

ANNUAL FINANCIAL STATEMENTS

2016 - 2017

Snowy Valleys Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the period 13 May 2016 to 30 June 2017

Leading, engaging & supporting
strong & vibrant communities



Snowy Valleys Council

General Purpose Financial Statements

for the period 13 May 2016 to 30 June 2017

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Overview

- (i) These financial statements are General Purpose Financial Statements and cover the operations for Snowy Valleys Council.
- (ii) Snowy Valleys Council is a body politic of NSW, Australia – being constituted as a local government area by proclamation and is duly empowered by the *Local Government Act 1993* (LGA).

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).

- (iii) All figures presented in these financial statements are presented in Australian currency.
 - (iv) These financial statements were authorised for issue by the Council on 26 October 2017. Council has the power to amend and reissue these financial statements.
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Snowy Valleys Council

General Purpose Financial Statements

for the period 13 May 2016 to 30 June 2017

Understanding Council's Financial Statements

Introduction

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

What you will find in the statements

The financial statements set out the financial performance, financial position and cash flows of Council for the period 13 May 2016 to 30 June 2017.

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

About the Councillor/Management Statement

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

About the primary financial statements

The financial statements incorporate five 'primary' financial statements:

1. The Income Statement

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

2. The Statement of Comprehensive Income

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

3. The Statement of Financial Position

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

4. The Statement of Changes in Equity

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

5. The Statement of Cash Flows

Indicates where Council's cash came from and where it was spent.

About the Notes to the Financial Statements

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

About the Auditor's Reports

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

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

Who uses the financial statements?

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

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

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

Snowy Valleys Council

General Purpose Financial Statements for the period 13 May 2016 to 30 June 2017

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:

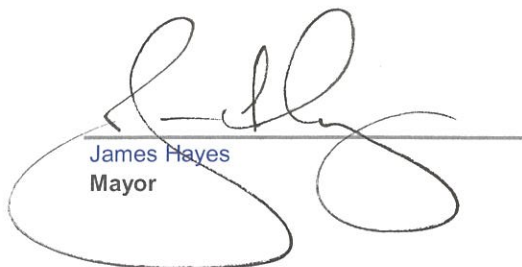
- the *Local Government Act 1993 (NSW)* (as amended) and the regulations made thereunder,
- the Australian Accounting Standards and professional pronouncements, and
- the Local Government Code of Accounting Practice and Financial Reporting.

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

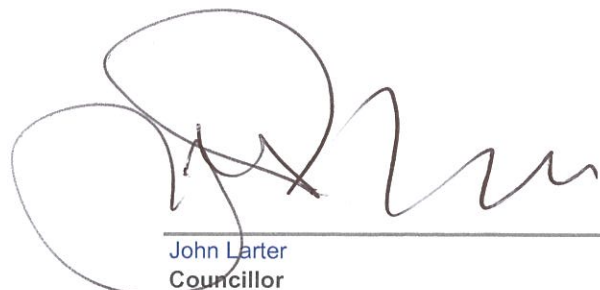
- present fairly the Council's operating result and financial position for the period 13 May 2016 to 30 June 2017, and
- accord with Council's accounting and other records.

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

Signed in accordance with a resolution of Council made on 26 October 2017.



James Hayes
Mayor



John Larter
Councillor



David Aber
Interim General Manager



Sarah Pentland
Responsible accounting officer

Snowy Valleys Council

Income Statement

for the period 13 May 2016 to 30 June 2017

\$ '000	Notes	Actual 13/5/16 to 30/6/17
Income from continuing operations		
Revenue:		
Rates and annual charges	3a	16,704
User charges and fees	3b	21,130
Interest and investment revenue	3c	1,513
Other revenues	3d	1,019
Grants and contributions provided for operating purposes	3e,f	19,107
Grants and contributions provided for capital purposes	3e,f	12,098
Other income:		
Net share of interests in joint ventures and associates using the equity method	19	—
Total income from continuing operations		71,571
Expenses from continuing operations		
Employee benefits and on-costs	4a	18,576
Borrowing costs	4b	800
Materials and contracts	4c	20,205
Depreciation and amortisation	4d	12,324
Other expenses	4e	8,344
Net losses from the disposal of assets	5	2,271
Total expenses from continuing operations		62,520
Operating result from continuing operations		9,051
Discontinued operations		
Net profit/(loss) from discontinued operations	24	—
Net operating result for the period		9,051
Gain on local government amalgamation		
Assets and liabilities transferred from former councils	28	594,898
Net result for the period		603,949
Net operating result attributable to Council		603,949
Net operating result attributable to non-controlling interests		—
Net operating result for the period before grants and contributions provided for capital purposes		(3,047)

Snowy Valleys Council

Statement of Comprehensive Income for the period 13 May 2016 to 30 June 2017

\$ '000	Notes	Actual 13/5/16 to 30/6/17
Net result for the period (as per Income Statement)		603,949
Other comprehensive income:		
Amounts which will not be reclassified subsequently to the operating result		
Gain (loss) on revaluation of I,PP&E	20b (ii)	1,757
Total items which will not be reclassified subsequently to the operating result		1,757
Amounts which will be reclassified subsequently to the operating result when specific conditions are met Nil		
Total items which will be reclassified subsequently to the operating result when specific conditions are met		–
Total other comprehensive income for the period		1,757
Total comprehensive income for the period		605,706
Total comprehensive income attributable to Council		605,706
Total comprehensive income attributable to non-controlling interests		–

Snowy Valleys Council

Statement of Financial Position as at 30 June 2017

		Actual
\$ '000	Notes	2017
ASSETS		
Current assets		
Cash and cash equivalents	6a	13,240
Investments	6b	36,084
Receivables	7	6,726
Inventories	8	560
Other	8	49
Non-current assets classified as 'held for sale'	22	72
Total current assets		56,731
Non-current assets		
Investments	6b	–
Receivables	7	237
Inventories	8	147
Infrastructure, property, plant and equipment	9	567,336
Investments accounted for using the equity method	19	–
Investment property	14	–
Intangible assets	25	1,080
Total non-current assets		568,800
TOTAL ASSETS		625,531
LIABILITIES		
Current liabilities		
Payables	10	2,159
Income received in advance	10	–
Borrowings	10	1,183
Provisions	10	5,746
Total current liabilities		9,088
Non-current liabilities		
Payables	10	–
Income received in advance	10	–
Borrowings	10	10,425
Provisions	10	312
Total non-current liabilities		10,737
TOTAL LIABILITIES		19,825
Net assets		605,706
EQUITY		
Retained earnings	20	603,949
Revaluation reserves	20	1,757
Total equity		605,706

Snowy Valleys Council

Statement of Changes in Equity

for the period 13 May 2016 to 30 June 2017

13/5/16 to 30/6/17			Asset revaluation reserve (Refer 20b)	Other reserves (Refer 20b)	Council interest	Non- controlling interest	Total equity
\$ '000	Notes	Retained earnings					
a. Net result for the period		603,949	–	–	603,949	–	603,949
b. Other comprehensive income							
– Revaluations: IPP&E asset revaluation reserve	20b (ii)	–	1,757	–	1,757	–	1,757
Other comprehensive income		–	1,757	–	1,757	–	1,757
Total comprehensive income		603,949	1,757	–	605,706	–	605,706
e. Distributions to/(contributions from) non-controlling interests		–	–	–	–	–	–
f. Transfers between equity		–	–	–	–	–	–
Equity – balance at end of the reporting period		603,949	1,757	–	605,706	–	605,706

Snowy Valleys Council

Statement of Cash Flows

for the period 13 May 2016 to 30 June 2017

\$ '000	Notes	Actual 13/5/16 to 30/6/17
Cash flows from operating activities		
<u>Receipts:</u>		
Rates and annual charges		19,055
User charges and fees		27,211
Investment and interest revenue received		1,394
Grants and contributions		31,097
Bonds, deposits and retention amounts received		143
Other		559
<u>Payments:</u>		
Employee benefits and on-costs		(18,382)
Materials and contracts		(22,130)
Borrowing costs		(757)
Other		(6,929)
Net cash provided (or used in) operating activities	11b	31,261
Cash flows from investing activities		
<u>Receipts:</u>		
Sale of investment securities		13,509
Sale of infrastructure, property, plant and equipment		627
<u>Payments:</u>		
Purchase of investment securities		(23,875)
Purchase of infrastructure, property, plant and equipment		(12,525)
Net cash provided (or used in) investing activities		(22,264)
Cash flows from financing activities		
<u>Receipts:</u>		
Nil		
<u>Payments:</u>		
Repayment of borrowings and advances		(1,254)
Net cash flow provided (used in) financing activities		(1,254)
Net increase/(decrease) in cash and cash equivalents		7,743
Plus: cash transferred on amalgamation of councils	28	5,497
Cash and cash equivalents – end of the period	11a	13,240
Additional Information:		
plus: Investments on hand – end of period	6b	36,084
Total cash, cash equivalents and investments		49,324

Please refer to Note 11 for information on the following:

- Non-cash financing and investing activities
- Financing arrangements
- Net cash flow disclosures relating to any discontinued operations

Snowy Valleys Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

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n/a – not applicable

Snowy Valleys Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 1. Summary of significant accounting policies

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 periods presented, unless otherwise stated.

(a) Basis of preparation

The local government (Council Amalgamations) Proclamation 2016 ('the Proclamation') under the Local Government Act 1993 (NSW) transferred the assets and liabilities of former councils:

- Tumut Shire Council
- Tumbarumba Shire Council

to Snowy Valleys Council as at 12 May 2016.

Pursuant to the Proclamation, financial statements have been prepared for the period commencing on the date of establishment of Snowy Valleys Council, being 13 May 2016 and ending on 30 June 2017.

Future reporting periods will be from 1 July to 30 June of the relevant years.

Assets and liabilities of Tumut Shire Council and Tumbarumba Shire Council have been recognised by the Snowy Valleys Council at the carrying amount recorded by the former council.

Snowy Valleys Council believes the carrying amounts are not materially different from their fair values as at the date of transfer 12 May 2016, with the exception of water and sewer infrastructure. An independent revaluation of water and sewer infrastructure was performed as at 30 June 2017 with adjustments made based on unit rates, provided by the valuer applicable for transfer date, to recognise these assets at fair value as at the date of transfer.

The fair value of the net assets has been shown as a gain on local government amalgamation in the income statement and further information is provided in Note 28.

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

Reporting. Council is a not for-profit entity for the purpose of preparing these financial statements.

(i) New and amended standards adopted by Council

There have been no new accounting standards adopted in this period's financial statements which have had any material impact on reported financial position, performance or cash flows.

(ii) Early adoption of standards

Council has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 13 May 2016.

(iii) 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 property, plant and equipment and investment property.

(iv) 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 period include:

- (i) Estimated fair values of employee leave entitlements,

Snowy Valleys Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 1. Summary of significant accounting policies (continued)

(ii) Estimated fair values of infrastructure, property, plant and equipment,

(iii) Estimated tip remediation provisions.

Significant judgements in applying the Council's accounting policies

(i) Impairment of Receivables

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

(b) Revenue recognition

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.

Revenue is measured at the fair value of the consideration received or receivable. Revenue is measured on major income categories as follows:

(i) Rates, annual charges, grants and contributions

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

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

Control over granted assets/contributed assets is normally obtained upon their receipt (or acquittal) or upon earlier notification that a grant has been secured, and is valued at their fair value at the date of transfer.

Where grants or contributions recognised as revenues during the financial reporting period 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 in Note 3(g). The note also discloses the amount of unused grant or contribution from prior years that was expended on Council's operations during the current period.

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

(ii) User charges and fees

User charges and fees (including parking fees and fines) are recognised as revenue when the service has been provided or when the penalty has been applied, whichever first occurs.

(iii) Sale of infrastructure, property, plant and equipment

The profit or loss on sale of an asset is determined when control of the asset has irrevocably passed to the buyer.

(iv) Interest

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

(v) Rent

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

(vi) Dividend income

Revenue is recognised when the Council's right to receive the payment is established, which is generally when shareholders approve the dividend.

(vii) Other income

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

Snowy Valleys Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 1. Summary of significant accounting policies (continued)

(c) Principles of consolidation

(i) 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
- Snowy Works & Services

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

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

The total income and expenditure from continuing operations and net assets held by these excluded committees and operations is as follows:

Total income from continuing operations \$272,943

Total expenses from continuing operations \$240,022

Total net assets held (i.e. equity)
\$309,600

(ii) 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.

Trust monies and property held by Council but not subject to the control of Council have been excluded from 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.

(iii) County Councils

Council is not a member of any county councils.

(iv) Interests in other entities

Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Council has control. Control is established when the Council is exposed to, or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the relevant activities of the entity.

These consolidated financial statements include the financial position and performance of controlled entities from the date on which control is obtained until the date that control is lost. Intragroup assets, liabilities, equity, income, expenses and cash flows relating to transactions between entities in the consolidated entity have been eliminated in full for the purpose of these financial statements.

Appropriate adjustments have been made to a controlled entity's financial position, performance and cash flows where the accounting policies used by that entity were different from those adopted by the consolidated entity. All controlled entities have a June financial year end.

A list of controlled entities is contained in Note 19 to the financial statements.

Snowy Valleys Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 1. Summary of significant accounting policies (continued)

Joint arrangements

Council has no interest in any joint arrangements.

Joint operations

In relation to its joint operations, where the venturer has the rights to the individual assets and obligations arising from the arrangement, the Council has recognised:

- its assets, including its share of any assets held jointly
- its liabilities, including its share of any liabilities incurred jointly
- its share of the revenue from the sale of the output by the joint operation
- its expenses, including its share of any expenses incurred jointly.

These figures are incorporated into the relevant line item in the primary statements.

Joint ventures/associates

Interests in joint ventures/associates are accounted for using the equity method in accordance with AASB128 Associates and Joint Ventures. Under this method, the investment is initially recognised as a cost and the carrying amount is increased or decreased to recognise the Council's share of the profit or loss and other comprehensive income of the investee after the date of acquisition.

If the Council's share of losses of a joint venture equals or exceeds its interest in the joint venture, the Council discontinues recognising its share of further losses.

The Council's share in the joint venture's gains or losses arising from transactions between itself and its joint venture are eliminated.

Adjustments are made to the joint venture's accounting policies where they are different from those of the Council for the purpose of the consolidated financial statements.

(d) Leases

Leases of property, plant and equipment where Council, as lessee, has substantially all the risks and

rewards of ownership are classified as finance leases.

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

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

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

Lease income from operating leases where Council is a lessor is recognised as income on a straight-line basis over the lease term.

(e) Impairment of assets

Intangible assets that have an indefinite useful life or are not yet available for use are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired.

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

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are

Snowy Valleys Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 1. Summary of significant accounting policies (continued)

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.

(f) Cash and cash equivalents

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

Bank overdrafts are shown within borrowings in current liabilities on the Statement of Financial Position.

(g) Inventories

(i) 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.

Cost comprises direct materials, direct labour, and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to individual items of inventory on basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(ii) Inventory held for distribution

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

(iii) 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.

(h) Non-current assets (or disposal groups) held for sale and discontinued operations

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use.

They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets; assets arising from employee benefits; financial assets; and investment properties that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

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

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a

Snowy Valleys Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 1. Summary of significant accounting policies (continued)

disposal group classified as held for sale continue to be recognised.

(i) Investments and other financial assets

Classification

Council classifies its financial assets in the following categories: financial assets at fair value through profit or loss; loans and receivables; held-to-maturity investments; and available-for-sale financial assets.

The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at each reporting date.

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

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

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which that are classified as non-current assets.

Loans and receivables are included in other receivables (note 8) and receivables (note 7) in the Statement of Financial Position.

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

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

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that Council's management has the positive intention and ability to hold to maturity. If Council were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale.

Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the reporting date, that are classified as current assets.

(iv) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the reporting date.

Investments are designated as available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long term.

Recognition and de-recognition

Regular purchases and sales of financial assets are recognised on trade-date: the date on which Council commits to purchase or sell the asset.

Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and Council has transferred substantially all the risks and rewards of ownership.

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in equity are included in the income statement as gains and losses from investment securities.

Snowy Valleys Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 1. Summary of significant accounting policies (continued)

Subsequent measurement

Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method.

Changes in the fair value of other monetary and non-monetary securities classified as available-for-sale are recognised in equity.

Impairment

Council assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired.

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

In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the assets are impaired.

(i) Assets carried at amortised cost

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

The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Council may measure impairment on the basis of an instrument's fair value using an observable market price.

Collectability of receivables is reviewed on an on-going basis. Debts that are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of receivables) is used when there is

objective evidence that Council will not be able to collect all amounts due according to the original terms of the receivables.

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The amount of the impairment loss is recognised in the income statement within other expenses. When a receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the income statement.

Investment Policy

Council has an approved investment policy complying with Section 625 of the Local Government Act 1993 (NSW) and Clause 212 of the Local Government (General) Regulation 2005 (NSW).

Investments are placed and managed in accordance with that policy and having particular regard to authorised investments prescribed under the Ministerial Local Government Investment Order. Council maintains an investment policy that complies with the Act and ensures that it, or its representatives, exercise the care, diligence and skill that a prudent person would exercise in investing Council funds.

Council amended its policy following revisions to the Ministerial Local Government Investment Order (the Order) arising from the Cole Inquiry recommendations. Certain investments the Council holds are no longer prescribed; however, they have been retained under grandfathering provisions of the Order. These will be disposed of when most financially advantageous to Council.

Snowy Valleys Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 1. Summary of significant accounting policies (continued)

(j) Fair value estimation – financial instruments

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. Council uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Council for similar financial instruments.

(k) Infrastructure, property, plant and equipment (IPPE)

Council's assets were transferred from the former councils at fair value (refer to Note 29). Council revalued its Water and Sewer Infrastructure assets in 2017. Assets will be progressively revalued to fair value in accordance with a staged implementation advised by the Office of Local Government. At reporting date, the following classes of IPPE were stated at their fair value:

Externally valued:

- Operational land
- Community land

Internally valued:

- Buildings – specialised/non-specialised
- Other structures
- Roads assets including roads, bridges and footpaths
- Bulk earthworks

- Stormwater drainage
- Water and sewerage networks
- Swimming pools
- Other open space/recreational assets
- Other infrastructure

As approximated by depreciated historical cost:

- Plant and equipment
- Land improvements
- Other structures
- Other assets

Non-specialised assets with short useful lives are measured at depreciated historical cost as an approximation of fair value. Council has assessed that any difference between fair value and depreciated historical cost is unlikely to be material.

Water and sewerage network assets are indexed annually between full revaluations in accordance with the latest indices provided by DPI Water.

For all other asset classes, Council assesses at each reporting date whether there is any indication that a revalued asset's carrying amount may differ materially from that which would be determined if the asset were revalued at the reporting date. If any such indication exists, Council determines the asset's fair value and revalue the asset to that amount. Full revaluations are undertaken for all assets on a five-year cycle.

Increases in the carrying amounts arising on revaluation are credited to the asset revaluation reserve. To the extent that the increase reverses a decrease previously recognising profit or loss relating to that asset class, the increase is first recognised as profit or loss.

Decreases that reverse previous increases of assets in the same class are first charged against revaluation reserves directly in equity to the extent of the remaining reserve attributable to the class; all other decreases are charged to the Income Statement.

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

Snowy Valleys Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 1. Summary of significant accounting policies (continued)

charged to the income statement during the financial period in which they are incurred.

Depreciation

Land is not depreciated.

Depreciation on other assets is calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives as follows:

Plant and equipment

- Office equipment	5 to 10 years
- Office furniture	10 to 20 years
- Computer equipment	4 years
- Vehicles	5 to 8 years
- Heavy plant/road making equipment	5 to 8 years
- Other plant and equipment	5 to 15 years

Other equipment

- Playground equipment	5 to 15 years
- Benches, seats etc.	10 to 20 years

Buildings

- Buildings: masonry	50 to 100 years
- Buildings: other	20 to 40 years

Water and sewer assets

- Dams and reservoirs	40 to 100 years
- Bores	20 to 40 years
- Reticulation pipes: PVC	70-80 years
- Reticulation pipes: other	45 to 75 years
- Pumps and telemetry	10 to 25 years

Stormwater assets

- Drains	50 to 80 years
- Culverts	50 to 80 years
- Flood control structures	80 to 100 years

Transportation assets

- Sealed roads: surface	2 to 60 years
- Sealed roads: structure	100 years
- Unsealed roads	7 to 30 years
- Bridge: concrete	100 years
- Bridge: other	40 to 80 years

- Road pavements	60 years
- Kerb, gutter and footpaths	40 years

Other infrastructure assets

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

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

(l) Payables

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

(m) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

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

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

Snowy Valleys Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 1. Summary of significant accounting policies (continued)

(n) 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.

(o) 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.

(p) Employee benefits

(i) 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.

(ii) 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.

(iii) 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.

Defined Benefit Plans

A liability or asset in respect of defined benefit superannuation plans would ordinarily be recognised in the Statement of Financial Position, and measured as the present value of the defined benefit obligation at the reporting date plus unrecognised actuarial gains (less unrecognised actuarial losses) less the fair value of the superannuation fund's assets at that date and any unrecognised past service cost.

The present value of the defined benefit obligation is based on expected future payments that arise from membership of the fund to the reporting date, calculated annually by independent actuaries using the projected unit credit method.

Snowy Valleys Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 1. Summary of significant accounting policies (continued)

Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. However, when this information is not reliably available, 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.

Council is party to an Industry Defined Benefit Plan under the Local Government Superannuation Scheme, named the 'Local Government Superannuation Scheme – Pool B'.

This scheme has been deemed to be a 'multi-employer fund' for the purposes of AASB 119.

Sufficient information is not available to account for the Scheme as a defined benefit plan (in accordance with AASB 119) because the assets to the scheme are pooled together for all Councils.

Council's share of that deficiency cannot be accurately calculated as the scheme is a mutual arrangement where assets and liabilities are pooled together for all member councils.

For this reason, no liability for the deficiency has been recognised in these financial statements.

Council has, however, disclosed a contingent liability in Note 18 to reflect the possible obligation that may arise should the scheme require immediate payment to correct the deficiency.

Defined Contribution 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.

(q) Land under roads

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

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.

(r) 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.

(s) 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.

(t) Rural fire service assets

Under section 119 of the Rural Fire Services Act 1997 (NSW), "all fire fighting equipment purchased or constructed wholly or from money to the credit of the Fund is to be vested in the council of the area for or

Snowy Valleys Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 1. Summary of significant accounting policies (continued)

on behalf of which the fire fighting equipment has been purchased or constructed”.

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

(u) Goods and Services Tax (GST)

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

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

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

(v) New accounting standards and interpretations issued not yet effective

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

AASB 9 - Financial Instruments

Significant revisions to the classification and measurement of financial assets, reducing the number of categories and simplifying the measurement choices, including the removal of impairment testing of assets measured at fair value. The amortised cost model is available for debt assets meeting both business model and cash flow characteristics tests. All investments in equity instruments using AASB 9 are to be measured at fair value. Apart from Held-to-maturity term deposits, Council already values all other investments at fair

value with the result that there will not be any financial impact for these developments.

The revisions also amend measurement rules for financial liabilities that the Council elects to measure at fair value through profit and loss. Changes in fair value attributable to changes in the Council's own credit risk are presented in other comprehensive income. Council does not have any liabilities that are recorded on this basis and the new requirements will not have any financial impact.

Impairment of assets is now based on expected losses in AASB 9 which requires entities to measure:

- the 12-month expected credit losses (expected credit losses that result from those default events on the financial instrument that are possible within 12 months after the reporting date) of full lifetime;
- expected credit losses (expected credit losses that result from all possible default events over the life of the financial instrument).

A financial impact will only arise if any investments become subject to impairment.

Available-for-sale investments will be classified as fair value through other comprehensive income and will no longer be subject to impairment testing.

AASB 15 - Revenue from contracts with customers

AASB 15 will replace AASB 118 which covers contracts for goods and services and AASB 111 which covers construction contracts. AASB 15 will introduce a 5-step process for revenue recognition with the core principle of the new standard being that entities recognise revenue so as to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the Council expects to be entitled in exchange for those goods or services.

The changes in revenue recognition requirements in AASB 15 may cause changes to accounting policies relating to the timing and amount of revenue recorded in the financial statements, as well as additional disclosures.

The effective date of this standard is for annual reporting periods beginning on or after 1 January 2018.

Snowy Valleys Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 1. Summary of significant accounting policies (continued)

Council is undertaking a detailed assessment of the impact of AASB 15.

AASB 16 - Leases

AASB 16 Leases replaces AASB 117 Leases and some associated lease-related Interpretations.

AASB 16 introduces a single lease accounting model (for lessees) that will require all leases to be accounted for on the balance sheet (i.e. recognition of both a right-of-use asset and a corresponding lease) for all leases with a term of more than 12 months unless the underlying assets are determined to be of 'low value'. There will also be detailed disclosure requirements for all lessees.

The effective date of this standard is for annual reporting periods beginning on or after 1 January 2019.

Council is undertaking a detailed assessment of the accounting impacts from AASB 16. However, based on preliminary assessments, impacts from the first time adoption of the standard are likely to not be material.

AASB 124 – Related Party Disclosures

AASB 124 will apply to Council for reporting periods beginning on or after 1 July 2016. Council will be required to disclose information about related parties and Council transactions with those related parties. Related parties will more than likely include the Mayor, Councillors and Directors. In addition, the close family members of those people and any organisations that they control or are associated with will be classified as related parties (and fall under the related party reporting requirements).

Snowy Valleys Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

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

Functions/activities	Income, expenses and assets have been directly attributed to the following functions/activities. Details of these functions/activities are provided in Note 2(b).				
	Income from continuing operations	Expenses from continuing operations	Operating result from continuing operations	Grants included in income from continuing operations	Total assets held (current & non-current)
	Actual	Actual	Actual	Actual	Actual
	13/5/16 to 30/6/17	13/5/16 to 30/6/17	13/5/16 to 30/6/17	13/5/16 to 30/6/17	13/5/16 to 30/6/17
Governance	1	750	(749)	–	68,303
Administration	24,627	15,308	9,319	15,010	27,021
Public order and safety	738	1,644	(906)	176	736
Health	91	223	(132)	–	970
Environment	3,037	3,165	(128)	195	24,187
Community services and education	2,450	2,871	(421)	2,023	4,102
Housing and community amenities	842	1,758	(916)	51	3,213
Water supplies	5,197	7,691	(2,494)	86	49,578
Sewerage services	5,024	4,605	419	103	58,646
Recreation and culture	586	4,639	(4,053)	209	37,569
Mining, manufacturing and construction	146	880	(734)	–	36
Transport and communication	9,475	15,854	(6,379)	2,220	345,387
Economic affairs	1,745	3,132	(1,387)	10	5,783
Total functions and activities	53,959	62,520	(8,561)	20,083	625,531
Share of gains/(losses) in associates and joint ventures (using the equity method)	–	–	–	–	–
General purpose income ¹	17,612	–	17,612	8,005	–
Operating result from continuing operations	71,571	62,520	9,051	28,088	625,531

1. Includes: rates and annual charges (incl. ex-gratia), untied general purpose grants and unrestricted interest and investment income.

Snowy Valleys Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

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:

GOVERNANCE

Includes costs relating to Council's role as a component of democratic government, including elections, members' fees and expenses, subscriptions to local authority associations, meetings of Council and policy-making committees, public disclosure (e.g. GIPA), and legislative compliance.

ADMINISTRATION

Includes corporate support and other support services, engineering works, and any Council policy compliance.

PUBLIC ORDER AND SAFETY

Includes Council's fire and emergency services levy, fire protection, emergency services, beach control, enforcement of regulations and animal control.

HEALTH

Includes immunisation, food control, health centres etc.

ENVIRONMENT

Includes noxious plants and insect/vermin control; other environmental protection; solid waste management, including domestic waste; other waste management; other sanitation; and garbage, street cleaning, drainage and stormwater management.

COMMUNITY SERVICES AND EDUCATION

Includes administration and education; social protection (welfare); migrant, Aboriginal and other community services and administration (excluding accommodation – as it is covered under 'housing and community amenities'); youth services; aged and disabled persons services; children's services, including family day care; child care; and other family and children services.

HOUSING AND COMMUNITY AMENITIES

Includes public cemeteries; public conveniences; street lighting; town planning; other community amenities, including housing development and accommodation for families and children, aged persons, disabled persons, migrants and Indigenous persons.

WATER SUPPLIES

SEWERAGE SERVICES

RECREATION AND CULTURE

Includes public libraries; museums; art galleries; community centres and halls, including public halls and performing arts venues; sporting grounds and venues; swimming pools; parks; gardens; lakes; and other sporting, recreational and cultural services.

MINING, MANUFACTURING AND CONSTRUCTION

Includes building control, quarries and pits, mineral resources, and abattoirs.

TRANSPORT AND COMMUNICATION

Urban local, urban regional, includes sealed and unsealed roads, bridges, footpaths, parking areas, and aerodromes.

ECONOMIC AFFAIRS

Includes camping areas and caravan parks; tourism and area promotion; industrial development promotion; sale yards and markets; real estate development; commercial nurseries; and other business undertakings.

Snowy Valleys Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 3. Income from continuing operations

	Actual 13/5/16 to 30/6/17
\$ '000	Notes
(a) Rates and annual charges	
Ordinary rates	
Residential	3,752
Farmland	3,861
Business	876
Total ordinary rates	8,489
Special rates	
Nil	
Annual charges (pursuant to s.496, s.496A, s.496B, s.501 & s.611)	
Domestic waste management services	2,414
Stormwater management services	13
Water supply services	1,292
Sewerage services	4,359
Drainage	30
Waste management services (non-domestic)	107
Total annual charges	8,215
<u>TOTAL RATES AND ANNUAL CHARGES</u>	<u>16,704</u>

Council has used the following year valuations provided by the NSW Valuer General in calculating its rates:

Former Tumbarumba Shire Council area – 2014

Former Tumut Shire Council area – 2016

Snowy Valleys Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 3. Income from continuing operations (continued)

		Actual 13/5/16 to 30/6/17
\$ '000	Notes	
(b) User charges and fees		
Specific user charges (per s.502 – specific 'actual use' charges)		
Domestic waste management services		26
Water supply services		3,393
Sewerage services		48
Trade waste services		13
Total user charges		3,480
Other user charges and fees		
(i) Fees and charges – statutory and regulatory functions (per s.608)		
Inspection services		44
Planning and building regulation		391
Private works – section 67		4,091
Regulatory/ statutory fees		25
Registration fees		11
Section 149 certificates (EPA Act)		15
Section 603 certificates		33
Total fees and charges – statutory/regulatory		4,610
(ii) Fees and charges – other (incl. general user charges (per s.608))		
Cemeteries		267
Library and art gallery		14
RMS (formerly RTA) charges (state roads not controlled by Council)		10,916
Saleyards		19
Swimming centres		149
Aged related services		170
Cemetery fees		66
Gravel sales		34
Sundry admin income		23
Sporting facilities fees		32
Sewerage treatment fees		35
Rental income		220
Solar bonus scheme		4
Waste transfer station fees		74
Childrens services fees		468
Caravan park lease		184
Tumbafest ticket sales and charges		106
Community Transport		118
Other		141
Total fees and charges – other		13,040
TOTAL USER CHARGES AND FEES		21,130

Snowy Valleys Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 3. Income from continuing operations (continued)

		Actual 13/5/16 to 30/6/17
\$ '000	Notes	
(c) Interest and investment revenue (including losses)		
Interest		
– Interest on overdue rates and annual charges (incl. special purpose rates)		115
– Interest earned on investments (interest and coupon payment income)		1,398
<u>TOTAL INTEREST AND INVESTMENT REVENUE</u>		<u>1,513</u>
Interest revenue is attributable to:		
Unrestricted investments/financial assets:		
Overdue rates and annual charges (general fund)		107
General Council cash and investments		770
Restricted investments/funds – external:		
Development contributions		
– Section 94		7
– Section 64		70
Water fund operations		124
Sewerage fund operations		171
Domestic waste management operations		5
Tumbarumba Retirement Village		18
Restricted investments/funds – internal:		
Internally restricted assets		241
Total interest and investment revenue recognised		<u>1,513</u>
(d) Other revenues		
Rental income – other council properties		322
Fines		44
Legal fees recovery – rates and charges (extra charges)		31
Legal fees recovery – other		6
Commissions and agency fees		90
Diesel rebate		61
Sales – general		213
Property mutual insurance rebate		26
Workers compensation rebate		21
Southern phone dividend received		31
Risk management and OHS incentive		39
Other		135
<u>TOTAL OTHER REVENUE</u>		<u>1,019</u>

Snowy Valleys Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 3. Income from continuing operations (continued)

	13/5/16 to 30/6/17 Operating	13/5/16 to 30/6/17 Capital
\$ '000		
(e) Grants		
General purpose (untied)		
Financial assistance	2,867	–
Financial assistance – general component	3,824	–
Financial assistance – local roads component	1,181	–
Pensioners' rates subsidies – general component	133	–
Total general purpose	8,005	–
Specific purpose		
Pensioners' rates subsidies:		
– Water	59	–
– Sewerage	61	–
– Domestic waste management	66	–
Water supplies	27	–
Sewerage services	32	–
Bushfire and emergency services	12	–
Community care	370	–
Heritage and cultural	187	–
Library	24	–
Noxious weeds	178	–
NSW rural fire services	149	–
Recreation and culture	62	90
Street lighting	45	–
Transport (roads to recovery)	850	–
Transport (other roads and bridges funding)	417	328
Natural disaster	580	–
Mannus dam restoration	10	–
Pines boat ramp	19	–
Khancoban Preschool	129	–
Before and after school care	84	–
Stronger Communities Grant	–	10,000
MSO grant	344	–
Mobile pre-school	372	–
Sewer treatment plant	–	10
Carcoola childrens centre	537	–
Tumbafest	10	–
Merger Implementation Grant	5,000	–
Other	18	13
Total specific purpose	9,642	10,441
Total grants	17,647	10,441
Grant revenue is attributable to:		
– Commonwealth funding	6,163	328
– State funding	11,484	10,113
	17,647	10,441

Snowy Valleys Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 3. Income from continuing operations (continued)

		13/5/16 to 30/6/17	13/5/16 to 30/6/17
\$ '000	Notes	Operating	Capital
(f) Contributions			
Developer contributions:			
(s93 & s94 – EP&A Act, s64 of the LGA):			
S 94 – contributions towards amenities/services		–	23
S 64 – water supply contributions		–	20
S 64 – sewerage service contributions		–	31
Total developer contributions	17	–	74
Other contributions:			
Recreation and culture		22	48
Roads and bridges		68	65
RMS contributions (regional roads, block grant)		654	766
Other		41	–
Children's services		29	–
RMS contributions (PAMP projects)		–	2
Tumba fest		44	–
Community programs		82	–
Insurance rebate		106	–
Rural fire service (zone HQ)		175	–
Vehicle usage contribution		111	–
Youth worker		9	–
Diesel rebate		74	–
HACC contributions		36	–
Blakeney Millar Labyrinth Construction		–	555
Batlow Literary Contribution		–	138
Other		9	9
Total other contributions		1,460	1,583
Total contributions		1,460	1,657
TOTAL GRANTS AND CONTRIBUTIONS		19,107	12,098

Snowy Valleys Council

Notes to the Financial Statements for the period 13 May 2016 to 30 June 2017

Note 3. Income from continuing operations (continued)

	Actual 13/5/16 to 30/6/17
\$ '000	
(g) Unspent grants and contributions	
Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner:	
Unexpended at the close of the previous reporting period (former Councils)	3,948
Add: grants and contributions recognised in the current period but not yet spent:	14,902
Less: grants and contributions recognised in a previous reporting period now spent:	(124)
Net increase (decrease) in restricted assets during the period	14,778
Unexpended and held as restricted assets	18,726
Comprising:	
– Specific purpose unexpended grants	15,589
– Developer contributions	3,137
	18,726

Snowy Valleys Council

Notes to the Financial Statements for the period 13 May 2016 to 30 June 2017

Note 4. Expenses from continuing operations

\$ '000	Notes	Actual 13/5/16 to 30/6/17
(a) Employee benefits and on-costs		
Salaries and wages		13,807
Employee termination costs		605
Travel expenses		34
Employee leave entitlements (ELE)		1,763
Superannuation		1,119
Superannuation – defined contribution plans		534
Superannuation – defined benefit plans		165
Workers' compensation insurance		579
Fringe benefit tax (FBT)		73
Payroll tax		68
Training costs (other than salaries and wages)		275
Other		241
Total employee costs		19,263
Less: capitalised costs		(687)
<u>TOTAL EMPLOYEE COSTS EXPENSED</u>		<u>18,576</u>
Number of 'full-time equivalent' employees (FTE) at period end		228
(b) Borrowing costs		
(i) Interest bearing liability costs		
Interest on loans		799
Total interest bearing liability costs		799
Less: capitalised costs		–
Total interest bearing liability costs expensed		799
(ii) Other borrowing costs		
Discount adjustments relating to movements in provisions (other than ELE)		
– Remediation liabilities	26	1
Total other borrowing costs		1
<u>TOTAL BORROWING COSTS EXPENSED</u>		<u>800</u>

Snowy Valleys Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Actual 13/5/16 to 30/6/17
(c) Materials and contracts		
Raw materials and consumables		18,033
Contractor and consultancy costs		
– Sealing contract		848
– IT service contract		89
– Garbage and recycle collection		151
– Town planning consultants		29
– Integrated business software		115
– LGFS portfolio		10
– Accounting		38
– Economic development		73
– Implementation Fund Consultancies		459
– Stronger Communities Infrastructure Consultancies		36
Auditors remuneration ⁽¹⁾		133
Legal expenses:		
– Legal expenses: debt recovery		33
– Legal expenses: other		53
Operating leases:		
– Operating lease rentals: minimum lease payments ⁽²⁾		105
Total materials and contracts		20,205
Less: capitalised costs		–
<u>TOTAL MATERIALS AND CONTRACTS</u>		<u>20,205</u>

1. Auditor remuneration

Audit and other assurance services

Audit and review of financial statements: Council's Auditor

73

Other audit and assurance services

60

Remuneration for audit and other assurance services

133

Total Auditor remuneration

133

2. Operating lease payments are attributable to:

Other

105

105

Snowy Valleys Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Actual 13/5/16 to 30/6/17
(d) Depreciation, amortisation and impairment		
Depreciation and amortisation		
Plant and equipment		2,744
Office equipment		83
Furniture and fittings		45
Land improvements (depreciable)		116
Infrastructure:		
– Buildings – non-specialised		835
– Buildings – specialised		250
– Other structures		469
– Roads		4,032
– Bridges		628
– Footpaths		161
– Other road assets		290
– Stormwater drainage		332
– Water supply network		1,041
– Sewerage network		822
– Other open space/recreational assets		245
– Other infrastructure		6
Other assets		
– Heritage collections		3
– Library books		5
– Other		20
Asset reinstatement costs	9 & 26	18
Intangible assets	25	179
Less: capitalised costs		–
Total depreciation and amortisation costs		12,324
Impairment		
Nil		
TOTAL DEPRECIATION AND IMPAIRMENT COSTS EXPENSED		12,324

Snowy Valleys Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Actual 13/5/16 to 30/6/17
(e) Other expenses		
Advertising		425
Bank charges		49
Contributions/levies to other levels of government		
– Emergency services levy (includes FRNSW, SES, and RFS levies)		157
– NSW rural fire service levy		261
– Other contributions/levies		58
Councillor expenses – councillors' fees		82
Councillors' expenses (incl. mayor) – other (excluding fees above)		237
Donations, contributions and assistance to other organisations		104
Donations, contributions and assistance to other organisations (Section 356)		159
Electricity and heating		1,012
Fair value decrements – I,PP&E	9(a)	2,785
Insurance		907
Postage		45
Printing and stationery		136
Street lighting		44
Subscriptions and publications		292
Telephone and communications		214
Valuation fees		68
Stronger Communities Grants Expenditure		1,136
Other		173
Total other expenses		8,344
Less: capitalised costs		–
<u>TOTAL OTHER EXPENSES</u>		<u>8,344</u>

Snowy Valleys Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 5. Gains or losses from the disposal of assets

	Actual 13/5/16 to 30/6/17
\$ '000	Notes
Plant and equipment	
Proceeds from disposal – plant and equipment	627
Less: carrying amount of plant and equipment assets sold/written off	(2,235)
Net gain/(loss) on disposal	(1,608)
Infrastructure	
Proceeds from disposal – infrastructure	–
Less: carrying amount of infrastructure assets sold/written off	(663)
Net gain/(loss) on disposal	(663)
Financial assets	
Proceeds from disposal/redemptions/maturities – financial assets	13,509
Less: carrying amount of financial assets sold/redeemed/matured	(13,509)
Net gain/(loss) on disposal	–
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS	(2,271)

Snowy Valleys Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 6a. – Cash assets and Note 6b. – investments

\$ '000	Notes	2017	
		Actual Current	Actual Non-current
Cash and cash equivalents (Note 6a)			
Cash on hand and at bank		7,609	–
Cash-equivalent assets ¹			
– Deposits at call		5,631	–
Total cash and cash equivalents		13,240	–
Investments (Note 6b)			
Long term deposits		36,084	–
Total investments		36,084	–
TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS		49,324	–

¹ Those investments where time to maturity (from date of purchase) is < 3 mths.

**Cash, cash equivalents and investments were
classified at period end in accordance with
AASB 139 as follows:**

Cash and cash equivalents

a. 'At fair value through the profit and loss'

13,240	–
---------------	----------

Investments

a. 'Held to maturity'

Investments

36,084	–
36,084	–

Refer to Note 27. Fair value measurement for information regarding the fair value of investments held.

Snowy Valleys Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

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

	13/5/16 to 30/6/17 Actual Current	13/5/16 to 30/6/17 Actual Non-current
\$ '000		
Total cash, cash equivalents and investments	49,324	–
attributable to:		
External restrictions (refer below)	26,411	–
Internal restrictions (refer below)	20,323	–
Unrestricted	2,590	–
	49,324	–

13/5/16 to 30/6/17 \$ '000	Transferred from former Councils	Transfers to restrictions	Transfers from restrictions	Closing balance
-------------------------------	--	------------------------------	-----------------------------------	--------------------

Details of restrictions

External restrictions – included in liabilities

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

External restrictions – other

Developer contributions – general	(A)	251	3	–	254
Developer contributions – water fund	(A)	768	58	–	826
Developer contributions – sewer fund	(A)	1,967	90	–	2,057
Specific purpose unexpended grants	(B)	962	14,627	–	15,589
Water supplies	(C)	2,035	–	(74)	1,961
Sewerage services	(C)	3,455	463	–	3,918
Domestic waste management	(C)	807	83	–	890
Retirement village		447	246	–	693
Specific purpose contributions		49	–	–	49
Urban stormwater		125	–	(8)	117
External restrictions – other		10,866	15,570	(82)	26,354
Total external restrictions		10,923	15,570	(82)	26,411

Snowy Valleys Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

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

13/5/16 to 30/6/17 \$ '000	Transferred from former Councils	Transfers to restrictions	Transfers from restrictions	Closing balance
Internal restrictions				
Plant and vehicle replacement	2,044	1,119	(731)	2,432
Employees leave entitlement	2,467	240	–	2,707
Carry over works	1,426	4,390	(1,366)	4,450
Aboriginal brungle reserve PW	45	–	–	45
Adelong showground reserve	10	–	–	10
Airfield	61	–	–	61
Public toilets	115	1	(1)	115
Scholarship	6	–	–	6
SWS surplus holding account	538	456	(538)	456
Tree management	39	–	–	39
Open space	106	–	–	106
FBT liability	107	–	–	107
Television services	71	–	–	71
Aerodrom obstacle lighting	60	–	–	60
Airfield reseals	60	–	–	60
Playground	77	–	–	77
Plant TSC vehicles	180	148	(120)	208
Plant SWS vehicle	451	323	(107)	667
Packards pit	40	–	–	40
Life long learner	1	–	–	1
Legal	105	–	–	105
IT	103	–	–	103
Khancoban community reserve	26	–	–	26
Other waste management	5	–	–	5
Basalt quarry rehab	413	–	–	413
Quarry rehab and capital works	168	–	–	168
Tumbafest	71	–	–	71
Television translator/radio	32	–	–	32
Replacement of office equipment	65	–	(14)	51
Private works contingency reserve	400	–	–	400
Mannus quarry rehab	125	–	–	125
Community services	409	–	(84)	325
Capital projects reserve	3,290	–	(1,408)	1,882
Uncompleted works	391	813	–	1,204
Project development	24	27	–	51
Festival of the falling leaf	5	–	(5)	–
Elections	72	–	–	72
Contingencies	718	–	(90)	628
Community development	27	5	–	32
Carpark improvements	95	–	–	95
Camp hudson	108	–	(60)	48

continued...

Snowy Valleys Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

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

13/5/16 to 30/6/17 \$ '000	Transferred from former Councils	Transfers to restrictions	Transfers from restrictions	Closing balance
Internal restrictions (continued)				
Emergency services	86	–	–	86
Bridge maintenance	57	–	–	57
Batlow literary institute	57	–	(1)	56
Xmas festivities	4	–	(3)	1
Youth council	14	–	(4)	10
Visy emergency works	58	–	(31)	27
Unit development	107	55	(20)	142
Tumut boys club	44	–	–	44
Third age group	3	–	–	3
Telstra tower	18	–	–	18
Telecentre	31	–	(4)	27
Talbingo reserve	124	–	–	124
Asset renewals reserve	88	–	–	88
SWS plant dividend	464	–	–	464
Insurance (risk management)	124	–	–	124
Swimming pools	312	–	–	312
Hazzard reduction	53	–	–	53
Shire signage	84	–	–	84
Security deposits	8	–	–	8
HACC	69	56	–	125
Caravan park	139	–	(44)	95
Saleyards	38	4	–	42
General gravel pit	203	–	–	203
Real estate asset management	46	–	(8)	38
SWS Dividend Reserve	–	538	–	538
Total internal restrictions	16,787	8,175	(4,639)	20,323
TOTAL RESTRICTIONS	27,710	23,745	(4,721)	46,734

- A** Development contributions which are not yet expended for the provision of services and amenities in accordance with contributions plans (refer Note 17).
- B** Grants which are not yet expended for the purposes for which the grants were obtained. (refer Note 1 (b))
- C** Water, sewerage, domestic waste management (DWM) and other special rates/levies/charges are externally restricted assets and must be applied for the purposes for which they were raised.

Snowy Valleys Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 7. Receivables

\$ '000	Notes	2017	
		Current	Non-current
Purpose			
Rates and annual charges		561	237
Interest and extra charges		56	–
User charges and fees		2,613	–
Private works		201	–
Accrued revenues			
– Interest on investments		308	–
– Other income accruals		1,323	–
Amounts due from other councils		432	–
Government grants and subsidies		1,091	–
Net GST receivable		142	–
Total		6,727	237
Less: provision for impairment			
User charges and fees		(1)	–
Total provision for impairment – receivables		(1)	–
<u>TOTAL NET RECEIVABLES</u>		<u>6,726</u>	<u>237</u>
Externally restricted receivables			
Water supply			
– Rates and availability charges		137	–
– Other		1,712	–
Sewerage services			
– Rates and availability charges		31	–
– Other		372	–
Domestic waste management		30	–
Total external restrictions		2,282	–
Internally restricted receivables			
Nil			
Internally restricted receivables		–	–
Unrestricted receivables		4,444	237
TOTAL NET RECEIVABLES		6,726	237

Notes on debtors above:

- (i) Rates and annual charges outstanding are secured against the property.
- (ii) Doubtful rates debtors are provided for where the value of the property is less than the debt outstanding.
An allowance for other doubtful debts is made when there is objective evidence that a receivable is impaired.
- (iii) Interest was charged on overdue rates and charges at 8.50%.
Generally all other receivables are non-interest bearing.
- (iv) Please refer to Note 15 for issues concerning credit risk and fair value disclosures.

Snowy Valleys Council

Notes to the Financial Statements for the period 13 May 2016 to 30 June 2017

Note 8. Inventories and other assets

\$ '000	Notes	2017	
		Current	Non-current
(a) Inventories			
(i) Inventories at cost			
Real estate for resale (refer below)		261	147
Stores and materials		299	—
Total inventories at cost		560	147
(ii) Inventories at net realisable value (NRV)			
Nil			
<u>TOTAL INVENTORIES</u>		<u>560</u>	<u>147</u>
(b) Other assets			
Prepayments		49	—
<u>TOTAL OTHER ASSETS</u>		<u>49</u>	<u>—</u>

Externally restricted assets

There are no restrictions applicable to the above assets.

Snowy Valleys Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 8. Inventories and other assets (continued)

\$ '000	2017	
	Current	Non-current
Other disclosures		
(a) Details for real estate development		
Residential	261	147
Total real estate for resale	261	147
(Valued at the lower of cost and net realisable value)		
Represented by:		
Acquisition costs	261	147
Total real estate for resale	261	147
Movements:		
Real estate assets at beginning of the period (former Councils)	261	147
Total real estate for resale	261	147
(b) Current assets not anticipated to be settled within the next 12 months		
The following inventories and other assets, even though classified as current are not expected to be recovered in the next 12 months;		
		2017
Real estate for resale		213
		213

(c) Inventory write downs

There were no amounts recognised as an expense relating to the write down of inventory balances held during the period.

Refer to Note 27. Fair value measurement for information regarding the fair value of other assets held.

Snowy Valleys Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 9a. Infrastructure, property, plant and equipment

Asset class \$ '000	IPP&E transferred from former Councils as at 13/5/2016			Asset movements during the reporting period								as at 30/6/2017		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Adjustments and transfers	Revaluation decrements to P&L	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
Capital work in progress	1,058	–	1,058	–	204	–	–	(1,023)	–	–	–	239	–	239
Plant and equipment	45,920	23,118	22,802	1,570	857	(1,427)	(2,744)	–	(9,313)	–	–	20,262	8,517	11,745
Office equipment	1,511	908	603	50	–	–	(83)	–	4	–	–	1,576	1,002	574
Furniture and fittings	1,191	740	451	–	–	–	(45)	–	1	–	–	1,195	788	407
Land:														
– Operational land	7,649	–	7,649	–	15	(47)	–	–	(10)	–	38	7,645	–	7,645
– Community land	13,844	–	13,844	–	–	–	–	–	10	(242)	–	13,612	–	13,612
Land improvements – non-depreciable	1,038	11	1,027	–	25	–	–	–	–	–	–	1,063	11	1,052
Land improvements – depreciable	6,619	2,156	4,463	33	25	(1)	(116)	–	(1,605)	–	103	4,423	1,521	2,902
Infrastructure:														
– Buildings – non-specialised	53,398	19,092	34,306	1,691	203	(539)	(835)	298	4	–	–	54,627	19,499	35,128
– Buildings – specialised	17,408	7,000	10,408	–	27	–	(250)	–	4	–	–	17,447	7,258	10,189
– Other structures	34,708	15,914	18,794	35	41	(372)	(469)	–	(13,918)	–	50	6,071	1,910	4,161
– Roads	247,732	70,108	177,624	3,256	281	(169)	(4,032)	725	(648)	–	44	250,973	73,892	177,081
– Bridges	55,451	23,487	31,964	657	–	(22)	(628)	–	1	–	228	55,711	23,511	32,200
– Footpaths	12,005	4,347	7,658	13	221	(28)	(161)	–	12	–	78	12,300	4,507	7,793
– Kerb and gutter	20,073	8,299	11,774	251	194	(151)	(290)	–	2	–	–	20,261	8,481	11,780
– Bulk earthworks (non-depreciable)	107,068	–	107,068	551	151	–	–	–	43	–	–	107,813	–	107,813
– Stormwater drainage	35,620	14,626	20,994	364	243	(61)	(332)	–	93	–	97	36,351	14,953	21,398
– Water supply network	46,285	9,058	37,227	378	48	(74)	(1,041)	–	17,407	(2,543)	–	78,527	27,125	51,402
– Sewerage network	82,574	23,768	58,806	193	89	(2)	(822)	–	5,109	–	1,119	93,970	29,478	64,492
– Other open space/recreational assets	2,346	620	1,726	149	582	(5)	(245)	–	2,853	–	–	9,036	3,976	5,060
– Other infrastructure	286	16	270	–	104	–	(6)	–	(49)	–	–	338	19	319
Other assets:														
– Heritage collections	172	15	157	–	–	–	(3)	–	–	–	–	172	18	154
– Library books	25	16	9	–	–	–	(5)	–	–	–	–	25	21	4
– Other	111	67	44	–	–	–	(20)	–	–	–	–	111	87	24
Reinstatement, rehabilitation and restoration assets (refer Note 26):														
– Tip assets	223	100	123	–	14	–	(13)	–	2	–	–	239	113	126
– Quarry assets	71	36	35	–	–	–	(5)	–	6	–	–	76	40	36
TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIP.	794,386	223,502	570,884	9,191	3,324	(2,898)	(12,145)	–	8	(2,785)	1,757	794,063	226,727	567,336

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

Refer to Note 27. Fair value measurement for information regarding the fair value of other infrastructure, property, plant and equipment.

Snowy Valleys Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 9b. Externally restricted infrastructure, property, plant and equipment

\$ '000 Class of asset	Actual 2017		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
Water supply			
Plant and equipment	53	45	8
Land			
– Operational land	866	–	866
– Community land	260	–	260
– Improvements non-depreciable	16	–	16
– Improvements – depreciable	102	1	101
Buildings	3,454	1,662	1,792
Infrastructure	78,527	27,125	51,402
Other assets	12	–	12
Total water supply	83,290	28,833	54,457
Sewerage services			
Plant and equipment	192	185	7
Land			
– Operational land	226	–	226
– Community land	135	–	135
– Improvements non-depreciable	125	–	125
– Improvements – depreciable	131	60	71
Buildings	1,014	408	606
Infrastructure	93,970	29,478	64,492
Total sewerage services	95,793	30,131	65,662
Domestic waste management			
Plant and equipment	57	52	5
Land			
– Operational land	436	–	436
– Improvements non-depreciable	76	–	76
– Improvements – depreciable	54	19	35
Buildings	1,447	171	1,276
Other structures	382	182	200
Infrastructure	30	2	28
Other assets	248	28	220
Total DWM	2,730	454	2,276
TOTAL RESTRICTED I,PP&E	181,813	59,418	122,395

Note 9c. Infrastructure, property, plant and equipment – current period impairments

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

Snowy Valleys Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 10a. Payables, borrowings and provisions

\$ '000	Notes	2017	
		Current	Non-current
Payables			
Goods and services – operating expenditure		969	–
Accrued expenses:			
– Borrowings		36	–
– Salaries and wages		153	–
– Other expenditure accruals		216	–
Security bonds, deposits and retentions		648	–
Employee deductions		74	–
Other		63	–
Total payables		2,159	–
Income received in advance			
Nil			
Borrowings			
Loans – secured ¹		1,183	10,425
Total borrowings		1,183	10,425
Provisions			
Employee benefits:			
Annual leave		1,646	–
Long service leave		3,417	148
Other leave – RDO		35	–
Other leave – TOIL		54	–
Sub-total – aggregate employee benefits		5,152	148
Asset remediation/restoration (future works)	26	174	164
Redundancies		420	–
Total provisions		5,746	312
TOTAL PAYABLES, BORROWINGS AND PROVISIONS		9,088	10,737

1. Loans are secured over the income of Council

Disclosures on liability interest rate risk exposures, fair value disclosures and security can be found in Note 15.

Snowy Valleys Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 10a. Payables, borrowings and provisions (continued)

	Actual	
\$ '000	2017	
(i) Liabilities relating to restricted assets	2017	
	Current	Non-current
Externally restricted assets		
Water	563	3,959
Sewer	290	3,536
Domestic waste management	–	174
Other	57	–
Liabilities relating to externally restricted assets	910	7,669
Internally restricted assets		
Nil		
Total liabilities relating to restricted assets	910	7,669
Total liabilities relating to unrestricted assets	8,178	3,068
TOTAL PAYABLES, BORROWINGS AND PROVISIONS	9,088	10,737

(ii) Current liabilities not anticipated to be settled within the next twelve months

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

Provisions – employees benefits	3,505
	3,505

Note 10b. Description of and movements in provisions

Class of provision	2016	13/5/16 to 30/6/17				Closing balance as at 30/6/17
	Opening balance (former Councils)	Additional provisions	Decrease due to payments	Remeasurement effects due to discounting	Unused amounts reversed	
Annual leave	1,506	826	(686)	–	–	1,646
Long service leave	3,484	363	(282)	–	–	3,565
Other leave	128	271	(310)	–	–	89
Asset remediation	316	18	–	4	–	338
Other	83	337	–	–	–	420
TOTAL	5,517	1,815	(1,278)	4	–	6,058

- Employees leave entitlements and on-costs represents those benefits accrued and payable and an estimate of those that will become payable in the future as a result of past service.
- Asset remediation, reinstatement and restoration provisions represent the present value estimate of future costs Council will incur in order to remove, restore and remediate assets and/or activities as a result of past operations.
- Other provisions represent redundancies

Snowy Valleys Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 11. Statement of cash flows – additional information

\$ '000	Notes	Actual 2017
(a) Reconciliation of cash assets		
Total cash and cash equivalent assets	6a	13,240
Less bank overdraft	10	–
Balance as per the Statement of Cash Flows		13,240
(b) Reconciliation of net operating result to cash provided from operating activities		
Net result from Income Statement		9,051
Adjust for non-cash items:		
Depreciation and amortisation		12,324
Net losses/(gains) on disposal of assets		2,271
Losses/(gains) recognised on fair value re-measurements through the P&L:		
– Write offs relating to the fair valuation of I,PP&E		2,785
Unwinding of discount rates on reinstatement provisions		22
+/- Movement in operating assets and liabilities and other cash items:		
Decrease/(increase) in receivables		6,416
Increase/(decrease) in provision for doubtful debts		(1)
Decrease/(increase) in inventories		219
Decrease/(increase) in other assets		165
Increase/(decrease) in payables		(944)
Increase/(decrease) in accrued interest payable		21
Increase/(decrease) in other accrued expenses payable		(638)
Increase/(decrease) in other liabilities		(949)
Increase/(decrease) in employee leave entitlements		182
Increase/(decrease) in other provisions		337
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		31,261

Snowy Valleys Council

Notes to the Financial Statements for the period 13 May 2016 to 30 June 2017

Note 11. Statement of cash flows – additional information (continued)

\$ '000	Notes	Actual 2017
(c) Non-cash investing and financing activities		
Nil		
(d) Financing arrangements		
(i) Unrestricted access was available at balance date to the following lines of credit:		
Credit cards/purchase cards		35
Total financing arrangements		35
Amounts utilised as at balance date:		
– Credit cards/purchase cards		10
Total financing arrangements utilised		10

1. The bank overdraft facility may be drawn at any time and may be terminated by the bank without notice.
Interest rates on overdrafts are interest rates on loans and other payables are disclosed in Note 15.

(ii) Secured loan liabilities

Loans are secured by a mortgage over future years revenue.

Snowy Valleys Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 12. Commitments for expenditure

\$ '000	Notes	Actual 2017
(a) Capital commitments (exclusive of GST)		
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:		
Property, plant and equipment		
Buildings		684
Plant and equipment		225
Network for One Domain		91
Road - Clarkes Hill Resconstruction		158
Total commitments		1,158
These expenditures are payable as follows:		
Within the next year		1,158
Later than one year and not later than 5 years		–
Later than 5 years		–
Total payable		1,158
Future grants and contributions		158
Unexpended grants		91
Internally restricted reserves		909
Total sources of funding		1,158
Details of capital commitments		
ICT Strategy network uplift components and labour		
(b) Finance lease commitments		
Nil		
(c) Operating lease commitments (non-cancellable)		
a. Commitments under non-cancellable operating leases at the reporting date, but not recognised as liabilities are payable:		
Within the next year		101
Later than one year and not later than 5 years		–
Later than 5 years		–
Total non-cancellable operating lease commitments		101
b. Non-cancellable operating leases include the following assets:		
IT Equipment including Servers, Laptops & PC's		
Conditions relating to operating leases:		
– All operating lease agreements are secured only against the leased asset.		
– No lease agreements impose any financial restrictions on Council regarding future debt etc.		

Snowy Valleys Council

Notes to the Financial Statements for the period 13 May 2016 to 30 June 2017

Note 13a. Statement of performance measurement – indicators (consolidated)

\$ '000	Amounts 2017	Indicator 2017	Benchmark
Local government industry indicators – consolidated			
1. Operating performance ratio			
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions less operating expenses	2,009	3.38%	>0.00%
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	59,473		
2. Own source operating revenue ratio			
Total continuing operating revenue ⁽¹⁾ excluding all grants and contributions	40,366	56.40%	>60.00%
Total continuing operating revenue ⁽¹⁾	71,571		
3. Unrestricted current ratio			
Current assets less all external restrictions ⁽²⁾	27,825	5.95x	>1.5x
Current liabilities less specific purpose liabilities ^(3, 4)	4,673		
4. Debt service cover ratio			
Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation	15,133	7.37x	>2x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	2,054		
5. Rates, annual charges, interest and extra charges outstanding percentage			
Rates, annual and extra charges outstanding	854	4.25%	<10% Rural
Rates, annual and extra charges collectible	20,108		
6. Cash expense cover ratio			
Current period's cash and cash equivalents plus all term deposits	49,324	11.97 mths	> 3 mths
Payments from cash flow of operating and financing activities	4,121		

Notes

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

⁽²⁾ Refer Notes 6-8 inclusive.

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

⁽³⁾ Refer to Note 10(a).

⁽⁴⁾ Refer to Note 10(a)(ii) – excludes all payables and provisions not expected to be paid in the next 12 months (incl. ELE).

Snowy Valleys Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 13b. Statement of performance measurement – indicators (by fund)

\$ '000	General ⁵ 2017	Water 2017	Sewer 2017	Benchmark
Local government industry indicators – by fund				
1. Operating performance ratio				
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions less operating expenses	8.15%	-47.48%	7.77%	>0.00%
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions				
2. Own source operating revenue ratio				
Total continuing operating revenue ⁽¹⁾ excluding all grants and contributions	49.78%	97.32%	97.24%	>60.00%
Total continuing operating revenue ⁽¹⁾				
3. Unrestricted current ratio				
Current assets less all external restrictions ⁽²⁾	5.95x	6.77x	14.90x	>1.5x
Current liabilities less specific purpose liabilities ^(3, 4)				
4. Debt service cover ratio				
Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation	14.88x	2.53x	4.31x	>2x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)				
5. Rates, annual charges, interest and extra charges outstanding percentage				
Rates, annual and extra charges outstanding	4.78%	9.93%	0.71%	<10%
Rates, annual and extra charges collectible				Rural
6. Cash expense cover ratio				
Current period's cash and cash equivalents plus all term deposits	10.92 mths	1014.00 mths	1639.00 mths	> 3 mths
Payments from cash flow of operating and financing activities				

Notes

(1) - (4) Refer to Notes at Note 13a(i) above.

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

Snowy Valleys Council

Notes to the Financial Statements for the period 13 May 2016 to 30 June 2017

Note 14. Investment properties

\$ '000

Council has not classified any land or buildings as 'investment properties'.

Note 15. 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.

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

	Carrying Amount 2017	Fair Value 2017
Financial assets		
Cash and cash equivalents	13,240	13,240
Investments		
– 'Held to maturity'	36,084	36,084
Receivables	6,963	6,963
Total financial assets	56,287	56,287
Financial liabilities		
Payables	2,159	2,159
Loans/advances	11,608	11,608
Total financial liabilities	13,767	13,767

Fair value is determined as follows:

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

Refer to Note 27. Fair value measurement for information regarding the fair value of financial assets and liabilities.

Snowy Valleys Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 15. Financial risk management (continued)

\$ '000

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

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

Council has an investment policy which complies with the *Local Government Act 1993* and Minister's investment order. 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.

The risks associated with the investments held are:

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

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

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

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

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

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

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

Snowy Valleys Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 15. Financial risk management (continued)

\$ '000

(b) Credit risk

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

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

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

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

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

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

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

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

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

	2017 Rates and annual charges	2017 Other receivables
(i) Ageing of receivables – %		
Current (not yet overdue)	15%	94%
Overdue	85%	6%
	100%	100%

(ii) Ageing of receivables – value

Rates and annual charges	Other receivables	2017 Rates and annual charges	2017 Other receivables
Current	Current	118	5,790
< 1 year overdue	0 – 30 days overdue	395	62
1 – 2 years overdue	31 – 60 days overdue	184	132
2 – 5 years overdue	61 – 90 days overdue	87	102
> 5 years overdue	> 91 days overdue	14	80
		798	6,166

(iii) Movement in provision for impairment of receivables

	2017
Balance at the beginning of the period (former Councils)	2
– amounts provided for but recovered during the period	(1)
Balance at the end of the period	1

Snowy Valleys Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 15. Financial risk management (continued)

\$ '000

(c) Liquidity risk

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

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

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

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

\$ '000	Subject to no maturity	payable in:						Total cash outflows	Actual carrying values
		≤ 1 Year	1-2 Yrs	2-3 Yrs	3-4 Yrs	4-5 Yrs	> 5 Yrs		
13/5/16 to 30/6/17									
Trade/other payables	648	1,511	–	–	–	–	–	2,159	2,159
Loans and advances	–	1,899	1,835	1,841	1,749	1,471	7,236	16,031	11,608
Total financial liabilities	648	3,410	1,835	1,841	1,749	1,471	7,236	18,190	13,767

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 the diversification of borrowing types, maturities and interest rate structures.

The following interest rates were applicable to Council's borrowings at balance date:

	2017	
	Carrying value	Average interest rate
Trade/other payables	2,159	0.00%
Loans and advances – fixed interest rate	11,608	6.07%
	<u>13,767</u>	

Note 16. Material budget variations

In accordance with the Supplementary Code 25, this note is not required for new Councils.

Snowy Valleys Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 17. Statement of developer contributions

\$ '000

Council recovers contributions, raises levies and enters into planning agreements on development works that are subject to a development consent issued by Council. All contributions must be spent/utilised for the specific purpose they were levied and any interest applicable to unspent funds must be attributed to remaining funds.

The following tables detail the receipt, interest and use of the above contributions and levies and the value of all remaining funds which are 'restricted' in their future use.

SUMMARY OF CONTRIBUTIONS AND LEVIES

PURPOSE	S94 Funds transferred from former Councils	Contributions received during the period		Interest earned during period	Expenditure during period	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Roads	105	–	–	3	–	–	108	–
Parking	46	16	–	2	–	–	64	–
Recreational space	71	7	–	2	–	–	80	–
Other	3	–	–	–	–	–	3	–
S94 contributions – under a plan	225	23	–	7	–	–	255	–
Total S94 revenue under plans	225	23	–	7	–	–	255	–
S64 contributions	2,761	51	–	70	–	–	2,882	
Total contributions	2,986	74	–	77	–	–	3,137	–

Snowy Valleys Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 17. Statement of developer contributions (continued)

\$ '000

S94 CONTRIBUTIONS – UNDER A PLAN

CONTRIBUTION PLAN NUMBER (former Tumut)

PURPOSE	S94 Funds transferred from former Councils	Contributions received during the period		Interest earned during period	Expenditure during period	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Roads	105	–	–	3	–	–	108	–
Parking	46	16	–	2	–	–	64	–
Recreational space	71	7	–	2	–	–	80	–
Other	3	–	–	–	–	–	3	–
Total	225	23	–	7	–	–	255	–

Snowy Valleys Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 18. Contingencies and other assets/liabilities not recognised

\$ '000

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

LIABILITIES NOT RECOGNISED:

1. Guarantees

(i) Defined benefit superannuation contribution plans

Council participates in an Industry Defined Benefit Plan under the Local Government Superannuation Scheme, named the 'Local Government Superannuation Scheme - Pool B'. This scheme has been deemed to be a 'multi-employer fund' for the purposes of AASB 119.

Council makes contributions to the scheme as determined by the superannuation scheme's trustees. Member Councils bear no responsibility of ensuring there are sufficient funds available to pay out the required benefits as they fall due.

The schemes most recent full actuarial review was performed by Mr Richard Boyfield (BSc, FIA, FIAA) on 02/12/16 and covers the period ended 30/6/16. It indicated that the net assets of the scheme were not sufficient to meet the accrued benefits of the scheme defined benefit member category with member councils required to make significantly higher contributions in future years. However the position is monitored annually and the actuary has estimated that as at 30 June 2017 the prior period deficit still exists.

Effective from 1 July 2009, employers are required to contribute additional contributions to assist in extinguishing this deficit.

The Local Government Superannuation Scheme however is unable to provide Council with an accurate estimate of its share of the net deficit and accordingly

Council has not recorded any net liability from its defined benefit scheme obligations in accordance with AASB 119.

Future contributions made to the defined benefit scheme to rectify the net deficit position will be recognised as an expense when they become payable – similar to the accounting for defined contributions plans. The expected contributions for the next reporting period is \$195,944.

(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 30/6 this period 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.

Snowy Valleys Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

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

\$ '000

LIABILITIES NOT RECOGNISED (continued):

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

(iv) Other guarantees

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

2. Other liabilities

(i) Third party claims

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

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

(ii) S94 plans

Council levies section 94/94A contributions upon various development across the Council area through the required contributions plans.

As part of these plans, Council has received funds for which it will be required to expend the monies in accordance with those plans.

As well, these plans indicate proposed future expenditure to be undertaken by Council, which will be funded by making levies and receipting funds in future years or where a shortfall exists by the use of Council's general funds.

These future expenses do not yet qualify as liabilities as of the reporting date, but represent Council's intention to spend funds in the manner and timing set out in those plans.

(iii) 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 period 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.

Snowy Valleys Council

Notes to the Financial Statements for the period 13 May 2016 to 30 June 2017

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

\$ '000

ASSETS NOT RECOGNISED (continued):

(iii) Investment in Southern Phones

Council owns 2 ordinary (Class A) shares and 1 redeemable preference share (Class B to ZZ) of Southern Phones a Company Limited by shares. The net assets of Southern Phones at 30 June 2016 was approximately \$24.2 million. This represents an ownership interest of approximately \$955K. Financial Statements for Southern Phones for the period ended 30 June 2017 are not available.

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

Snowy Valleys Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 19. Interests in other entities

\$ '000

Council's objectives can and in some cases are best met through the use of separate entities and operations.

These operations and entities range from 100% ownership and control through to lower levels of ownership and control via co-operative arrangements with other councils, bodies and other outside organisations.

The accounting and reporting for these various entities, operations and arrangements varies in accordance with accounting standards, depending on the level of council's (i) interest and (ii) control and the type (form) of entity/operation, as follows;

Controlled entities (subsidiaries)

Note 19(a)

Operational arrangements where Council's control (but not necessarily interest) exceeds 50%.

Joint ventures and associates

Note 19(b)

Joint ventures are operational arrangements where the parties that have joint control have rights to the net assets of the arrangement.

Associates are separate entities where Council has significant influence over the operations (but neither controls nor jointly controls them).

Joint operations

Note 19(c)

Operational arrangements where the parties that have joint control have rights to specific assets and obligations for specific liabilities relating to the arrangement rather than a right to the net assets of the arrangement.

Unconsolidated structured entities

Note 19(d)

Unconsolidated structured entities represent "special vehicles" that Council has an interest in but which are not controlled by Council and therefore not consolidated as a subsidiary, joint arrangement or associate. Attributes of structured entities include restricted activities, a narrow and well-defined objective and insufficient equity to finance its activities without financial support.

Subsidiaries, joint arrangements and associates not recognised

Note 19(e)

Snowy Valleys Council

Notes to the Financial Statements for the period 13 May 2016 to 30 June 2017

Note 19. Interests in other entities (continued)

\$ '000

(a) Controlled entities (subsidiaries) – being entities and operations controlled by Council

Council has no interest in any controlled entities (subsidiaries).

(b) Joint ventures and associates

Council has no interest in any joint ventures or associates.

(c) Joint operations

Council has no interest in any joint operations.

(d) Unconsolidated structured entities

Council has no unconsolidated structured entities

(e) 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	13/5/16 to 30/6/17	2017
		Net profit	Net assets
Riverina Regional Library ¹	Provision of Library Services to member local government areas	\$152k	\$4.2m

Reasons for non-recognition

¹ Council holds 10.85% equity share in Riverina Library, and has assessed this as not material, hence not recognised.

Snowy Valleys Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 20. Retained earnings, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors

\$ '000	Notes	Actual 2017
(a) Retained earnings		
Movements in retained earnings were as follows:		
Balance at beginning of period		—
a. Net result for the period		603,949
Balance at end of the reporting period		<u>603,949</u>

(b) Revaluation reserves

(i) Reserves are represented by:

– Infrastructure, property, plant and equipment revaluation reserve	1,757
Total	<u>1,757</u>

(ii) Reconciliation of movements in reserves:

Infrastructure, property, plant and equipment revaluation reserve

– Opening balance (former Councils)	—
– Revaluations for the period	9(a) 1,757
– Balance at end of period	<u>1,757</u>

TOTAL VALUE OF RESERVES	<u>1,757</u>
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(iii) 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.

(c) Correction of error/s relating to a previous reporting period

Council made no correction of errors during the current reporting period.

(d) Voluntary changes in accounting policies

Council made no voluntary changes in any accounting policies during the year.

Snowy Valleys Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 21. Financial result and financial position by fund

Income Statement by fund	Actual 13/5/16 to 30/6/17	Actual 13/5/16 to 30/6/17	Actual 13/5/16 to 30/6/17
\$ '000			
Continuing operations	Water	Sewer	General¹
Income from continuing operations			
Rates and annual charges	1,379	4,383	10,942
User charges and fees	3,449	114	17,567
Interest and investment revenue	144	221	1,148
Other revenues	7	3	1,009
Grants and contributions provided for operating purposes	90	107	18,910
Grants and contributions provided for capital purposes	47	24	12,027
Total income from continuing operations	5,116	4,852	61,603
Expenses from continuing operations			
Employee benefits and on-costs	901	934	16,741
Borrowing costs	340	217	243
Materials and contracts	1,446	1,522	17,237
Depreciation and amortisation	1,734	1,427	9,163
Other expenses	2,944	334	5,066
Net losses from the disposal of assets	97	6	2,168
Total expenses from continuing operations	7,462	4,440	50,618
Operating result from continuing operations	(2,346)	412	10,985
Gain on local government amalgamation			
Assets and liabilities transferred from former councils	56,931	66,696	471,271
Net result for the period	54,585	67,108	482,256
Net result attributable to each council fund	54,585	67,108	482,256
Net result attributable to non-controlling interests	—	—	—
Net operating result for the period before grants and contributions provided for capital purposes	(2,393)	388	(1,042)

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

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

Snowy Valleys Council

Notes to the Financial Statements

as at 30 June 2017

Note 21. Financial result and financial position by fund (continued)

Statement of Financial Position by fund \$ '000	Actual 2017	Actual 2017	Actual 2017
	Water	Sewer	General¹
ASSETS			
Current assets			
Cash and cash equivalents	1,013	3,277	8,950
Investments	1,952	2,697	31,435
Receivables	1,671	404	4,651
Inventories	–	–	560
Other	–	–	49
Non-current assets classified as 'held for sale'	–	–	72
Total current assets	4,636	6,378	45,717
Non-current assets			
Receivables	–	–	237
Inventories	–	–	147
Infrastructure, property, plant and equipment	54,457	65,662	447,217
Intangible assets	–	–	1,080
Total non-current assets	54,457	65,662	448,681
TOTAL ASSETS	59,093	72,040	494,398
LIABILITIES			
Current liabilities			
Payables	54	28	2,077
Borrowings	509	262	412
Provisions	–	–	5,746
Total current liabilities	563	290	8,235
Non-current liabilities			
Borrowings	3,959	3,536	2,930
Provisions	–	–	312
Total non-current liabilities	3,959	3,536	3,242
TOTAL LIABILITIES	4,522	3,826	11,477
Net assets	54,571	68,214	482,921
EQUITY			
Retained earnings	54,571	67,095	482,283
Revaluation reserves	–	1,119	638
Council equity interest	54,571	68,214	482,921
Non-controlling interests	–	–	–
Total equity	54,571	68,214	482,921

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

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

Snowy Valleys Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 22. 'Held for sale' non-current assets and disposal groups

\$ '000	2017	2017
	Current	Non-current
(i) Non-current assets and disposal group assets		
Non-current assets 'held for sale'		
Land	72	–
Total non-current assets 'held for sale'	72	–
Disposal group assets 'held for sale'		
None		
<u>TOTAL NON-CURRENT ASSETS CLASSIFIED AS 'HELD FOR SALE'</u>	<u>72</u>	<u>–</u>

(ii) Details of assets and disposal groups

Nil

(iii) Disposal group liabilities

Disposal group related liabilities 'held for sale'

Nil

\$ '000	Assets 'held for sale' 2017
(iii) Reconciliation of non-current assets 'held for sale'	
Opening balance (former Councils)	72
Less: carrying value of assets/operations sold	–
Balance still unsold after 12 months:	72
Closing balance of 'held for sale' non-current assets and operations	<u>72</u>

Refer to Note 27. Fair value measurement for fair value measurement information.

Snowy Valleys Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 23. Events occurring after the reporting date

\$ '000

Events that occur between the end of the reporting period (30 June 2017) and the date when the financial statements are 'authorised for issue' have been taken into account in preparing these statements.

Council has adopted the date of receipt of the Auditors' Report as the applicable 'authorised for issue' date relating to these General Purpose Financial Statements.

Accordingly, the 'authorised for issue' date is 26/10/17.

Events that occur after the reporting period represent one of two types:

(i) Events that provide evidence of conditions that existed at the reporting period

These financial statements (and the figures therein) incorporate all 'adjusting events' that provided evidence of conditions that existed at 30 June 2017.

(ii) Events that provide evidence of conditions that arose after the reporting period

These financial statements (and figures therein) do not incorporate any 'non-adjusting events' that have occurred after 30 June 2017 and which are only indicative of conditions that arose after 30 June 2017.

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

Snowy Valleys Council

Notes to the Financial Statements for the period 13 May 2016 to 30 June 2017

Note 24. Discontinued operations

Council has not classified any of its operations as 'discontinued'.

Note 25. Intangible assets

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

¹. The net book value of intangible assets represent:

– Software	1,080
	1,080

Snowy Valleys Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 26. Reinstatement, rehabilitation and restoration liabilities

\$ '000

Council has legal/public obligations to make restore, rehabilitate and reinstate the following assets/operations:

Asset/operation	Estimated year of restoration	NPV of provision 2017
Tip asset – khancoban tip	2019	69
Quarry asset – mannus hill quarry	2036	66
Quarry assets – murray's crossing quarry	2025	29
Old tumut	2021	25
Adelong	2037	47
Batlow	2062	102
Balance at end of the reporting period	10(a)	338

Under AASB 116 – Property, Plant and Equipment, where the use of an asset results in the obligation to dismantle or remove the asset and restore the site on which the asset stands, an estimate of such costs is required to be included in the cost of the asset.

An equivalent liability must be recognised under AASB 137 – Provisions, Contingent Liabilities and Contingent Assets.

The provision has been calculated by determining the present value of the future expenditures expected to be incurred. The discount rate used is the risk free borrowing rate applicable to Council.

Reconciliation of movement in provision for period:

Balance at beginning of period (former Councils)	316
Effect of a change in discount rates used in PV calculations	21
Amortisation of discount (expensed to borrowing costs)	1
Total – reinstatement, rehabilitation and restoration provision	338

Snowy Valleys Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 26. Reinstatement, rehabilitation and restoration liabilities (continued)

\$ '000

Amount of expected reimbursements

Of the above provisions for reinstatement, rehabilitation and restoration works, those applicable to garbage services and waste management are able to be funded through future charges incorporated within Council's annual domestic waste management charge.

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

Restoration

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

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

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.

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.

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.

Snowy Valleys Council

Notes to the Financial Statements for the period 13 May 2016 to 30 June 2017

Note 27. Fair value measurement

\$ '000

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

- Infrastructure, property, plant and equipment

During the reporting period, Council has also fair value measured the following assets on a non-recurring basis:

- Non-current assets classified as 'held for sale'

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).

Snowy Valleys Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 27. Fair value measurement (continued)

\$ '000

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

		Fair value measurement hierarchy			
13/5/16 to 30/6/17		Level 1	Level 2	Level 3	Total
	Date	Quoted	Significant	Significant	
	of latest	prices in	observable	unobservable	
	valuation	active mkts	inputs	inputs	
Recurring fair value measurements					
Infrastructure, property, plant and equipment					
Plant and Equipment	13/05/16	—	—	11,745	11,745
Office Equipment	13/05/16	—	—	574	574
Furntiure and fittings	13/05/16	—	—	407	407
Operational Land	13/05/16	—	—	7,645	7,645
Community Land	13/05/16	—	—	13,612	13,612
Bulk Earthworks	13/05/16	—	—	107,813	107,813
Land improvements - depreciable	13/05/16	—	—	2,902	2,902
Buildings - non-specialised	13/05/16	—	—	35,128	35,128
Buildings - specialised	13/05/16	—	—	10,189	10,189
Other Structures	13/05/16	—	—	4,161	4,161
Roads	13/05/16	—	—	177,081	177,081
Bridges	13/05/16	—	—	32,200	32,200
Footpaths	13/05/16	—	—	7,793	7,793
Kerb and Gutter	13/05/16	—	—	11,780	11,780
Land Improvements non-depreciable	13/05/16	—	—	1,052	1,052
Water Infrastructure	30/06/17	—	—	51,402	51,402
Sewerage Infrastructure	30/06/17	—	—	64,492	64,492
Heritage collection	13/05/16	—	—	154	154
Other Assets	13/05/16	—	—	28	28
Other infrastructure	13/05/16	—	—	319	319
Other open space/recreational assets	13/05/16	—	—	5,060	5,060
Capital work in progress	13/05/16	—	—	239	239
Tips and quarries	13/05/16	—	—	162	162
Drainage Infrastructure	13/05/16	—	—	21,398	21,398
Total infrastructure, property, plant and equipment		—	—	567,336	567,336
Non-recurring fair value measurements					
Non-current assets classified as 'held for sale'					
Surplus Lands Adelong	30/06/15	—	—	72	72
Total NCA's classified as 'held for sale'		—	—	72	72

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

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

Snowy Valleys Council

Notes to the Financial Statements for the period 13 May 2016 to 30 June 2017

Note 27. Fair value measurement (continued)

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

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

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

Infrastructure, property, plant and equipment

Plant and Equipment, Office Equipment and Furniture and Fittings

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

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

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

Stormwater assets

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

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

When estimating project costs, consideration is given to project specifications, location, site conditions and construction techniques. Unit rates for box culverts range from \$626 to \$4,351/m, for reinforced and uPVC pipes from \$45 to \$2,208/m, for headwalls from \$144 to \$6,795/unit and for pits from \$225 to \$21,568/unit.

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

Other structure assets

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

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

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

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

Land improvement depreciable and non-depreciable assets

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

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

Snowy Valleys Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 27. Fair value measurement (continued)

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

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

Operational and Community land assets

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

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

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

Buildings – non specialised and specialised assets

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

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

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

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

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

Road assets

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

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

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

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

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

Bridge assets

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

Snowy Valleys Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 27. Fair value measurement (continued)

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

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

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

Footpath assets

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

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

Footpath assets are segmented into manageable lengths and uniform specifications.

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

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

Water and Sewerage assets

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

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

Mains are segmented into manageable lengths and uniform specifications.

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

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

Non-current assets classified as 'held for sale'

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

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

Snowy Valleys Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 27. Fair value measurement (continued)

\$ '000

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

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

	Plant and equipment	Office Equipment	Furniture & fittings	Operational land	Total
Balance on transfer from former Councils	22,802	603	451	7,649	31,505
Transfers from/(to) another asset class	(9,313)	4	1	(10)	(9,318)
Purchases (GBV)	2,427	50	–	15	2,492
Disposals (WDV)	(1,427)	–	–	(47)	(1,474)
Depreciation and impairment	(2,744)	(83)	(45)	–	(2,872)
Revaluations to equity	–	–	–	38	38
Closing balance – 30/6/17	11,745	574	407	7,645	20,371
	Community Land	Land provements	Buildings and Other Structures	Roads, Bridges & Footpaths	Total
Balance on transfer from former Councils	13,844	5,490	63,508	229,020	311,862
Transfers from/(to) another asset class	10	(1,605)	(13,612)	(633)	(15,840)
Purchases (GBV)	–	83	1,997	5,598	7,678
Disposals (WDV)	–	(1)	(911)	(370)	(1,282)
Depreciation and impairment	–	(116)	(1,554)	(5,111)	(6,781)
FV gains – other comprehensive income	(242)	–	–	–	(242)
Revaluations to equity	–	103	50	350	503
Closing balance – 30/6/17	13,612	3,954	49,478	228,854	295,898
	Bulk Earthworks	Stormwater Drainage	Water supply network	Sewerage network	Total
Balance on transfer from former Councils	107,068	20,994	37,227	58,806	224,095
Transfers from/(to) another asset class	43	93	17,407	5,109	22,652
Purchases (GBV)	702	607	426	282	2,017
Disposals (WDV)	–	(61)	(74)	(2)	(137)
Depreciation and impairment	–	(332)	(1,041)	(822)	(2,195)
FV gains – other comprehensive income	–	–	(2,543)	–	(2,543)
Revaluations to equity	–	97	–	1,119	1,216
Closing balance – 30/6/17	107,813	21,398	51,402	64,492	245,105
	Other Assets	Tips and Quarries	Heritage collection	Library books	Total
Balance on transfer from former Councils	3,170	158	157	9	3,494
Transfers from/(to) another asset class	1,781	8	–	–	1,789
Purchases (GBV)	1,039	14	–	–	1,053
Disposals (WDV)	(5)	–	–	–	(5)
Depreciation and impairment	(271)	(18)	(3)	(5)	(297)
Closing balance – 30/6/17	5,714	162	154	4	6,034

Snowy Valleys Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 27. Fair value measurement (continued)

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

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

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

I, PP&E

Class	Fair value (30/6/17) \$'000	Valuation technique/s	Unobservable inputs
Operational Land	7,645	Land values	Cost per sq meter, Valuer General's Valuation
Community Land	13,612	Land values	Cost per sq meter, Valuer General's Valuation
Building and other Structures	49,478	Gross replacement cost	Cost per unit, pattern of consumption, useful life, asset condition
Road, bridges and footpaths	228,854	Gross replacement cost	Cost per sq metre, dimensions and specification, pattern of consumption, components, useful life, residual value, asset condition
Bulk earthworks	107,813	Gross replacement cost	Cost per cubic metre
Stormwater Drainage	21,398	Gross replacement cost	Cost per unit per metre, pattern of consumption
Water supply network	51,402	Gross replacement cost	Unit rates, pattern of consumption, components, useful life, residual value, asset condition
Sewerage network	64,492	Gross replacement cost	Unit rates, pattern of consumption, components, useful life, residual value, asset condition

Non-current assets classified as 'held for sale'

Class	Fair value (30/6/17) \$'000	Valuation technique/s	Unobservable inputs
Surplus Land	72	Land Values	Cost per sq meter, Valuer General's valuation

c. The valuation process for level 3 fair value measurements

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

Operational and Community Land is valued using the Valuer 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 to be utilised for their highest and best use.

Snowy Valleys Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 28. Local Government amalgamation

\$ '000

Notes

The Local Government (Council Amalgamations) Proclamation 2016 [NSW] ('the Proclamation') under the Local Government Act 1993 (NSW) transferred the assets and liabilities of the former councils Tumut Shire Council and Tumbarumba Shire Council to NSW Council as at 12 May, 2016.

		Actual 13/5/16 to 30/6/17
Gain on local government amalgamation		
Assets and liabilities transferred from former councils	a	597,504
Accounting policy adjustments	b	(2,606)
		<u>594,898</u>

a. Assets and liabilities transferred from former councils

(i) Carrying amount of assets and liabilities transferred

Assets and liabilities of:

- Tumut Shire Council
- Tumbarumba Shire Council

have been recognised by the Council at fair value.

Council believes the carrying amounts are not materially different from their fair values as at the date of transfer 12 May 2016 with the exception of Water and Sewer Infrastructure assets. A comprehensive revaluation was undertaken by an external valuer for these assets as at 30 June 2017 resulting in large movements in fair value. Adjustments have been made to fair value of Water and Sewer Infrastructure assets as at 12 May 2016 based on unit rates provided by the valuer with movements applicable to prior years applied as at the date of transfer.

The fair value of the net assets has been shown as a gain on local government amalgamation in the income statement and further information is provided on the next page.

Snowy Valleys Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 28. Local Government amalgamation (continued)

\$ '000

a. Assets and liabilities transferred from former councils (continued)

(i) Carrying amount of assets and liabilities transferred (continued)

	Former Tumbarumba Shire Council	Former Tumut Shire Council	Gain on local government amalgamation
ASSETS			
Current assets			
Cash and cash equivalents	2,029	3,468	5,497
Investments	10,508	15,210	25,718
Receivables	4,817	8,550	13,367
Inventories	559	220	779
Other	61	153	214
Non-current assets classified as 'held for sale'	–	72	72
Total current assets	17,974	27,673	45,647
Non-current assets			
Receivables	11	–	11
Inventories	–	147	147
Infrastructure, property, plant and equipment	224,070	346,814	570,884
Intangible assets	–	1,257	1,257
Total non-current assets	224,081	348,218	572,299
TOTAL ASSETS	242,055	375,891	617,946
LIABILITIES			
Current liabilities			
Payables (excluding bank overdraft)	2,588	2,081	4,669
Borrowings	366	863	1,229
Provisions	1,979	3,069	5,048
Total current liabilities	4,933	6,013	10,946
Non-current liabilities			
Borrowings	6,425	5,208	11,633
Provisions	204	265	469
Total non-current liabilities	6,629	5,473	12,102
TOTAL LIABILITIES	11,562	11,486	23,048
Net assets transferred	230,493	364,405	594,898

Snowy Valleys Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 28. Local Government amalgamation (continued)

\$ '000

(ii) Adjustments between former council carrying amount of assets and fair values recognised

The following adjustments were made to the carrying amount of the assets and liabilities received as part of the amalgamation in order to recognise them at fair value at the proclamation date.

	Actual 12/05/16
Adjustments made to recognise net assets at fair value	
Changes in asset values due to comprehensive valuation process - Water Infrastructure	(8,785)
Changes in asset values due to comprehensive valuation process - Sewer Infrastructure	6,179
Total adjustments	<u>(2,606)</u>

(iii) Rates and Non-Reciprocal Grants income

The rates and non-reciprocal grants revenue for the period from 12 May to 30 June 2016 were recorded in the financial statements of the former councils in accordance with AASB 1004 Contributions.

The assets transferred to Council include a portion of rates and non-reciprocal grants that were received but related to the period after the former councils ceased to exist.

Snowy Valleys Council

Notes to the Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 29. Council information and contact details

Principal place of business:

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

Contact details

Mailing address:

76 Capper St Tumut NSW 2720

Opening hours:

8:30 am - 4:30 pm

Telephone: 02 6947 2555

Internet: www.snowyvalleys.nsw.gov.au

Email: tumutadmin@snowyvalleys.nsw.gov.au

Officers

INTERIM GENERAL MANAGER

David Aber

RESPONSIBLE ACCOUNTING OFFICER

Sarah Pentland

PUBLIC OFFICER

Robyn Harvey

AUDITORS

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

Elected members

MAYOR

James Hayes

COUNCILLORS

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

Other information

ABN: 53 558 891 887



INDEPENDENT AUDITOR'S REPORT

Report on the general purpose financial 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 of financial position as at 30 June 2017, the income statement, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the period 13 May 2016 to 30 June 2017, notes comprising a summary of significant accounting policies and other explanatory information, and the Statement by Councillors and Management.

In my opinion,

- the Council's accounting records have been kept in accordance with the requirements of the *Local Government Act 1993*, Chapter 13, Part 3, Division 2 (the Division)
- the financial statements:
 - have been presented, 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 2017, and of its financial performance and its cash flows for the period 13 May 2016 to 30 June 2017 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' (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.

The Councillors' Responsibility 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 must assess the Council's ability to continue as a going concern except where the Council will be dissolved or amalgamated by an Act of Parliament. The assessment must disclose, as applicable, matters related to going concern and the appropriateness of using the going concern basis of accounting.

Auditor's Responsibility 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/ar3.pdf. The description forms part of my auditor's report.

My opinion does *not* provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- on the Original Budget information included in the Income Statement, Statement of Cash Flows, Note 2(a) and Note 16 budget variation explanations
- on the attached Special Schedules
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.



Lawrissa Chan
Director, Financial Audit Services

27 October 2017
SYDNEY

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

27 October 2017

Dear Cr Hayes

**Report on the Conduct of the Audit
for the Period 13 May 2016 to 30 June 2017
Snowy Valleys Council**

We have audited the general purpose financial statements of Snowy Valleys Council (the Council) for the period 13 May 2016 to 30 June 2017 as required by section 415 of the *Local Government Act 1993* (the Act). We expressed an unmodified opinion on the Council's general purpose financial statements.

This Report on the Conduct of the Audit (the Report) for the Council for the period 13 May 2016 to 30 June 2017 is issued in accordance with section 417 of the Act. This Report should be read in conjunction with our audit opinion on the general purpose financial statements issued under section 417(2) of the Act.

INCOME STATEMENT

The operating results represent council's activities for the period 13 May 2016 to 30 June 2017

Operating result

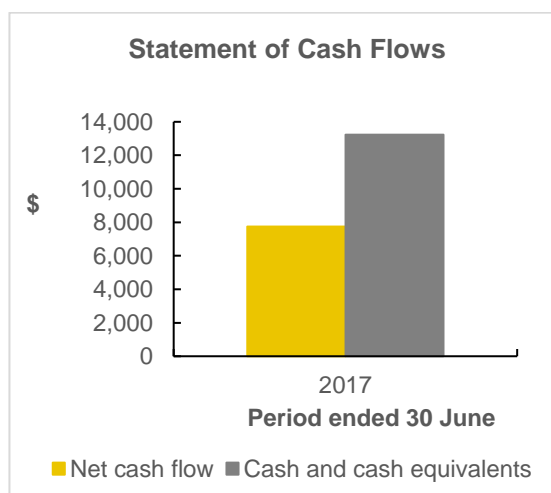
	2017 \$'000
Rates and annual charges revenue	16,704
Grants and contributions revenue	31,205
Operating result for the period	9,051
Net result for the period (after assets and liabilities transferred from former Councils)	603,949
Net operating result before capital amounts	(3,047)

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

- Council's operating surplus for the period was \$9.1 million. The operating result for the period included:
 - revenue from rates and annual charges of \$16.7 million
 - user charges and fees of \$21.1 million
 - grants and contributions of \$31.2 million
 - expenses for employee benefits and on-costs of \$18.6 million
 - materials and contracts of \$20.2 million.
- Council recorded a net result for the period after assets and liabilities transferred from former councils of \$604 million.
- The net operating result before capital contributions was a deficit of \$3.0 million.
- Rates and annual charges were \$16.7 million, represented by \$8.5 million rates and \$8.2 million annual charges.
- Grants and contributions provided for operating purposes were \$19.1 million. Grant income included a \$5.0 million Merger Implementation Grant, \$10 million Stronger Communities Grant and \$7.9 million Financial Assistance Grant, of which \$2.7 million for 2017–18 was received in advance and booked as income in June 2017.
- Council's depreciation and amortisation expense for the period ended 30 June 2017 was \$12.3 million.

STATEMENT OF CASH FLOWS

- Council recorded a net increase in cash and cash equivalents of \$7.7 million in 2017 before cash transferred on amalgamation. Cash transferred on amalgamation of Councils was \$5.5 million.
- Net cash provided by operating activities amounted to \$31.3 million. Council recorded \$27.2 million cash receipts from user charges and fees, \$31.1 million cash receipts from grants and contributions, \$22.1 million in cash payments for materials and contracts and \$18.4 million in cash payments on employee benefits and on-costs.
- Net cash used in investing activities totalled \$22.3 million. This is largely due to \$12.5 million in non-financial asset acquisitions and net increase in the purchases investment securities of \$10.3 million.



FINANCIAL POSITION

Cash and Investments

Restricted Cash and Investments	2017	Commentary
	\$'000	
External restrictions	26,411	<ul style="list-style-type: none"> Externally restricted cash and investments are restricted in their use by externally imposed requirements. Externally restricted cash includes \$15.6 million of specific purpose unexpended grants.
Internal restrictions	20,323	
Unrestricted	2,590	
Cash and investments	49,324	<ul style="list-style-type: none"> 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.

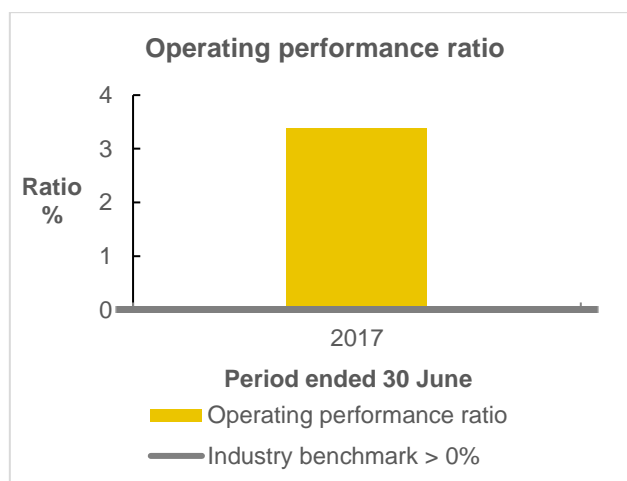
Debt

- The Council had borrowings of \$11.6 million at 30 June 2017. All loans are secured over income of Council.

PERFORMANCE RATIOS

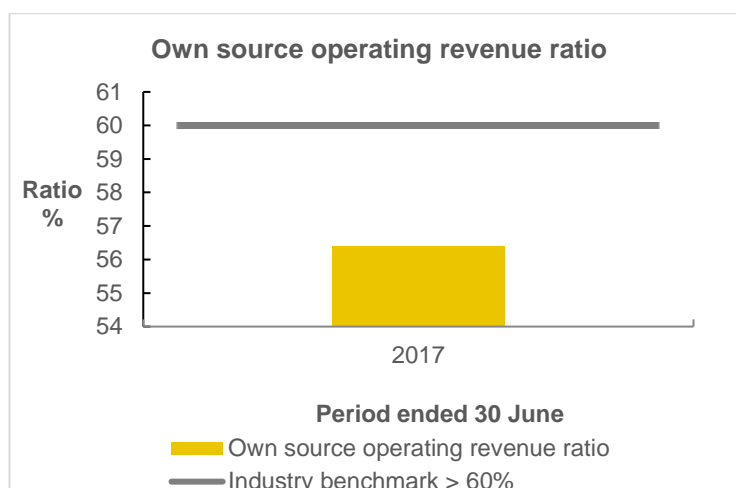
Operating performance ratio

- The 'operating performance ratio' measures how well Council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by the Office of Local Government (OLG) is greater than zero per cent.
- The operating performance ratio was 3.38% which is above the industry benchmark of >0%.
- The operating performance ratio is impacted by the recognition of \$2.7 million Financial Assistance Grants for 2017–18 received in advance and \$5 million Merger Implementation grant received during the year.



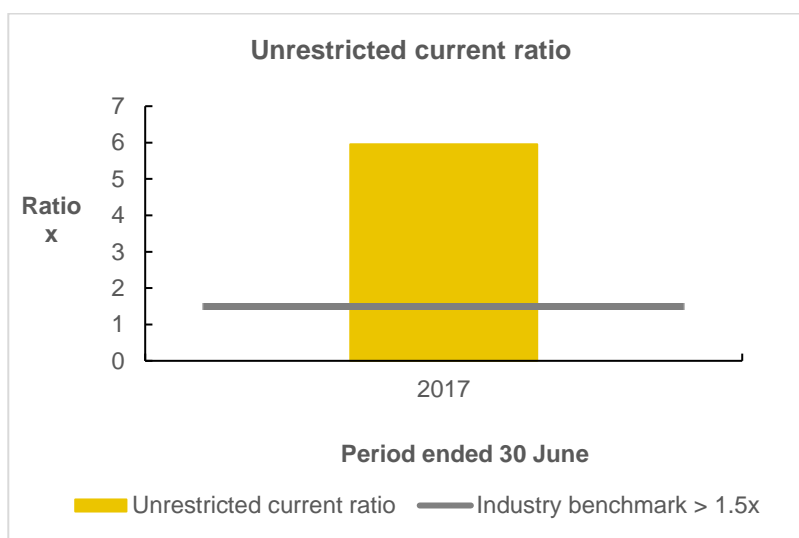
Own source operating revenue ratio

- The 'own source operating revenue ratio' measures Council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by OLG is greater than 60 per cent.
- The own source operating revenue of 56.40 per cent is below the industry benchmark of >60% largely due to the level of grant activity at Council during the period.



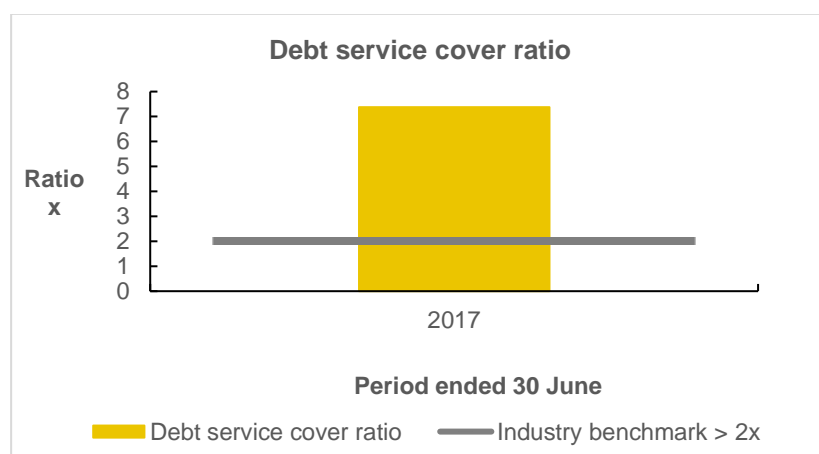
Unrestricted current ratio

- 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 liquidity ratio of 5.95 times is well in excess of the 1.5:1 benchmark minimum and shows Council has sufficient liquidity to meet its current liabilities as and when they fall due.



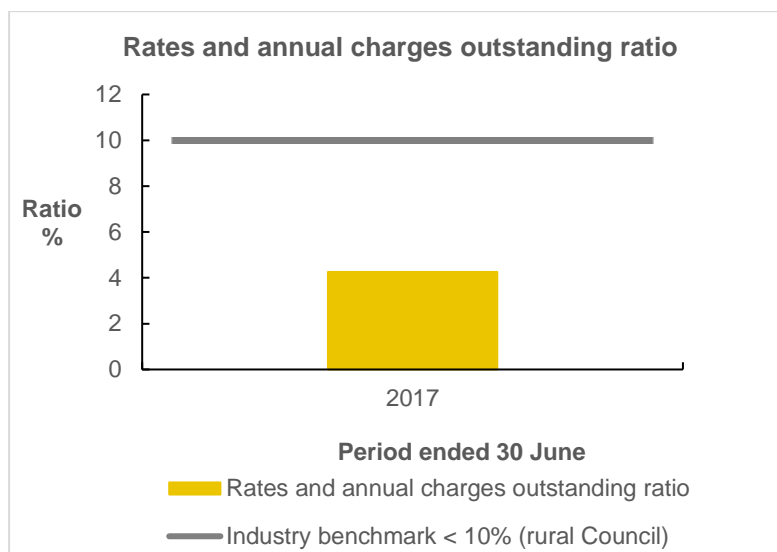
Debt service cover ratio

- 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.
- This ratio indicates that Council has 7.37 times in operating cash available to service its debts, which is above the industry benchmark of > 2.00 times.
- Council generates sufficient cash from its operations to fund its debt obligations.



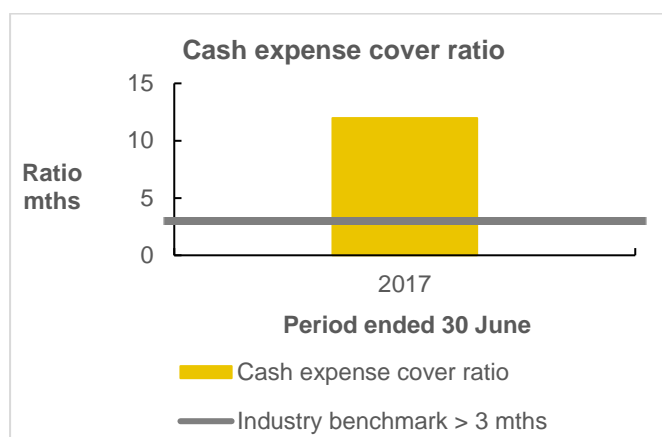
Rates and annual charges outstanding ratio

- The 'rates and annual charges outstanding ratio' assesses the impact of uncollected rates and annual charges on Council's liquidity and the adequacy of debt recovery efforts. The benchmark set by OLG is less than 10 per cent for rural councils.
- The outstanding rates ratio is 4.25% which is within the benchmark for rural councils of less than 10%. This indicates that debt collection processes at Council are sound.



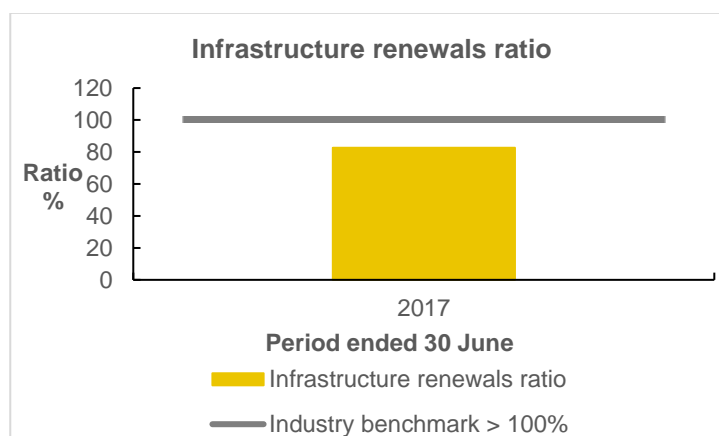
Cash expense cover ratio

- 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.
- At 30 June 2017, the Council had the capacity to cover 11.97 months of cash expenditure without additional cash inflows. Council has performed comfortably above the benchmark in the current period, indicating a satisfactory liquidity position.



Building and infrastructure renewals ratio

- The 'building and infrastructure renewals ratio' represents the rate at which assets are being renewed relative to the rate at which they are depreciating.
- The ratio of 82.74% is below the industry benchmark of greater than 100%.
- Council need to be aware of the deteriorating impact on infrastructure assets if this underperformance is sustained over an extended period.



Legislative compliance

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

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



Lawrissa Chan
Director, Financial Audit Services

27 October 2017
SYDNEY

cc: Mr David Arber, Acting General Manager
Ms Robyn Harvey, Director Internal Services
Ms Sarah Pentland, Division Manager Finance and Information Technology
Mr Tim Hurst, Acting Chief Executive of the Office of Local Government

Snowy Valleys Council

SPECIAL PURPOSE FINANCIAL STATEMENTS

for the period 13 May 2016 to 30 June 2017

Leading, engaging & supporting
strong & vibrant communities



Snowy Valleys Council

Special Purpose Financial Statements

for the period 13 May 2016 to 30 June 2017

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Background

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

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

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

Snowy Valleys Council

Special Purpose Financial Statements

for the period 13 May 2016 to 30 June 2017

Statement by Councillors and Management

made pursuant to the Local Government Code of Accounting Practice and Financial Reporting

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

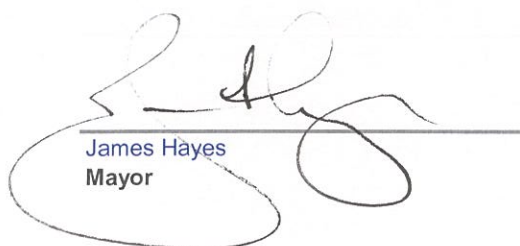
- the NSW Government Policy Statement 'Application of National Competition Policy to Local Government',
- the Division of Local Government Guidelines 'Pricing and Costing for Council Businesses – A Guide to Competitive Neutrality',
- the Local Government Code of Accounting Practice and Financial Reporting,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

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

- present fairly the operating result and financial position for each of Council's declared business activities for the period 13 May 2016 to 30 June 2017, and
- accord with Council's accounting and other records.

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

Signed in accordance with a resolution of Council made on 26 October 2017.



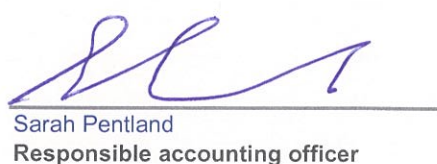
James Hayes
Mayor



John Larter
Councillor



David Aber
Interim General Manager



Sarah Pentland
Responsible accounting officer

Snowy Valleys Council

Income Statement of Council's Water Supply Business Activity

for the period 13 May 2016 to 30 June 2017

	Actual 13/5/16 to 30/6/17
\$ '000	
Income from continuing operations	
Access charges	1,379
User charges	3,449
Fees	–
Interest	144
Grants and contributions provided for non-capital purposes	90
Profit from the sale of assets	–
Share of profit from equity accounted investment	–
Other income	7
Total income from continuing operations	5,069
Expenses from continuing operations	
Employee benefits and on-costs	901
Borrowing costs	340
Materials and contracts	1,446
Depreciation, amortisation and impairment	1,734
Water purchase charges	–
Loss on sale of assets	97
Calculated taxation equivalents	14
Debt guarantee fee (if applicable)	61
Other expenses	2,944
Total expenses from continuing operations	7,537
Surplus (deficit) from continuing operations before capital amounts	(2,468)
Grants and contributions provided for capital purposes	47
Surplus (deficit) from continuing operations after capital amounts	(2,421)
Surplus (deficit) from discontinued operations	–
Surplus (deficit) from all operations before tax	(2,421)
Less: corporate taxation equivalent (30%) [based on result before capital]	–
SURPLUS (DEFICIT) AFTER TAX	(2,421)
Plus Assets and liabilities transferred from former councils	56,931
Plus adjustments for amounts unpaid:	
– Taxation equivalent payments	14
– Debt guarantee fees	61
Less:	
– Tax equivalent dividend paid	(14)
Closing retained profits	54,571
Return on capital %	-3.9%
Subsidy from Council	3,424
Calculation of dividend payable:	
Surplus (deficit) after tax	(2,421)
Less: capital grants and contributions (excluding developer contributions)	(16)
Surplus for dividend calculation purposes	–
Potential dividend calculated from surplus	–

Snowy Valleys Council

Income Statement of Council's Sewerage Business Activity

for the period 13 May 2016 to 30 June 2017

	Actual 13/5/16 to 30/6/17
\$ '000	
Income from continuing operations	
Access charges	4,383
User charges	100
Liquid trade waste charges	14
Fees	–
Interest	221
Grants and contributions provided for non-capital purposes	107
Profit from the sale of assets	–
Share of profit from equity accounted investment	–
Other income	3
Total income from continuing operations	4,828
Expenses from continuing operations	
Employee benefits and on-costs	934
Borrowing costs	217
Materials and contracts	1,522
Depreciation, amortisation and impairment	1,427
Loss on sale of assets	6
Calculated taxation equivalents	13
Debt guarantee fee (if applicable)	5
Other expenses	334
Total expenses from continuing operations	4,458
Surplus (deficit) from continuing operations before capital amounts	370
Grants and contributions provided for capital purposes	24
Surplus (deficit) from continuing operations after capital amounts	394
Surplus (deficit) from discontinued operations	–
Surplus (deficit) from all operations before tax	394
Less: corporate taxation equivalent (30%) [based on result before capital]	(111)
SURPLUS (DEFICIT) AFTER TAX	283
Plus Assets and liabilities transferred from former councils	66,696
Plus adjustments for amounts unpaid:	
– Taxation equivalent payments	13
– Debt guarantee fees	5
– Corporate taxation equivalent	111
Less:	
– Tax equivalent dividend paid	(13)
Closing retained profits	67,095
Return on capital %	0.9%
Subsidy from Council	976
Calculation of dividend payable:	
Surplus (deficit) after tax	283
Less: capital grants and contributions (excluding developer contributions)	(4)
Surplus for dividend calculation purposes	279
Potential dividend calculated from surplus	140

Snowy Valleys Council

Income Statement of Council's Other Business Activities

for the period 13 May 2016 to 30 June 2017

Private Works

	Category 1
	Actual
\$ '000	13/5/16 to 30/6/17
Income from continuing operations	
Access charges	—
User charges	9,910
Fees	—
Interest	196
Grants and contributions provided for non-capital purposes	114
Profit from the sale of assets	96
Share of profit from equity accounted investment	—
Other income	92
Total income from continuing operations	10,408
Expenses from continuing operations	
Employee benefits and on-costs	2,399
Borrowing costs	—
Materials and contracts	5,005
Depreciation, amortisation and impairment	1,135
Loss on sale of assets	—
Calculated taxation equivalents	—
Debt guarantee fee (if applicable)	—
Other expenses	471
Total expenses from continuing operations	9,010
Surplus (deficit) from continuing operations before capital amounts	1,398
Grants and contributions provided for capital purposes	—
Surplus (deficit) from continuing operations after capital amounts	1,398
Surplus (deficit) from discontinued operations	—
Surplus (deficit) from all operations before tax	1,398
Less: corporate taxation equivalent (30%) [based on result before capital]	(419)
SURPLUS (DEFICIT) AFTER TAX	979
Plus Assets and liabilities transferred from former councils	14,292
Plus/less: other adjustments	(248)
Plus adjustments for amounts unpaid:	
– Taxation equivalent payments	—
– Debt guarantee fees	—
– Corporate taxation equivalent	419
Less:	
– Dividend paid	(461)
Closing retained profits	14,981
Return on capital %	25.1%
Subsidy from Council	—

Snowy Valleys Council

Statement of Financial Position – Council's Water Supply Business Activity
as at 30 June 2017

	Actual 2017
\$ '000	
ASSETS	
Current assets	
Cash and cash equivalents	1,013
Investments	1,952
Receivables	1,671
Inventories	–
Other	–
Non-current assets classified as held for sale	–
Total current assets	4,636
Non-current assets	
Investments	–
Receivables	–
Inventories	–
Infrastructure, property, plant and equipment	54,457
Investments accounted for using equity method	–
Investment property	–
Intangible assets	–
Total non-current assets	54,457
TOTAL ASSETS	59,093
LIABILITIES	
Current liabilities	
Bank overdraft	–
Payables	54
Income received in advance	–
Borrowings	509
Provisions	–
Total current liabilities	563
Non-current liabilities	
Payables	–
Income received in advance	–
Borrowings	3,959
Provisions	–
Total non-current liabilities	3,959
TOTAL LIABILITIES	4,522
NET ASSETS	54,571
EQUITY	
Retained earnings	54,571
Revaluation reserves	–
TOTAL EQUITY	54,571

Snowy Valleys Council

Statement of Financial Position – Council's Sewerage Business Activity
as at 30 June 2017

	Actual 2017
\$ '000	
ASSETS	
Current assets	
Cash and cash equivalents	3,277
Investments	2,697
Receivables	404
Inventories	–
Other	–
Non-current assets classified as held for sale	–
Total current Assets	6,378
Non-current assets	
Investments	–
Receivables	–
Inventories	–
Infrastructure, property, plant and equipment	65,662
Investments accounted for using equity method	–
Investment property	–
Intangible assets	–
Total non-current assets	65,662
TOTAL ASSETS	72,040
LIABILITIES	
Current liabilities	
Bank overdraft	–
Payables	28
Income received in advance	–
Borrowings	262
Provisions	–
Total current liabilities	290
Non-current liabilities	
Payables	–
Income received in advance	–
Borrowings	3,536
Provisions	–
Total non-current liabilities	3,536
TOTAL LIABILITIES	3,826
NET ASSETS	68,214
EQUITY	
Retained earnings	67,095
Revaluation reserves	1,119
TOTAL EQUITY	68,214

Snowy Valleys Council

Statement of Financial Position – Council's Other Business Activities
as at 30 June 2017

Private Works

Category 1

\$ '000	Actual 2017
ASSETS	
Current assets	
Cash and cash equivalents	5,251
Investments	4,500
Receivables	1,675
Inventories	22
Other	–
Non-current assets classified as held for sale	–
Total Current Assets	11,448
Non-current assets	
Investments	–
Receivables	–
Inventories	–
Infrastructure, property, plant and equipment	5,567
Investments accounted for using equity method	–
Investment property	–
Intangible assets	–
Total non-current assets	5,567
TOTAL ASSETS	17,015
LIABILITIES	
Current liabilities	
Bank overdraft	–
Payables	183
Income received in advance	–
Borrowings	–
Provisions	1,791
Total current liabilities	1,974
Non-current liabilities	
Payables	–
Income received in advance	–
Borrowings	–
Provisions	60
Other Liabilities	–
Total non-current liabilities	60
TOTAL LIABILITIES	2,034
NET ASSETS	14,981
EQUITY	
Retained earnings	14,981
Revaluation reserves	–
TOTAL EQUITY	14,981

Snowy Valleys Council

Special Purpose Financial Statements

for the period 13 May 2016 to 30 June 2017

Contents of the notes accompanying the financial statements

Note	Details	Page
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2	Water Supply Business Best-Practice Management disclosure requirements	13
3	Sewerage Business Best-Practice Management disclosure requirements	15

Snowy Valleys Council

Notes to the Special Purpose Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 1. Significant accounting policies

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

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

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

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

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

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.

c. Snowy Valleys Council Private Works

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

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

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

Monetary amounts

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

Snowy Valleys Council

Notes to the Special Purpose Financial Statements

for the period 13 May 2016 to 30 June 2017

Note 1. Significant accounting policies (continued)

As required by the NSW Office of Water (Department of Primary Industries) the amounts shown in Note 2 and Note 3 are disclosed in whole dollars.

(i) Taxation-equivalent charges

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

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

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

Notional rate applied (%)

Corporate income tax rate – 30%

Land tax – the first \$549,000 of combined land values attracts 0%. For the combined land values in excess of \$549,001 up to \$3,357,000 the rate is 1.6% + \$100. For the remaining combined land value that exceeds \$3,357,000 a premium marginal rate of 2.0% applies.

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

In accordance with the Department of Primary Industries Water (DPIW), 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 NSW Office of Water Guidelines to as a 'dividend for taxation equivalent', may be applied for any purpose allowed under the *Local Government Act, 1993*.

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

Income tax

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

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

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

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

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

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

Local government rates and charges

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

Loan and debt guarantee fees

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

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

Snowy Valleys Council

Notes to the Special Purpose Financial Statements for the period 13 May 2016 to 30 June 2017

Note 1. Significant accounting policies (continued)

(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 2.38% at 30/6/17.

(iv) Dividends

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

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

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

- (i) 50% of this surplus in any one year, or
- (ii) the number of water supply or sewerage assessments at 30 June 2017 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

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

Snowy Valleys Council

Notes to the Special Purpose Financial Statements for the period 13 May 2016 to 30 June 2017

Note 2. Water Supply Business Best-Practice Management disclosure requirements

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

2017

1. Calculation and payment of tax-equivalents

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

(i)	Calculated tax equivalents	75,000
(ii)	Number of assessments multiplied by \$3/assessment	17,922
(iii)	Amounts payable for tax equivalents [lesser of (i) and (ii)]	17,922
(iv)	Amounts actually paid for tax equivalents	14,000

2. Dividend from surplus

(i)	50% of surplus before dividends [calculated in accordance with Best-Practice Management for Water Supply and Sewerage Guidelines]	–
(ii)	Number of assessments multiplied by \$30/assessment, less tax equivalent charges/assessment	161,298
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2017, less the cumulative dividends paid for the 2 years to 13 May 2016 and 30 June 2015	(3,175,000)

2017 Surplus (2,437,000)

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

3. Required outcomes for 6 criteria

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

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

Snowy Valleys Council

Notes to the Special Purpose Financial Statements for the period 13 May 2016 to 30 June 2017

Note 2. Water Supply Business Best-Practice Management disclosure requirements (continued)

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

2017

National Water Initiative (NWI) financial performance indicators

NWI F1	Total revenue (water) Total income (w13) – grants for the acquisition of assets (w11a) – interest income (w9) – Aboriginal Communities W&S Program income (w10a)	\$'000	5,108
NWI F4	Revenue from residential usage charges (water) Income from residential usage charges (w6b) x 100 divided by the sum of [income from residential usage charges (w6a) + income from residential access charges (w6b)]	%	71.09%
NWI F9	Written down replacement cost of fixed assets (water) Written down current cost of system assets (w47)	\$'000	47,296
NWI F11	Operating cost (OMA) (water) Management expenses (w1) + operational and maintenance expenses (w2)	\$'000	2,843
NWI F14	Capital expenditure (water) Acquisition of fixed assets (w16)	\$'000	1,275
NWI F17	Economic real rate of return (water) [total income (w13) – interest income (w9) – grants for acquisition of assets (w11a) – operating costs (NWI F11) – current cost depreciation (w3)] x 100 divided by [written down current cost of system assets (w47) + plant and equipment (w33b)]	%	0.98%
NWI F26	Capital works grants (water) Grants for the acquisition of assets (w11a)	\$'000	–

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

Snowy Valleys Council

Notes to the Special Purpose Financial Statements for the period 13 May 2016 to 30 June 2017

Note 3. Sewerage Business Best-Practice Management disclosure requirements

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

2017

1. Calculation and payment of tax-equivalents

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

(i)	Calculated tax equivalents	18,000
(ii)	Number of assessments multiplied by \$3/assessment	16,611
(iii)	Amounts payable for tax equivalents [lesser of (i) and (ii)]	16,611
(iv)	Amounts actually paid for tax equivalents	13,000

2. Dividend from surplus

(i)	50% of surplus before dividends [calculated in accordance with Best-Practice Management for Water Supply and Sewerage Guidelines]	139,500
(ii)	Number of assessments x (\$30 less tax equivalent charges per assessment)	149,499
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2017, less the cumulative dividends paid for the 2 years to 13 May 2016 and 30 June 2015	(454,600)

2017 Surplus 279,000

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

3. Required outcomes for 4 criteria

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

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

Snowy Valleys Council

Notes to the Special Purpose Financial Statements
for the period 13 May 2016 to 30 June 2017Note 3. Sewerage Business
Best-Practice Management disclosure requirements (continued)

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

2017

National Water Initiative (NWI) financial performance indicators

NWI F2	Total revenue (sewerage) Total income (s14) – grants for acquisition of assets (s12a) – interest income (s10) – Aboriginal Communities W&S Program income (w10a)	\$'000	4,766
NWI F10	Written down replacement cost of fixed assets (sewerage) Written down current cost of system assets (s48)	\$'000	55,910
NWI F12	Operating cost (sewerage) Management expenses (s1) + operational and maintenance expenses (s2)	\$'000	2,837
NWI F15	Capital expenditure (sewerage) Acquisition of fixed assets (s17)	\$'000	1,117
NWI F18	Economic real rate of return (sewerage) [total income (s14) – interest income (s10) – grants for acquisition of assets (s12a) – operating cost (NWI F12) – current cost depreciation (s3)] x 100 divided by [written down current cost (i.e. WDCC) of system assets (s48) + plant and equipment (s34b)]	%	0.76%
NWI F27	Capital works grants (sewerage) Grants for the acquisition of assets (12a)	\$'000	10

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

NWI F3	Total income (water and sewerage) Total income (w13 + s14) + gain/loss on disposal of assets (w14 + s15) minus grants for acquisition of assets (w11a + s12a) – interest income (w9 + s10)	\$'000	9,777
NWI F8	Revenue from community service obligations (water and sewerage) Community service obligations (NWI F25) x 100 divided by total income (NWI F3)	%	1.25%
NWI F16	Capital expenditure (water and sewerage) Acquisition of fixed assets (w16 + s17)	\$'000	2,392
NWI F19	Economic real rate of return (water and sewerage) [total income (w13 + s14) – interest income (w9 + s10) – grants for acquisition of assets (w11a + s12a) – operating cost (NWI F11 + NWI F12) – current cost depreciation (w3 + s3)] x 100 divided by [written down replacement cost of fixed assets (NWI F9 + NWI F10) + plant and equipment (w33b + s34b)]	%	0.86%
NWI F20	Dividend (water and sewerage) Dividend paid from surplus (2 (v) of Note 2 + 2 (v) of Note 3)	\$'000	–
NWI F21	Dividend payout ratio (water and sewerage) Dividend (NWI F20) x 100 divided by net profit after tax (NWI F24)	%	0.00%

Snowy Valleys Council

Notes to the Special Purpose Financial Statements for the period 13 May 2016 to 30 June 2017

Note 3. Sewerage Business Best-Practice Management disclosure requirements (continued)

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

2017

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

NWI F22	Net debt to equity (water and sewerage)	%	-0.38%
	Overdraft (w36 + s37) + borrowings (w38 + s39) – cash and investments (w30 + s31) x 100 divided by [total assets (w35 + s36) – total liabilities (w40 + s41)]		
NWI F23	Interest cover (water and sewerage)		5
	Earnings before interest and tax (EBIT) divided by net interest		
	Earnings before interest and tax (EBIT):		1,033
	Operating result (w15a + s16a) + interest expense (w4a + s4a) – interest income (w9 + s10) – gain/loss on disposal of assets (w14 + s15) + miscellaneous expenses (w4b + w4c + s4b + s4c)		
	Net interest:		192
	Interest expense (w4a + s4a) – interest income (w9 + s10)		
NWI F24	Net profit after tax (water and sewerage)	\$'000	(1,998)
	Surplus before dividends (w15a + s16a) – tax equivalents paid (Note 2-1 (iv) + Note 3-1 (iv))		
NWI F25	Community service obligations (water and sewerage)	\$'000	122
	Grants for pensioner rebates (w11b + s12b)		

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



INDEPENDENT AUDITOR'S REPORT

Report on the special purpose financial 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 of financial position of each Declared Business Activity as at 30 June 2017, the income statement of each Declared Business Activity for the period 13 May 2016 to 30 June 2017, notes comprising a summary of significant accounting policies and other explanatory information for the Business Activities declared by Council, and the Statement by Councillors and Management.

The Declared Business Activities of the Council are:

- Water Supply Business Activity
- Sewerage Business Activity
- Private Works

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 2017, and their financial performance for the period 13 May 2016 to 30 June 2017, in accordance with the Australian Accounting Standards described in Note 1 and the Local Government Code of Accounting Practice and Financial Reporting (LG Code).

My opinion should be read in conjunction with the rest of this report and in particular, the Emphasis of Matter referring to the basis of accounting.

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' (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 Council's financial reporting responsibilities under the LG Code. As a result, the financial statements may not be suitable for another purpose.

The Councillors' Responsibility 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 must assess the Council's ability to continue as a going concern except where the Council will be dissolved or amalgamated by an Act of Parliament. The assessment must disclose, as applicable, matters related to going concern and the appropriateness of using the going concern basis of accounting, as it affects the Council's Declared Business Activities.

Auditor's Responsibility 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:

http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf.

The description forms part of my auditor's report.

My opinion does not provide assurance:

- on the best practice management disclosures in Notes 2 and 3 of the financial statements
- 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.



Lawrissa Chan
Director, Financial Audit Services

27 October 2017
SYDNEY

Snowy Valleys Council

SPECIAL SCHEDULES

for the period 13 May 2016 to 30 June 2017

Leading, engaging & supporting
strong & vibrant communities



Snowy Valleys Council

Special Schedules

for the period 13 May 2016 to 30 June 2017

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¹ Special Schedules are not audited (with the exception of Special Schedule 8).

Background

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

Snowy Valleys Council

Special Schedule 1 – Net Cost of Services

for the period 13 May 2016 to 30 June 2017

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
Governance	750	1	–	(749)
Administration	15,308	13,924	10,703	9,319
Public order and safety				
Fire service levy, fire protection, emergency services	1,309	662	–	(647)
Beach control	–	–	–	–
Enforcement of local government regulations	117	11	–	(106)
Animal control	218	65	–	(153)
Other	–	–	–	–
Total public order and safety	1,644	738	–	(906)
Health	223	91	–	(132)
Environment				
Noxious plants and insect/vermin control	192	183	–	(9)
Other environmental protection	80	33	–	(47)
Solid waste management	2,366	2,783	8	425
Street cleaning	101	–	–	(101)
Drainage	–	–	–	–
Stormwater management	426	30	–	(396)
Total environment	3,165	3,029	8	(128)
Community services and education				
Administration and education	2,359	1,889	–	(470)
Social protection (welfare)	–	–	–	–
Aged persons and disabled	504	553	–	49
Children's services	8	8	–	–
Total community services and education	2,871	2,450	–	(421)
Housing and community amenities				
Public cemeteries	335	335	–	–
Public conveniences	351	–	–	(351)
Street lighting	184	45	–	(139)
Town planning	811	444	–	(367)
Other community amenities	77	18	–	(59)
Total housing and community amenities	1,758	842	–	(916)
Water supplies	7,691	5,177	20	(2,494)
Sewerage services	4,605	4,983	41	419

Snowy Valleys Council

Special Schedule 1 – Net Cost of Services (continued)

for the period 13 May 2016 to 30 June 2017

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
Recreation and culture				
Public libraries	951	84	—	(867)
Museums	15	20	—	5
Art galleries	—	—	—	—
Community centres and halls	87	27	—	(60)
Performing arts venues	—	—	—	—
Other performing arts	—	—	—	—
Other cultural services	28	2	—	(26)
Sporting grounds and venues	362	61	90	(211)
Swimming pools	955	168	—	(787)
Parks and gardens (lakes)	2,241	60	74	(2,107)
Other sport and recreation	—	—	—	—
Total recreation and culture	4,639	422	164	(4,053)
Fuel and energy	—	—	—	—
Agriculture	—	—	—	—
Mining, manufacturing and construction				
Building control	756	112	—	(644)
Other mining, manufacturing and construction	124	34	—	(90)
Total mining, manufacturing and const.	880	146	—	(734)
Transport and communication				
Urban roads (UR) – local	593	—	—	(593)
Urban roads – regional	—	—	—	—
Sealed rural roads (SRR) – local	3,367	40	65	(3,262)
Sealed rural roads (SRR) – regional	1,833	653	652	(528)
Unsealed rural roads (URR) – local	827	29	—	(798)
Unsealed rural roads (URR) – regional	—	—	—	—
Bridges on UR – local	226	—	—	(226)
Bridges on SRR – local	72	—	—	(72)
Bridges on URR – local	—	—	—	—
Bridges on regional roads	778	—	—	(778)
Parking areas	14	—	—	(14)
Footpaths	152	—	2	(150)
Aerodromes	135	12	—	(123)
Other transport and communication	7,857	7,579	443	165
Total transport and communication	15,854	8,313	1,162	(6,379)
Economic affairs				
Camping areas and caravan parks	197	227	—	30
Other economic affairs	2,935	1,518	—	(1,417)
Total economic affairs	3,132	1,745	—	(1,387)
Totals – functions	62,520	41,861	12,098	(8,561)
General purpose revenues ⁽¹⁾	—	17,612	—	17,612
Share of interests – joint ventures and associates using the equity method	—	—	—	—
NET OPERATING RESULT ⁽²⁾	62,520	59,473	12,098	9,051

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

(2) As reported in the Income Statement grants, interest on investments (excluding externally restricted assets) and interest on overdue rates and annual charges

Snowy Valleys Council

Special Schedule 2(a) – Statement of Long Term Debt (all purpose)

for the period 13 May 2016 to 30 June 2017

\$'000

Classification of debt	Principal outstanding at beginning of the period (former Councils)			New loans raised during the period	Debt redemption during the period		Transfers to sinking funds	Interest applicable for the period	Principal outstanding at the end of the period		
	Current	Non-current	Total		From revenue	Sinking funds			Current	Non-current	Total
Loans (by source)											
Commonwealth Government	–	–	–	–	–	–	–	–	–	–	–
NSW Treasury Corporation	–	–	–	–	–	–	–	–	–	–	–
Other State Government	–	–	–	–	–	–	–	–	–	–	–
Public subscription	–	–	–	–	–	–	–	–	–	–	–
Financial institutions	1,034	10,909	11,943	–	1,059	–	–	750	1,019	9,865	10,884
Other	195	724	919	–	195	–	–	49	164	560	724
Total loans	1,229	11,633	12,862	–	1,254	–	–	799	1,183	10,425	11,608
Other long term debt											
Ratepayers advances	–	–	–	–	–	–	–	–	–	–	–
Government advances	–	–	–	–	–	–	–	–	–	–	–
Finance leases	–	–	–	–	–	–	–	–	–	–	–
Deferred payments	–	–	–	–	–	–	–	–	–	–	–
Total long term debt	–	–	–	–	–	–	–	–	–	–	–
Total debt	1,229	11,633	12,862	–	1,254	–	–	799	1,183	10,425	11,608

Notes: excludes (i) internal loans and (ii) principal inflows/outflows relating to loan re-financing.

This schedule is prepared using the **face value** of debt obligations, rather than **fair value** (which are reported in the GPFS).

Snowy Valleys Council

Special Schedule 2(b) – Statement of Internal Loans [Section 410(3) of the *Local Government Act* 1993]
for the period 13 May 2016 to 30 June 2017

\$'000

Summary of internal loans

Borrower (by purpose)	Amount originally raised	Total repaid during the period (principal and interest)	Principal outstanding at end of period
General	600,000	75,031	154,319
Water			
Sewer			
Domestic waste management			
Gas			
Other			
Totals	600,000	75,031	154,319

Note: the summary of internal loans (above) represents the total of Council's internal loans categorised according to the borrower.

Details of individual internal loans

Borrower (by purpose)	Lender (by purpose)	Date of minister's approval	Date raised	Term (years)	Dates of maturity	Rate of interest	Amount originally raised	Total repaid during period (princ. and int.)	Principal outstanding at end of period
Caravan Park Loan	ELE Reserve		31/12/08	11	31/12/19	6.50%	350,000	47,705	111,136
Pool Loan	General Reserve		10/11/04	14	10/11/18	5.00%	250,000	27,326	43,183
Totals							600,000	75,031	154,319

Snowy Valleys Council

Special Schedule 3 – Water Supply Income Statement

Includes all internal transactions, i.e. prepared on a gross basis
for the period 13 May 2016 to 30 June 2017

		Actuals 13/5/16 to 30/6/17
\$'000		
A Expenses and income		
Expenses		
1. Management expenses		
a. Administration		733
b. Engineering and supervision		61
2. Operation and maintenance expenses		
– dams and weirs		
a. Operation expenses		–
b. Maintenance expenses		–
– Mains		
c. Operation expenses		25
d. Maintenance expenses		320
– Reservoirs		
e. Operation expenses		–
f. Maintenance expenses		63
– Pumping stations		
g. Operation expenses (excluding energy costs)		–
h. Energy costs		275
i. Maintenance expenses		59
– Treatment		
j. Operation expenses (excluding chemical costs)		21
k. Chemical costs		140
l. Maintenance expenses		735
– Other		
m. Operation expenses		–
n. Maintenance expenses		411
o. Purchase of water		–
3. Depreciation expenses		
a. System assets		1,325
b. Plant and equipment		409
4. Miscellaneous expenses		
a. Interest expenses		340
b. Revaluation decrements		2,525
c. Other expenses		59
d. Impairment – system assets		–
e. Impairment – plant and equipment		–
f. Aboriginal Communities Water and Sewerage Program		–
g. Tax equivalents dividends (actually paid)		14
5. Total expenses		7,515

Snowy Valleys Council

Special Schedule 3 – Water Supply Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis
for the period 13 May 2016 to 30 June 2017

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

Snowy Valleys Council

Special Schedule 3 – Water Supply Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis
for the period 13 May 2016 to 30 June 2017

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

Snowy Valleys Council

Special Schedule 4 – Water Supply Statement of Financial Position

Includes internal transactions, i.e. prepared on a gross basis
as at 30 June 2017

\$'000	Actuals Current	Actuals Non-current	Actuals Total
ASSETS			
25. Cash and investments			
a. Developer charges	826	–	826
b. Special purpose grants	–	–	–
c. Accrued leave	–	–	–
d. Unexpended loans	–	–	–
e. Sinking fund	–	–	–
f. Other	1,961	–	1,961
26. Receivables			
a. Specific purpose grants	–	–	–
b. Rates and availability charges	137	–	137
c. User charges	1,712	–	1,712
d. Other	–	–	–
27. Inventories	–	–	–
28. Property, plant and equipment			
a. System assets	–	47,296	47,296
b. Plant and equipment	–	7,161	7,161
29. Other assets	–	–	–
30. Total assets	4,636	54,457	59,093
LIABILITIES			
31. Bank overdraft	–	–	–
32. Creditors	27	–	27
33. Borrowings	536	3,959	4,495
34. Provisions			
a. Tax equivalents	–	–	–
b. Dividend	–	–	–
c. Other	–	–	–
35. Total liabilities	563	3,959	4,522
36. NET ASSETS COMMITTED	4,073	50,498	54,571
EQUITY			
37. Accumulated surplus			54,571
38. Asset revaluation reserve			–
39. Other reserves			–
40. TOTAL EQUITY			54,571
Note to system assets:			
41. Current replacement cost of system assets			70,472
42. Accumulated current cost depreciation of system assets			(23,176)
43. Written down current cost of system assets			47,296

Snowy Valleys Council

Special Schedule 5 – Sewerage Service Income Statement

Includes all internal transactions, i.e. prepared on a gross basis
for the period 13 May 2016 to 30 June 2017

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

Snowy Valleys Council

Special Schedule 5 – Sewerage Service Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis
for the period 13 May 2016 to 30 June 2017

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

Snowy Valleys Council

Special Schedule 5 – Sewerage Service Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis
for the period 13 May 2016 to 30 June 2017

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

Snowy Valleys Council

Special Schedule 6 – Sewerage Service Statement of Financial Position

Includes internal transactions, i.e. prepared on a gross basis
as at 30 June 2017

\$'000	Actuals Current	Actuals Non-current	Actuals Total
ASSETS			
26. Cash and investments			
a. Developer charges	2,057	–	2,057
b. Special purpose grants	–	–	–
c. Accrued leave	–	–	–
d. Unexpended loans	–	–	–
e. Sinking fund	–	–	–
f. Other	3,918	–	3,918
27. Receivables			
a. Specific purpose grants	–	–	–
b. Rates and availability charges	31	–	31
c. User charges	372	–	372
d. Other	–	–	–
28. Inventories	–	–	–
29. Property, plant and equipment			
a. System assets	–	55,910	55,910
b. Plant and equipment	–	9,752	9,752
30. Other assets	–	–	–
31. Total assets	6,378	65,662	72,040
LIABILITIES			
32. Bank overdraft	–	–	–
33. Creditors	27	–	27
34. Borrowings	263	3,536	3,799
35. Provisions			
a. Tax equivalents	–	–	–
b. Dividend	–	–	–
c. Other	–	–	–
36. Total liabilities	290	3,536	3,826
37. NET ASSETS COMMITTED	6,088	62,126	68,214
EQUITY			
38. Accumulated surplus			67,095
39. Asset revaluation reserve			1,119
40. Other reserves			–
41. TOTAL EQUITY			68,214
Note to system assets:			
42. Current replacement cost of system assets			81,549
43. Accumulated current cost depreciation of system assets			(25,639)
44. Written down current cost of system assets			55,910

Snowy Valleys Council

Notes to Special Schedules 3 and 5

for the period 13 May 2016 to 30 June 2017

Administration ⁽¹⁾

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

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

Engineering and supervision ⁽¹⁾

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

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

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

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

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

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

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

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

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

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

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

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

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

Notes:

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

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

Snowy Valleys Council

Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2017

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2016/17 Required maintenance ^a	2016/17 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Buildings	Buildings – non-specialised			446	614	26,837	39,337	18%	46%	30%	6%	0%
	Council Offices/Administration			15		3,136	5,618	83%	15%	2%	0%	0%
	Council Public Halls			3		542	1,163	10%	66%	24%	0%	0%
	Council Works Depot			9		2,337	3,446	58%	36%	6%	0%	0%
	Cultural Facilities			11		1,531	3,842	26%	37%	37%	0%	0%
	Libraries			7		1,278	2,382	52%	10%	38%	0%	0%
	Other Buildings	196	196	30	67	7,529	10,879	57%	22%	20%	1%	0%
	Specialised Buildings					2,127	4,039	44%	48%	8%	0%	0%
	Sub-total	196	196	521	681	45,317	70,706	34.0%	38.1%	24.4%	3.5%	0.0%
Other structures	Other structures			175		4,161	5,986	85%	8%	7%	0%	0%
	Sub-total	–	–	175	–	4,161	5,986	85.0%	8.0%	7.0%	0.0%	0.0%
Roads	Sealed roads			211	211	125,587	166,005	67%	28%	5%	0%	0%
	Unsealed roads			363	363	29,601	39,878	42%	39%	18%	1%	0%
	Bridges			56	56	32,199	55,712	72%	20%	8%	0%	0%
	Footpaths			51	51	6,607	10,909	56%	32%	12%	0%	0%
	Bulk earthworks					107,813	107,813	100%	0%	0%	0%	0%
	Cycleways					1,186	1,391	70%	29%	1%	0%	0%
	Kerb & Gutter			54	54	11,780	20,260	24%	38%	37%	1%	0%
	Other road assets			125	125	1,811	2,233	99%	1%	0%	0%	0%
	Road Culverts					9,935	14,398	97%	3%	0%	0%	0%
	Sealed Road Surface			433	433	10,148	19,746	63%	35%	2%	0%	0%
	Sub-total	–	–	1,293	1,293	336,667	438,345	72.2%	21.0%	6.6%	0.1%	0.0%

Snowy Valleys Council

Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2017 (continued)

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2016/17 Required maintenance ^a	2016/17 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Water supply network	Water supply network			134	145	11,120	13,879	79%	9%	9%	3%	0%
	Buildings			427	427	21,593	29,979	65%	31%	4%	0%	0%
	Other			77	77	307	438	67%	18%	15%	0%	0%
	Pumping Stations			40	40	1,426	2,851	9%	58%	12%	21%	0%
	Reservoirs			18	18	5,638	9,296	41%	34%	16%	9%	0%
	Treatment			160	160	10,782	15,802	17%	47%	30%	6%	0%
	Dams/Weirs					536	886	0%	99%	1%	0%	0%
	Sub-total	–	–	856	867	51,402	73,131	51.3%	32.4%	12.5%	3.9%	0.0%
Sewerage network	Sewerage network			42	87	10,639	17,671	68%	28%	2%	2%	0%
	Mains			150	150	32,261	40,126	26%	58%	15%	1%	0%
	Other			8	8	875	978	93%	7%	0%	0%	0%
	Pumping Stations			118	118	2,593	4,711	22%	42%	31%	5%	0%
	Treatment			163	163	17,937	22,393	58%	30%	8%	4%	0%
	Buildings					187	257	64%	36%	0%	0%	0%
	Sub-total	–	–	481	526	64,492	86,136	43.7%	42.9%	11.2%	2.1%	0.0%

Snowy Valleys Council

Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2017 (continued)

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2016/17 Required maintenance ^a	2016/17 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Stormwater drainage	Stormwater drainage			26	32	3,552	6,178	17%	14%	69%	0%	0%
	Head Walls					113	193	85%	13%	2%	0%	0%
	Inlet and Junction Pits					4,098	6,547	82%	18%	0%	0%	0%
	Stormwater Conduits					13,635	23,369	81%	19%	0%	0%	0%
	Sub-total	–	–	26	32	21,398	36,287	70.2%	18.0%	11.8%	0.0%	0.0%
Open space/recreational assets	Other Open Space/Recreation					3,823	5,342	79%	11%	10%	0%	0%
	Swimming pools					1,237	3,734	28%	72%	0%	0%	0%
	Sub-total	–	–	–	–	5,060	9,076	58.0%	36.1%	5.9%	0.0%	0.0%
Other infrastructure assets	Other Infrastructure Assets					319	308	100%	0%	0%	0%	0%
	Sub-total	–	–	–	–	319	308	100.0%	0.0%	0.0%	0.0%	0.0%
	TOTAL – ALL ASSETS	196	196	3,352	3,399	528,816	719,975	62.8%	26.4%	9.8%	1.1%	0.0%

Notes:

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

Infrastructure asset condition assessment 'key'

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

Snowy Valleys Council

Special Schedule 7 – Report on Infrastructure Assets (continued)

for the period 13 May 2016 to 30 June 2017

\$ '000	Amounts 2017	Indicator 2017
Infrastructure asset performance indicators * consolidated		
1. Infrastructure renewals ratio		
Asset renewals ⁽¹⁾	7,538	82.74%
Depreciation, amortisation and impairment	9,111	
2. Infrastructure backlog ratio		
Estimated cost to bring assets to a satisfactory standard	196	0.05%
Net carrying amount of infrastructure assets	412,125	
3. Asset maintenance ratio		
Actual asset maintenance	3,399	1.01
Required asset maintenance	3,352	
4. Cost to bring assets to agreed service level		
Estimated cost to bring assets to an agreed service level set by Council	196	0.03%
Gross replacement cost	719,975	

Notes

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

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

Snowy Valleys Council

Special Schedule 7 – Report on Infrastructure Assets (continued)

for the period 13 May 2016 to 30 June 2017

\$ '000	Water 2017	Sewer 2017	General ⁽¹⁾ 2017
Infrastructure asset performance indicators by fund			
1. Infrastructure renewals ratio			
Asset renewals ⁽²⁾			
Depreciation, amortisation and impairment	36.31%	23.48%	96.12%
2. Infrastructure backlog ratio			
Estimated cost to bring assets to a satisfactory standard			
Net carrying amount of infrastructure assets	0.00%	0.00%	0.07%
3. Asset maintenance ratio			
Actual asset maintenance			
Required asset maintenance	1.01	1.09	1.00
4. Cost to bring assets to agreed service level			
Estimated cost to bring assets to an agreed service level set by Council			
Gross replacement cost	0.00%	0.00%	0.03%

Notes

- (1) General fund refers to all of Council's activities except for its water and sewer activities which are listed separately.
- (2) Asset renewals represent the replacement and/or refurbishment of existing assets to an equivalent capacity/performance as opposed to the acquisition of new assets (or the refurbishment of old assets) that increases capacity/performance.

Snowy Valleys Council

Special Schedule 8 – Permissible Income Calculation

for the year ended 30 June 2018

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

Snowy Valleys Council

Special Schedule 8 – Permissible Income Calculation (continued) for the year ended 30 June 2018

\$'000

Notes

- (1) The notional general income will not reconcile with rate income in the financial statements in the corresponding year. The statements are reported on an accrual accounting basis which include amounts that relate to prior years' rates income.
- (2) Adjustments account for changes in the number of assessments and any increase or decrease in land value occurring during the year. The adjustments are called 'supplementary valuations' as defined in the *Valuation of Land Act 1916*.
- (3) The 'special variation percentage' is inclusive of the rate peg percentage and where applicable Crown land adjustment.
- (4) Valuation objections are unexpected changes in land values as a result of land owners successfully objecting to the land value issued by the Valuer-General. Councils can claim the value of the income lost due to valuation objections in any single year.
- (5) Unused catch-up amounts will be deducted if they are not caught up within 2 years. Usually councils will have a nominal carry forward figure. These amounts can be adjusted for in setting the rates in a future year.
- (6) Carry forward amounts which are in excess (an amount that exceeds the permissible income) require ministerial approval by order published in the NSW Government Gazette in accordance with section 512 of the *Local Government Act 1993*. The OLG will extract these amounts from Council's Special Schedule 8 in the financial data return (FDR) to administer this process.



INDEPENDENT AUDITOR'S REPORT

Special Schedule No. 8

Snowy Valleys Council

To the Councillors of Snowy Valleys Council

Opinion

I have audited the accompanying special purpose financial statement comprising the reconciliation of total permissible general income (Special Schedule No. 8) of Snowy Valleys Council (the Council) for the year ending 30 June 2018.

In my opinion, Special Schedule No. 8 of Snowy Valleys Council for 30 June 2018 is prepared, in all material respects in accordance with the requirements of the Local Government Code of Accounting Practice and Financial Reporting (LG Code) issued by the Office of Local Government (OLG), and is in accordance with the books and records of the Council.

My opinion should be read in conjunction with the rest of this report, and in particular the Emphasis of Matter paragraph, which describes the basis of accounting.

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 Special Schedule No.8' section of my report.

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

Without modifying my opinion, I draw attention to the notes and explanations in Special Schedule No. 8 that instruct councils in its preparation so it complies with OLG's requirements as described in the LG Code. As a result, Special Schedule No. 8 may not be suitable for another purpose.

Councillors' Responsibility for Special Schedule No. 8

The Councillors of the Council are responsible for the preparation of Special Schedule No. 8 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 Special Schedule No. 8 that is free from material misstatement, whether due to fraud or error.

In preparing Special Schedule No.8, the Councillors must assess the Council's ability to continue as a going concern except where the Council will be dissolved or amalgamated by an Act of Parliament. The assessment must disclose, as applicable, matters related to going concern and the appropriateness of using the going concern basis of accounting.

Auditor's Responsibility for the Audit of Special Schedule No. 8

My objectives are to:

- obtain reasonable assurance whether Special Schedule No. 8 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 Special Schedule No.8.

A description of my responsibilities for the audit of Special Schedule No.8 is located at the Auditing and Assurance Standards Board website at http://www.auasb.gov.au/auditors_responsibilities/ar8.pdf. The description forms part of my auditor's report.

My opinion does not provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- about the security and controls over the electronic publication of the audited Special Schedule No.8 on any website where they may be presented
- about any other information which may have been hyperlinked to/from Special Schedule No 8.



Lawrissa Chan
Director, Financial Audit Services

27 October 2017
SYDNEY