

# Griffith City Council

GENERAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2012

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# Griffith City Council

## General Purpose Financial Statements for the financial year ended 30 June 2012

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### Overview

(i) These financial statements are General Purpose Financial Statements and cover the consolidated operations for Griffith City Council.

(ii) Griffith City Council is a body politic of NSW, Australia - being constituted as a Local Government area by proclamation and is duly empowered by the Local Government Act (LGA) 1993 of NSW.

Council's Statutory Charter is specified in Paragraph 8 of the LGA and includes;

- carrying out activities and providing goods, services & facilities appropriate to the current & future needs of the Local community and of the wider public
- responsibility for administering regulatory requirements under the LGA and other applicable legislation, &
- a role in the management, improvement and development of the resources of the local government area.

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

(iii) All figures presented in these financial statements are presented in Australian Currency.

(iv) These financial statements were authorised for issue by the Council on 15/10/12.  
Council has the power to amend and reissue the financial statements.

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## Griffith City Council

### General Purpose Financial Statements for the financial year ended 30 June 2012

## Understanding Council's Financial Statements

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### Introduction

Each year, individual Local Governments across NSW are required to present a set of audited Financial Statements to their Council & Community.

### What you will find in the Statements

The Financial Statements set out the financial performance, financial position & cash flows of Council for the financial year ended 30 June 2012.

The format of the Financial Statements is standard across all NSW Councils and complies with both the accounting & reporting requirements of Australian Accounting Standards and requirements as set down by the NSW Division 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 & ownership of the Financial Statements.

### About the Primary Financial Statements

The Financial Statements incorporate 5 "primary" financial statements:

#### 1. An Income Statement

A summary of Council's financial performance for the year, listing all income & expenses.

This Statement also displays Council's original adopted budget to provide a comparison between what was projected and what actually occurred.

#### 2. A Statement of Comprehensive Income

Primarily records changes in the fair values of Council's Infrastructure, Property, Plant & Equip.

#### 3. A Balance Sheet

A 30 June snapshot of Council's Financial Position including its Assets & Liabilities.

#### 4. A Statement of Changes in Equity

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

#### 5. A 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 5 Primary Financial Statements.

### About the Auditor's Reports

Council's Financial Statements are required to be audited by external accountants (that generally specialize in Local Government).

In NSW, the Auditor provides 2 audit reports:

1. An opinion on whether the Financial Statements present fairly the Council's financial performance & position, &
2. Their observations on the conduct of the Audit including the Council's financial performance & financial position.

### Who uses the Financial Statements ?

The Financial Statements are publicly available documents & must be presented at a Council meeting between 7 days & 5 weeks after the date of the Audit Report.

Submissions from the public can be made to Council up to 7 days subsequent to the public presentation of the Financial Statements.

Council is required to forward an audited set of Financial Statements to the Division of Local Government.

# Griffith City Council

## General Purpose Financial Statements

for the financial year ended 30 June 2012

### Statement by Councillors and Management

made pursuant to Section 413(2)(c) of the Local Government Act 1993 (as amended)

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

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

**To the best of our knowledge and belief, these Financial Statements:**

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

**We are not aware of any matter that would render the Reports false or misleading in any way.**

**Signed in accordance with a resolution of Council made on 09 October 2012.**



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Cr John Dal Broi  
MAYOR



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Cr Dino Zappacosta  
DEPUTY MAYOR



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Brett Stonestreet  
GENERAL MANAGER



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Max Turner  
RESPONSIBLE ACCOUNTING OFFICER

## Griffith City Council

## Income Statement

for the financial year ended 30 June 2012

Budget <sup>(1)</sup>				Actual	Actual
2012	\$ '000		Notes	2012	2011
<b>Income from Continuing Operations</b>					
<b>Revenue:</b>					
25,151	Rates & Annual Charges		3a	25,226	24,230
12,268	User Charges & Fees		3b	11,591	11,122
158	Interest & Investment Revenue		3c	996	1,210
791	Other Revenues		3d	1,142	946
6,520	Grants & Contributions provided for Operating Purposes		3e,f	9,564	7,500
3,891	Grants & Contributions provided for Capital Purposes		3e,f	3,300	1,284
<b>Other Income:</b>					
-	Net gains from the disposal of assets		5	-	42
-	Net Share of interests in Joint Ventures & Associated Entities using the equity method		19	-	-
<b>48,779</b>	<b>Total Income from Continuing Operations</b>			<b>51,819</b>	<b>46,334</b>
<b>Expenses from Continuing Operations</b>					
19,507	Employee Benefits & On-Costs		4a	21,467	19,441
257	Borrowing Costs		4b	344	331
10,326	Materials & Contracts		4c	10,257	10,490
8,414	Depreciation & Amortisation		4d	9,636	8,563
-	Impairment		4d	-	-
4,030	Other Expenses		4e	3,744	3,352
118	Net Losses from the Disposal of Assets		5	28	-
<b>42,652</b>	<b>Total Expenses from Continuing Operations</b>			<b>45,476</b>	<b>42,177</b>
<b>6,127</b>	<b>Operating Result from Continuing Operations</b>			<b>6,343</b>	<b>4,157</b>
<b>Discontinued Operations</b>					
-	Net Profit/(Loss) from Discontinued Operations		24	-	-
<b>6,127</b>	<b>Net Operating Result for the Year</b>			<b>6,343</b>	<b>4,157</b>
6,127	Net Operating Result attributable to Council			6,343	4,157
-	Net Operating Result attributable to Minority Interests			-	-
<b>2,236</b>	<b>Net Operating Result for the year before Grants and Contributions provided for Capital Purposes</b>			<b>3,043</b>	<b>2,873</b>

(1) Original Budget as approved by Council - refer Note 16

## Griffith City Council

Statement of Comprehensive Income  
for the financial year ended 30 June 2012

\$ '000	Notes	Actual 2012	Actual 2011
Net Operating Result for the year (as per Income statement)		<b>6,343</b>	<b>4,157</b>
<b>Other Comprehensive Income</b>			
Gain (loss) on revaluation of I,PP&E	20b (ii)	15,235	-
Gain (loss) on revaluation of available-for-sale investments	20b (ii)	-	-
Gain (loss) on revaluation of other reserves	20b (ii)	-	-
Realised (gain) loss on available-for-sale investments recognised in P&L	20b (ii)	-	-
Realised (gain) loss from other reserves recognised in P&L	20b (ii)	-	-
Impairment (loss) reversal relating to I,PP&E	20b (ii)	(11,450)	-
Water Entitlement availal. for Temp/Perm Sale revaluation for year	20b (ii)	(288)	(1,655)
<b>Total Other Comprehensive Income for the year</b>		<b>3,497</b>	<b>(1,655)</b>
<b>Total Comprehensive Income for the Year</b>		<b>9,840</b>	<b>2,502</b>
<b>Total Comprehensive Income attributable to Council</b>		<b>9,840</b>	<b>2,502</b>
<b>Total Comprehensive Income attributable to Minority Interests</b>		<b>-</b>	<b>-</b>

## Griffith City Council

## Balance Sheet

as at 30 June 2012

\$ '000	Notes	Actual 2012	Actual 2011
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash & Cash Equivalents	6a	4,731	7,848
Investments	6b	9,498	8,808
Receivables	7	7,934	6,646
Inventories	8	3,009	2,998
Other	8	410	311
Non-current assets classified as "held for sale"	22	-	-
<b>Total Current Assets</b>		<b>25,582</b>	<b>26,611</b>
<b>Non-Current Assets</b>			
Investments	6b	-	-
Receivables	7	35	52
Inventories	8	4,298	4,586
Infrastructure, Property, Plant & Equipment	9	534,952	515,422
Investments accounted for using the equity method	19	-	-
Investment Property	14	-	-
Intangible Assets	25	-	-
<b>Total Non-Current Assets</b>		<b>539,285</b>	<b>520,060</b>
<b>TOTAL ASSETS</b>		<b>564,867</b>	<b>546,671</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Payables	10	7,522	7,881
Borrowings	10	2,395	1,929
Provisions	10	5,748	5,008
<b>Total Current Liabilities</b>		<b>15,665</b>	<b>14,818</b>
<b>Non-Current Liabilities</b>			
Payables	10	7	10
Borrowings	10	25,028	17,521
Provisions	10	195	190
<b>Total Non-Current Liabilities</b>		<b>25,230</b>	<b>17,721</b>
<b>TOTAL LIABILITIES</b>		<b>40,895</b>	<b>32,539</b>
<b>Net Assets</b>		<b>523,972</b>	<b>514,132</b>
<b>EQUITY</b>			
Retained Earnings	20	346,475	340,132
Revaluation Reserves	20	177,497	174,000
Council Equity Interest		523,972	514,132
Minority Equity Interest		-	-
<b>Total Equity</b>		<b>523,972</b>	<b>514,132</b>

## Griffith City Council

Statement of Changes in Equity  
for the financial year ended 30 June 2012

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council Interest	Minority Interest	Total Equity
<b>2012</b>						
<b>Opening Balance</b> (as per Last Year's Audited Accounts)		340,132	174,000	<b>514,132</b>	-	<b>514,132</b>
a. Correction of Prior Period Errors	20 (c)	-	-	-	-	-
b. Changes in Accounting Policies (prior year effects)	20 (d)	-	-	-	-	-
<b>Revised Opening Balance</b> (as at 1/7/11)		<b>340,132</b>	<b>174,000</b>	<b>514,132</b>	-	<b>514,132</b>
<b>c. Net Operating Result for the Year</b>		<b>6,343</b>	-	<b>6,343</b>	-	<b>6,343</b>
d. Other Comprehensive Income						
- Revaluations : IPP&E Asset Revaluation Rsve	20b (ii)	-	15,235	<b>15,235</b>	-	<b>15,235</b>
- Revaluations: Other Reserves	20b (ii)	-	-	-	-	-
- Transfers to Income Statement	20b (ii)	-	-	-	-	-
- Impairment (loss) reversal relating to I,PP&E	20b (ii)	-	(11,450)	<b>(11,450)</b>	-	<b>(11,450)</b>
- Other Movements	20b (ii)	-	(288)	<b>(288)</b>	-	<b>(288)</b>
<b>Other Comprehensive Income</b>		-	<b>3,497</b>	<b>3,497</b>	-	<b>3,497</b>
<b>Total Comprehensive Income</b> (c&d)		<b>6,343</b>	<b>3,497</b>	<b>9,840</b>	-	<b>9,840</b>
e. Distributions to/(Contributions from) Minority Interests		-	-	-	-	-
f. Transfers between Equity		-	-	-	-	-
<b>Equity - Balance at end of the reporting period</b>		<b>346,475</b>	<b>177,497</b>	<b>523,972</b>	-	<b>523,972</b>

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council Interest	Minority Interest	Total Equity
<b>2011</b>						
<b>Opening Balance</b> (as per Last Year's Audited Accounts)		335,975	175,655	<b>511,630</b>	-	<b>511,630</b>
a. Correction of Prior Period Errors	20 (c)	-	-	-	-	-
b. Changes in Accounting Policies (prior year effects)	20 (d)	-	-	-	-	-
<b>Revised Opening Balance</b> (as at 1/7/10)		<b>335,975</b>	<b>175,655</b>	<b>511,630</b>	-	<b>511,630</b>
<b>c. Net Operating Result for the Year</b>		<b>4,157</b>	-	<b>4,157</b>	-	<b>4,157</b>
d. Other Comprehensive Income						
- Revaluations : IPP&E Asset Revaluation Rsve	20b (ii)	-	-	-	-	-
- Revaluations: Other Reserves	20b (ii)	-	-	-	-	-
- Transfers to Income Statement	20b (ii)	-	-	-	-	-
- Impairment (loss) reversal relating to I,PP&E	20b (ii)	-	-	-	-	-
- Water Entitlement avail. for temp/perm Sale Rev	20b (ii)	-	(1,655)	<b>(1,655)</b>	-	<b>(1,655)</b>
<b>Other Comprehensive Income</b>		-	<b>(1,655)</b>	<b>(1,655)</b>	-	<b>(1,655)</b>
<b>Total Comprehensive Income</b> (c&d)		<b>4,157</b>	<b>(1,655)</b>	<b>2,502</b>	-	<b>2,502</b>
e. Distributions to/(Contributions from) Minority Interests		-	-	-	-	-
f. Transfers between Equity		-	-	-	-	-
<b>Equity - Balance at end of the reporting period</b>		<b>340,132</b>	<b>174,000</b>	<b>514,132</b>	-	<b>514,132</b>

## Griffith City Council

## Statement of Cash Flows

for the financial year ended 30 June 2012

Budget 2012	\$ '000	Notes	Actual 2012	Actual 2011
<b>Cash Flows from Operating Activities</b>				
<b>Receipts:</b>				
25,151	Rates & Annual Charges		24,637	23,862
12,268	User Charges & Fees		11,765	11,970
158	Investment & Interest Revenue Received		879	963
10,411	Grants & Contributions		12,487	9,464
-	Bonds, Deposits & Retention amounts received		114	-
791	Other		4,535	2,893
<b>Payments:</b>				
(19,507)	Employee Benefits & On-Costs		(20,820)	(19,568)
(10,326)	Materials & Contracts		(15,803)	(11,187)
(257)	Borrowing Costs		(259)	(239)
-	Bonds, Deposits & Retention amounts refunded		-	(65)
(4,030)	Other		(2,544)	(3,704)
<b>14,659</b>	<b>Net Cash provided (or used in) Operating Activities</b>	11b	<b>14,991</b>	<b>14,389</b>
<b>Cash Flows from Investing Activities</b>				
<b>Receipts:</b>				
-	Sale of Investment Securities		6,964	1,000
377	Sale of Infrastructure, Property, Plant & Equipment		456	821
33	Deferred Debtors Receipts		33	206
<b>Payments:</b>				
-	Purchase of Investment Securities		(7,584)	(4,000)
(26,421)	Purchase of Infrastructure, Property, Plant & Equipment		(25,865)	(25,218)
<b>(26,011)</b>	<b>Net Cash provided (or used in) Investing Activities</b>		<b>(25,996)</b>	<b>(27,191)</b>
<b>Cash Flows from Financing Activities</b>				
<b>Receipts:</b>				
11,082	Proceeds from Borrowings & Advances		10,200	11,800
<b>Payments:</b>				
(2,370)	Repayment of Borrowings & Advances		(2,312)	(1,733)
<b>8,712</b>	<b>Net Cash Flow provided (used in) Financing Activities</b>		<b>7,888</b>	<b>10,067</b>
<b>(2,640)</b>	<b>Net Increase/(Decrease) in Cash &amp; Cash Equivalents</b>		<b>(3,117)</b>	<b>(2,735)</b>
14,003	plus: Cash & Cash Equivalents - beginning of year	11a	7,848	10,583
<b>11,363</b>	<b>Cash &amp; Cash Equivalents - end of the year</b>	11a	<b>4,731</b>	<b>7,848</b>
Additional Information:				
	plus: Investments on hand - end of year	6b	9,498	8,808
<b>Total Cash, Cash Equivalents &amp; Investments</b>			<b>14,229</b>	<b>16,656</b>

Please refer to Note 11 for additional cash flow information

# Griffith City Council

## Notes to the Financial Statements for the financial year ended 30 June 2012

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n/a - not applicable

## Griffith City Council

### Notes to the Financial Statements

for the financial year ended 30 June 2012

#### Note 1. Summary of Significant Accounting Policies

The principal accounting policies adopted by Council in the preparation of these consolidated financial statements are set out below in order to assist in its general understanding.

Under Australian Accounting Standards (AASB's), accounting policies are defined as those specific principles, bases, conventions, rules and practices applied by a reporting entity (in this case Council) in preparing and presenting its financial statements.

##### (a) Basis of preparation

###### (i) Background

These financial statements are general purpose financial statements which have been prepared in accordance with;

- Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board,
- the Local Government Act (1993) & Regulation, and
- the Local Government Code of Accounting Practice and Financial Reporting.

For the purpose of preparing these financial statements, Council has been deemed to be a not-for-profit entity.

###### (ii) Compliance with International Financial Reporting Standards (IFRSs)

Because Australian Accounting Standards (AASB's) are sector neutral, some standards either:

- (a) have local Australian content and prescription that is specific to the Not-For-Profit sector (including Local Government) which are not in compliance with IFRS's, or
- (b) specifically exclude application by Not for Profit entities.

Accordingly in preparing these financial statements and accompanying notes, Council has been unable to comply fully with International Accounting Standards, but has complied fully with Australian Accounting Standards.

Under the Local Government Act (LGA), Regulations and Local Government Code of Accounting Practice & Financial Reporting, it should be noted that Councils in NSW only have a requirement to comply with Australian Accounting Standards.

###### (iii) New and amended standards adopted by Council

None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2011 affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods.

###### (iv) Early adoption of Accounting Standards

Council has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 1 July 2011.

Refer further to paragraph (ab) relating to a summary of the effects of Standards with future operative dates..

###### (v) Basis of Accounting

These financial statements have been prepared under the **historical cost convention** except for:

- (i) financial assets and liabilities at fair value through profit or loss, available-for-sale financial assets and investment properties which are all valued at fair value,
- (ii) the write down of any Asset on the basis of Impairment (if warranted) and
- (iii) certain classes of Infrastructure, property, plant & equipment that are accounted for at fair valuation.

The accrual basis of accounting has also been applied in their preparation.

###### (vi) Changes in Accounting Policies

Council's accounting policies have been consistently applied to all the years presented, unless otherwise stated.

There have also been no changes in accounting policies when compared with previous financial statements unless otherwise stated [refer Note 20(d)].

## Griffith City Council

### Notes to the Financial Statements

for the financial year ended 30 June 2012

#### Note 1. Summary of Significant Accounting Policies (continued)

##### **(vii) Critical Accounting Estimates**

The preparation of financial statements requires the use of certain critical accounting estimates (in conformity with AASB's).

Accordingly this 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 entity 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 are set out below.

- (i) Estimated fair values of investment properties
- (ii) Estimated fair values of infrastructure, property, plant and equipment.
- (iii) Estimated tip remediation provisions.

##### ***Critical judgements in applying the entity's accounting policies***

- (i) Impairment of Receivables - Council has made a significant judgement about the impairment of a number of its receivables in Note 7.
- (ii) Projected Section 94 Commitments - Council has used significant judgement in determining future Section 94 income and expenditure in Note 17.

##### **(b) Revenue recognition**

Council recognises revenue when the amount of revenue can be reliably measured, it is probable that

future economic benefits will flow to the entity and specific criteria have been met for each of the Council's activities as described below.

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

Revenue is measured at the fair value of the consideration received or receivable.

Revenue is measured on major income categories as follows:

##### **Rates, Annual Charges, Grants and Contributions**

Rates, annual charges, grants and contributions (including developer contributions) are recognised as revenues when the Council obtains control over the assets comprising these receipts.

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

A provision for the impairment on rates receivables has not been established as unpaid rates represent a charge against the rateable property that will be recovered when the property is next sold.

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

Revenue from Contributions is recognised when the Council either obtains control of the contribution or the right to receive it, **(i)** it is probable that the economic benefits comprising the contribution will flow to the Council and **(ii)** the amount of the contribution can be measured reliably.

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 undischarged at balance date, the unused grant or contribution is disclosed in Note 3(g).

## Griffith City Council

### Notes to the Financial Statements

for the financial year ended 30 June 2012

#### Note 1. Summary of Significant Accounting Policies (continued)

Note 3(g) also discloses the amount of unused grant or contribution from prior years that was expended on Council's operations during the current year.

The Council has obligations to provide facilities from contribution revenues levied on developers under the provisions of S94 of the EPA Act 1979.

Whilst Council generally incorporates these amounts as part of a Development Consents Order, such developer contributions are only recognised as income upon their physical 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 detailed Note relating to developer contributions can be found at Note 17.

#### User Charges, Fees and Other Income

User charges, fees and other income are recognised as revenue when the service has been provided, the payment is received, or when the penalty has been applied, whichever first occurs. Parking fees and fines are recognised as income when payment is received.

A provision for the impairment of these receivables is recognised when collection in full is no longer probable.

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

#### Sale of Infrastructure, Property, Plant and Equipment

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

#### Interest and Rents

Rents are recognised as revenue on a proportional basis when the payment is due, the value of the

payment is notified, or the payment is received, whichever first occurs.

Interest Income from Cash & Investments is accounted for using the Effective Interest method in accordance with AASB 139.

#### (c) Principles of Consolidation

These financial statements incorporate **(i)** the assets and liabilities of Council and any Entities (or operations) that it **controls** (as at 30/6/12) and **(ii)** all the related operating results (for the financial year ended the 30th June 2012).

The financial statements also include Council's share of the assets, liabilities, income and expenses of any **Jointly Controlled Operations** under the appropriate headings.

In the process of reporting on Council's activities as a single unit, all inter-entity year end balances and reporting period transactions have been eliminated in full between Council and its controlled entities.

#### (i) The Consolidated Fund

In accordance with the provisions of Section 409(1) of the LGA 1993, 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.

The Consolidated Fund and other entities through which the Council controls resources to carry on its functions have been included in the financial statements forming part of this report.

The following entities have been included as part of the Consolidated Fund:

- Griffith City Council Ordinary Fund
- Griffith City Council Water Fund
- Griffith City Council Sewerage Fund
- Pioneer Park Museum

#### (ii) The Trust Fund

In accordance with the provisions of Section 411 of the Local Government Act 1993 (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

## Griffith City Council

### Notes to the Financial Statements

for the financial year ended 30 June 2012

#### Note 1. Summary of Significant Accounting Policies (continued)

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 statements.

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

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

#### (iii) Joint Ventures

##### Jointly Controlled Assets & Operations

The proportionate interests in the assets, liabilities and expenses of a Joint Venture Activity have been incorporated throughout the financial statements under the appropriate headings.

##### Jointly Controlled Entities

Any interests in Joint Venture Entities & Partnerships are accounted for using the equity method and is carried at cost.

Under the equity method, the share of the profits or losses of the partnership is recognised in the income statement, and the share of movements in retained earnings & reserves is recognised in the balance sheet.

#### (iv) Associated Entities

Where Council has the power to participate in the financial and operating decisions (of another entity), ie. where Council is deemed to have "significant influence" over the other entities operations but neither controls nor jointly controls the entity, then Council accounts for such interests using the equity method of accounting – in a similar fashion to Joint Venture Entities & Partnerships.

Such entities are usually termed Associates.

#### (v) County Councils

Council is not a member of any County Councils.

#### (vi) Additional Information

Griffith City Council participates in cooperative arrangements with other Councils for the provision of library services and facilities.

The Western Riverina Community Library is not consolidated into the Griffith City Council financial reports for the year ended 30 June, 2012.

The Council does not exercise "control" over the decisions taken by the Western Riverina Community Library and under AASB 1031 "Materiality", the equity interest of the Council is not considered to be a material amount.

The financial details of Councils share of the Western Riverina Community Library are:

	2012	2011
Ownership interest	55.36%	50.68%
Proportion of voting power	16.67%	16.67%
GCC Equity opening balance	<b>\$226,480</b>	\$236,203
Movements in Investment	<b>\$19,822</b>	(\$9,723)
GCC Share in Equity	<b>\$246,302</b>	\$226,480

#### (d) Leases

All Leases entered into by Council are reviewed and classified on inception date as either a Finance Lease or an Operating Lease.

##### Finance Leases

Council has no finance leases at financial year end.

##### Operating Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

Lease income from operating leases is recognised in income on a straight-line basis over the lease term.

## Griffith City Council

### Notes to the Financial Statements

for the financial year ended 30 June 2012

#### Note 1. Summary of Significant Accounting Policies (continued)

##### (e) Cash and Cash Equivalents

Cash and cash equivalents includes;

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

Bank overdrafts are shown within borrowings in current liabilities on the balance sheet but are incorporated into Cash & Cash Equivalents for presentation of the Cash Flow Statement.

##### (f) Investments and Other Financial Assets

Council (in accordance with AASB 139) classifies each of its investments into one of the following categories for measurement purposes:

- **financial assets at fair value through profit or loss**,
- **loans and receivables**,
- **held-to-maturity investments**, and
- **available-for-sale financial assets**.

Each classification depends on the purpose/intention for which the investment was acquired & at the time it was acquired.

Management determines each Investment classification at the time of initial recognition and re-evaluates this designation at each reporting date.

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

Financial assets at fair value through profit or loss include financial assets that are "held for trading".

A financial asset is classified in the "held for trading" category if it is acquired principally for the purpose of selling in the short term.

Assets in this category are primarily classified as current assets as they are primarily held for trading &/or are expected to be realised within 12 months of the balance sheet date.

##### (ii) Loans and receivables

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market.

They arise when the Council provides money, goods or services directly to a debtor with no intention (or in some cases ability) of selling the resulting receivable.

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

##### (iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Council's management has the positive intention and ability to hold to maturity.

In contrast to the "Loans & Receivables" classification, these investments are generally quoted in an active market.

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

##### (iv) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories.

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

Accordingly, this classification principally comprises marketable equity securities, but can include all types of financial assets that could otherwise be classified in one of the other investment categories.

## Griffith City Council

### Notes to the Financial Statements

for the financial year ended 30 June 2012

#### Note 1. Summary of Significant Accounting Policies (continued)

They are generally included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date or the term to maturity from the reporting date is less than 12 months.

##### Financial Assets – Reclassification

Council may choose to reclassify a non-derivative trading financial asset out of the held-for-trading category if the financial asset is no longer held for the purpose of selling it in the near term.

Financial assets other than loans and receivables are permitted to be reclassified out of the held-for-trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near term.

Council may also choose to reclassify financial assets that would meet the definition of loans and receivables out of the held-for-trading or available-for-sale categories if it has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made.

Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories are determined at the reclassification date. Further increases in estimates of cash flows adjust effective interest rates prospectively.

##### General Accounting & Measurement of Financial Instruments:

###### (i) Initial Recognition

Investments are initially recognised (and measured) at fair value, plus in the case of investments not at "fair value through profit or loss", directly attributable transactions costs

Purchases and sales of investments are recognised on trade-date - the date on which the Council commits to purchase or sell the asset.

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

###### (ii) Subsequent Measurement

**Available-for-sale financial assets** and **financial assets at fair value through profit and loss** are subsequently carried at fair value.

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

Realised and unrealised gains and losses arising from changes in the fair value of the financial assets classified as "**fair value through profit or loss**" category are included in the income statement in the period in which they arise.

Unrealised gains and losses arising from changes in the fair value of non monetary securities classified as "**available-for-sale**" are recognised in equity in the available-for-sale investments revaluation reserve.

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

##### Impairment

Council assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired.

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

In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered in determining whether the security is impaired.

## Griffith City Council

### Notes to the Financial Statements

for the financial year ended 30 June 2012

#### Note 1. Summary of Significant Accounting Policies (continued)

If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit and loss - is removed from equity and recognised in the income statement.

Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

##### (iii) Types of Investments

Council has an approved Investment Policy in order to undertake its investment of money in accordance with (and to comply with) Section 625 of the Local Government Act and S212 of the LG (General) Regulation 2005.

Investments are placed and managed in accordance with the Policy and having particular regard to authorised investments prescribed under the Ministerial Local Government Investment Order.

Council maintains its Investment Policy in compliance with the Act and ensures that it or its representatives exercise care, diligence and skill that a prudent person would exercise in investing Council funds.

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

##### (g) Fair value estimation

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

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

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques.

Council uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date.

Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held.

If the market for a financial asset is not active (and for unlisted securities), the Council establishes fair value by using valuation techniques.

These include reference to the fair values of recent arm's length transactions, involving the same instruments or other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values.

The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Council for similar financial instruments.

##### (h) Receivables

Receivables are initially recognised at fair value and subsequently measured at amortised cost, less any provision for impairment.

Receivables (excluding Rates & Annual Charges) are generally due for settlement no more than 30 days from the date of recognition.

The collectibility of receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off in accordance with Council's policy.

A provision for impairment (ie. an allowance account) relating to receivables is established when there is objective evidence that the Council will not be able to

## Griffith City Council

### Notes to the Financial Statements

for the financial year ended 30 June 2012

#### Note 1. Summary of Significant Accounting Policies (continued)

collect all amounts due according to the original terms of each receivable.

The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate.

Impairment losses are recognised in the Income Statement within other expenses.

When a receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account.

Subsequent recoveries of amounts previously written off are credited against other expenses in the income statement.

#### (i) Inventories

##### Raw Materials and Stores, Work in Progress and Finished Goods

Raw materials and stores, work in progress and finished goods in respect of business undertakings are all stated at the lower of cost and net realisable value.

Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity.

Costs are assigned to individual items of inventory on the basis of weighted average costs.

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.

Inventories held in respect of non-business undertakings have been valued at cost subject to adjustment for loss of service potential.

##### Land Held for Resale/Capitalisation of Borrowing Costs

Land held for resale is stated at the lower of cost and net realisable value.

Cost is assigned by specific identification and includes the cost of acquisition, and development and borrowing costs during development.

When development is completed borrowing costs and other holding charges are expensed as incurred.

Borrowing costs included in the cost of land held for resale are those costs that would have been avoided if the expenditure on the acquisition and development of the land had not been made.

Borrowing costs incurred while active development is interrupted for extended periods are recognised as expenses.

#### (j) Infrastructure, Property, Plant and Equipment (I,PP&E)

##### Acquisition of assets

Council's non current assets have been progressively revalued to fair value in accordance with a staged implementation as advised by the Division of Local Government.

At balance date, the following classes of I,PP&E were stated at their Fair Value;

- **Investment Properties** – refer Note 1(p),
- **Water and Sewerage Networks**  
(Internal Valuation)
- **Operational Land** (External Valuation)
- **Buildings – Specialised/Non Specialised**  
(External Valuation)
- **Plant and Equipment**  
(as approximated by depreciated historical cost)
- **Roads Assets incl. roads, bridges & footpaths**  
(External Valuation)
- **Drainage Assets** (External Valuation)
- **Bulk Earthworks** (External Valuation)
- **Community Land** (External Valuation)
- **Land Improvements**  
(as approximated by depreciated historical cost)

## Griffith City Council

### Notes to the Financial Statements

for the financial year ended 30 June 2012

#### Note 1. Summary of Significant Accounting Policies (continued)

- **Other Structures**  
(as approximated by depreciated historical cost)

- **Other Assets**  
(as approximated by depreciated historical cost)

#### Initial Recognition

On initial recognition, an assets cost is measured at its fair value, plus all expenditure that is directly attributable to the acquisition.

Where settlement of any part of an asset's cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of recognition (ie. date of exchange) of the asset to arrive at fair value.

The discount rate used is the Council's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Where infrastructure, property, plant and equipment assets are acquired for no cost or for an amount other than cost, the assets are recognised in the financial statements at their fair value at acquisition date - being the amount that the asset could have been exchanged between knowledgeable willing parties in an arm's length transaction.

#### Subsequent costs

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.

#### Asset Revaluations (including Indexation)

In accounting for Asset Revaluations relating to Infrastructure, Property, Plant & Equipment:

- 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 recognised via the profit or

loss, then increase is first recognised in profit or loss.

- Decreases that reverse previous increases of the same asset are first charged against revaluation reserves directly in equity to the extent of the remaining reserve attributable to the asset, with all other decreases charged to the Income statement.

Water and sewerage network assets are indexed annually between full revaluations in accordance with the latest indices provided in the NSW Office of Water - Rates Reference Manual.

For all other assets, Council assesses at each reporting date whether there is any indication that a revalued asset's carrying amount may differ materially from that which would be determined if the asset were revalued at the reporting date.

If any such indication exists, Council determines the asset's fair value and revalues the asset to that amount.

Full revaluations are undertaken for all assets on a 5 year cycle.

#### Capitalisation Thresholds

Items of infrastructure, property, plant and equipment are not capitalised unless their cost of acquisition exceeds the following;

<b>Land</b>	
- council land	100% Capitalised
- open space	100% Capitalised
- land under roads (purchases after 30/6/08)	100% Capitalised

<b>Plant &amp; Equipment</b>	
Office Furniture	> \$1,000
Office Equipment	> \$1,000
Other Plant & Equipment	> \$1,000

<b>Buildings &amp; Land Improvements</b>	
Park Furniture & Equipment	> \$1,000

<b>Building</b>	
- construction/extensions	100% Capitalised
- renovations	> \$1,000

Other Structures	> \$1,000
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## Griffith City Council

### Notes to the Financial Statements

for the financial year ended 30 June 2012

#### Note 1. Summary of Significant Accounting Policies (continued)

<b>Water &amp; Sewer Assets</b>			
Reticulation extensions	> \$1,000	- Bridge : Concrete	100 to 120 years
Other	> \$1,000	- Bridge : Other	100 to 120 years
		- Kerb, Gutter & Paths	14 to 66 years
<b>Stormwater Assets</b>			
Drains & Culverts	> \$1,000	<b>Water &amp; Sewer Assets</b>	
Other	> \$1,000	- Dams and reservoirs	80 to 100 years
		- Bores	20 to 40 years
<b>Transport Assets</b>		- Reticulation pipes : PVC	70 to 80 years
Road construction & reconstruction	> \$1,000	- Reticulation pipes : Other	25 to 80 years
Reseal/Re-sheet & major repairs:	> \$1,000	- Pumps and telemetry	15 to 25 years
Bridge construction & reconstruction	> \$1,000		
		<b>Other Infrastructure Assets</b>	
		- Bulk earthworks	Infinite
<b>Depreciation</b>			
<p>Depreciation on Council's infrastructure, property, plant and equipment assets is calculated using the straight line method in order to allocate an assets cost (net of residual values) over its estimated useful life.</p> <p>Land is not depreciated.</p> <p>Estimated useful lives for Council's I,PP&amp;E include:</p>		<p>All asset residual values and useful lives are reviewed and adjusted (where appropriate), at each balance sheet date.</p> <p>An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount – refer Note 1(s) on Asset Impairment.</p>	
<b>Plant &amp; Equipment</b>		<b>Disposal and De-recognition</b>	
- Office Equipment	5 to 10 years	An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.	
- Office furniture	10 to 20 years	Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in Council's Income Statement in the year the asset is derecognised.	
- Computer Equipment	3 to 4 years		
- Vehicles	3 to 6 years		
- Heavy Plant/Road Making equip.	5 to 8 years		
- Other plant and equipment	5 to 15 years		
<b>Other Equipment</b>			
- Playground equipment	5 to 15 years		
- Benches, seats etc	10 to 20 years		
<b>Buildings</b>			
- Buildings : Masonry	50 to 100 years		
- Buildings : Other	20 to 40 years		
<b>Stormwater Drainage</b>			
- Drains	80 to 100 years		
- Culverts	50 to 80 years		
<b>Transportation Assets</b>			
- Sealed Roads : Surface	15 to 20 years		
- Sealed Roads : Structure	20 to 120 years		
- Unsealed roads (Structure & Surface)	20 to 120 years		
		<b>(k) Land</b>	
		Land (other than Land under Roads) is in accordance with Part 2 of Chapter 6 of the Local Government Act (1993) classified as either Operational or Community.	
		This classification of Land is disclosed in Note 9(a).	

## Griffith City Council

### Notes to the Financial Statements

for the financial year ended 30 June 2012

#### Note 1. Summary of Significant Accounting Policies (continued)

##### (l) 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 acquired after 1 July 2008 is recognised in accordance with AASB 116 – Property, Plant and Equipment.

##### (m) Intangible Assets

Council has not classified any assets as Intangible.

##### (n) 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 the reserves are recognised within Council's Income Statement.

Representations are currently being sought across State and Local Government to develop a consistent accounting treatment for Crown Reserves across both tiers of government.

##### (o) Rural Fire Service assets

Under section 119 of the Rural Fires Act 1997, *“all fire fighting equipment purchased or constructed wholly or from money to the credit of the Fund is to be vested in the council of the area for or on behalf of which the fire fighting equipment has been purchased or constructed”*.

At present, the accounting for such fire fighting equipment is not treated in a consistent manner across all Councils.

Until such time as discussions on this matter have concluded and the legislation changed, Council will continue to account for these assets as it has been doing in previous years, which is to exclude the assets, their values and depreciation charges from these financial statements.

##### (p) Investment property

Council has not classified any Land or Buildings as “Investment Properties at reporting date.

##### (q) Provisions for close down, restoration and for environmental clean up costs – including Tips and Quarries

Council has no provision for the close down, restoration and environmental clean up costs for Tips and Quarries at financial year end.

##### (r) Non-Current Assets (or Disposal Groups) “Held for Sale” & Discontinued Operations

Council has no “Held for Sale” non-current assets or disposal groups at financial year end.

##### (s) Impairment of assets

All Council's I,PP&E is subject to an annual assessment of impairment.

Assets that are subject to amortisation are reviewed 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.

## Griffith City Council

### Notes to the Financial Statements

for the financial year ended 30 June 2012

#### Note 1. Summary of Significant Accounting Policies (continued)

For non-cash generating assets of Council such as roads, drains, public buildings etc - value in use is represented by the "deprival value" of the asset which is approximated as its written down replacement cost.

Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Goodwill & other Intangible Assets that have an indefinite useful life and are not subject to amortisation are tested annually for impairment.

#### (t) Payables

These amounts represent liabilities and include goods and services provided to the Council prior to the end of financial year which are unpaid.

The amounts for goods and services are unsecured and are usually paid within 30 days of recognition.

#### (u) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred.

Borrowings are subsequently measured at amortised cost.

Amortisation results in any difference between the proceeds (net of transaction costs) and the redemption amount being recognised in the Income Statement over the period of the borrowings using the effective interest method.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired.

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

#### (v) Borrowing costs

Borrowing costs are expensed except to the extent that they are incurred during the construction of qualifying assets.

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.

#### (w) Provisions

Provisions for legal claims, service warranties and other like liabilities are recognised when:

- Council has a present legal or constructive obligation as a result of past events;
- it is more likely than not that an outflow of resources will be required to settle the obligation; and
- the amount has been reliably estimated.

Provisions are not recognised for future operating losses.

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.

## Griffith City Council

### Notes to the Financial Statements

for the financial year ended 30 June 2012

#### Note 1. Summary of Significant Accounting Policies (continued)

##### (x) Employee benefits

###### (i) Short Term Obligations

Short term employee benefit obligations include liabilities for wages and salaries (including non-monetary benefits), annual leave and vesting sick leave expected to be settled within the 12 months after the reporting period.

Leave liabilities are recognised in the provision for employee benefits in respect of employees' services up to the reporting date with other short term employee benefit obligations disclosed under payables..

These provisions are measured at the amounts expected to be paid when the liabilities are settled.

Liabilities for non vesting sick leave are recognised at the time when the leave is taken and measured at the rates paid or payable, and accordingly no Liability has been recognised in these reports.

Wages & salaries, annual leave and vesting sick leave are all classified as Current Liabilities.

###### (ii) Other Long Term Obligations

The liability for all long service and annual leave in respect of services provided by employees up to the reporting date (which is not expected to be settled within the 12 months after the reporting period) are recognised in the provision for employee benefits.

These liabilities are measured at the present value of the expected future payments to be made 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 then discounted using market yields at the reporting date based on national government bonds with terms to maturity and currency that match as closely as possible the estimated future cash outflows.

Due to the nature of when and how Long Service Leave can be taken, all Long Service Leave for employees with 4 or more years of service has been classified as Current, as it has been deemed that Council does not have the unconditional right to

defer settlement beyond 12 months – even though it is not anticipated that all employees with more than 4 years service (as at reporting date) will apply for and take their leave entitlements in the next 12 months.

###### (iii) Retirement benefit obligations

All employees of the Council are entitled to benefits on retirement, disability or death.

Council contributes to various defined benefit plans and defined contribution plans on behalf of its employees.

###### Defined Benefit Plans

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

The present value of the defined benefit obligation is based on expected future payments which arise from membership of the fund to the reporting date, calculated annually by independent actuaries using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service.

However, when this information is not reliably available, Council can account for its obligations to defined benefit plans on the same basis as its obligations to defined contribution plans – i.e. as an expense when they become payable.

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

This Scheme has been deemed to be a "multi employer fund" for the purposes of AASB 119.

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

## Griffith City Council

### Notes to the Financial Statements

for the financial year ended 30 June 2012

#### Note 1. Summary of Significant Accounting Policies (continued)

Accordingly, Council's contributions to the scheme for the current reporting year have been recognised as an expense and disclosed as part of Superannuation Expenses at Note 4(a).

The Local Government Superannuation Scheme has advised member councils that, as a result of the global financial crisis, it has a significant deficiency of assets over liabilities.

As a result, they have asked for significant increases in future contributions to recover that deficiency.

Council's share of that deficiency is approximated at \$1,231,633 at financial year end. No liability for the deficiency has been recognised in these financial statements.

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

#### Defined Contribution Plans

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

#### (iv) Employee Benefit On-Costs

Council has recognised at year end the aggregate on-cost liabilities arising from employee benefits, and in particular those on-cost liabilities that will arise when payment of current employee benefits is made in future periods.

These amounts include Superannuation and Workers Compensation expenses which will be payable upon the future payment of certain Leave Liabilities accrued as at 30/6/12.

#### (y) Self insurance

Council does not self insure.

#### (z) Allocation between current and non-current assets & liabilities

In the determination of whether an asset or liability is classified as current or non-current, consideration is given to the time when each asset or liability is expected to be settled.

The asset or liability is classified as current if it is expected to be settled within the next 12 months, being the Council's operational cycle.

#### Exceptions

In the case of liabilities where Council does not have the unconditional right to defer settlement beyond 12 months (such as vested long service leave), the liability is classified as current even if not expected to be settled within the next 12 months.

In the case of inventories that are "held for trading", these are also classified as current even if not expected to be realised in the next 12 months.

#### (aa) Taxes

The Council is exempt from both Commonwealth Income Tax and Capital Gains Tax.

Council does however have to comply with both Fringe Benefits Tax and Goods and Services Tax (GST).

#### Goods & Services Tax (GST)

Income, expenses and assets are all recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO).

In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of the revenue / expense.

Receivables and payables within the Balance Sheet are stated inclusive of any applicable GST.

The net amount of GST recoverable from or payable to the ATO is included as a current asset or current liability in the Balance Sheet.

## Griffith City Council

### Notes to the Financial Statements

for the financial year ended 30 June 2012

#### Note 1. Summary of Significant Accounting Policies (continued)

Operating cash flows within the Cash Flow Statement are on a gross basis, ie. they are inclusive of GST where applicable.

Investing and Financing cash flows are treated on a net basis (where recoverable from the ATO), ie. they are exclusive of GST. Instead, the GST component of investing and financing activity cash flows which are recoverable from or payable to the ATO are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from (or payable to) the ATO.

#### (ab) New accounting standards and UIG interpretations

Certain new (or amended) accounting standards and interpretations have been published that are not mandatory for reporting periods ending 30 June 2012.

**Council has not adopted any of these standards early.**

Council's assessment of the impact of these new standards and interpretations is set out below.

#### Applicable to Local Government with implications:

***AASB 9 Financial Instruments, AASB 2009 11 Amendments to Australian Accounting Standards arising from AASB 9 and AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) (effective from 1 January 2013)***

AASB 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities.

The standard is not applicable until 1 January 2013 but is available for early adoption.

When adopted, the standard will affect in particular the Council's accounting for its available-for-sale financial assets, since AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. Fair value

gains and losses on available-for-sale debt investments, for example, will therefore have to be recognised directly in profit or loss.

There will be no impact on Council's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and Council does not have any such liabilities.

The derecognition rules have been transferred from AASB 139 Financial Instruments: Recognition and Measurement and have not been changed

***AASB 10 - Consolidated Financial Statements, AASB 11 - Joint Arrangements, AASB 12 - Disclosure of Interests in Other Entities, revised AASB 127 - Separate Financial Statements and AASB 128 - Investments in Associates and Joint Ventures and AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards (effective 1 January 2013)***

In August 2011, the AASB issued a suite of five new and amended standards which address the accounting for joint arrangements, consolidated financial statements and associated disclosures.

AASB 10 replaces all of the guidance on control and consolidation in AASB 127 Consolidated and Separate Financial Statements, and Interpretation 12 Consolidation – Special Purpose Entities.

The core principle that a consolidated entity presents a parent and its subsidiaries as if they are a single economic entity remains unchanged, as do the mechanics of consolidation.

However, the standard introduces a single definition of control that applies to all entities.

It focuses on the need to have both power and rights or exposure to variable returns.

Power is the current ability to direct the activities that significantly influence returns. Returns must vary and can be positive, negative or both. Control exists when the investor can use its power to affect the amount of its returns.

There is also new guidance on participating and protective rights and on agent/principal relationships.

## Griffith City Council

### Notes to the Financial Statements

for the financial year ended 30 June 2012

#### Note 1. Summary of Significant Accounting Policies (continued)

Council does not expect the new standard to have a significant impact on its composition.

AASB 11 introduces a principles based approach to accounting for joint arrangements.

The focus is no longer on the legal structure of joint arrangements, but rather on how rights and obligations are shared by the parties to the joint arrangement.

Based on the assessment of rights and obligations, a joint arrangement will be classified as either a joint operation or a joint venture.

Joint ventures are accounted for using the equity method, and the choice to proportionately consolidate will no longer be permitted.

Parties to a joint operation will account their share of revenues, expenses, assets and liabilities in much the same way as under the previous standard.

AASB 11 also provides guidance for parties that participate in joint arrangements but do not share joint control.

Council's investment in the joint venture partnership will be classified as a joint venture under the new rules.

As Council already applies the equity method in accounting for this investment, AASB 11 will not have any impact on the amounts recognised in its financial statements.

AASB 12 sets out the required disclosures for entities reporting under the two new standards, AASB 10 and AASB 11, and replaces the disclosure requirements currently found in AASB 127 and AASB 128.

Application of this standard by Council will not affect any of the amounts recognised in the financial statements, but will impact the type of information disclosed in relation to Council's investments.

Amendments to AASB 128 provide clarification that an entity continues to apply the equity method and does not remeasure its retained interest as part of ownership changes where a joint venture becomes an associate, and vice versa. The amendments also introduce a "partial disposal" concept. Council is still assessing the impact of these amendments.

Council does not expect to adopt the new standards before their operative date. They would therefore be first applied in the financial statements for the annual reporting period ending 30 June 2014.

#### **AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13 (effective 1 January 2013)**

AASB 13 was released in September 2011.

It explains how to measure fair value and aims to enhance fair value disclosures. Council has yet to determine which, if any, of its current measurement techniques will have to change as a result of the new guidance.

It is therefore not possible to state the impact, if any, of the new rules on any of the amounts recognised in the financial statements. However, application of the new standard will impact the type of information disclosed in the notes to the financial statements.

Council does not intend to adopt the new standard before its operative date, which means that it would be first applied in the annual reporting period ending 30 June 2014.

#### **Applicable to Local Government but no implications for Council;**

None

#### **Applicable to Local Government but not relevant to Council at this stage;**

#### **Revised AASB 119 Employee Benefits, AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 (September 2011) and AASB 2011-11 Amendments to AASB 119 (September 2011) arising from Reduced Disclosure Requirements (effective 1 January 2013)**

In September 2011, the AASB released a revised standard on accounting for employee benefits.

It requires the recognition of all remeasurements of defined benefit liabilities/assets immediately in other comprehensive income (removal of the so-called

## Griffith City Council

### Notes to the Financial Statements for the financial year ended 30 June 2012

#### Note 1. Summary of Significant Accounting Policies (continued)

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'corridor' method) and the calculation of a net interest expense or income by applying the discount rate to the net defined benefit liability or asset.

This replaces the expected return on plan assets that is currently included in profit or loss.

The standard also introduces a number of additional disclosures for defined benefit liabilities/assets and could affect the timing of the recognition of termination benefits.

The amendments will have to be implemented retrospectively.

Council does not recognise defined benefit assets and liabilities for the reasons set out in note 1 (s)(iii) and so these changes will not have an impact on its reported results.

#### **Not applicable to Local Government per se;**

None

There are no other standards that are not yet effective and that are expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

#### **(ac) Rounding of amounts**

Unless otherwise indicated, amounts in the financial statements have been rounded off to the nearest thousand dollars.

#### **(ad) Comparative Figures**

To ensure comparability with the current reporting period's figures, some comparative period line items and amounts may have been reclassified or individually reported for the first time within these financial statements and/or the notes.

#### **(ae) Disclaimer**

Nothing contained within these statements may be taken to be an admission of any liability to any person under any circumstance.

# Griffith City Council

## Notes to the Financial Statements

for the financial year ended 30 June 2012

### Note 2(a). Council Functions / Activities - Financial Information

Functions/Activities	Income, Expenses and Assets have been directly attributed to the following Functions / Activities. Details of these Functions/Activities are provided in Note 2(b).												
	Income from Continuing Operations			Expenses from Continuing Operations			Operating Result from Continuing Operations			Grants included in Income from Continuing Operations		Total Assets held (Current & Non-current)	
	Original Budget	Actual	Actual	Original Budget	Actual	Actual	Original Budget	Actual	Actual	Actual	Actual	Actual	Actual
	2012	2012	2011	2012	2012	2011	2012	2012	2011	2012	2011	2012	2011
Governance	-	-	-	-	-	-	-	-	-	-	-	6,906	6,105
Administration	319	638	552	8,171	8,396	7,663	(7,852)	(7,758)	(7,111)	50	45	22,061	25,366
Public Order & Safety	2,330	2,134	347	920	868	844	1,410	1,266	(497)	1,871	144	2,721	767
Health	126	385	131	439	468	442	(313)	(83)	(311)	291	15	18	22
Environment	5,071	5,198	4,976	4,322	4,318	4,202	749	880	774	214	160	6,337	3,418
Community Services & Education	282	190	273	618	514	652	(336)	(324)	(379)	142	187	2,548	2,578
Housing & Community Amenities	1,408	1,386	1,194	3,551	3,533	2,869	(2,143)	(2,147)	(1,675)	102	154	53,494	53,995
Water Supplies	7,627	7,055	6,354	5,009	5,766	4,668	2,618	1,289	1,686	369	423	134,013	115,803
Sewerage Services	7,264	7,279	7,054	3,995	4,241	3,962	3,269	3,038	3,092	60	41	134,524	126,175
Recreation & Culture	1,766	2,098	2,249	7,247	7,290	7,165	(5,481)	(5,192)	(4,916)	99	434	40,504	41,034
Fuel & Energy	-	-	-	-	-	-	-	-	-	-	-	-	-
Agriculture	-	-	-	-	-	-	-	-	-	-	-	-	-
Mining, Manufacturing & Construction	182	81	116	4	18	15	178	63	101	-	-	34	-
Transport & Communication	3,893	5,128	4,431	6,945	8,167	8,108	(3,052)	(3,039)	(3,677)	2,394	1,046	154,815	164,578
Economic Affairs	867	1,034	1,240	1,431	1,897	1,587	(564)	(863)	(347)	323	521	6,892	6,830
<b>Total Functions &amp; Activities</b>	<b>31,135</b>	<b>32,606</b>	<b>28,917</b>	<b>42,652</b>	<b>45,476</b>	<b>42,177</b>	<b>(11,517)</b>	<b>(12,870)</b>	<b>(13,260)</b>	<b>5,915</b>	<b>3,170</b>	<b>564,867</b>	<b>546,671</b>
Share of gains/(losses) in Associates & Joint Ventures (using the Equity Method)	-	-	-	-	-	-	-	-	-	-	-	-	-
General Purpose Income <sup>1</sup>	17,644	19,213	17,417	-	-	-	17,644	19,213	17,417	5,676	4,297	-	-
<b>Operating Result from Continuing Operations</b>	<b>48,779</b>	<b>51,819</b>	<b>46,334</b>	<b>42,652</b>	<b>45,476</b>	<b>42,177</b>	<b>6,127</b>	<b>6,343</b>	<b>4,157</b>	<b>11,591</b>	<b>7,467</b>	<b>564,867</b>	<b>546,671</b>

1. Includes: Rates & Annual Charges (incl. Ex-Gratia), Untied General Purpose Grants & Unrestricted Interest & Investment Income.

## Griffith City Council

### Notes to the Financial Statements

for the financial year ended 30 June 2012

#### 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**

Costs relating to the 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, area representation and public disclosure and compliance.

##### **ADMINISTRATION**

Corporate Support and Other Support Services (not otherwise attributed to the listed functions / activities).

##### **PUBLIC ORDER & SAFETY**

Fire protection, animal control, enforcement of local government regulations, emergency services, other.

##### **HEALTH**

Inspection, immunisations, food control, other, administration.

##### **ENVIRONMENT**

Noxious plants and insect/vermin control, other environmental protection, solid waste management, street cleaning, drainage, stormwater management.

##### **COMMUNITY SERVICES & EDUCATION**

Administration, youth services, other family and children, aged and disabled, migrant services, Aboriginal services, other community services, education.

##### **HOUSING & COMMUNITY AMENITIES**

Housing, town planning, street lighting, other sanitation and garbage, public cemeteries, public conveniences, other community amenities.

##### **WATER SUPPLIES**

##### **SEWERAGE SERVICES**

##### **RECREATION & CULTURE**

Public libraries, museums, art galleries, community centres, public halls, other cultural services, swimming pools, sporting grounds, parks and gardens (lakes), other sport and recreation.

##### **MINING, MANUFACTURING & CONSTRUCTION**

Building control, quarries & pits, other.

##### **TRANSPORT & COMMUNICATION**

Urban roads, sealed rural roads, unsealed rural roads, bridges, footpaths, aerodromes, parking areas, bus shelters and services, water transport, RTA works, other.

##### **ECONOMIC AFFAIRS**

Tourism and area promotion, industrial development promotion, saleyards and markets, real estate development, other business undertakings.

## Griffith City Council

Notes to the Financial Statements  
for the financial year ended 30 June 2012

## Note 3. Income from Continuing Operations

\$ '000	Notes	Actual 2012	Actual 2011
<b>(a). Rates &amp; Annual Charges</b>			
<b>Ordinary Rates</b>			
Residential		6,710	6,488
Farmland		4,302	4,163
Business		2,204	2,108
<b>Total Ordinary Rates</b>		<b>13,216</b>	<b>12,759</b>
<b>Special Rates</b>			
Nil			
<b>Annual Charges</b> (pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Domestic Waste Management Services		2,007	1,883
Stormwater Management Services		165	163
Water Supply Services		1,720	1,652
Sewerage Services		6,324	6,077
Waste Management Services (non-domestic)		851	822
Kerbside Recycling		943	874
<b>Total Annual Charges</b>		<b>12,010</b>	<b>11,471</b>
<b>TOTAL RATES &amp; ANNUAL CHARGES</b>		<b>25,226</b>	<b>24,230</b>

Council has used 2010 year valuations provided by the NSW Valuer General in calculating its rates.

## Griffith City Council

## Notes to the Financial Statements

for the financial year ended 30 June 2012

## Note 3. Income from Continuing Operations (continued)

\$ '000	Notes	Actual 2012	Actual 2011
<b>(b). User Charges &amp; Fees</b>			
<b>Specific User Charges</b> (per s.502 - Specific "actual use" charges)			
Domestic Waste Management Services		5	5
Water Supply Services		4,270	3,362
Sewerage Services		588	576
Waste Management Services (non-domestic)		211	205
<b>Total User Charges</b>		<b>5,074</b>	<b>4,148</b>
<b>Other User Charges &amp; Fees</b>			
<b>(i) Fees &amp; Charges - Statutory &amp; Regulatory Functions</b> (per s.608)			
Planning & Building Regulation		154	214
Private Works - Section 67		131	197
Regulatory/ Statutory Fees		185	224
Registration Fees		15	33
Regulatory Fees		88	84
Section 149 Certificates (EPA Act)		86	66
Section 603 Certificates		27	24
Town Planning		25	50
Water Supplies		213	210
<b>Total Fees &amp; Charges - Statutory/Regulatory</b>		<b>924</b>	<b>1,102</b>
<b>(ii) Fees &amp; Charges - Other (incl. General User Charges)</b> (per s.608)			
Aerodrome		636	567
Cemeteries		404	404
Engineering Services		5	-
Industrial Discharge		22	27
Library & Art Gallery		90	90
Museum		118	49
Regional Theatre		331	308
RMS (formerly RTA) Charges (State Roads not controlled by Council)		1,512	2,151
Saleyards		365	378
Sewerage Junction Fees		-	4
Sports Stadium		83	67
Swimming Centres		1,188	1,082
Tourism		114	101
Waste Disposal Tipping Fees		674	611
Hire of Council Chambers		16	-
Other		35	33
<b>Total Fees &amp; Charges - Other</b>		<b>5,593</b>	<b>5,872</b>
<b>TOTAL USER CHARGES &amp; FEES</b>		<b>11,591</b>	<b>11,122</b>

## Griffith City Council

Notes to the Financial Statements  
for the financial year ended 30 June 2012

## Note 3. Income from Continuing Operations (continued)

\$ '000	Notes	Actual 2012	Actual 2011
<b>(c). Interest &amp; Investment Revenue (incl. losses)</b>			
<b>Interest &amp; Dividends</b>			
- Interest on Overdue Rates & Annual Charges		150	86
- Interest earned on Investments (interest & coupon payment income)		776	920
- Interest & Dividend Income (Other)		-	30
<b>Fair Value Adjustments</b>			
- Fair Valuation movements in Investments (at FV or Held for Trading)		70	174
<b>TOTAL INTEREST &amp; INVESTMENT REVENUE</b>		<u>996</u>	<u>1,210</u>
<b>Interest Revenue is attributable to:</b>			
<b>Unrestricted Investments/Financial Assets:</b>			
Overdue Rates & Annual Charges (General Fund)		59	35
General Council Cash & Investments		321	361
<b>Restricted Investments/Funds - External:</b>			
<b>Development Contributions</b>			
- Section 94		87	252
- Section 64		94	145
Water Fund Operations		251	226
Sewerage Fund Operations		152	163
Domestic Waste Management operations		32	28
<b>Total Interest &amp; Investment Revenue Recognised</b>		<u>996</u>	<u>1,210</u>
<b>(d). Other Revenues</b>			
Fines - Parking		107	92
Fines - Other		80	66
Legal Fees Recovery - Rates & Charges (Extra Charges)		149	158
Commissions & Agency Fees		7	7
Insurance Claim Recoveries		3	28
Lease Rental		234	247
OH&S Incentive Payment		42	64
Quarry Income		81	116
Recycling Income (non domestic)		38	22
Resource Sharing Income		151	105
Sales - General		8	8
Sale of Second Hand Computer Equipment		-	5
Sale of Surplus Materials/Stores		-	7
Temporary Sale of Water Allocation		27	-
Workers Compensation Refund		146	-
Other		69	21
<b>TOTAL OTHER REVENUE</b>		<u>1,142</u>	<u>946</u>

## Griffith City Council

Notes to the Financial Statements  
for the financial year ended 30 June 2012

## Note 3. Income from Continuing Operations (continued)

\$ '000	2012 Operating	2011 Operating	2012 Capital	2011 Capital
<b>(e). Grants</b>				
<b>General Purpose (Untied)</b>				
Financial Assistance - General Component	3,703	2,740	-	-
Financial Assistance - Local Roads Component	1,813	1,394	-	-
Pensioners' Rates Subsidies - General Component	160	163	-	-
<b>Total General Purpose</b>	<b>5,676</b>	<b>4,297</b>	<b>-</b>	<b>-</b>
<b>Specific Purpose</b>				
Pensioners' Rates Subsidies:				
- Water	67	47	-	-
- Sewerage	60	41	-	-
- Domestic Waste Management	42	41	-	-
Water Supplies	42	91	261	292
Bushfire & Emergency Services	189	144	1,681	-
Economic Development - Strengthening				
Riverina Irrigation Communities	248	521	-	-
Employment & Training Programs	51	45	-	-
Environmental Protection	5	15	-	-
Federal Govt. Regional Infrastructure Grant	-	-	-	174
Flood Plain Study & Risk Management	57	137	-	15
Health - Mosquito Control	4	3	-	-
Health - Noxious Weeds	115	109	-	-
Jobs Fund Grants	-	-	-	33
Recreation & Culture - Aquatic Centre	-	-	-	9
Recreation & Culture - Arts	2	23	-	-
Recreation & Culture - Community Projects	141	187	-	-
Recreation & Culture - Library	82	83	-	-
Recreation & Culture - Museum	-	-	-	30
Recreation & Culture - Passive Recreation	1	-	15	76
Recreation & Culture - Sporting Facilities	-	-	-	40
Road Safety	5	3	-	-
Street Lighting	97	86	-	-
Transport (Roads to Recovery)	593	617	-	-
Transport (RTA)	-	-	647	308
March 2012 Emergency Event Cost Recovery	870	-	-	-
Healthy Communities Initiative	280	-	-	-
Digital Switchover Project	75	-	-	-
Regional Development Australia Fund - Airport Upgrade	-	-	285	-
<b>Total Specific Purpose</b>	<b>3,026</b>	<b>2,193</b>	<b>2,889</b>	<b>977</b>
<b>Total Grants</b>	<b>8,702</b>	<b>6,490</b>	<b>2,889</b>	<b>977</b>
<b>Grant Revenue is attributable to:</b>				
- Commonwealth Funding	6,373	4,947	300	353
- State Funding	2,329	1,543	2,589	624
	<b>8,702</b>	<b>6,490</b>	<b>2,889</b>	<b>977</b>

## Griffith City Council

Notes to the Financial Statements  
for the financial year ended 30 June 2012

## Note 3. Income from Continuing Operations (continued)

\$ '000	2012 Operating	2011 Operating	2012 Capital	2011 Capital
<b>(f). Contributions</b>				
<b>Developer Contributions:</b>				
<b>(s93 &amp; s94 - EP&amp;A Act, s64 of the NSW LG Act):</b>				
S 94 - Contributions towards amenities/services	-	-	23	16
S 94A - Fixed Development Consent Levies	-	-	170	24
S 64 - Water Supply Contributions	-	-	72	96
S 64 - Sewerage Service Contributions	-	-	44	64
S 64 - Stormwater Contributions	-	-	-	7
<b>Total Developer Contributions</b>	17 -	-	<b>309</b>	<b>207</b>
<b>Other Contributions:</b>				
Business Development	116	92	-	-
Charles Sturt University	25	25	-	-
Drainage	-	-	10	-
Economic Affairs - Tourism/Events	11	7	-	-
Health - Health Services	25	25	-	-
Kerb & Gutter	-	-	3	-
Public Order & Safety - Bushfire/SES	43	33	47	-
Recreation & Culture - Aquatic Centre	-	2	-	-
Recreation & Culture - Arts	5	11	-	-
Recreation & Culture - Community Projects	2	36	-	-
Recreation & Culture - Library	11	3	-	-
Recreation & Culture - Museum	-	42	-	-
Recreation & Culture - Theatre	-	8	-	-
Recreation & Culture - Passive Recreation	31	24	21	26
Roads & Bridges	-	22	8	-
RMS Contributions (Regional Roads, Block Grant)	574	634	-	-
Sewerage (excl. Section 64 contributions)	-	-	13	22
Water Supplies (excl. Section 64 contributions)	17	41	-	52
Other	2	5	-	-
<b>Total Other Contributions</b>	<b>862</b>	<b>1,010</b>	<b>102</b>	<b>100</b>
<b>Total Contributions</b>	<b>862</b>	<b>1,010</b>	<b>411</b>	<b>307</b>
<b>TOTAL GRANTS &amp; CONTRIBUTIONS</b>	<b>9,564</b>	<b>7,500</b>	<b>3,300</b>	<b>1,284</b>

## Griffith City Council

Notes to the Financial Statements  
for the financial year ended 30 June 2012

## Note 3. Income from Continuing Operations (continued)

\$ '000	Actual 2012	Actual 2011
<b>(g). Restrictions relating to Grants and Contributions</b>		
<b>Certain grants &amp; contributions are obtained by Council on condition that they be spent in a specified manner:</b>		
Unexpended at the Close of the Previous Reporting Period	4,935	6,076
<b>add:</b> Grants & contributions recognised in the current period but not yet spent:	25	267
<b>less:</b> Grants & contributions recognised in a previous reporting period now spent:	(1,487)	(1,408)
<b>Net Increase (Decrease) in Restricted Assets during the Period</b>	<b>(1,462)</b>	<b>(1,141)</b>
<b>Unexpended and held as Restricted Assets</b>	<b>3,473</b>	<b>4,935</b>
<b>Comprising:</b>		
- Specific Purpose Unexpended Grants	55	153
- Developer Contributions	3,418	4,782
	<b>3,473</b>	<b>4,935</b>

## Griffith City Council

Notes to the Financial Statements  
for the financial year ended 30 June 2012

## Note 4. Expenses from Continuing Operations

\$ '000	Notes	Actual 2012	Actual 2011
<b>(a) Employee Benefits &amp; On-Costs</b>			
Salaries and Wages		15,480	14,225
Travelling		40	39
Employee Leave Entitlements (ELE)		3,978	2,906
Superannuation		1,819	1,798
Workers' Compensation Insurance		646	942
Fringe Benefit Tax (FBT)		31	43
Payroll Tax		129	121
Training Costs (other than Salaries & Wages)		142	307
Professional Development		60	107
Staff Recruitment		95	71
Educational Assistance		32	7
Motor Vehicle Allowance		126	133
<b>Total Employee Costs</b>		<b>22,578</b>	<b>20,699</b>
less: Capitalised Costs		(1,111)	(1,258)
<b>TOTAL EMPLOYEE COSTS EXPENSED</b>		<b>21,467</b>	<b>19,441</b>
Number of "Equivalent Full Time" Employees at year end		295	295
<b>(b) Borrowing Costs</b>			
<b>(i) Interest Bearing Liability Costs</b>			
Interest on Overdraft		1	-
Interest on Loans		1,621	681
<b>Total Interest Bearing Liability Costs</b>		<b>1,622</b>	<b>681</b>
less: Capitalised Costs		(1,363)	(442)
<b>Total Interest Bearing Liability Costs Expensed</b>		<b>259</b>	<b>239</b>
<b>(ii) Other Borrowing Costs</b>			
Interest applicable on Interest Free (& favourable) Loans to Council		85	92
<b>Total Other Borrowing Costs</b>		<b>85</b>	<b>92</b>
<b>TOTAL BORROWING COSTS EXPENSED</b>		<b>344</b>	<b>331</b>

## Griffith City Council

## Notes to the Financial Statements

for the financial year ended 30 June 2012

## Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Actual 2012	Actual 2011
<b>(c) Materials &amp; Contracts</b>			
Raw Materials & Consumables		9,960	10,283
Auditors Remuneration <sup>(1)</sup>		33	32
Legal Expenses:			
- Legal Expenses: Planning & Development		22	19
- Legal Expenses: Other		229	150
Operating Leases:			
- Operating Lease Rentals: Minimum Lease Payments <sup>(2)</sup>		13	6
<b>Total Materials &amp; Contracts</b>		<b>10,257</b>	<b>10,490</b>
less: Capitalised Costs		-	-
<b><u>TOTAL MATERIALS &amp; CONTRACTS</u></b>		<b><u>10,257</u></b>	<b><u>10,490</u></b>
<b>1. Auditor Remuneration</b>			
During the year, the following fees were incurred for services provided by the Council's Auditor (& the Auditors of other Consolidated Entities):			
<b>(i) Audit and Other Assurance Services</b>			
- Audit & review of financial statements: Council's Auditor		33	32
<b>Remuneration for audit and other assurance services</b>		<b>33</b>	<b>32</b>
<b>Total Auditor Remuneration</b>		<b>33</b>	<b>32</b>
<b>2. Operating Lease Payments are attributable to:</b>			
Computers		13	6
		<b>13</b>	<b>6</b>

## Griffith City Council

Notes to the Financial Statements  
for the financial year ended 30 June 2012

## Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Impairment Costs		Depreciation/Amortisation	
		Actual 2012	Actual 2011	Actual 2012	Actual 2011
Plant and Equipment		-	-	1,371	1,264
Office Equipment		-	-	164	172
Furniture & Fittings		-	-	62	78
Buildings - Specialised		-	-	340	340
Other Structures		-	-	955	901
Infrastructure:					
- Roads, Bridges & Footpaths		11,450	-	2,697	2,626
- Stormwater Drainage		-	-	633	633
- Water Supply Network		-	-	1,717	908
- Sewerage Network		-	-	1,312	1,271
Other Assets					
- Other		-	-	450	442
<b>Total Depreciation &amp; Impairment Costs</b>		<b>11,450</b>	<b>-</b>	<b>9,701</b>	<b>8,635</b>
less: Capitalised Costs		-	-	(65)	(72)
less: Impairments (to)/from ARR [Equity]	9a	(11,450)	-	-	-
<b><u>TOTAL DEPRECIATION &amp; IMPAIRMENT COSTS EXPENSED</u></b>		<b><u>-</u></b>	<b><u>-</u></b>	<b><u>9,636</u></b>	<b><u>8,563</u></b>

## Griffith City Council

## Notes to the Financial Statements

for the financial year ended 30 June 2012

## Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Actual 2012	Actual 2011
<b>(e) Other Expenses</b>			
Other Expenses for the year include the following:			
Contributions/Levies to Other Levels of Government			
- DWR Contributions		44	43
- Emergency Services Levy		32	22
- NSW Fire Brigade Levy		86	85
- NSW Rural Fire Service Levy		236	225
Councillor Expenses - Mayoral Fee		35	34
Councillor Expenses - Councillors' Fees		188	174
Councillors' Expenses (incl. Mayor) - Other (excluding fees above)		78	73
Donations, Contributions & Assistance to other organisations (Section 356)			
- Donations, Contributions & Assistance: Griffith La Festa		20	20
- Donations, Contributions & Assistance: Griffith Offroad Championships		-	10
- Donations, Contributions & Assistance: Griffith Shed for Men		20	-
- Donations, Contributions & Assistance: RIVROC/RAMROC		21	19
- Donations, Contributions & Assistance: Griffith Sports Academy		-	10
- Donations, Contributions & Assistance: WRCL		214	201
- Donations, Contributions & Assistance: Other		97	109
Electricity & Heating		1,454	1,127
Insurance		545	549
Street Lighting		418	380
Telephone & Communications		256	271
<b>Total Other Expenses</b>		<b>3,744</b>	<b>3,352</b>
less: Capitalised Costs		-	-
<b><u>TOTAL OTHER EXPENSES</u></b>		<b><u>3,744</u></b>	<b><u>3,352</u></b>

## Note 5. Gains or Losses from the Disposal of Assets

<b>Plant &amp; Equipment</b>			
Proceeds from Disposal - Plant & Equipment		456	821
less: Carrying Amount of P&E Assets Sold / Written Off		(484)	(779)
<b>Net Gain/(Loss) on Disposal</b>		<b>(28)</b>	<b>42</b>
<b>Financial Assets*</b>			
Proceeds from Disposal / Redemptions / Maturities - Financial Assets		6,964	1,000
less: Carrying Amount of Financial Assets Sold / Redeemed / Matured		(6,964)	(1,000)
<b>Net Gain/(Loss) on Disposal</b>		<b>-</b>	<b>-</b>
<b><u>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</u></b>		<b><u>(28)</u></b>	<b><u>42</u></b>

## Griffith City Council

Notes to the Financial Statements  
for the financial year ended 30 June 2012

## Note 6a. - Cash Assets and Note 6b. - Investment Securities

\$ '000	Notes	2012 Actual Current	2012 Actual Non Current	2011 Actual Current	2011 Actual Non Current
<b>Cash &amp; Cash Equivalents (Note 6a)</b>					
Cash on Hand and at Bank		1,838	-	2,059	-
Cash-Equivalent Assets <sup>1</sup>					
- Managed Funds		2,810	-	3,210	-
- Short Term Deposits		83	-	2,579	-
<b>Total Cash &amp; Cash Equivalents</b>		<b>4,731</b>	<b>-</b>	<b>7,848</b>	<b>-</b>
<b>Investment Securities (Note 6b)</b>					
- Long Term Deposits		6,500	-	4,000	-
- NCD's, FRN's (with Maturities > 3 months)		1,547	-	4,512	-
- CDO's		422	-	296	-
- Other Long Term Financial Assets		1,029	-	-	-
<b>Total Investment Securities</b>		<b>9,498</b>	<b>-</b>	<b>8,808</b>	<b>-</b>
<b>TOTAL CASH ASSETS, CASH EQUIVALENTS &amp; INVESTMENTS</b>		<b>14,229</b>	<b>-</b>	<b>16,656</b>	<b>-</b>

<sup>1</sup> Those Investments where time to maturity (from date of purchase) is < 3 mths.

**Cash, Cash Equivalents & Investments were  
classified at year end in accordance with  
AASB 139 as follows:**

**Cash & Cash Equivalents**

a. "At Fair Value through the Profit & Loss"		<b>4,731</b>	<b>-</b>	<b>7,848</b>	<b>-</b>
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**Investments**

a. "At Fair Value through the Profit & Loss"					
- "Held for Trading"	6(b-i)	9,498	-	8,808	-
<b>Investments</b>		<b>9,498</b>	<b>-</b>	<b>8,808</b>	<b>-</b>

**Note 6(b-i)**

**Reconciliation of Investments classified as  
"At Fair Value through the Profit & Loss"**

Balance at the Beginning of the Year		8,808	-	5,634	-
Revaluations (through the Income Statement)		70	-	174	-
Additions		7,584	-	4,000	-
Disposals (sales & redemptions)		(6,964)	-	(1,000)	-
<b>Balance at End of Year</b>		<b>9,498</b>	<b>-</b>	<b>8,808</b>	<b>-</b>

**Comprising:**

- NCD's, FRN's (with Maturities > 3 months)		1,547	-	4,512	-
- CDO's		422	-	296	-
- Other Long Term Financial Assets		7,529	-	4,000	-
<b>Total</b>		<b>9,498</b>	<b>-</b>	<b>8,808</b>	<b>-</b>

## Griffith City Council

Notes to the Financial Statements  
for the financial year ended 30 June 2012

## Note 6c. Restricted Cash, Cash Equivalents &amp; Investments - Details

\$ '000	2012	2012	2011	2011
	Actual Current	Actual Non Current	Actual Current	Actual Non Current
<b>Total Cash, Cash Equivalents and Investment Securities</b>	<b>14,229</b>	<b>-</b>	<b>16,656</b>	<b>-</b>
<b>attributable to:</b>				
External Restrictions (refer below)	12,052	-	14,826	-
Internal Restrictions (refer below)	2,000	-	1,100	-
Unrestricted	177	-	730	-
	<b>14,229</b>	<b>-</b>	<b>16,656</b>	<b>-</b>

2012 \$ '000	Opening Balance	Transfers to Restrictions	Transfers from Restrictions	Closing Balance
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## Details of Restrictions

**External Restrictions - Included in Liabilities**

Specific Purpose Unexpended Loans-General (A)	1,593	-	(1,591)	2
<b>External Restrictions - Included in Liabilities</b>	<b>1,593</b>	<b>-</b>	<b>(1,591)</b>	<b>2</b>

**External Restrictions - Other**

Developer Contributions - General (D)	3,006	429	(1,661)	1,774
Developer Contributions - Water Fund (D)	1,360	-	(194)	1,166
Developer Contributions - Sewer Fund (D)	416	62	-	478
Specific Purpose Unexpended Grants (F)	153	-	(98)	55
Water Supplies (G)	5,162	-	(189)	4,973
Sewerage Services (G)	2,452	555	-	3,007
Stormwater Management (G)	684	-	(87)	597
<b>External Restrictions - Other</b>	<b>13,233</b>	<b>1,046</b>	<b>(2,229)</b>	<b>12,050</b>
<b>Total External Restrictions</b>	<b>14,826</b>	<b>1,046</b>	<b>(3,820)</b>	<b>12,052</b>

- A** Loan moneys which must be applied for the purposes for which the loans were raised.
- D** Development contributions which are not yet expended for the provision of services and amenities in accordance with contributions plans (refer Note 17).
- F** Grants which are not yet expended for the purposes for which the grants were obtained. (refer Note 1)
- G** Water, Sewerage, Domestic Waste Management (DWM) & other Special Rates/Levies/Charges are externally restricted assets and must be applied for the purposes for which they were raised.

## Griffith City Council

Notes to the Financial Statements  
for the financial year ended 30 June 2012

## Note 6c. Restricted Cash, Cash Equivalents &amp; Investments - Details (continued)

2012 \$ '000	Opening Balance	Transfers to Restrictions	Transfers from Restrictions	Closing Balance
<b>Internal Restrictions</b>				
Plant & Vehicle Replacement	150	-	(150)	-
Employees Leave Entitlement	266	734	-	1,000
Aerodrome Reserve	48	-	(48)	-
Asset Management Reserve	50	-	(50)	-
Cemetery Reserve	128	-	(128)	-
Construction of Buildings	6	-	(6)	-
FAGS received in Advance*	-	1,000	-	1,000
*1. FAGS received in advance was \$2.234M				
*2. Forward spent \$1.234M due to March Flood Event				
Fire Control	14	-	(14)	-
GS2030 Review Reserve	30	-	(30)	-
Industry Assistance Fund - Loans	108	-	(108)	-
Mausoleum Reserve	18	-	(18)	-
Quarry Reserve	118	-	(118)	-
Replacement of Computers	23	-	(23)	-
Saleyards Reserve	7	-	(7)	-
Soldier Settler Memorial	2	-	(2)	-
Traffic Study Area - Banna Avenue	7	-	(7)	-
Water Allocation Reserve	125	-	(125)	-
<b>Total Internal Restrictions</b>	<b>1,100</b>	<b>1,734</b>	<b>(834)</b>	<b>2,000</b>
<b>TOTAL RESTRICTIONS</b>	<b>15,926</b>	<b>2,780</b>	<b>(4,654)</b>	<b>14,052</b>

## Griffith City Council

## Notes to the Financial Statements

for the financial year ended 30 June 2012

## Note 7. Receivables

\$ '000	Notes	2012		2011	
		Current	Non Current	Current	Non Current
<b>Purpose</b>					
Rates & Annual Charges		2,853	-	2,264	-
User Charges & Fees		3,150	-	2,760	-
Accrued Revenues					
- Interest on Investments		141	-	94	-
- Other Income Accruals		247	-	265	-
Government Grants & Subsidies		1,225	-	568	-
Deferred Debtors		17	35	33	52
Net GST Receivable		344	-	705	-
<b>Total</b>		<b>7,977</b>	<b>35</b>	<b>6,689</b>	<b>52</b>
<b>less: Provision for Impairment</b>					
User Charges & Fees		(43)	-	(43)	-
<b>Total Provision for Impairment - Receivables</b>		<b>(43)</b>	<b>-</b>	<b>(43)</b>	<b>-</b>
<b><u>TOTAL NET RECEIVABLES</u></b>		<b><u>7,934</u></b>	<b><u>35</u></b>	<b><u>6,646</u></b>	<b><u>52</u></b>
<b>Externally Restricted Receivables</b>					
<b>Water Supply</b>					
- Specific Purpose Grants		2,041	-	-	-
- Rates & Availability Charges		-	-	1,666	-
- Other		65	54	-	-
<b>Sewerage Services</b>					
- Rates & Availability Charges		2,231	-	1,925	-
- Other		-	-	60	-
<b>Total External Restrictions</b>		<b>4,337</b>	<b>54</b>	<b>3,651</b>	<b>-</b>
<b>Internally Restricted Receivables</b>					
Nil					
<b>Unrestricted Receivables</b>		<b>3,597</b>	<b>(19)</b>	<b>2,995</b>	<b>52</b>
<b>TOTAL NET RECEIVABLES</b>		<b>7,934</b>	<b>35</b>	<b>6,646</b>	<b>52</b>

**Notes on Debtors above:**

- (i) Rates & Annual Charges Outstanding are secured against the property.
- (ii) Doubtful Rates Debtors are provided for where the value of the property is less than the debt outstanding.  
An allowance for other doubtful debts is made when there is objective evidence that a receivable is impaired.
- (iii) Interest was charged on overdue rates & charges at 11.00% (2011 9.00%).  
Generally all other receivables are non interest bearing.
- (iv) Please refer to Note 15 for issues concerning Credit Risk and Fair Value disclosures.

## Griffith City Council

Notes to the Financial Statements  
for the financial year ended 30 June 2012

## Note 8. Inventories &amp; Other Assets

\$ '000	Notes	2012		2011	
		Current	Non Current	Current	Non Current
<b>Inventories</b>					
Real Estate for resale (refer below)		2,442	2,291	2,442	2,291
Stores & Materials		509	-	498	-
Trading Stock		56	-	54	-
Water Entitlement (avail. for Temporary/Permanent Sale)		-	2,007	-	2,295
Other		2	-	4	-
<b>Total Inventories</b>		<b>3,009</b>	<b>4,298</b>	<b>2,998</b>	<b>4,586</b>
<b>Other Assets</b>					
Prepayments		410	-	311	-
<b>Total Other Assets</b>		<b>410</b>	<b>-</b>	<b>311</b>	<b>-</b>
<b>TOTAL INVENTORIES / OTHER ASSETS</b>		<b>3,419</b>	<b>4,298</b>	<b>3,309</b>	<b>4,586</b>
<b>Externally Restricted Assets</b>					
<b>Water</b>					
Stores & Materials		317	-	325	-
Real Estate for Resale		-	2,233	-	2,233
Prepayments		10	-	-	-
<b>Total Water</b>		<b>327</b>	<b>2,233</b>	<b>325</b>	<b>2,233</b>
<b>Sewerage</b>					
Prepayments		10	-	-	-
<b>Total Sewerage</b>		<b>10</b>	<b>-</b>	<b>-</b>	<b>-</b>
Total Externally Restricted Assets		337	2,233	325	2,233
Total Internally Restricted Assets		-	-	-	-
Total Unrestricted Assets		3,082	2,065	2,984	2,353
<b>TOTAL INVENTORIES &amp; OTHER ASSETS</b>		<b>3,419</b>	<b>4,298</b>	<b>3,309</b>	<b>4,586</b>

## Griffith City Council

## Notes to the Financial Statements

for the financial year ended 30 June 2012

## Note 8. Inventories &amp; Other Assets (continued)

\$ '000	2012		2011	
	Current	Non Current	Current	Non Current
<b>(i) Other Disclosures</b>				
<b>(a) Details for Real Estate Development</b>				
Residential	-	2,291	-	2,291
Industrial/Commercial	2,442	-	2,442	-
<b>Total Real Estate for Resale</b>	<b>2,442</b>	<b>2,291</b>	<b>2,442</b>	<b>2,291</b>
(Valued at the lower of cost and net realisable value)				
<b>Represented by:</b>				
Acquisition Costs	2,442	2,291	2,442	2,291
<b>Total Costs</b>	<b>2,442</b>	<b>2,291</b>	<b>2,442</b>	<b>2,291</b>
less: Provision for Under Recovery	-	-	-	-
<b>Total Real Estate for Resale</b>	<b>2,442</b>	<b>2,291</b>	<b>2,442</b>	<b>2,291</b>
<b>Movements:</b>				
Real Estate assets at beginning of the year	2,442	2,291	-	3,048
- Transfers in from (out to) Note 9	-	-	2,442	(757)
<b>Total Real Estate for Resale</b>	<b>2,442</b>	<b>2,291</b>	<b>2,442</b>	<b>2,291</b>

Notes to the Financial Statements  
for the financial year ended 30 June 2012

## Note 9a. Infrastructure, Property, Plant &amp; Equipment

\$ '000	as at 30/6/2011					Asset Movements during the Reporting Period							as at 30/6/2012				
	At	At	Accumulated		Carrying	Asset Additions	WDV of Asset Disposals	Depreciation Expense	Impairment Loss (recognised in Equity)	WIP Transfers	Revaluation Decrements to Equity (ARR)	Revaluation Increments to Equity (ARR)	At	At	Accumulated		Carrying
	Cost	Fair Value	Dep'n	Impairment	Value								Cost	Fair Value	Dep'n	Impairment	Value
Capital Work in Progress	1,978	-	-	-	1,978	4,207	-	-	-	(549)	-	-	5,636	-	-	-	5,636
Plant & Equipment	-	13,974	5,437	-	8,537	1,096	(463)	(1,371)	-	-	-	-	-	13,825	6,026	-	7,799
Office Equipment	-	1,462	809	-	653	251	-	(164)	-	-	-	-	-	1,693	953	-	740
Furniture & Fittings	-	1,263	656	-	607	48	-	(62)	-	1	-	-	-	1,307	713	-	594
<b>Land:</b>																	
- Operational Land	-	18,783	-	-	18,783	1,885	-	-	-	-	-	-	-	20,668	-	-	20,668
- Community Land	-	9,171	3	-	9,168	-	-	-	-	-	-	-	-	9,171	3	-	9,168
Buildings - Specialised	-	50,389	6,490	-	43,899	713	(21)	(340)	-	191	-	-	-	51,269	6,827	-	44,442
Other Structures	-	20,976	7,569	-	13,407	1,699	-	(955)	-	357	-	-	-	23,030	8,522	-	14,508
<b>Infrastructure:</b>																	
- Roads, Bridges, Footpaths	-	189,790	37,797	-	151,993	3,056	-	(2,697)	(11,450)	-	-	-	-	181,396	40,494	-	140,902
- Stormwater Drainage	-	53,530	8,980	-	44,550	6	-	(633)	-	-	-	-	-	53,536	9,613	-	43,923
- Water Supply Network	-	118,287	17,509	-	100,778	1,864	-	(1,717)	-	-	-	18,027	-	157,796	38,844	-	118,952
- Sewerage Network	-	141,717	24,875	-	116,842	10,900	-	(1,312)	-	-	(2,792)	-	-	157,543	33,905	-	123,638
<b>Other Assets:</b>																	
- Other	-	6,156	1,929	-	4,227	205	-	(450)	-	-	-	-	-	6,361	2,379	-	3,982
<b>TOTAL INFRASTRUCTURE, PROPERTY, PLANT &amp; EQUIP.</b>	<b>1,978</b>	<b>625,498</b>	<b>112,054</b>	<b>-</b>	<b>515,422</b>	<b>25,930</b>	<b>(484)</b>	<b>(9,701)</b>	<b>(11,450)</b>	<b>-</b>	<b>(2,792)</b>	<b>18,027</b>	<b>5,636</b>	<b>677,595</b>	<b>148,279</b>	<b>-</b>	<b>534,952</b>

Additions to Depreciable Land Improvements, Buildings, Other Structures & Infrastructure Assets are made up of Asset Renewals (\$18,706). Renewals are defined as the replacement of existing assets (as opposed to the acquisition of new assets).

## Griffith City Council

Notes to the Financial Statements  
for the financial year ended 30 June 2012

## Note 9b. Externally Restricted Infrastructure, Property, Plant &amp; Equipment

\$ '000	Actual 2012				Actual 2011			
	At Cost	At Fair Value	A/Dep & Impairm't	Carrying Value	At Cost	At Fair Value	A/Dep & Impairm't	Carrying Value
<b>Water Supply</b>								
WIP	1	-	-	1	-	-	-	-
Plant & Equipment	-	1,150	387	763	-	1,114	419	695
Office Equipment	-	12	12	-	-	12	12	-
Land								
- Operational Land	-	1,000	-	1,000	-	1,000	-	1,000
- Community Land	-	340	3	337	-	340	3	337
Buildings	-	2,032	248	1,784	-	2,029	236	1,793
Other Structures	-	777	344	433	-	719	268	451
Infrastructure	-	157,796	38,844	118,952	-	118,286	17,508	100,778
<b>Total Water Supply</b>	<b>1</b>	<b>163,107</b>	<b>39,838</b>	<b>123,270</b>	<b>-</b>	<b>123,500</b>	<b>18,446</b>	<b>105,054</b>
<b>Sewerage Services</b>								
Plant & Equipment	-	988	364	624	-	828	295	533
Office Equipment	-	2	2	-	-	2	1	1
Furniture & Fittings	-	9	-	9	-	-	-	-
Land								
- Operational Land	-	2,682	-	2,682	-	2,682	-	2,682
- Community Land	-	267	-	267	-	267	-	267
Buildings	-	1,201	66	1,135	-	600	62	538
Other Structures	-	139	48	91	-	139	40	99
Other Assets	-	624	274	350	-	572	212	360
Infrastructure	-	157,543	33,905	123,638	-	141,717	24,875	116,842
<b>Total Sewerage Services</b>	<b>-</b>	<b>163,455</b>	<b>34,659</b>	<b>128,796</b>	<b>-</b>	<b>146,807</b>	<b>25,485</b>	<b>121,322</b>
<b>Domestic Waste Management</b>								
Plant & Equipment	-	504	293	211	-	504	263	241
Land								
- Operational Land'	-	1,400	-	1,400	-	1,400	-	1,400
- Community Land	-	357	-	357	-	357	-	357
Buildings	-	152	29	123	-	152	28	124
Other Assets	-	260	73	187	-	220	44	176
<b>Total DWM</b>	<b>-</b>	<b>2,673</b>	<b>395</b>	<b>2,278</b>	<b>-</b>	<b>2,633</b>	<b>335</b>	<b>2,298</b>
<b>TOTAL RESTRICTED I,PP&amp;E</b>	<b>1</b>	<b>329,235</b>	<b>74,892</b>	<b>254,344</b>	<b>-</b>	<b>272,940</b>	<b>44,266</b>	<b>228,674</b>

## Note 9c. Infrastructure, Property, Plant &amp; Equipment - Current Year Impairments

\$ '000	Notes	Actual 2012	Actual 2011
---------	-------	----------------	----------------

Impairment Losses recognised direct to Equity (ARR) include:

Roads Infrastructure - Flood Event March 2012 (11,450) -

**IMPAIRMENT of ASSETS - DIRECT to EQUITY (ARR)** 20 (ii) **(11,450)** -

## Griffith City Council

## Notes to the Financial Statements

for the financial year ended 30 June 2012

## Note 10a. Payables, Borrowings &amp; Provisions

\$ '000	Notes	2012		2011	
		Current	Non Current	Current	Non Current
<b>Payables</b>					
Goods & Services - operating expenditure		3,786	-	5,785	-
Payments Received In Advance		405	-	481	-
Accrued Expenses:					
- Other Expenditure Accruals		254	7	352	10
Security Bonds, Deposits & Retentions		1,377	-	1,263	-
Land Purchase		1,700	-	-	-
<b>Total Payables</b>		<b>7,522</b>	<b>7</b>	<b>7,881</b>	<b>10</b>
<b>Borrowings</b>					
Loans - Secured <sup>1</sup>		2,395	25,028	1,929	17,521
<b>Total Borrowings</b>		<b>2,395</b>	<b>25,028</b>	<b>1,929</b>	<b>17,521</b>
<b>Provisions</b>					
<b>Employee Benefits;</b>					
Annual Leave		1,821	-	1,808	-
Sick Leave		210	-	200	-
Long Service Leave		3,717	195	3,000	190
<b>Sub Total - Aggregate Employee Benefits</b>		<b>5,748</b>	<b>195</b>	<b>5,008</b>	<b>190</b>
<b>Total Provisions</b>		<b>5,748</b>	<b>195</b>	<b>5,008</b>	<b>190</b>
<b>Total Payables, Borrowings &amp; Provisions</b>		<b>15,665</b>	<b>25,230</b>	<b>14,818</b>	<b>17,721</b>

## (i) Liabilities relating to Restricted Assets

	2012		2011	
	Current	Non Current	Current	Non Current
<b>Externally Restricted Assets</b>				
Water	1	-	52	-
Sewer	1,158	22,070	841	13,330
<b>Liabilities relating to externally restricted assets</b>	<b>1,159</b>	<b>22,070</b>	<b>893</b>	<b>13,330</b>
<b>Internally Restricted Assets</b>				
Nil				
<b>Total Liabilities relating to restricted assets</b>	<b>1,159</b>	<b>22,070</b>	<b>893</b>	<b>13,330</b>

<sup>1</sup> Loans are secured over the General Rating Income of Council

Disclosures on Liability Interest Rate Risk Exposures, Fair Value Disclosures & Security can be found in Note 15.

## Griffith City Council

Notes to the Financial Statements  
for the financial year ended 30 June 2012

## Note 10a. Payables, Borrowings &amp; Provisions (continued)

\$ '000	2012	2011
<b>(ii) Current Liabilities not anticipated to be settled within the next 12 months</b>		
The following Liabilities, even though classified as current, are not expected to be settled in the next 12 months.		
Provisions - Employees Benefits	3,877	3,462
Payables - Security Bonds, Deposits & Retentions	1,225	1,250
Other Liabilities: Payments Received in Advance	234	226
	<b>5,336</b>	<b>4,938</b>

## Note 10b. Description of and movements in Provisions

Class of Provision	2011		2012			
	Opening Balance as at 1/7/11	Additional Provisions	Decrease due to Payments	Remeasurement effects due to Discounting	Unused amounts reversed	Closing Balance as at 30/6/12
Annual Leave	1,808	1,399	(1,438)	52	-	1,821
Sick Leave	200	32	(25)	3	-	210
Long Service Leave	3,190	1,224	(548)	46	-	3,912
<b>TOTAL</b>	<b>5,198</b>	<b>2,655</b>	<b>(2,011)</b>	<b>101</b>	<b>-</b>	<b>5,943</b>

a. Employees Leave Entitlements & On-Costs represents those benefits accrued and payable and an estimate of those that will become payable in the future as a result of past service.

## Griffith City Council

## Notes to the Financial Statements

for the financial year ended 30 June 2012

## Note 11. Statement of Cash Flows - Additional Information

\$ '000	Notes	Actual 2012	Actual 2011
<b>(a) Reconciliation of Cash Assets</b>			
Total Cash & Cash Equivalent Assets	6a	4,731	7,848
Less Bank Overdraft	10	-	-
<b>BALANCE as per the STATEMENT of CASH FLOWS</b>		<b>4,731</b>	<b>7,848</b>
<b>(b) Reconciliation of Net Operating Result to Cash provided from Operating Activities</b>			
<b>Net Operating Result from Income Statement</b>		<b>6,343</b>	<b>4,157</b>
<b>Adjust for non cash items:</b>			
Depreciation & Amortisation		9,636	8,563
Net Losses/(Gains) on Disposal of Assets		28	(42)
<b>Losses/(Gains) recognised on Fair Value Re-measurements through the P&amp;L:</b>			
- Investments classified as "At Fair Value" or "Held for Trading"		(70)	(174)
- Other (Water Licences Revaluation thru Revaluation Reserve)		(288)	(1,655)
<b>Amortisation of Premiums, Discounts &amp; Prior Period Fair Valuations</b>			
- Interest Exp. on Interest Free Loans received by Council (previously Fair Value)		85	92
<b>+/- Movement in Operating Assets and Liabilities &amp; Other Cash Items:</b>			
Decrease/(Increase) in Receivables		(1,304)	(360)
Decrease/(Increase) in Inventories		277	1,689
Decrease/(Increase) in Other Assets		(99)	19
Increase/(Decrease) in Payables		(1,999)	2,212
Increase/(Decrease) in other accrued Expenses Payable		(101)	(36)
Increase/(Decrease) in Other Liabilities		1,738	(92)
Increase/(Decrease) in Employee Leave Entitlements		745	16
<b>NET CASH PROVIDED FROM/(USED IN) OPERATING ACTIVITIES from the STATEMENT of CASH FLOWS</b>		<b>14,991</b>	<b>14,389</b>
<b>(c) Non-Cash Investing &amp; Financing Activities</b>			
Nil			
<b>(d) Financing Arrangements</b>			
<b>(i) Unrestricted access was available at balance date to the following lines of credit:</b>			
Bank Overdraft Facilities <sup>(1)</sup>		1,000	1,000
Credit Cards / Purchase Cards		70	75
<b>Total Financing Arrangements</b>		<b>1,070</b>	<b>1,075</b>
<b>Amounts utilised as at Balance Date:</b>			
- Credit Cards / Purchase Cards		19	22
<b>Total Financing Arrangements Utilised</b>		<b>19</b>	<b>22</b>

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

Interest rates on overdrafts are Interest Rates on Loans & Other Payables are disclosed in Note 15.

## Griffith City Council

Notes to the Financial Statements  
for the financial year ended 30 June 2012

## Note 12. Commitments for Expenditure

\$ '000	Notes	Actual 2012	Actual 2011
<b>(a) Capital Commitments (exclusive of GST)</b>			
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:			
<b>Property, Plant &amp; Equipment</b>			
Buildings		-	1,978
Sewerage Supply Network		-	11,906
Water Supply Network		-	58
<b>Total Commitments</b>		<b>-</b>	<b>13,942</b>
<b>These expenditures are payable as follows:</b>			
Within the next year		-	13,942
Later than one year and not later than 5 years		-	-
Later than 5 years		-	-
<b>Total Payable</b>		<b>-</b>	<b>13,942</b>
<b>Sources for Funding of Capital Commitments:</b>			
Unrestricted General Funds		-	58
Future Grants & Contributions		-	1,978
New Loans (to be raised)		-	11,906
<b>Total Sources of Funding</b>		<b>-</b>	<b>13,942</b>

**(b) Finance Lease Commitments**

Nil

**(c) Operating Lease Commitments (Non Cancellable)**

Nil

## Griffith City Council

## Notes to the Financial Statements

for the financial year ended 30 June 2012

## Note 13a(i). Statement of Performance Measurement - Indicators (Consolidated)

\$ '000	Amounts 2012	Indicator 2012	Prior Periods	
			2011	2010
<b>Local Government Industry Indicators</b>				
<b>1. Unrestricted Current Ratio</b>				
Current Assets less all External Restrictions <sup>(1)</sup>	<u>10,863</u>	1.18 : 1	1.12	1.09
Current Liabilities less Specific Purpose Liabilities <sup>(2,3)</sup>	<u>9,170</u>			
<b>2. Debt Service Ratio</b>				
Debt Service Cost	<u>3,934</u>	8.81%	5.77%	5.78%
Income from Continuing Operations excluding Capital Items & Specific Purpose Grants/Contributions	<u>44,631</u>			
<b>3. Rates &amp; Annual Charges Coverage Ratio</b>				
Rates & Annual Charges	<u>25,226</u>	48.68%	52.29%	47.97%
Income from Continuing Operations	<u>51,819</u>			
<b>4. Rates, Annual Charges, Interest &amp; Extra Charges Outstanding Percentage</b>				
Rates, Annual & Extra Charges Outstanding	<u>2,853</u>	10.27%	8.59%	8.11%
Rates, Annual & Extra Charges Collectible	<u>27,789</u>			
<b>5. Building &amp; Infrastructure Renewals Ratio</b>				
Asset Renewals <sup>(4)</sup>	<u>18,706</u>	103.07%	359.43%	55.40%
Depreciation, Amortisation & Impairment	<u>18,149</u>			

## Notes

(1) Refer Notes 6-8 inclusive.

Also excludes any Real Estate & Land for resale not expected to be sold in the next 12 months

Includes water licences that can be readily traded on markets

(2) Refer to Note 10(a).

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

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

Asset Renewals include building and infrastructure assets only.

Griffith City Council

Notes to the Financial Statements  
for the financial year ended 30 June 2012

Note 13a(ii). Statement of Performance Measurement - Graphs (Consolidated)

<p><b>1. Unrestricted Current Ratio</b></p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio : 1</th> </tr> </thead> <tbody> <tr> <td>2009</td> <td>0.57</td> </tr> <tr> <td>2010</td> <td>1.09</td> </tr> <tr> <td>2011</td> <td>1.12</td> </tr> <tr> <td>2012</td> <td>1.18</td> </tr> </tbody> </table>	Year	Ratio : 1	2009	0.57	2010	1.09	2011	1.12	2012	1.18	<p><b>Purpose of Unrestricted Current Ratio</b></p> <p>To assess the adequacy of working capital and its ability to satisfy obligations in the short term for the unrestricted activities of Council.</p>	<p><b>Commentary on 2011/12 Result</b></p> <p><b>2011/12 Ratio 1.18 : 1</b></p> <p>Whilst this ratio demonstrates an ability to satisfy short term obligations, it should be increased to above 2.0:1 in order to be in a more comfortable range</p>
Year	Ratio : 1											
2009	0.57											
2010	1.09											
2011	1.12											
2012	1.18											
<p><b>2. Debt Service Ratio</b></p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio %</th> </tr> </thead> <tbody> <tr> <td>2009</td> <td>4.35%</td> </tr> <tr> <td>2010</td> <td>5.78%</td> </tr> <tr> <td>2011</td> <td>5.77%</td> </tr> <tr> <td>2012</td> <td>8.81%</td> </tr> </tbody> </table>	Year	Ratio %	2009	4.35%	2010	5.78%	2011	5.77%	2012	8.81%	<p><b>Purpose of Debt Service Ratio</b></p> <p>To assess the impact of loan principal &amp; interest repayments on the discretionary revenue of council.</p>	<p><b>Commentary on 2011/12 Result</b></p> <p><b>2011/12 Ratio 8.81%</b></p> <p>Repayment of the \$22M in borrowings for the Water Reclamation Plant Upgrade commenced in the 2012 year which has seen a significant rise in our Debt Service Ratio from 2011.</p>
Year	Ratio %											
2009	4.35%											
2010	5.78%											
2011	5.77%											
2012	8.81%											
<p><b>3. Rates &amp; Annual Charges Coverage Ratio</b></p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio %</th> </tr> </thead> <tbody> <tr> <td>2009</td> <td>48.53%</td> </tr> <tr> <td>2010</td> <td>47.97%</td> </tr> <tr> <td>2011</td> <td>52.29%</td> </tr> <tr> <td>2012</td> <td>48.68%</td> </tr> </tbody> </table>	Year	Ratio %	2009	48.53%	2010	47.97%	2011	52.29%	2012	48.68%	<p><b>Purpose of Rates &amp; Annual Charges Coverage Ratio</b></p> <p>To assess the degree of Council's dependence upon revenue from rates and annual charges and to assess the security of Council's income.</p>	<p><b>Commentary on 2011/12 Result</b></p> <p><b>2011/12 Ratio 48.68%</b></p> <p>The major cause of the change from the previous year is that water usage fees has increased compared to that of last year. Council depends on rates and annual charges for 48.0% of its total income. This approximates the average Council ratio across NSW.</p>
Year	Ratio %											
2009	48.53%											
2010	47.97%											
2011	52.29%											
2012	48.68%											
<p><b>4. Rates, Annual Charges, Interest &amp; Extra Charges Outstanding Percentage</b></p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio %</th> </tr> </thead> <tbody> <tr> <td>2009</td> <td>3.16%</td> </tr> <tr> <td>2010</td> <td>8.11%</td> </tr> <tr> <td>2011</td> <td>8.59%</td> </tr> <tr> <td>2012</td> <td>10.27%</td> </tr> </tbody> </table>	Year	Ratio %	2009	3.16%	2010	8.11%	2011	8.59%	2012	10.27%	<p><b>Purpose of Rates &amp; Annual Charges Outstanding Ratio</b></p> <p>To assess the impact of uncollected rates and annual charges on Council's liquidity and the adequacy of recovery efforts.</p>	<p><b>Commentary on 2011/12 Result</b></p> <p><b>2011/12 Ratio 10.27%</b></p> <p>Water and Sewerage accounts were raised in June but not payable until July, which is included as part of this ratio. Council has generally maintained a strong record in collecting rates and charges outstanding.</p>
Year	Ratio %											
2009	3.16%											
2010	8.11%											
2011	8.59%											
2012	10.27%											
<p><b>5. Building &amp; Infrastructure Renewals Ratio</b></p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio %</th> </tr> </thead> <tbody> <tr> <td>2009</td> <td>63.87%</td> </tr> <tr> <td>2010</td> <td>55.40%</td> </tr> <tr> <td>2011</td> <td>359.43%</td> </tr> <tr> <td>2012</td> <td>103.07%</td> </tr> </tbody> </table>	Year	Ratio %	2009	63.87%	2010	55.40%	2011	359.43%	2012	103.07%	<p><b>Purpose of Asset Renewals Ratio</b></p> <p>To assess the rate at which these assets are being renewed relative to the rate at which they are depreciating.</p>	<p><b>Commentary on Result</b></p> <p><b>2011/12 Ratio 103.07%</b></p> <p>Council's Building &amp; Infrastructure Renewals Ratio for 2012 includes the finalisation of the Water Reclamation Plant and water and sewer pipe replacements and road network renewals.</p>
Year	Ratio %											
2009	63.87%											
2010	55.40%											
2011	359.43%											
2012	103.07%											

## Griffith City Council

## Notes to the Financial Statements

for the financial year ended 30 June 2012

## Note 13b. Statement of Performance Measurement - Indicators (by Fund)

\$ '000	Water 2012	Sewer 2012	General <sup>1</sup> 2012
<b>Local Government Industry Indicators</b>			
<b>1. Unrestricted Current Ratio</b>			
<u>Current Assets less all External Restrictions<sup>(1)</sup></u>	<b>7406 : 1</b>	<b>4.53 : 1</b>	<b>1.18 : 1</b>
Current Liabilities less Specific Purpose Liabilities <sup>(2,3)</sup>			
prior period:	138.71 : 1	5.28 : 1	1.12 : 1
<b>2. Debt Service Ratio</b>			
<u>Debt Service Cost</u>	<b>0.00%</b>	<b>15.15%</b>	<b>9.37%</b>
Income from Continuing Operations excluding Capital Items & Specific Purpose Grants/Contributions			
prior period:	0.00%	8.43%	6.32%
<b>3. Rates &amp; Annual Charges Coverage Ratio</b>			
<u>Rates &amp; Annual Charges</u>	<b>22.23%</b>	<b>86.80%</b>	<b>46.70%</b>
Income from Continuing Operations			
prior period:	24.29%	86.15%	50.81%
<b>4. Rates, Annual Charges, Interest &amp; Extra Charges Outstanding Percentage</b>			
<u>Rates, Annual &amp; Extra Charges Outstanding</u>	<b>0.00%</b>	<b>35.28%</b>	<b>3.15%</b>
Rates, Annual & Extra Charges Collectible			
prior period:	0.97%	31.68%	1.73%
<b>5. Building &amp; Infrastructure Renewals Ratio</b>			
<u>Asset Renewals (Building &amp; Infrastructure assets)</u>	<b>107.81%</b>	<b>873.94%</b>	<b>35.36%</b>
Depreciation, Amortisation & Impairment			
prior period:	178.15%	1152.63%	123.72%

## Notes

<sup>(1)</sup> General Fund refers to all of Council's activities except for its Water & Sewer activities which are listed separately.

## Griffith City Council

### Notes to the Financial Statements

for the financial year ended 30 June 2012

#### Note 14. Investment Properties

\$ '000

Council has not classified any Land or Buildings as "Investment Properties"

#### Note 15. Financial Risk Management

##### Risk Management

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

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

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

Financial risk management is carried out by Council's Finance Section under policies approved by the Council.

A comparison by category of the carrying amounts and fair values of Council's Financial Assets & Financial Liabilities recognised in the financial statements is presented below.

	Carrying Value		Fair Value	
	2012	2011	2012	2011
<b>Financial Assets</b>				
Cash and Cash Equivalents	4,731	7,848	4,731	7,848
Investments				
- "Held for Trading"	9,498	8,808	9,498	8,808
Receivables	7,969	6,698	7,969	6,698
<b>Total Financial Assets</b>	<b>22,198</b>	<b>23,354</b>	<b>22,198</b>	<b>23,354</b>
<b>Financial Liabilities</b>				
Payables	7,124	7,410	7,124	7,410
Loans / Advances	27,423	19,450	27,423	19,915
<b>Total Financial Liabilities</b>	<b>34,547</b>	<b>26,860</b>	<b>34,547</b>	<b>27,325</b>

Fair Value is determined as follows:

- **Cash & Cash Equivalents, Receivables, Payables** - are estimated to be the carrying value which approximates mkt value.
- **Borrowings & Held to Maturity Investments** - are based upon estimated future cash flows discounted by the current market interest rates applicable to assets & liabilities with similar risk profiles, unless quoted market prices are available.
- Financial Assets classified (i) "**at fair value through profit & 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.

## Griffith City Council

Notes to the Financial Statements  
for the financial year ended 30 June 2012

## Note 15. Financial Risk Management (continued)

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 \$ '000
 

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## (a) Fair Value Measurements

The fair value of financial assets and financial liabilities must be estimated in accordance with Accounting Standards for either recognition and measurement requirements or for disclosure purposes.

AASB 7 Financial Instruments: Disclosures, requires the disclosure of how fair valuations have been arrived at for all financial assets and financial liabilities that have been measured at fair value.

Arriving at fair values for financial assets & liabilities can be broken up into 3 distinct measurement hierarchies:

**Level 1:** Quoted prices (unadjusted) in active markets for identical assets or liabilities

**Level 2:** Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices)

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

The following table presents the financial assets and financial liabilities that have been measured & recognised at fair values:

<b>2012</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Financial Assets</b>				
Investments				
- "Held for Trading"	9,076	422	-	9,498
<b>Total Financial Assets</b>	<b>9,076</b>	<b>422</b>	<b>-</b>	<b>9,498</b>
<b>2011</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>Financial Assets</b>				
Investments				
- "Held for Trading"	8,512	296	-	8,808
<b>Total Financial Assets</b>	<b>8,512</b>	<b>296</b>	<b>-</b>	<b>8,808</b>

## Griffith City Council

### Notes to the Financial Statements

for the financial year ended 30 June 2012

#### Note 15. Financial Risk Management (continued)

\$ '000

##### (b) Cash & Cash Equivalents, Financial assets 'at fair value through the profit & Loss' "Available-for-sale" financial assets & "Held-to-maturity" Investments

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

Council's Finance area manages the Cash & Investments portfolio with the assistance of independent advisors.

Council has an Investment Policy which complies with the Local Government Act & Minister's Investment Order. This Policy is regularly reviewed by Council and its staff and an Investment Report is tabled before Council on a monthly basis setting out the portfolio breakup and its performance.

The major risk associated with Investments is price risk - the risk that the capital value of Investments may fluctuate due to changes in market prices, whether there changes are caused by factors specific to individual financial instruments or their issuers or are caused by factors affecting similar instruments traded in a market.

Cash & Investments are also subject to interest rate risk - the risk that movements in interest rates could affect returns and income.

A further risk associated with Cash & Investments is 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 & Investments.

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

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

2012	Increase of Values/Rates		Decrease of Values/Rates	
	Profit	Equity	Profit	Equity
Possible impact of a 10% movement in Market Values	197	197	(197)	(197)
Possible impact of a 1% movement in Interest Rates	20	20	(20)	(20)
<b>2011</b>				
Possible impact of a 10% movement in Market Values	481	481	(481)	(481)
Possible impact of a 1% movement in Interest Rates	48	48	(48)	(48)

## Griffith City Council

### Notes to the Financial Statements

for the financial year ended 30 June 2012

#### Note 15. Financial Risk Management (continued)

\$ '000

##### (c) Receivables

Council's major receivables comprise **(i)** Rates & Annual charges and **(ii)** User Charges & Fees.

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

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

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

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

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

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

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

	2012	2012	2011	2011
	Rates & Annual Charges	Other Receivables	Rates & Annual Charges	Other Receivables
<b>(i) Ageing of Receivables</b>				
Current (not yet overdue)	2,413	4,141	2,029	4,028
Past due by up to 30 days	440	608	235	413
Past due between 31 and 180 days	-	410	-	36
	<u>2,853</u>	<u>5,159</u>	<u>2,264</u>	<u>4,477</u>
<b>(ii) Movement in Provision for Impairment of Receivables</b>			2012	2011
Balance at the beginning of the year			43	43
<b>Balance at the end of the year</b>			<u>43</u>	<u>43</u>

## Griffith City Council

### Notes to the Financial Statements for the financial year ended 30 June 2012

#### Note 15. Financial Risk Management (continued)

\$ '000

##### (d) Payables & Borrowings

Payables & 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 & overdraft facilities utilised as required.

The contractual undiscounted cash outflows (ie. principal and interest) of Council's Payables & Borrowings are set out in the Liquidity Table below:

\$ '000	Subject to no maturity	payable in:						Total Cash Outflows	Actual Carrying Values
		≤ 1 Year	1-2 Yrs	2-3 Yrs	3-4 Yrs	4-5 Yrs	> 5 Yrs		
<b>2012</b>									
Trade/Other Payables	1,377	5,740	7	-	-	-	-	7,124	7,124
Loans & Advances	-	2,395	2,556	1,631	1,096	851	18,894	27,423	27,423
<b>Total Financial Liabilities</b>	<b>1,377</b>	<b>8,135</b>	<b>2,563</b>	<b>1,631</b>	<b>1,096</b>	<b>851</b>	<b>18,894</b>	<b>34,547</b>	<b>34,547</b>
<b>2011</b>									
Trade/Other Payables	1,263	6,137	10	-	-	-	-	7,410	7,410
Loans & Advances	-	2,383	2,464	2,485	1,426	838	11,161	20,757	19,450
<b>Total Financial Liabilities</b>	<b>1,263</b>	<b>8,520</b>	<b>2,474</b>	<b>2,485</b>	<b>1,426</b>	<b>838</b>	<b>11,161</b>	<b>28,167</b>	<b>26,860</b>

Borrowings are also subject to interest rate risk - the risk that movements in interest rates could adversely affect funding costs & debt servicing requirements. Council manages this risk through the diversification of borrowing types, maturities & interest rate structures.

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

	2012		2011	
	Carrying Value	Average Interest Rate	Carrying Value	Average Interest Rate
Trade/Other Payables	7,124	0.0%	7,410	0.0%
Loans & Advances - Fixed Interest Rate	27,423	6.3%	19,450	6.3%
	<u>34,547</u>		<u>26,860</u>	

## Griffith City Council

### Notes to the Financial Statements for the financial year ended 30 June 2012

#### Note 16. Material Budget Variations

\$ '000

Council's Original Financial Budget for 11/12 was adopted by the Council on 28 June 2011.

While the Income Statement included in this General Purpose Financial Report must disclose the Original Budget adopted by Council, the Local Government Act requires Council to review its Financial Budget on a Quarterly Basis, so that it is able to manage the various variations between actuals versus budget that invariably occur throughout the year.

This Note sets out the details of MATERIAL VARIATIONS between Council's Original Budget and its Actual results for the year as per the Income Statement - even though such variations may have been adjusted for during each Quarterly Budget Review.

**Note that for Variations\* of Budget to Actual :**

Material Variations represent those variances that amount to **10%** or more of the original budgeted figure.

**F** = Favourable Budget Variation, **U** = Unfavourable Budget Variation

\$ '000	2012 Budget	2012 Actual	2012 ----- Variance* -----		
<b>REVENUES</b>					
Rates & Annual Charges	25,151	25,226	75	0%	<b>F</b>
User Charges & Fees	12,268	11,591	(677)	(6%)	<b>U</b>
Interest & Investment Revenue	158	996	838	530%	<b>F</b>
Council has taken a very conservative view on budgeting for investment returns. The stabilisation in global financial markets has assisted in the improvement in asset values and a recovery in investment returns.					
Other Revenues	791	1,142	351	44%	<b>F</b>
Other Revenues included \$188k for a Workers Comp Refund & WHS Incentive payments that were not included in the 2012 budget. Fine income was also \$81k higher than budgeted. Council also received Resource sharing income of \$28k that was not included in the 2012 budget.					
Operating Grants & Contributions	6,520	9,564	3,044	47%	<b>F</b>
Council had not budgeted for the additional payments for FAGS Grant received in 2012 totalling \$2.234M. The council area was also subject to flooding in March 2012, and an amount of \$870k was received, but not budgeted for in relation to emergency works and restoration.					
Capital Grants & Contributions	3,891	3,300	(591)	(15%)	<b>U</b>
The Roads to Recovery Grant was originally recognised in the 11/12 Budget as a Capital Grant (\$790k), but receipted as an Operating Grant. The Airport received an unbudgeted capital grant amount of \$285k to partially fund the Terminal Upgrade in 11/12.					

## Griffith City Council

Notes to the Financial Statements  
for the financial year ended 30 June 2012

## Note 16. Material Budget Variations (continued)

\$ '000	2012 Budget	2012 Actual	2012 ----- Variance* -----		
<b>EXPENSES</b>					
<b>Employee Benefits &amp; On-Costs</b>	<b>19,507</b>	<b>21,467</b>	<b>(1,960)</b>	(10%)	<b>U</b>
The ELE costs for Council in 2012 were higher than anticipated due to significant decrease in discount rates used to calculate ELE liability balances as compared to those used to calculate balances in 2011.					
<b>Borrowing Costs</b>	<b>257</b>	<b>344</b>	<b>(87)</b>	(34%)	<b>U</b>
This is primarily due to the timing and recognition of capital projects that have been completed by Council in the 2012 year. When an asset is completed and brought to account any ongoing interest charges must be expensed and can no longer be allocated to the asset in question.					
<b>Materials &amp; Contracts</b>	<b>10,326</b>	<b>10,257</b>	<b>69</b>	1%	<b>F</b>
<b>Depreciation &amp; Amortisation</b>	<b>8,414</b>	<b>9,636</b>	<b>(1,222)</b>	(15%)	<b>U</b>
Depreciation figures were higher than budgeted for the Water Supply Network due to the revaluation in 2012. (\$800k) Plant & Equipment depreciation was also \$100k higher than it's budget of \$1.2M					
<b>Other Expenses</b>	<b>4,030</b>	<b>3,744</b>	<b>286</b>	7%	<b>F</b>
<b>Net Losses from Disposal of Assets</b>	<b>118</b>	<b>28</b>	<b>90</b>	76%	<b>F</b>
Gains from the disposal of assets are derived when the proceeds on disposing the asset exceeds its current written down book value. Council changes over various motor vehicles and items of plant and equipment on a regular basis and in the 2012 year Council received better than budgeted sales/trades amounts.					
<b>Budget Variations relating to Council's Cash Flow Statement include:</b>					
<b>Cash Flows from Operating Activities</b>	<b>14,659</b>	<b>14,991</b>	<b>332</b>	2.3%	<b>F</b>
<b>Cash Flows from Investing Activities</b>	<b>(26,011)</b>	<b>(25,996)</b>	<b>15</b>	(0.1%)	<b>F</b>
<b>Cash Flows from Financing Activities</b>	<b>8,712</b>	<b>7,888</b>	<b>(824)</b>	(9.5%)	<b>U</b>

# Griffith City Council

## Notes to the Financial Statements

for the financial year ended 30 June 2012

### Note 17. Statement of Developer Contributions

\$ '000

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

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

#### SUMMARY OF CONTRIBUTIONS & LEVIES

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Traffic Facilities	23	8	-	2	-	-	33	-	(33)	-	-
Parking	(44)	-	-	-	-	-	(44)	10	-	(34)	-
Open Space	1,504	12	-	30	(1,525)	-	21	-	(21)	-	-
Community Facilities	1,094	3	-	53	-	-	1,150	-	(1,150)	-	-
<b>S94 Contributions - under a Plan</b>	<b>2,577</b>	<b>23</b>	<b>-</b>	<b>85</b>	<b>(1,525)</b>	<b>-</b>	<b>1,160</b>	<b>10</b>	<b>(1,204)</b>	<b>(34)</b>	<b>-</b>
<b>S94A Levies - under a Plan</b>	<b>25</b>	<b>170</b>	<b>-</b>	<b>2</b>	<b>-</b>	<b>-</b>	<b>197</b>				<b>-</b>
<b>Total S94 Revenue Under Plans</b>	<b>2,602</b>	<b>193</b>	<b>-</b>	<b>87</b>	<b>(1,525)</b>	<b>-</b>	<b>1,357</b>				<b>-</b>
S94 not under Plans	5	-	-	-	-	-	5	-	(5)	-	-
S64 Contributions	2,175	116	-	95	(330)	-	2,056				
<b>Total Contributions</b>	<b>4,782</b>	<b>309</b>	<b>-</b>	<b>182</b>	<b>(1,855)</b>	<b>-</b>	<b>3,418</b>	<b>10</b>	<b>(1,209)</b>	<b>(34)</b>	<b>-</b>

Notes to the Financial Statements  
for the financial year ended 30 June 2012

Note 17. Statement of Developer Contributions (continued)

\$ '000

**S94 CONTRIBUTIONS - UNDER A PLAN**

CONTRIBUTION PLAN - CAR PARKING

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Parking	(44)	-	-	-	-	-	(44)	10	-	(34)	-
<b>Total</b>	<b>(44)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(44)</b>	<b>10</b>	<b>-</b>	<b>(34)</b>	<b>-</b>

CONTRIBUTION PLAN - OPEN SPACE

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Open Space	1,498	12	-	29	(1,525)	-	14	-	(14)	-	-
<b>Total</b>	<b>1,498</b>	<b>12</b>	<b>-</b>	<b>29</b>	<b>(1,525)</b>	<b>-</b>	<b>14</b>	<b>-</b>	<b>(14)</b>	<b>-</b>	<b>-</b>

CONTRIBUTION PLAN - COMMUNITY FACILITIES

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Community Facilities	1,094	3	-	53	-	-	1,150	-	(1,150)	-	-
<b>Total</b>	<b>1,094</b>	<b>3</b>	<b>-</b>	<b>53</b>	<b>-</b>	<b>-</b>	<b>1,150</b>	<b>-</b>	<b>(1,150)</b>	<b>-</b>	<b>-</b>

CONTRIBUTION PLAN - NEIGHBOURHOOD PARKS

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Open Space	6	-	-	1	-	-	7	-	(7)	-	-
<b>Total</b>	<b>6</b>	<b>-</b>	<b>-</b>	<b>1</b>	<b>-</b>	<b>-</b>	<b>7</b>	<b>-</b>	<b>(7)</b>	<b>-</b>	<b>-</b>

# Griffith City Council

## Notes to the Financial Statements

for the financial year ended 30 June 2012

### Note 17. Statement of Developer Contributions (continued)

\$ '000

#### S94 CONTRIBUTIONS - UNDER A PLAN

##### CONTRIBUTION PLAN - TRAFFIC MANAGEMENT

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Traffic Facilities	23	8	-	2	-	-	33	-	(33)	-	-
<b>Total</b>	<b>23</b>	<b>8</b>	<b>-</b>	<b>2</b>	<b>-</b>	<b>-</b>	<b>33</b>	<b>-</b>	<b>(33)</b>	<b>-</b>	<b>-</b>

#### S94A LEVIES - UNDER A PLAN

##### CONTRIBUTION SEC 94A FROM 01-07-10

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Sec 94A from 01-07-10	25	170	-	2	-	-	197	-	-	-	-
<b>Total</b>	<b>25</b>	<b>170</b>	<b>-</b>	<b>2</b>	<b>-</b>	<b>-</b>	<b>197</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

#### S94 CONTRIBUTIONS - NOT UNDER A PLAN

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Open Space	5	-	-	-	-	-	5	-	(5)	-	-
<b>Total</b>	<b>5</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5</b>	<b>-</b>	<b>(5)</b>	<b>-</b>	<b>-</b>

## Griffith City Council

### Notes to the Financial Statements for the financial year ended 30 June 2012

#### Note 18. Contingencies & Other Assets/Liabilities Not Recognised

\$ '000

The following assets and liabilities do not qualify for recognition in the Balance Sheet, but their knowledge & disclosure is considered relevant to the users of Council's Financial Report.

#### LIABILITIES NOT RECOGNISED:

##### 1. Guarantees

##### (i) Defined Benefit Superannuation Contribution Plans

Council participates in an employer sponsored Defined Benefit Superannuation Scheme, and makes contributions as determined by the Superannuation Scheme's Trustees.

Member Councils bear responsibility of ensuring there are sufficient funds available to pay out the required benefits as they fall due.

The Schemes most recent full actuarial review indicated that the Net Assets of the Scheme were not sufficient to meet the accrued benefits of the Schemes Defined Benefit member category with member Councils required to make significantly higher contributions in future years.

The Local Government Superannuation Scheme however is unable to provide Council with an accurate estimate of its share of the net deficit and accordingly Council has not recorded any net liability from its Defined Benefit Scheme obligations in accordance with AASB 119.

Future contributions made to the defined benefit scheme to rectify the net deficit position will be recognised as an expense when they become payable - similar to the accounting for Defined Contributions Plans.

##### (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 Councils contributions to the pool and the result of insurance claims within each of the Fund Years.

The future realisation and finalisation of claims incurred but not reported to 30/6 this year may result in future liabilities or benefits as a result of past events that Council will be required to fund or share in respectively.

##### (iii) StateCover Limited

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

StateCover is a company providing workers compensation insurance cover to the NSW Local Government Industry and specifically Council.

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

These future equity contributions would be required to maintain the company's minimum level of Net Assets in accordance with its Licence Requirements.

##### (iv) Other Guarantees

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

## Griffith City Council

### Notes to the Financial Statements for the financial year ended 30 June 2012

#### Note 18. Contingencies & Other Assets/Liabilities Not Recognised (continued)

\$ '000

##### **LIABILITIES NOT RECOGNISED (continued):**

##### **2. Other Liabilities**

##### **(i) Third Party Claims**

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

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

##### **(ii) S94 Plans**

Council levies Section 94/94A Contributions upon various development across the Council area through the required Contributions Plans.

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

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

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

##### **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 & including 30/6/08.

##### **ASSETS NOT RECOGNISED (continued):**

##### **(ii) Infringement Notices/Fines**

Fines & Penalty Income, the result of Council issuing Infringement Notices is followed up and collected by the Infringement Processing Bureau.

Councils 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 & 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 & 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.

## Griffith City Council

## Notes to the Financial Statements

for the financial year ended 30 June 2012

## Note 19. Controlled Entities, Associated Entities &amp; Interests in Joint Ventures

Council has no interest in any Controlled Entities, Associated Entities or Joint Ventures.

## Note 20. Equity - Retained Earnings and Revaluation Reserves

\$ '000	Notes	Actual 2012	Actual 2011
<b>a. Retained Earnings</b>			
<b>Movements in Retained Earnings were as follows:</b>			
Balance at beginning of Year (from previous years audited accounts)		340,132	335,975
d. Net Operating Result for the Year		6,343	4,157
<b>Balance at End of the Reporting Period</b>		<b>346,475</b>	<b>340,132</b>
<b>b. Reserves</b>			
<b>(i) Reserves are represented by:</b>			
- Infrastructure, Property, Plant & Equipment Revaluation Reserve		177,497	174,000
<b>Total</b>		<b>177,497</b>	<b>174,000</b>
<b>(ii). Reconciliation of movements in Reserves:</b>			
<b>Infrastructure, Property, Plant &amp; Equipment Revaluation Reserve</b>			
- Opening Balance		174,000	175,655
- Revaluations for the year	9(a)	15,235	-
- Impairment of revalued assets (incl. impairment reversals)	9(a),(c)	(11,450)	-
- Water Entitlement avail. for Temp/Perm Sale revaluation for year		(288)	(1,655)
<b>- Balance at End of Year</b>		<b>177,497</b>	<b>174,000</b>
<b>TOTAL VALUE OF RESERVES</b>		<b>177,497</b>	<b>174,000</b>

**(iii). Nature & Purpose of Reserves****Infrastructure, Property, Plant & Equipment Revaluation Reserve**

- The Infrastructure, Property, Plant & Equipment Revaluation Reserve is used to record increments/decrements of Non Current Asset values due to their revaluation.

**c. Correction of Error/s relating to a Previous Reporting Period**

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

**d. Voluntary Changes in Accounting Policies**

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

## Griffith City Council

## Notes to the Financial Statements

for the financial year ended 30 June 2012

## Note 21. Financial Result &amp; Financial Position by Fund

Income Statement by Fund \$ '000	Actual 2012	Actual 2012	Actual 2012
<b>Continuing Operations</b>	<b>Water</b>	<b>Sewer</b>	<b>General<sup>1</sup></b>
<b>Income from Continuing Operations</b>			
Rates & Annual Charges	1,720	6,324	17,182
User Charges & Fees	5,092	613	5,886
Interest & Investment Revenue	325	172	499
Other Revenues	103	57	982
Grants & Contributions provided for Operating Purposes	126	60	9,378
Grants & Contributions provided for Capital Purposes	334	57	2,909
<b>Other Income</b>			
Net Gains from Disposal of Assets	37	3	-
Share of interests in Joint Ventures & Associates using the Equity Method	-	-	-
<b>Total Income from Continuing Operations</b>	<b>7,737</b>	<b>7,286</b>	<b>36,836</b>
<b>Expenses from Continuing Operations</b>			
Employee Benefits & on-costs	1,955	1,799	17,713
Borrowing Costs	-	26	318
Materials & Contracts	2,969	1,506	5,782
Depreciation & Amortisation	1,909	1,479	6,248
Impairment	-	-	-
Other Expenses	665	337	2,742
Interest & Investment Losses	-	-	-
Net Losses from the Disposal of Assets	-	-	68
<b>Total Expenses from Continuing Operations</b>	<b>7,498</b>	<b>5,147</b>	<b>32,871</b>
<b>Operating Result from Continuing Operations</b>	<b>239</b>	<b>2,139</b>	<b>3,965</b>
<b>Discontinued Operations</b>			
Net Profit/(Loss) from Discontinued Operations	-	-	-
<b>Net Operating Result for the Year</b>	<b>239</b>	<b>2,139</b>	<b>3,965</b>
<b>Net Operating Result attributable to each Council Fund</b>	<b>239</b>	<b>2,139</b>	<b>3,965</b>
<b>Net Operating Result attributable to Minority Interests</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Operating Result for the year before Grants and Contributions provided for Capital Purposes</b>	<b>(95)</b>	<b>2,082</b>	<b>1,056</b>

<sup>1</sup> General Fund refers to all Council's activities other than Water & Sewer.

NB. All amounts disclosed above are Gross - that is, they include internal charges & recoveries made between the Funds.

## Griffith City Council

## Notes to the Financial Statements

as at 30 June 2012

## Note 21. Financial Result &amp; Financial Position by Fund

Balance Sheet by Fund \$ '000	Actual 2012	Actual 2012	Actual 2012
<b>ASSETS</b>	<b>Water</b>	<b>Sewer</b>	<b>General<sup>1</sup></b>
<b>Current Assets</b>			
Cash & Cash Equivalents	6,139	3,485	4,605
Investments	-	-	-
Receivables	2,106	2,231	3,662
Inventories	317	-	2,692
Other	10	10	390
Non-current assets classified as 'held for sale'	-	-	-
<b>Total Current Assets</b>	<b>8,572</b>	<b>5,726</b>	<b>11,349</b>
<b>Non-Current Assets</b>			
Investments	-	-	-
Receivables	54	-	35
Inventories	2,233	-	2,065
Infrastructure, Property, Plant & Equipment	123,270	128,796	282,886
Investments Accounted for using the equity method	-	-	-
Investment Property	-	-	-
Intangible Assets	-	-	-
Other	-	-	-
<b>Total Non-Current Assets</b>	<b>125,557</b>	<b>128,796</b>	<b>284,986</b>
<b>TOTAL ASSETS</b>	<b>134,129</b>	<b>134,522</b>	<b>296,335</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Payables	1	-	7,521
Borrowings	-	1,158	1,302
Provisions	-	-	5,748
<b>Total Current Liabilities</b>	<b>1</b>	<b>1,158</b>	<b>14,571</b>
<b>Non-Current Liabilities</b>			
Payables	-	-	7
Borrowings	-	22,070	3,012
Provisions	-	-	195
<b>Total Non-Current Liabilities</b>	<b>-</b>	<b>22,070</b>	<b>3,214</b>
<b>TOTAL LIABILITIES</b>	<b>1</b>	<b>23,228</b>	<b>17,785</b>
<b>Net Assets</b>	<b>134,128</b>	<b>111,294</b>	<b>278,550</b>
<b>EQUITY</b>			
Retained Earnings	78,590	61,252	206,633
Revaluation Reserves	55,538	50,042	71,917
<b>Total Equity</b>	<b>134,128</b>	<b>111,294</b>	<b>278,550</b>

<sup>1</sup> General Fund refers to all Council's activities other than Water & Sewer.

NB. All amounts disclosed above are Gross - that is, they include internal receivables & payables between the Funds.

## Griffith City Council

### Notes to the Financial Statements for the financial year ended 30 June 2012

#### Note 22. "Held for Sale" Non Current Assets & Disposal Groups

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\$ '000

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Council did not classify any Non Current Assets or Disposal Groups as "Held for Sale".

#### Note 23. Events occurring after Balance Sheet Date

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Events that occur after the reporting date of 30 June 2012, up to and including the date when the financial statements are "authorised for issue" have been taken into account in preparing these statements.

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

Accordingly, the "authorised for issue" date is 15/10/12.

Events that occur after the Reporting Date represent one of two types:

##### **(i) Events that have provided evidence of conditions that existed at the Reporting Date**

These financial statements (and the figures therein) incorporate all "adjusting events" that provided evidence of conditions that existed at 30 June 2012.

##### **(ii) Events that have provided evidence of conditions that arose after the Reporting Date**

These financial statements (& figures therein) do not incorporate any "non adjusting events" that have occurred after 30 June 2012 and which are only indicative of conditions that arose after 30 June 2012.

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

#### Note 24. Discontinued Operations

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Council has not classified any of its Operations as "Discontinued".

## Griffith City Council

### Notes to the Financial Statements for the financial year ended 30 June 2012

#### Note 25. Intangible Assets

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\$ '000

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Intangible Assets represent identifiable non-monetary asset without physical substance.

Council is unaware of any control over Intangible Assets that warrant recognition in the Financial Statements, including either internally generated and developed assets or purchased assets.

#### Note 26. Reinstatement, Rehabilitation & Restoration Liabilities

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Council has two Garbage Centres that are situated at Tharbogang and Yenda.

These all have useful lives, which on being reached will result in Council having to reinstate these areas through restoration and remediation works.

These future liabilities have however, not been brought to account due to;

- the remaining useful lives of these assets being estimated at beyond 20 years and accordingly the effects of discounting the future cash outflows to present values deems the amounts immaterial,
- preliminary estimates of the individual amounts required to undertake the future restoration works do not materially affect either Council's Financial Results or Financial Position as at 30/6/12.

Accordingly, no Provision amounts have been brought to account in these Financial Statements for such future Reinstatement & Restoration Costs.

Council is currently conducting a full Environmental Report on the main Tharbogang Landfill/Quarry site and this will largely determine the size, scope and timing of any future provisions required for the remediation and rehabilitation of these sites.

## Griffith City Council

### Notes to the Financial Statements

for the financial year ended 30 June 2012

#### Note 27. Council Information & Contact Details

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##### Principal Place of Business:

1 Benerembah Street  
GRIFFITH NSW 2680

##### Contact Details

##### Mailing Address:

PO Box 485  
GRIFFITH NSW 2680

##### Opening Hours:

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

**Telephone:** 02 6962 8100

**Facsimile:** 02 6962 7161

**Internet:** [www.griffith.nsw.gov.au](http://www.griffith.nsw.gov.au)

**Email:** [admin@griffith.nsw.gov.au](mailto:admin@griffith.nsw.gov.au)

##### Officers

##### GENERAL MANAGER

Brett Stonestreet

##### RESPONSIBLE ACCOUNTING OFFICER

Max Turner

##### PUBLIC OFFICER

Shireen Donaldson

##### AUDITORS

Auswild & Co.  
4 Dugan Street  
DEAKIN ACT 2600

##### Other Information

**ABN:** 81 274 100 792

##### Elected Members

##### MAYOR

Cr John Dal Broi <sup>(4)</sup>

Cr Mike Neville

##### COUNCILLORS

Cr Dom Testoni <sup>(2)</sup>

Cr Anne Napoli

Cr Christine Stead

Cr Peter Fussell <sup>(3)</sup>

Cr Simon Croce

Cr Pat Cox

Cr Allan Bennett <sup>(5)</sup>

Cr Peter Taylor <sup>(2)</sup>

Cr Bill Lancaster

Cr Doug Curran

Cr Dino Zappacosta

Cr Alison Balind <sup>(1)</sup>

Cr Leon Thorpe <sup>(1)</sup>

Cr Paul Rossetto <sup>(1)</sup>

<sup>(1)</sup> Elected 15 September 2012 (Declaration date)

<sup>(2)</sup> No Candidacy for 8 September 2012 Election

<sup>(3)</sup> Resigned 14 March 2012

<sup>(4)</sup> Elected 13 September 2012 (Declaration date)

<sup>(5)</sup> Not re-elected 8 September 2012



## **Independent auditor's report to the Councillors of the Griffith City Council and the Chief Executive Officer of the Division of Local Government**

We have audited the accompanying general purpose financial report of the Griffith City Council, which comprises the Statement by Councillors and Management, Balance Sheet as at 30<sup>th</sup> June, 2012, Income Statement, Statement of Comprehensive Income, Statement of Changes in Equity and Cash Flow Statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes.

### **Councils' Responsibility for the Financial Report**

The Council is responsible for the preparation and presentation of the financial report in accordance with the Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Local Government Act 1993*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that it is free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Council, as well as evaluating the overall presentation of the financial report.

Our audit responsibility does not extend to the original budget information included in the Income Statement, Cash Flow Statement, Note 2(a) or the budget variation explanations disclosed in Note 16. Nor does our responsibility extend to the projected future developer contributions and costs disclosed in Note 17. Accordingly, no opinion is expressed on these matters. In addition, our audit did not include an analysis of the prudence of business decisions made by Council or management.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements.

### Auditor's Opinion

In our opinion,

- (a) 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; and
- (b) The general purpose financial report
  - (i) has been prepared in accordance with the requirements of this Division;
  - (ii) is consistent with the Council's accounting records;
  - (iii) presents fairly the Council's financial position, the results of its operations and its cash flows; and
  - (iv) is in accordance with applicable Accounting Standards and other mandatory professional reporting requirements in Australia.
- (c) all information relevant to the conduct of the audit has been obtained; and
- (d) there are no material deficiencies in the accounting records or financial report that have come to light during the course of the audit.

### Emphasis of Matter

Without qualification to the opinion expressed above, we draw attention to the following matter.

In March 2012 severe flooding caused major damage to Council's roads, bridges and footpath assets. Council undertook immediate restoration work and subsequently applied for financial assistance under the Government's Natural Disaster Relief Program. As at the 30<sup>th</sup> June, 2012 claims amounting to \$449,988 remained outstanding which Council has brought to account as a debtor in Note 7 to the financial statements.

We report that these outstanding claims are currently being assessed by various Government Departments and at the date of audit they have not been able to confirm the acceptance or denial (fully or in part) of Council's claim.

As a consequence of the above, there is significant uncertainty regarding the value and recoverability of this debt, the resolution of which is dependent upon future events and which may materially affect the financial reports.

**AUSWILD & CO.**



G.J. BRADLEY  
Principal

Registered Auditor No: 1249

CANBERRA  
15<sup>th</sup> October, 2012

GRIFFITH CITY COUNCIL  
REPORT ON THE CONDUCT  
OF THE AUDIT

2012



15<sup>th</sup> October, 2012

Councillor John Dal Broi  
Mayor  
Griffith City Council  
P.O. Box 485  
**GRIFFITH.** N.S.W. 2680

Dear Cr Dal Broi,

Having completed an audit examination of the books of account and associated records of the Griffith City Council for the twelve months period ended 30<sup>th</sup> June 2012 we have pleasure in submitting our report on the conduct of the audit in accordance with Section 417 (3) of the Local Government Act 1993.

### Background

The financial statements for the year ended 30<sup>th</sup> June 2012 have been prepared in accordance with:

- Australian Accounting Standards;
- Local Government Act 1993 and Regulations; and
- Local Government Code of Accounting Practice and Financial Reporting (the Code).

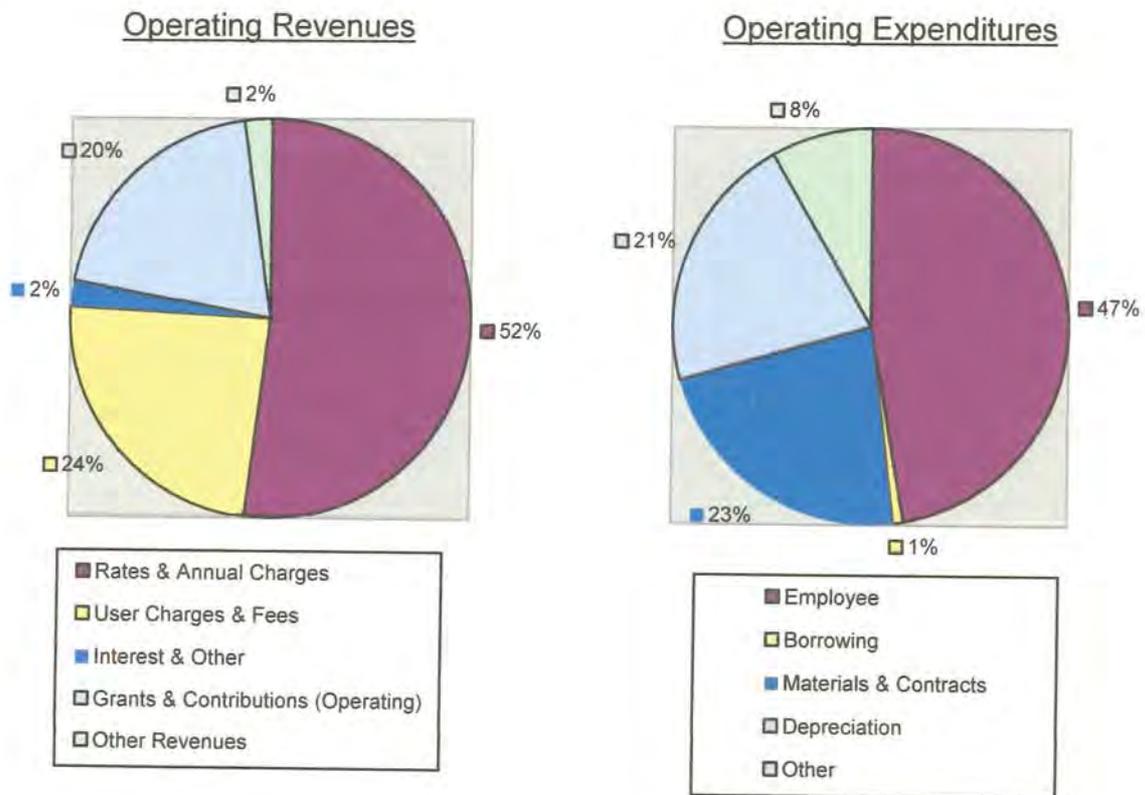
These financial statements have been prepared in much the same manner as those of the previous year.

In accordance with the timetable enunciated in the Code of Accounting Practice, Griffith City Council has continued to revalue certain classes of assets on a five year rotation basis. In the current year all water and sewerage infrastructure assets were re-valued in accordance with fair value principals.

**Financial Results**

Council reported an operating surplus before capital grants and contributions of \$3.04 million for the year ended 30 June 2012 (2011 – surplus of \$2.87 million). Operating revenues for the year (\$48.52 million) increased approximately 7.70% on those of the previous year (\$45.05 million) whilst during the same period operating expenses (\$45.48 million) increased approximately 7.82%.

A breakdown of Council’s operating revenues and expenses for the year is as follows:



In addition to operating revenues, Council received capital grants and contributions amounting to \$3.30 million (2011 - \$1.28 million).

In the twelve months period to 30 June 2012, Council’s operating result from continuing operations’ (**including** capital grants and contributions) was a surplus of \$6.34 million compared with a surplus of \$4.16 million in the previous year.



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## Budget Comparison

The net operating surplus for the year of \$6.34 million was marginally above budget expectations which anticipated a surplus of \$6.13 million.

Details of material variations between the original budget and actual results are detailed in Note 16 to the General Purpose Financial Reports. In essence the variances from the expected results have been attributed to:

### Favourable Variances

- Increased interest revenues due to conservative budget estimates and improved global markets.
- Increased Other Revenues in relation to resource sharing income, WHS incentive payments and workers compensation premiums reimbursed.
- The Federal Government paid half of the 2012/2013 Financial Assistance Grant (FAG) in advance. These instalments amounted to \$2.23 million and were received and brought to account as operating income in June, 2012. Additional grants were also received for flood damage and the airport terminal upgrade.
- Better than budgeted sales/trade amounts for vehicle and plant disposals.

### Unfavourable Variances

- Depreciation expenses for water supply network increased following their revaluation in 2012. The revaluations were not known at the time of the budget preparation.
- Increased borrowing costs due to the timing and recognition of capital projects.
- Employee leave entitlement expenses were higher than anticipated due to a significant decrease in the discount rate used to calculate liability balances.

## DETAILED AUDIT OBSERVATIONS

### Rates and Annual Charges

Revenue from rates and annual charges (excluding Council owned properties) amounted to \$25.23 million (2011 - \$24.23 million).

In setting the **ordinary rates** for the year Council resolved to adopt an increase of 3.05%. This increase was in line with the maximum permissible increase allowable of 2.8% plus available catch-up of 0.25%. This action together with an increase in the number of assessments has resulted in revenues from ordinary rates increasing from \$12.76 million in 2010/2011 to \$13.22 million in the current year.

Council's **ordinary rating base** has increased by 74 assessments during the twelve months period and at year end 10,779 assessments were subject to **ordinary rates**.

Council further resolved that other major charges be amended as follows:

- Annual water access charges were subject to varying increases of between 1.6% and 2.9% depending on the meter size.
- Sewer annual access charges for residential customers were increased by 3.8% whilst non-residential customers were increased by 4.4%.
- Sewer reclamation plant upgrade levy was increased 1.6% for both residential and non-residential customers.
- Domestic waste management charges increased 5.0% whilst non-domestic charges were subject to increases between 4.9% and 5.0%.
- Domestic recycling charges increased 5.7%.

Such movements have resulted in revenues as follows:

<u>Annual Charges</u>	<u>2011</u>	<u>2012</u>
	\$	\$
Water Supply	1,652,000	1,720,000
Sewerage	6,077,000	6,324,000
Domestic Waste	1,883,000	2,007,000
Non-Domestic Waste	822,000	851,000
Recycling	874,000	943,000

Rebates of \$598,000 were provided to eligible pensioners and a subsidy of \$329,000 was received from the Division of Local Government towards the cost of these rebates.

Interest and extra charges on overdue rates for the year were \$150,000 (2011 - \$86,000) and outstanding rates were subject to interest at the rate of 11.00%.

### User Charges and Fees

Council derived \$5.07 million from **specific user charges** (2011 - \$4.15 million) and a further \$6.52 million from **fees** (2011 - \$6.97 million) imposed during the twelve months period ended 30 June 2012.

Impacting significantly on user charges and fees revenues for the year were:

#### Water Consumption Charges

An increase of 8.0% in water consumption charges for usage above 200kl (usage below 200kl remained unchanged) together with increased demand has resulted in revenues from consumption charges increasing significantly during the twelve months period. Revenues increased from \$3.36 million in 2010/2011 to \$4.27 million in the current year.

#### RMS Charges

Contract work performed by Council for the RMS on the state roads decreased significantly during the twelve months period. Revenues decreased from \$2.15 million in 2010/2011 to \$1.51 million in the current year.

Other material revenues received from user charges and fees included:-

	2011 \$	2012 \$
Sewerage	576,000	588,000
Planning and Regulatory	1,102,000	924,000
Regional Theatre	308,000	331,000
Aquatic Centre	1,082,000	1,188,000
Tipping Fees	611,000	674,000
Cemeteries	404,000	404,000
Aerodrome	567,000	636,000

## Interest

Interest and investment revenues decreased approximately \$214,000 (17.69%) in the current year, principally in response to reduced funds being available for investment. Additionally, we report that improved market conditions have again favourably impacted on Council with the market value of several investments increasing. Consequently, Council has adjusted the book value of these investments to market values which has resulted in interest income increasing by \$70,000 in the twelve months period to 30<sup>th</sup> June, 2012.

Council's interest revenue from cash and investments amounted to \$996,000 and was earned as follows:

	2011	2012
	\$	\$
Overdue rates & charges	86,000	150,000
Investments	920,000	776,000
Other	30,000	-
Fair Valuation Movements	174,000	70,000
	<u>1,210,000</u>	<u>996,000</u>

Interest on investments for the year represented approximately 7.54% of ordinary rating income which would be considered low by industry standards.

## Other Revenues

Griffith City Council has once again received important income from a number of non-core activities. Predominantly, such income has been earned from lease/rentals (\$234,000), parking fines (\$107,000), resource sharing income (\$151,000), workers compensation premium refund (\$146,000) and recovery of legal fees (\$149,000).

## Grants, Subsidies and Contributions

### Operating Grants and Contributions

Operating grants and contributions amounting to \$9.56 million were received in 2011/2012 compared with \$7.50 million received in the previous year.

Council's untied financial assistance grant increased approximately 33.43% from \$4.13 million in 2010/2011 to \$5.52 million this year. This significant increase is attributed to the Australian Government decision to pay half of the 2012/2013 grant

in advance. The advance payment to Griffith City amounted to \$2.23 million and was received and brought to account in late June, 2012. Although a portion of this advance payment (\$1.0 million) has been restricted by Council for utilisation in 2012/2013 we emphasise that Council's future operating results may be adversely impacted should the Australian Government act to realign the financial assistance grants to the years to which they relate.

Other major specific purpose grants and contributions were received for RMS Regional Roads (\$574,000), Community Projects (\$141,000), Bushfire and Emergency Services (\$189,000), Roads to Recovery (\$593,000), Economic Development (\$248,000), Flood Event (\$870,000), Healthy Communities Initiative (\$280,000) and Noxious Weeds (\$115,000).

### Capital Grants and Contributions

Total capital grants and contributions received for the year amounted to \$3.30 million (2011 - \$1.28 million) and principally related to Transport (\$647,000), Bushfire and Emergency Services (\$1.68 million), Water Supplies (\$261,000), Developer Contributions (\$309,000) and Airport Upgrade (\$285,000).

In accordance with the Code of Accounting Practice all grant and contribution monies received in 2011/2012 (both expended and unexpended) have been brought to account as income. Grants and contributions recognised as revenues in the current reporting period but not yet expended in accordance with the conditions attaching thereto amounted to \$25,000. At year end Council held unexpended grants and contributions totalling to \$3.47 million (2011 - \$4.94 million) and such funds have been identified as an externally restricted asset.

### **Operating Expenditure**

Expenses from continuing operations (\$45.48 million) increased approximately 7.82% on those of the previous year (\$42.18 million) and were also considerably higher than budget expectations (\$42.65 million).

Impacting on operating expenses for the year were:

#### Employee Costs

Employee costs (\$21.47 million) increased approximately 10.42% primarily in response to increased overtime following the damaging floods in March 2012 and increased employee entitlement expenses resulting from a significant decrease in the discount rates applied in costing these entitlements at net present value.

At year end Council's 'Equivalent Full Time' employees numbered 295 (2011 - 295).

### Borrowing Costs

Although borrowing costs (\$344,000) have remained largely unaltered during the twelve months period to 30<sup>th</sup> June, 2012 we note that this has occurred through borrowing costs attaching to the construction of the new sewerage augmentation scheme amounting to \$1.36 million being capitalised in 2011/2012.

We report that the sewerage scheme has now been commissioned and consequently all associated borrowing costs will now be allocated to borrowing expenses. As such, we anticipate a significant increase in borrowing expenses in 2012/2013.

### Depreciation

Depreciation expenses (\$9.64 million) were significantly higher than those of the previous year (\$8.56 million) and accounted for approximately 21.19% of Council's total operating expenses. The increase in depreciation expenses in the current year has resulted from a detailed internal review of Council's water assets which determined that the useful lives of these assets required adjustment. The depreciation expense applicable to Council's water assets has increased from \$908,000 in 2010/2011 to \$1.72 million in 2011/2012.

### Gains/(Losses) from the Sale of Assets

The sale/disposal of Council assets in the current year has resulted in a loss of \$28,000 being brought to account (2011 – profit of \$42,000).

### **Capital Expenditure**

During the reporting period Council expended \$25.87 million (2011 - \$25.22 million) on the acquisition of assets.

The principal items being:-

	<b>2011</b>	<b>2012</b>
	<b>\$</b>	<b>\$</b>
	<b>'000's</b>	<b>'000's</b>
Works in Progress	1,254	4,207
Plant & Equipment	2,199	1,096
Buildings	124	713
Roads, Bridges & Footpaths	3,096	3,056
Sewerage	14,693	10,900
Water	1,639	1,864
Other Structures	859	1,699
Operational Land	592	1,885

The expenditure associated with buildings and infrastructure has given Council a satisfactory assets renewal ratio of 103.07%. This ratio assesses the rate at which assets are being renewed against the rate at which they are depreciating.

### Cash and Investments

At balance date Council controlled cash and investments totalling \$14.23 million (2011 - \$16.66 million).

Council utilises its investments to cover both externally and internally imposed requirements and comprises unexpended loans (\$2,000), specific purpose unexpended grants (\$55,000), developer contributions (\$3.42 million), water investments (\$4.97 million), sewerage investments (\$3.01 million), advance instalments of the financial assistance grant (\$1.00 million) and employee entitlements (\$1.00 million).

Note: Council utilized \$1.34 million of the advance instalments of the 2012/2012 financial assistance grant in the current year.

Externally restricted investments amounted to \$12.05 million whilst Council has "earmarked" a further \$2.00 million towards the funding of its future long-term objectives.

Council's cash and investments were held as follows:

	2011 \$	2012 \$
General Fund	1,830,000	2,178,000
Water Fund	5,162,000	4,973,000
Sewerage Fund	2,452,000	3,006,000
Externally Restricted Funds	<u>7,212,000</u>	<u>4,072,000</u>
	\$16,656,000	\$14,229,000

and comprised

Cash on Hand and at Bank	2,059,000	1,838,000
Short Term Deposits	2,579,000	83,000
Long Term Deposits	4,000,000	6,500,000
Managed Funds	3,210,000	2,810,000
NCD's* and FRN's*	4,512,000	1,547,000
Other Long Term Financial Assets	NIL	1,029,000
Collateralised Debt Obligations (CDOs)	<u>296,000</u>	<u>422,000</u>
	\$16,656,000	\$14,229,000

\* NCD's Negotiable Certificates of Deposit  
FRN's Floating Rate Notes

All investments have been classified as held for trading and consequently their values have been adjusted as at 30 June 2012 to reflect their market/fair values. We report that Council's investments were re-valued upwards by \$70,000 in the current year.

## Debtors

### Rates and Annual Charges

At balance date net outstanding rates, annual charges and associated interest amounted to \$2.85 million (2011 - \$2.26 million) which represented 10.27% of total receivable (2011 – 8.59%).

This relatively high percentage arrears position can be attributed to Council's billing cycle which forwards third trimester water and sewerage charges late in the year and consequently a substantial component of the arrears at year end (\$2.15 million) is current.

Unfortunately, Council's rate arrears position has been adversely impacted by the actions of a few ratepayers who have resisted recovery action initiated by Council. We note that at year end four ratepayers collectively owed in excess of \$425,000 which is a substantial increase over previous years. We again encourage Council to make a concerted effort to reduce this percentage arrears to less than 5.00%.

Outstanding rates and annual charges have been subject to interest at the rate of 11.00% pa and we report that Council has determined that a provision for doubtful debts is not necessary as all arrears are secured by a charge over the land.

### User Charges

User charge debtors at years end amounted to \$3.15 million (2011 - \$2.76 million) of which \$1.57 million related to water consumption charges from the third trimester billing. As these water consumption accounts were not issued until late in the year most of these debts were current and should be collected in the normal course of business.

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## **Inventories**

### Real Estate

Council reported no development costs or sales in the current year. At year end Council held undeveloped land with a book value of \$4.73 million.

### Water Licences

Council revalued its permanent water licences to market values at 30 June 2012 which has resulted in a decrease in book value. Council's water licences are now valued at \$2.01 million (2011 - \$2.30 million) and although they are classified as a non-current asset we note that an active market exists for water trading and these licences can be traded on a temporary or permanent basis.

## **Property, Plant and Equipment (excluding real estate)**

During the year Council acquired assets to the value of \$25.93 million and sold assets with a written down value of \$484,000. The sales of these assets realised a loss of \$28,000 (2011 – profit of \$42,000).

Further we report that in accordance with the requirements of the Code of Accounting Practice, Council's water and sewerage infrastructure assets were subject to a full revaluation which is required to be conducted every five years. This revaluation has resulted in Council's Water Supply Network increasing by \$18.03 million to \$118.95 million whilst the Sewerage Network assets increased \$2.79 million to \$123.64 million.

In March, 2012 severe flooding throughout the shire caused major damage to Council's infrastructure. In particular damage to Council's roads, bridges and footpaths was assessed at \$11.45 million which has been adjusted against Council's assets revaluation reserves.

The combined action of asset movements, impairments and revaluations has resulted in the value of property, plant and equipment increasing from \$515.42 million in 2011 to \$534.95 million as at 30 June 2012.

Major acquisitions during the year were funded from loans, grants and contributions, and cash & investments.

### Provisions

At 30 June 2012 the Provision for Employee Accrued Entitlements totalled \$5.94 million. The components of the liability are:-

	<b>2011</b>	<b>2012</b>
	\$	\$
Annual Leave	1,808,000	1,821,000
Long Service Leave	3,190,000	3,912,000
Sick Leave	200,000	210,000

The average leave entitlement per employee as at 30 June 2012 was \$20,146 (2011 - \$17,620).

At year's end Council had set aside funds amounting to only \$1.00 million or 16.83% of the employee leave entitlement liability. Such funds have been identified as an internally restricted asset.

### Loans and Debt Servicing

During the year Council raised new loans amounting to \$10.20 million and repaid principal amounting to \$2.31 million. At year end Council's outstanding borrowings had increased to \$27.42 million (2011 - \$19.45 million).

Council's external loan liability is apportioned as follows:-

	<b>2011</b>	<b>2012</b>
	\$	\$
General Fund	5,351,000	4,195,000
Water Fund	Nil	Nil
Sewerage Fund	<u>14,099,000</u>	<u>23,228,000</u>
	19,450,000	27,423,000

Council required \$3.93 million (including \$2.31 million in principal repayments) or 8.81% of its income received from operating revenues (excluding specific purpose grants, contributions and donations) to service its loan commitments in 2011/2012.

## SUMMARY

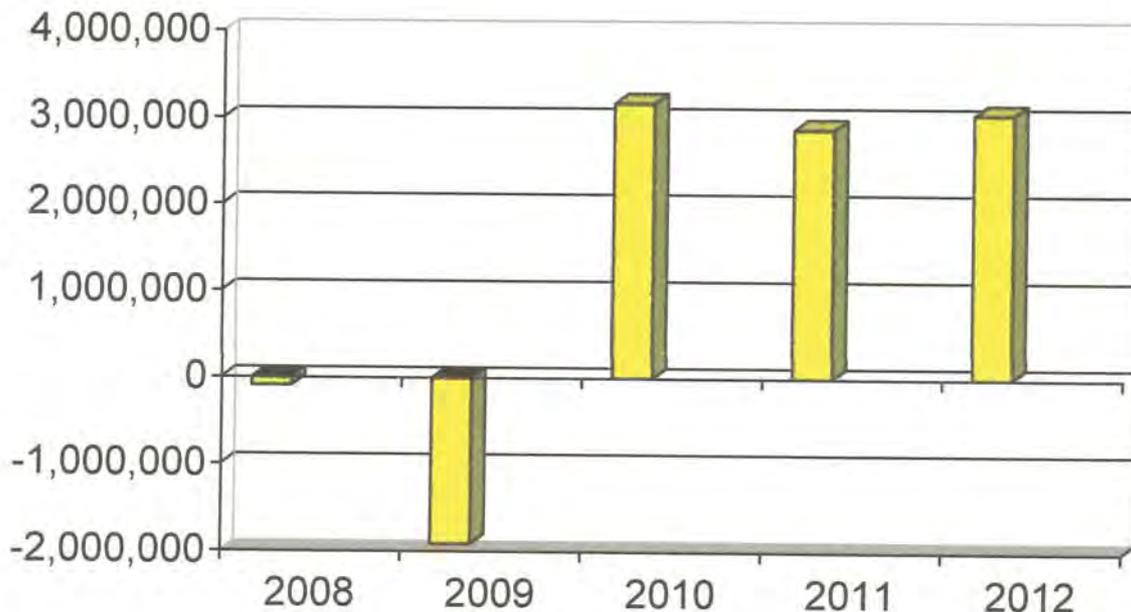
In analysing Council's financial results for the year particular attention must be given to the following:

- Operating result before capital amounts (surplus of \$3.04 million)
- Net decrease in cash and investments held (\$2.43 million)
- Internal and unrestricted investments amounting to \$2.18 million
- Performance Ratios

### Operating Result

Council reported an operating surplus before capital amounts of \$3.04 million for the twelve months period to 30 June 2012. This surplus was achieved after allowing for depreciation expenses of \$9.64 million and was above both budget expectations (surplus - \$2.24 million) and the result of the previous year (surplus - \$2.87 million).

#### Operating Surplus before Capital Amounts



The contribution of the individual Funds to the consolidated operating result before capital grants and contributions was as follows:

	<b>Surplus/ (Deficit)</b>	
	<b>2011</b>	<b>2012</b>
	<b>\$</b>	<b>\$</b>
General Fund	711,000	1,178,000
Water Fund	56,000	(161,000)
Sewerage Fund	2,106,000	2,026,000
	2,873,000	3,043,000

The operating surplus can be largely attributed to the decision of the Australian Government to make an advance payment of the 2012/2013 financial assistance grant. The advance payment (\$2.23 million) was received in June 2012 and in accordance with accounting standards this untied grant was required to be brought to account as operating income in the year in which it was received. Whilst the additional instalments of the financial assistance grant have "artificially" inflated the operating result for the year, we also note that Council has had to account for increased depreciation expenses following the review of water assets useful lives.

We note the following items that have also materially impacted favourably/(unfavourably) on Council's operating result for the year included:

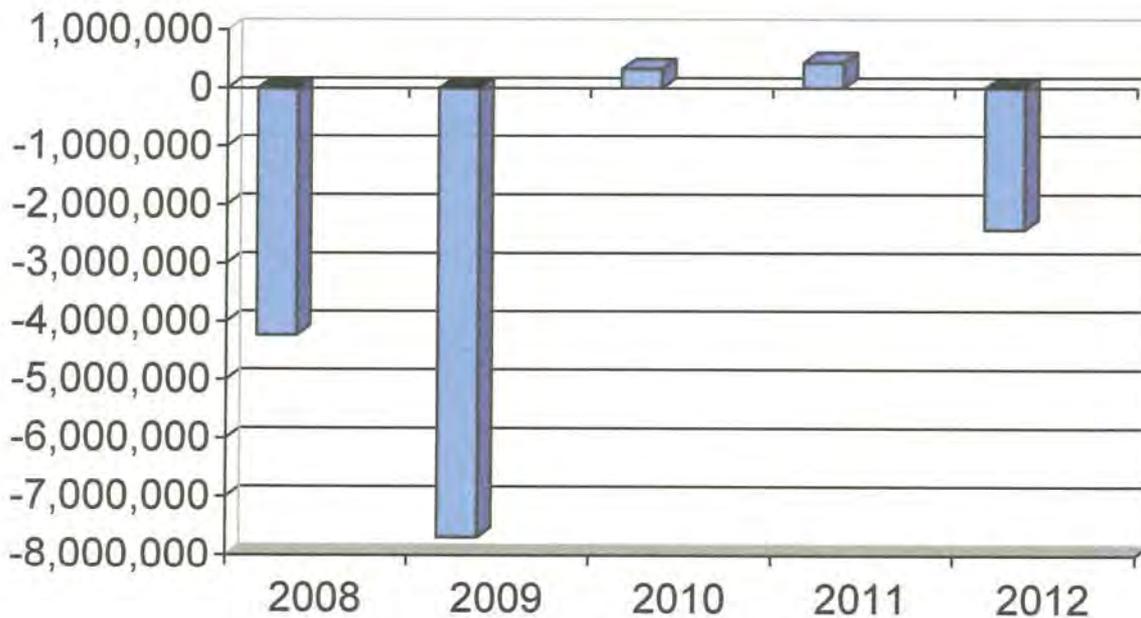
<b><u>Income</u></b>	<b>2011</b>	<b>2012</b>	<b>Variance</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
Water Consumption	3,362,000	4,270,000	908,000
Statutory & Regulatory Fees	1,102,000	924,000	(178,000)
RMS Charges	2,151,000	1,512,000	(639,000)
Interest	1,210,000	996,000	(214,000)
Operating Grants	6,490,000	8,702,000	2,212,000
Capital Grants	977,000	2,889,000	1,912,000
<b><u>Expenses</u></b>			
Raw Materials	10,283,000	9,960,000	323,000
Employee Leave Entitlements	2,906,000	3,978,000	(1,072,000)
Electricity and Heating	1,127,000	1,454,000	(327,000)
Depreciation	8,563,000	9,636,000	(1,073,000)

Overall, Council has in our opinion reported a satisfactory operating result for the year.

**Cash Flow**

Council achieved a cash surplus of \$14.99 million (2011 - \$14.39 million) from its general operating activities which together with increased borrowings (\$10.20 million), was principally utilised to purchase assets and repay loans. These actions have resulted in Council recording a decrease in cash and investments of \$2.43 million for the year.

Cash Flow Surplus/Deficit



Note: The above graph reflects the movements in both cash **and investments**

Upon analysis the cash flow deficit can be identified as follows:-

<u>Activity</u>	<u>Surplus/(Deficit)</u>	
	<u>2011</u>	<u>2012</u>
	\$	\$
<u>Externally Restricted</u>		
Sewerage Fund	(357,000)	554,000
Water Fund	(46,000)	(189,000)
Other External restrictions	(791,000)	(3,140,000)
<u>Internally Restricted and Unrestricted</u>		
General Fund	1,633,000	348,000

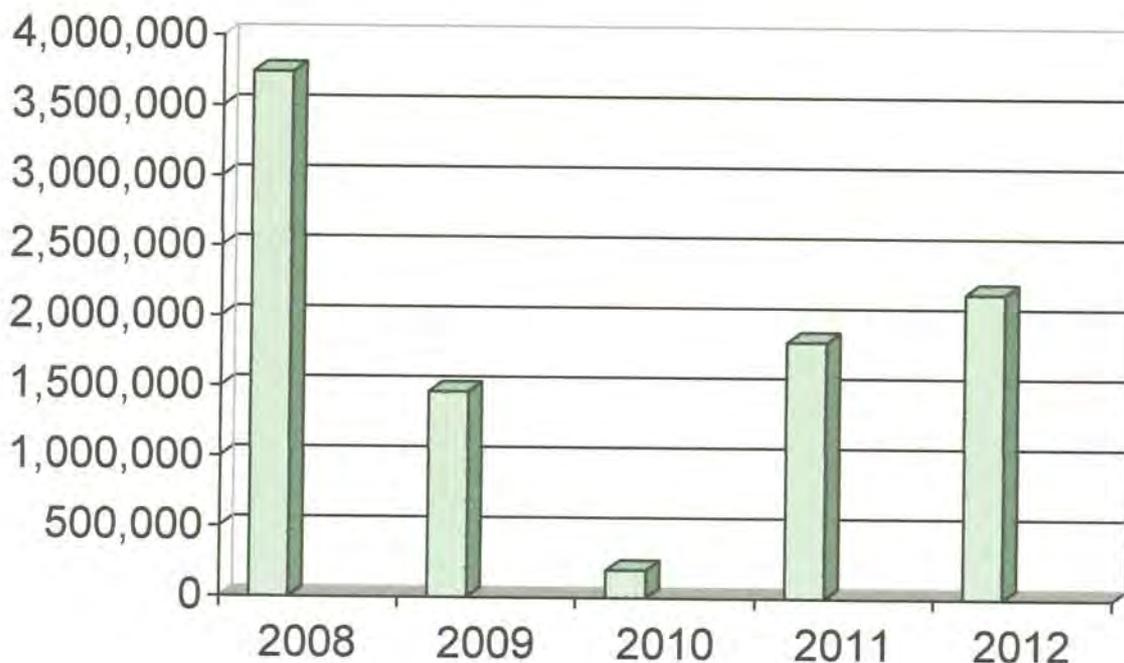
For comparative purposes, we note the following factors that have impacted on the cash flow surplus in 2011/2012.

- Advance instalments of the 2012/2013 financial assistance grant (\$2.23 million) was received in the current year.
- Loan funds amounting to \$10.20 million were taken up in the current year.
- Capital expenditure amounted to \$25.87 million in the current year (2011 - \$25.22 million).
- Debtors increased \$1.27 million over the twelve months period.
- Creditors for goods and services at year end amounted to \$3.79 million compared with \$5.79 million at 30 June 2011.

### **Reserves (Internally and Unrestricted Assets)**

As noted previously, Council's internal and unrestricted funds increased by \$348,000 in the twelve months period and at year's end Council held internally restricted investments amounting to \$2.00 million whilst a further \$178,000 was maintained as unrestricted cash.

#### **Internal and Unrestricted Reserve Funds**



In addition to these funds we report that the water and sewerage funds held cash and investments amounting to \$4.97 million and \$3.01 million respectively.

Despite the marginal increase in these funds during the period, we report that in our opinion they remain critically low and as a matter of priority they must be substantially increased. At year end Council has only been able to fund 17.0% of its employee leave entitlements liability and all other reserves remain unfunded. Additionally, we report that Council's liquidity position has required Council to draw on a substantial proportion of its advance instalments of the 2012/2013 financial assistance grant to fund the current year's operations.

As we have consistently reported, the adequate funding of reserves is probably the greatest challenge facing local government generally and Griffith City Council needs to address this area of its operations to ensure that sufficient funds are available to adequately and responsibly meet its future obligations to infrastructure maintenance and replacement.

Importantly, we note that in addition to these cash funds Council has available for sale approximately \$4.73 million of real estate and future sales (if so earmarked) will add considerable strength to Council's reserve funding. Additionally, Council holds a number of water entitlements for which an active market exists.

### **Performance Ratios**

Council's marginal liquidity position is reflected in the unrestricted current ratio (which is a measurement of Council's ability to meet its financial obligations) of 1.18 (2011 – 1.12). Although Council has no plans to sell its water entitlements in the short term, we report that Council has deemed these assets to be a tradeable commodity and have included these as an asset when calculating the unrestricted current ratio. Without the inclusion of the water entitlements the unrestricted current ratio would have decreased to 0.96. Most other performance ratios however compare quite favourably with the industry generally.

In addition to the above, a number of matters of a minor nature were discussed with the appropriate staff who have actioned or undertaken to see that appropriate action is taken with respect to each. Council's books of account and other records appear to have been maintained in a satisfactory and up-to-date manner and the requirements of the Local Government Act and regulations well observed.

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In conclusion we wish to acknowledge the courteous assistance and co-operation extended to us by the General Manager and staff during the conduct of the audit, from whom we have obtained all the information and explanations that we required.

Yours faithfully,  
**AUSWILD & CO.**

per:



**G.J. BRADLEY**  
**Registered Auditor No 1249**