384	–	–	6,384	
Total current liabilities	19,396	–	(8,434)	10,962	
Non-current assets					
Receivables	11	–	–	11	
Inventories	147	–	–	147	
Infrastructure, property, plant and equipment	639,830	–	–	639,830	
Investment property	340	–	–	340	
Intangible assets	606	–	–	606	
Total non-current assets	640,934	–	–	640,934	
Non-current liabilities					
Borrowings	6,837	–	–	6,837	
Provisions	398	–	–	398	
Total Non-current liabilities	7,235	–	–	7,235	
Net assets	664,115	–	8,434	672,549	
Equity					
Accumulated surplus	593,324	–	8,434	601,758	
Revaluation reserves	70,791	–	–	70,791	
Council equity interest	664,115	–	8,434	672,549	
Total equity	664,115	–	8,434	672,549	

Funds under AASB 15 and 1058 which have been received prior to meeting the performance obligations.

Income Statement

\$ '000	Income Statement and comprehensive income under AASB 15 and AASB 1058	Reclassification	Remeasurement	Income Statement and comprehensive income under previous revenue standards	Notes
<u>Income from continuing operations</u>					
Rates and annual charges	17,045	–	–	17,045	
User charges and fees	15,201	–	–	15,201	
Other revenues	1,822	–	–	1,822	
Grants and contributions provided for operating purposes	15,300	–	(2,331)	12,969	

Notes to the Financial Statements

for the year ended 30 June 2020

Note 17. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)

\$ '000	Income Statement and comprehensive income under AASB 15 and AASB 1058	Reclassification	Remeasurement	Income Statement and comprehensive income under previous revenue standards	Notes
Grants and contributions provided for capital purposes	11,724	—	(4,429)	7,295	
Interest and investment income	515	—	—	515	
Rental income	1,108	—	—	1,108	
Total Income from continuing operations	62,715	—	(6,760)	55,955	
<u>Expenses from continuing operations</u>					
Employee benefits and on-costs	20,580	—	—	20,580	
Borrowing costs	503	—	—	503	
Materials and contracts	18,377	—	—	18,377	
Depreciation and amortisation	11,704	—	—	11,704	
Other expenses	5,492	—	—	5,492	
Net losses from the disposal of assets	2,028	—	—	2,028	
Total Expenses from continuing operations	58,684	—	—	58,684	
Total Operating result from continuing operations	4,031	—	(6,760)	(2,729)	
Net operating result for the year	4,031	—	(6,760)	(2,729)	
Total comprehensive income	64,626	—	—	64,626	

Outline of the difference between recognition under the previous accounting standards by on receipt and adoption of the new accounting standards when the performance obligations are met.

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

Statement of Financial Position

\$ '000	Original Balance 1 July, 2019	Impact Increase/ (decrease)	Restated Balance 1 July, 2019
Total assets	632,873	—	632,873
Contract liabilities	—	15,194	15,194
Total liabilities	18,190	15,194	33,384
Accumulated surplus	604,487	(15,194)	589,293
Total equity	614,683	(15,194)	599,489

Notes to the Financial Statements

for the year ended 30 June 2020

Note 18. Statement of cash flow information

\$ '000	Notes	2020	2019
(a) Reconciliation of cash and cash equivalents			
Total cash and cash equivalents per Statement of Financial Position	7(a)	9,238	10,619
Balance as per the Statement of Cash Flows		9,238	10,619
(b) Reconciliation of net operating result to cash provided from operating activities			
Net operating result from Income Statement		4,031	3,209
Adjust for non-cash items:			
Depreciation and amortisation		11,704	11,603
Net losses/(gains) on disposal of assets		2,028	2,541
Adoption of AASB 15/1058		(15,194)	—
Unwinding of discount rates on reinstatement provisions		3	10
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		509	(1,524)
Increase/(decrease) in provision for impairment of receivables		31	—
Decrease/(increase) in inventories		(12)	25
Decrease/(increase) in other current assets		43	121
Increase/(decrease) in payables		(24)	(36)
Increase/(decrease) in accrued interest payable		(9)	(9)
Increase/(decrease) in other accrued expenses payable		(999)	371
Increase/(decrease) in other liabilities		375	364
Increase/(decrease) in contract liabilities		9,212	—
Increase/(decrease) in provision for employee benefits		(370)	215
Increase/(decrease) in other provisions		1,156	465
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		12,484	17,355

Note 19. 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	2020 Net Profit	2020 Net Assets
Riverina Regional Library	Provision of Library Services to member local government areas	\$122K	\$4.675M

Reasons for non-recognition

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 20. Commitments

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

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

Property, plant and equipment

Plant and equipment	522	142
Open Space	160	720
Other Structures	2,284	480
Total commitments	2,966	1,342

These expenditures are payable as follows:

Within the next year	2,966	1,342
Total payable	2,966	1,342

Sources for funding of capital commitments:

Externally restricted reserve	2,444	1,200
Internally restricted reserves	522	142
Total sources of funding	2,966	1,342

Details of capital commitments**Plant & Equipment**

- 2 Isuzu Water Carts
- Hino Medium Tipper

Open Space

- Tumut Skate Park extension

Other Structures

- Tumut Pool amenities building
- Batlow Library project
- Tumbarumba Pool capital works

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

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

Within the next year	–	1,342
Total non-cancellable operating lease commitments	–	1,342

b. Non-cancellable operating leases include the following assets:

IT Equipment including Servers, Laptops and PC's

Conditions relating to finance and operating leases:

- All finance agreements are secured only against the leased asset.
- No lease agreements impose any financial restrictions on Council regarding future debt etc.

Refer to Note 14 for information relating to leases for 2020.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 21. 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.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 21. Contingencies (continued)

The amount of Council employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense for the year ending 30 June 2020 was \$279,946.56.

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

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

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

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.

Please note that the estimated employer reserves financial position above is a preliminary calculation, and once all the relevant information has been received by the Funds Actuary, the final end of year review will be completed around November/December 2020.

(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.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 21. Contingencies (continued)

2. Other liabilities

(i) Third party claims

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

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

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

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

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

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

ASSETS NOT RECOGNISED

(i) Land under roads

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

(ii) Infringement notices/fines

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 22. Financial risk management

Risk management

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

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

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

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

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

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 2020	Carrying value 2019	Fair value 2020	Fair value 2019
Financial assets				
Measured at amortised cost				
Cash and cash equivalents	9,238	10,619	9,238	10,619
Receivables	7,821	8,361	7,821	8,361
Investments				
– 'Financial assets at amortised cost'	32,619	29,117	32,619	29,117
Fair value through profit and loss				
Investments				
– 'Held for trading'	–	9,617	–	9,617
Total financial assets	49,678	57,714	49,678	57,714
Financial liabilities				
Payables	2,382	2,610	2,382	2,610
Borrowings	8,255	9,158	8,255	9,158
Total financial liabilities	10,637	11,768	10,637	11,768

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.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 22. Financial risk management (continued)

The risks associated with the instruments held are:

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

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

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

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

\$ '000	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
2020				
Possible impact of a 1% movement in interest rates	419	419	(419)	(419)
2019				
Possible impact of a 10% movement in market values	962	962	(962)	(962)
Possible impact of a 1% movement in interest rates	397	397	(397)	(397)

Notes to the Financial Statements

for the year ended 30 June 2020

Note 22. Financial risk management (continued)

(b) Credit risk

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

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

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

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

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 may be worth noting, that recent bush fires throughout our council area, together with the effects of COVID19 may have an effect moving forward in the 2020/2021 financial period.

\$ '000	Not yet overdue	< 1 year overdue	1 - 2 years overdue	2 - 5 years overdue	> 5 years overdue	Total
2020						
Gross carrying amount	1	711	220	132	69	1,133
2019						
Gross carrying amount	11	367	158	112	20	668

Receivables - non-rates and annual charges

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

The loss allowance provision as at 30 June 2020 is determined as follows. The expected credit losses incorporate forward-looking information.

\$ '000	Not yet overdue	0 - 30 days overdue	31 - 60 days overdue	61 - 90 days overdue	> 91 days overdue	Total
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
2019						
Gross carrying amount	5,053	1,646	918	21	55	7,693
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
ECL provision	—	—	—	—	—	—

Notes to the Financial Statements

for the year ended 30 June 2020

Note 22. Financial risk management (continued)

(c) Liquidity risk

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

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

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

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

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

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

\$ '000	Weighted average interest rate	Subject to no maturity	≤ 1 Year	payable in:		Total cash outflows	Actual carrying values
				1 - 5 Years	> 5 Years		
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
2019							
Trade/other payables	0.00%	529	2,081	–	–	2,610	2,610
Loans and advances	6.23%	–	1,840	5,334	5,093	12,267	9,158
Total financial liabilities		529	3,921	5,334	5,093	14,877	11,768

Notes to the Financial Statements

for the year ended 30 June 2020

Note 23. Material budget variations

Council's original financial budget for 19/20 was adopted by the Council on 13 June 2019 and is unaudited.

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

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

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

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

\$ '000	2020 Budget	2020 Actual	2020 ----- Variance -----	
REVENUES				
Rates and annual charges	17,840	17,045	(795)	(4)% U
User charges and fees	8,796	15,201	6,405	73% F
Private works, road maintenance services, caravan park greater than expected. Additional emergency works income.				
Other revenues	1,152	1,822	670	58% F
Other revenue is higher due to the sales proceeds from Southern Phones being accounted for as other revenue.				
Operating grants and contributions	10,282	15,300	5,018	49% F
Additional grant funding was received for bushfire crisis management and infrastructure funding.				
Capital grants and contributions	5,377	11,724	6,347	118% F
The reported capital grants revenue has been impacted by the change of accounting standards AASB 15 and AASB 1058, see note 17. Additional grant funding received for infrastructure projects.				
Interest and investment revenue	865	515	(350)	(40)% U
Interest and investment revenue is lower than expected due to the declining economic environment, general reduction in available interest rates and market volatility.				
Rental income	–	1,108	1,108	∞ F
The budget for rental income was included in other revenue.				

Notes to the Financial Statements

for the year ended 30 June 2020

Note 23. Material budget variations

\$ '000	2020 Budget	2020 Actual	2020 ----- Variance -----	
EXPENSES				
Employee benefits and on-costs	15,589	20,580	(4,991)	(32)% U
Impact from employee termination costs, a reduction in capitalisation of wages due to staff being engaged in other duties, higher than expected private works above budget expectations as well as budget corrections to allow for delivery of services at previous levels. In addition, the bushfire crisis resulted in additional employee costs due to extra duties and overtime required.				
Borrowing costs	500	503	(3)	(1)% U
Additional loan taken out during the year.				
Materials and contracts	9,742	18,377	(8,635)	(89)% U
Budget adjustments to allow for delivery of services at previous levels. Additional costs incurred for additional private works and during the bushfire crisis.				
Depreciation and amortisation	11,047	11,704	(657)	(6)% U
Other expenses	3,832	5,492	(1,660)	(43)% U
Overspends in insurance, printing, marketing and postage. Grant expenditure not budgeted for.				
Net losses from disposal of assets	—	2,028	(2,028)	∞ U
Disposal of assets are not budgeted unless in operational plan.				

STATEMENT OF CASH FLOWS

Cash flows from operating activities	15,349	12,484	(2,865)	(19)% U
Additional revenue from private works and grants were offset by increased employee benefits and materials and contracts for private works and bushfire recovery.				
Cash flows from investing activities	(24,223)	(12,962)	11,261	(46)% F
Redemption of managed funds and sale of Southern Phone shares. Lower than expected outflow for purchase of IPP&E.				
Cash flows from financing activities	(1,817)	(903)	914	(50)% F
Incorrect budget allocation and drawdown of new loan for Tumbarumba Caravan Park.				

Notes to the Financial Statements

for the year ended 30 June 2020

Note 24. 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).

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

2020	Date of latest valuation	Fair value measurement hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Recurring fair value measurements					
Infrastructure, property, plant and equipment					
Plant and equipment	30/06/18	—	—	11,024	11,024
Office equipment	13/05/16	—	—	137	137
Furniture and fittings	13/05/16	—	—	54	54
Operational land	13/05/16	—	—	7,965	7,965
Community land	13/05/16	—	—	13,342	13,342
Land improvements non-depreciable	13/05/16	—	—	—	—
Land improvements – depreciable	30/06/18	—	—	—	—
Buildings – non-specialised	30/06/18	—	—	27,744	27,744
Buildings – specialised	30/06/18	—	—	10,854	10,854
Other structures	30/06/18	—	—	6,420	6,420
Roads	30/06/20	—	—	131,064	131,064
Bridges	30/06/20	—	—	44,424	44,424
Footpaths	30/06/20	—	—	12,088	12,088
Kerb and gutter	30/06/20	—	—	20,916	20,916
Bulk earthworks	30/06/20	—	—	201,636	201,636
Stormwater drainage	13/05/16	—	—	21,120	21,120
Water supply network	30/06/18	—	—	47,073	47,073
Sewerage network	30/06/18	—	—	64,618	64,618
Other open space/recreational assets	30/06/18	—	—	16,413	16,413
Other assets	30/06/18	—	—	2	2
Tips and quarries	30/06/20	—	—	1,203	1,203
Total infrastructure, property, plant and equipment		—	—	638,097	638,097

Notes to the Financial Statements

for the year ended 30 June 2020

Note 24. Fair Value Measurement (continued)

2019	Date of latest valuation	Fair value measurement hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Recurring fair value measurements					
Infrastructure, property, plant and equipment					
Plant and equipment	30/06/18	—	—	11,797	11,797
Office equipment	13/05/16	—	—	67	67
Furniture and fittings	13/05/16	—	—	276	276
Operational land	13/05/16	—	—	6,832	6,832
Community land	13/05/16	—	—	14,474	14,474
Land improvements non-depreciable	13/05/16	—	—	375	375
Land improvements – depreciable	30/06/18	—	—	—	—
Buildings – non-specialised	30/06/18	—	—	26,912	26,912
Buildings – specialised	30/06/18	—	—	11,218	11,218
Other structures	30/06/18	—	—	7,095	7,095
Roads	13/05/16	—	—	176,517	176,517
Bridges	13/05/16	—	—	31,635	31,635
Footpaths	13/05/16	—	—	8,943	8,943
Kerb and gutter	13/05/16	—	—	15,444	15,444
Bulk earthworks	13/05/16	—	—	111,096	111,096
Stormwater drainage	13/05/16	—	—	21,068	21,068
Water supply network	30/06/18	—	—	47,713	47,713
Sewerage network	30/06/18	—	—	65,237	65,237
Other open space/recreational assets	13/05/16	—	—	14,721	14,721
Other assets	13/05/16	—	—	89	89
Tips and quarries	30/06/19	—	—	648	648
Total infrastructure, property, plant and equipment		—	—	572,157	572,157

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 24. Fair Value Measurement (continued)

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

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

Infrastructure, property, plant and equipment (IPP&E)

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.

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.

Stormwater assets were brought into the merged Council at fair value on 13 May 2016. Council applied indexation at 30 June 2020 based on a report by independent external valuers. The index movement since bringing the assets on is 8.48%. The valuation applied as at 13 May 2016 remained unchanged due to the immaterial movement in current replacement costs to 30 June 2020.

A comprehensive valuation of Council's stormwater assets is scheduled for the 2020/21 financial year.

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 2020 based on a report by independent external valuers. The index movement since the last revaluation is 5.47%. The valuation applied as at 30 June 2018 remained unchanged due to the immaterial movement in current replacement costs to 30 June 2020.

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 2020 based on a report by independent external valuers. The index movement

Notes to the Financial Statements

for the year ended 30 June 2020

Note 24. Fair Value Measurement (continued)

since the last revaluation is 4.24%. The valuation applied as at 30 June 2018 remained unchanged due to the immaterial movement in current replacement costs to 30 June 2020.

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

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 2017. A further land valuation was undertaken by the Valuer General during 2019/20 which comes into effect on 1 July 2020. Council aligns its revaluation with the Valuer General cycle and the most recent land valuation will be applied in the 2020/21 financial year.

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 2020 based on a report by independent external valuers. The index movement since the last revaluation is 5.47%. The valuation applied as at 30 June 2018 remained unchanged due to the immaterial movement in current replacement costs to 30 June 2020.

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 comprehensive valuation of transport assets' fair values was determined by independent, external registered valuers as at 30 June 2020 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 componentisation and segmentation reconciliation was completed internally by componentising former Tumbarumba Shire transport network assets based on the external valuer's segments and the reconciling the existing former Tumut Shire asset segments to the valuer's report. The total fair value for transport network assets increased by \$21,535,823, consisting of a change in written down value to road assets by -\$76,749,040, earthwork assets by \$87,297,953, bridge assets by \$9,739,815, footpaths assets by \$85,747 and kerb assets by \$1,161,349. Road formation assets were previously accounted for as pavement assets and were subsequently re-classified to earthworks which resulted in the large reduction in road assets and increase in earthwork assets.

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 24. Fair Value Measurement (continued)

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.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 24. Fair Value Measurement (continued)

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

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

\$ '000	Plant and equipment	Office equipment	Furniture and fittings	Operational land	Community Land
2019					
Opening balance	11,513	414	371	6,609	14,655
Purchases (GBV)	2,729	—	—	280	5
Disposals (WDV)	(858)	(328)	(72)	(57)	(181)
Depreciation and impairment	(1,587)	(19)	(23)	—	(5)
Closing balance	11,797	67	276	6,832	14,474

2020					
Opening balance	11,797	67	276	6,832	14,474
Transfers from/(to) another asset class	45	89	1	1,133	(1,132)
Purchases (GBV)	1,624	20	—	—	—
Disposals (WDV)	(784)	(4)	(219)	—	—
Depreciation and impairment	(1,658)	(35)	(4)	—	—
Closing balance	11,024	137	54	7,965	13,342

\$ '000	Land improve-ments	Buildings and other structures	Roads, bridges and footpaths	Bulk earthworks	Stormwater drainage
2019					
Opening balance	285	46,511	232,853	108,842	21,240
Transfers from/(to) another asset class	(63)	(691)	66	902	27
Purchases (GBV)	153	2,384	4,389	1,352	96
Disposals (WDV)	—	(1,410)	(357)	—	—
Depreciation and impairment	—	(1,701)	(4,809)	—	(307)
Revaluation increment to equity	—	132	411	—	12
Closing balance	375	45,225	232,553	111,096	21,068

2020					
Opening balance	375	45,225	232,553	111,096	21,068
Transfers from/(to) another asset class	(375)	(1,520)	571	1,046	(15)
Purchases (GBV)	—	3,754	8,586	2,148	385
Disposals (WDV)	—	(722)	(687)	—	(9)
Depreciation and impairment	—	(1,651)	(4,799)	—	(309)
Revaluation decrement to income statement	—	(68)	—	—	—
Revaluation increment to equity	—	—	(27,732)	87,346	—
Closing balance	—	45,018	208,492	201,636	21,120

Notes to the Financial Statements

for the year ended 30 June 2020

Note 24. Fair Value Measurement (continued)

\$ '000	Water supply network	Sewerage network	Other assets	Tips and quarries	Heritage collection
2019					
Opening balance	47,836	64,990	14,075	152	154
Transfers from/(to) another asset class	—	—	(231)	—	—
Purchases (GBV)	301	346	1,320	500	—
Disposals (WDV)	(58)	(12)	—	—	—
Depreciation and impairment	(1,203)	(1,376)	(357)	(55)	—
Revaluation decrement to income statement	—	—	—	—	(24)
Revaluation increment to equity	837	1,289	—	51	(130)
Closing balance	47,713	65,237	14,807	648	—

2020					
Opening balance	47,713	65,237	14,807	648	—
Transfers from/(to) another asset class	139	153	(135)	—	—
Purchases (GBV)	136	82	2,313	—	—
Disposals (WDV)	(118)	(29)	(261)	—	—
Depreciation and impairment	(1,239)	(1,432)	(311)	(105)	—
Revaluation increment to equity	442	607	—	660	—
Closing balance	47,073	64,618	16,413	1,203	—

\$ '000	Library books	Total
2019		
Opening balance	4	570,504
Transfers from/(to) another asset class	—	10
Purchases (GBV)	—	13,855
Disposals (WDV)	—	(3,333)
Depreciation and impairment	(1)	(11,443)
Revaluation decrement to income statement	—	(24)
Revaluation increment to equity	—	2,602
Closing balance	3	572,171
2020		
Opening balance	3	572,171
Purchases (GBV)	—	19,048
Disposals (WDV)	—	(2,833)
Depreciation and impairment	(1)	(11,544)
Revaluation decrement to income statement	—	(68)
Revaluation increment to equity	—	61,323
Closing balance	2	638,097

Notes to the Financial Statements

for the year ended 30 June 2020

Note 24. Fair Value Measurement (continued)

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

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

	Valuation technique/s	Unobservable inputs
I,PP&E		
Operational Land	Land values	Cost per sq meter, Valuer General's (VG) Valuation
Community Land	Land values	Cost per sq meter, 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

d. 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.

(5) Highest and best use

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 25. Related party disclosures

(a) Key management personnel

Key management personnel (KMP) of the council are those persons having the authority and responsibility for planning, directing and controlling the activities of the council, directly or indirectly. 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	2020	2019 ¹
Compensation:		
Short-term benefits	1,089	1,068
Post-employment benefits	72	75
Other long-term benefits	14	23
Termination benefits	390	—
Total	1,565	1,166

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

(b) Other transactions with KMP and their related parties

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

(c) Other related party transactions

Nil

Notes to the Financial Statements

for the year ended 30 June 2020

Note 26. Statement of developer contributions

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

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

Summary of contributions and levies

	as at 30/06/19	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	as at 30/06/20
\$ '000	Opening Balance	Cash	Non-cash				Held as restricted asset
Roads	129	—	—	—	—	—	129
Other	4	4	—	5	—	—	13
Recreational Space	214	—	—	—	—	—	214
S7.11 contributions – under a plan	347	4	—	5	—	—	356
Total S7.11 and S7.12 revenue under plans	347	4	—	5	—	—	356
S64 contributions	3,148	86	—	50	—	—	3,284
Total contributions	3,495	90	—	55	—	—	3,640

S7.11 Contributions – under a plan

CONTRIBUTION PLAN NUMBER (former Tumut)

Roads	129	—	—	—	—	—	129
Recreational Space	214	—	—	—	—	—	214
Other	4	4	—	5	—	—	13
Total	347	4	—	5	—	—	356

Notes to the Financial Statements

for the year ended 30 June 2020

Note 27. Result by fund

\$ '000	General ¹ 2020	Water 2020	Sewer 2020
Income Statement by fund			
Income from continuing operations			
Rates and annual charges	11,880	1,006	4,159
User charges and fees	12,203	2,735	263
Interest and investment revenue	296	96	123
Other revenues	1,802	–	20
Grants and contributions provided for operating purposes	15,070	209	21
Grants and contributions provided for capital purposes	11,638	54	32
Rental income	1,108	–	–
Total income from continuing operations	53,997	4,100	4,618
Expenses from continuing operations			
Employee benefits and on-costs	19,539	576	465
Borrowing costs	143	205	155
Materials and contracts	13,541	2,431	2,405
Depreciation and amortisation	8,893	1,311	1,500
Other expenses	4,896	382	214
Net losses from the disposal of assets	1,887	112	29
Total expenses from continuing operations	48,899	5,017	4,768
Operating result from continuing operations	5,098	(917)	(150)
Net operating result for the year	5,098	(917)	(150)
Net operating result attributable to each council fund	5,098	(917)	(150)
Net operating result for the year before grants and contributions provided for capital purposes	(6,540)	(971)	(182)

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 27. Result by fund (continued)

\$ '000	General ¹ 2020	Water 2020	Sewer 2020
Statement of Financial Position by fund			
ASSETS			
Current assets			
Cash and cash equivalents	3,031	2,660	3,547
Investments	23,497	3,755	5,367
Receivables	7,253	219	338
Inventories	136	–	–
Other	9	–	–
Total current assets	33,926	6,634	9,252
Non-current assets			
Investments	(3)	–	3
Receivables	11	–	–
Inventories	147	–	–
Infrastructure, property, plant and equipment	523,499	49,838	66,493
Investment property	340	–	–
Intangible assets	606	–	–
Total non-current assets	524,600	49,838	66,496
TOTAL ASSETS	558,526	56,472	75,748
LIABILITIES			
Current liabilities			
Payables	2,292	63	27
Contract liabilities	9,212	–	–
Borrowings	529	593	296
Provisions	6,384	–	–
Total current liabilities	18,417	656	323
Non-current liabilities			
Borrowings	1,902	2,271	2,664
Provisions	398	–	–
Total non-current liabilities	2,300	2,271	2,664
TOTAL LIABILITIES	20,717	2,927	2,987
Net assets	537,809	53,545	72,761
EQUITY			
Accumulated surplus	473,504	52,141	67,679
Revaluation reserves	64,305	1,404	5,082
Council equity interest	537,809	53,545	72,761
Total equity	537,809	53,545	72,761

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 28(a). Statement of performance measures – consolidated results

\$ '000	Amounts 2020	Indicator 2020	Prior periods 20192018		Benchmark
1. Operating performance ratio					
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	(5,665)	(11.11)%	1.84%	(7.95)%	>0.00%
Total continuing operating revenue excluding capital grants and contributions ¹	50,991				
2. Own source operating revenue ratio					
Total continuing operating revenue excluding all grants and contributions ¹	35,691	56.91%	60.94%	66.81%	>60.00%
Total continuing operating revenue ¹	62,715				
3. Unrestricted current ratio					
Current assets less all external restrictions	21,736	3.35x	3.83x	5.75x	>1.50x
Current liabilities less specific purpose liabilities	6,492				
4. Debt service cover ratio					
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	6,542	3.43x	7.39x	4.12x	>2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	1,906				
5. Rates, annual charges, interest and extra charges outstanding percentage					
Rates, annual and extra charges outstanding	1,256	7.02%	4.27%	3.18%	<10.00%
Rates, annual and extra charges collectible	17,894				
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	41,857	9.92 mths	13.84 mths	13.59 mths	>3.00 mths
Monthly payments from cash flow of operating and financing activities	4,221				

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 28(b). Statement of performance measures – by fund

\$ '000	General Indicators ³		Water Indicators		Sewer Indicators		Benchmark
	2020	2019	2020	2019	2020	2019	
1. Operating performance ratio							
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	(10.98)%	1.25%	(21.23)%	2.44%	(3.36)%	5.94%	>0.00%
Total continuing operating revenue excluding capital grants and contributions ¹							
2. Own source operating revenue ratio							
Total continuing operating revenue excluding capital grants and contributions ¹	50.54%	52.60%	93.59%	98.68%	98.85%	98.78%	>60.00%
Total continuing operating revenue ¹							
3. Unrestricted current ratio							
Current assets less all external restrictions	3.35x	3.83x	3.54x	11.38x	10.63x	28.75x	>1.50x
Current liabilities less specific purpose liabilities							
4. Debt service cover ratio							
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	2.86x	6.88x	3.12x	6.96x	9.58x	13.02x	>2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)							
5. Rates, annual charges, interest and extra charges outstanding percentage							
Rates, annual and extra charges outstanding	6.83%	3.06%	6.96%	5.89%	7.62%	6.93%	<10.00%
Rates, annual and extra charges collectible							
6. Cash expense cover ratio							
Current year's cash and cash equivalents plus all term deposits	7.28	11.97	21.02	19.82	32.83	27.52	>3.00
Payments from cash flow of operating and financing activities	mths	mths	mths	mths	mths	mths	mths

(1) - (2) Refer to Notes at Note 31a above.

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 29. Council information and contact details

Principal place of business:

76 Capper St Tumut NSW 2720 and Winton St Tumbarumba NSW 2653

Contact details

Mailing Address:

76 Capper St TUMUT NSW 2720
PO Box 61 TUMBARUMBA NSW 2653

Opening hours:

8:30am - 4:30pm
Monday to Friday

Telephone: 1300 ASK SVC (1300 275 782)

Internet: www.svc.nsw.gv.au

Email: info@svc.nsw.gv.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 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 2020, the Statement of Financial Position as at 30 June 2020, the Statement of Changes in Equity and Statement of Cash Flows for the year then ended and notes comprising a summary of significant accounting policies and other explanatory information.

In my opinion:

- the Council's accounting records have been kept in accordance with the requirements of the *Local Government Act 1993*, Chapter 13, Part 3, Division 2 (the Division)
- the financial statements:
 - have been prepared, in all material respects, in accordance with the requirements of this Division
 - are consistent with the Council's accounting records
 - present fairly, in all material respects, the financial position of the Council as at 30 June 2020, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- all information relevant to the conduct of the audit has been obtained
- no material deficiencies in the accounting records or financial statements have come to light during the audit.

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

Basis for Opinion

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

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

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

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

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

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

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements.

Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on the financial statements.

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

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

- that the Council carried out its activities effectively, efficiently and economically
- on the Original Budget information included in the Income Statement, Statement of Cash Flows, and Note 23 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
Delegate of the Auditor-General for New South Wales

19 November 2020
SYDNEY



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

Contact: Michael Kharzoo
Phone no: (02) 9275 7188
Our ref: D2025201/1788

19 November 2020

Dear Mayor

**Report on the Conduct of the Audit
for the year ended 30 June 2020
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 2020 as required by section 415 of the *Local Government Act 1993* (the Act).

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

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

INCOME STATEMENT

Operating result

	2020 \$m	2019 \$m	Variance %
Rates and annual charges revenue	17.0	16.7	 1.8
Grants and contributions revenue	27.0	22.2	 21.6
Operating result from continuing operations	4.0	3.2	 25.0
Net operating result before capital grants and contributions	(7.7)	(1.6)	 381.3

The Council's operating result from continuing operations (\$4.0 million including depreciation and amortisation expense of \$11.7 million) was \$0.8 million higher than the 2018–19 result. This movement was mainly due to an increase in grants and contributions income of \$4.8 million and other revenues of \$0.6 million, which was partially offset by increases in material and contracts expenses of \$2.5 million and employee benefits and on-costs of \$2.4 million.

The net operating result before capital grants and contributions of \$7.7 million deficit was \$6.1 million lower than the 2018–19 result. This movement was mainly due to the increases in materials and contracts expenses and employee benefits as well as an increase in other expenses of \$0.6 million.

Rates and annual charges revenue (\$17.0 million) increased by \$0.3 million (1.8 per cent) in 2019–20 due to Council's pegged rate, which increased general rates revenue by 2.7 per cent in 2019–20 and a decrease in the number of rateable properties.

Grants and contributions revenue (\$27.0 million) increased by \$4.8 million (21.6 per cent) in 2019–20 mainly due to \$7.0 million of Stronger Communities and Implementation capital funding received during the year.

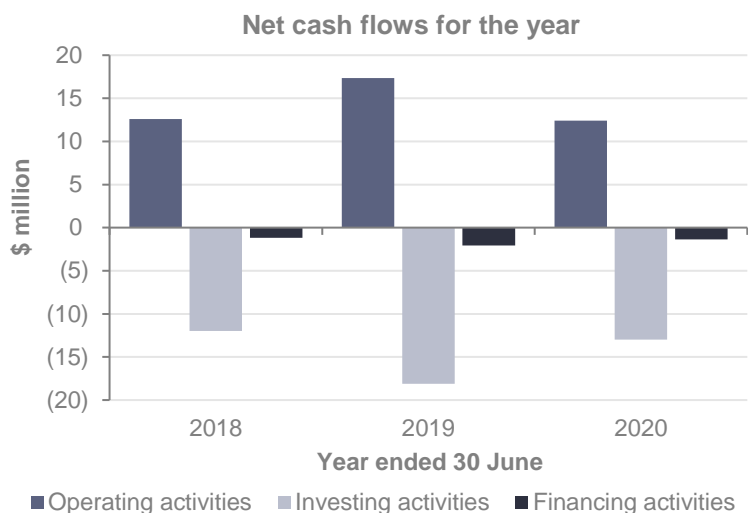
STATEMENT OF CASH FLOWS

Council's cash and cash equivalents was \$9.2 million (\$10.6 million for the year ended 30 June 2019). There was a net decrease in cash and cash equivalents of \$1.4 million for the year ended 30 June 2020.

Net cash provided by operating activities has decreased by \$4.9 million. This is mainly due to the \$3.2 million increase in employee benefits and on-costs and \$1.0 million increase in materials and contracts expenses.

Net cash used in investing activities decreased by \$5.2 million. This is mainly due to the \$9.8 million increase in the net receipts from the sale and purchase of investment securities which is partially offset by the increase in the purchase of infrastructure, property, plant and equipment of \$5.1 million.

Net cash flows used in financing activities decreased by \$0.4 million due to the \$0.5 million increase in proceeds from borrowings and advances.



FINANCIAL POSITION

Cash and investments

Cash and investments	2020	2019	Commentary
	\$m	\$m	
External restrictions	27.3	31.8	<ul style="list-style-type: none"> Externally restricted cash and investments are restricted in their use by externally imposed requirements. The decrease of \$4.5 million is primarily due to the \$6.7 million decrease in specific purpose unexpended grants. 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 \$3.3 million is primarily due to the \$2.4 million decrease in carry over works. Unrestricted cash and investments were \$2.0 million, which is available to provide liquidity for day-to-day operations of the Council. There was a \$0.4 million increase in the unrestricted cash and investments balance.
Internal restrictions	12.6	15.9	
Unrestricted	2.0	1.6	
Cash and investments	41.9	49.4	

Debt

Council has \$8.3 million of external borrowings (2019: \$9.2 million) which is secured over the revenue of Council. Council repaid \$1.4 million of external borrowings and entered into a new loan for \$0.5 million for the Tumarumba Caravan Park project.

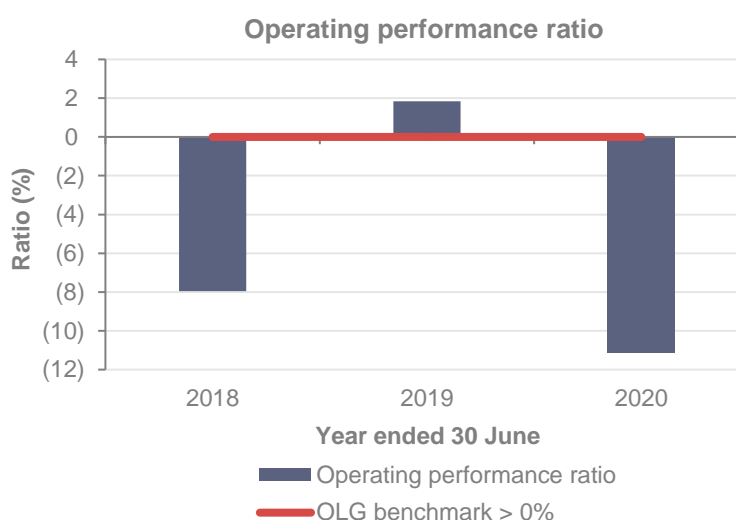
PERFORMANCE

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.

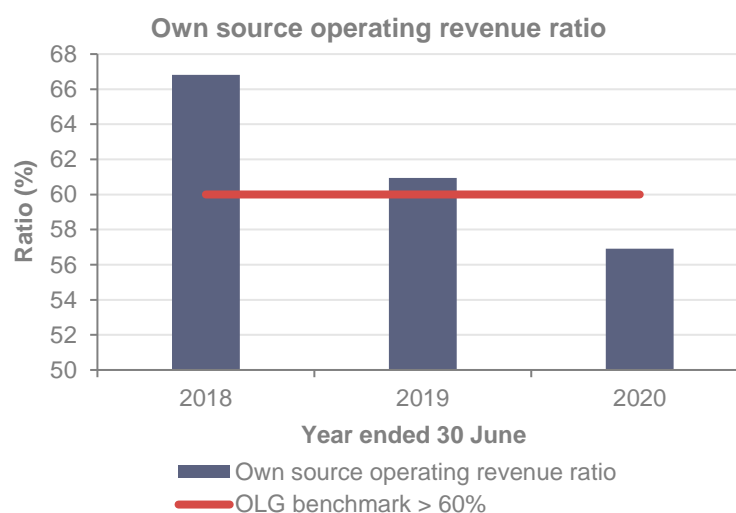
Operating performance ratio

- 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 operating performance ratio of -11.11 per cent is below the industry benchmark of greater than 0 per cent.
- The decrease in the operating performance ratio is mainly due to the increase in employee benefits and on-costs and materials and contracts expenses.



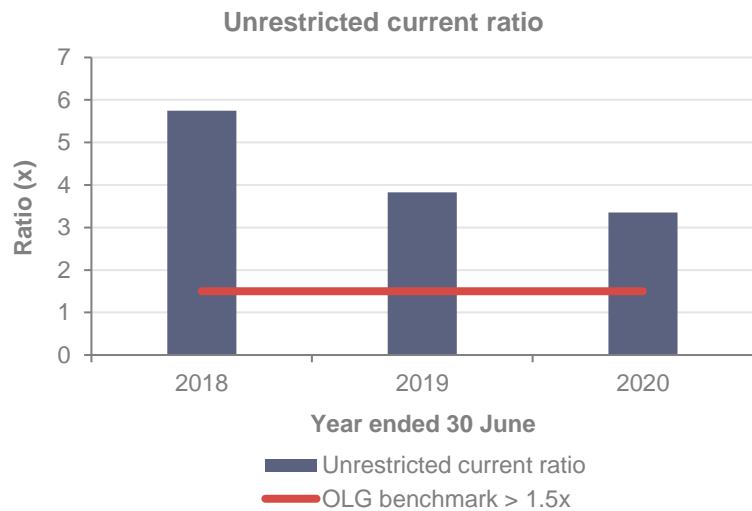
Own source operating revenue ratio

- The 'own source operating revenue ratio' measures council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by OLG is greater than 60 per cent.
- The Council's own source operating revenue ratio of 56.91 per cent is below the industry benchmark of 60 per cent. This indicates that the Council is more reliant on external funding sources, such as grants and contributions.
- The decrease in the own source operating revenue ratio is mainly due to the increase in grants and contributions.



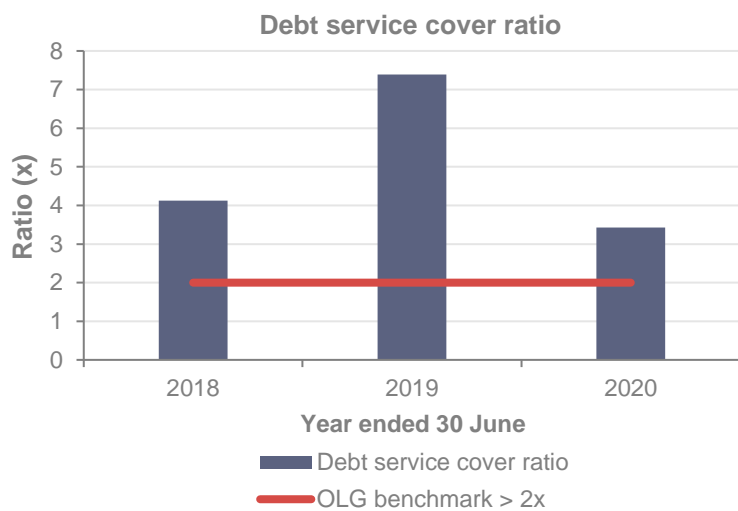
Unrestricted current ratio

- The 'unrestricted current ratio' is specific to local government and represents council's ability to meet its short-term obligations as they fall due. The benchmark set by OLG is greater than 1.5 times.
- The Council's liquidity ratio of 3.35 times is greater than the industry benchmark minimum of greater than 1.5 times. This indicates that the Council has sufficient liquidity to meet its current liabilities as and when they fall due.
- The Council's unrestricted current ratio is consistent with 2019.



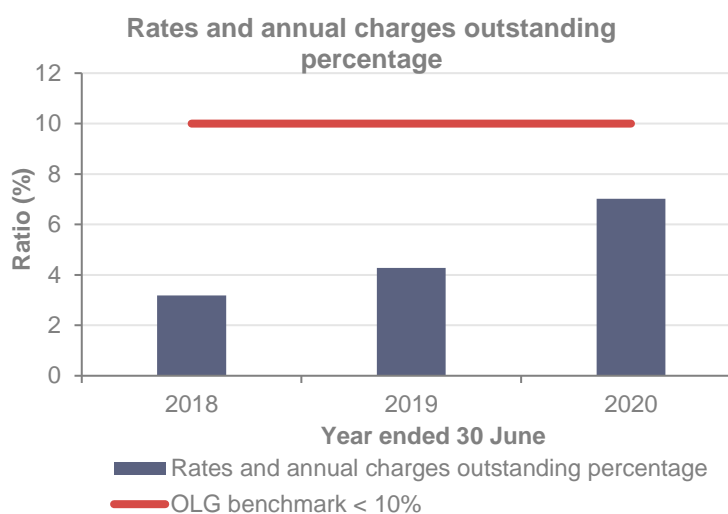
Debt service cover ratio

- The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by OLG is greater than two times.
- The Council's debt service cover ratio of 3.43 times is greater than the industry benchmark minimum of greater than 2 times. This indicates that the Council has sufficient operating revenue to service its debt.



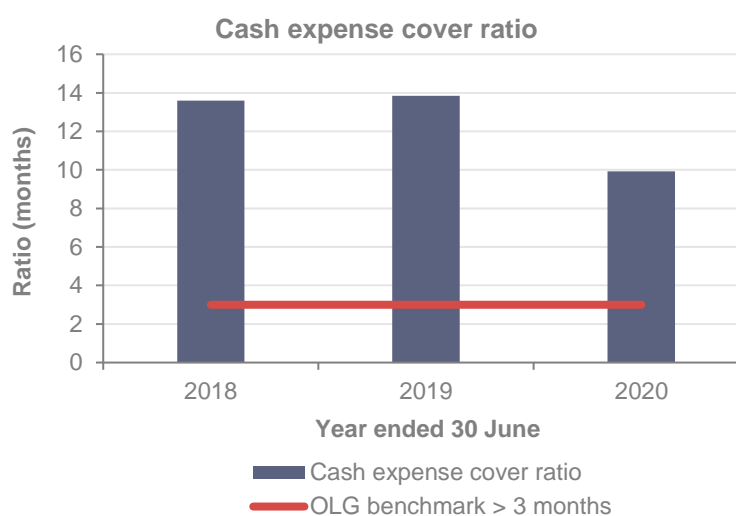
Rates and annual charges outstanding percentage

- The 'rates and annual charges outstanding percentage' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by OLG is less than 10 per cent for regional and rural councils.
- The Council's rates and annual charges outstanding ratio of 7.02 per cent is within the industry benchmark of less than 10 per cent for regional and rural councils.
- The rates and annual charges outstanding percentage has increased from the previous year but remains below the OLG benchmark which is a reflection of the ongoing 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's cash expense cover ratio was 9.92 months, which is above the industry benchmark of greater than 3 months. This indicates that Council had the capacity to cover 9.92 months of operating cash expenditure without additional cash inflows at 30 June 2020.
- The cash expense cover ratio has decreased from the previous year due to a \$1.4 million decrease in cash and cash equivalents held.



Infrastructure, property, plant and equipment renewals

The Council has renewed \$11.3 million of assets in the 2019-20 financial year, compared to \$13.2 million of assets in the 2018-19 financial year. The decrease of \$1.9 million is mainly due to the decrease in roads renewals of \$1.6 million.

OTHER MATTERS

Impact of new accounting standards

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

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

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

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

The Council recognised a \$15.2 million adjustment to opening accumulated surplus at 1 July 2019 on adoption of the new Revenue Standards.

The Council disclosed the impact of adopting the new Revenue Standards in Note 17.

AASB 16 'Leases'

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

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

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

The Council did not recognise any right-of-use assets and lease liabilities at 1 July 2019 on adoption of AASB 16.

The Council disclosed the impact of adopting AASB 16 in Note 17.

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.

The Council's:

- accounting records were maintained in a manner and form that facilitated the preparation and the effective audit of the general purpose financial statements
- staff provided all accounting records and information relevant to the audit.

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

Michael Kharzoo
Delegate of the Auditor-General for New South Wales

cc: Mr Matthew Hyde, General Manager
Ms Glenyce Francis, 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 2020



Special Purpose Financial Statements

for the year ended 30 June 2020

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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).

Special Purpose Financial Statements

for the year ended 30 June 2020

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

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

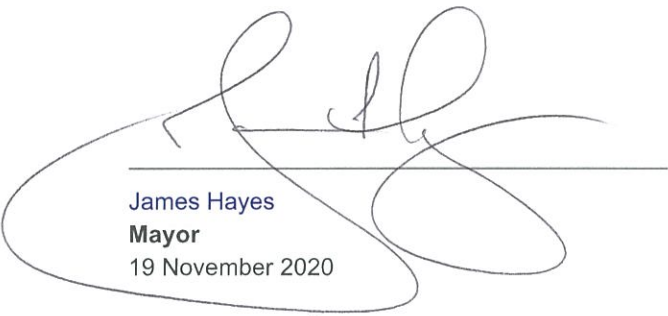
- the NSW Government Policy Statement 'Application of National Competition Policy to Local Government',
- the Division of Local Government Guidelines 'Pricing and Costing for Council Businesses – A Guide to Competitive Neutrality',
- the Local Government Code of Accounting Practice and Financial Reporting,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

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

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

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

Signed in accordance with a resolution of Council made on 19 November 2020.



James Hayes
Mayor
19 November 2020



Matthew Hyde
General Manager
19 November 2020



John Larter
Councillor
19 November 2020



Susanne Andres
Responsible Accounting Officer
19 November 2020

Income Statement – Water Supply Business Activity

for the year ended 30 June 2020

\$ '000	2020	2019
Access charges	1,006	1,324
User charges	2,733	3,355
Fees	2	–
Interest	96	178
Grants and contributions provided for non-capital purposes	209	–
Other income	–	13
Total income from continuing operations	4,046	4,870
Expenses from continuing operations		
Employee benefits and on-costs	576	742
Borrowing costs	205	221
Materials and contracts	2,431	2,016
Depreciation, amortisation and impairment	1,311	1,274
Loss on sale of assets	112	–
Calculated taxation equivalents	18	18
Debt guarantee fee (if applicable)	–	58
Other expenses	382	498
Total expenses from continuing operations	5,035	4,827
Surplus (deficit) from continuing operations before capital amounts	(989)	43
Grants and contributions provided for capital purposes	54	65
Surplus (deficit) from continuing operations after capital amounts	(935)	108
Surplus (deficit) from all operations before tax	(935)	108
Less: corporate taxation equivalent (27.5%) [based on result before capital]	–	(12)
SURPLUS (DEFICIT) AFTER TAX	(935)	96
Plus accumulated surplus	53,076	52,910
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	18	18
– Debt guarantee fees	–	58
– Corporate taxation equivalent	–	12
Less:		
- Taxation equivalent payments	(18)	(18)
Closing accumulated surplus	52,141	53,076
Return on capital %	(1.6)%	0.5%
Subsidy from Council	1,223	403
Calculation of dividend payable:		
Surplus (deficit) after tax	(935)	96
Less: capital grants and contributions (excluding developer contributions)	(54)	(65)
Surplus for dividend calculation purposes	–	31
Potential dividend calculated from surplus	–	16

Income Statement – Sewerage Business Activity

for the year ended 30 June 2020

\$ '000	2020	2019
Access charges	4,159	4,473
User charges	238	490
Liquid trade waste charges	25	26
Interest	123	265
Grants and contributions provided for non-capital purposes	21	25
Other income	20	21
Total income from continuing operations	4,586	5,300
Expenses from continuing operations		
Employee benefits and on-costs	465	603
Borrowing costs	155	143
Materials and contracts	2,405	2,506
Depreciation, amortisation and impairment	1,500	1,444
Loss on sale of assets	29	–
Calculated taxation equivalents	17	17
Debt guarantee fee (if applicable)	–	23
Other expenses	214	289
Total expenses from continuing operations	4,785	5,025
Surplus (deficit) from continuing operations before capital amounts	(199)	275
Grants and contributions provided for capital purposes	32	40
Surplus (deficit) from continuing operations after capital amounts	(167)	315
Surplus (deficit) from all operations before tax	(167)	315
Less: corporate taxation equivalent (27.5%) [based on result before capital]	–	(76)
SURPLUS (DEFICIT) AFTER TAX	(167)	239
Plus accumulated surplus	67,846	67,509
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	17	17
– Debt guarantee fees	–	23
– Corporate taxation equivalent	–	76
Less:		
– Tax Equivalent payments	(17)	(17)
Closing accumulated surplus	67,679	67,847
Return on capital %	(0.1)%	0.6%
Subsidy from Council	629	469
Calculation of dividend payable:		
Surplus (deficit) after tax	(167)	239
Less: capital grants and contributions (excluding developer contributions)	(32)	(40)
Surplus for dividend calculation purposes	–	199
Potential dividend calculated from surplus	–	100

Statement of Financial Position – Water Supply Business Activity

as at 30 June 2020

\$ '000	2020	2019
ASSETS		
Current assets		
Cash and cash equivalents	2,660	1,861
Investments	3,755	3,755
Receivables	219	1,349
Total current assets	6,634	6,965
Non-current assets		
Infrastructure, property, plant and equipment	49,838	50,546
Total non-current assets	49,838	50,546
TOTAL ASSETS	56,472	57,511
LIABILITIES		
Current liabilities		
Payables	63	50
Borrowings	593	562
Total current liabilities	656	612
Non-current liabilities		
Borrowings	2,271	2,860
Total non-current liabilities	2,271	2,860
TOTAL LIABILITIES	2,927	3,472
NET ASSETS	53,545	54,039
EQUITY		
Accumulated surplus	52,141	53,076
Revaluation reserves	1,404	963
TOTAL EQUITY	53,545	54,039

Statement of Financial Position – Sewerage Business Activity

as at 30 June 2020

\$ '000	2020	2019
ASSETS		
Current assets		
Cash and cash equivalents	3,547	2,510
Investments	5,367	5,367
Receivables	338	517
Total current assets	9,252	8,394
Non-current assets		
Investments	3	–
Infrastructure, property, plant and equipment	66,493	67,189
Total non-current assets	66,496	67,189
TOTAL ASSETS	75,748	75,583
LIABILITIES		
Current liabilities		
Payables	27	2
Borrowings	296	290
Total current liabilities	323	292
Non-current liabilities		
Borrowings	2,664	2,970
Total non-current liabilities	2,664	2,970
TOTAL LIABILITIES	2,987	3,262
NET ASSETS	72,761	72,321
EQUITY		
Accumulated surplus	67,679	67,847
Revaluation reserves	5,082	4,474
TOTAL EQUITY	72,761	72,321

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

Note 1. Significant Accounting Policies

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

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

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

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

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

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

National Competition Policy

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

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

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

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

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

Declared business activities

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

Category 1

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

a. 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

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

Note 1. Significant Accounting Policies (continued)

Monetary amounts

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

(i) Taxation equivalent charges

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

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

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

Notional rate applied (%)

Corporate income tax rate – **27.5%**

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

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

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

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

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

Income tax

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

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

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

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

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

The rate applied of 27.5% is not the equivalent company tax rate prevalent at reporting date. No adjustments have been made for variations that have occurred during the year.

Local government rates and charges

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

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

Note 1. Significant Accounting Policies (continued)

Loan and debt guarantee fees

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

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

(ii) Subsidies

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

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

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

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

(iii) Return on investments (rate of return)

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

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

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

The rate of return is calculated as follows:

Operating result before capital income + interest expense

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

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

(iv) Dividends

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

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

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

- 50% of this surplus in any one year, or
- the number of water supply or sewerage assessments at 30 June 2020 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

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



INDEPENDENT AUDITOR'S REPORT

Report on the special purpose financial statements

Snowy Valleys Council

To the Councillors of 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 2020, the Statement of Financial Position of each Declared Business Activity as at 30 June 2020 and Note 1 Significant accounting policies for the Business Activities declared by Council.

The Declared Business Activities of the Council are:

- Water Supply
- Sewerage.

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Council's declared Business Activities as at 30 June 2020, and their financial performance for the year then ended, in accordance with the Australian Accounting Standards described in Note 1 and the Local Government Code of Accounting Practice and Financial Reporting – update number 28 (LG Code).

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

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

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

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

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

Michael Kharzoo
Delegate of the Auditor-General for New South Wales

19 November 2020
SYDNEY

Snowy Valleys Council

SPECIAL SCHEDULES
for the year ended 30 June 2020



Special Schedules

for the year ended 30 June 2020

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Report on Infrastructure Assets - Values

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Permissible income for general rates

\$ '000	Notes	2020/21 Tumut Shire Council	2020/21 Tumbarumba Shire Council	2020/21 Snowy Valleys Council	2019/20 Tumut Shire Council	2019/20 Tumbarumba Shire Council	2019/20 Snowy Valleys Council
Notional general income calculation ¹							
Last year notional general income yield	a	6,825	2,584	9,409	6,667	2,512	9,179
Plus or minus adjustments ²	b	8	2	10	(3)	4	1
Notional general income	c = a + b	6,833	2,586	9,419	6,664	2,516	9,180
Permissible income calculation							
Or rate peg percentage	e	2.60%	2.60%		2.70%	2.70%	
Less expiring special variation amount	g	(637)	—	(637)	—	—	—
Or plus rate peg amount	i = e x (c + g)	161	67	228	180	68	248
Notional General Income Calculation							
Last Year Notional General Income Yield							
Tumut Shire Council							
Sub-total	k = (c + g + h + i + j)	6,357	2,653	9,010	6,844	2,584	9,428
Plus (or minus) last year's carry forward total	l	19	—	19	—	—	—
Sub-total	n = (l + m)	19	—	19	—	—	—
Total permissible income	o = k + n	6,376	2,653	9,029	6,844	2,584	9,428
Less notional general income yield	p	6,385	2,653	9,038	6,825	2,584	9,409
Catch-up or (excess) result	q = o – p	(9)	—	(9)	19	—	19
Carry forward to next year ⁶	t = q + r + s	(9)	—	(9)	19	—	19

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



INDEPENDENT AUDITOR'S REPORT

Special Schedule - Permissible income for general rates

Snowy 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 2021.

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

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Schedule

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

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

Auditor's Responsibilities for the Audit of the Schedule

My objectives are to:

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

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

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

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

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

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

Michael Kharzoo
Delegate of the Auditor-General for New South Wales

19 November 2020
SYDNEY

Report on Infrastructure Assets

as at 30 June 2020

Asset Class	Asset Category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2019/20 Required maintenance ^a	2019/20 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
		\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	1	2	3	4	5
(a) Report on Infrastructure Assets - Values												
Buildings	Buildings – specialised	–	–	184	184	10,831	17,301	49.7%	19.8%	29.5%	1.0%	0.0%
	Council Offices/Administration	–	–	–	–	8,154	13,614	35.0%	50.1%	9.6%	5.3%	0.0%
	Council Public Halls	–	–	147	147	1,575	4,262	3.7%	26.7%	60.2%	9.4%	0.0%
	Council Works Depot	–	–	–	–	2,543	4,501	37.7%	36.9%	25.4%	0.0%	0.0%
	Cultural Facilities	–	–	9	9	4,642	9,052	22.5%	31.4%	44.7%	1.5%	0.0%
	Libraries	–	–	749	749	1,536	2,589	36.7%	56.0%	7.3%	0.0%	0.0%
	Other Buildings	–	–	580	580	9,317	14,535	53.8%	33.7%	12.5%	0.0%	0.0%
	Sub-total	–	–	1,669	1,669	38,598	65,854	39.5%	33.8%	24.6%	2.2%	0.0%
Other structures	Other structures	–	–	–	–	6,420	11,108	46.4%	16.0%	27.8%	9.7%	0.0%
	Sub-total	–	–	–	–	6,420	11,108	46.4%	16.0%	27.8%	9.7%	0.0%
Roads	Unsealed roads	–	–	851	851	19,094	24,024	63.4%	30.3%	5.7%	0.6%	0.0%
	Bridges	1,047	1,047	–	–	44,425	67,546	85.4%	10.3%	2.8%	1.6%	0.0%
	Footpaths	–	–	104	104	9,731	13,219	60.5%	30.3%	9.2%	0.0%	0.0%
	Other road assets	–	–	446	446	4,467	5,822	99.0%	0.0%	1.0%	0.0%	0.0%
	Bulk earthworks	–	–	–	–	201,636	201,636	100.0%	0.0%	0.0%	0.0%	0.0%
	Cycleways	–	–	–	–	2,358	2,554	85.8%	13.9%	0.4%	0.0%	0.0%
	Kerb & Gutter	–	–	27	27	20,917	29,445	29.5%	40.0%	29.6%	0.9%	0.0%
	Road Culverts	–	–	20	20	19,379	30,452	97.3%	2.4%	0.3%	0.0%	0.0%
	Sealed Road Surface	–	–	1,243	1,243	19,100	29,892	46.1%	49.1%	4.7%	0.2%	0.0%
	Sealed Road Structure	–	–	157	157	69,022	91,741	47.7%	45.1%	7.1%	0.1%	0.0%
	Sub-total	1,047	1,047	2,848	2,848	389,212	496,331	77.8%	17.5%	4.3%	0.3%	0.0%
Water supply network	Other	–	–	200	200	445	689	55.9%	26.7%	17.4%	0.0%	0.0%
	Pumping Stations	–	–	317	317	1,678	4,007	13.1%	52.6%	16.3%	18.0%	0.0%
	Reservoirs	–	–	74	74	6,037	10,650	37.0%	39.4%	14.7%	8.8%	0.0%
	Treatment	–	–	1,424	1,424	15,314	27,165	45.2%	33.3%	18.0%	3.5%	0.0%
	Mains	–	–	592	592	23,599	35,084	60.6%	35.4%	3.9%	0.1%	0.0%
	Sub-total	–	–	2,607	2,607	47,073	77,595	49.5%	36.0%	11.1%	3.4%	0.0%

Report on Infrastructure Assets (continued)

as at 30 June 2020

Asset Class	Asset Category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2019/20 Required maintenance ^a	2019/20 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
		\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	1	2	3	4	5
Sewerage network	Mains	—	—	203	203	37,106	55,919	30.9%	48.8%	19.6%	0.6%	0.2%
	Other	—	—	—	—	806	1,038	92.0%	7.2%	0.8%	0.0%	0.0%
	Pumping Stations	—	—	146	146	2,744	5,518	22.7%	43.8%	28.8%	4.8%	0.0%
	Treatment	187	187	783	783	23,962	35,939	65.4%	19.9%	7.5%	7.2%	0.0%
	Sub-total	187	187	1,132	1,132	64,618	98,414	43.6%	37.5%	15.5%	3.2%	0.1%
Stormwater drainage	Head Walls	—	—	—	—	118	203	85.6%	12.6%	1.8%	0.0%	0.0%
	Inlet and Junction Pits	—	—	—	—	4,113	6,720	82.2%	17.4%	0.3%	0.0%	0.0%
	Stormwater Conduits	—	—	26	26	16,884	28,256	84.7%	15.0%	0.3%	0.0%	0.0%
	Stormwater Converters	—	—	—	—	5	5	100.0%	0.0%	0.0%	0.0%	0.0%
	Sub-total	—	—	26	26	21,120	35,184	84.2%	15.5%	0.3%	0.0%	0.0%
Open space / recreational assets	Other	—	—	53	53	9,029	9,323	46.4%	16.0%	27.8%	9.7%	0.0%
	Other Open Space/Recreation	—	—	2,051	2,051	4,396	5,234	81.6%	7.0%	4.7%	6.7%	0.0%
	Swimming pools	93	93	685	685	2,988	5,522	32.6%	28.9%	36.8%	1.7%	0.0%
	Sub-total	93	93	2,789	2,789	16,413	20,079	51.8%	17.2%	24.3%	6.7%	0.0%
TOTAL - ALL ASSETS		1,327	1,327	11,071	11,071	583,454	804,565	67.0%	23.0%	8.6%	1.4%	0.0%

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

Infrastructure asset condition assessment 'key'

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

Report on Infrastructure Assets (continued)

as at 30 June 2020

\$ '000	Amounts 2020	Indicator 2020	Prior periods 20192018		Benchmark
Infrastructure asset performance indicators (consolidated) *					
Buildings and infrastructure renewals ratio ¹					
Asset renewals ²	12,296	126.22%	135.24%	79.59%	>=100.00%
Depreciation, amortisation and impairment	9,742				
Infrastructure backlog ratio ¹					
Estimated cost to bring assets to a satisfactory standard	1,327	0.23%	0.05%	0.26%	<2.00%
Net carrying amount of infrastructure assets	583,454				
Asset maintenance ratio					
Actual asset maintenance	11,071	100.00%	100.00%	96.23%	>100.00%
Required asset maintenance	11,071				
Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	1,327	0.16%	0.04%	0.18%	
Gross replacement cost	804,565				

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

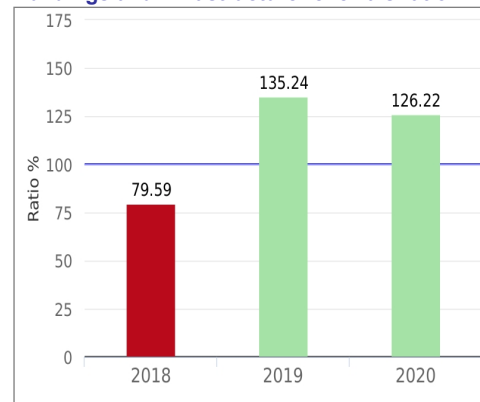
(1) Excludes Work In Progress (WIP)

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

Report on Infrastructure Assets (continued)

as at 30 June 2020

Buildings and infrastructure renewals ratio



Buildings and infrastructure renewals ratio

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

Commentary on result

19/20 ratio 126.22%

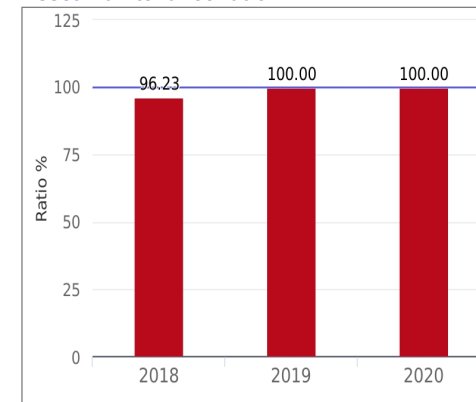
Benchmark: — $\geq 100.00\%$

Ratio achieves benchmark

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

Ratio is outside benchmark

Asset maintenance ratio



Asset maintenance ratio

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

19/20 ratio 100.00%

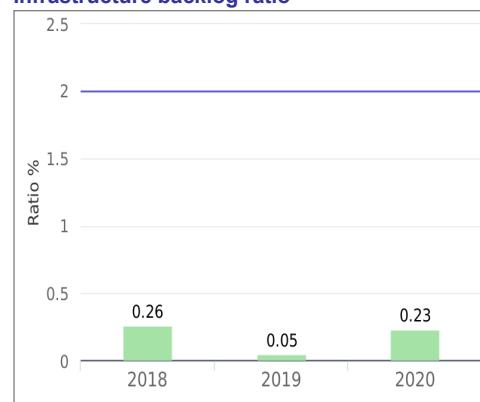
Benchmark: — $> 100.00\%$

Ratio achieves benchmark

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

Ratio is outside benchmark

Infrastructure backlog ratio



Infrastructure backlog ratio

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

Commentary on result

19/20 ratio 0.23%

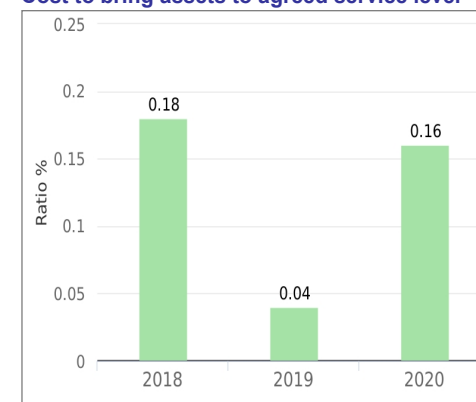
Benchmark: — $< 2.00\%$

Ratio achieves benchmark

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

Ratio is outside benchmark

Cost to bring assets to agreed service level



Cost to bring assets to agreed service level

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

19/20 ratio 0.16%

Report on Infrastructure Assets (continued)

as at 30 June 2020

\$ '000	General fund		Water fund		Sewer fund		Benchmark
	2020	2019	2020	2019	2020	2019	
Infrastructure asset performance indicators (by fund)							
Buildings and infrastructure renewals ratio ¹							
Asset renewals ²	171.38%	178.56%	7.75%	23.31%	5.73%	23.39%	>=100.00%
Depreciation, amortisation and impairment							
Infrastructure backlog ratio ¹							
Estimated cost to bring assets to a satisfactory standard	0.24%	0.02%	0.00%	0.00%	0.29%	0.28%	<2.00%
Net carrying amount of infrastructure assets							
Asset maintenance ratio							
Actual asset maintenance	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	>100.00%
Required asset maintenance							
Cost to bring assets to agreed service level							
Estimated cost to bring assets to an agreed service level set by Council	0.18%	0.02%	0.00%	0.00%	0.19%	0.19%	
Gross replacement cost							

(1) Excludes Work In Progress (WIP)

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