

Griffith City Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2020



General Purpose Financial Statements

for the year ended 30 June 2020

| Contents | Page |
|--|-----------|
| 1. Understanding Council's Financial Statements | 3 |
| 2. Statement by Councillors & Management | 4 |
| 3. Primary Financial Statements: | |
| Income Statement | 5 |
| Statement of Comprehensive Income | 6 |
| Statement of Financial Position | 7 |
| Statement of Changes in Equity | 8 |
| Statement of Cash Flows | 9 |
| 4. Notes to the Financial Statements | 10 |
| 5. Independent Auditor's Reports: | |
| On the Financial Statements (Sect 417 [2]) | 96 |
| On the Financial Statements (Sect 417 [3]) | 99 |

Overview

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

1 Benerembah Street
GRIFFITH NSW 2680

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

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

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

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

General Purpose Financial Statements

for the year ended 30 June 2020

Understanding Council's Financial Statements

Introduction

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

What you will find in the Statements

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

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

About the Councillor/Management Statement

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

About the Primary Financial Statements

The financial statements incorporate five "primary" financial statements:

1. The Income Statement

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

2. The Statement of Comprehensive Income

Primarily records changes in the fair value of Council's Infrastructure, property, plant and equipment.

3. The Statement of Financial Position

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

4. The Statement of Changes in Equity

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

5. The Statement of Cash Flows

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

About the Notes to the Financial Statements

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

About the Auditor's Reports

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

In NSW the auditor provides 2 audit reports:

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

Who uses the Financial Statements?

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

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

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

Griffith City Council

General Purpose Financial Statements

for the year ended 30 June 2020

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

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

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

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

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

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

Signed in accordance with a resolution of Council made on 24 November 2020.



Cr John Dal Broi
Mayor
24 November 2020



Cr Simon Croce
Councillor
24 November 2020



Brett Stonestreet
General Manager
24 November 2020



Max Turner
Responsible Accounting Officer
24 November 2020

Income Statement

for the year ended 30 June 2020

| Original unaudited budget 2020 | \$ '000 | Notes | Actual 2020 | Actual 2019 |
|--|--|-------|----------------|----------------|
| Income from continuing operations | | | | |
| 30,809 | Rates and annual charges | 3a | 32,496 | 32,000 |
| 16,809 | User charges and fees | 3b | 15,080 | 17,299 |
| 1,419 | Other revenues | 3c | 3,008 | 2,880 |
| 9,154 | Grants and contributions provided for operating purposes | 3d,3e | 8,269 | 7,656 |
| 21,667 | Grants and contributions provided for capital purposes | 3d,3e | 7,320 | 8,998 |
| 1,376 | Interest and investment income | 4 | 949 | 1,869 |
| – | Net gains from the disposal of assets | 6 | 82 | 92 |
| 425 | Rental income | 13d | 407 | – |
| 81,659 | Total income from continuing operations | | 67,611 | 70,794 |
| Expenses from continuing operations | | | | |
| 25,756 | Employee benefits and on-costs | 5a | 24,029 | 24,677 |
| 1,310 | Borrowing costs | 5b | 1,274 | 1,314 |
| 12,644 | Materials and contracts | 5c | 12,941 | 13,753 |
| 12,587 | Depreciation and amortisation | 5d | 14,471 | 12,917 |
| 4,779 | Other expenses | 5e | 4,508 | 4,875 |
| – | Net share of interests in joint ventures and associates using the equity method | 18 | – | 5 |
| 57,076 | Total expenses from continuing operations | | 57,223 | 57,541 |
| 24,583 | Operating result from continuing operations | | 10,388 | 13,253 |
| 24,583 | Net operating result for the year | | 10,388 | 13,253 |
| 24,583 | Net operating result attributable to council | | 10,388 | 13,253 |
| 2,916 | Net operating result for the year before grants and contributions provided for capital purposes | | 3,068 | 4,255 |

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

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

Statement of Comprehensive Income

for the year ended 30 June 2020

| \$ '000 | Notes | 2020 | 2019 |
|--|-------|---------------|---------------|
| Net operating result for the year (as per Income Statement) | | 10,388 | 13,253 |
| Other comprehensive income: | | | |
| Amounts which will not be reclassified subsequently to the operating result | | | |
| Gain (loss) on revaluation of IPP&E | 10 | 81,344 | 21,273 |
| Other comprehensive income – joint ventures and associates | 18b | 10 | 1 |
| Water entitlement available for temp/perm sale revaluation for year | 11 | 1,141 | 2,916 |
| Total items which will not be reclassified subsequently to the operating result | | 82,495 | 24,190 |
| Total other comprehensive income for the year | | 82,495 | 24,190 |
| Total comprehensive income for the year | | 92,883 | 37,443 |
| Total comprehensive income attributable to Council | | 92,883 | 37,443 |

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

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

Statement of Financial Position

as at 30 June 2020

| \$ '000 | Notes | 2020 | 2019 |
|---|-------|----------------|----------------|
| ASSETS | | | |
| Current assets | | | |
| Cash and cash equivalents | 7(a) | 46,527 | 35,652 |
| Investments | 7(b) | 21,214 | 15,617 |
| Receivables | 8 | 7,442 | 8,163 |
| Inventories | 9a | 3,361 | 3,284 |
| Other | 9b | 38 | 19 |
| Total current assets | | <u>78,582</u> | <u>62,735</u> |
| Non-current assets | | | |
| Investments | 7(b) | 2,051 | 5,551 |
| Receivables | 8 | 4 | 6 |
| Infrastructure, property, plant and equipment | 10 | 796,278 | 708,086 |
| Intangible Assets | 11 | 12,653 | 11,512 |
| Investments accounted for using the equity method | 18 | 347 | 337 |
| Total non-current assets | | <u>811,333</u> | <u>725,492</u> |
| Total assets | | <u>889,915</u> | <u>788,227</u> |
| LIABILITIES | | | |
| Current liabilities | | | |
| Payables | 14 | 7,660 | 5,924 |
| Income received in advance | 14 | – | 1,531 |
| Contract liabilities | 12 | 1,910 | – |
| Lease liabilities | 13a | 9 | – |
| Borrowings | 14 | 2,206 | 1,388 |
| Provisions | 15 | 6,899 | 6,794 |
| Total current liabilities | | <u>18,684</u> | <u>15,637</u> |
| Non-current liabilities | | | |
| Borrowings | 14 | 25,978 | 18,193 |
| Provisions | 15 | 414 | 269 |
| Total non-current liabilities | | <u>26,392</u> | <u>18,462</u> |
| Total liabilities | | <u>45,076</u> | <u>34,099</u> |
| Net assets | | <u>844,839</u> | <u>754,128</u> |
| EQUITY | | | |
| Accumulated surplus | | 441,551 | 433,325 |
| Revaluation reserves | 16 | 403,288 | 320,803 |
| Council equity interest | | <u>844,839</u> | <u>754,128</u> |
| Total equity | | <u>844,839</u> | <u>754,128</u> |

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

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

Statement of Changes in Equity

for the year ended 30 June 2020

| \$ '000 | Notes | as at 30/06/20 | | | as at 30/06/19 | | |
|---|-------|---------------------|---------------------------|----------------|---------------------|---------------------------|----------------|
| | | Accumulated surplus | IPP&E revaluation reserve | Total equity | Accumulated surplus | IPP&E revaluation reserve | Total equity |
| Opening balance | | 433,325 | 320,803 | 754,128 | 420,071 | 296,614 | 716,685 |
| Changes due to AASB 1058 and AASB 15 adoption | 16 | (2,172) | – | (2,172) | – | – | – |
| Net operating result for the year | | 10,388 | – | 10,388 | 13,253 | – | 13,253 |
| Restated net operating result for the period | | 10,388 | – | 10,388 | 13,253 | – | 13,253 |
| Other comprehensive income | | | | | | | |
| – Gain (loss) on revaluation of IPP&E | 10 | – | 81,344 | 81,344 | – | 21,273 | 21,273 |
| – Joint ventures and associates | 18b | 10 | – | 10 | 1 | – | 1 |
| – Other movements – water entitlements (reval reserves) | | – | 1,141 | 1,141 | – | 2,916 | 2,916 |
| Other comprehensive income | | 10 | 82,485 | 82,495 | 1 | 24,189 | 24,190 |
| Total comprehensive income | | 10,398 | 82,485 | 92,883 | 13,254 | 24,189 | 37,443 |
| Equity – balance at end of the reporting period | | 441,551 | 403,288 | 844,839 | 433,325 | 320,803 | 754,128 |

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

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

Statement of Cash Flows

for the year ended 30 June 2020

| Original unaudited budget 2020 | \$ '000 | Notes | Actual 2020 | Actual 2019 |
|---|--|-------|----------------|----------------|
| Cash flows from operating activities | | | | |
| Receipts: | | | | |
| 30,809 | Rates and annual charges | | 32,586 | 32,272 |
| 16,809 | User charges and fees | | 14,744 | 20,215 |
| 1,376 | Investment and interest revenue received | | 948 | 1,923 |
| 30,821 | Grants and contributions | | 15,199 | 16,354 |
| – | Bonds, deposits and retention amounts received | | 220 | 440 |
| 1,844 | Other | | 7,406 | 4,205 |
| Payments: | | | | |
| (25,756) | Employee benefits and on-costs | | (23,776) | (24,102) |
| (12,644) | Materials and contracts | | (16,257) | (16,675) |
| (1,310) | Borrowing costs | | (1,262) | (1,290) |
| (4,779) | Other | | (4,201) | (4,314) |
| 37,170 | Net cash provided (or used in) operating activities | 17b | 25,607 | 29,028 |
| Cash flows from investing activities | | | | |
| Receipts: | | | | |
| – | Sale of investment securities | | 500 | 6,250 |
| 812 | Sale of infrastructure, property, plant and equipment | | 973 | 1,168 |
| 290 | Deferred debtors receipts | | 2 | 5 |
| Payments: | | | | |
| – | Purchase of investment securities | | (2,597) | (8,571) |
| (40,933) | Purchase of infrastructure, property, plant and equipment | | (22,210) | (19,842) |
| (39,831) | Net cash provided (or used in) investing activities | | (23,332) | (20,990) |
| Cash flows from financing activities | | | | |
| Receipts: | | | | |
| 4,250 | Proceeds from borrowings and advances | | 10,000 | 2,200 |
| Payments: | | | | |
| (1,678) | Repayment of borrowings and advances | | (1,387) | (1,131) |
| – | Lease liabilities (principal repayments) | | (13) | (27) |
| 2,572 | Net cash flow provided (used in) financing activities | | 8,600 | 1,042 |
| (89) | Net increase/(decrease) in cash and cash equivalents | | 10,875 | 9,080 |
| 38,604 | Plus: cash and cash equivalents – beginning of year | 17a | 35,652 | 26,572 |
| 38,515 | Cash and cash equivalents – end of the year | 17a | 46,527 | 35,652 |
| – | plus: Investments on hand – end of year | 7(b) | 23,265 | 21,168 |
| 38,515 | Total cash, cash equivalents and investments | | 69,792 | 56,820 |

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Contents of the Notes accompanying the General Purpose Financial Statements

| Note | Details | Page |
|-------|---|------|
| 1 | Basis of preparation | 11 |
| 2(a) | Council functions/activities – financial information | 14 |
| 2(b) | Council functions/activities – component descriptions | 15 |
| 3 | Revenue from continuing operations | 16 |
| 4 | Interest and investment income | 24 |
| 5 | Expenses from continuing operations | 25 |
| 6 | Gain or loss from disposal of assets | 30 |
| 7(a) | Cash and cash equivalents | 31 |
| 7(b) | Investments | 31 |
| 7(c) | Restricted cash, cash equivalents and investments | 32 |
| 8 | Receivables | 34 |
| 9 | Inventories and other assets | 36 |
| 10 | Infrastructure, property, plant and equipment | 38 |
| 11 | Intangible assets | 42 |
| 12 | Contract assets and liabilities | 43 |
| 13 | Leases | 45 |
| 14 | Payables and borrowings | 48 |
| 15 | Provisions | 51 |
| 16 | Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors | 53 |
| 17 | Statement of cash flow information | 58 |
| 18 | Interests in other entities | 59 |
| 19 | Commitments | 62 |
| 20 | Contingencies | 64 |
| 21 | Financial risk management | 67 |
| 22 | Material budget variations | 71 |
| 23 | Fair Value Measurement | 73 |
| 24 | Related party disclosures | 84 |
| 25 | Statement of developer contributions | 85 |
| 26 | Result by fund | 88 |
| 27(a) | Statement of performance measures – consolidated results | 91 |
| 27(b) | Statement of performance measures – by fund | 92 |
| | Additional Council disclosures (unaudited) | |
| 27(c) | Statement of performance measures – consolidated results (graphs) | 93 |
| 28 | Council information and contact details | 95 |

Notes to the Financial Statements

for the year ended 30 June 2020

Note 1. Basis of preparation

These financial statements were authorised for issue by Council on 24 November 2020. Council has the power to amend and reissue these financial statements in cases where critical information is received from public submissions or where the OLG directs Council to amend the financial statements.

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below.

These policies have been consistently applied to all the years presented, unless otherwise stated.

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

Council is a not for-profit entity.

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

(a) Historical cost convention

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

(b) Significant accounting estimates and judgements

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

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

COVID-19 Pandemic Impact

The COVID-19 Pandemic has impacted Council's operations in a number of areas and has resulted in the following main facilities being closed for various periods over the second half of the 2019/20 financial year;

- Griffith Regional Theatre
- Griffith Regional Art Gallery
- Griffith Pioneer Park Museum
- Griffith Regional Aquatic Leisure Centre
- Westend Oval Stadium, and
- Griffith City Library

Due to the disruption to business operations and normal work practices, there have been a significant number of staff working remotely either at home or other locations away from their normal place of work.

Whilst this has required a different approach and been somewhat inconvenient, there has been no significant impact on operational costs including wages and salaries.

Council has provided some rate payment deferral options and waiver of interest charges in line with the directives from the Office of Local Government however this has not materially affected Council's revenues and cash flow position and it is expected that there will be no long term effects on Council's operations as a result.

Council has provided some rent relief to various commercial lessees of Council properties including airport lease holders and commercial premises in the CBD. Council also provided relief from passenger head tax to the main airline carrier servicing the Griffith to Sydney route. The impact of these measures is estimated to be in the vicinity of \$430,000 for the 2019/20 year which has been partially offset by lower operating costs.

The overall financial impact of COVID-19 is not expected to have an ongoing effect on Council nor materially impact Council's operations and financial position into the future.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 1. Basis of preparation (continued)

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future.

The resulting accounting estimates will, by definition, seldom equal the related actual results.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year include:

- (i) estimated fair values of infrastructure, property, plant and equipment – refer Note 10
- (ii) employee benefit provisions – refer Note 15.

Significant judgements in applying the council's accounting policies

- (i) Impairment of receivables

Council has made a significant judgement about the impairment of a number of its receivables – refer Note 8.

Monies and other assets received by Council

(a) The Consolidated Fund

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

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

- Griffith City Council General Fund
- Griffith City Council Water Fund
- Griffith City Council Sewer Fund
- Griffith Health Facilities Limited
- Pioneer Park Museum

(b) The Trust Fund

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

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

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

Goods and Services Tax (GST)

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

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

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

Volunteer services

Some of Council services are provided by volunteers. These include work in the museum and art gallery. The value of the services received cannot be reliably measured but it is not significant.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 1. Basis of preparation (continued)

New accounting standards and interpretations issued not yet effective

New accounting standards and interpretations issued but not yet effective

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

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

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

New accounting standards adopted during the year

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

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

Further information on the newly adopted standards which had a material impact on Council's reported financial position, financial performance and/or associated financial statement disclosures can be found at Note 16.

Notes to the Financial Statements

for the year ended 30 June 2020

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

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

| \$ '000 | Income from continuing operations | | Expenses from continuing operations | | Operating result from continuing operations | | Grants included in income from continuing operations | | Carrying amount of assets | |
|--|-----------------------------------|---------------|-------------------------------------|---------------|---|---------------|--|---------------|---------------------------|----------------|
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| Functions or activities | | | | | | | | | | |
| Governance | 1,147 | 443 | 1,900 | 2,258 | (753) | (1,815) | – | – | 28,661 | 23,711 |
| Administration | 590 | 573 | 7,643 | 6,869 | (7,053) | (6,296) | – | 15 | 11,151 | 11,149 |
| Public order and safety | 562 | 529 | 1,268 | 1,266 | (706) | (737) | 97 | 97 | 4,017 | 3,916 |
| Health | 42 | 103 | 678 | 627 | (636) | (524) | – | – | 163 | 113 |
| Environment | 7,533 | 9,088 | 5,096 | 5,324 | 2,437 | 3,764 | 132 | 933 | 66,695 | 64,210 |
| Community services and education | 291 | 837 | 486 | 516 | (195) | 321 | 23 | 5 | 4,728 | 3,396 |
| Housing and community amenities | 3,331 | 1,961 | 5,127 | 4,893 | (1,796) | (2,932) | 146 | 101 | 15,031 | 15,374 |
| Water supplies | 10,694 | 12,203 | 7,205 | 7,450 | 3,489 | 4,753 | 63 | – | 187,860 | 163,626 |
| Sewerage services | 10,135 | 11,222 | 7,135 | 7,485 | 3,000 | 3,737 | 4 | 801 | 158,169 | 135,751 |
| Recreation and culture | 3,161 | 4,009 | 8,837 | 9,603 | (5,676) | (5,594) | 1,658 | 2,300 | 48,374 | 43,359 |
| Mining, manufacturing and construction | 22 | 14 | – | 14 | 22 | – | – | – | 1 | 41 |
| Transport and communication | 6,108 | 5,947 | 10,151 | 9,701 | (4,043) | (3,754) | 3,906 | 3,415 | 323,903 | 292,582 |
| Economic affairs | 827 | 755 | 1,697 | 1,530 | (870) | (775) | 119 | 5 | 3,760 | 3,462 |
| General purpose revenue | 23,168 | 23,110 | – | – | 23,168 | 23,110 | 5,748 | 5,715 | 37,402 | 27,537 |
| Other | – | – | – | 5 | – | (5) | 6 | – | – | – |
| Total functions and activities | 67,611 | 70,794 | 57,223 | 57,541 | 10,388 | 13,253 | 11,902 | 13,387 | 889,915 | 788,227 |

Notes to the Financial Statements

for the year ended 30 June 2020

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

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

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, enforcement of regulations and animal control.

Health

Includes immunisation, food control, health centres etc.

Environment

Includes biosecurity weeds 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); animal control, 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

Includes water supply services such as administration, regulation and operation of potable water supply services, future needs assessment of water and water services.

Sewerage services

Includes activities relating to the monitoring, reduction, collection, reticulation or treatment of all waste water including that intended for reuse or recycling.

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.

Transport and communication

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

Economic affairs

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

General purpose revenue

Includes: rates and annual charges (including ex gratia, excluding water and sewer), non-capital general purpose grants, interest on investments (excluding externally restricted assets) and interest on overdue rates and annual charges.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations

| \$ '000 | AASB | 2020 | 2019 |
|---|------|---------------|---------------|
| (a) Rates and annual charges | | | |
| Ordinary rates | | | |
| Residential | 1058 | 8,896 | 8,525 |
| Farmland | 1058 | 5,264 | 5,205 |
| Business | 1058 | 2,849 | 2,768 |
| Less: pensioner rebates (mandatory) | 1058 | (263) | (253) |
| Rates levied to ratepayers | | 16,746 | 16,245 |
| Pensioner rate subsidies received | 1058 | 145 | 141 |
| Total ordinary rates | | 16,891 | 16,386 |
| Annual charges | | | |
| <small>(pursuant to s.496, s.496A, s.496B, s.501 & s.611)</small> | | | |
| Domestic waste management services | 15 | 1,985 | 2,727 |
| Stormwater management services | 15 | 190 | 188 |
| Water supply services | 15 | 2,109 | 2,099 |
| Sewerage services | 15 | 8,467 | 8,187 |
| Waste management services (non-domestic) | 15 | 2,046 | 1,250 |
| Less: pensioner rebates (mandatory) | 1058 | (256) | (278) |
| Kerbside recycling | 15 | 921 | 1,285 |
| Annual charges levied | | 15,462 | 15,458 |
| Pensioner subsidies received: | | | |
| – Water | 1058 | 60 | 62 |
| – Sewerage | 1058 | 54 | 55 |
| – Domestic waste management | 1058 | 29 | 39 |
| Total annual charges | | 15,605 | 15,614 |
| TOTAL RATES AND ANNUAL CHARGES | | 32,496 | 32,000 |

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

15 indicates income recognised under **AASB 15** "Revenue from Contracts with Customers" ,

1058 indicates income recognised under **AASB 1058** "Income of Not-for-Profit Entities not accountable under another AASB".

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

Accounting policy for rates and charges

Rates and annual charges are recognised as revenue when the Council obtains control over the assets comprising these receipts which is the beginning of the rating period to which they relate.

Prepaid rates are recognised as a financial liability until the beginning of the rating period.

Pensioner rebates relate to reductions in rates and certain annual charges for eligible pensioners' place of residence in the local government council area that are not subsidised by the NSW Government.

Pensioner rate subsidies are received from the NSW Government to provide a contribution towards the pensioner rebates and are in substance a rates payment.

2019 accounting policy

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

| \$ '000 | AASB | 2020 | 2019 |
|---|------|---------------|---------------|
| (b) User charges and fees | | | |
| Specific user charges | | | |
| (per s.502 - specific 'actual use' charges) | | | |
| Domestic waste management services | 15 | 2 | 3 |
| Water supply services | 15 | 7,048 | 7,748 |
| Sewerage services | 15 | 880 | 996 |
| Waste management services (non-domestic) | 15 | 313 | 254 |
| Total specific user charges | | 8,243 | 9,001 |
| Other user charges and fees | | | |
| (i) Fees and charges – statutory and regulatory functions (per s.608) | | | |
| Planning and building regulation | 1058 | 230 | 253 |
| Private works – section 67 | 15 | 99 | 104 |
| Regulatory/ statutory fees | 1058 | 193 | 238 |
| Registration fees | 1058 | 34 | 35 |
| Regulatory fees | 15 | 51 | 109 |
| Section 10.7 certificates (EP&A Act) | 1058 | 84 | 77 |
| Section 603 certificates | 1058 | 42 | 39 |
| Town planning | 1058 | 36 | 162 |
| Water supplies | 15 | 244 | 289 |
| Total fees and charges – statutory/regulatory | | 1,013 | 1,306 |
| (ii) Fees and charges – other (incl. general user charges (per s.608)) | | | |
| Aerodrome | 15 | 624 | 766 |
| Cemeteries | 15 | 580 | 587 |
| Library and art gallery | 15 | 53 | 68 |
| RMS charges (state roads not controlled by Council) | 15 | 879 | 1,058 |
| Saleyards | 15 | 414 | 524 |
| Swimming centres | 15 | 1,138 | 1,527 |
| Tourism | 15 | 170 | 97 |
| Waste disposal tipping fees | 15 | 1,450 | 1,607 |
| Engineering services | 15 | 3 | 2 |
| Housing and community amenities | 15 | – | 4 |
| Industrial discharge | 15 | 52 | 37 |
| Museum | 15 | 60 | 99 |
| Regional theatre | 15 | 291 | 481 |
| Sporting grounds | 15 | 15 | 10 |
| Sports stadium | 15 | 67 | 95 |
| Other | 15 | 28 | 30 |
| Total fees and charges – other | | 5,824 | 6,992 |
| TOTAL USER CHARGES AND FEES | | 15,080 | 17,299 |

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

15 indicates income recognised under **AASB 15** "Revenue from Contracts with Customers" ,

1058 indicates income recognised under **AASB 1058** "Income of Not-for-Profit Entities not accountable under another AASB".

Accounting policy for user charges and fees

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

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

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

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

2019 accounting policy

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

| \$ '000 | AASB | 2020 | 2019 |
|---|------|--------------|--------------|
| (c) Other revenues | | | |
| Art Gallery | 1058 | 7 | 9 |
| Fines – parking | 1058 | 207 | 199 |
| Fines – other | 1058 | 51 | 79 |
| Legal fees recovery – rates and charges (extra charges) | 1058 | 43 | 65 |
| Commissions and agency fees | 15 | 7 | 7 |
| Emergency Services Levy rebate | 1058 | 55 | – |
| Lease rental | 16 | – | 430 |
| Recycling income (non-domestic) | 15 | 36 | 39 |
| DA fees – advertising and notification | 15 | 28 | 21 |
| Quarry income | 15 | 22 | 14 |
| Sales – general | 15 | 7 | 24 |
| Rebate Workers Comp | 15 | – | 48 |
| Other | 1058 | 27 | 34 |
| Temporary sale of "Town" water allocation | 15 | 1,104 | 1,458 |
| Temporary sale of water allocation | 15 | 1,233 | 280 |
| Container Deposit Scheme (CDS) - RAMJO | 1058 | 48 | 100 |
| Work health safety incentive payment | 1058 | 133 | 73 |
| TOTAL OTHER REVENUE | | 3,008 | 2,880 |

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

15 indicates income recognised under **AASB 15** "Revenue from Contracts with Customers" ,

16 indicates income recognised under **AASB 16** "Leases",

1058 indicates income recognised under **AASB 1058** "Income of Not-for-Profit Entities not accountable under another AASB"

Accounting policy for other revenue

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

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

2019 accounting policy:

Council recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Council and specific criteria have been met for each of the Council's activities as described below. Council

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

| \$ '000 | AASB | Operating 2020 | Operating 2019 | Capital 2020 | Capital 2019 |
|--|-----------|-------------------|-------------------|-----------------|-----------------|
| (d) Grants | | | | | |
| General purpose (untied) | | | | | |
| Current year allocation | | | | | |
| Financial assistance – general component | 1058 | 1,967 | 1,961 | – | – |
| Financial assistance – local roads component | 1058 | 824 | 820 | – | – |
| Payment in advance - future year allocation | | | | | |
| Financial assistance – general component | 1058 | 2,083 | 2,033 | – | – |
| Financial assistance – local roads component | 1058 | 875 | 851 | – | – |
| Total general purpose | | 5,749 | 5,665 | – | – |
| Specific purpose | | | | | |
| Artist Support Quick Response Banna Lane Festival | 15 | – | 2 | – | – |
| Building Better Regions Fund - Affordable Housing Strategy Consultant | 15 | 3 | 15 | – | – |
| Building Better Regions Fund - MYSKATE | 15 | – | 20 | – | – |
| Bushfire Prevention Re-Imbursement | 15 | 97 | 97 | – | – |
| Community Drug Action Teams NSW (CDAT) | 15 | 19 | 4 | – | – |
| Council Roadside Reserve (CRR) | 15 | – | 9 | – | – |
| Create NSW - Light My Fire Youth Event | 15 | 18 | – | – | – |
| Council Crown Land Management Fund | 15 | 16 | 70 | – | – |
| Destination NSW - Festival of Gardens | 1058 (16) | 20 | – | – | – |
| Employment & Training Programs - Traineeship | 15 | 6 | 15 | – | – |
| Fixing Country Roads | 1058(16) | – | – | 2,114 | 480 |
| Fixing Country Truck Washes | 1058 (16) | – | – | 99 | – |
| Griffith Community Private Hospital | 1058 (16) | – | – | – | 50 |
| Heavy Vehicle Project | 15 | 5 | – | – | – |
| Heritage Green Energy - State Bank House | 1058 (16) | – | – | 65 | 39 |
| Other | | – | 4 | – | – |
| LCLI subsidy | 1058 | 33 | – | – | – |
| Local Special Projects Grant - Library | 1058 (16) | 33 | 8 | – | – |
| Mosquito Control | 1058 | 2 | 3 | – | – |
| Noxious Weeds & Biosecurity Weeds | 1058 | 130 | 137 | – | – |
| NSW Boating Now Program | 1058 (16) | – | – | – | 43 |
| NSW Department of Industry - Theatre Upgrade | 1058 (16) | – | – | 110 | – |
| NSW Environmental Trust | 1058 (16) | – | – | – | 5 |
| NSW Small Business Month | 15 | – | 5 | – | – |
| Office of Environmental Heritage - Hanwood | | | | | |
| Stormwater Pump & Levee | 1058 (16) | – | – | 40 | 743 |
| Office of Local Government - Pound | 15 | 4 | – | – | – |
| Office of Sport - Jubilee Oval Cricket Net Development | 1058 (16) | – | – | 30 | 65 |
| Per Capita Subsidy Library | 1058 | 99 | 68 | – | – |
| Public Reserves Management Fund - Noxious Weeds | 1058 | – | 27 | – | – |
| Regional Community Development Fund - Griffith Youth & Community Centre (GYCC) | 1058 (16) | – | – | 187 | 730 |
| Regional Cultural Fund - Library | 1058 (16) | 33 | – | – | – |
| Regional Cultural Fund - Theatre Upgrade | 1058 (16) | – | – | 375 | 597 |
| Regional Sports Infrastructure Fund - Sport Precinct | 1058 (16) | – | – | 276 | – |
| Restart NSW - Sewerage Services | 1058 | – | – | – | 801 |
| RMS Transport | 1058 (16) | – | – | 599 | 2,577 |
| Road Safety Drive Project | 1058 | – | 2 | – | – |
| Roads to Recovery (R2R) | 1058 | 1,031 | 115 | – | – |

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

| \$ '000 | AASB | Operating 2020 | Operating 2019 | Capital 2020 | Capital 2019 |
|---|-----------|-------------------|-------------------|-----------------|-----------------|
| State Library NSW - Multipurpose Room Upgrade | 1058 (16) | – | – | 124 | – |
| Street Light Subsidy | 1058 | 128 | 114 | – | – |
| Stronger Country Community Fund - Jubilee Oval | 1058 (16) | – | – | 105 | 290 |
| Stronger Country Community Fund - Community Gardens | 1058 (16) | – | – | 35 | 290 |
| Stronger Country Community Fund - Memorial Park | 1058 (16) | – | – | 165 | 160 |
| Stronger Country Community Fund - Village Pathways | 1058 (16) | – | – | 146 | 129 |
| Tech Savvy Seniors - Library | 15 | – | 3 | – | – |
| Transport NSW - Speed Project | 15 | 4 | – | – | – |
| Youth Group Working Fund | 1058 | – | 2 | – | – |
| Youth Week NSW | 15 | 2 | 3 | – | – |
| Total specific purpose | | 1,683 | 723 | 4,470 | 6,999 |
| Total grants | | 7,432 | 6,388 | 4,470 | 6,999 |
| Grant revenue is attributable to: | | | | | |
| – Commonwealth funding | | 6,783 | 135 | 4,470 | 50 |
| – State funding | | 615 | 6,253 | – | 6,949 |
| – Other funding | | 34 | – | – | – |
| | | 7,432 | 6,388 | 4,470 | 6,999 |

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

15 indicates income recognised under **AASB 15** "Revenue from Contracts with Customers" ,

1058 (16) indicates income recognised under **AASB 1058 (16)** "Income of Not-for-Profit Entities applicable when contracted to acquire or construct property, plant or equipment" ,

1058 indicates income recognised under **AASB 1058** "Income of Not-for-Profit Entities not accountable under another AASB".

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

| \$ '000 | Notes | AASB | Operating 2020 | Operating 2019 | Capital 2020 | Capital 2019 |
|--|-------|-----------|-------------------|-------------------|-----------------|-----------------|
| (e) Contributions | | | | | | |
| Developer contributions: (s7.4 & s7.11 - EP&A Act, s64 of the LGA): | | | | | | |
| Cash contributions | | | | | | |
| S 7.11 – contributions towards amenities/services | | 1058 | – | – | 11 | 3 |
| S 7.12 – fixed development consent levies | | 1058 | – | – | 581 | 45 |
| S 64 – water supply contributions | | 1058 | – | – | 859 | 1,010 |
| S 64 – sewerage service contributions | | 1058 | – | – | 598 | 604 |
| S 64 – stormwater contributions | | 1058 | – | – | 209 | 177 |
| Total developer contributions – cash | | | – | – | 2,258 | 1,839 |
| Total developer contributions | 25 | | – | – | 2,258 | 1,839 |
| Other contributions: | | | | | | |
| Cash contributions | | | | | | |
| Community services | | 15 | 2 | – | – | – |
| Drainage | | 15 | 2 | – | – | – |
| Economic affairs – tourism/events | | 15 | 33 | 45 | – | – |
| Griffith community private hospital | | 15 | – | – | – | 56 |
| Roads and bridges | | 15 | 1 | 47 | 27 | – |
| Health – health services | | 15 | 6 | 9 | – | – |
| Other | | 15 | – | 3 | – | – |
| Museum | | 15 | 1 | 1 | – | – |
| Public order and safety – bushfire/SES | | 15 | 86 | 77 | 21 | 47 |
| Recreation and culture – community projects | | 15 | – | 15 | – | – |
| Recreation and culture – passive recreation | | 15 | 4 | 6 | – | 1 |
| Recreation and culture – theatre | | 15 | 15 | 30 | – | – |
| RMS contributions (regional roads, block grant) | | 15 | 687 | 679 | – | – |
| Recreation and culture – library | | 15 | – | 1 | – | 10 |
| Sewerage (excl. section 64 contributions) | | 1058 (16) | – | – | 42 | 46 |
| Water supplies (excl. section 64 contributions) | | 1058 (16) | – | 55 | 502 | – |
| Total other contributions – cash | | | 837 | 968 | 592 | 160 |
| Non-cash contributions | | | | | | |
| Water supplies (excl. section 64 contributions) | | | – | 300 | – | – |
| Total other contributions – non-cash | | | – | 300 | – | – |
| Total other contributions | | | 837 | 1,268 | 592 | 160 |
| Total contributions | | | 837 | 1,268 | 2,850 | 1,999 |
| TOTAL GRANTS AND CONTRIBUTIONS | | | 8,269 | 7,656 | 7,320 | 8,998 |

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

15 indicates income recognised under **AASB 15** "Revenue from Contracts with Customers" ,

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

1058 (16) indicates income recognised under **AASB 1058 (16)** "Income of Not-for-Profit Entities applicable when contracted to acquire or construct property, plant or equipment" ,

1058 indicates income recognised under **AASB 1058** "Income of Not-for-Profit Entities not accountable under another AASB".

Accounting policy for grants and contributions

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

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

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

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

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

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.

| \$ '000 | 2020 | 2019 |
|---------|------|------|
|---------|------|------|

(f) Unspent grants and contributions – external restrictions

Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner due to externally imposed restrictions.

Operating grants

| | | |
|--|------------|------------|
| Unexpended at the close of the previous reporting period | 132 | 146 |
| Add: operating grants recognised as income in the current period but not yet spent (2019 only) | – | 80 |
| Add: operating grants received for the provision of goods and services in a future period | 180 | – |
| Less: operating grants recognised in a previous reporting period now spent (2019 only) | – | (94) |
| Less: operating grants received in a previous reporting period now spent and recognised as income | (77) | – |
| Unexpended and held as externally restricted assets (operating grants) | 235 | 132 |

Capital grants

| | | |
|--|--------------|--------------|
| Unexpended at the close of the previous reporting period | 2,147 | 731 |
| Add: capital grants recognised as income in the current period but not yet spent (2019 only) | – | 1,588 |
| Add: capital grants received for the provision of goods and services in a future period | 36 | – |
| Less: capital grants recognised in a previous reporting period now spent (2019 only) | – | (172) |
| Less: capital grants received in a previous reporting period now spent and recognised as income | (672) | – |
| Unexpended and held as externally restricted assets (capital grants) | 1,511 | 2,147 |

Notes to the Financial Statements

for the year ended 30 June 2020

Note 3. Revenue from continuing operations (continued)

| \$ '000 | 2020 | 2019 |
|---|---------------|--------------|
| Contributions | | |
| Unexpended at the close of the previous reporting period | 8,225 | 6,381 |
| Add: contributions recognised as income in the current period but not yet spent | 2,361 | 2,216 |
| Add: contributions received for the provision of goods and services in a future period | 36 | – |
| Less: contributions recognised in a previous reporting period now spent | – | (372) |
| Unexpended and held as externally restricted assets (contributions) | <u>10,622</u> | <u>8,225</u> |

Note 4. Interest and investment income

| \$ '000 | 2020 | 2019 |
|--|------------|--------------|
| Interest on financial assets measured at amortised cost | | |
| – Overdue rates and annual charges (incl. special purpose rates) | 59 | 71 |
| – Cash and investments | 890 | 1,798 |
| Total Interest and investment income | <u>949</u> | <u>1,869</u> |
| Interest revenue is attributable to: | | |
| Unrestricted investments/financial assets: | | |
| Overdue rates and annual charges (general fund) | 28 | 26 |
| General Council cash and investments | 500 | 1,033 |
| Restricted investments/funds – external: | | |
| Development contributions | | |
| – Section 7.11 & 7.12 | 13 | 33 |
| – Section 64 | 91 | 148 |
| Water fund operations | 231 | 461 |
| Sewerage fund operations | 81 | 161 |
| Domestic waste management operations | 5 | 7 |
| Total interest and investment revenue | <u>949</u> | <u>1,869</u> |

Accounting policy for interest and investment revenue

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations

| \$ '000 | 2020 | 2019 |
|--|---------------|---------------|
| (a) Employee benefits and on-costs | | |
| Salaries and wages | 18,048 | 19,194 |
| Educational assistance | 16 | 26 |
| Employee leave entitlements (ELE) | 3,964 | 3,854 |
| Fringe benefit tax (FBT) | 113 | 105 |
| Motor vehicle allowance | 27 | 39 |
| Payroll tax | 147 | 139 |
| Professional development | 9 | 12 |
| Staff recruitment | 55 | 33 |
| Superannuation | 2,035 | 2,042 |
| Training costs (other than salaries and wages) | 213 | 285 |
| Travel expenses | 27 | 50 |
| Workers' compensation insurance | 552 | 757 |
| Other | – | 4 |
| Total employee costs | 25,206 | 26,540 |
| Less: capitalised costs | (1,177) | (1,863) |
| TOTAL EMPLOYEE COSTS EXPENSED | 24,029 | 24,677 |
| Number of 'full-time equivalent' employees (FTE) at year end | 282 | 277 |

Accounting policy for employee benefits and on-costs

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

Retirement benefit obligations

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

Superannuation plans

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

Council participates in a defined benefit plan under the Local Government Superannuation Scheme, however, sufficient information to account for the plan as a defined benefit is not available and therefore Council accounts for its obligations to defined benefit plans on the same basis as its obligations to defined contribution plans, i.e. as an expense when it becomes payable – refer to Note 20 for more information.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations (continued)

| \$ '000 | 2020 | 2019 |
|--|--------------|--------------|
| (b) Borrowing costs | | |
| (i) Interest bearing liability costs | | |
| Interest on loans | 1,289 | 1,290 |
| Total interest bearing liability costs | 1,289 | 1,290 |
| Less: capitalised costs | (27) | – |
| Total interest bearing liability costs expensed | 1,262 | 1,290 |
| (ii) Other borrowing costs | | |
| Interest applicable on interest free (and favourable) loans to Council | 12 | 24 |
| Total other borrowing costs | 12 | 24 |
| TOTAL BORROWING COSTS EXPENSED | 1,274 | 1,314 |

Accounting policy for borrowing costs

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

| \$ '000 | 2020 | 2019 |
|--|---------------|---------------|
| (c) Materials and contracts | | |
| Raw materials and consumables | 12,537 | 13,310 |
| Auditors remuneration ² | 52 | 57 |
| Legal expenses: | | |
| – Legal expenses: planning and development | 24 | 109 |
| – Legal expenses: other | 299 | 200 |
| Expenses from short-term leases (2020 only) | 11 | – |
| Expenses from leases of low value assets (2020 only) | 18 | – |
| Operating leases expense (2019 only): | | |
| – Operating lease rentals: minimum lease payments ¹ | – | 77 |
| Total materials and contracts | 12,941 | 13,753 |
| TOTAL MATERIALS AND CONTRACTS | 12,941 | 13,753 |

Accounting policy for materials and contracts

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

Operating leases (2019 only)

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

1. Operating lease payments are attributable to:

| | | |
|-----------|---|----|
| Buildings | – | 11 |
| Computers | – | 66 |
| | – | 77 |

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations (continued)

| \$ '000 | 2020 | 2019 |
|---|-----------|-----------|
| 2. Auditor remuneration | | |
| During the year, the following fees were incurred for services provided by the auditor of Council, related practices and non-related audit firms. | | |
| Auditors of the Council - NSW Auditor-General: | | |
| (i) Audit and other assurance services | | |
| Audit and review of financial statements | 51 | 55 |
| Remuneration for audit and other assurance services | 51 | 55 |
| Total Auditor-General remuneration | 51 | 55 |
| Non NSW Auditor-General audit firms | | |
| (i) Audit and other assurance services | | |
| Audit and review of financial statements | 1 | 2 |
| Remuneration for audit and other assurance services | 1 | 2 |
| Total remuneration of non NSW Auditor-General audit firms | 1 | 2 |
| Total Auditor remuneration | 52 | 57 |

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations (continued)

| \$ '000 | Notes | 2020 | 2019 |
|--|-------|---------------|---------------|
| (d) Depreciation, amortisation and impairment of non-financial assets | | | |
| Depreciation and amortisation | | | |
| Plant and equipment | | 1,549 | 1,435 |
| Office equipment | | 250 | 205 |
| Furniture and fittings | | 96 | 84 |
| Infrastructure: | 10 | | |
| – Buildings – specialised | | 1,502 | 1,493 |
| – Other structures | | 331 | 144 |
| – Roads | | 4,258 | 3,522 |
| – Bridges | | 37 | 46 |
| – Footpaths | | 283 | 238 |
| – Stormwater drainage | | 899 | 523 |
| – Water supply network | | 2,217 | 2,205 |
| – Sewerage network | | 2,236 | 2,174 |
| – Other open space/recreational assets | | 544 | 650 |
| Other assets: | | | |
| – Other | | 323 | 300 |
| Total gross depreciation and amortisation costs | | 14,525 | 13,019 |
| Less: capitalised costs | | (54) | (102) |
| Total depreciation and amortisation costs | | 14,471 | 12,917 |
| <u>TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT FOR NON-FINANCIAL ASSETS</u> | | 14,471 | 12,917 |

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

Depreciation and amortisation are calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives. Useful lives are included in Note 10 for IPPE assets.

Impairment of non-financial assets

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 5. Expenses from continuing operations (continued)

| \$ '000 | 2020 | 2019 |
|---|--------------|--------------|
| (e) Other expenses | | |
| Contributions/levies to other levels of government | | |
| – DWR contributions | 51 | 50 |
| – Emergency services levy (includes FRNSW, SES, and RFS levies) | 41 | 36 |
| – NSW fire brigade levy | 100 | 90 |
| – NSW rural fire service levy | 325 | 258 |
| Councillor expenses – mayoral fee | 44 | 43 |
| Councillor expenses – councillors' fees | 243 | 231 |
| Councillors' expenses (incl. mayor) – other (excluding fees above) | 62 | 124 |
| Donations, contributions and assistance to other organisations (Section 356) | | |
| – Donations, contributions and assistance: Annual Sikh games | – | 10 |
| – Donations, contributions and assistance: Community grant program | 60 | 64 |
| – Donations, contributions and assistance: Regional arts board | 20 | 18 |
| – Donations, contributions and assistance: RIVROC/RAMROC | 30 | 29 |
| – Donations, contributions and assistance: Riverina regional cities forecast-ID | 36 | 36 |
| – Donations, contributions and assistance: Mayor's Bushfire Appeal | 10 | – |
| – Donations, contributions and assistance: WRCL | 278 | 266 |
| – Donations, contributions and assistance: Other | 83 | 56 |
| – Donations, contributions and assistance: Events | 16 | 29 |
| – Donations, contributions and assistance: Community Country Education Foundation | 5 | 5 |
| – Donations, contributions and assistance: Drought Assistance Program | – | 20 |
| – Donations, contributions and assistance: De-sexing Program | 2 | – |
| Impairment of real estate for resale | – | 455 |
| Election expenses | – | 125 |
| Electricity and heating | 1,885 | 1,726 |
| Insurance | 455 | 413 |
| Street lighting | 504 | 577 |
| Telephone and communications | 258 | 214 |
| Total other expenses | 4,508 | 4,875 |
| TOTAL OTHER EXPENSES | 4,508 | 4,875 |

Accounting policy for other expenses

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 6. Gain or loss from disposal of assets

| \$ '000 | Notes | 2020 | 2019 |
|--|-------|------------------|------------------|
| Property (excl. investment property) | | | |
| Proceeds from disposal – property | | 440 | – |
| Less: carrying amount of property assets sold/written off | | (405) | – |
| Net gain/(loss) on disposal | | 35 | – |
| Plant and equipment | | | |
| | 10 | | |
| Proceeds from disposal – plant and equipment | | 532 | 1,168 |
| Less: carrying amount of plant and equipment assets sold/written off | | (486) | (1,076) |
| Net gain/(loss) on disposal | | 46 | 92 |
| Investments | | | |
| | 7(b) | | |
| Proceeds from disposal/redemptions/maturities – investments | | 500 | 6,250 |
| Less: carrying amount of investments sold/redeemed/matured | | (500) | (6,250) |
| Net gain/(loss) on disposal | | – | – |
| Other - Other Assets | | | |
| Proceeds from disposal – Other - Other Assets | | 1 | – |
| Net gain/(loss) on disposal | | 1 | – |
| <u>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</u> | | <u>82</u> | <u>92</u> |

Accounting policy for disposal of assets

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 7(a). Cash and cash equivalents

| \$ '000 | 2020 | 2019 |
|--|---------------|---------------|
| Cash and cash equivalents | | |
| Cash on hand and at bank | 14,895 | 10,274 |
| Cash-equivalent assets | | |
| – Managed funds | 24,215 | 18,029 |
| – Short-term deposits | 7,417 | 7,349 |
| Total cash and cash equivalents | 46,527 | 35,652 |

Accounting policy for cash and cash equivalents

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

Note 7(b). Investments

| \$ '000 | 2020 Current | 2020 Non-current | 2019 Current | 2019 Non-current |
|---|-----------------|---------------------|-----------------|---------------------|
| Investments | | | | |
| a. 'Financial assets at fair value through profit and loss' | 14,175 | – | 11,617 | – |
| b. 'Financial assets at amortised cost' | 7,039 | 2,051 | 4,000 | 5,551 |
| Total Investments | 21,214 | 2,051 | 15,617 | 5,551 |
| TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS | 67,741 | 2,051 | 51,269 | 5,551 |
| Financial assets at fair value through the profit and loss | | | | |
| NCD's, FRN's (with maturities > 3 months) | 14,175 | – | 11,617 | – |
| Total | 14,175 | – | 11,617 | – |
| Financial assets at amortised cost | | | | |
| Long term deposits | 7,039 | 2,051 | 4,000 | 5,551 |
| Total | 7,039 | 2,051 | 4,000 | 5,551 |

Accounting policy for investments

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

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

Financial assets

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

Classification

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

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

Financial assets are not reclassified subsequent to their initial recognition.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 7(b). Investments (continued)

Amortised cost

Assets measured at amortised cost are financial assets where:

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

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

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

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

Financial assets through profit or loss

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

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

Council's financial assets measured at fair value through profit or loss comprise investments in FRNs and NCDs in the Statement of Financial Position.

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

| \$ '000 | 2020 | | 2019 | |
|--|---------|-------------|---------|-------------|
| | Current | Non-current | Current | Non-current |
| Total cash, cash equivalents and investments | 67,741 | 2,051 | 51,269 | 5,551 |
| attributable to: | | | | |
| External restrictions | 48,463 | 2,051 | 34,946 | 5,551 |
| Internal restrictions | 14,615 | – | 12,173 | – |
| Unrestricted | 4,663 | – | 4,150 | – |
| | 67,741 | 2,051 | 51,269 | 5,551 |

| \$ '000 | 2020 | 2019 |
|---------|------|------|
|---------|------|------|

Details of restrictions

External restrictions – included in liabilities

| | | |
|---|--------------|--------------|
| Specific purpose unexpended grants – general fund (2020 only) | 1,746 | – |
| Specific purpose unexpended loans – general | 6,493 | 1,095 |
| Specific purpose unexpended loans – sewer | – | 12 |
| External restrictions – included in liabilities | 8,239 | 1,107 |

External restrictions – other

| | | |
|---|--------|--------|
| Developer contributions – general | 2,719 | 1,893 |
| Developer contributions – water fund | 5,008 | 4,098 |
| Developer contributions – sewer fund | 2,859 | 2,233 |
| Specific purpose unexpended grants (recognised as revenue) – general fund | – | 2,279 |
| Water supplies | 22,277 | 20,723 |
| Sewerage services | 8,706 | 6,955 |
| Stormwater management | 705 | 690 |

Notes to the Financial Statements

for the year ended 30 June 2020

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

| \$ '000 | 2020 | 2019 |
|---|---------------|---------------|
| Specific purpose unexpended grants - Griffith Health Facilities Limited | 1 | 51 |
| Specific purpose unexpended grants - Western Riverina CU | – | 468 |
| External restrictions – other | 42,275 | 39,390 |
| Total external restrictions | 50,514 | 40,497 |
| Internal restrictions | | |
| Plant and vehicle replacement | 1,093 | 1,080 |
| Infrastructure replacement (buildings) | 1,093 | 1,080 |
| Employees leave entitlement | 2,186 | 2,159 |
| Facilities reserve | 473 | 490 |
| Floodplain and drainage mitigation reserve | 547 | 540 |
| Griffith Health Facilities Limited | 22 | 22 |
| Major projects reserve | 3,824 | 1,640 |
| Parks and gardens infrastructure reserve | 216 | 214 |
| Roads reserve | 488 | 482 |
| Waste services | 4,422 | 4,366 |
| St Vincents Private Community Hospital Griffith - Sinking Fund | 151 | – |
| Stuart McWilliam Beautification Reserve | 100 | 100 |
| Total internal restrictions | 14,615 | 12,173 |
| TOTAL RESTRICTIONS | 65,129 | 52,670 |

Notes to the Financial Statements

for the year ended 30 June 2020

Note 8. Receivables

| \$ '000 | 2020 Current | 2020 Non-current | 2019 Current | 2019 Non-current |
|---|-----------------|---------------------|-----------------|---------------------|
| Purpose | | | | |
| Rates and annual charges | 2,887 | – | 2,216 | – |
| User charges and fees | 3,368 | – | 3,670 | – |
| Accrued revenues | | | | |
| – Interest on investments | 95 | – | 94 | – |
| – Other income accruals | 612 | – | 1,749 | – |
| Deferred debtors | 2 | 4 | 2 | 6 |
| Government grants and subsidies | 364 | – | 364 | – |
| Net GST receivable | 542 | – | 496 | – |
| Total | 7,870 | 4 | 8,591 | 6 |
| Less: provision of impairment | | | | |
| User charges and fees | (428) | – | (428) | – |
| Total provision for impairment – receivables | (428) | – | (428) | – |
| TOTAL NET RECEIVABLES | 7,442 | 4 | 8,163 | 6 |

Externally restricted receivables

Water supply

| | | | | |
|---------|-------|---|-------|---|
| – Other | 2,364 | – | 2,472 | – |
|---------|-------|---|-------|---|

Sewerage services

| | | | | |
|----------------------------------|-------|---|-------|---|
| – Rates and availability charges | 1,865 | – | 1,751 | – |
| – Other | 255 | – | 264 | – |

| | | | | |
|------------------------------------|--------------|----------|--------------|----------|
| Total external restrictions | 4,484 | – | 4,487 | – |
|------------------------------------|--------------|----------|--------------|----------|

| | | | | |
|---------------------------------|--------------|----------|--------------|----------|
| Unrestricted receivables | 2,958 | 4 | 3,676 | 6 |
|---------------------------------|--------------|----------|--------------|----------|

| | | | | |
|------------------------------|--------------|----------|--------------|----------|
| TOTAL NET RECEIVABLES | 7,442 | 4 | 8,163 | 6 |
|------------------------------|--------------|----------|--------------|----------|

| \$ '000 | Notes | 2020 | 2019 |
|---|-------|------------|------------|
| Movement in provision for impairment of receivables | | | |
| Balance at the beginning of the year | | 428 | 716 |
| – Unused amounts reversed | | – | (288) |
| Balance at the end of the year | | 428 | 428 |
| Represented by: | | | |
| Expected Credit Loss (calculated in accordance with AASB 9) | 21 | 74 | 96 |
| Additional Specific Provisions | | 354 | 332 |
| Balance at end of the period | | 428 | 716 |

Notes to the Financial Statements

for the year ended 30 June 2020

Note 8. Receivables (continued)

Accounting policy for receivables

Impairment

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

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

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

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

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

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

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

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

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

The Council writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the receivables are over 7 years past due, whichever occurs first.

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

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

Rates and annual charges outstanding are secured against the property.

COVID-19

Council's rate and user charges collections have not been significantly impacted by the COVID-19 pandemic and are comparable to prior years, therefore no adjustment has been made to the impairment provision. Cashflows and interest income may be impacted in 2020/2021 due to State Government legislating that rate instalments can be deferred until 30 September 2020 and no interest can be charged for the first 6 months. The impact this may have is not able to be measured at this stage, however it is not expected to be significant.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 9. Inventories and other assets

| \$ '000 | 2020 Current | 2020 Non-current | 2019 Current | 2019 Non-current |
|----------------------------------|---------------------|---------------------|---------------------|---------------------|
| (a) Inventories | | | | |
| (i) Inventories at cost | | | | |
| Real estate for resale | 2,506 | – | 2,506 | – |
| Stores and materials | 776 | – | 709 | – |
| Trading stock | 67 | – | 59 | – |
| Other | 12 | – | 10 | – |
| Total inventories at cost | 3,361 | – | 3,284 | – |
| <u>TOTAL INVENTORIES</u> | <u>3,361</u> | <u>–</u> | <u>3,284</u> | <u>–</u> |

(b) Other assets

| | | | | |
|----------------------------------|------------------|-----------------|------------------|-----------------|
| Prepayments | 38 | – | 19 | – |
| <u>TOTAL OTHER ASSETS</u> | <u>38</u> | <u>–</u> | <u>19</u> | <u>–</u> |

Externally restricted assets

| \$ '000 | 2020 Current | 2020 Non-current | 2019 Current | 2019 Non-current |
|--|---------------------|---------------------|---------------------|---------------------|
| Water | | | | |
| Stores and materials | 337 | – | 323 | – |
| Real estate for resale | 1,778 | – | 1,778 | – |
| Total water | 2,115 | – | 2,101 | – |
| Total externally restricted assets | 2,115 | – | 2,101 | – |
| Total unrestricted assets | 1,284 | – | 1,202 | – |
| <u>TOTAL INVENTORIES AND OTHER ASSETS</u> | <u>3,399</u> | <u>–</u> | <u>3,303</u> | <u>–</u> |

Notes to the Financial Statements

for the year ended 30 June 2020

Note 9. Inventories and other assets (continued)

(i) Other disclosures

| \$ '000 | 2020 Current | 2020 Non-current | 2019 Current | 2019 Non-current |
|--|-----------------|---------------------|-----------------|---------------------|
| (a) Details for real estate development | | | | |
| Residential | 1,778 | – | 1,778 | – |
| Industrial/commercial | 728 | – | 728 | – |
| Total real estate for resale | 2,506 | – | 2,506 | – |

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

Represented by:

| | | | | |
|-------------------------------------|--------------|----------|--------------|----------|
| Acquisition costs | 2,506 | – | 2,506 | – |
| Total costs | 2,506 | – | 2,506 | – |
| Total real estate for resale | 2,506 | – | 2,506 | – |

Movements:

| | | | | |
|---|--------------|----------|--------------|----------|
| Real estate assets at beginning of the year | 2,506 | – | 3,019 | – |
| – Transfers in from (out to) Note 10 | – | – | (58) | – |
| – Impairment | – | – | (455) | – |
| Total real estate for resale | 2,506 | – | 2,506 | – |

Accounting policy for inventories and other assets**Raw materials and stores, work in progress and finished goods**

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

Real estate held for resale/capitalisation of borrowing costs

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 10. Infrastructure, property, plant and equipment

| | as at 30/06/19 | | | Asset movements during the reporting period | | | | | | | | as at 30/06/20 | | |
|--|-----------------------|--------------------------|---------------------|---|----------------------|-----------------------------|----------------------|-------------------------------------|---------------------------|--|--|-----------------------|--------------------------|---------------------|
| | Gross carrying amount | Accumulated depreciation | Net carrying amount | Additions renewals ¹ | Additions new assets | Carrying value of disposals | Depreciation expense | WIP transfers to additions renewals | Adjustments and transfers | Revaluation decrements to equity (ARR) | Revaluation increments to equity (ARR) | Gross carrying amount | Accumulated depreciation | Net carrying amount |
| \$ '000 | | | | | | | | | | | | | | |
| Capital work in progress | 6,584 | – | 6,584 | – | 7,669 | – | – | (4,188) | 440 | – | – | 10,505 | – | 10,505 |
| Plant and equipment | 17,157 | (6,997) | 10,160 | 2,214 | – | (485) | (1,549) | – | – | – | – | 17,950 | (7,610) | 10,340 |
| Office equipment | 2,809 | (1,438) | 1,371 | 342 | – | – | (250) | – | – | – | – | 3,042 | (1,579) | 1,463 |
| Furniture and fittings | 2,390 | (1,144) | 1,246 | 175 | – | – | (96) | – | – | – | – | 2,564 | (1,239) | 1,325 |
| Land: | | | | | | | | | | | | | | |
| – Operational land | 16,042 | (1) | 16,041 | – | 299 | 35 | – | 281 | (440) | – | 1,286 | 17,502 | – | 17,502 |
| – Community land | 9,171 | (3) | 9,168 | – | – | – | – | – | – | – | – | 9,171 | (3) | 9,168 |
| Infrastructure: | | | | | | | | | | | | | | |
| – Buildings | 83,335 | (27,249) | 56,086 | 1,872 | – | – | (1,502) | 383 | – | – | 11,562 | 90,405 | (22,004) | 68,401 |
| – Other structures | 6,403 | (2,008) | 4,395 | 495 | – | – | (331) | 106 | 3,929 | – | 1,034 | 13,009 | (3,381) | 9,628 |
| – Roads | 320,742 | (55,157) | 265,585 | 3,235 | – | – | (4,258) | 1,845 | (966) | – | 20,567 | 324,390 | (38,382) | 286,008 |
| – Bridges | 5,310 | (1,327) | 3,983 | – | – | – | (37) | – | – | – | – | 5,311 | (1,365) | 3,946 |
| – Footpaths | 14,091 | (5,500) | 8,591 | 1,140 | – | – | (283) | – | – | (6) | – | 15,230 | (5,788) | 9,442 |
| – Stormwater drainage | 80,507 | (21,660) | 58,847 | – | 1,162 | – | (899) | 12 | – | – | 1,574 | 81,782 | (21,086) | 60,696 |
| – Water supply network | 184,605 | (55,624) | 128,981 | 1,222 | – | – | (2,217) | 495 | – | – | 21,300 | 192,663 | (42,882) | 149,781 |
| – Sewerage network | 180,724 | (61,257) | 119,467 | 454 | – | – | (2,236) | 14 | – | – | 21,153 | 189,053 | (50,201) | 138,852 |
| – Other open space/recreational assets | 23,340 | (8,975) | 14,365 | 261 | – | – | (544) | 343 | (2,963) | – | 2,874 | 20,301 | (5,965) | 14,336 |
| Other assets: | | | | | | | | | | | | | | |
| – Other | 7,743 | (4,527) | 3,216 | – | 1,283 | – | (323) | 709 | – | – | – | 9,713 | (4,828) | 4,885 |
| Total Infrastructure, property, plant and equipment | 960,953 | (252,867) | 708,086 | 11,410 | 10,413 | (450) | (14,525) | – | – | (6) | 81,350 | 1,002,591 | (206,313) | 796,278 |

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

Notes to the Financial Statements

for the year ended 30 June 2020

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

| | as at 30/06/18 | | | Asset movements during the reporting period | | | | | | | | | as at 30/06/19 | | |
|--|-----------------------|--------------------------|---------------------|---|----------------------|-----------------------------|----------------------|---------------|---------------------------|------------------------------|--|--|-----------------------|--------------------------|---------------------|
| | Gross carrying amount | Accumulated depreciation | Net carrying amount | Additions renewals ¹ | Additions new assets | Carrying value of disposals | Depreciation expense | WIP transfers | Adjustments and transfers | Other movements (details...) | Tfrs from/(to) real estate assets (Note 9) | Revaluation increments to equity (ARR) | Gross carrying amount | Accumulated depreciation | Net carrying amount |
| \$ '000 | | | | | | | | | | | | | | | |
| Capital work in progress | 9,979 | – | 9,979 | – | 4,500 | – | – | (1,749) | – | (6,146) | – | – | 6,584 | – | 6,584 |
| Plant and equipment | 17,104 | (7,645) | 9,459 | 3,208 | – | (1,076) | (1,435) | 4 | – | – | – | – | 17,157 | (6,997) | 10,160 |
| Office equipment | 2,639 | (1,410) | 1,229 | 347 | – | – | (205) | – | – | – | – | – | 2,809 | (1,438) | 1,371 |
| Furniture and fittings | 2,276 | (1,080) | 1,196 | 134 | – | – | (84) | – | – | – | – | – | 2,390 | (1,144) | 1,246 |
| Land: | | | | | | | | | | | | | | | |
| – Operational land | 15,983 | – | 15,983 | – | – | – | – | – | – | – | 58 | – | 16,042 | (1) | 16,041 |
| – Community land | 9,171 | (3) | 9,168 | – | – | – | – | – | – | – | – | – | 9,171 | (3) | 9,168 |
| Infrastructure: | | | | | | | | | | | | | | | |
| – Buildings | 82,418 | (25,756) | 56,662 | 796 | – | – | (1,493) | 4 | 5 | 112 | – | – | 83,335 | (27,249) | 56,086 |
| – Other structures | 9,530 | (2,276) | 7,254 | 318 | – | – | (144) | 329 | (3,419) | 57 | – | – | 6,403 | (2,008) | 4,395 |
| – Roads | 305,507 | (55,833) | 249,674 | 2,936 | 1,685 | – | (3,522) | 350 | – | 2,457 | – | 12,005 | 320,742 | (55,157) | 265,585 |
| – Bridges | 4,546 | (2,127) | 2,419 | – | – | – | (46) | – | – | – | – | 1,610 | 5,310 | (1,327) | 3,983 |
| – Footpaths | 13,758 | (6,292) | 7,466 | 24 | 605 | – | (238) | – | – | 2 | – | 732 | 14,091 | (5,500) | 8,591 |
| – Stormwater drainage | 64,687 | (14,430) | 50,257 | 1,433 | 415 | – | (523) | 136 | 3,388 | 569 | – | 3,172 | 80,507 | (21,660) | 58,847 |
| – Water supply network | 180,846 | (52,544) | 128,302 | 737 | – | – | (2,205) | 176 | (5) | – | – | 1,976 | 184,605 | (55,624) | 128,981 |
| – Sewerage network | 172,830 | (58,142) | 114,688 | 454 | 1,655 | – | (2,174) | 125 | – | 2,941 | – | 1,778 | 180,724 | (61,257) | 119,467 |
| – Other open space/recreational assets | 22,285 | (8,050) | 14,235 | 124 | – | – | (650) | 625 | 31 | – | – | – | 23,340 | (8,975) | 14,365 |
| Other assets: | | | | | | | | | | | | | | | |
| – Other | 7,163 | (4,228) | 2,935 | – | 573 | – | (300) | – | – | 8 | – | – | 7,743 | (4,527) | 3,216 |
| Total Infrastructure, property, plant and equipment | 920,722 | (239,816) | 680,906 | 10,511 | 9,433 | (1,076) | (13,019) | – | – | – | 58 | 21,273 | 960,953 | (252,867) | 708,086 |

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

Notes to the Financial Statements

for the year ended 30 June 2020

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

Accounting policy for infrastructure, property, plant and equipment

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

Water and sewerage network assets are indexed at each reporting period in accordance with the Rates Reference Manual issued by NSW Department of Planning, Industry and Environment.

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

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

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives as follows:

| | | | |
|-----------------------------------|------------|--------------------------------------|-----------|
| Plant and equipment | Years | Other equipment | Years |
| Office equipment | 5 to 10 | Playground equipment | 5 to 15 |
| Office furniture | 10 to 20 | Benches, seats etc. | 10 to 20 |
| Computer equipment | 3 to 4 | | |
| Vehicles | 3 to 6 | Buildings | |
| Heavy plant/road making equipment | 5 to 8 | Buildings: masonry | 50 to 100 |
| Other plant and equipment | 5 to 15 | Buildings: other | 20 to 40 |
| | | Stormwater assets | |
| Water and sewer assets | | Drains | 80 to 100 |
| Dams and reservoirs | 80 to 100 | Culverts | 50 to 80 |
| Bores | 20 to 40 | Flood control structures | 80 to 100 |
| Reticulation pipes: PVC | 70 to 80 | | |
| Reticulation pipes: other | 25 to 80 | | |
| Pumps and telemetry | 15 to 20 | | |
| | | Other infrastructure assets | |
| Transportation assets | | Bulk earthworks | infinite |
| Sealed roads: surface | 15 to 20 | Other open space/recreational assets | 5 to 20 |
| Sealed roads: structure | 20 to 120 | Other infrastructure | 5 to 20 |
| Unsealed roads | 20 to 120 | | |
| Bridge: concrete | 100 to 120 | | |
| Bridge: other | 100 to 120 | | |
| Kerb, gutter and footpaths | 14 to 66 | | |

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

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

Land under roads

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

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

Crown reserves

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

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

Rural Fire Service assets

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 11. Intangible assets

Intangible assets are as follows:

| \$ '000 | 2020 | 2019 |
|--|----------------------|----------------------|
| Water Entitlements | | |
| Opening values at 1 July | | |
| Gross book value | 11,512 | 8,296 |
| Net book value – opening balance | 11,512 | 8,296 |
| Movements for the year | | |
| – Purchases | – | 300 |
| – Fair value movement (revaluation) | 1,141 | 2,916 |
| Closing values at 30 June | | |
| Gross book value | 12,653 | 11,512 |
| Total Water Entitlements – net book value | 12,653 | 11,512 |
| <u>TOTAL INTANGIBLE ASSETS – NET BOOK VALUE</u> | <u>12,653</u> | <u>11,512</u> |

Council holds a number of high and general security water licences which it recognises as an intangible asset. The water licences are individually tradable on the open water licence sales market. The licences were obtained principally through land acquisitions where the water licence was attached to the land. The water licences are now individually separated from the land and can be sold on a permanent or temporary transfer basis.

At present Council only trades the water entitlement associated with the water licences on a temporary basis. Income received from the sales of water entitlements are disclosed as other revenue. The licences are recorded in Council's accounts at fair value based on market valuations obtained from the open water licence sales market at balance date. No amortisation costs are applicable, as high and general security water licences have an indefinite life.

Water licences purchased are initially recorded at cost and are valued at least every year based on market evidence. Water licences are tested for impairment annually based on market sales evidence. If the recoverable amount is less than carrying amount the carrying amount is reduced to recoverable amount and the reduction is recognised as impairment loss.

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.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 12. Contract assets and liabilities

| \$ '000 | Notes | 2020 Current | 2020 Non-current |
|--|-------|-----------------|---------------------|
| Contract liabilities | | | |
| Grants and contributions received in advance: | | | |
| Unexpended capital grants (to construct Council controlled assets) | (i) | 1,511 | – |
| Unexpended operating grants (received prior to performance obligation being satisfied) | (ii) | 235 | – |
| Unexpended capital contributions (to construct Council controlled assets) | (i) | 36 | – |
| Total grants received in advance | | 1,782 | – |
| User fees and charges received in advance: | | | |
| Fees – GRALC | (iii) | 50 | – |
| Advance Ticket Sales - Theatre | | 78 | – |
| Total user fees and charges received in advance | | 128 | – |
| Total contract liabilities | | 1,910 | – |

Notes

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

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

(iii) Upfront membership fees for the leisure centre do not meet the definition of a performance obligation and therefore the funds received are recorded as a contract liability on receipt and recognised as revenue over the expected average membership life.

| \$ '000 | 2020 Current | 2020 Non-current |
|--|-----------------|---------------------|
| (i) Contract liabilities relating to restricted assets | | |
| Externally restricted assets | | |
| Unspent grants held as contract liabilities (excl. Water & Sewer) | 1,746 | – |
| Contract liabilities relating to externally restricted assets | 1,746 | – |
| Internally restricted assets | | |
| Unspent Contributions | 36 | – |
| User Fees & Charges | 128 | – |
| Contract liabilities relating to internally restricted assets | 164 | – |
| Total contract liabilities relating to restricted assets | 1,910 | – |
| Total contract liabilities | 1,910 | – |

Notes to the Financial Statements

for the year ended 30 June 2020

Note 12. Contract assets and liabilities (continued)

| \$ '000 | 2020 |
|--|--------------|
| (ii) Revenue recognised (during the financial year) from opening contract liability balances | |
| Grants and contributions received in advance: | |
| Capital grants (to construct Council controlled assets) | 1,050 |
| Operating grants (received prior to performance obligation being satisfied) | 20 |
| Total Revenue recognised during the financial year that was included in the contract liability balance at the beginning of the period | 1,070 |

Significant changes in contract assets and liabilities

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

Accounting policy for contract assets and liabilities

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 13. Leases

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

(i) Council as a lessee

Council has leases over assets including buildings and IT equipment. Information relating to the leases in place and associated balances and transactions is provided below.

Buildings

Council leases land and buildings for their art gallery; the lease are generally between 10 and 15 years and may include a renewal option to allow Council to renew for up to twice the noncancellable lease term at their discretion.

Office and IT equipment

Leases for office and IT equipment are generally for low value assets, except for significant items such as photocopiers. The leases are for between 3 and 5 years with no renewal option, the payments are fixed, however some of the leases include variable payments based on usage.

Extension options

Council includes options in the building leases to provide flexibility and certainty to Council operations and reduce costs of moving premises; and the extension options are at Council's discretion.

| \$ '000 | 2020 Current | 2020 Non-current |
|---------------------------------------|-----------------|---------------------|
| (a) Lease liabilities | | |
| Lease liabilities | 9 | – |
| <u>TOTAL LEASE LIABILITIES</u> | <u>9</u> | <u>–</u> |

(i) The maturity analysis

The maturity analysis of lease liabilities based on contractual undiscounted cash flows is shown in the table below:

| \$ '000 | < 1 year | 1 – 5 years | > 5 years | Total | Total per Statement of Financial Position |
|------------|----------|-------------|-----------|-------|--|
| Cash flows | 9 | – | – | 9 | 9 |

| \$ '000 | 2020 Current | 2020 Non-current |
|---|-----------------|---------------------|
| (ii) Lease liabilities relating to restricted assets | | |
| Total lease liabilities relating to unrestricted assets | 9 | – |
| <u>Total lease liabilities</u> | <u>9</u> | <u>–</u> |

Notes to the Financial Statements

for the year ended 30 June 2020

Note 13. Leases (continued)

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

(b) Income Statement

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

| | |
|--|----|
| Expenses relating to short-term leases | 11 |
| Expenses relating to low-value leases | 18 |
| | 29 |

(c) Statement of Cash Flows

| | |
|-------------------------------|----|
| Total cash outflow for leases | 13 |
| | 13 |

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

At inception of a contract, Council assesses whether a lease exists – i.e. does the contract convey the right to control the use of an identified asset for a period of time in exchange for consideration?

Council has elected not to separate non-lease components from lease components for any class of asset and has accounted for payments as a single component.

At the lease commencement, Council recognises a right-of-use asset and associated lease liability for the lease term. The lease term includes extension periods where Council believes it is reasonably certain that the option will be exercised.

The right-of-use asset is measured using the cost model where cost on initial recognition comprises: the lease liability, initial direct costs, prepaid lease payments, estimated cost of removal and restoration, less any lease incentives. The right-of-use is depreciated over the lease term on a straight-line basis and assessed for impairment in accordance with the impairment of asset accounting policy.

The lease liability is initially recognised at the present value of the remaining lease payments at the commencement of the lease. The discount rate is the rate implicit in the lease, however where this cannot be readily determined then the Council's incremental borrowing rate for a similar term with similar security is used.

Subsequent to initial recognition, the lease liability is measured at amortised cost using the effective interest rate method. The lease liability is re-measured when there is a lease modification, or change in estimate of the lease term or index upon which the lease payments are based (e.g. CPI).

Where the lease liability is re-measured, the right-of-use asset is adjusted to reflect the re-measurement.

Exceptions to lease accounting

Council has applied the exceptions to lease accounting for both short-term leases (i.e. leases with a term of less than or equal to 12 months) and leases of low-value assets. Council recognises the payments associated with these leases as an expense on a straight-line basis over the lease term.

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

Also refer to Note 5c.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 13. Leases (continued)

(ii) Council as a lessor

(d) Operating leases

Council leases out a number of properties; these leases have been classified as operating leases for financial reporting purposes and the assets are included as IPP&E (refer in this note part (v) below) in the Statement of Financial Position.

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

| \$ '000 | 2020 |
|--|------------|
| (i) Operating lease income | |
| Other lease income | |
| Road Reserve/Land | 159 |
| Premises Rental | 248 |
| Total income relating to operating leases | 407 |

| \$ '000 | Buildings 2020 |
|--|-------------------|
| (v) Reconciliation of IPP&E assets leased out as operating leases | |
| Opening balance as at 1 July 2019 | 17,981 |
| Additions renewals | 178 |
| Depreciation expense | (299) |
| Revaluation increments to equity (ARR) | 1,788 |
| Closing balance as at 30 June 2020 | 19,648 |

Accounting policy

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 14. Payables and borrowings

| \$ '000 | 2020 Current | 2020 Non-current | 2019 Current | 2019 Non-current |
|---|---------------------|----------------------|---------------------|----------------------|
| Payables | | | | |
| Government departments and agencies | 60 | – | – | – |
| Prepaid rates | 761 | – | – | – |
| Goods and services – operating expenditure | 4,375 | – | 4,003 | – |
| Accrued expenses: | | | | |
| – Other expenditure accruals | 460 | – | 150 | – |
| Security bonds, deposits and retentions | 1,991 | – | 1,771 | – |
| Other | 13 | – | – | – |
| Total payables | 7,660 | – | 5,924 | – |
| Income received in advance (2019 only) | | | | |
| Payments received in advance | – | – | 1,531 | – |
| Total income received in advance | – | – | 1,531 | – |
| Borrowings | | | | |
| Loans – secured ¹ | 2,206 | 25,978 | 1,375 | 18,184 |
| Finance lease liabilities (2019 only) | – | – | 13 | 9 |
| Total borrowings | 2,206 | 25,978 | 1,388 | 18,193 |
| <u>TOTAL PAYABLES AND BORROWINGS</u> | <u>9,866</u> | <u>25,978</u> | <u>8,843</u> | <u>18,193</u> |

(1) Loans are secured over the general rating income of Council.
Disclosures on liability interest rate risk exposures and security can be found in Note 21.

| \$ '000 | 2020 Current | 2020 Non-current | 2019 Current | 2019 Non-current |
|--|---------------------|----------------------|---------------------|----------------------|
| (a) Payables and borrowings relating to restricted assets | | | | |
| Externally restricted assets | | | | |
| Water | 8 | – | 7 | – |
| Sewer | 1,940 | 14,271 | 1,810 | 15,306 |
| Payables and borrowings relating to externally restricted assets | 1,948 | 14,271 | 1,817 | 15,306 |
| Total payables and borrowings relating to restricted assets | 1,948 | 14,271 | 1,817 | 15,306 |
| Total payables and borrowings relating to unrestricted assets | 7,918 | 11,707 | 7,026 | 2,887 |
| <u>TOTAL PAYABLES AND BORROWINGS</u> | <u>9,866</u> | <u>25,978</u> | <u>8,843</u> | <u>18,193</u> |

Notes to the Financial Statements

for the year ended 30 June 2020

Note 14. Payables and borrowings (continued)

| \$ '000 | 2020 | 2019 |
|---------|------|------|
|---------|------|------|

(b) Current payables and borrowings 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.

| | | |
|--|--------------|--------------|
| Payables – security bonds, deposits and retentions | 1,598 | 1,286 |
| Other liabilities: payments received in advance | 295 | 271 |
| Total payables and borrowings | 1,893 | 1,557 |

(c) Changes in liabilities arising from financing activities

| \$ '000 | as at 30/06/19 | | Non-cash changes | | | | as at 30/06/20 |
|-------------------|-----------------|--------------|------------------|--------------------|--|-------------------------|-----------------|
| | Opening Balance | Cash flows | Acquisition | Fair value changes | Acquisition due to change in accounting policy | Other non-cash movement | Closing balance |
| Loans – secured | 19,559 | 8,625 | – | – | – | – | 28,184 |
| Lease liabilities | 22 | (4) | – | – | – | – | 18 |
| TOTAL | 19,581 | 8,621 | – | – | – | – | 28,202 |

| \$ '000 | as at 30/06/18 | | Non-cash changes | | | as at 30/06/19 |
|-------------------|-----------------|--------------|------------------|--------------------|-------------------------|-----------------|
| | Opening Balance | Cash flows | Acquisition | Fair value changes | Other non-cash movement | Closing balance |
| Loans – secured | 18,466 | 1,093 | – | – | – | 19,559 |
| Lease liabilities | 49 | (27) | – | – | – | 22 |
| TOTAL | 18,515 | 1,066 | – | – | – | 19,581 |

| \$ '000 | 2020 | 2019 |
|---------|------|------|
|---------|------|------|

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

| | | |
|--|--------------|--------------|
| Bank overdraft facilities ¹ | 1,000 | 1,000 |
| Credit cards/purchase cards | 100 | 90 |
| Total financing arrangements | 1,100 | 1,090 |

Drawn facilities as at balance date:

| | | |
|---|-----------|-----------|
| – Credit cards/purchase cards | 25 | 47 |
| Total drawn financing arrangements | 25 | 47 |

Undrawn facilities as at balance date:

| | | |
|---|--------------|--------------|
| – Bank overdraft facilities | 1,000 | 1,000 |
| – Credit cards/purchase cards | 75 | 43 |
| Total undrawn financing arrangements | 1,075 | 1,043 |

Notes to the Financial Statements

for the year ended 30 June 2020

Note 14. Payables and borrowings (continued)

Additional financing arrangements information

Breaches and defaults

During the current and prior year, there were no defaults or breaches on any of the loans.

Security over loans

Loans secured over future cash flows

Leased liabilities are secured by the underlying leased assets.

Bank overdrafts

The bank overdraft of Council is secured over future cash flows

(1) The bank overdraft facility may be drawn at any time and may be terminated by the bank without notice.

Accounting policy for payables and borrowings

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

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

Payables

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

Borrowings

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

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

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

Finance leases (2019 only)

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 assets 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.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 15. Provisions

| \$ '000 | 2020 Current | 2020 Non-current | 2019 Current | 2019 Non-current |
|--|-----------------|---------------------|-----------------|---------------------|
| Provisions | | | | |
| Employee benefits | | | | |
| Annual leave | 2,460 | – | 2,189 | – |
| Sick leave | 108 | – | 137 | – |
| Long service leave | 4,083 | 404 | 4,080 | 260 |
| Other leave (RDO's and TIL) | 79 | – | 160 | – |
| Sub-total – aggregate employee benefits | 6,730 | 404 | 6,566 | 260 |
| Other provisions | | | | |
| Accrued expenses | 169 | 10 | 228 | 9 |
| Sub-total – other provisions | 169 | 10 | 228 | 9 |
| TOTAL PROVISIONS | 6,899 | 414 | 6,794 | 269 |

(a) Provisions relating to restricted assets

There are no restricted assets (external or internal) applicable to the above provisions.

| \$ '000 | 2020 | 2019 |
|---------|------|------|
|---------|------|------|

(b) Current provisions not anticipated to be settled within the next twelve months

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

| | | |
|---------------------------------|--------------|--------------|
| Provisions – employees benefits | 4,696 | 4,375 |
| | 4,696 | 4,375 |

Accounting policy for provisions

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

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

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

Employee benefits**Short-term obligations**

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

Other long-term employee benefit obligations

The liability for long-service leave and annual leave that is not expected to be wholly settled within 12 months after the end of the period in which the employees render the related service is recognised in the provision for employee benefits and measured

Notes to the Financial Statements

for the year ended 30 June 2020

Note 15. Provisions (continued)

as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

On-costs

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

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

(a) Nature and purpose of reserves

Infrastructure, property, plant and equipment revaluation reserve

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

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

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

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

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

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

Statement of Financial Position

(ii) AASB 15 and AASB 1058

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

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

Council is required to outline the nature of any changes in accounting policies resulting from the adoption of AASB 15 and AASB 1058.

Costs incurred in fulfilling customer contracts

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

Revenue recognition from contract modifications

In relation to contract modifications, AASB 15 requires customer approval, which is a more prudent criteria than the probability requirement in the previous standards and has resulted in deferral of revenue where unapproved works have been performed.

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

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

Principal v agent

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

Notes to the Financial Statements

for the year ended 30 June 2020

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

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

Licences

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

Prepaid rates

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

Grants – operating

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

Grants – capital

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

Changes in presentation

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

- Movement of balances between receivables and contract assets.
- Additional line items of contract assets, contract cost assets and contract liabilities have been created.

| \$ '000 | Balance at 1 July 2019 |
|---|-----------------------------------|
| Opening contract balances at 1 July 2019 | |
| Contract liabilities | |
| – Under AASB 15 | 74 |
| – Under AASB 1058 | 2,098 |
| Total Contract liabilities | <u>2,172</u> |

Notes to the Financial Statements

for the year ended 30 June 2020

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

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

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

Statement of Financial Position

| \$ '000 | Carrying amount per Statement of Financial Position under AASB 15 and AASB 1058 | Reclassific- ation | Remeasur-e ment | Carrying amount under previous revenue standards |
|---|---|-----------------------|--------------------|--|
| Current assets | | | | |
| Cash and cash equivalents | 46,527 | – | – | 46,527 |
| Investments | 21,214 | – | – | 21,214 |
| Receivables | 7,442 | – | – | 7,442 |
| Inventories | 3,361 | – | – | 3,361 |
| Other | 38 | – | – | 38 |
| Total current assets | 78,582 | – | – | 78,582 |
| Current liabilities | | | | |
| Payables | 7,660 | 128 | – | 7,788 |
| Contract liabilities | 1,910 | (128) | (1,782) | – |
| Lease liabilities | 9 | – | – | 9 |
| Borrowings | 2,206 | – | – | 2,206 |
| Provisions | 6,899 | – | – | 6,899 |
| Total current liabilities | 18,684 | – | (1,782) | 16,902 |
| Non-current assets | | | | |
| Investments | 2,051 | – | – | 2,051 |
| Receivables | 4 | – | – | 4 |
| Infrastructure, property, plant and equipment | 796,278 | – | – | 796,278 |
| Intangible assets | 12,653 | – | – | 12,653 |
| Investments accounted for using equity method | 347 | – | – | 347 |
| Total non-current assets | 811,333 | – | – | 811,333 |
| Non-current liabilities | | | | |
| Borrowings | 25,978 | – | – | 25,978 |
| Provisions | 414 | – | – | 414 |
| Total Non-current liabilities | 26,392 | – | – | 26,392 |
| Net assets | 844,839 | – | 1,782 | 846,621 |
| Equity | | | | |
| Accumulated surplus | 441,551 | – | 1,782 | 443,333 |
| Revaluation reserves | 403,288 | – | – | 403,288 |
| Council equity interest | 844,839 | – | 1,782 | 846,621 |
| Total equity | 844,839 | – | 1,782 | 846,621 |

Differences are from Grants & Contributions received, but not yet spent.

Notes to the Financial Statements

for the year ended 30 June 2020

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

Income Statement

| \$ '000 | Income Statement and comprehensive income under AASB 15 and AASB 1058 | Reclassification | Remeasurement | Income Statement and comprehensive income under previous revenue standards |
|--|---|------------------|---------------|--|
| <u>Income from continuing operations</u> | | | | |
| Rates and annual charges | 32,496 | – | – | 32,496 |
| User charges and fees | 15,080 | – | – | 15,080 |
| Other revenues | 3,008 | – | – | 3,008 |
| Grants and contributions provided for operating purposes | 8,269 | – | 8 | 8,277 |
| Grants and contributions provided for capital purposes | 7,320 | – | (645) | 6,675 |
| Interest and investment income | 949 | – | – | 949 |
| Net gains from the disposal of assets | 82 | – | – | 82 |
| Rental income | 407 | – | – | 407 |
| Total Income from continuing operations | 67,611 | – | (637) | 66,974 |
| <u>Expenses from continuing operations</u> | | | | |
| Employee benefits and on-costs | 24,029 | – | – | 24,029 |
| Borrowing costs | 1,274 | – | – | 1,274 |
| Materials and contracts | 12,941 | – | – | 12,941 |
| Depreciation and amortisation | 14,471 | – | – | 14,471 |
| Other expenses | 4,508 | – | – | 4,508 |
| Total Expenses from continuing operations | 57,223 | – | – | 57,223 |
| Total Operating result from continuing operations | 10,388 | – | (637) | 9,751 |
| Net operating result for the year | 10,388 | – | (637) | 9,751 |
| Total comprehensive income | 92,883 | – | (637) | 92,246 |

Differences are from Grants & Contributions received, but not yet spent.

Notes to the Financial Statements

for the year ended 30 June 2020

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

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

Statement of Financial Position

| \$ '000 | Original Balance 1 July, 2019 | Impact Increase/ (decrease) | Restated Balance 1 July, 2019 |
|--------------------------|-------------------------------------|-----------------------------------|-------------------------------------|
| Contract liabilities | – | 2,172 | 2,172 |
| Total liabilities | 34,099 | 2,172 | 36,271 |
| Accumulated surplus | 433,325 | (2,172) | 431,153 |
| Total equity | 754,128 | (2,172) | 751,956 |

Notes to the Financial Statements

for the year ended 30 June 2020

Note 17. Statement of cash flow information

| \$ '000 | Notes | 2020 | 2019 |
|---|-------|---------------|---------------|
| (a) Reconciliation of cash and cash equivalents | | | |
| Total cash and cash equivalents per Statement of Financial Position | 7(a) | 46,527 | 35,652 |
| Balance as per the Statement of Cash Flows | | 46,527 | 35,652 |
| (b) Reconciliation of net operating result to cash provided from operating activities | | | |
| Net operating result from Income Statement | | 10,388 | 13,253 |
| Adjust for non-cash items: | | | |
| Depreciation and amortisation | | 14,471 | 12,917 |
| Net losses/(gains) on disposal of assets | | (82) | (92) |
| Non-cash capital grants and contributions | | – | (300) |
| Adoption of AASB 15/1058 | | (2,172) | – |
| Impairment of Real Estate | | – | 455 |
| Amortisation of premiums, discounts and prior period fair valuations | | | |
| – Interest exp. on interest-free loans received by Council (previously fair valued) | | 12 | 24 |
| Share of net (profits)/losses of associates/joint ventures using the equity method | | – | 5 |
| +/- Movement in operating assets and liabilities and other cash items: | | | |
| Decrease/(increase) in receivables | | 721 | 667 |
| Increase/(decrease) in provision for impairment of receivables | | – | (288) |
| Decrease/(increase) in inventories | | (77) | (30) |
| Decrease/(increase) in other current assets | | (19) | – |
| Increase/(decrease) in payables | | 372 | 512 |
| Increase/(decrease) in other accrued expenses payable | | 310 | 38 |
| Increase/(decrease) in other liabilities | | (477) | 1,148 |
| Increase/(decrease) in contract liabilities | | 1,910 | – |
| Increase/(decrease) in provision for employee benefits | | 308 | 651 |
| Increase/(decrease) in other provisions | | (58) | 68 |
| Net cash provided from/(used in) operating activities from the Statement of Cash Flows | | 25,607 | 29,028 |

Notes to the Financial Statements

for the year ended 30 June 2020

Note 18. Interests in other entities

| \$ '000 | Council's share of net income | | Council's share of net assets | |
|----------------|-------------------------------|------------|-------------------------------|------------|
| | 2020 | 2019 | 2020 | 2019 |
| Joint ventures | – | (5) | 347 | 337 |
| Total | – | (5) | 347 | 337 |

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

Council's consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with AASB 10 and the accounting policy described below.

Council's consolidated financial statements also include controlled entities with ownership interest of 50% or less.

| Name of Operation/Entity | Principal activity |
|---|---|
| Griffith Health Facilities Limited | Fundraising for Griffith Community Private Hospital Griffith, NSW |

| Interests in Subsidiary \$ '000 | Ownership | Ownership | Voting rights | Voting rights |
|------------------------------------|-----------|-----------|---------------|---------------|
| | 2020 | 2019 | 2020 | 2019 |
| Council's interest in Subsidiary | 100% | 100% | 100% | 100% |

Summarised financial information for the Subsidiary

| \$ '000 | 2020 | 2019 |
|-----------------------------------|----------|----------|
| Revenue | – | – |
| Expenses | – | – |
| Profit for the period | – | – |
| Total comprehensive income | – | – |

Summarised statement of financial position

| | | |
|---------------------|-----------|-----------|
| Current assets | 22 | 22 |
| Total assets | 22 | 22 |
| Net assets | 22 | 22 |

Accounting policy for 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.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 18. Interests in other entities (continued)

(b) Joint arrangements

(i) Joint ventures

The following information is provided for joint ventures that are individually material to the Council. Included are the total amounts as per the joint venture financial statements, adjusted for fair-value adjustments at acquisition date and differences in accounting policies, rather than the Council's share.

(a) Net carrying amounts – Council's share

| \$ '000 | Nature of relationship | Measurement method | 2020 | 2019 |
|---|------------------------|--------------------|------------|------------|
| Western Riverina Library | Joint Venture | Percentage | 347 | 337 |
| Total carrying amounts – material joint ventures | | | 347 | 337 |

(b) Details

| Principal activity | Place of business |
|--------------------------|--|
| Western Riverina Library | Provision of library/mobile library services |
| | Various |

(c) Relevant interests and fair values

| \$ '000 | Interest in outputs | | Interest in ownership | | Proportion of voting power | |
|--------------------------|---------------------|-------|-----------------------|-------|----------------------------|-------|
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| Western Riverina Library | 61.5% | 62.1% | 61.5% | 62.1% | 16.7% | 16.7% |

(d) Summarised financial information for joint ventures

| \$ '000 | Western Riverina Library | |
|--|--------------------------|------------|
| | 2020 | 2019 |
| Statement of financial position | | |
| Current assets | | |
| Cash and cash equivalents | 149 | 110 |
| Other current assets | 5 | 18 |
| Non-current assets | 431 | 434 |
| Current liabilities | | |
| Other current liabilities | 20 | 20 |
| Net assets | 565 | 542 |
| Reconciliation of the carrying amount | | |
| Opening net assets (1 July) | 543 | 551 |
| Profit/(loss) for the period | 22 | (8) |
| Closing net assets | 565 | 543 |
| Council's share of net assets (%) | 61.5% | 62.1% |
| Council's share of net assets (\$) | 347 | 337 |

Notes to the Financial Statements

for the year ended 30 June 2020

Note 18. Interests in other entities (continued)

| \$ '000 | Western Riverina Library | |
|---|--------------------------|------------|
| | 2020 | 2019 |
| Statement of comprehensive income | | |
| Income | 460 | 442 |
| Interest income | 2 | 3 |
| Depreciation and amortisation | (123) | (123) |
| Other expenses | (317) | (330) |
| Profit/(loss) from continuing operations | 22 | (8) |
| Profit/(loss) for the period | 22 | (8) |
| Total comprehensive income | 22 | (8) |
| Share of income – Council (%) | 61.5% | 62.1% |
| Profit/(loss) – Council (\$) | 14 | (5) |
| Total comprehensive income – Council (\$) | 10 | (1) |

Notes to the Financial Statements

for the year ended 30 June 2020

Note 19. Commitments

| \$ '000 | 2020 | 2019 |
|--|---------------|--------------|
| (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 | | |
| Construction of New Landfill Cell | – | 93 |
| Griffith Community Youth Centre | 3,887 | – |
| Griffith Sport Precinct Development | 7,317 | – |
| Hanwood Pathway | 98 | – |
| New Dual Filter Media - Griffith Water Treatment Plant | – | 696 |
| Plant and equipment | 217 | 284 |
| Schwab Road Raw Water Relocation | 208 | – |
| Upgrades Griffith Memorial Park | – | 212 |
| Yambil Street Upgrade Kerb & Gutter (Stage 2) | 570 | – |
| Total commitments | 12,297 | 1,285 |
| These expenditures are payable as follows: | | |
| Within the next year | 4,980 | 1,285 |
| Later than one year and not later than 5 years | 7,317 | – |
| Total payable | 12,297 | 1,285 |
| Sources for funding of capital commitments: | | |
| Unrestricted general funds | 425 | 377 |
| Section 7.12 funds | 300 | 120 |
| Unexpended grants | 6,754 | 92 |
| Externally restricted reserves | 748 | 696 |
| Unexpended loans | 4,070 | – |
| Total sources of funding | 12,297 | 1,285 |

(b) Finance lease commitments (2019 only)**(i) Commitments under finance leases at the reporting date are payable as follows:**

| \$ '000 | 2020 | 2019 |
|--|----------|-----------|
| Within the next year | – | 13 |
| Later than one year and not later than 5 years | – | 9 |
| Total minimum lease payments | – | 22 |
| Amount recognised as a liability | – | 22 |

Notes to the Financial Statements

for the year ended 30 June 2020

Note 19. Commitments (continued)

(ii) Finance lease liability recognised represent:

| \$ '000 | 2020 | 2019 |
|--|----------|-----------|
| Current liabilities | – | 13 |
| Non-current liabilities | – | 9 |
| Total finance lease liabilities disclosed | – | 22 |

(iii) General details

Council leases the following property, plant and equipment under finance leases:

| \$ '000 | Term (years) 2020 | Option to purchase 2020 | Contingent rent clauses 2020 | 2020 | 2019 |
|---|-------------------------|-------------------------------|---------------------------------------|----------|-----------|
| Other equipment/assets | – | YES | NO | – | 22 |
| Total carrying value at period end | | | | – | 22 |

Refer to Note 13 for information relating to leases for 2020.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 20. Contingencies

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

LIABILITIES NOT RECOGNISED**1. Guarantees****(i) Defined benefit superannuation contribution plans**

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

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

Given the factors above, each sponsoring employer is exposed to the actuarial risks associated with current and former employees of other sponsoring employers, and hence shares in the associated gains and losses (to the extent that they are not borne by members). As such, there is not sufficient reliable information to allow each sponsoring employer to account for its proportionate share of the defined benefit obligation, sub-group assets and costs associated with the sub-group in the same way as it would for a single employer sponsored defined benefit plan.

The Fund provides pooling arrangements for the defined benefit obligations of NSW based Local Government Councils and a number of associated entities. As such, it has an exemption from many of the reporting requirements associated with AASB119.

Member councils are treated as pooled employers and are required to pay standard employer contributions and additional lump sum contributions to the fund.

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

| | |
|------------|---|
| Division B | 1.9 times employee contributions for non-180 Point Members; Nil for 180 Point Members* |
| Division C | 2.5% salaries |
| Division D | 1.64 times employee contributions |

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

The past service contribution for each Pooled Employer is a share of the total past service contribution of \$40.0 million for 1 July 2019 to 30 June 2021, apportioned according to each employer's share of the accrued liability as at 30 June 2019. It is estimated that there are **\$69,100** past service contributions remaining. These past service contributions are used to maintain the adequacy of the funding position for the accrued liabilities.

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 20. Contingencies (continued)

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

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

The plan is a defined benefit plan.

The amount of Council employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense for the year ending 30 June 2020 was **\$127,023.97**. The last valuation of the Scheme was performed by the Actuary, Mr Richard Boyfield, FIAA as at 30 June 2019.

Council's expected contribution to the plan for the next annual reporting period is **\$120,465.16**.

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

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

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

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

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

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

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

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

Council's additional lump sum contribution per annum is around **0.17%** of the total additional sum contribution for all Pooled Employers (of \$40m for each year from 1 July 2019 to 30 June 2021) provides an indication of the level of participation of that employer compared with other employers in the Pooled Employer sub-group.

(ii) Statewide Limited

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

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

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

(iii) StateCover Limited

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 20. Contingencies (continued)

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

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

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

(iv) Other guarantees

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

2. Other liabilities

(i) Third party claims

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

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

(ii) Landfill restoration provision

Council operates 2 landfill sites and will have to remediate the sites at some future date. At balance date Council is unable to reliably estimate the financial cost of such work.

ASSETS NOT RECOGNISED

(i) Land under roads

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

(ii) Infringement notices/fines

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

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

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

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

(iii) Rural fire fighting assets

Council has an ownership interest in certain rural fire appliances, plant and associated rural fire fighting equipment.

These assets are under the control of the rural fire services to enable that department to provide the bushfire protection defences set out in their service level agreement with Council.

Historically Council has some items of plant and equipment in its assets register and a decision as to whether these assets will be transferred to the RFS or remain with Council will be clarified in a future period.

In accordance with normal Rural Fire Service funding arrangements, Council continues to contribute to the costs of maintenance of this equipment.

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

Note 21. Financial risk management

Risk management

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

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

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

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

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

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

| \$ '000 | Carrying value 2020 | Carrying value 2019 | Fair value 2020 | Fair value 2019 |
|---|------------------------|------------------------|--------------------|--------------------|
| Financial assets | | | | |
| Measured at amortised cost | | | | |
| Cash and cash equivalents | 46,527 | 35,652 | 46,527 | 35,652 |
| Receivables | 7,446 | 8,169 | 7,446 | 8,169 |
| Investments | | | | |
| – 'Financial assets at amortised cost' | 9,090 | 9,551 | 9,090 | 9,551 |
| Fair value through profit and loss | | | | |
| Investments | | | | |
| – 'Held for trading' | 14,175 | 11,617 | 14,175 | 11,617 |
| Total financial assets | 77,238 | 64,989 | 77,238 | 64,989 |
| Financial liabilities | | | | |
| Payables | 7,660 | 5,924 | 7,660 | 5,924 |
| Loans/advances | 28,184 | 19,559 | 28,184 | 19,559 |
| Lease liabilities | 9 | 22 | 9 | 22 |
| Total financial liabilities | 35,853 | 25,505 | 35,853 | 25,505 |

Fair value is determined as follows:

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

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

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 21. Financial risk management (continued)

The risks associated with the instruments held are:

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

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

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

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

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

| \$ '000 | Increase of values/rates | | Decrease of values/rates | |
|--|--------------------------|--------|--------------------------|---------|
| | Profit | Equity | Profit | Equity |
| 2020 | | | | |
| Possible impact of a 10% movement in market values | 1,418 | 1,418 | (1,418) | (1,418) |
| Possible impact of a 1% movement in interest rates | 142 | 142 | (142) | (142) |
| 2019 | | | | |
| Possible impact of a 10% movement in market values | 1,162 | 1,162 | (1,162) | (1,162) |
| Possible impact of a 1% movement in interest rates | 116 | 116 | (116) | (116) |

(b) Credit risk

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

Council manages the credit risk associated with these receivables by monitoring outstanding debt and employing stringent debt recovery procedures.

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

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

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

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

Credit risk profile

Receivables – rates and annual charges

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 21. Financial risk management (continued)

| \$ '000 | Not yet overdue | < 1 year overdue | 1 - 2 years overdue | 2 - 5 years overdue | > 5 years overdue | Total |
|-----------------------|-----------------|------------------|---------------------|---------------------|-------------------|-------|
| 2020 | | | | | | |
| Gross carrying amount | 2,669 | 115 | 103 | – | – | 2,887 |
| 2019 | | | | | | |
| Gross carrying amount | 2,059 | 82 | 75 | – | – | 2,216 |

Receivables - non-rates and annual charges

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

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

| \$ '000 | Not yet overdue | 0 - 30 days overdue | 31 - 60 days overdue | 61 - 90 days overdue | > 91 days overdue | Total |
|------------------------|-----------------|---------------------|----------------------|----------------------|-------------------|-----------|
| 2020 | | | | | | |
| Gross carrying amount | 4,088 | 14 | 6 | 20 | 859 | 4,987 |
| Expected loss rate (%) | 1.50% | 1.50% | 1.50% | 1.50% | 1.50% | 1.50% |
| ECL provision | 61 | – | – | – | 13 | 74 |
| 2019 | | | | | | |
| Gross carrying amount | 5,775 | 122 | 23 | – | 461 | 6,381 |
| Expected loss rate (%) | 1.50% | 1.50% | 1.50% | 1.50% | 1.50% | 1.50% |
| ECL provision | 87 | 2 | – | – | 7 | 96 |

Notes to the Financial Statements

for the year ended 30 June 2020

Note 21. Financial risk management (continued)

(c) Liquidity risk

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

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

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

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

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

The amounts disclosed in the table are the undiscounted contracted cash flows for non-lease liabilities and therefore the balances in the table may not equal the balances in the Statement of Financial Position due to the effect of discounting.

| \$ '000 | Weighted average interest rate | Subject to no maturity | ≤ 1 Year | payable in: | | Total cash outflows | Actual carrying values |
|------------------------------------|---|------------------------------|--------------|----------------|---------------|------------------------|------------------------------|
| | | | | 1 - 5 Years | > 5 Years | | |
| 2020 | | | | | | | |
| Trade/other payables | 0.00% | 1,991 | 4,908 | – | – | 6,899 | 6,899 |
| Loans and advances | 6.30% | – | 3,775 | 17,489 | 13,156 | 34,420 | 28,184 |
| Lease liabilities | 9.40% | – | – | – | – | – | – |
| Total financial liabilities | | 1,991 | 8,683 | 17,489 | 13,156 | 41,319 | 35,083 |
| 2019 | | | | | | | |
| Trade/other payables | 0.00% | 1,771 | 4,153 | – | – | 5,924 | 5,924 |
| Loans and advances | 6.30% | – | 2,668 | 14,248 | 8,970 | 25,886 | 19,559 |
| Lease liabilities | 9.40% | – | 13 | 9 | – | 22 | 22 |
| Total financial liabilities | | 1,771 | 6,834 | 14,257 | 8,970 | 31,832 | 25,505 |

Notes to the Financial Statements

for the year ended 30 June 2020

Note 22. Material budget variations

Council's original financial budget for 19/20 was adopted by the Council on 11/06/2019 and is unaudited.

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

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

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

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

| \$ '000 | 2020 Budget | 2020 Actual | 2020 ----- Variance ----- | | |
|---|----------------|----------------|------------------------------|-------|----------|
| REVENUES | | | | | |
| Rates and annual charges | 30,809 | 32,496 | 1,687 | 5% | F |
| User charges and fees | 16,809 | 15,080 | (1,729) | (10)% | U |
| Other revenues | 1,419 | 3,008 | 1,589 | 112% | F |
| Council had a budget of \$890K for the temporary sale of water. It received revenue totaling \$2.483M for the temporary sale of water. | | | | | |
| Operating grants and contributions | 9,154 | 8,269 | (885) | (10)% | U |
| Capital grants and contributions | 21,667 | 7,320 | (14,347) | (66)% | U |
| The variation in capital grants was primarily due to milestones not achieved and lack of resources during COVID-19. Council budgeted to receive \$3M from Building Better Regions Fund although no funding was received. Council budgeted to receive \$6M from Regional Sports Infrastructure Fund and only received \$650K. Council budgeted to receive \$4M from Fixing Local Roads although no funding was received. Other various capital grants were budgeted to be received though are now expected to be received in 2021. | | | | | |
| Interest and investment revenue | 1,376 | 949 | (427) | (31)% | U |
| Council conservatively budgets for interest and investment revenue. Due to the low interest rate environment globally, higher returns have not been achieved. | | | | | |
| Net gains from disposal of assets | – | 82 | 82 | ∞ | F |
| Rental income | 425 | 407 | (18) | (4)% | U |
| EXPENSES | | | | | |
| Employee benefits and on-costs | 25,756 | 24,029 | 1,727 | 7% | F |
| Borrowing costs | 1,310 | 1,274 | 36 | 3% | F |
| Materials and contracts | 12,644 | 12,941 | (297) | (2)% | U |
| Depreciation and amortisation | 12,587 | 14,471 | (1,884) | (15)% | U |
| Council has experienced higher than expected budgeted depreciation for buildings, roads, water sewer and drainage infrastructure. Buildings were \$500k more than budget and roads infrastructure were \$867k more than budget. There was also a \$138k difference of plant & equipment depreciation from budget to actual. | | | | | |
| Other expenses | 4,779 | 4,508 | 271 | 6% | F |
| Joint ventures and associates – net losses | – | – | – | ∞ | F |

Notes to the Financial Statements

for the year ended 30 June 2020

Note 22. Material budget variations

| \$ '000 | 2020 Budget | 2020 Actual | 2020 ----- Variance ----- | |
|--|-----------------|-----------------|------------------------------|----------------|
| STATEMENT OF CASH FLOWS | | | | |
| Cash flows from operating activities | 37,170 | 25,607 | (11,563) | (31)% U |
| The main difference between the original budget and actual in 2020 is \$15.5M in grants & contributions that were budgeted for but were not received. These were primarily due to milestones not achieved and lack of resources during COVID-19. Council budgeted to receive \$3M from Building Better Regions Fund although no funding was received. Council budgeted to receive \$6M from Regional Sports Infrastructure Fund and only received \$650K. Council budgeted to receive \$4M from Fixing Local Roads although no funding was received. Other various capital grants were budgeted to be received though are now expected to be received in 2021. | | | | |
| Cash flows from investing activities | (39,831) | (23,332) | 16,499 | (41)% F |
| Council does not budget for the purchase/sale of investments which was a net of \$2M and Council also spent \$19M less on infrastructure, property, plant & equipment than was originally budgeted for. | | | | |
| Cash flows from financing activities | 2,572 | 8,600 | 6,028 | 234% F |
| Council drew down an additional \$6M in loan borrowings than originally budgeted for. | | | | |

Notes to the Financial Statements

for the year ended 30 June 2020

Note 23. Fair Value Measurement

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

- Infrastructure, property, plant and equipment
- Financial assets

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

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

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

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

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

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

| 2020 | | Fair value measurement hierarchy | | | | Total |
|--|-------|----------------------------------|--------------------------------------|---------------------------------------|---|----------------|
| \$ '000 | Notes | Date of latest valuation | Level 1 Quoted prices in active mkts | Level 2 Significant observable inputs | Level 3 Significant unobservable inputs | |
| Recurring fair value measurements | | | | | | |
| Financial assets | | | | | | |
| Investments | | | | | | |
| – 'Financial assets at fair value through profit and loss' | | | | | | |
| | | 30/06/20 | 14,175 | – | – | 14,175 |
| Total financial assets | | | 14,175 | – | – | 14,175 |
| Infrastructure, property, plant and equipment | | | | | | |
| Plant and equipment | | 30/06/20 | – | – | 10,340 | 10,340 |
| Office equipment | | 30/06/20 | – | – | 1,463 | 1,463 |
| Furniture and fittings | | 30/06/20 | – | – | 1,325 | 1,325 |
| Operational land | | 30/06/20 | – | – | 17,502 | 17,502 |
| Community land | | 30/06/18 | – | – | 9,168 | 9,168 |
| Buildings | | 30/06/20 | – | – | 68,401 | 68,401 |
| Other structures | | 30/06/20 | – | – | 9,628 | 9,628 |
| Roads | | 30/06/20 | – | – | 286,008 | 286,008 |
| Bridges | | 30/06/20 | – | – | 3,946 | 3,946 |
| Footpaths | | 30/06/20 | – | – | 9,442 | 9,442 |
| Stormwater drainage | | 30/06/20 | – | – | 60,696 | 60,696 |
| Water supply network | | 30/06/20 | – | – | 149,781 | 149,781 |
| Sewerage network | | 30/06/20 | – | – | 138,852 | 138,852 |
| Other open space/recreational assets | | 30/06/20 | – | – | 14,336 | 14,336 |
| Other | | 30/06/20 | – | – | 4,885 | 4,885 |
| Total infrastructure, property, plant and equipment | | | – | – | 785,773 | 785,773 |
| Intangible Assets | | | | | | |
| Water Entitlements | 11 | 30/06/20 | 12,653 | – | – | 12,653 |
| Total Intangible Assets | | | 12,653 | – | – | 12,653 |

Notes to the Financial Statements

for the year ended 30 June 2020

Note 23. Fair Value Measurement (continued)

| 2019 | Notes | Fair value measurement hierarchy | | | | Total |
|--|-------|----------------------------------|-------------------------------------|---------------------------------------|---|----------------|
| | | Date of latest valuation | Level 1 Quoted prices in active mkt | Level 2 Significant observable inputs | Level 3 Significant unobservable inputs | |
| \$ '000 | | | | | | |
| Recurring fair value measurements | | | | | | |
| Financial assets | | | | | | |
| Investments | | | | | | |
| – 'Financial assets at fair value through profit and loss' | | | | | | |
| | | 30/06/19 | 11,617 | – | – | 11,617 |
| | | | 11,617 | – | – | 11,617 |
| Infrastructure, property, plant and equipment | | | | | | |
| Plant and equipment | | 30/06/19 | – | – | 10,160 | 10,160 |
| Office equipment | | 30/06/19 | – | – | 1,371 | 1,371 |
| Furniture and fittings | | 30/06/19 | – | – | 1,246 | 1,246 |
| Operational land | | 30/06/18 | – | – | 16,041 | 16,041 |
| Community land | | 30/06/18 | – | – | 9,168 | 9,168 |
| Buildings | | 30/06/18 | – | – | 56,086 | 56,086 |
| Other structures | | 30/06/18 | – | – | 4,395 | 4,395 |
| Roads | | 30/06/19 | – | – | 265,585 | 265,585 |
| Bridges | | 30/06/19 | – | – | 3,983 | 3,983 |
| Footpaths | | 30/06/19 | – | – | 8,591 | 8,591 |
| Stormwater drainage | | 30/06/19 | – | – | 58,847 | 58,847 |
| Water supply network | | 30/06/19 | – | – | 128,981 | 128,981 |
| Sewerage network | | 30/06/19 | – | – | 119,467 | 119,467 |
| Other open space/recreational assets | | 30/06/18 | – | – | 14,365 | 14,365 |
| Other | | 30/06/19 | – | – | 3,216 | 3,216 |
| | | | – | – | 701,502 | 701,502 |
| Intangible Assets | | | | | | |
| | 11 | | | | | |
| Water Entitlements | | 30/06/19 | 11,512 | – | – | 11,512 |
| | | | 11,512 | – | – | 11,512 |

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

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

Council's policy for determining transfers between fair value hierarchies is at the end of the reporting period.

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 23. Fair Value Measurement (continued)

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

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

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

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

Plant & Equipment

This asset class comprises major plant such trucks, tractors, street sweepers and fleet vehicles such as passenger vehicles, utility vehicles etc.

Plant and Equipment assets are valued at cost but are disclosed at fair value in the notes. Council reviews the value of these assets against quoted prices for the gross current replacement cost of similar assets having similar service potential and includes allowances for preliminaries and professional fees. Council assumes that the carrying amount reflects the fair value of the asset due to the nature of the items.

No Level 2 inputs (Market based evidence) are available therefore Level 3 inputs (Significant unobservable inputs) were used for this asset class. The unobservable Level 3 inputs used include:

- Useful life
- Residual value
- Gross replacement cost

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

Office Equipment

This asset class comprises computers, photocopiers, printers, whiteboards etc.

Office Equipment assets are valued at cost but are disclosed at fair value in the notes. Council reviews the value of these assets against quoted prices for the gross current replacement cost of similar assets. Council assumes that the carrying amount reflects the fair value of the asset due to the nature of the items.

No Level 2 inputs (Market based evidence) are available therefore Level 3 inputs (Significant unobservable inputs) were used for this asset class. The unobservable Level 3 inputs used include:

- Useful life
- Residual value
- Gross replacement cost

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

Furniture & Fittings

This asset class comprises chairs, desks, workstations, filing cabinets etc.

Furniture and Fittings are valued at cost but are disclosed at fair value in the notes. Council reviews the value of these assets against quoted prices for the gross current replacement cost of similar assets. Council assumes that the carrying amount reflects the fair value of the asset due to the nature of the items.

No Level 2 inputs (Market based evidence) are available therefore Level 3 inputs (Significant unobservable inputs) were used for this asset class. The unobservable Level 3 inputs used include:

- Useful life
- Residual value
- Gross replacement cost

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

Operational Land

Operational land was valued by Australian Pacific Valuers.

Land valuations were determined in accordance with the AASB13 Fair Value methodology. Land analysis was carried out by an experienced Valuer.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 23. Fair Value Measurement (continued)

The Valuer has assessed land assets utilising valuation techniques that maximise the use of observable data and under the principles of 'highest and best use'.

Level 2 and 3 inputs are utilised to establish input rates and determine Fair Values. The Valuer has reviewed a number of sources including:

- Analysis of price movements in local property markets during the year (reviewing market transactions).
- Discussions with local and active agents.
- Current property listings.

The Valuer has reviewed the following site attributes in assigning an input rate and having consideration to minor or significant adjustments:

- Zoning or Area Classification
- Land Use
- Unit Rates / Overall Value
- Land Area
- Topography
- Site Configuration

Where a lack of directly comparable sales evidence was available, or a significant level of adjustment was required between sales evidence and the asset, a Level 3 has been assigned to the asset. In other cases where there was active and liquid sales evidence available and significant adjustments have not been applied, a Level 2 has been assigned to the asset.

In considering the level of adjustment for Level 3 assets, the Valuer has taken the following into consideration:

- Any adjustments made for Level 3 assets due to zoning, use or significant restriction, have been determined based on Local Government policies for land valuation, sales analysis as well as the Valuers professional opinion.

Community Land

This asset class comprises all of Council's land classified as community land under the NSW Local Government Act 1993.

Community land (including owned by Council, the Crown and various other Government agencies managed by Council) by definition is land intended for public access and use or where other restrictions applying to the land create some obligation to maintain public access (such as a trust deed, dedication under section 94 of the Environment Planning and Assessment Act 1979). This gives rise to the restrictions in the Act, intended to preserve the qualities of the land. Community land:

- Cannot be sold
- Cannot be leased, licensed, or any other estate granted over the land for more than 21 years and
- Must have a plan of management for it

The key unobservable input to the valuation is the price per square metre. The last valuation was undertaken at 30 June 2018 and was performed internally.

Level 3 valuation inputs were used to value land held in freehold title as well as land used for special purposes which is restricted in use under current zoning rules. Sales prices of comparable land sites in close proximity are adjusted for differences in key attributes such as property size.

There were some parks and reserves for which there was no observable market evidence of sales prices for comparable sites in close proximity. These were subsequently valued at the Level 3 valuation input hierarchy by using the professional judgement of a registered Valuer. The Valuer adjusted the price per square metre of sales from sites not in close proximity which provided only a low level of comparability.

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

Buildings – Specialised

Buildings were valued by Australian Pacific Valuers.

The valuations are based on a range of inputs. Some inputs may be gathered at a high level prior to application of inputs at the Asset or Component Level.

Other inputs are applied at an Asset Level or a Component Level as appropriate. They include –

- Components
- Unit Rates / Overall Value
- Consumption Scores & Valuation Profiles
- Residual Value

Notes to the Financial Statements

for the year ended 30 June 2020

Note 23. Fair Value Measurement (continued)

Components:

The Accounting Standards require assets comprised of a number of significant parts which exhibit different useful lives to be depreciated separately. This is commonly referred to as “componentisation” or “disaggregation” and is a critical aspect to ensuring the valuation is meaningful, accurate and can be used as a key input to the Asset Management Planning process.

To identify the components consideration was given to how the asset is managed from an Asset Management perspective and what parts comprise a significant cost but have a different useful life. This included consideration of whether the component –

- Is Cost Significant (>5%) and Exceeds Capitalisation Threshold
- Has a different Useful Life or Pattern of Consumption (all parts within the component should have same life and pattern)
- Is it Replaced or Renewed at Regular Intervals or is a Sunk Cost
- Is Managed with specific CAPEX treatments relatively independent of other components
- Due to risk or criticality does it need to be separated for Asset Management Planning

It is common for the useful life of components to be extended through regular renewal. When this occurs the components essentially have two parts which experience a different useful life. In accordance with the accounting standards each of these parts is to be depreciated over their respective useful life.

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

Other Structures

Other Structures were valued by Australian Pacific Valuers.

Examples of other structures include fencing, lighting, wash-bays, stock yards and hardstands.

Using the cost approach, the approach estimated the replacement cost for each structure by physically inspecting the properties and componentising the structures into significant parts with different useful lives and taking into account a range of factors. Inputs such as estimates of residual value and pattern of consumption required extensive professional judgement and impacted significantly on the final determination of fair value. As such these assets were classified as having been valued using Level 3 valuation inputs.

No Level 2 inputs (Market based evidence) are available therefore Level 3 inputs (Significant unobservable inputs) were used for this asset class. The unobservable Level 3 inputs include:

- Pattern of consumption
- Future economic benefits
- Condition
- Useful life of an asset
- Gross replacement cost

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

Roads

Roads includes all sealed and unsealed road segments (lengths of road between intersections) and car parks.

The cost approach was used to value this asset class at 30 June 2020. Valuations were undertaken by Australian Pacific Valuers using their valuation platform Asset Valuer Pro following site inspections in February 2019 and Council performed a desktop revaluation in 2020 using this data.

Road asset were componentised into Formation, Pavement and Surface components. These components were further broken into long and short lived components, and residual values were eliminated. Gross values were attributed to these components based on the relevant unit rates and quantity measured in square metres. Fair value was then determined taking into account the condition and relevant patterns of consumption. These component values were then combined to determine the overall valuation for each road segment and car park.

No Level 2 inputs (Market based evidence) are available therefore Level 3 inputs (Significant unobservable inputs) were used for this asset class. The unobservable Level 3 inputs used include:

- Unit rates developed by Councils Operations Department
- Asset condition based on a comprehensive condition survey conducted by IMG Pty Ltd
- Pattern of consumption
- Useful life determined by technical knowledge of the life of similar assets

Notes to the Financial Statements

for the year ended 30 June 2020

Note 23. Fair Value Measurement (continued)

There has been no changes to the valuation process during the reporting period although there were changes to componentisation.

Bridges

Bridges includes all Council owned road and foot bridges.

The approach estimated fair value for each bridge by componentising the bridges into significant parts with different useful lives and taking into account a range of factors. The components included the bridge deck/ superstructure, bridge abutments/foundations and bridge rails/handrails. These component values were then combined to determine the overall valuation for each bridge.

The cost approach was used to value this asset class at 30 June 2020. Valuations were undertaken by Australian Pacific Valuers using their valuation platform Asset Valuer Pro following site inspections in February 2019 and Council performed a desktop revaluation in 2020 using this data.

No Level 2 inputs (Market based evidence) are available therefore Level 3 inputs (Significant unobservable inputs) were used for this asset class. The unobservable Level 3 inputs used include:

- Asset quantity based on desktop survey of bridge data and field inspections
- Unit rates developed using the pricing model described above
- Asset condition based on in house visual inspection
- Pattern of consumption
- Useful life determined by technical knowledge of the life of similar assets

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

Footpaths

Footpaths comprises of all Council owned paths and cycle ways and shared paths other than internal pathways within parks and reserves.

The cost approach was used to value this asset class at 30 June 2020. Valuations were undertaken by Australian Pacific Valuers using their valuation platform Asset Valuer Pro following site inspections in February 2019 and Council performed a desktop revaluation in 2020 using this data.

No Level 2 inputs (Market based evidence) are available therefore Level 3 inputs (significant unobservable inputs) were used for this asset class. The unobservable Level 3 inputs used include:

- Asset quantity based on a comprehensive review of Councils footpath asset register
- Unit rates developed by Councils Operations Department
- Asset condition based on a comprehensive condition survey conducted by IMG Pty Ltd
- Pattern of consumption
- Useful life determined by technical knowledge of the life of similar assets
- Residual value based on the estimated amount that would currently obtain from disposal of the asset

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

Stormwater Drainage

Stormwater assets include drainage pits, pipelines, stormwater detention basins and open channels.

The cost approach was used to value this asset class at 30 June 2020. Valuations were undertaken by Australian Pacific Valuers using their valuation platform Asset Valuer Pro following site inspections in February 2019 and Council performed a desktop revaluation in 2020 using this data.

Due to limitations in the historical records of these very long lived assets there remains some uncertainty regarding the actual design, specifications and dimensions of some assets.

Other inputs such as useful life and required extensive professional judgement and impacted significantly on the final determination of fair value. As such these assets were classified as having been valued using Level 3 valuation inputs.

No Level 2 inputs (Market based evidence) are available therefore Level 3 inputs (Significant unobservable inputs) were used for this asset class. The unobservable Level 3 inputs used include:

- Consumption rate
- Future economic benefits
- Condition

Notes to the Financial Statements

for the year ended 30 June 2020

Note 23. Fair Value Measurement (continued)

- Useful life of an asset
- Gross replacement cost

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

Water Supply Network

Water supply network assets including water treatment plants, reservoirs and reticulation assets.

The valuations were undertaken by Australian Pacific Valuers using the cost approach. The approach estimated the replacement cost for each asset component based on calculated replacement cost and condition. Due to the nature of these assets condition was determined by service history of the assets and local knowledge which was used to calibrate age based condition models.

Due to limitations in the historical records of these very long lived assets there some uncertainty regarding the actual design, specifications and dimensions of some assets.

Other inputs such as estimates of residual value and pattern of consumption required extensive professional judgement and impacted significantly on the final determination of fair value. As such these assets were classified as having been valued using Level 3 valuation inputs.

These assets are indexed each year in line with the NSW Reference Rates Manual as published by the NSW Office of Planning, Industry and Environment.

No Level 2 inputs (Market based evidence) are available therefore Level 3 inputs (Significant unobservable inputs) were used for this asset class. The unobservable Level 3 inputs used include:

- Consumption rate
- Future economic benefits
- Condition
- Useful life of an asset
- Gross replacement cost

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

Sewerage Network

Sewerage network assets include sewer treatment plants, pump stations and reticulation assets.

The valuations were undertaken by Australian Pacific Valuers using the cost approach. The approach estimated the replacement cost for each asset component based on calculated replacement cost and condition. Due to the nature of these assets condition was determined by service history of the assets and local knowledge which was used to calibrate age based condition models.

Due to limitations in the historical records of these very long lived assets there some uncertainty regarding the actual design, specifications and dimensions of some assets.

Other inputs such as estimates of residual value and pattern of consumption required extensive professional judgement and impacted significantly on the final determination of fair value. As such these assets were classified as having been valued using Level 3 valuation inputs.

These assets are indexed each year in line with the NSW Reference Rates Manual as published by the NSW Department of Planning, Industry and Environment.

No Level 2 inputs (Market based evidence) are available therefore Level 3 inputs (Significant unobservable inputs) were used for this asset class. The unobservable Level 3 inputs used include:

- Consumption rate
- Future economic benefits
- Condition
- Useful life of an asset
- Gross replacement cost

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

Other Open Space/Recreational Assets

Notes to the Financial Statements

for the year ended 30 June 2020

Note 23. Fair Value Measurement (continued)

This includes assets in parks and reserves such as play equipment, tables, chairs, barbeques and irrigation systems.

The valuations were undertaken by Australian Pacific Valuers using the cost approach. The approach estimated the replacement cost for each asset by physically inspecting them and componentising into significant parts with different useful lives and taking into account a range of factors. Inputs such as estimates of residual value and pattern of consumption required extensive professional judgement and impacted significantly on the final determination of fair value. As such these assets were classified as having been valued using Level 3 valuation inputs.

No Level 2 inputs (Market based evidence) are available therefore Level 3 inputs (Significant unobservable inputs) were used for this asset class. The unobservable Level 3 inputs used include:

- Consumption rate
- Future economic benefits
- Condition
- Useful life of an asset
- Gross replacement cost

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

Other

This asset class comprises miscellaneous minor plant and other items not included in the asset classes above.

Other assets are valued at cost but are disclosed at fair value in the notes. Council reviews the value of these assets against quoted prices for the gross current replacement cost of similar assets Council assumes that the carrying amount reflects the fair value of the asset due to the nature of the items.

No Level 2 inputs (Market based evidence) are available therefore Level 3 inputs (Significant unobservable inputs) were used for this asset class. The unobservable Level 3 inputs used include:

- Useful life
- Residual value
- Gross replacement cost

Notes to the Financial Statements

for the year ended 30 June 2020

Note 23. Fair Value Measurement (continued)

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

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

| \$ '000 | Plant and equipment | Office equipment | Furniture and fittings | Operational Land | Community Land |
|---|---------------------|------------------|------------------------|------------------|----------------|
| 2019 | | | | | |
| Opening balance | 9,459 | 1,229 | 1,196 | 15,983 | 9,168 |
| Transfers from/(to) another asset class | – | – | – | 58 | – |
| Purchases (GBV) | 3,212 | 347 | 134 | – | – |
| Disposals (WDV) | (1,076) | – | – | – | – |
| Depreciation and impairment | (1,435) | (205) | (84) | – | – |
| Closing balance | 10,160 | 1,371 | 1,246 | 16,041 | 9,168 |

| | | | | | |
|---------------------------------------|---------------|--------------|--------------|---------------|--------------|
| 2020 | | | | | |
| Opening balance | 10,160 | 1,371 | 1,246 | 16,041 | 9,168 |
| Purchases (GBV) | 2,214 | 342 | 175 | 581 | – |
| Disposals (WDV) | (485) | – | – | (406) | – |
| Depreciation and impairment | (1,549) | (250) | (96) | – | – |
| FV gains – other comprehensive income | – | – | – | 1,286 | – |
| Closing balance | 10,340 | 1,463 | 1,325 | 17,502 | 9,168 |

| \$ '000 | Buildings | Other structures | Roads | Bridges | Footpaths |
|---|---------------|------------------|----------------|--------------|--------------|
| 2019 | | | | | |
| Opening balance | 56,662 | 7,254 | 249,674 | 2,419 | 7,466 |
| Transfers from/(to) another asset class | 5 | (3,419) | – | – | – |
| Purchases (GBV) | 912 | 704 | 7,428 | – | 631 |
| Depreciation and impairment | (1,493) | (144) | (3,522) | (46) | (238) |
| FV gains – other comprehensive income | – | – | 12,005 | 1,610 | 732 |
| Closing balance | 56,086 | 4,395 | 265,585 | 3,983 | 8,591 |

| | | | | | |
|---|---------------|--------------|----------------|--------------|--------------|
| 2020 | | | | | |
| Opening balance | 56,086 | 4,395 | 265,585 | 3,983 | 8,591 |
| Transfers from/(to) another asset class | – | 3,929 | (966) | – | – |
| Purchases (GBV) | 2,255 | 601 | 5,080 | – | 1,140 |
| Depreciation and impairment | (1,502) | (331) | (4,258) | (37) | (283) |
| FV gains – other comprehensive income | 11,562 | 1,034 | 20,567 | – | (6) |
| Closing balance | 68,401 | 9,628 | 286,008 | 3,946 | 9,442 |

| \$ '000 | Stormwater drainage | Water supply network | Sewerage network |
|---|---------------------|----------------------|------------------|
| 2019 | | | |
| Opening balance | 50,257 | 128,302 | 114,688 |
| Transfers from/(to) another asset class | 3,388 | (5) | – |
| Purchases (GBV) | 2,553 | 913 | 5,175 |

Notes to the Financial Statements

for the year ended 30 June 2020

Note 23. Fair Value Measurement (continued)

| \$ '000 | Stormwater drainage | Water supply network | Sewerage network |
|---------------------------------------|------------------------|-------------------------|---------------------|
| Depreciation and impairment | (523) | (2,205) | (2,174) |
| FV gains – other comprehensive income | 3,172 | 1,976 | 1,778 |
| Closing balance | 58,847 | 128,981 | 119,467 |
| 2020 | | | |
| Opening balance | 58,847 | 128,981 | 119,467 |
| Purchases (GBV) | 1,174 | 1,717 | 468 |
| Depreciation and impairment | (899) | (2,217) | (2,236) |
| FV gains – other comprehensive income | 1,574 | 21,300 | 21,153 |
| Closing balance | 60,696 | 149,781 | 138,852 |

| \$ '000 | Open space/ recreational assets | Other assets | Total |
|---|---------------------------------------|--------------|-----------------|
| 2019 | | | |
| Opening balance | 14,235 | 2,935 | 670,927 |
| Transfers from/(to) another asset class | 31 | – | 58 |
| Purchases (GBV) | 749 | 581 | 23,339 |
| Disposals (WDV) | – | – | (1,076) |
| Depreciation and impairment | (650) | (300) | (13,019) |
| FV gains – other comprehensive income | – | – | 21,273 |
| Closing balance | 14,365 | 3,216 | 701,502 |
| 2020 | | | |
| Opening balance | 14,365 | 3,216 | 701,502 |
| Transfers from/(to) another asset class | (2,963) | – | – |
| Purchases (GBV) | 604 | 1,992 | 18,343 |
| Disposals (WDV) | – | – | (891) |
| Depreciation and impairment | (544) | (323) | (14,525) |
| FV gains – other comprehensive income | 2,874 | – | 81,344 |
| Closing balance | 14,336 | 4,885 | 785,773 |

d. The valuation process for level 3 fair value measurements

AASB 13 Fair Value Measurement requires disclosure of fair value measurement using the following fair value hierarchy and techniques:

Fair Value Hierarchy

- Level 1 – Quoted prices (unadjusted) 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 – Unobservable inputs for asset or liability

Fair Value Valuation Techniques

The valuation techniques prescribed by AASB13 can be summarised as:

- Cost Approach: A valuation technique that reflects the amount what would be required to replace the service capacity of an asset (current replacement cost)
- Income Approach: A valuation technique that converts future amounts (cash flows inflows/outflows) to signal the current (i.e. discounted) amount. The fair value measurement is determined on the basis of the value indicated by current market expectations about these future amounts.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 23. Fair Value Measurement (continued)

- **Market Approach:** A valuation technique that uses prices and other relevant information, generated by market transactions involving identical or comparable (similar) assets, liabilities or a group of assets and liabilities such as a business.

Valuation Approach and Level used by Griffith City Council

(1) Valuation techniques used to derive Fair Values

Due to the nature of Council assets and the absence of an active market, Council utilises the cost approach for most of the assets.

Likewise, for the majority of assets Council is unable to derive fair valuations using quoted market prices of identical assets (Level 1 inputs) or observable inputs (Level 2 inputs). Council therefore utilises unobservable inputs (Level 3 inputs).

The following Level 3 inputs were used:

- **Asset quantity**
Asset quantity was derived from a combination of desk top survey and physical inspection.
- **Unit Rates**
For asset classes valued in house (i.e. roads, bridges, footpaths, water network, sewer network, and other) unit rate information is determined by consultation with relevant engineering and operations staff.
- **Asset Condition**
Asset condition was assessed via specialist asset inspection contractors and asset valuation professionals.

For exposed asset classes such as buildings, roads and footpaths condition can be readily assessed via physical inspection. A visual inspection process was completed and condition was reported in relation to several criteria which were then combined to arrive at an overall condition index.

For buried assets such as water, sewer and drainage reticulation assets, it is more difficult to assess the condition because the assets are covered. In these cases, the condition was determined by service history of the assets and local knowledge which was used to calibrate age based condition models.

- **Pattern of Consumption**
The pattern of consumption for all assets is straight line.
- **Useful Life**
Useful life was determined by Council staff in conjunction with consultants based on engineering experience, local knowledge and historic data.
- **Valuation Processes**
Griffith City Council uses independent and qualified valuers to determine the fair value of the assets listed in this note. An annual assessment is undertaken to determine whether the carrying amount of the assets is materially different from the fair value. If any variation is considered material a revaluation is undertaken either by comprehensive revaluation or by applying an interim revaluation using appropriate indices.

Under the cost approach fair value is estimated by calculating the cost to replace the asset based on unit rates and quantities. This is then adjusting to take account of an accumulated depreciation based on asset condition and pattern of consumption, useful life and pattern of consumption of the future economic benefit.

(5) Highest and best use

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 24. Related party disclosures

(a) Key management personnel

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

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

| \$ '000 | 2020 | 2019 |
|--------------------------|--------------|--------------|
| Compensation: | | |
| Short-term benefits | 1,562 | 1,498 |
| Post-employment benefits | 116 | 111 |
| Other long-term benefits | 32 | 31 |
| Total | 1,710 | 1,640 |

(b) Other transactions with KMP and their related parties

Council has determined that transactions at arm's length between KMP and council as part of council delivering a public service objective (e.g. access to library or Council swimming pool by KMP) will not be disclosed.

Notes to the Financial Statements

for the year ended 30 June 2020

Note 25. Statement of developer contributions

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

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

Summary of contributions and levies

| | as at 30/06/19 | | | as at 30/06/20 | | | | | |
|--|-----------------|--|----------|-------------------------|-------------------------|------------------------------|--------------------------|--|--|
| | Opening Balance | Contributions received during the year | | Interest earned in year | Expenditure during year | Internal borrowing (to)/from | Held as restricted asset | Cumulative internal borrowings due/(payable) | |
| \$ '000 | Cash | Non-cash | | | | | | | |
| Traffic facilities | 105 | 4 | – | 1 | – | – | 110 | – | |
| Parking | (35) | – | – | – | – | – | (35) | – | |
| Open space | 276 | 5 | – | 3 | – | – | 284 | – | |
| Community facilities | 82 | 2 | – | 1 | – | – | 85 | – | |
| S7.11 contributions – under a plan | 428 | 11 | – | 5 | – | – | 444 | – | |
| S7.12 levies – under a plan | 635 | 581 | – | 8 | – | – | 1,224 | – | |
| Total S7.11 and S7.12 revenue under plans | 1,063 | 592 | – | 13 | – | – | 1,668 | – | |
| S7.11 not under plans | 7 | – | – | – | – | – | 7 | – | |
| S64 contributions | 7,154 | 1,666 | – | 91 | – | – | 8,911 | – | |
| Total contributions | 8,224 | 2,258 | – | 104 | – | – | 10,586 | – | |

Notes to the Financial Statements

for the year ended 30 June 2020

Note 25. Statement of developer contributions (continued)

| \$ '000 | as at 30/06/19 | | | | | | as at 30/06/20 | |
|---|-----------------|--|----------|-------------------------|-------------------------|------------------------------|--------------------------|--|
| | Opening Balance | Contributions received during the year Cash | Non-cash | Interest earned in year | Expenditure during year | Internal borrowing (to)/from | Held as restricted asset | Cumulative internal borrowings due/(payable) |
| S7.11 Contributions – under a plan | | | | | | | | |
| CONTRIBUTION PLAN – CAR PARKING | | | | | | | | |
| Parking | (35) | – | – | – | – | – | (35) | – |
| Total | (35) | – | – | – | – | – | (35) | – |
| CONTRIBUTION PLAN – OPEN SPACE | | | | | | | | |
| Open space | 211 | 5 | – | 2 | – | – | 218 | – |
| Total | 211 | 5 | – | 2 | – | – | 218 | – |
| CONTRIBUTION PLAN – COMMUNITY FACILITIES | | | | | | | | |
| Community facilities | 82 | 2 | – | 1 | – | – | 85 | – |
| Total | 82 | 2 | – | 1 | – | – | 85 | – |
| CONTRIBUTION PLAN – NEIGHBOURHOOD PARKS | | | | | | | | |
| Open space | 65 | – | – | 1 | – | – | 66 | – |
| Total | 65 | – | – | 1 | – | – | 66 | – |
| CONTRIBUTION PLAN – TRAFFIC MANAGEMENT | | | | | | | | |
| Traffic facilities | 105 | 4 | – | 1 | – | – | 110 | – |
| Total | 105 | 4 | – | 1 | – | – | 110 | – |
| S7.12 Levies – under a plan | | | | | | | | |
| Sec 94A from 01-07-10 | | | | | | | | |
| Sec 94A from 01-07-10 | 635 | 581 | – | 8 | – | – | 1,224 | – |
| Total | 635 | 581 | – | 8 | – | – | 1,224 | – |

Notes to the Financial Statements

for the year ended 30 June 2020

Note 25. Statement of developer contributions (continued)

| | as at 30/06/19 | | | as at 30/06/20 | | | | |
|---|--------------------|---|----------|-------------------------------|-------------------------------|------------------------------------|--------------------------------|---|
| | Opening Balance | Contributions received during the year | | Interest earned in year | Expenditure during year | Internal borrowing (to)/from | Held as restricted asset | Cumulative internal borrowings due/(payable) |
| \$ '000 | | Cash | Non-cash | | | | | |
| S7.11 Contributions – not under a plan | | | | | | | | |
| CONTRIBUTIONS NOT UNDER A PLAN | | | | | | | | |
| Open space | 7 | – | – | – | – | – | 7 | – |
| Total | 7 | – | – | – | – | – | 7 | – |

Notes to the Financial Statements

for the year ended 30 June 2020

Note 26. Result by fund

| \$ '000 | General ¹ 2020 | Water 2020 | Sewer 2020 |
|--|------------------------------|---------------|---------------|
| Income Statement by fund | | | |
| Income from continuing operations | | | |
| Rates and annual charges | 22,124 | 2,002 | 8,370 |
| User charges and fees | 5,909 | 8,238 | 933 |
| Interest and investment revenue | 557 | 292 | 109 |
| Other revenues | 2,825 | 176 | 7 |
| Grants and contributions provided for operating purposes | 8,155 | 60 | 54 |
| Grants and contributions provided for capital purposes | 5,317 | 1,361 | 642 |
| Net gains from disposal of assets | 63 | 19 | – |
| Rental income | 368 | 29 | 10 |
| Total income from continuing operations | 45,318 | 12,177 | 10,125 |
| Expenses from continuing operations | | | |
| Employee benefits and on-costs | 19,757 | 2,493 | 1,779 |
| Borrowing costs | 69 | – | 1,214 |
| Materials and contracts | 6,551 | 3,857 | 2,533 |
| Depreciation and amortisation | 9,575 | 2,474 | 2,422 |
| Other expenses | 3,080 | 862 | 566 |
| Total expenses from continuing operations | 39,032 | 9,686 | 8,514 |
| Operating result from continuing operations | 6,286 | 2,491 | 1,611 |
| Net operating result for the year | 6,286 | 2,491 | 1,611 |
| Net operating result attributable to each council fund | 6,286 | 2,491 | 1,611 |
| Net operating result for the year before grants and contributions provided for capital purposes | 969 | 1,130 | 969 |

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 26. Result by fund (continued)

| \$ '000 | General ¹ 2020 | Water 2020 | Sewer 2020 |
|---|------------------------------|----------------|----------------|
| Statement of Financial Position by fund | | | |
| ASSETS | | | |
| Current assets | | | |
| Cash and cash equivalents | 7,677 | 27,285 | 11,565 |
| Investments | 21,214 | – | – |
| Receivables | 2,958 | 2,465 | 2,120 |
| Inventories | 1,246 | 2,115 | – |
| Other | 38 | – | – |
| Total current assets | 33,133 | 31,865 | 13,685 |
| Non-current assets | | | |
| Investments | 2,051 | – | – |
| Receivables | 4 | 155 | – |
| Infrastructure, property, plant and equipment | 495,327 | 156,299 | 144,652 |
| Investments accounted for using the equity method | 347 | – | – |
| Intangible assets | 12,653 | – | – |
| Total non-current assets | 510,382 | 156,454 | 144,652 |
| TOTAL ASSETS | 543,515 | 188,319 | 158,337 |
| LIABILITIES | | | |
| Current liabilities | | | |
| Payables | 7,652 | 8 | – |
| Contract liabilities | 1,910 | – | – |
| Lease liabilities | 9 | – | – |
| Borrowings | 1,337 | – | 970 |
| Provisions | 6,899 | – | – |
| Total current liabilities | 17,807 | 8 | 970 |
| Non-current liabilities | | | |
| Borrowings | 10,892 | – | 15,241 |
| Provisions | 414 | – | – |
| Total non-current liabilities | 11,306 | – | 15,241 |
| TOTAL LIABILITIES | 29,113 | 8 | 16,211 |
| Net assets | 514,402 | 188,311 | 142,126 |
| EQUITY | | | |
| Accumulated surplus | 275,040 | 95,422 | 71,089 |
| Revaluation reserves | 239,362 | 92,889 | 71,037 |
| Council equity interest | 514,402 | 188,311 | 142,126 |
| Total equity | 514,402 | 188,311 | 142,126 |

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

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

Notes to the Financial Statements

for the year ended 30 June 2020

Note 26. Result by fund (continued)

Details of individual internal loans for the year ended 30 June 2020

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

| Details of individual internal loans | Council ID / Ref | Council ID / Ref |
|---|---------------------|--------------------------|
| Borrower (by purpose) | Animal Control | Governance (Building) |
| Lender (by purpose) | Water Fund | Water Fund |
| Date of minister's approval | 26/10/17 | 24/4/15 |
| Date raised | 1/11/17 | 24/4/15 |
| Term (years) | 5 | 5 |
| Dates of maturity | 1/11/22 | 24/4/20 |
| Rate of interest | 1.87% | 2.35% |
| Amount originally raised | 500,000 | 900,000 |
| Total repaid during year (principal and interest) | 104,981 | 191,310 |
| Principal outstanding at end of year | 255,829 | - |

Notes to the Financial Statements

for the year ended 30 June 2020

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

| \$ '000 | Amounts | Indicator | Prior periods | | Benchmark |
|--|---------------|---------------|---------------|--------|-----------|
| | 2020 | 2020 | 2019 | 2018 | |
| 1. Operating performance ratio | | | | | |
| Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2} | 2,986 | 4.96% | 6.75% | 10.65% | >0.00% |
| Total continuing operating revenue excluding capital grants and contributions ¹ | 60,209 | | | | |
| 2. Own source operating revenue ratio | | | | | |
| Total continuing operating revenue excluding all grants and contributions ¹ | 51,940 | 76.92% | 76.44% | 79.77% | >60.00% |
| Total continuing operating revenue ¹ | 67,529 | | | | |
| 3. Unrestricted current ratio | | | | | |
| Current assets less all external restrictions | 23,520 | 2.80x | 2.69x | 2.86x | >1.50x |
| Current liabilities less specific purpose liabilities | 8,401 | | | | |
| 4. Debt service cover ratio | | | | | |
| Operating result before capital excluding interest and depreciation/impairment/amortisation ¹ | 18,731 | 7.00x | 7.44x | 8.20x | >2.00x |
| Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement) | 2,674 | | | | |
| 5. Rates, annual charges, interest and extra charges outstanding percentage | | | | | |
| Rates, annual and extra charges outstanding | 2,887 | 8.29% | 6.40% | 7.54% | <10.00% |
| Rates, annual and extra charges collectible | 34,814 | | | | |
| 6. Cash expense cover ratio | | | | | |
| Current year's cash and cash equivalents plus all term deposits | 55,617 | 14.23 | 11.41 | 8.55 | >3.00 |
| Monthly payments from cash flow of operating and financing activities | 3,908 | mths | mths | mths | mths |

NB. These ratios have had the pensioner subsidies removed from the 2018/19 amounts due to changes in the 2019/20 Accounting Code. This change is to ensure comparatives remain consistent.

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

(2) Excludes impairment/revaluation decrements, net loss on sale of assets, and net loss on share of interests in joint ventures and associates.

Notes to the Financial Statements

for the year ended 30 June 2020

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

| \$ '000 | General Indicators ³ | | Water Indicators | | Sewer Indicators | | Benchmark |
|--|---------------------------------|--------|------------------|-----------|------------------|--------|-----------|
| | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 | |
| 1. Operating performance ratio | | | | | | | |
| Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2} | 2.22% | 2.47% | 10.45% | 18.42% | 10.22% | 9.78% | >0.00% |
| Total continuing operating revenue excluding capital grants and contributions ¹ | | | | | | | |
| 2. Own source operating revenue ratio | | | | | | | |
| Total continuing operating revenue excluding capital grants and contributions ¹ | 70.21% | 70.53% | 88.33% | 89.24% | 93.13% | 86.16% | >60.00% |
| Total continuing operating revenue ¹ | | | | | | | |
| 3. Unrestricted current ratio | | | | | | | |
| Current assets less all external restrictions | 2.80x | 2.69x | 3,983.13 | 4,240.29x | 14.11x | 12.39x | >1.50x |
| Current liabilities less specific purpose liabilities | | | x | | | | |
| 4. Debt service cover ratio | | | | | | | |
| Operating result before capital excluding interest and depreciation/impairment/amortisation ¹ | 19.34x | 7.75x | ∞ | ∞ | 2.13x | 3.51x | >2.00x |
| Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement) | | | | | | | |
| 5. Rates, annual charges, interest and extra charges outstanding percentage | | | | | | | |
| Rates, annual and extra charges outstanding | 4.50% | 2.07% | 0.00% | 0.00% | 18.43% | 17.28% | <10.00% |
| Rates, annual and extra charges collectible | | | | | | | |
| 6. Cash expense cover ratio | | | | | | | |
| Current year's cash and cash equivalents plus all term deposits | 6.29 | 4.09 | 42.77 | 38.90 | 19.20 | 15.59 | >3.00 |
| Payments from cash flow of operating and financing activities | mths | mths | mths | mths | mths | mths | mths |

NB. These ratios have had the pensioner subsidies removed from the 2018/19 amounts due to changes in the 2019/20 Accounting Code. This change is to ensure comparatives remain consistent.

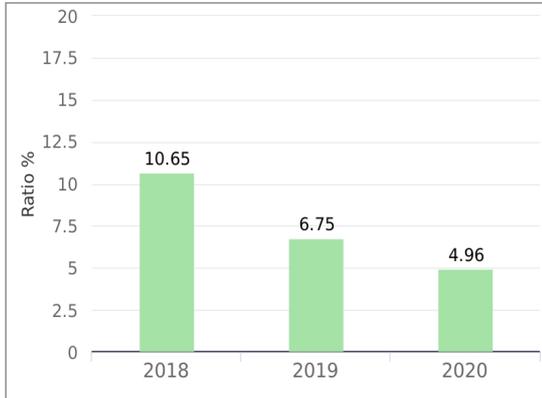
(1) - (2) Refer to Notes at Note 24(a) above.

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

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

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

1. Operating performance ratio



Purpose of operating performance ratio

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

Commentary on 2019/20 result

2019/20 ratio 4.96%

Council's ratio of 4.96% is above the 0.00% benchmark and indicates a continuation of the strong operating results achieved year-on-year. 2020 year results have been impacted by COVID-19.

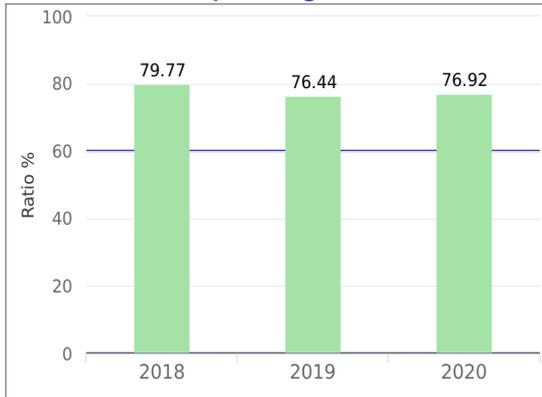
Benchmark: — > 0.00%

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

Ratio achieves benchmark

Ratio is outside benchmark

2. Own source operating revenue ratio



Purpose of own source operating revenue ratio

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

Commentary on 2019/20 result

2019/20 ratio 76.92%

The own source ratio of 76.92% is well in excess of the 60% benchmark and indicates strong own source revenues and a lower reliance on grants and contributions.

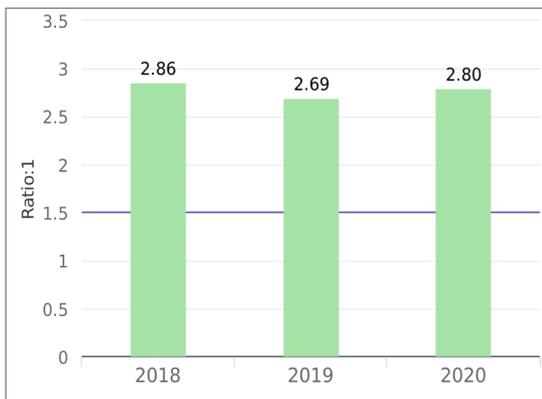
Benchmark: — > 60.00%

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

Ratio achieves benchmark

Ratio is outside benchmark

3. Unrestricted current ratio



Purpose of unrestricted current ratio

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

Commentary on 2019/20 result

2019/20 ratio 2.80x

The ratio 2.80x remains at a satisfactory level at 30 June 2020.

Benchmark: — > 1.50x

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

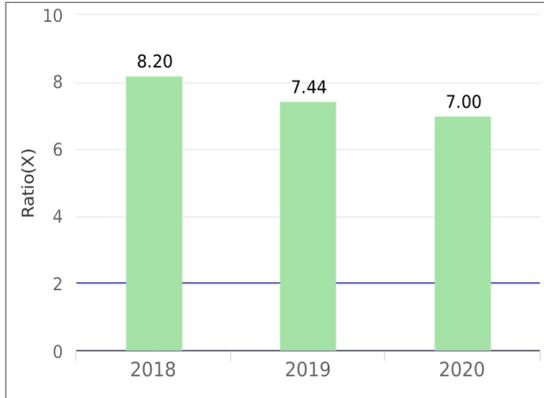
Ratio achieves benchmark

Ratio is outside benchmark

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

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

4. Debt service cover ratio



Purpose of debt service cover ratio

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

Commentary on 2019/20 result

2019/20 ratio 7.00x

This ratio is stable at present and well above 2.00x the benchmark and therefore indicates that council is comfortably generating sufficient cash to service its debt.

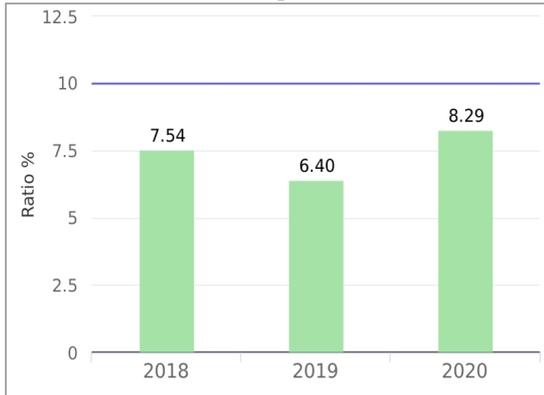
Benchmark: — > 2.00x

Ratio achieves benchmark

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

Ratio is outside benchmark

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



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

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

Commentary on 2019/20 result

2019/20 ratio 8.29%

Whilst this ratio is impacted by the timing of the 3rd trimester water/sewer billing (levied in June although not collectable until July) as well some COVID-19 provisions, it remains well under the 10.00% benchmark.

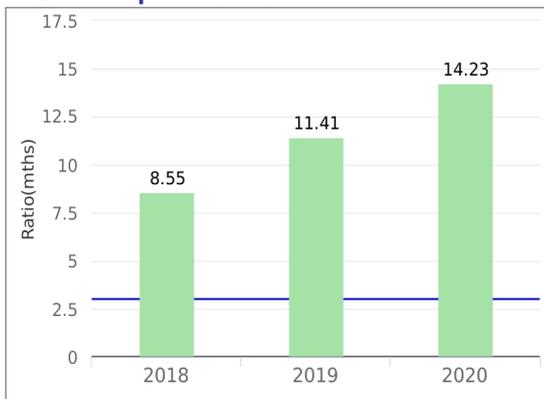
Benchmark: — < 10.00%

Ratio achieves benchmark

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

Ratio is outside benchmark

6. Cash expense cover ratio



Purpose of cash expense cover ratio

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

Commentary on 2019/20 result

2019/20 ratio 14.23 mths

This ratio indicates a very healthy position in terms of cash availability to meet expenses.

Benchmark: — > 3.00mths

Ratio achieves benchmark

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

Ratio is outside benchmark

Notes to the Financial Statements

for the year ended 30 June 2020

Note 28. Council information and contact details

Principal place of business:

1 Benerembah Street
GRIFFITH NSW 2680

Contact details

Mailing Address:

PO Box 485
GRIFFITH NSW 2680

Telephone: 1300 176 077

Opening hours:

8:15am to 4:00pm
Monday to Friday

Internet: <http://www.griffith.nsw.gov.au>

Email: admin@griffith.nsw.gov.au

Officers

General Manager

Brett Stonestreet

Responsible Accounting Officer

Max Turner

Public Officer

Shireen Donaldson

Auditors

Audit Office NSW
15/1 Margaret Street
Sydney NSW 2000

Elected members

Mayor

Cr John Dal Broi

Councillors

Cr Doug Curran
Cr Dino Zappacosta
Cr Anne Napoli
Cr Christine Stead
Cr Mike Neville
Cr Simon Croce
Cr Deb Longhurst
Cr Rina Mercuri
Cr Brian Simpson
Cr Edwin Mardon
Cr Glen Andreazza

Other information

ABN: 81 274 100 792



INDEPENDENT AUDITOR'S REPORT

Report on the general purpose financial statements

Griffith City Council

To the Councillors of Griffith City Council

Opinion

I have audited the accompanying financial statements of Griffith City Council (the Council), which comprise the Statement by Councillors and Management, the Income Statement and Statement of Comprehensive Income for the year ended 30 June 2020, the Statement of Financial Position as at 30 June 2020, the Statement of Changes in Equity and Statement of Cash Flows for the year then ended and notes comprising a summary of significant accounting policies and other explanatory information.

In my opinion:

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

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

Basis for Opinion

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

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

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

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

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

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

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

Other Information

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

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

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

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

I have nothing to report in this regard.

The Councillors' Responsibilities for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to:

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

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

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

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

- that the Council carried out its activities effectively, efficiently and economically
- on the Original Budget information included in the Income Statement, Statement of Cash Flows, and Note 22 Material budget variations
- on the Special Schedules. A separate opinion has been provided on Special Schedule - Permissible income for general rates
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.



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

26 November 2020
SYDNEY



Cr John Dai Broi
Mayor
Griffith City Council
PO Box 485
GRIFFITH NSW 2680

Contact: Michael Kharzoo
Phone no: (02) 9275 7188
Our ref: D2027519/1733

26 November 2020

Dear Mayor

**Report on the Conduct of the Audit
for the year ended 30 June 2020
Griffith City Council**

I have audited the general purpose financial statements (GPFS) of the Griffith City Council (the Council) for the year ended 30 June 2020 as required by section 415 of the *Local Government Act 1993* (the Act).

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

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

INCOME STATEMENT

Operating result

| | 2020 | 2019 | Variance |
|--|------|------|----------|
| | \$m | \$m | % |
| Rates and annual charges revenue | 32.5 | 32.0 | ↑ 1.6 |
| Grants and contributions revenue | 15.6 | 16.7 | ↓ 6.6 |
| Operating result from continuing operations | 10.4 | 13.3 | ↓ 21.8 |
| Net operating result before capital grants and contributions | 3.1 | 4.3 | ↓ 27.9 |

The Council's operating result from continuing operations (\$10.4 million including depreciation and amortisation expenses of \$14.5 million) was \$2.9 million lower than the 2018–19 result. This movement was mainly due to a decrease in user charges and fees of \$2.2 million and a decrease in interest and investment income of \$0.9 million.

The net operating result before capital grants and contributions (\$3.1 million) was \$1.2 million lower than the 2018–19 result. This movement was mainly due to a decrease in user charges and fees of \$2.2 million and a decrease in interest and investment income of \$0.9 million. This was partially offset by the increase in rates and annual charges revenue of \$0.5 million, increase in other revenue of \$0.5 million and decrease in employee benefits and on-costs of \$0.6 million.

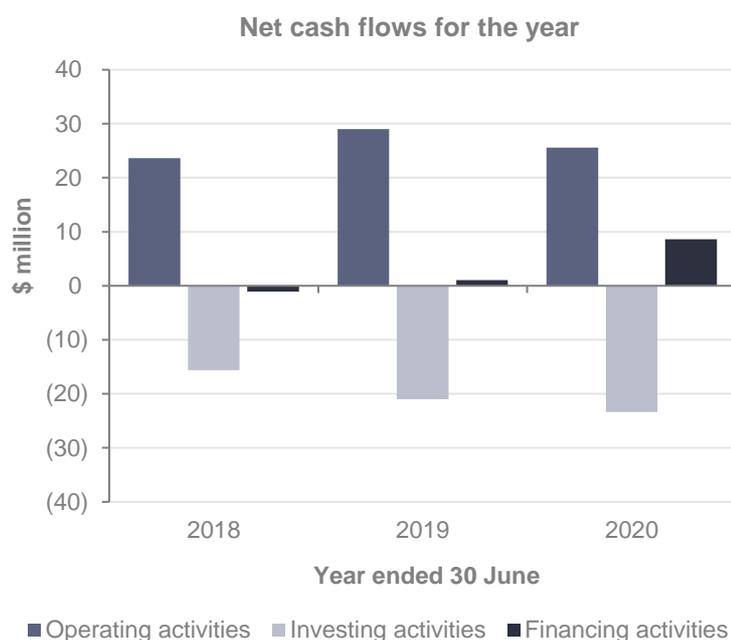
Rates and annual charges revenue (\$32.5 million) increased by \$0.5 million (1.6 per cent) in 2019–20 due to the Council's pegged rate, which increased general rates revenue by 2.7 per cent in 2019–20 and an increase in the number of rateable properties. This was partially offset by the decrease in domestic waste management services and kerbside recycling income.

Grants and contributions revenue (\$15.6 million) decreased by \$1.1 million (6.6 per cent) in 2019–20 due to:

- \$2.0 million decrease in RMS Transport capital grant
- \$0.7 million decrease in Stormwater Pump & Levee capital grant
- \$1.6 million of increase in Fixing Country Roads capital grant.

STATEMENT OF CASH FLOWS

- Council's cash and cash equivalents was \$46.5 million (\$35.7 million for the year ended 30 June 2019). There was a net increase in cash and cash equivalents of \$10.8 million for the year ended 30 June 2020.
- Net cash provided by operating activities has decreased by \$3.4 million. This is mainly due to the \$5.5 million decrease in user charges and fees and \$1.1 million decrease in grants and contributions which is offset by the increase in bonds, deposits and retention amounts received of \$3.2 million.
- Net cash used in investing activities increased by \$2.3 million. This is mainly due to the increase in the purchase of infrastructure, property, plant and equipment of \$2.4 million.
- Net cash flows provided by financing activities increased by \$7.6 million due to the drawdown of new loan of \$10 million for the CBD Upgrade project.



FINANCIAL POSITION

Cash and investments

| Cash and investments | 2020 | 2019 | Commentary |
|-----------------------------|-------------|-------------|---|
| | \$'m | \$'m | |
| External restrictions | 50.5 | 40.5 | <ul style="list-style-type: none"> • Externally restricted cash and investments are restricted in their use by externally imposed requirements. The increase of \$10.0 million is primarily due to the \$6.5 million increase in specific purpose unexpended loans, \$1.8 million increase in sewerage services and \$1.5 million increase in water supplies. • Internally restricted cash and investments have been restricted in their use by resolution or policy of Council to reflect identified programs of works and any forward plans identified by Council. The increase of \$2.4 million is primarily due the \$2.2 million increase in major projects reserve restriction. • Unrestricted cash and investments were \$4.7 million, which is available to provide liquidity for day-to-day operations of the Council. There was a \$0.5 million increase in the unrestricted cash and investments balance. |
| Internal restrictions | 14.6 | 12.2 | |
| Unrestricted | 4.7 | 4.2 | |
| Cash and investments | 69.8 | 56.9 | |

Debt

Council has \$28.2 million of external borrowings (2019: \$19.6 million) which is secured over the revenue of Council. The increase of \$8.6 million in external borrowings is due to the new loan for Round Two – CBD upgrade project to enhance the CBD precinct in Griffith City.

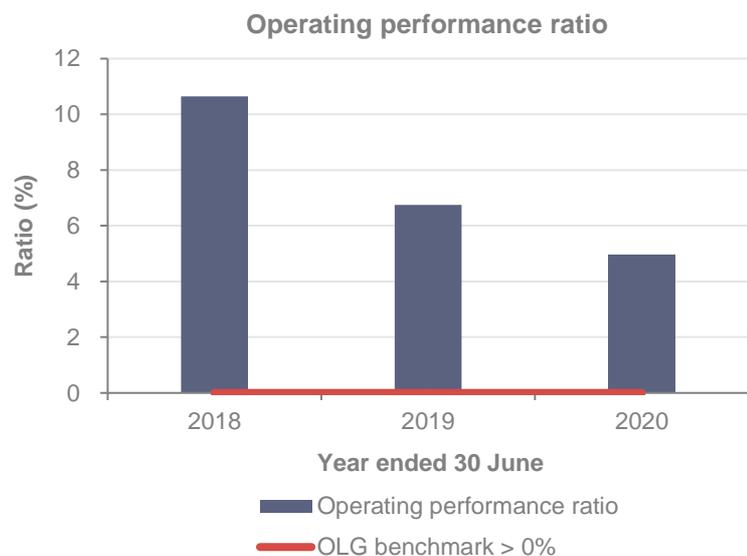
PERFORMANCE

Performance measures

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

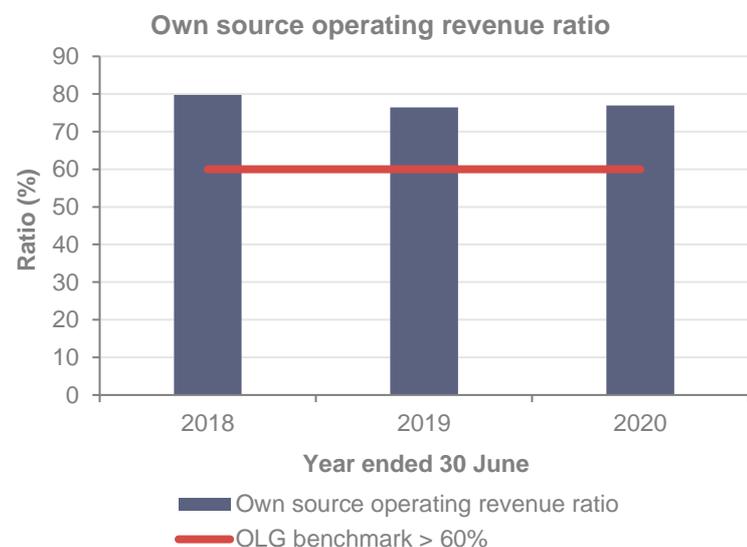
Operating performance ratio

- The 'operating performance ratio' measures how well council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by OLG is greater than zero per cent.
- The operating performance ratio of 5 per cent is above the industry benchmark of greater than 0 per cent. This indicates the Council can contain operating expenditures within operating revenue.
- The decrease in operating performance ratio is mainly due to the decrease in user charges and fees.



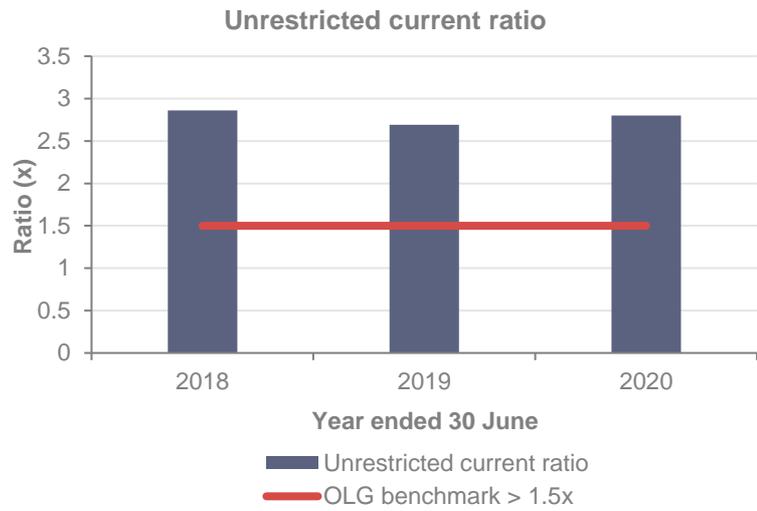
Own source operating revenue ratio

- The 'own source operating revenue ratio' measures council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by OLG is greater than 60 per cent.
- The Council's own source operating revenue ratio of 76.9 per cent is above the industry benchmark of 60 per cent. This indicates that the Council is less reliant on external funding sources, such as grants and contributions.
- The Council's own source operating revenue ratio has remained steady year on year.



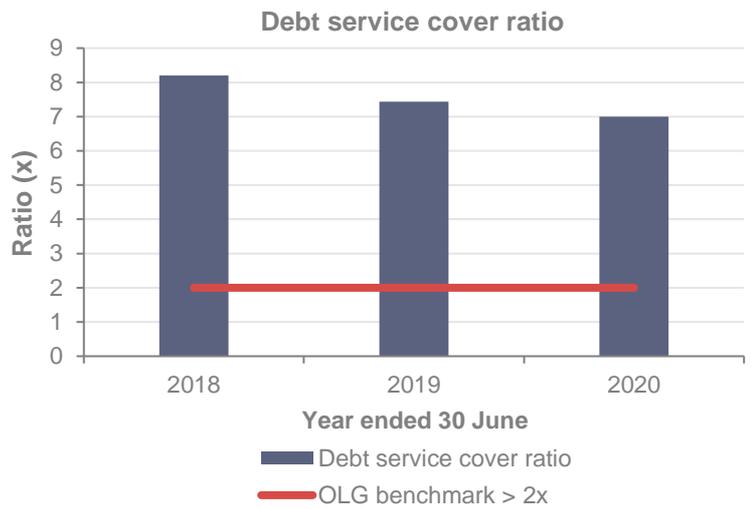
Unrestricted current ratio

- The 'unrestricted current ratio' is specific to local government and represents council's ability to meet its short-term obligations as they fall due. The benchmark set by OLG is greater than 1.5 times.
- The Council's liquidity ratio of 2.8 times is greater than the industry benchmark minimum of greater than 1.5 times. This indicates that the Council has sufficient liquidity to meet its current liabilities as and when they fall due.
- The Council's unrestricted current ratio has remained steady year on year.



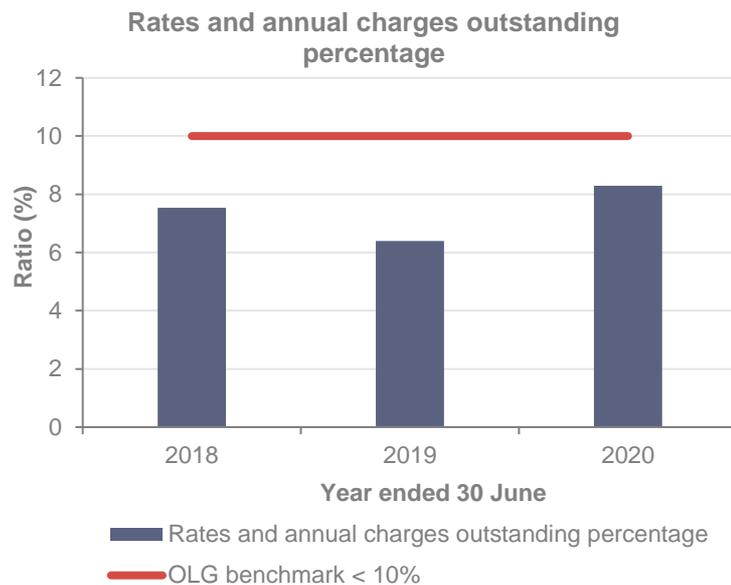
Debt service cover ratio

- The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by OLG is greater than two times.
- The Council's debt service cover ratio of 7 times is greater than the industry benchmark minimum of greater than 2 times. This indicates that the Council has sufficient operating revenue to service its debt.
- The debt service cover ratio has remained relatively stable year on year.



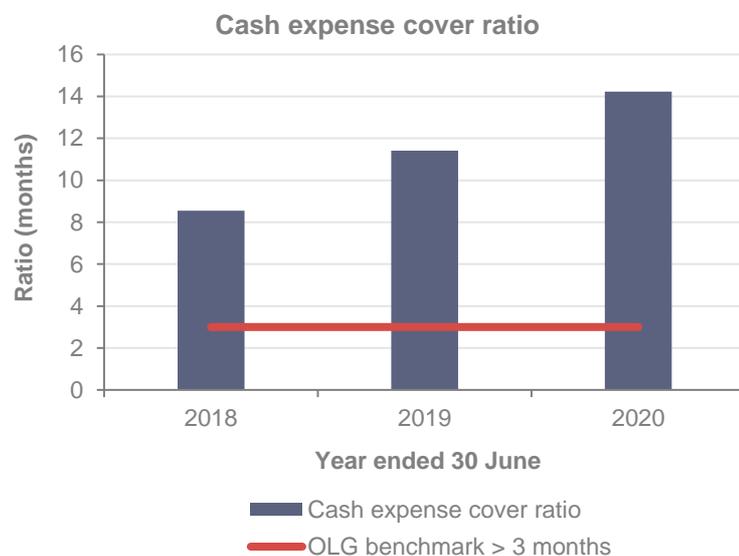
Rates and annual charges outstanding per centage

- The 'rates and annual charges outstanding per centage' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by OLG is less than 10 per cent for regional and rural councils.
- The Council's rates and annual charges outstanding ratio of 8.3 per cent is within the industry benchmark of less than 10 per cent for regional and rural councils.
- The rates and annual charges outstanding per centage has increased from the previous year but remains below the benchmark for rural councils which is a reflection of sound debt recovery procedures at the Council.



Cash expense cover ratio

- This liquidity ratio indicates the number of months the council can continue paying for its immediate expenses without additional cash inflow. The benchmark set by OLG is greater than three months.
- The Council's cash expense cover ratio was 14.2 months, which is above the industry benchmark of greater than 3 months. This indicates that Council had the capacity to cover 14.2 months of operating cash expenditure without additional cash inflows at 30 June 2020.
- The increase in cash expense cover ratio is mainly due to the increase in cash and cash equivalents.



Infrastructure, property, plant and equipment renewals

The Council has renewed \$11.4 million of assets in the 2019–20 financial year, compared to \$10.5 million of assets in the 2018–19 financial year. This mainly relates to roads (\$3.2 million), plant and equipment (\$2.2 million), buildings (\$1.9 million), water supply network (\$1.2 million) and footpaths (\$1.1 million).

OTHER MATTERS

Impact of new accounting standards

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

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

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

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

The Council recognised a \$2.2 million adjustment to opening accumulated surplus at 1 July 2019 on adoption of the new Revenue Standards.

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

AASB 16 'Leases'

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

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

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

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

The Council disclosed the impact of adopting AASB 16 in Note 13.

Legislative compliance

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

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



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

cc: Mr Brett Stonestreet, General Manager
Mr Stuart Heffer, Chair, Audit, Risk and Improvement Committee
Mr Max Turner, Director, Business, Cultural and Financial Services
Mr Jim Betts, Secretary of the Department of Planning, Industry and Environment