

Griffith City Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2019



General Purpose Financial Statements

for the year ended 30 June 2019

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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 2019

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 2019.

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 2019

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:

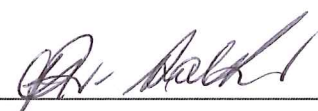
- the *Local Government Act 1993* (NSW) (as amended) and the regulations made thereunder,
- the Australian Accounting Standards and other pronouncements of the Australian Accounting Standards Board, and
- the *Local Government Code of Accounting Practice and Financial Reporting*.

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.

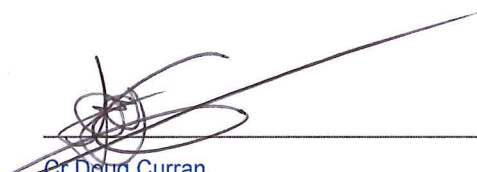
Signed in accordance with a resolution of Council made on 22 October 2019.




Cr John Dal Broi
Mayor
22 October 2019



Brett Stonestreet
General Manager
22 October 2019



Cr Doug Curran
Councillor
22 October 2019



Max Turner
Responsible Accounting Officer
22 October 2019

Income Statement

for the year ended 30 June 2019

Original unaudited budget 2019	\$ '000	Notes	Actual 2019	Actual 2018 ¹
Income from continuing operations				
<u>Revenue:</u>				
30,613	Rates and annual charges	3a	32,000	30,894
15,790	User charges and fees	3b	17,299	16,815
1,235	Interest and investment revenue	3c	1,869	1,460
1,582	Other revenues	3d	2,880	2,171
6,985	Grants and contributions provided for operating purposes	3e,3f	7,656	8,878
5,641	Grants and contributions provided for capital purposes	3e,3f	8,998	3,760
<u>Other income:</u>				
—	Net gains from the disposal of assets	5	92	180
—	Net share of interests in joint ventures and associates using the equity method	15	—	5
61,846	Total income from continuing operations		70,794	64,163
Expenses from continuing operations				
24,779	Employee benefits and on-costs	4a	24,677	23,039
1,358	Borrowing costs	4b	1,314	1,392
12,190	Materials and contracts	4c	13,753	12,684
11,411	Depreciation and amortisation	4d	12,917	12,592
4,400	Other expenses	4e	4,875	4,097
—	Net share of interests in joint ventures and associates using the equity method	15	5	—
54,138	Total expenses from continuing operations		57,541	53,804
7,708	Operating result from continuing operations		13,253	10,359
7,708	Net operating result for the year		13,253	10,359
7,708	Net operating result attributable to council		13,253	10,359
2,067	Net operating result for the year before grants and contributions provided for capital purposes		4,255	6,599

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

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

Statement of Comprehensive Income

for the year ended 30 June 2019

\$ '000	Notes	2019	2018 ¹
Net operating result for the year (as per Income Statement)		13,253	10,359
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of IPP&E	9(a)	21,273	(18,211)
Impairment (loss) reversal relating to IPP&E	9(a)	—	(2,334)
Other comprehensive income – joint ventures and associates	15b	1	(3)
Water entitlement available for temp/perm sale revaluation for year	10	2,916	2,423
Total items which will not be reclassified subsequently to the operating result		24,190	(18,125)
Total other comprehensive income for the year		24,190	(18,125)
Total comprehensive income for the year		37,443	(7,766)
 Total comprehensive income attributable to Council		 37,443	 (7,766)

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

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

Statement of Financial Position

as at 30 June 2019

\$ '000	Notes	2019	2018 ¹
ASSETS			
Current assets			
Cash and cash equivalent assets	6(a)	35,652	26,572
Investments	6(b)	15,617	18,847
Receivables	7	8,163	8,545
Inventories	8a	3,284	3,767
Other	8b	19	19
Total current assets		62,735	57,750
Non-current assets			
Investments	6(b)	5,551	–
Receivables	7	6	8
Infrastructure, property, plant and equipment	9(a)	708,086	680,906
Intangible assets	10	11,512	8,296
Investments accounted for using the equity method	15	337	341
Total non-current assets		725,492	689,551
TOTAL ASSETS		788,227	747,301
LIABILITIES			
Current liabilities			
Payables	11	5,924	4,934
Income received in advance	11	1,531	823
Borrowings	11	1,388	1,134
Provisions	12	6,794	6,141
Total current liabilities		15,637	13,032
Non-current liabilities			
Borrowings	11	18,193	17,381
Provisions	12	269	203
Total non-current liabilities		18,462	17,584
TOTAL LIABILITIES		34,099	30,616
Net assets		754,128	716,685
EQUITY			
Accumulated surplus		433,325	420,071
Revaluation reserves	13a	320,803	296,614
Council equity interest		754,128	716,685
Total equity		754,128	716,685

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

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 2019

\$ '000	Notes	2019			2018 ¹		
		Accumulated surplus	IPP&E revaluation reserve	Total equity	Accumulated surplus	IPP&E revaluation reserve	Total equity
Opening balance		420,071	296,614	716,685	410,815	313,636	724,451
Net operating result for the year		13,253	–	13,253	10,359	–	10,359
Other comprehensive income							
– Gain (loss) on revaluation of IPP&E	9(a)	–	21,273	21,273	–	(18,211)	(18,211)
– Impairment loss (relating to IPP&E)	9(a)	–	–	–	–	(2,334)	(2,334)
– Joint ventures and associates	15b	1	–	1	(3)	–	(3)
– Other movements – water entitlements (reval reserves)		–	2,916	2,916	–	2,423	2,423
– Other revaluation reserves movements		–	–	–	(1,100)	1,100	–
Other comprehensive income		1	24,189	24,190	(1,103)	(17,022)	(18,125)
Total comprehensive income		13,254	24,189	37,443	9,256	(17,022)	(7,766)
Equity – balance at end of the reporting period		433,325	320,803	754,128	420,071	296,614	716,685

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

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 2019

Original unaudited budget 2019	\$ '000	Notes	Actual 2019	Actual 2018
Cash flows from operating activities				
	<u>Receipts</u>			
30,613	Rates and annual charges		32,272	30,309
15,790	User charges and fees		20,215	16,838
1,235	Investment and interest revenue received		1,923	1,449
12,626	Grants and contributions		16,354	12,940
–	Bonds, deposits and retention amounts received		440	12
1,582	Other		4,205	6,704
	<u>Payments</u>			
(24,779)	Employee benefits and on-costs		(24,102)	(23,245)
(12,190)	Materials and contracts		(16,675)	(16,041)
(1,358)	Borrowing costs		(1,290)	(1,357)
(4,400)	Other		(4,314)	(3,953)
19,119	Net cash provided (or used in) operating activities	14b	29,028	23,656
Cash flows from investing activities				
	<u>Receipts</u>			
–	Sale of investment securities		6,250	3,500
683	Sale of infrastructure, property, plant and equipment		1,168	699
286	Deferred debtors receipts		5	7
	<u>Payments</u>			
–	Purchase of investment securities		(8,571)	(943)
(23,073)	Purchase of infrastructure, property, plant and equipment		(19,842)	(18,891)
(22,104)	Net cash provided (or used in) investing activities		(20,990)	(15,628)
Cash flows from financing activities				
	<u>Receipts</u>			
3,300	Proceeds from borrowings and advances		2,200	–
	<u>Payments</u>			
(1,489)	Repayment of borrowings and advances		(1,131)	(1,067)
–	Repayment of finance lease liabilities		(27)	(28)
1,811	Net cash flow provided (used in) financing activities		1,042	(1,095)
(1,174)	Net increase/(decrease) in cash and cash equivalents		9,080	6,933
26,572	Plus: cash and cash equivalents – beginning of year	14a	26,572	19,639
25,398	Cash and cash equivalents – end of the year	14a	35,652	26,572
Additional Information:				
18,847	Plus: Investments on hand – end of year	6(b)	21,168	18,847
44,245	Total cash, cash equivalents and investments		56,820	45,419

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 2019

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Notes to the Financial Statements

for the year ended 30 June 2019

Note 1. Basis of preparation

These financial statements were authorised for issue by Council on 22 October 2019. Council has the power to amend and reissue these financial statements.

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

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

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.

Unless otherwise indicated, all amounts disclosed in the financial statements are actual amounts. Specific budgetary amounts have been included for comparative analysis (to actuals) in the following reports and notes:

- Income statement
- Statement of cash flows
- Note 19 – Material budget variations

and are clearly marked.

(a) New and amended standards adopted by Council

During the year, Council adopted all standards which were mandatorily effective for the first time at 30 June 2019.

Those newly adopted standards which had an impact on reported position, performance and/or disclosures have been discussed in Note 13.

(b) Historical cost convention

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

(c) Significant accounting estimates and judgements

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

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

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 9
- (ii) employee benefit provisions – refer Note 12.

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 7.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 1. Basis of preparation (continued)

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.

New accounting standards and interpretations issued not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2019 reporting periods (and which have not been early adopted by Council).

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

AASB 16 Leases

AASB 16 will result (for YE 19/20 and beyond) in almost all operating leases being recognised on the balance sheet by Council (alongside existing finance leases) with the distinction between operating and finance leases removed.

Under the new standard, a financial liability (ie. a lease liability) and an asset (ie. a right to use the leased item) will be recognised for nearly all arrangements where Council commits itself to paying a rental fee for the use of a specific asset.

The only exceptions are short-term and low-value leases which are exempt from the accounting (but not disclosure) requirements of AASB 16 - Leases.

Council staff have reviewed all of Council's leasing arrangements over the last 12 months taking into consideration the new lease accounting rules in AASB 16 (applicable from 1/7/19).

AASB 16 will (on the whole) affect Council's accounting for existing operating lease agreements that are in place as at 30/6/19.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 1. Basis of preparation (continued)

Council's activities as a lessor are not material and hence Council does not expect any significant impact on the financial statements. However, some additional disclosures will be required from next year.

AASB 15 Revenue from Contracts with Customers and associated amending standards.

AASB15 introduces a five-step process for revenue recognition, with the core principle of the new standard being for entities to recognise revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the entity expects to be entitled in exchange for those goods or services.

Accounting policy changes will arise in the timing of revenue recognition, treatment of contracts costs and contracts which contain a financing element.

The changes in revenue recognition requirements in AASB15 may cause changes to the timing and amount of revenue recorded in the financial statements as well as additional disclosures.

The impact of AASB15 is expected to be in the form of operating grants received in advance as at 30 June 2019, totalling \$132,000.

AASB 1058 Income of NFP Entities

AASB 1058 supersedes all the income recognition requirements relating to councils, previously in AASB 1004 Contributions.

Under AASB 1058 the future timing of income recognition will depend on whether the transaction gives rise to a liability or other performance obligation (a promise to transfer a good or service) related to an asset (such as cash or another asset) received by an entity.

AASB 1058 also applies when a council receives volunteer services or enters into other transactions in which the consideration to acquire an asset is significantly less than the fair value of the asset, and where the council's objective is principally to enable the asset to further the council's objectives.

Upon initial recognition of the asset, this standard requires council to consider whether any other financial statement elements (called 'related amounts') should be recognised in accordance with the applicable accounting standard, such as:

- (a) contributions by owners
- (b) revenue, or a contract liability arising from a contract with a customer
- (c) a lease liability
- (d) a financial instrument, or
- (e) a provision.

If the transaction is a transfer of a financial asset to enable council to acquire or construct a recognisable non-financial asset to be controlled by council (i.e. an in-substance acquisition of a non-financial asset), the council recognises a liability for the excess of the fair value of the transfer over any related amounts recognised. Council will then recognise income as it satisfies its obligations under the transfer similarly to income recognition in relation to performance obligations under AASB 15.

If the transaction does not enable council to acquire or construct a recognisable non-financial asset to be controlled by council, then any excess of the initial carrying amount of the recognised asset over the related amounts is recognised as income.

The specific impacts of AASB1058 for Council are expected to be in the form of capital grants received in advance as at 30 June 2019, totalling \$2,147,000.

Notes to the Financial Statements

for the year ended 30 June 2019

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		Total assets held (current and non-current)	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Functions or activities										
Governance	443	608	2,258	1,940	(1,815)	(1,332)	–	–	23,711	19,176
Administration	573	233	6,869	6,558	(6,296)	(6,325)	15	15	11,149	32,659
Public order and safety	529	893	1,266	1,091	(737)	(198)	97	103	3,916	3,994
Health	103	165	627	472	(524)	(307)	–	–	113	27
Environment	9,088	8,000	5,324	5,155	3,764	2,845	933	514	64,210	56,980
Community services and education	837	64	516	421	321	(357)	5	–	3,396	3,252
Housing and community amenities	1,961	1,693	4,893	4,149	(2,932)	(2,456)	101	122	15,374	13,179
Water supplies	12,203	10,399	7,450	6,506	4,753	3,893	–	65	163,626	158,313
Sewerage services	11,222	9,917	7,485	6,652	3,737	3,265	801	961	135,751	132,239
Recreation and culture	4,009	3,327	9,603	9,290	(5,594)	(5,963)	2,300	594	43,359	43,543
Mining, manufacturing and construction	14	79	14	12	–	67	–	–	41	41
Transport and communication	5,947	5,981	9,701	9,599	(3,754)	(3,618)	3,415	3,445	292,582	280,026
Economic affairs	755	1,000	1,530	1,959	(775)	(959)	5	69	3,462	3,872
General purpose revenue	23,110	21,804	–	–	23,110	21,804	5,715	5,118	27,537	–
Other	–	–	5	–	(5)	–	–	–	–	–
Total functions and activities	70,794	64,163	57,541	53,804	13,253	10,359	13,387	11,006	788,227	747,301

Notes to the Financial Statements

for the year ended 30 June 2019

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); 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; commercial nurseries; 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 2019

Note 3. Income from continuing operations

\$ '000	2019	2018
(a) Rates and annual charges		
Ordinary rates		
Residential	8,525	8,200
Farmland	5,205	5,109
Business	2,768	2,671
Less: pensioner rebates (mandatory)	(253)	(261)
Rates levied to ratepayers	16,245	15,719
Pensioner rate subsidies received	141	141
Total ordinary rates	16,386	15,860
Annual charges		
(pursuant to s.496, s.496A, s.496B, s.501 & s.611)		
Domestic waste management services	2,727	2,622
Stormwater management services	188	187
Water supply services	2,099	2,193
Sewerage services	8,187	7,674
Waste management services (non-domestic)	1,250	1,248
Less: pensioner rebates (mandatory)	(278)	(285)
Kerbside recycling	1,285	1,234
Annual charges levied	15,458	14,873
Pensioner subsidies received:		
– Water	62	65
– Sewerage	55	57
– Domestic waste management	39	39
Total annual charges	15,614	15,034
TOTAL RATES AND ANNUAL CHARGES	32,000	30,894

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.

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.

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 2019

Note 3. Income from continuing operations (continued)

\$ '000	2019	2018
(b) User charges and fees		
Specific user charges		
(per s.502 - specific 'actual use' charges)		
Domestic waste management services	3	4
Water supply services	7,748	7,257
Sewerage services	996	896
Waste management services (non-domestic)	254	418
Total specific user charges	9,001	8,575
Other user charges and fees		
(i) Fees and charges – statutory and regulatory functions (per s.608)		
Planning and building regulation	253	207
Private works – section 67	104	100
Regulatory/ statutory fees	238	204
Registration fees	35	89
Regulatory fees	109	121
Section 10.7 certificates (EP&A Act)	77	91
Section 603 certificates	39	49
Town planning	162	68
Water supplies	289	277
Total fees and charges – statutory/regulatory	1,306	1,206
(ii) Fees and charges – other (incl. general user charges (per s.608))		
Aerodrome	766	747
Cemeteries	587	765
Library and art gallery	68	90
RMS charges (state roads not controlled by Council)	1,058	911
Saleyards	524	534
Swimming centres	1,527	1,591
Tourism	97	226
Waste disposal tipping fees	1,607	1,295
Engineering services	2	3
Housing and community amenities	4	7
Industrial discharge	37	29
Museum	99	99
Regional theatre	481	608
Sporting grounds	10	21
Sports stadium	95	87
Other	30	21
Total fees and charges – other	6,992	7,034
TOTAL USER CHARGES AND FEES	17,299	16,815

Accounting policy for user charges and fees

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

\$ '000	2019	2018
(c) Interest and investment revenue (including losses)		
Interest on financial assets measured at amortised cost		
– Overdue rates and annual charges (incl. special purpose rates)	71	58
– Cash and investments	1,798	1,402
<u>TOTAL INTEREST AND INVESTMENT REVENUE</u>	<u>1,869</u>	<u>1,460</u>

Interest revenue is attributable to:**Unrestricted investments/financial assets:**

Overdue rates and annual charges (general fund)	26	22
General Council cash and investments	1,033	643

Restricted investments/funds – external:

Development contributions		
– Section 7.11 & 7.12	33	32
– Section 64	148	129
Water fund operations	461	460
Sewerage fund operations	161	167
Domestic waste management operations	7	7
<u>Total interest and investment revenue</u>	<u>1,869</u>	<u>1,460</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.

(d) Other revenues

Art Gallery	9	6
Commissions and agency fees	7	6
Container Deposit Scheme (CDS) - RAMJO	100	–
DA fees – advertising and notification	21	18
Fines – other	79	118
Fines – parking	199	237
Lease rental	430	403
Legal fees recovery – rates and charges (extra charges)	65	123
Noxious Weeds	–	4
Quarry income	14	79
Rebate Workers Comp	48	48
Recycling income (non-domestic)	39	47
Sales – general	24	10
Other	34	35
Sewer Sundry	–	7
Temporary sale of "Town" water allocation	1,458	724
Temporary sale of water allocation	280	234
Waste Management	–	2
Work health safety incentive payment	73	70
<u>TOTAL OTHER REVENUE</u>	<u>2,880</u>	<u>2,171</u>

Accounting policy for other revenue

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income 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 2019

Note 3. Income from continuing operations (continued)

\$ '000	Operating 2019	Operating 2018	Capital 2019	Capital 2018
(e) Grants				
General purpose (untied)				
Current year allocation				
Financial assistance – general component	1,961	1,814	–	–
Financial assistance – local roads component	820	791	–	–
Payment in advance - future year allocation				
Financial assistance – general component	2,033	1,861	–	–
Financial assistance – local roads component	851	813	–	–
Total general purpose	5,665	5,279	–	–
Specific purpose				
Arts NSW – cultural development program	–	28	–	–
Building Better Regions Fund	20	–	–	–
Bushfire and emergency services	97	93	–	10
Crown Land Management Fund	70	–	–	–
Economic development	5	69	–	–
Employment and training programs	15	12	–	–
Environmental programs	–	–	44	–
Flood plain study and risk management	–	–	743	315
Griffith community private hospital	–	–	50	–
Health – Council Roadside Reserve (CRR)	9	37	–	–
Health – mosquito control	3	3	–	–
Health – biosecurity weeds	137	120	–	–
Library	–	46	–	–
Other	4	–	–	–
Public reserves management fund program	27	–	–	65
Recreation and culture – community projects	24	8	730	–
Recreation and culture – library	79	96	–	–
Recreation and culture – passive recreation	–	–	108	33
Recreation and culture – theatre and gallery	2	3	597	148
Road safety	2	14	–	–
Sewerage services	–	–	801	904
Street lighting	114	111	–	–
Stronger communities program	–	–	869	296
Transport (other roads and bridges funding)	–	–	480	–
Transport (roads to recovery)	115	1,958	–	–
Transport (RMS)	–	–	2,577	1,358
Total specific purpose	723	2,598	6,999	3,129
Total grants	6,388	7,877	6,999	3,129
Grant revenue is attributable to:				
– Commonwealth funding	135	1,977	50	–
– State funding	6,253	5,360	6,949	3,129
– Other funding	–	540	–	–
	6,388	7,877	6,999	3,129

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

\$ '000	Notes	Operating 2019	Operating 2018	Capital 2019	Capital 2018
(f) Contributions					
Developer contributions:					
(s7.4 & s7.11 - EP&A Act, s64 of the LGA):					
Cash contributions					
S 7.11 – contributions towards amenities/services		–	–	3	4
S 7.12 – fixed development consent levies		–	–	45	(93)
S 64 – water supply contributions		–	–	1,010	195
S 64 – sewerage service contributions		–	–	604	89
S 64 – stormwater contributions		–	–	177	4
Total developer contributions – cash		–	–	1,839	199
Total developer contributions	22	–	–	1,839	199
Other contributions:					
Cash contributions					
Economic affairs – tourism/events		45	84	–	–
Fire emergency services levy		–	(5)	–	272
Griffith community private hospital		–	–	56	–
Health – health services		9	25	–	–
Other		3	–	–	–
Museum		1	4	–	–
Public order and safety – bushfire/SES		77	85	47	–
Recreation and culture – community projects		15	6	–	–
Recreation and culture – library		1	8	10	–
Recreation and culture – passive recreation		6	10	1	52
Recreation and culture – theatre		30	38	–	–
RMS contributions (regional roads, block grant)		679	709	–	–
Roads and bridges		47	–	–	86
Sewerage (excl. section 64 contributions)		–	–	46	22
Water supplies (excl. section 64 contributions)		55	37	–	–
Total other contributions – cash		968	1,001	160	432
Non-cash contributions					
Water supplies (excl. section 64 contributions)		300	–	–	–
Total other contributions – non-cash		300	–	–	–
Total other contributions		1,268	1,001	160	432
Total contributions		1,268	1,001	1,999	631
TOTAL GRANTS AND CONTRIBUTIONS		7,656	8,878	8,998	3,760

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*.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

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	2019	2018
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(g) Unspent grants and contributions

Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner:

Operating grants

Unexpended at the close of the previous reporting period	146	108
Add: operating grants recognised in the current period but not yet spent	80	99
Less: operating grants recognised in a previous reporting period now spent	(94)	(61)
Unexpended and held as restricted assets (operating grants)	132	146

Capital grants

Unexpended at the close of the previous reporting period	731	643
Add: capital grants recognised in the current period but not yet spent	1,588	498
Less: capital grants recognised in a previous reporting period now spent	(172)	(410)
Unexpended and held as restricted assets (capital grants)	2,147	731

Contributions

Unexpended at the close of the previous reporting period	6,381	6,107
Add: contributions recognised in the current period but not yet spent	2,216	453
Less: contributions recognised in a previous reporting period now spent	(372)	(179)
Unexpended and held as restricted assets (contributions)	8,225	6,381

Notes to the Financial Statements

for the year ended 30 June 2019

Note 4. Expenses from continuing operations

\$ '000	2019	2018
(a) Employee benefits and on-costs		
Salaries and wages	19,194	18,444
Educational assistance	26	17
Employee leave entitlements (ELE)	3,854	2,565
Fringe benefit tax (FBT)	105	76
Motor vehicle allowance	39	40
Payroll tax	139	140
Professional development	12	16
Staff recruitment	33	81
Superannuation	2,042	2,023
Training costs (other than salaries and wages)	285	262
Travel expenses	50	23
Workers' compensation insurance	757	588
Other	4	–
Total employee costs	26,540	24,275
Less: capitalised costs	(1,863)	(1,236)
TOTAL EMPLOYEE COSTS EXPENSED	24,677	23,039
Number of 'full-time equivalent' employees (FTE) at year end	277	279

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 17 for more information.

(b) Borrowing costs**(i) Interest bearing liability costs**

Interest on loans	1,290	1,357
Total interest bearing liability costs expensed	1,290	1,357

(ii) Other borrowing costs

Interest applicable on interest free (and favourable) loans to Council	24	35
Total other borrowing costs	24	35

TOTAL BORROWING COSTS EXPENSED	1,314	1,392
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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.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 4. Expenses from continuing operations (continued)

\$ '000	2019	2018
(c) Materials and contracts		
Raw materials and consumables	13,310	12,242
Auditors remuneration ²	57	54
Legal expenses:		
– Legal expenses: planning and development	109	29
– Legal expenses: other	200	304
Operating leases:		
– Operating lease rentals: minimum lease payments ¹	77	55
Total materials and contracts	13,753	12,684
TOTAL MATERIALS AND CONTRACTS	13,753	12,684

Accounting policy for operating leases

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

1. Operating lease payments are attributable to:

Buildings	11	11
Computers	66	44
	77	55

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	55	49
Remuneration for audit and other assurance services	55	49
Total Auditor-General remuneration	55	49

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

Audit and review of financial statements	2	5
Remuneration for audit and other assurance services	2	5
Total remuneration of non NSW Auditor-General audit firms	2	5
Total Auditor remuneration	57	54

Notes to the Financial Statements

for the year ended 30 June 2019

Note 4. Expenses from continuing operations (continued)

\$ '000	2019	2018
(d) Depreciation, amortisation and impairment of intangible assets and IPP&E		
Depreciation and amortisation		
Plant and equipment	1,435	1,397
Office equipment	205	169
Furniture and fittings	84	74
Infrastructure:		
– Buildings – specialised	1,493	713
– Other structures	144	579
– Roads	3,522	3,470
– Bridges	46	46
– Footpaths	238	235
– Stormwater drainage	523	786
– Water supply network	2,205	2,140
– Sewerage network	2,174	2,125
– Other open space/recreational assets	650	564
Other assets:		
– Other	300	379
Total gross depreciation and amortisation costs	13,019	12,677
Less: capitalised costs	(102)	(85)
Total depreciation and amortisation costs	12,917	12,592
TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT / REVALUATION DECREMENT FOR INTANGIBLES AND IPP&E	12,917	12,592

Accounting policy for depreciation, amortisation and impairment expenses of intangibles and IPP&E**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 9 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 2019

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	2019	2018
(e) Other expenses			
Bad and doubtful debts		–	122
Contributions/levies to other levels of government			
– DWR contributions		50	49
– Emergency services levy (includes FRNSW, SES, and RFS levies)		36	20
– NSW fire brigade levy		90	95
– NSW rural fire service levy		258	266
Councillor expenses – mayoral fee		43	42
Councillor expenses – councillors' fees		231	229
Councillors' expenses (incl. mayor) – other (excluding fees above)		124	119
Donations, contributions and assistance to other organisations (Section 356)			
– Donations, contributions and assistance: Annual Sikh games		10	10
– Donations, contributions and assistance: Community grant program		64	62
– Donations, contributions and assistance: Regional arts board		18	18
– Donations, contributions and assistance: RIVROC/RAMROC		29	25
– Donations, contributions and assistance: Riverina regional cities forecast-ID		36	36
– Donations, contributions and assistance: WRCL		266	272
– Donations, contributions and assistance: Other		56	61
– Donations, contributions and assistance: Events		29	31
– Donations, contributions and assistance: Community Country Education Foundation		5	–
– Donations, contributions and assistance: Drought Assistance Program		20	–
Election expenses		125	–
Electricity and heating		1,726	1,579
Insurance		413	372
Street lighting		577	474
Telephone and communications		214	215
Impairment of real estate for resale	8a(ii)	455	–
Total other expenses		4,875	4,097
TOTAL OTHER EXPENSES		4,875	4,097

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 2019

Note 5. Gains or losses from the disposal, replacement and de-recognition of assets

\$ '000	Notes	2019	2018
Plant and equipment	9(a)		
Proceeds from disposal – plant and equipment		1,168	699
Less: carrying amount of plant and equipment assets sold/written off		(1,076)	(519)
Net gain/(loss) on disposal		<u>92</u>	<u>180</u>
Investments	6(b)		
Proceeds from disposal/redemptions/maturities – investments		6,250	3,500
Less: carrying amount of investments sold/redeemed/matured		(6,250)	(3,500)
Net gain/(loss) on disposal		<u>–</u>	<u>–</u>
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		<u>92</u>	<u>180</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 2019

Note 6(a). Cash and cash equivalent assets

\$ '000	2019	2018
Cash and cash equivalents		
Cash on hand and at bank	10,274	4,935
Cash-equivalent assets		
– Managed funds	18,029	14,963
– Short-term deposits	7,349	6,674
Total cash and cash equivalents	35,652	26,572

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 6(b). Investments

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Investments				
a. 'Financial assets at fair value through profit and loss'	11,617	–	12,847	–
b. 'Financial assets at amortised cost' / 'held to maturity' (2018)	4,000	5,551	6,000	–
Total Investments	15,617	5,551	18,847	–
TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS	51,269	5,551	45,419	–
Financial assets at fair value through the profit and loss				
NCD's, FRN's (with maturities > 3 months)	11,617	–	12,847	–
Total	11,617	–	12,847	–
Financial assets at amortised cost / held to maturity (2018)				
Long term deposits	4,000	5,551	6,000	–
Total	4,000	5,551	6,000	–

Accounting policy for investments**Accounting policy under AASB 9 – applicable from 1 July 2018**

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)

Notes to the Financial Statements

for the year ended 30 June 2019

Note 6(b). Investments (continued)

Financial assets are not reclassified subsequent to their initial recognition.

Amortised cost

Assets measured at amortised cost are financial assets where:

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

Council's financial assets measured at amortised cost comprise trade and other receivables 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.

Fair value through other comprehensive income – equity instruments

Council has not classified any investments to be classified as fair value through other comprehensive income.

These investments are carried at fair value with changes in fair value recognised in other comprehensive income (financial asset reserve). On disposal any balance in the financial asset reserve is transferred to accumulated surplus and is not reclassified to profit or loss.

Other net gains and losses excluding dividends are recognised in Other Comprehensive Income Statement.

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.

Accounting policy under AASB 139 – applicable for 2018 comparatives only

Classification

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

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

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

(b) Held to maturity investments

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

Recognition and de-recognition

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 6(b). Investments (continued)

Impairment of financial assets

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

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

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Total cash, cash equivalents and investments	51,269	5,551	45,419	–
Attributable to:				
External restrictions	34,946	5,551	29,691	–
Internal restrictions	12,173	–	11,242	–
Unrestricted	4,150	–	4,486	–
	51,269	5,551	45,419	–

\$ '000	2019	2018
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Details of restrictions

External restrictions – included in liabilities

Specific purpose unexpended loans – general	1,095	–
Specific purpose unexpended loans – sewer	12	–

External restrictions – included in liabilities

	1,107	–
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External restrictions – other

Developer contributions – general	1,893	1,794
Developer contributions – water fund	4,098	3,003
Developer contributions – sewer fund	2,233	1,584
Specific purpose unexpended grants	2,279	877
Water supplies	20,723	16,176
Sewerage services	6,955	5,573
Stormwater management	690	683
Specific purpose unexpended grants - Griffith Health Facilities Limited	51	1
Specific purpose unexpended grants - Western Riverina CU	468	–

External restrictions – other

	39,390	29,691
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Total external restrictions

	40,497	29,691
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Internal restrictions

Plant and vehicle replacement	1,080	1,050
Infrastructure replacement (buildings)	1,080	1,050
Employees leave entitlement	2,159	2,100
Facilities reserve	490	525
Floodplain and drainage mitigation reserve	540	525
Griffith Health Facilities Limited	22	22
Major projects reserve	1,640	1,016
Parks and gardens infrastructure reserve	214	240

Notes to the Financial Statements

for the year ended 30 June 2019

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

\$ '000	2019	2018
Roads reserve	482	468
Waste services	4,366	4,246
Stuart McWilliam Beautification Reserve	100	–
Total internal restrictions	12,173	11,242
TOTAL RESTRICTIONS	52,670	40,933

Notes to the Financial Statements

for the year ended 30 June 2019

Note 7. Receivables

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Purpose				
Rates and annual charges	2,216	–	2,488	–
User charges and fees	3,670	–	5,055	–
Accrued revenues				
– Interest on investments	94	–	148	–
– Other income accruals	1,749	–	757	–
Deferred debtors	2	6	5	8
Government grants and subsidies	364	–	364	–
Net GST receivable	496	–	444	–
Total	8,591	6	9,261	8
Less: provision of impairment				
User charges and fees	(428)	–	(716)	–
Total provision for impairment – receivables	(428)	–	(716)	–
TOTAL NET RECEIVABLES	8,163	6	8,545	8

Externally restricted receivables

Water supply

– Other	2,472	–	3,587	1
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Sewerage services

– Rates and availability charges	1,751	–	2,044	–
– Other	264	–	346	–

Total external restrictions	4,487	–	5,977	1
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Unrestricted receivables	3,676	6	2,568	7
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TOTAL NET RECEIVABLES	8,163	6	8,545	8
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\$ '000	Notes	2019	2018
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Movement in provision for impairment of receivables

Balance at the beginning of the year (calculated in accordance with AASB 139)		716	596
+ New provisions recognised during the year		–	120
– Unused amounts reversed		(288)	–
Balance at the end of the period		428	716

Represented by:

Expected Credit Loss (calculated in accordance with AASB 9)	18	96	101
Additional Specific Provisions		332	615
Balance at end of the period		428	716

Notes to the Financial Statements

for the year ended 30 June 2019

Note 7. Receivables (continued)

Accounting policy for receivables

Impairment

Accounting policy under AASB 9 applicable from 1 July 2018

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 90 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 120+ 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.

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.

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.

Accounting policy under AASB 139 – applicable for 2018 comparatives only

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

Collectability of receivables is reviewed on an ongoing basis. Debts that are known to be uncollectable are written off by reducing the carrying amount directly. An allowance account (provision for impairment of receivables) is used when there is objective evidence that the Council will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the receivable is impaired. When a receivable for which an impairment allowance had been recognised becomes uncollectable in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the Income Statement.

Rates and annual charges outstanding are secured against the property.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 8. Inventories and other assets

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
(a) Inventories				
(i) Inventories at cost				
Real estate for resale	2,506	–	3,019	–
Stores and materials	709	–	666	–
Trading stock	59	–	69	–
Other	10	–	13	–
Total inventories at cost	3,284	–	3,767	–
<u>TOTAL INVENTORIES</u>	<u>3,284</u>	<u>–</u>	<u>3,767</u>	<u>–</u>

(b) Other assets

Prepayments	19	–	19	–
<u>TOTAL OTHER ASSETS</u>	<u>19</u>	<u>–</u>	<u>19</u>	<u>–</u>

Externally restricted assets

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Water				
Stores and materials	323	–	335	–
Real estate for resale	1,778	–	2,233	–
Total water	2,101	–	2,568	–

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Total externally restricted assets	2,101	–	2,568	–
Total internally restricted assets	–	–	–	–
Total unrestricted assets	1,202	–	1,218	–
<u>TOTAL INVENTORIES AND OTHER ASSETS</u>	<u>3,303</u>	<u>–</u>	<u>3,786</u>	<u>–</u>

Notes to the Financial Statements

for the year ended 30 June 2019

Note 8. Inventories and other assets (continued)

(i) Other disclosures

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
(a) Details for real estate development				
Residential	1,778	–	2,291	–
Industrial/commercial	728	–	728	–
Total real estate for resale	2,506	–	3,019	–
(Valued at the lower of cost and net realisable value)				
Represented by:				
Acquisition costs	2,506	–	3,019	–
Total costs	2,506	–	3,019	–
Total real estate for resale	2,506	–	3,019	–
Movements:				
Real estate assets at beginning of the year	3,019	–	3,019	–
– Transfers in from (out to) Note 9	(58)	–	–	–
– Impairment	(455)	–	–	–
Total real estate for resale	2,506	–	3,019	–

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.

Inventory held for distribution

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

Real estate held for resale/capitalisation of borrowing costs

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

Borrowing costs included in the cost of real estate held for resale are those costs that would have been avoided if the expenditure on the acquisition and development of the 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 2019

Note 9(a). Infrastructure, property, plant and equipment

	as at 30/6/2018			Asset movements during the reporting period										as at 30/6/2019		
	Gross carrying amount	Accumulated depreciation	Net carrying amount	Additions renewals ¹	Additions new assets	Carrying value of disposals	Depreciation expense	Impairment loss (recognised in equity)	WIP transfers to additions renewals	Adjustments and transfers	WIP transfers to additions new assets	Tfrs from/(to) real estate assets (Note 8)	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 2019

Note 9(a). Infrastructure, property, plant and equipment (continued)

	as at 30/6/2017			Asset movements during the reporting period										as at 30/6/2018		
	Gross carrying amount	Accumulated depreciation	Net carrying amount	Additions renewals ¹	Additions new assets	Reinstate-ment costs for impaired assets	Carrying value of disposals	Depreciation expense	Impairment loss (recognised in equity)	WIP transfers	Adjustments and transfers	Revaluation decrements to equity (ARR)	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation	Net carrying amount
\$ '000																
Capital work in progress	5,587	–	5,587	–	7,715	–	–	–	–	(3,323)	–	–	–	9,979	–	9,979
Plant and equipment	18,167	(9,451)	8,716	2,658	–	–	(518)	(1,397)	–	–	–	–	–	17,104	(7,645)	9,459
Office equipment	2,331	(1,337)	994	399	–	–	(1)	(169)	–	6	–	–	–	2,639	(1,410)	1,229
Furniture and fittings	2,169	(1,008)	1,161	107	–	–	–	(74)	–	2	–	–	–	2,276	(1,080)	1,196
Land:																
– Operational land	21,648	–	21,648	–	–	–	–	–	–	–	–	(5,665)	–	15,983	–	15,983
– Community land	9,171	(3)	9,168	–	–	–	–	–	–	–	–	–	–	9,171	(3)	9,168
Infrastructure:																
– Buildings	87,152	(9,701)	77,451	503	–	–	–	(713)	–	140	(1,587)	(19,132)	–	82,418	(25,756)	56,662
– Other structures	15,753	(3,044)	12,709	433	–	–	–	(579)	–	73	(489)	(4,893)	–	9,530	(2,276)	7,254
– Roads	304,823	(54,395)	250,428	1,898	–	1,030	–	(3,470)	(2,334)	2,645	(523)	–	–	305,507	(55,833)	249,674
– Bridges	5,388	(2,378)	3,010	–	–	–	–	(46)	–	–	(545)	–	–	4,546	(2,127)	2,419
– Footpaths	12,829	(5,782)	7,047	164	–	–	–	(235)	–	–	490	–	–	13,758	(6,292)	7,466
– Stormwater drainage	67,989	(13,751)	54,238	223	–	–	–	(786)	–	–	(3,418)	–	–	64,687	(14,430)	50,257
– Water supply network	176,111	(49,324)	126,787	710	–	–	–	(2,140)	–	355	–	–	2,590	180,846	(52,544)	128,302
– Sewerage network	169,073	(54,821)	114,252	–	118	–	–	(2,125)	–	102	–	–	2,341	172,830	(58,142)	114,688
– Other open space/recreational assets	9,306	(7,424)	1,882	297	–	–	–	(564)	–	–	6,072	–	6,548	22,285	(8,050)	14,235
Other assets:																
– Other	6,934	(3,870)	3,064	–	250	–	–	(379)	–	–	–	–	–	7,163	(4,228)	2,935
Total Infrastructure, property, plant and equipment	914,431	(216,289)	698,142	7,392	8,083	1,030	(519)	(12,677)	(2,334)	–	–	(29,690)	11,479	920,722	(239,816)	680,906

(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 2019

Note 9(a). Infrastructure, property, plant and equipment (continued)

Accounting policy for infrastructure, property, plant and equipment

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

Water 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
Water and sewer assets		Stormwater assets	
Dams and reservoirs	80 to 100	Drains	80 to 100
Bores	20 to 40	Culverts	50 to 80
Reticulation pipes: PVC	70 to 80	Flood control structures	80 to 100
Reticulation pipes: other	25 to 80		
Pumps and telemetry	15 to 20		
Transportation assets		Other infrastructure assets	
Sealed roads: surface	15 to 20	Bulk earthworks	infinite
Sealed roads: structure	20 to 120	Other open space/recreational assets	5 to 20
Unsealed roads	20 to 120	Other infrastructure	5 to 20
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 2019

Note 9(a). 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.

Note 9(b). Infrastructure, property, plant and equipment – current year impairments

\$ '000	Notes	2019	2018
(iv) Impairment losses recognised direct to equity (ARR):			
Flood affected roads		–	(2,334)
Total impairment		–	(2,334)
IMPAIRMENT OF ASSETS – DIRECT to EQUITY (ARR)		–	(2,334)

Notes to the Financial Statements

for the year ended 30 June 2019

Note 10. Intangible assets

\$ '000	2019	2018
Intangible assets are as follows:		
Opening values at 1 July		
Gross book value	8,296	5,825
Net book value – opening balance	8,296	5,825
Movements for the year		
– Purchases	300	48
– Fair value movement (revaluation)	2,916	2,423
Closing values at 30 June		
Gross book value	11,512	8,296
<u>TOTAL INTANGIBLE ASSETS – NET BOOK VALUE</u>	<u>11,512</u>	<u>8,296</u>
The net book value of intangible assets represents:		
– Water Entitlements	11,512	8,296
	<u>11,512</u>	<u>8,296</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 2019

Note 11. Payables and borrowings

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Payables				
Goods and services – operating expenditure	4,003	–	3,491	–
Accrued expenses:				
– Other expenditure accruals	150	–	112	–
Security bonds, deposits and retentions	1,771	–	1,331	–
Total payables	5,924	–	4,934	–
Income received in advance				
Payments received in advance	1,531	–	823	–
Total income received in advance	1,531	–	823	–
Borrowings				
Loans – secured ¹	1,375	18,184	1,107	17,359
Finance lease liabilities	13	9	27	22
Total borrowings	1,388	18,193	1,134	17,381
<u>TOTAL PAYABLES AND BORROWINGS</u>	<u>8,843</u>	<u>18,193</u>	<u>6,891</u>	<u>17,381</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 18.

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
(a) Payables and borrowings relating to restricted assets				
Externally restricted assets				
Water	7	–	4	–
Sewer	1,810	15,306	822	16,836
Payables and borrowings relating to externally restricted assets	1,817	15,306	826	16,836
Total payables and borrowings relating to restricted assets	1,817	15,306	826	16,836
Total payables and borrowings relating to unrestricted assets	7,026	2,887	6,065	545
<u>TOTAL PAYABLES AND BORROWINGS</u>	<u>8,843</u>	<u>18,193</u>	<u>6,891</u>	<u>17,381</u>

Notes to the Financial Statements

for the year ended 30 June 2019

Note 11. Payables and borrowings (continued)

\$ '000	2019	2018
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(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	1,286	1,161
Other liabilities: payments received in advance	271	247
Total payables and borrowings	1,557	1,408

(c) Changes in liabilities arising from financing activities

	as at 30/6/2018					as at 30/6/2019
\$ '000	Opening Balance	Cash flows	Non-cash acquisitions	Non-cash fair value changes	Other non-cash movements	Closing balance
Loans – secured	18,466	1,093	–	–	–	19,559
Finance lease liabilities	49	(27)	–	–	–	22
TOTAL	18,515	1,066	–	–	–	19,581

	as at 30/6/2017					as at 30/6/2018
\$ '000	Opening Balance	Cash flows	Non-cash acquisitions	Non-cash fair value changes	Other non-cash movements	Closing balance
Loans – secured	19,498	(1,032)	–	–	–	18,466
Finance lease liabilities	77	(28)	–	–	–	49
TOTAL	19,575	(1,060)	–	–	–	18,515

\$ '000	2019	2018
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(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	90	90
Total financing arrangements	1,090	1,090

Drawn facilities as at balance date:

– Credit cards/purchase cards	47	33
Total drawn financing arrangements	47	33

Undrawn facilities as at balance date:

– Bank overdraft facilities	1,000	1,000
– Credit cards/purchase cards	43	57
Total undrawn financing arrangements	1,043	1,057

Additional financing arrangements information

Notes to the Financial Statements

for the year ended 30 June 2019

Note 11. Payables and borrowings (continued)

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

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 2019

Note 12. Provisions

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Provisions				
Employee benefits				
Annual leave	2,189	–	2,089	–
Sick leave	137	–	128	–
Long service leave	4,080	260	3,760	198
Other leave (RDO's and TIL)	160	–	–	–
Sub-total – aggregate employee benefits	6,566	260	5,977	198
Other provisions				
Accrued expenses	228	9	164	5
Sub-total – other provisions	228	9	164	5
<u>TOTAL PROVISIONS</u>	<u>6,794</u>	<u>269</u>	<u>6,141</u>	<u>203</u>

(a) Provisions relating to restricted assets

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

\$ '000	2019	2018
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(b) Current provisions not anticipated to be settled within the next twelve months

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

Provisions – employees benefits	4,375	3,973
	<u>4,375</u>	<u>3,973</u>

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 12. Provisions (continued)

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

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 2019

Note 13. 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, Council adopted a number of new accounting standards. The impact of the adoption and associated transition disclosures are shown below.

The Council has adopted AASB 9 *Financial Instruments* for the first time in the current year with a date of initial adoption of 1 July 2018. As part of the adoption of AASB 9, the Council adopted consequential amendments to other accounting standards arising from the issue of AASB 9 as follows:

- AASB 101 *Presentation of Financial Statements* requires the impairment of financial assets to be presented in a separate line item in the income statement. In prior year, this information was presented as part of other expenses.
- AASB 7 *Financial Instruments: Disclosures* requires amended disclosures due to changes arising from AASB 9. These disclosures have been provided for the current year.

The key changes to Council's accounting policy and the impact on these financial statements from applying AASB 9 are described below.

Changes in accounting policies resulting from the adoption of AASB 9 have been applied retrospectively except Council has not restated any amounts relating to classification and measurement requirements, including impairment, which have been applied from 1 July 2018.

Classification of financial assets

The financial assets of Council have been reclassified into one of the following categories on adoption of AASB 9, based primarily on the business model in which a financial asset is managed and its contractual cash flow characteristics are:

- measured at amortised cost
- fair value through profit or loss
- fair value through other comprehensive income – equity instruments

Measurement of equity instruments

All equity instruments of the Council are measured at fair value under AASB 9 whereas there was a cost exception under AASB 139 that allowed certain unlisted investments to be carried at amortised cost in the absence of a reliable measurement of fair value. Any difference in the previous carrying amount and the fair value is recognised in the opening retained earnings (or other component of equity, as appropriate) at 1 July 2018.

Equity instruments are no longer subject to impairment testing and therefore all movements on equity instruments, classified as fair value through other comprehensive income, are taken to the relevant reserve.

Impairment of financial assets

The incurred loss model from AASB 139 has been replaced with an expected credit loss model in AASB 9 for assets measured at amortised cost. This has resulted in the earlier recognition of credit loss (bad debt provisions).

Notes to the Financial Statements

for the year ended 30 June 2019

Note 14. Statement of cash flows - additional information

\$ '000	Notes	2019	2018
(a) Reconciliation of cash assets			
Total cash and cash equivalent assets	6(a)	35,652	26,572
Balance as per the Statement of Cash Flows		35,652	26,572
(b) Reconciliation of net operating result to cash provided from operating activities			
Net operating result from Income Statement		13,253	10,359
Adjust for non-cash items:			
Depreciation and amortisation		12,917	12,592
Net losses/(gains) on disposal of assets		(92)	(180)
Non-cash capital grants and contributions		(300)	–
Impairment of Real Estate		455	–
Losses/(gains) recognised on fair value re-measurements through the P&L:			
– Other: Water Licences Revaluation through Revaluation Reserve		–	2,423
Amortisation of premiums, discounts and prior period fair valuations			
– Interest exp. on interest-free loans received by Council (previously fair valued)		24	35
Share of net (profits)/losses of associates/joint ventures using the equity method		5	(5)
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		667	(1,153)
Increase/(decrease) in provision for impairment of receivables		(288)	120
Decrease/(increase) in inventories		(30)	(65)
Decrease/(increase) in other current assets		–	71
Increase/(decrease) in payables		512	(285)
Increase/(decrease) in other accrued expenses payable		38	51
Increase/(decrease) in other liabilities		1,148	(183)
Increase/(decrease) in provision for employee benefits		651	(146)
Increase/(decrease) in other provisions		68	22
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		29,028	23,656

Notes to the Financial Statements

for the year ended 30 June 2019

Note 15. Interests in other entities

\$ '000	Council's share of net income		Council's share of net assets	
	2019	2018	2019	2018
Joint ventures	(5)	5	337	341
Total	(5)	5	337	341

(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 2019	Ownership 2018	Voting rights 2019	Voting rights 2018
Council's interest in Subsidiary	100%	100%	100%	100%

Summarised financial information for the Subsidiary

\$ '000	2019	2018
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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 15. Interests in other entities (continued)

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 2019

Note 15. 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	2019	2018
Western Riverina Library	Joint Venture	Percentage	337	341
Total carrying amounts – material joint ventures			337	341

(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	
	2019	2018	2019	2018	2019	2018
Western Riverina Library	62.1%	61.9%	62.1%	61.9%	16.7%	17.0%

(d) Summarised financial information for joint ventures

\$ '000	Western Riverina Library	
	2019	2018
Statement of financial position		
Current assets		
Cash and cash equivalents	110	129
Other current assets	18	2
Non-current assets	434	439
Current liabilities		
Other current liabilities	20	19
Net assets	542	551
Reconciliation of the carrying amount		
Opening net assets (1 July)	551	546
Profit/(loss) for the period	(8)	5
Closing net assets	543	551
Council's share of net assets (%)	62.1%	61.9%
Council's share of net assets (\$)	337	341

Notes to the Financial Statements

for the year ended 30 June 2019

Note 15. Interests in other entities (continued)

\$ '000	Western Riverina Library	
	2019	2018
Statement of comprehensive income		
Income	442	440
Interest income	3	3
Depreciation and amortisation	(123)	(108)
Other expenses	(330)	(330)
Profit/(loss) from continuing operations	(8)	5
Profit/(loss) for the period	(8)	5
Total comprehensive income	(8)	5
Share of income – Council (%)	62.1%	61.9%
Profit/(loss) – Council (\$)	(5)	3
Total comprehensive income – Council (\$)	(1)	(3)

Notes to the Financial Statements

for the year ended 30 June 2019

Note 16. Commitments

\$ '000	2019	2018
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(a) Capital commitments (exclusive of GST)

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

Property, plant and equipment

Plant and equipment	284	407
Lake Wyangan, Nericon & Tharbogang Villages Sewerage Scheme	–	1,317
Above Ground Refuelling Facility	–	20
Reinstatement of Decommissioned Flood Gates	–	1,014
Land Purchase – Detention Basin	–	387
New Dual Filter Media - Griffith Water Treatment Plant	696	–
Construction of New Landfill Cell	93	–
Upgrades Griffith Memorial Park	212	–
Total commitments	1,285	3,145

These expenditures are payable as follows:

Within the next year	1,285	3,145
Total payable	1,285	3,145

Sources for funding of capital commitments:

Unrestricted general funds	377	1,191
Section 7.12 funds	120	–
Future grants and contributions	–	1,229
Section 7.11 and 64 funds/reserves	–	387
Unexpended grants	92	–
Externally restricted reserves	696	–
Internally restricted reserves	–	338
Total sources of funding	1,285	3,145

(b) Finance lease commitments

(i) Commitments under finance leases at the reporting date are payable as follows:

\$ '000	2019	2018
Within the next year	13	27
Later than one year and not later than 5 years	9	22
Total minimum lease payments	22	49
Amount recognised as a liability	22	49

Notes to the Financial Statements

for the year ended 30 June 2019

Note 16. Commitments (continued)

\$ '000	2019	2018
(ii) Finance lease liability recognised represent:		
Current liabilities	13	27
Non-current liabilities	9	22
Total finance lease liabilities disclosed	22	49

(iii) General details

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

\$ '000	Term (years) 2019	Option to purchase 2019	Contingent rent clauses 2019	2019	2018
Other equipment/assets	4	YES	NO	22	49
Total carrying value at period end				22	49

Notes to the Financial Statements

for the year ended 30 June 2019

Note 17. Contingencies and other assets/liabilities not recognised

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

LIABILITIES NOT RECOGNISED

1. Guarantees

(i) Defined benefit superannuation contribution plans

Council 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 2018 to 30 June 2021, apportioned according to each employer's share of the accrued liability as at 30 June 2018. 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 2019

Note 17. Contingencies and other assets/liabilities not recognised (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 2019 was **\$153,727**. The last valuation of the Scheme was performed by the Actuary, Mr Richard Boyfield, FIAA on 31 December 2018, and covers the period ended 30 June 2018.

Council's expected contribution to the plan for the next annual reporting period is **\$130,028**.

The estimated employer reserves financial position for the Pooled Employers at 30 June 2019 is:

Employer reserves only *	\$millions	Asset Coverage
Assets	1,798.7	
Past Service Liabilities	1,784.2	100.8%
Vested Benefits	1,792.0	100.4%

* 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 2019.

Council's additional lump sum contribution per annum is around **0.20%** of the total additional sum contribution for all Pooled Employers (of \$40m for each year from 1 July 2018 to 30 June 2019) 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.

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 17. Contingencies and other assets/liabilities not recognised (continued)

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 2019

Note 18. 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 2019	Carrying value 2018	Fair value 2019	Fair value 2018
Financial assets				
Measured at amortised cost				
Cash and cash equivalents	35,652	26,572	35,652	26,572
Receivables	8,169	8,553	8,169	8,551
Investments				
– 'Financial assets at amortised cost' / 'held to maturity' (2018)	9,551	6,000	9,551	6,000
Fair value through profit and loss				
Investments				
– 'Held for trading'	11,617	12,847	11,617	12,847
Total financial assets	64,989	53,972	64,989	53,970
Financial liabilities				
Payables	5,924	4,934	5,924	4,934
Loans/advances	19,559	18,466	19,559	18,466
Lease liabilities	22	49	22	49
Total financial liabilities	25,505	23,449	25,505	23,449

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 2019

Note 18. 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
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)
2018				
Possible impact of a 10% movement in market values	1,285	1,285	(1,285)	(1,285)
Possible impact of a 1% movement in interest rates	129	129	(129)	(129)

(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 2019

Note 18. Financial risk management (continued)

\$ '000	Not yet overdue	< 1 year overdue	1 - 2 years overdue	2 - 5 years overdue	> 5 years overdue	Total
2019						
Gross carrying amount	2,059	82	75	—	—	2,216
2018						
Gross carrying amount	2,352	86	50	—	—	2,488

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 2019 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
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
2018						
Gross carrying amount	5,725	627	—	2	427	6,781
Expected loss rate (%)	1.50%	1.50%	0.00%	1.50%	1.50%	1.50%
ECL provision	86	9	—	—	6	101

Notes to the Financial Statements

for the year ended 30 June 2019

Note 18. Financial risk management (continued)

(c) Liquidity risk

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

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

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

Borrowings are also subject to interest rate risk – the risk that movements in interest rates could adversely affect funding costs and debt servicing requirements. Council manages this risk through diversification of borrowing types, maturities and interest rate structures. The finance team 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 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		
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
2018							
Trade/other payables	0.00%	1,331	3,602	–	–	4,933	4,934
Loans and advances	6.30%	–	2,423	14,602	8,758	25,783	18,466
Lease liabilities	9.40%	–	29	23	–	52	49
Total financial liabilities		1,331	6,054	14,625	8,758	30,768	23,449

Notes to the Financial Statements

for the year ended 30 June 2019

Note 19. Material budget variations

Council's original financial budget for 2018/19 was adopted by the Council on 12/06/2018 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 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	2019 Budget	2019 Actual	2019 ----- Variance -----	
REVENUES				
Rates and annual charges	30,613	32,000	1,387	5% F
User charges and fees	15,790	17,299	1,509	10% F
Council had higher than expected water sales (both potable and raw) which were \$1.3M more than originally budgeted for. Trade Waste charges were also \$230k more than the original budget as well as Cemetery fees which were \$125k more than the original budget.				
Interest and investment revenue	1,235	1,869	634	51% F
Council conservatively budgets for interest and investment revenue. Council's investments had returned better than the anticipated yield, mainly due to having a higher overall balance of funds under investment and good performance of managed funds held with NSW Treasury Corporation.				
Other revenues	1,582	2,880	1,298	82% F
Council had a budget of \$740k for the temporary sale of water. It received revenue totalling \$1.737M for the temporary water sales. Council also received a \$48k rebate for Workers Compensation that was not budgeted for and \$100k relating to the Container Deposit Scheme that was also an unbudgeted amount.				
Operating grants and contributions	6,985	7,656	671	10% F
This variation is primarily due to the increase in the FAG instalment for 2019. Council originally budgeted for an amount of \$5.219M for FAG in 2019 and received \$5.665M. Council also received a number of smaller operating grants that were not originally budgeted for.				
Capital grants and contributions	5,641	8,998	3,357	60% F
Council received \$1.919M in extra road funding than originally budgeted. Council also received \$700k in additional Section 64 Contributions compared to the original budget. Council was also the recipient of a \$730k capital grant from the NSW Regional Communities Development Fund for a community centre project.				
Net gains from disposal of assets	–	92	92	∞ F
Joint ventures and associates – net profits	–	–	–	∞ F
EXPENSES				
Employee benefits and on-costs	24,779	24,677	102	0% F
Borrowing costs	1,358	1,314	44	3% F
Materials and contracts	12,190	13,753	(1,563)	(13)% U
The increase in Materials and Contracts is primarily due to additional revenues including grants requiring additional expenditure to deliver the works carried out in 2019.				

Notes to the Financial Statements

for the year ended 30 June 2019

Note 19. Material budget variations (continued)

\$ '000	2019 Budget	2019 Actual	2019 ----- Variance -----	
Depreciation and amortisation	11,411	12,917	(1,506)	(13)% U
Council has experienced higher than expected budgeted depreciation for buildings and other structures after revaluations performed in the 2018 year. Both the building depreciation valued at \$700k and other structure depreciation valued at \$400k was more than the original budget. Sewer Infrastructure depreciation was also \$350k more than budgeted for as well as Water Infrastructure which was \$200k more than the original budget.				
Other expenses	4,400	4,875	(475)	(11)% U
Council was required to hold an election for a vacant councillor position costing \$125K that was not budgeted for. Council also recognised an impairment on real estate to the value of \$455k.				
Joint ventures and associates – net losses	–	5	(5)	∞ U

STATEMENT OF CASH FLOWS

Net cash provided from (used in) operating activities	19,119	29,028	9,909	52% F
Council received approximately \$9M more in revenue than budgeted for against all revenue streams. Council was \$3.4M more than budget against all expenditure line items. Council does not budget for GST cashflows, which totalled \$2.4M in 2019.				
Net cash provided from (used in) investing activities	(22,104)	(20,990)	1,114	(5)% F
Net cash provided from (used in) financing activities	1,811	1,042	(769)	(42)% U
Council elected not to draw down \$1.1M in loan funds in the 2019 year. The original budget also had \$332k more in repayments of borrowings compared to actual repayments due to funds not being drawn down.				

Notes to the Financial Statements

for the year ended 30 June 2019

Note 20. 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

2019	Notes	Fair value measurement hierarchy				Total
		Date of latest valuation	Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobserv-able inputs	
Recurring fair value measurements						
Financial assets						
Investments	6(b)					
– ‘Financial assets at fair value through profit and loss’		30/06/19	11,617	–	–	11,617
Total financial assets			11,617	–	–	11,617
Infrastructure, property, plant and equipment						
	9(a)					
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 – specialised		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
Total infrastructure, property, plant and equipment			–	–	701,502	701,502
Intangible Assets						
	10					
Water Entitlements		30/06/19	11,512	–	–	11,512
Total Intangible Assets			11,512	–	–	11,512

Notes to the Financial Statements

for the year ended 30 June 2019

Note 20. Fair Value Measurement (continued)

		Fair value measurement hierarchy				
2018	Notes	Date of latest valuation	Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobserv-able inputs	Total
Recurring fair value measurements						
Financial assets						
Investments	6(b)					
– ‘Financial assets at fair value through profit and loss’		30/06/18	12,847	–	–	12,847
Total financial assets			12,847	–	–	12,847
Infrastructure, property, plant and equipment						
	9(a)					
Plant and equipment		30/06/18	–	–	9,459	9,459
Office equipment		30/06/18	–	–	1,229	1,229
Furniture and fittings		30/06/18	–	–	1,196	1,196
Operational land		30/06/18	–	–	15,983	15,983
Community land		30/06/18	–	–	9,168	9,168
Buildings – specialised		30/06/18	–	–	56,662	56,662
Other structures		30/06/18	–	–	7,254	7,254
Roads		30/06/14	–	–	249,674	249,674
Bridges		30/06/14	–	–	2,419	2,419
Footpaths		30/06/14	–	–	7,466	7,466
Stormwater drainage		30/06/16	–	–	50,257	50,257
Water supply network		30/06/18	–	–	128,302	128,302
Sewerage network		30/06/18	–	–	114,688	114,688
Other open space/recreational assets		30/06/18	–	–	14,235	14,235
Other		30/06/14	–	–	2,935	2,935
Total infrastructure, property, plant and equipment			–	–	670,927	670,927
Intangible Assets						
	10					
Water Entitlements		30/06/18	8,296	–	–	8,296
Total Intangible Assets			8,296	–	–	8,296

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 2019

Note 20. 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.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 20. Fair Value Measurement (continued)

Operational Land

Operational land was valued by Australis Asset Advisory.

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

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).
- Registered sales from the Queensland Titles Office, via the RP Data Service.
- 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:

- Access
- Shape
- Use or zoning
- Topography
- Vegetation
- Current built form over the land e.g. concrete drainage structures
- Easement/encumbrances where available, as identified in spatial data
- Possible contamination
- Flooding

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 the Valuer's review of case law, discussion with industry experts, Local Government policies for land valuation, PHD studies, sales analysis as well as 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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 20. Fair Value Measurement (continued)

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 Australis Asset Advisory.

The approach estimated the replacement cost for each building by physically inspecting the properties and componentising the buildings 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. 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 Structures

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

Other structures were valued by Australis Asset Advisory as at 30 June 2018 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 2019. Valuations were undertaken by Australian Pacific Valuers using their valuation platform Asset Valuer Pro following site inspections in February 2019.

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:

Notes to the Financial Statements

for the year ended 30 June 2019

Note 20. Fair Value Measurement (continued)

- Asset quantity based on a comprehensive review of council's road 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 based on benchmarked patterns developed by Assetic Pty Ltd
- 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, although there has been significant changes to the Level 3 inputs utilised within the revaluation process.

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 2019. Valuations were undertaken by Australian Pacific Valuers using their valuation platform Asset Valuer Pro following site inspections in February 2019.

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 based on benchmarked patterns developed by Assetic Pty Ltd
- Useful life determined by technical knowledge of the life of similar assets

Footpaths

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

Footpath assets were componentised into Formation, Pavement and Surface. Replacement 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 footpath segment.

The Cost Approach was used to value this asset class as at 30 June 2019. Valuations were undertaken by Australian Pacific Valuers using their valuation platform Asset Valuer Pro following site inspections in February 2019.

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 based on benchmarked patterns developed by Assetic Pty Ltd
- 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 but there has been significant changes the Level 3 inputs utilised in the revaluation process.

Stormwater Drainage

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 20. Fair Value Measurement (continued)

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

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
- 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 valuation was completed in house with extensive input and review by Odysseus-imc Pty Ltd as at 30 June 2017 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 valuation was completed in house with extensive input and review by Odysseus-imc Pty Ltd at 30 June 2017 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.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 20. Fair Value Measurement (continued)

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

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

The valuation methodology used by Australis at 30 June 2018. 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 2019

Note 20. 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
2018					
Opening balance	8,716	994	1,161	21,648	9,168
Purchases (GBV)	2,658	405	109	–	–
Disposals (WDV)	(518)	(1)	–	–	–
Depreciation and impairment	(1,397)	(169)	(74)	(5,665)	–
Closing balance	9,459	1,229	1,196	15,983	9,168
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

\$ '000	Building specialised	Other structures	Roads	Bridges	Footpaths
2018					
Opening balance	77,451	12,709	250,428	3,010	7,047
Transfers from/(to) another asset class	(1,587)	(489)	(523)	(545)	490
Purchases (GBV)	643	506	5,573	–	164
Depreciation and impairment	(713)	(579)	(3,470)	(46)	(235)
FV gains – other comprehensive income	(19,132)	(4,893)	–	–	–
Impairment reversal	–	–	(2,334)	–	–
Closing balance	56,662	7,254	249,674	2,419	7,466
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

\$ '000	Stormwater drainage	Water supply network	Sewerage network
2018			
Opening balance	54,238	126,787	114,252
Transfers from/(to) another asset class	(3,418)	–	–
Purchases (GBV)	223	1,065	220
Depreciation and impairment	(786)	(2,140)	(2,125)

continued on next page ...

Notes to the Financial Statements

for the year ended 30 June 2019

Note 20. Fair Value Measurement (continued)

\$ '000	Stormwater drainage	Water supply network	Sewerage network
FV gains – other comprehensive income	–	2,590	2,341
Closing balance	50,257	128,302	114,688
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
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

\$ '000	Open space/ recreational assets	Other assets	Total
2018			
Opening balance	1,882	3,064	692,555
Transfers from/(to) another asset class	6,072	–	–
Purchases (GBV)	297	250	12,113
Disposals (WDV)	–	–	(519)
Depreciation and impairment	(564)	(379)	(18,342)
FV gains – other comprehensive income	6,548	–	(12,546)
Impairment reversal	–	–	(2,334)
Closing balance	14,235	2,935	670,927
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

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)

Notes to the Financial Statements

for the year ended 30 June 2019

Note 20. Fair Value Measurement (continued)

- **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.

- **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.

Assets valued by external valuers Australis and APV (i.e. land, buildings, other structures, stormwater drainage, swimming pools, and open space/ recreational assets) the costs were determined using their extensive database of cost data and professional judgement.

- **Asset Condition**

Asset condition was assessed using both in-house inspectors, 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 a combination of in-house valuations and 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.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 20. Fair Value Measurement (continued)

The basic process is the same whether completed in-house or via external valuers:

- 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 2019

Note 21. Related Party Transactions

(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	2019	2018
Compensation:		
Short-term benefits	1,498	1,206
Post-employment benefits	111	85
Other long-term benefits	31	30
Total	1,640	1,321

(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 2019

Note 22. 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 30/6/2018	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	as at 30/6/2019	
	Opening Balance	Cash	Non-cash				Held as restricted asset	Cumulative internal borrowings due/(payable)
\$ '000								
Traffic facilities	103	–	–	2	–	–	105	–
Parking	(35)	–	–	–	–	–	(35)	–
Open space	269	–	–	7	–	–	276	–
Community facilities	77	3	–	2	–	–	82	–
S7.11 contributions – under a plan	414	3	–	11	–	–	428	–
S7.12 levies – under a plan	744	242	–	21	(372)	–	635	–
Total S7.11 and S7.12 revenue under plans	1,158	245	–	32	(372)	–	1,063	–
S7.11 not under plans	7	–	–	–	–	–	7	–
S64 contributions	5,216	1,790	–	148	–	–	7,154	–
Total contributions	6,381	2,035	–	180	(372)	–	8,224	–

Notes to the Financial Statements

for the year ended 30 June 2019

Note 22. Statement of developer contributions (continued)

\$ '000	as at 30/6/2018	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	as at 30/6/2019	
	Opening Balance	Cash	Non-cash				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	206	–	–	5	–	–	211	–
Total	206	–	–	5	–	–	211	–
CONTRIBUTION PLAN – COMMUNITY FACILITIES								
Community facilities	77	3	–	2	–	–	82	–
Total	77	3	–	2	–	–	82	–
CONTRIBUTION PLAN – NEIGHBOURHOOD PARKS								
Open space	63	–	–	2	–	–	65	–
Total	63	–	–	2	–	–	65	–
CONTRIBUTION PLAN – TRAFFIC MANAGEMENT								
Traffic facilities	103	–	–	2	–	–	105	–
Total	103	–	–	2	–	–	105	–
S7.12 Levies – under a plan								
Sec 94A from 01-07-10								
Sec 94A from 01-07-10	744	242	–	21	(372)	–	635	–
Total	744	242	–	21	(372)	–	635	–

Notes to the Financial Statements

for the year ended 30 June 2019

Note 22. Statement of developer contributions (continued)

	as at 30/6/2018						as at 30/6/2019	
	Opening Balance	Contributions received during the year Cash	Non-cash				Held as restricted asset	Cumulative internal borrowings due/(payable)
\$ '000								
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 2019

Note 23. Financial result and financial position by fund

\$ '000	General ¹ 2019	Water 2019	Sewer 2019
Income Statement by fund			
Income from continuing operations			
Rates and annual charges	21,922	1,990	8,088
User charges and fees	7,195	9,070	1,034
Interest and investment revenue	1,117	561	206
Other revenues	2,662	203	15
Grants and contributions provided for operating purposes	7,184	417	55
Grants and contributions provided for capital purposes	6,536	1,010	1,452
Other income			
Net gains from disposal of assets	42	11	39
Total income from continuing operations	46,658	13,262	10,889
Expenses from continuing operations			
Employee benefits and on-costs	20,273	2,333	2,071
Borrowing costs	65	–	1,264
Materials and contracts	7,481	3,977	2,295
Depreciation and amortisation	8,110	2,460	2,347
Other expenses	3,113	1,225	537
Share of interests in joint ventures and associates using the equity method	5	–	–
Total expenses from continuing operations	39,047	9,995	8,514
Operating result from continuing operations	7,611	3,267	2,375
Net operating result for the year	7,611	3,267	2,375
Net operating result attributable to each council fund	7,611	3,267	2,375
Net operating result for the year before grants and contributions provided for capital purposes	1,075	2,257	923

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 2019

Note 23. Financial result and financial position by fund (continued)

\$ '000	General ¹ 2019	Water 2019	Sewer 2019
Statement of Financial Position by fund			
ASSETS			
Current assets			
Cash and cash equivalents	1,631	24,821	9,200
Investments	15,617	–	–
Receivables	3,676	2,760	2,015
Inventories	1,183	2,101	–
Other	19	–	–
Total current assets	22,126	29,682	11,215
Non-current assets			
Investments	5,551	–	–
Receivables	6	256	–
Infrastructure, property, plant and equipment	448,533	134,733	124,820
Investments accounted for using the equity method	337	–	–
Intangible assets	11,512	–	–
Total non-current assets	465,939	134,989	124,820
TOTAL ASSETS	488,065	164,671	136,035
LIABILITIES			
Current liabilities			
Payables	5,917	7	–
Income received in advance	1,531	–	–
Borrowings	771	–	905
Provisions	6,794	–	–
Total current liabilities	15,013	7	905
Non-current liabilities			
Borrowings	2,238	–	16,211
Provisions	269	–	–
Total non-current liabilities	2,507	–	16,211
TOTAL LIABILITIES	17,520	7	17,116
Net assets	470,545	164,664	118,919
EQUITY			
Accumulated surplus	270,775	93,012	69,538
Revaluation reserves	199,770	71,652	49,381
Council equity interest	470,545	164,664	118,919
Total equity	470,545	164,664	118,919

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 2019

Note 23. Financial result and financial position by fund (continued)

Details of individual internal loans for the year ended 30 June 2019

(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	354,866	188,532

Notes to the Financial Statements

for the year ended 30 June 2019

Note 24(a). Statement of performance measures – consolidated results

\$ '000	Amounts 2019	Indicator 2019	Prior periods 2018 2017		Benchmark
1. Operating performance ratio					
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	4,168	6.75%	10.65%	15.06%	>0.00%
Total continuing operating revenue excluding capital grants and contributions ¹	61,704				
2. Own source operating revenue ratio					
Total continuing operating revenue excluding all grants and contributions ¹	53,751	76.02%	79.77%	74.31%	>60.00%
Total continuing operating revenue ¹	70,702				
3. Unrestricted current ratio					
Current assets less all external restrictions	21,201	2.69x	2.86x	2.53x	>1.50x
Current liabilities less specific purpose liabilities	7,888				
4. Debt service cover ratio					
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	18,399	7.53x	8.20x	7.95x	>2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	2,445				
5. Rates, annual charges, interest and extra charges outstanding percentage					
Rates, annual and extra charges outstanding	2,216	6.46%	7.54%	6.83%	<10.00%
Rates, annual and extra charges collectible	34,327				
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	45,203	11.42 mths	8.55 mths	7.10 mths	>3.00 mths
Monthly payments from cash flow of operating and financing activities	3,959				

(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 2019

Note 24(b). Statement of performance measures – by fund

\$ '000	General Indicators ³		Water Indicators		Sewer Indicators		Benchmark
	2019	2018	2019	2018	2019	2018	
1. Operating performance ratio							
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	2.47%	7.02%	18.42%	23.22%	9.78%	10.71%	>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	69.89%	72.72%	89.24%	97.46%	86.16%	89.12%	>60.00%
Total continuing operating revenue ¹							
3. Unrestricted current ratio							
Current assets less all external restrictions	2.69x	2.86x	4,240.29	5,653.25x	12.39x	9.69x	>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	7.93x	27.90x	∞	∞	3.51x	2.14x	>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	9.14%	1.90%	0.00%	0.00%	0.00%	26.59%	<10.00%
Rates, annual and extra charges collectible							
6. Cash expense cover ratio							
Current year's cash and cash equivalents plus all term deposits	2.82	2.29	∞	34.94	∞	13.26	>3.00
Payments from cash flow of operating and financing activities	mths	mths		mths		mths	mths

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

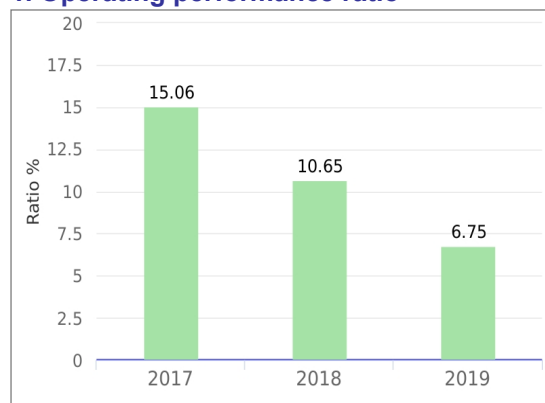
(3) General fund refers to all of Council's activities except for its water and sewer activities which are listed separately.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 24(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 2018/19 result

2018/19 ratio 6.75%

Council's ratio of 6.75% is well above the 0.00% benchmark and indicates a continuation of the strong operating results achieved year-on-year.

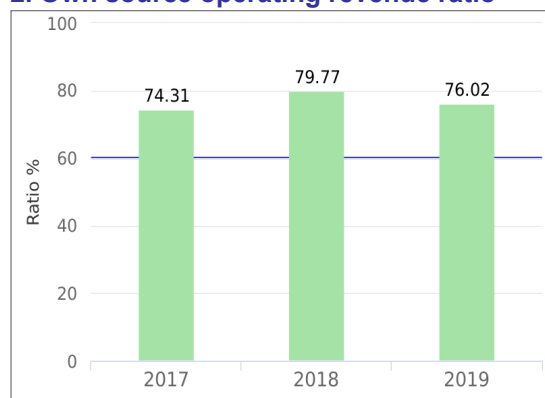
Benchmark: — > 0.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting #27

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 2018/19 result

2018/19 ratio 76.02%

The own source ratio of 76.02% is well in excess of the 60% benchmark and indicates strong own source revenues and a lower reliance on grants and contributions.

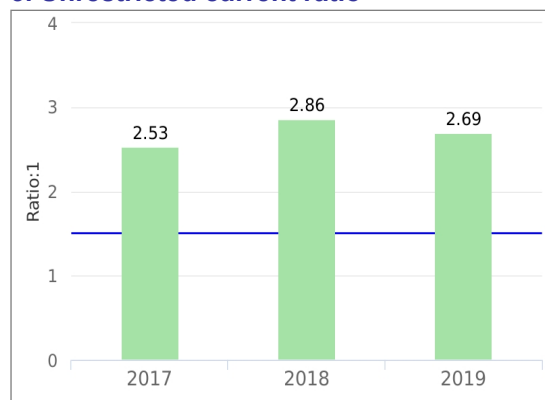
Benchmark: — > 60.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting #27

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 2018/19 result

2018/19 ratio 2.69x

The ratio 2.69x remains at a satisfactory level at 30 June 2019.

Benchmark: — > 1.50x

Source of benchmark: Code of Accounting Practice and Financial Reporting #27

Ratio achieves benchmark

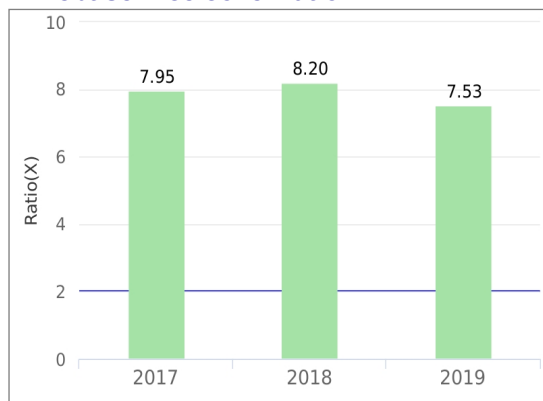
Ratio is outside benchmark

Notes to the Financial Statements

for the year ended 30 June 2019

Note 24(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 2018/19 result

2018/19 ratio 7.53x

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.

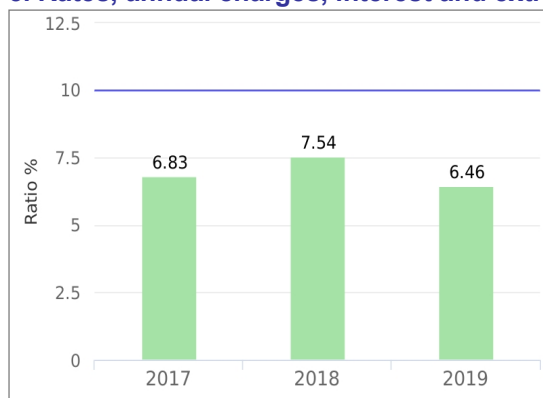
Benchmark: — > 2.00x

Source of benchmark: Code of Accounting Practice and Financial Reporting #27

Ratio achieves benchmark

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 2018/19 result

2018/19 ratio 6.46%

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

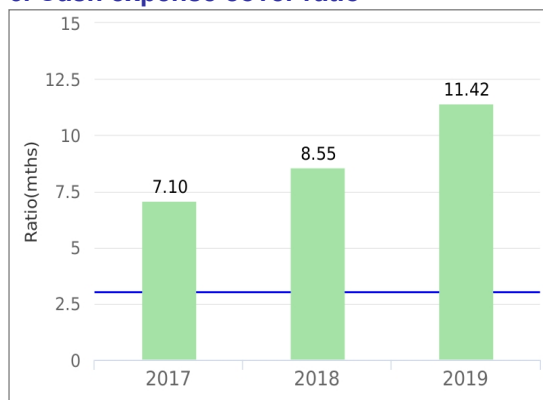
Benchmark: — < 10.00%

Source of benchmark: Code of Accounting Practice and Financial Reporting #27

Ratio achieves benchmark

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 2018/19 result

2018/19 ratio 11.42 mths

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

Benchmark: — > 3.00mths

Source of benchmark: Code of Accounting Practice and Financial Reporting #27

Ratio achieves benchmark

Ratio is outside benchmark

Notes to the Financial Statements

for the year ended 30 June 2019

Note 25. 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: 02 6962 8100

Facsimile: 02 6962 7161

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 the Griffith City Council

Opinion

I have audited the accompanying financial statements of Griffith City Council (the Council), which comprise the Income Statement and Statement of Comprehensive Income for the year ended 30 June 2019, the Statement of Financial Position as at 30 June 2019, the Statement of Changes in Equity and Statement of Cash Flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the Statement by Councillors and Management.

In my opinion:

- the Council's accounting records have been kept in accordance with the requirements of the *Local Government Act 1993*, Chapter 13, Part 3, Division 2 (the Division)
- the financial statements:
 - have been presented, in all material respects, in accordance with the requirements of this Division
 - are consistent with the Council's accounting records
 - present fairly, in all material respects, the financial position of the Council as at 30 June 2019, 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' (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 2019 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 except where the Council will be dissolved or amalgamated by an Act of Parliament, or otherwise cease operations.

Auditor's Responsibilities for the Audit of the Financial 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.

My opinion does not provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- on the Original Budget information included in the Income Statement, Statement of Cash Flows, and Note 19 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.

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

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

23 October 2019
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: D1924106/1733

23 October 2019

Dear Mayor

**Report on the Conduct of the Audit
for the year ended 30 June 2019
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 2019 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 2019 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

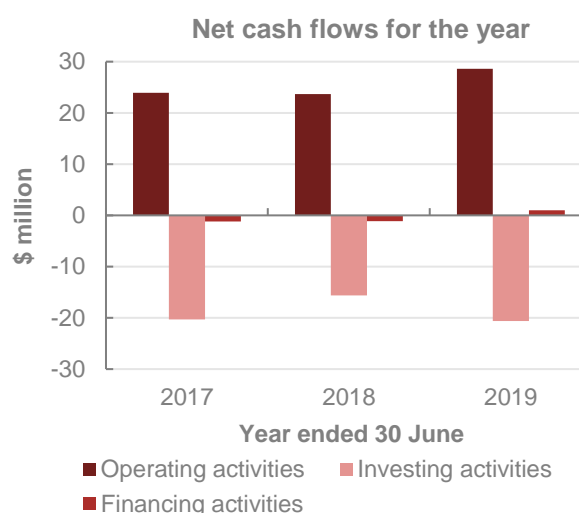
	2019	2018	Variance
	\$m	\$m	%
Rates and annual charges revenue	32.0	30.9	↑ 3.6
Grants and contributions revenue	16.7	12.6	↑ 32.5
Operating result for the year	13.3	10.4	↑ 27.9
Net operating result before capital grants and contributions	4.3	6.6	↓ 34.8

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

- Rates and annual charges revenue was \$32.0 million (\$30.9 million for the year ended 30 June 2018). The increase of \$1.1 million (3.6%) is consistent with an increase in ordinary rates in line with the 2.3% rate peg and rise in the total number of rateable properties.
- Grants and contributions revenue was \$16.7 million (\$12.6 million for the year ended 30 June 2018). The increase of \$4.1 million (32.5%) was primarily due to the increase of transport capital grants of \$1.7 million, developer cash contributions of \$1.6 million and \$0.7 million of community project funding.
- Council's net operating result was a surplus of \$13.3 million (\$10.4 million surplus for the year ended 30 June 2018). The increase of \$2.9 million is mainly due to the increase in grants and contributions revenue noted above.
- The net operating result before capital grants and contributions was a surplus of \$4.3 million (\$6.6 million surplus for the year ended 30 June 2018). The decrease of \$2.3 million was mainly due to the increases of \$1.6 million in employee benefits and \$1.1 million in materials and contracts expenses.

STATEMENT OF CASH FLOWS

- Council's cash and cash equivalents was \$35.7 million (\$26.6 million for the year ended 30 June 2018). There was a net increase in cash and cash equivalents of \$9.1 million at 30 June 2019.
- Net cash provided by operating activities has increased by \$5.4 million. This is mainly due to the increase in cash receipts from rates and annual charges revenue of \$2.0 million and grants and contributions of \$3.4 million.
- Net cash used in investing activities increased by \$5.4 million. This is mainly due to the increase in the purchase of investment securities of \$8.6 million. This was offset by the increase in sale of investment securities of \$6.2 million.
- Net cash provided by financing activities increased by \$2.1 million mainly due to proceeds from new borrowings of \$2.2 million.



FINANCIAL POSITION

Cash and investments

Cash and investments	2019	2018	Commentary
	\$m	\$m	
External restrictions	40.5	29.7	<ul style="list-style-type: none"> Externally restricted cash and investments are restricted in their use by externally imposed requirements. The increase of \$10.8 million is mainly due to the increase of \$4.5 million in water supplies, \$1.8 million in developer contributions, \$1.6 million in specific purpose unexpended loans and grants and \$1.4 million in sewerage services. 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 \$1.0 million in the internal restrictions is primarily due to a \$0.6 million increase in the major projects reserve. Unrestricted cash and investments was \$4.1 million, which is available to provide liquidity for day-to-day operations of the Council. There was minimal movement in the unrestricted cash and investments balance.
Internal restrictions	12.2	11.2	
Unrestricted	4.1	4.5	
Cash and investments	56.8	45.4	

Debt

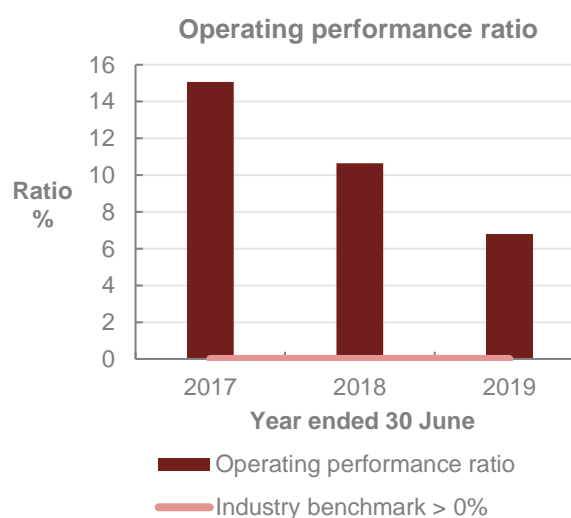
Council has \$19.6 million of external borrowings (2018: \$18.5 million) which is secured over the revenue of Council.

Council has a \$1.0 million bank overdraft facility (2018: \$1.0 million) which was undrawn as at 30 June 2019.

PERFORMANCE

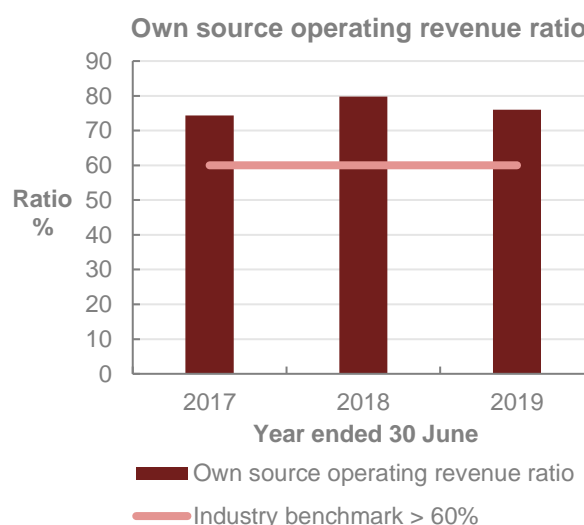
Operating performance ratio

- The 'operating performance ratio' measures how well council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by the former Office of Local Government (OLG) is greater than zero per cent.
- The operating performance ratio of 6.75 per cent is above the industry benchmark of greater than 0%. This indicates the Council can contain operating expenditures within operating revenue.
- The operating performance ratio decreased to 6.75 per cent (2018: 10.65 per cent) due to the decrease in grants and contributions income provided for operating purposes and increase in employee benefits and materials and contracts expenses.



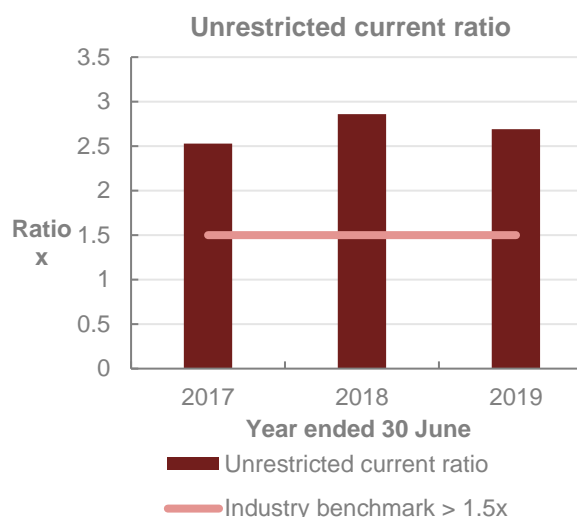
Own source operating revenue ratio

- The 'own source operating revenue ratio' measures council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by the former OLG is greater than 60 per cent.
- The Council's own source operating revenue ratio of 76.02 per cent is above the industry benchmark of 60 per cent. This indicates that the Council is not overly reliant on external funding sources, such as grants and contributions.
- The own source operating revenue ratio decreased slightly in 2019, due to the relative increase in grants and contributions.



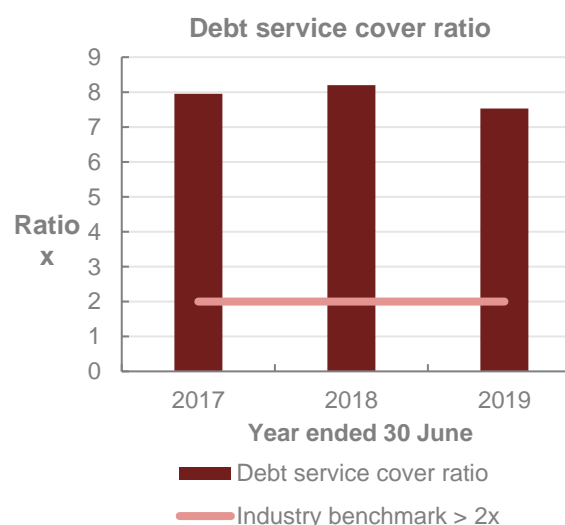
Unrestricted current ratio

- The 'unrestricted current ratio' is specific to local government and represents council's ability to meet its short-term obligations as they fall due. The benchmark set by the former OLG is greater than 1.5 times.
- The Council's liquidity ratio of 2.69 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.



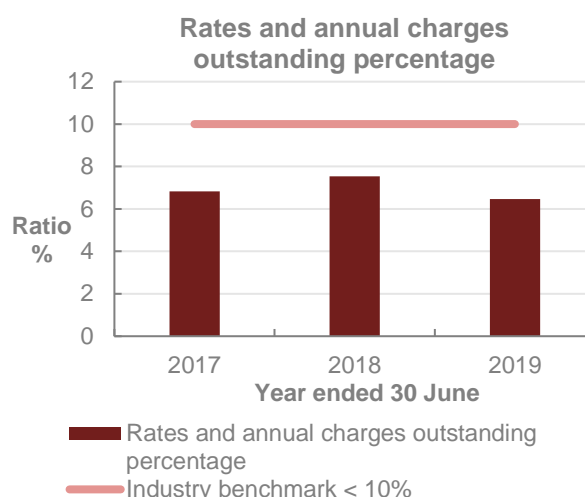
Debt service cover ratio

- The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by the former OLG is greater than two times.
- The Council's debt service cover ratio of 7.53 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 Council's debt service cover ratio has remained consistent.



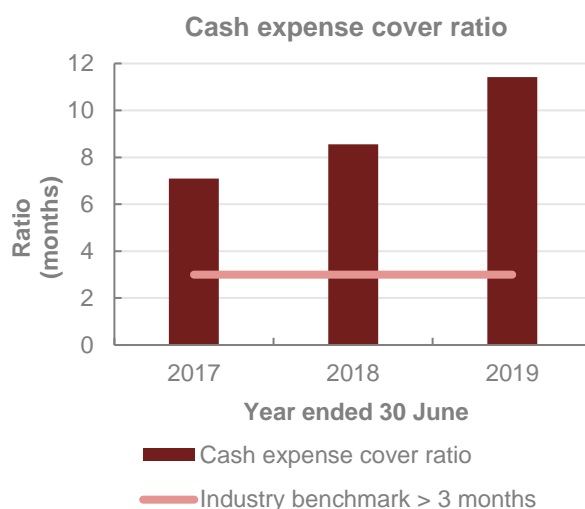
Rates and annual charges outstanding percentage

- The 'rates and annual charges outstanding percentage' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by the former OLG is less than 10 per cent for regional and rural councils.
- The Council's rates and annual charges outstanding ratio of 6.46 per cent is within the industry benchmark of less than 10 per cent for regional and rural councils.
- The rates and annual charges outstanding percentage has remained consistent for the last three years, 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 the former OLG is greater than 3 months.
- The Council's cash expense cover ratio was 11.42 months, which is above the industry benchmark of greater than 3 months. This indicates that Council had the capacity to cover 11.42 months of operating cash expenditure without additional cash inflows at 30 June 2019.
- The Council's cash expense cover ratio has improved due to the increase of \$9.1 million in cash and cash equivalents.



Infrastructure, property, plant and equipment renewals

The Council has renewed \$10.5 million of assets in the 2018–19 financial year, compared to \$7.4 million of assets in the 2017–18 financial year. The majority of renewals relates to plant and equipment of \$3.2 million, roads of \$2.9 million and stormwater drainage of \$1.4 million.

OTHER MATTERS

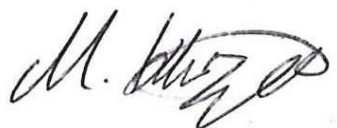
New accounting standards implemented

Application period	Overview
AASB 9 'Financial Instruments' and revised AASB 7 'Financial Instruments: Disclosures'	
For the year ended 30 June 2019	<p>AASB 9 replaces AASB 139 'Financial Instruments: Recognition and Measurement' and changes the way financial instruments are treated for financial reporting.</p> <p>Key changes include:</p> <ul style="list-style-type: none">• a simplified model for classifying and measuring financial assets• a new method for calculating impairment• a new type of hedge accounting that more closely aligns with risk management. <p>The revised AASB 7 includes new disclosures as a result of AASB 9.</p> <p>Council's disclosure of the impact of adopting AASB 9 is disclosed in Note 13.</p>

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 of the Audit, Risk and Improvement Committee
Mr Jim Betts, Secretary of the Department of Planning, Industry and Environment