Griffith City Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2014

Griffith City Council

Special Purpose Financial Statements
for the financial year ended 30 June 2014

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Background

(i) These Special Purpose Financial Statements have been prepared for the use by both Council and the Division of Local Government in fulfilling their requirements under National Competition Policy.

(ii) The principle of competitive neutrality is based on the concept of a "level playing field" between persons/entities competing in a market place, particularly between private and public sector competitors.

Essentially, the principle is that government businesses, whether Commonwealth, State or Local, should operate without net competitive advantages over other businesses as a result of their public ownership.

(iii) For Council, the principle of competitive neutrality & public reporting applies only to declared business activities.

These include **(a)** those activities classified by the Australian Bureau of Statistics as business activities being water supply, sewerage services, abattoirs, gas production and reticulation and **(b)** those activities with a turnover of over $2 million that Council has formally declared as a Business Activity (defined as Category 1 activities).

(iv) In preparing these financial statements for Council's self classified Category 1 businesses and ABS defined activities, councils must **(a)** adopt a corporatisation model and **(b)** apply full cost attribution including tax equivalent regime payments & debt guarantee fees (where the business benefits from councils borrowing position by comparison with commercial rates).

Griffith City Council

Special Purpose Financial Statements
for the financial year ended 30 June 2014

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

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

- The NSW Government Policy Statement "Application of National Competition Policy to Local Government".
- The Division of Local Government Guidelines "Pricing & Costing for Council Businesses - A Guide to Competitive Neutrality".
- The Local Government Code of Accounting Practice and Financial Reporting.
- The NSW Office of Water (Department of Environment, Climate Change and Water) Guidelines - "Best Practice Management of Water and Sewerage".

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

- Present fairly the Operating Result and Financial Position for each of Council's declared Business Activities for the year, and
- Accord with Council's accounting and other records.

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

Signed in accordance with a resolution of Council made on 14 October 2014.

Cr John Dal Broi
MAYOR

Cr Doug Curran
COUNCILLOR

Brett Stonestreet
GENERAL MANAGER

Max Turner
RESPONSIBLE ACCOUNTING OFFICER

Griffith City Council

Income Statement of Council's Water Supply Business Activity
for the financial year ended 30 June 2014

$ '000	Actual 2014	Actual 2013
Income from continuing operations		
Access charges	1,815	1,768
User charges	6,074	5,736
Fees	243	227
Interest	418	675
Grants and contributions provided for non capital purposes	84	170
Profit from the sale of assets	12	20
Other income	49	38
Total income from continuing operations	**8,695**	**8,634**
Expenses from continuing operations		
Employee benefits and on-costs	1,926	1,659
Borrowing costs	-	-
Materials and contracts	2,815	3,186
Depreciation and impairment	1,992	1,937
Water purchase charges	-	-
Loss on sale of assets	-	-
Calculated taxation equivalents	130	92
Debt guarantee fee (if applicable)	-	-
Other expenses	764	841
Total expenses from continuing operations	**7,627**	**7,715**
Surplus (deficit) from Continuing Operations before capital amounts	**1,068**	**919**
Grants and contributions provided for capital purposes	204	330
Surplus (deficit) from Continuing Operations after capital amounts	**1,272**	**1,249**
Surplus (deficit) from discontinued operations	-	-
Surplus (deficit) from ALL Operations before tax	**1,272**	**1,249**
less: Corporate Taxation Equivalent (30%) [based on result before capital]	(320)	(276)
SURPLUS (DEFICIT) AFTER TAX	**952**	**973**
plus Opening Retained Profits	79,884	78,590
plus/less: Prior Period Adjustments	-	-
plus/less: Other Adjustments (Rounding in Previous Year)	-	2
plus Adjustments for amounts unpaid:		
- Taxation equivalent payments	56	43
- Debt guarantee fees	-	-
- Corporate taxation equivalent	320	276
less:		
- Tax Equivalent Dividend paid	-	-
- Surplus dividend paid	-	-
Closing Retained Profits	**81,212**	**79,884**
Return on Capital %	**0.8%**	**0.7%**
Subsidy from Council	**3,531**	**3,729**
Calculation of dividend payable:		
Surplus (deficit) after tax	952	973
less: Capital grants and contributions (excluding developer contributions)	(176)	(103)
Surplus for dividend calculation purposes	**776**	**870**
Potential Dividend calculated from surplus	**388**	**435**

Griffith City Council

Income Statement of Council's Sewerage Business Activity
for the financial year ended 30 June 2014

$ '000	Actual 2014	Actual 2013
Income from continuing operations		
Access charges	6,741	6,540
User charges	708	667
Liquid Trade Waste charges	36	32
Fees	6	7
Interest	216	396
Grants and contributions provided for non capital purposes	59	54
Profit from the sale of assets	87	7
Other income	13	14
Total income from continuing operations	**7,866**	**7,717**
Expenses from continuing operations		
Employee benefits and on-costs	1,690	1,478
Borrowing costs	1,565	1,646
Materials and contracts	1,705	1,731
Depreciation and impairment	1,784	1,551
Loss on sale of assets	-	-
Calculated taxation equivalents	100	98
Debt guarantee fee (if applicable)	-	-
Other expenses	561	611
Total expenses from continuing operations	**7,405**	**7,115**
Surplus (deficit) from Continuing Operations before capital amounts	**461**	**602**
Grants and contributions provided for capital purposes	30	153
Surplus (deficit) from Continuing Operations after capital amounts	**491**	**755**
Surplus (deficit) from discontinued operations	-	-
Surplus (deficit) from ALL Operations before tax	**491**	**755**
less: Corporate Taxation Equivalent (30%) [based on result before capital]	(138)	(181)
SURPLUS (DEFICIT) AFTER TAX	**353**	**574**
plus Opening Retained Profits	62,064	61,252
plus/less: Prior Period Adjustments	-	-
plus/less: Other Adjustments Rounding	(1)	2
plus Adjustments for amounts unpaid:		
- Taxation equivalent payments	37	55
- Debt guarantee fees	-	-
- Corporate taxation equivalent	138	181
less:		
- Tax Equivalent Dividend paid	-	-
- Surplus dividend paid	-	-
Closing Retained Profits	**62,591**	**62,064**
Return on Capital %	**1.5%**	**1.7%**
Subsidy from Council	**2,732**	**2,644**
Calculation of dividend payable:		
Surplus (deficit) after tax	353	574
less: Capital grants and contributions (excluding developer contributions)	(21)	(23)
Surplus for dividend calculation purposes	**332**	**551**
Potential Dividend calculated from surplus	**166**	**276**

Griffith City Council

Statement of Financial Position - Council's Water Supply Business Activity
as at 30 June 2014

$ '000	Actual 2014	Actual 2013
ASSETS		
Current Assets		
Cash and cash equivalents	8,683	7,113
Investments	-	-
Receivables	2,876	2,563
Inventories	343	295
Other	-	-
Non-current assets classified as held for sale	-	-
Total Current Assets	**11,902**	**9,971**
Non-Current Assets		
Investments	-	-
Receivables	295	420
Inventories	2,233	2,233
Infrastructure, property, plant and equipment	129,199	123,293
Investments accounted for using equity method	-	-
Investment property	-	-
Other	-	-
Total non-Current Assets	**131,727**	**125,946**
TOTAL ASSETS	**143,629**	**135,917**
LIABILITIES		
Current Liabilities		
Bank Overdraft	-	-
Payables	1	-
Interest bearing liabilities	-	-
Provisions	-	-
Total Current Liabilities	**1**	**-**
Non-Current Liabilities		
Payables	-	-
Interest bearing liabilities	-	-
Provisions	-	-
Total Non-Current Liabilities	**-**	**-**
TOTAL LIABILITIES	**1**	**-**
NET ASSETS	143,628	135,917
EQUITY		
Retained earnings	81,212	79,884
Revaluation reserves	62,416	56,033
Council equity interest	143,628	135,917
Non-controlling equity interest	-	-
TOTAL EQUITY	143,628	135,917

Griffith City Council

Statement of Financial Position - Council's Sewerage Business Activity
as at 30 June 2014

$ '000	Actual 2014	Actual 2013
ASSETS		
Current Assets		
Cash and cash equivalents	3,191	2,756
Investments	-	-
Receivables	2,427	2,302
Inventories	-	-
Other	-	-
Non-current assets classified as held for sale	-	-
Total Current Assets	**5,618**	**5,058**
Non-Current Assets		
Investments	-	-
Receivables	-	-
Inventories	-	-
Infrastructure, property, plant and equipment	133,652	129,750
Investments accounted for using equity method	-	-
Investment property	-	-
Other	-	-
Total non-Current Assets	**133,652**	**129,750**
TOTAL ASSETS	**139,270**	**134,808**
LIABILITIES		
Current Liabilities		
Bank Overdraft	-	-
Payables	-	-
Interest bearing liabilities	913	1,238
Provisions	-	-
Total Current Liabilities	**913**	**1,238**
Non-Current Liabilities		
Payables	-	-
Interest bearing liabilities	19,919	20,832
Provisions	-	-
Total Non-Current Liabilities	**19,919**	**20,832**
TOTAL LIABILITIES	**20,832**	**22,070**
NET ASSETS	118,438	112,738
EQUITY		
Retained earnings	62,591	62,064
Revaluation reserves	55,847	50,674
Council equity interest	118,438	112,738
Non-controlling equity interest	-	-
TOTAL EQUITY	118,438	112,738

Griffith City Council

Special Purpose Financial Statements
for the financial year ended 30 June 2014

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Notes to the Special Purpose Financial Statements
for the financial year ended 30 June 2014

Note 1. Significant Accounting Policies

These financial statements are a Special Purpose Financial Statements (SPFS) prepared for use by Council and the Office of Local Government.

For the purposes of these statements, the Council is not a reporting not-for-profit entity.

The figures presented in these special purpose financial statements, unless otherwise stated, have been prepared in accordance with:

- the recognition and measurement criteria of relevant Australian Accounting Standards,
- other authoritative pronouncements of the Australian Accounting Standards Board (AASB) &
- Australian Accounting Interpretations.

The disclosures in these special purpose financial statements have been prepared in accordance with:

- the Local Government Act and Regulation, and
- the Local Government Code of Accounting Practice and Financial Reporting.

The statements are also prepared on an accruals basis, based on historic costs and do not take into account changing money values nor current values of non-current assets (except where specifically stated).

Certain taxes and other costs (appropriately described) have been imputed for the purposes of the National Competition Policy.

National Competition Policy

Council has adopted the principle of 'competitive neutrality' to its business activities as part of the national competition policy which is being applied throughout Australia at all levels of government.

The framework for its application is set out in the June 1996 Government Policy statement on the *"Application of National Competition Policy to Local Government".*

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

The pricing & costing guidelines outline the process for identifying and allocating costs to activities and provide a standard of disclosure requirements. These disclosures are reflected in Council's pricing and/or financial reporting systems and include taxation equivalents; council subsidies; return on investments (rate of return); and dividends paid.

Declared Business Activities

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

Category 1

(where gross operating turnover is over $2 million)

a. Water Supply Service
Comprising the whole of the water supply operations and net assets servicing the City of Griffith and the surrounding towns and villages of the local government area.

b. Sewerage Service
Comprising the whole of the sewerage reticulation and treatment operations and net assets servicing the City of Griffith.

Category 2

(where gross operating turnover is less than $2 million)

Council has no Category 2 Business Activities.

Monetary Amounts

Amounts shown in the financial statements are in Australian currency and rounded to the nearest one thousand dollars, with the exception of some figures disclosed in Note 2 (Water Supply Best Practice Management Disclosures) and Note 3 (Sewerage Best Practice Management Disclosures).

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

Griffith City Council

Notes to the Special Purpose Financial Statements
for the financial year ended 30 June 2014

Note 1. Significant Accounting Policies

(i) Taxation Equivalent Charges

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

However, where Council is exempt from paying taxes which are generally paid by private sector businesses (such as income tax), equivalent tax payments have been applied to all Council nominated business activities and are reflected in these financial statements.

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

Notional Rate Applied %

Corporate Income Tax Rate – **30%**

Land Tax – The first **$412,000** of combined land values attracts **0%**. From $412,001 to $2,519,000 the rate is **1.6% + $100.** For the remaining combined land value that exceeds $2,519,000, a premium marginal rate of **2.0%** applies.

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

In accordance with the guidelines for Best Practice Management of Water Supply and Sewerage, a payment for the amount calculated as the annual tax equivalent charges (excluding income tax) must be paid from Water Supply and Sewerage Business activities.

The payment of taxation equivalent charges, referred in the Best Practice Management of Water Supply and Sewerage Guides to as a "Dividend for Taxation equivalent", may be applied for any purpose allowed under the Local Government Act, 1993.

Achievement of substantial compliance against the guidelines for Best Practice Management of Water Supply and Sewerage is not a prerequisite for the payment of the tax equivalent charges, however the payment must not exceed $3 per assessment.

Income Tax

An income tax equivalent has been applied on the profits of each reported Business Activity.

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

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

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

Since this taxation equivalent is notional - that is, it is payable to the "Council" as the owner of business operations, it represents an internal payment and has no effect on the operations of the council. Accordingly, there is no need for disclosure of internal charges in Council's General Purpose Financial Statements.

The rate applied of 30% is the equivalent company tax rate prevalent as at balance date. No adjustments have been made for variations that have occurred during the year.

Local Government Rates & Charges

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

Loan & Debt Guarantee Fees

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

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

Griffith City Council

Notes to the Special Purpose Financial Statements
for the financial year ended 30 June 2014

Note 1. Significant Accounting Policies

(ii) Subsidies

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

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

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

The overall effect of subsidies is contained within the Income Statement of each reported Business Activity.

(iii) Return on Investments (Rate of Return)

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

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

The Rate of Return on Capital is calculated as follows:

$$\frac{\textbf{Operating Result before Capital Income + Interest Expense}}{\textbf{Written Down Value of I,PP\&E as at 30 June}}$$

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 3.56% at 30/6/14.

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

(iv) Dividends

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

Local Government Water Supply and Sewerage Businesses are permitted to pay an annual dividend from its water supply or sewerage business surplus.

The dividend, calculated and approved in accordance with the Best Practice Management Guidelines, must not exceed either:

(i) 50% of this surplus in any one year, or

(ii) the number of water supply or sewerage assessments at 30 June 2014 multiplied by $30 (less the payment for tax equivalent charges, not exceeding $3 per assessment).

In accordance with the guidelines for Best Practice Management of Water Supply and Sewerage, a Dividend Payment form, Statement of Compliance, Unqualified Independent Financial Audit Report and Compliance Audit Report are required to be submitted to the NSW Office of Water prior to making the dividend and only after it has approved the payment.

Griffith City Council

Notes to the Special Purpose Financial Statements
for the financial year ended 30 June 2014

Note 2. Water Supply Business
Best Practice Management disclosure requirements

Dollars Amounts shown below are in WHOLE DOLLARS (unless otherwise indicated)	2014

1. Calculation and Payment of Tax-Equivalents
[All Local Government Local Water Utilities must pay this dividend for tax-equivalents]

(i)	Calculated Tax Equivalents	130,000
(ii)	No of assessments multiplied by $3/assessment	31,677
(iii)	Amounts payable for Tax Equivalents **[lesser of (i) and (ii)]**	31,677
(iv)	Amounts actually paid for Tax Equivalents	-

2. Dividend from Surplus

(i)	50% of Surplus before Dividends **[Calculated in accordance with Best Practice Management for Water Supply and Sewerage Guidelines]**	387,800
(ii)	No. of assessments multiplied by $30/assessment, less tax equivalent charges/assessment	285,093
(iii)	Cumulative surplus before Dividends for the 3 years to 30 June 2014, less the cumulative dividends paid for the 2 years to 30 June 2013 & 30 June 2012	1,500,900

2014 Surplus	775,600	**2013 Surplus**	870,300	**2012 Surplus**	(145,000)
		2013 Dividend	-	**2012 Dividend**	-

(iv)	Maximum dividend from surplus **[least of (i), (ii) and (iii) above]**	285,093
(v)	Dividend actually paid from surplus **[refer below for required pre-dividend payment Criteria]**	-

3. Required outcomes for 6 Criteria
[To be eligible for the payment of a "Dividend from Surplus", ALL the Criteria below need a "YES"]

(i)	Completion of Strategic Business Plan (including Financial Plan)	YES
(ii)	Full Cost Recovery, without significant cross subsidies **[Refer Item 2(a) in Table 1 on page 22 of the Best Practice Guidelines]**	YES
	- Complying charges **[Item 2(b) in Table 1]**	YES
	- DSP with Commercial Developer Charges **[Item 2(e) in Table 1]**	YES
	- If Dual Water Supplies, Complying Charges **[Item 2(g) in Table 1]**	YES
(iii)	Sound Water Conservation and Demand Management implemented	YES
(iv)	Sound Drought Management implemented	YES
(v)	Complete Performance Reporting Form **(by 15 September each year)**	YES
(vi)	a. Integrated Water Cycle Management Evaluation	YES
	b. Complete and implement Integrated Water Cycle Management Strategy	NO

Griffith City Council

Notes to the Special Purpose Financial Statements
for the financial year ended 30 June 2014

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

Dollars Amounts shown below are in WHOLE DOLLARS (unless otherwise indicated)			2014
National Water Initiative (NWI) Financial Performance Indicators			
NWI F1	Total Revenue (Water) **Total Income (w13) - Grants for the Acquisition of Assets (w11a) - Interest Income (w9) - Aboriginal Communities W&S Program Income (w10a)**	$'000	8,471
NWI F4	Revenue from Residential Usage Charges (Water) **Income from Residential Usage Charges (w6b) x 100 divided by the sum of [Income from Residential Usage Charges (w6a) + Income from Residential Access Charges (w6b)]**	%	77.25%
NWI F9	Written Down Replacement Cost of Fixed Assets (Water) **Written down current cost of system assets (w47)**	$'000	129,199
NWI F11	Operating Cost (OMA) (Water) **Management Expenses (w1) + Operational & Maintenance Expenses (w2)**	$'000	5,565
NWI F14	Capital Expenditure (Water) **Acquisition of fixed assets (w16)**	$'000	1,572
NWI F17	Economic Real Rate of Return (Water) **[Total Income (w13) - Interest Income (w9) - Grants for acquisition of assets (w11a) - Operating Costs (NWI F11) - Current Cost Depreciation (w3)] x 100 divided by [Written Down Current Cost of System Assets (w47) + Plant & Equipment (w33b)]**	%	0.71%
NWI F26	Capital Works Grants (Water) **Grants for the Acquisition of Assets (w11a)**	$'000	-

Notes:
1. References to w (eg. w12) refer to item numbers within Special Schedules No. 3 & 4 of Council's Annual Financial Statements.
2. The NWI Performance Indicators are based upon the National Performance Framework Handbook for Urban Performance Reporting Indicators & Definitions.

Griffith City Council

Notes to the Special Purpose Financial Statements
for the financial year ended 30 June 2014

Note 3. Sewerage Business
Best Practice Management disclosure requirements

Dollars Amounts shown below are in WHOLE DOLLARS (unless otherwise indicated)	2014

1. Calculation and Payment of Tax-Equivalents
[All Local Government Local Water Utilities must pay this dividend for tax-equivalents]

(i)	Calculated Tax Equivalents	100,000
(ii)	No of assessments multiplied by $3/assessment	25,185
(iii)	Amounts payable for Tax Equivalents **[lesser of (i) and (ii)]**	25,185
(iv)	Amounts actually paid for Tax Equivalents	-

2. Dividend from Surplus

(i)	50% of Surplus before Dividends **[Calculated in accordance with Best Practice Management for Water Supply and Sewerage Guidelines]**	165,850
(ii)	No. of assessments x ($30 less tax equivalent charges per assessment)	226,665
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2014, less the cumulative dividends paid for the 2 years to 30 June 2013 & 30 June 2012	2,314,500

2014 Surplus	331,700	**2013 Surplus**	551,400	**2012 Surplus**	1,431,400
		2013 Dividend	-	**2012 Dividend**	-

(iv)	Maximum dividend from surplus **[least of (i), (ii) and (iii) above]**	165,850
(v)	Dividend actually paid from surplus **[refer below for required pre-dividend payment Criteria]**	-

3. Required outcomes for 4 Criteria
[To be eligible for the payment of a "Dividend from Surplus", ALL the Criteria below need a "YES"]

(i)	Completion of Strategic Business Plan (including Financial Plan)	YES
(ii)	Pricing with full cost-recovery, without significant cross subsidies **[Refer Item 2(a) in Table 1 on page 22 of the Best Practice Guidelines]**	YES
	Complying charges **(a)** Residential **[Item 2(c) in Table 1]**	YES
	(b) Non Residential **[Item 2(c) in Table 1]**	YES
	(c) Trade Waste **[Item 2(d) in Table 1]**	YES
	DSP with Commercial Developer Charges **[Item 2(e) in Table 1]**	YES
	Liquid Trade Waste Approvals & Policy **[Item 2(f) in Table 1]**	YES
(iii)	Complete Performance Reporting Form **(by 15 September each year)**	YES
(iv)	a. Integrated Water Cycle Management Evaluation	YES
	b. Complete and implement Integrated Water Cycle Management Strategy	NO

Griffith City Council

Notes to the Special Purpose Financial Statements
for the financial year ended 30 June 2014

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

Dollars Amounts shown below are in WHOLE DOLLARS (unless otherwise indicated)			2014
National Water Initiative (NWI) Financial Performance Indicators			
NWI F2	Total Revenue (Sewerage) **Total Income (s14) - Grants for Acquisition of Assets (s12a) - Interest Income (s10) - Aboriginal Communities W&S Program Income (w10a)**	$'000	7,592
NWI F10	Written Down Replacement Cost of Fixed Assets (Sewerage) **Written down current cost of system assets (s48)**	$'000	133,652
NWI F12	Operating Cost (Sewerage) **Management Expenses (s1) + Operational & Maintenance Expenses (s2)**	$'000	4,012
NWI F15	Capital Expenditure (Sewerage) **Acquisition of Fixed Assets (s17)**	$'000	843
NWI F18	Economic Real Rate of Return (Sewerage) **[Total Income (s14) - Interest Income (s10) - Grants for acquisition of Assets (s12a) - Operating cost (NWI F12) - Current cost depreciation (s3)] x 100 divided by [Written down current cost (ie. WDCC) of System Assets (s48) + Plant & Equipment (s34b)]**	%	1.34%
NWI F27	Capital Works Grants (Sewerage) **Grants for the Acquisition of Assets (12a)**	$'000	-

National Water Initiative (NWI) Financial Performance Indicators Water & Sewer (combined)			
NWI F3	Total Income (Water & Sewerage) **Total Income (w13 + s14) + Gain/Loss on disposal of assets (w14 + s15)** minus **Grants for acquisition of assets (w11a + s12a) - Interest Income (w9 + s10)**	$'000	16,162
NWI F8	Revenue from Community Service Obligations (Water & Sewerage) **Community Service Obligations (NWI F25) x 100 divided by Total Income (NWI F3)**	%	0.42%
NWI F16	Capital Expenditure (Water & Sewerage) **Acquisition of Fixed Assets (w16 + s17)**	$'000	2,415
NWI F19	Economic Real Rate of Return (Water & Sewerage) **[Total Income (w13 + s14) - Interest Income (w9 + s10) - Grants for acquisition of assets (w11a + s12a) - Operating Cost (NWI F11 + NWI F12) - Current cost depreciation (w3 + s3)] x 100 divided by [Written down replacement cost of fixed assets (NWI F9 + NWI F10) + Plant & equipment (w33b + s34b)]**	%	1.03%
NWI F20	Dividend (Water & Sewerage) **Dividend paid from surplus (2(v) of Note 2 + 2(v) of Note 3)**	$'000	-
NWI F21	Dividend Payout Ratio (Water & Sewerage) **Dividend (NWI F20) x 100 divided by Net Profit after tax (NWI F24)**	%	0.00%

Griffith City Council

Notes to the Special Purpose Financial Statements
for the financial year ended 30 June 2014

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

Dollars Amounts shown below are in WHOLE DOLLARS (unless otherwise indicated)			2014

National Water Initiative (NWI) Financial Performance Indicators
Water & Sewer (combined)

NWI F22	Net Debt to Equity (Water & Sewerage) **Overdraft (w36 + s37) + Borrowings (w38 + s39) - Cash & Investments (w30 + s31)** **x 100 divided by [Total Assets (w35 + s36) - Total Liabilities (w40 + s41)]**	%	-4.53%
NWI F23	Interest Cover (Water & Sewerage) **Earnings before Interest & Tax (EBIT) divided by Net Interest**		3
	Earnings before Interest & Tax (EBIT): 2,711 **Operating Result (w15a + s16a) + Interest expense (w4a + s4a) - Interest Income (w9 + s10)** **- Gain/Loss on disposal of assets (w14 + s15) + Miscellaneous Expenses (w4b + w4c + s4b + s4c)**		
	Net Interest: 931 **Interest Expense (w4a + s4a) - Interest Income (w9 + s10)**		
NWI F24	Net Profit After Tax (Water & Sewerage) **Surplus before dividends (w15a + s16a) - Tax equivalents paid (Note 2-1(iv) + Note 3-1(iv))**	$'000	1,856
NWI F25	Community Service Obligations (Water & Sewerage) **Grants for Pensioner Rebates (w11b + s12b)**	$'000	68

Notes:
1. References to w (eg. s12) refer to item numbers within Special Schedules No. 5 & 6 of Council's Annual Financial Statements.
2. The NWI Performance Indicators are based upon the National Performance Framework Handbook for Urban Performance Reporting Indicators & Definitions.

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INDEPENDENT AUDIT REPORT TO GRIFFITH CITY COUNCIL
REPORT ON THE SPECIAL PURPOSE FINANCIAL STATEMENTS

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements, being special purpose financial statements, of Griffith City Council (the Council), which comprises the statements of financial position by business activity as at 30 June 2014, and the income statements by business activity for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the Statement by Councillors and Management.

COUNCIL'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Councillors' and management of the Council are responsible for the preparation and fair presentation of the financial statements and have determined that the basis of preparation described in Note 1 to the financial statements, are appropriate to meet the requirements of the NSW Government Policy Statement "Application of National Competition Policy to Local Government", Office of Local Government Guidelines "Pricing & Costing for Council Businesses: A Guide to Competitive Neutrality", The Local Government Code of Accounting Practice and Financial Reporting and The NSW Office of Water Guidelines and are appropriate to meet the needs of the Council and the Office of Local Government.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those 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 statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation of the financial statements that gives a true and fair view 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 controls. An audit also includes evaluating the reasonableness of accounting estimates made by the Council, as well as evaluating the overall presentation of the financial statements.

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OPINION

In our opinion the special purpose financial statements of Griffith City Council are in accordance with the Local Government Code of Accounting Practice and Financial Reporting, including:

(i) Presenting fairly a view of the Council's financial position as at 30 June 2014 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards to the extent described in Note 1 and the Local Government Code of Accounting Practice and Financial Reporting.

BASIS OF ACCOUNTING

Without modifying our opinion, we draw attention to Note 1 to the financial report, which describes the basis of accounting.

We disclaim any assumption of responsibility for any reliance on this report or on the financial statements to which it relates to any person other than the Council and the Division of Local Government, or for any purpose other than that for which it was prepared.

Crowe Horwath

CROWE HORWATH AUSWILD

BRADLEY D BOHUN
Partner

Dated at Albury this 29th day of October 2014.