

Griffith City Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2017



Griffith City Council

General Purpose Financial Statements for the year ended 30 June 2017

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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 1993* (LGA).

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

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

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

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

(iv) These financial statements were authorised for issue by the Council on 23 October 2017. Council has the power to amend and reissue these financial statements.

Griffith City Council

General Purpose Financial Statements for the year ended 30 June 2017

Understanding Council's financial statements

Introduction

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

What you will find in the statements

The financial statements set out the financial performance, financial position and cash flows of Council for the financial year ended 30 June 2017.

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

About the Councillor/Management Statement

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

About the primary financial statements

The financial statements incorporate five 'primary' financial statements:

1. The Income Statement

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

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

2. The Statement of Comprehensive Income

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

3. The Statement of Financial Position

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

4. The Statement of Changes in Equity

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

5. The Statement of Cash Flows

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

About the Notes to the Financial Statements

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

About the Auditor's Reports

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

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

Who uses the financial statements?

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

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

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

Griffith City Council

General Purpose Financial Statements

for the year ended 30 June 2017

Statement by Councillors and Management

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

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

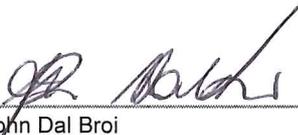
- the *Local Government Act 1993 (NSW)* (as amended) and the regulations made thereunder,
- the Australian Accounting Standards and professional pronouncements, and
- the Local Government Code of Accounting Practice and Financial Reporting.

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

- present fairly the Council's operating result and financial position for the 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.

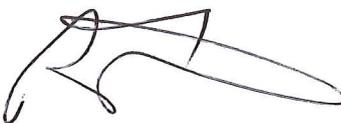
Signed in accordance with a resolution of Council made on 12 September 2017.



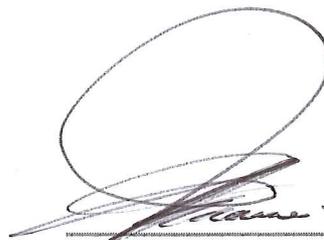
Cr John Dal Broi
Mayor



Cr Dino Zappacosta
Councillor



Brett Stonestreet
General manager



Max Turner
Responsible accounting officer

Griffith City Council

Income Statement

for the year ended 30 June 2017

Budget ¹ 2017	\$ '000	Notes	Actual 2017	Actual 2016
Income from continuing operations				
Revenue:				
29,316	Rates and annual charges	3a	29,896	28,866
13,828	User charges and fees	3b	14,548	14,183
980	Interest and investment revenue	3c	1,422	1,163
1,414	Other revenues	3d	1,314	2,293
8,866	Grants and contributions provided for operating purposes	3e,f	11,693	8,692
4,173	Grants and contributions provided for capital purposes	3e,f	4,614	9,707
Other income:				
–	Net gains from the disposal of assets	5	339	167
–	Net share of interests in joint ventures and associates using the equity method	19	–	–
58,577	Total income from continuing operations		63,826	65,071
Expenses from continuing operations				
23,378	Employee benefits and on-costs	4a	21,653	22,671
1,468	Borrowing costs	4b	1,470	1,578
10,955	Materials and contracts	4c	11,227	10,070
11,197	Depreciation and amortisation	4d	11,168	11,102
–	Impairment	4d	–	–
4,604	Other expenses	4e	4,488	3,807
51,602	Total expenses from continuing operations		50,006	49,228
6,975	Operating result from continuing operations		13,820	15,843
Discontinued operations				
–	Net profit/(loss) from discontinued operations	24	–	–
6,975	Net operating result for the year		13,820	15,843
6,975	Net operating result attributable to Council		13,820	15,843
–	Net operating result attributable to non-controlling interests		–	–
2,802	Net operating result for the year before grants and contributions provided for capital purposes		9,206	6,136

¹ Original budget as approved by Council – refer Note 16

Griffith City Council

Statement of Comprehensive Income

for the year ended 30 June 2017

\$ '000	Notes	Actual 2017	Actual 2016
Net operating result for the year (as per Income Statement)		13,820	15,843
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of I,PP&E	20b (ii)	(12,043)	13,033
Other comprehensive income – joint ventures and associates	19b	9	10
Water entitlement available for temp/perm sale revaluation for year	20b (ii)	97	987
Total items which will not be reclassified subsequently to the operating result		(11,937)	14,030
Amounts which will be reclassified subsequently to the operating result when specific conditions are met			
Nil			
Total other comprehensive income for the year		(11,937)	14,030
Total comprehensive income for the year		1,883	29,873
Total comprehensive income attributable to Council		1,883	29,873
Total comprehensive income attributable to non-controlling interests		–	–

Griffith City Council

Statement of Financial Position

as at 30 June 2017

\$ '000	Notes	Actual 2017	Actual 2016
ASSETS			
Current assets			
Cash and cash equivalents	6a	19,639	17,196
Investments	6b	17,404	16,826
Receivables	7	7,514	6,593
Inventories	8	3,702	3,608
Other	8	90	130
Total current assets		48,349	44,353
Non-current assets			
Investments	6b	4,000	4,000
Receivables	7	13	21
Infrastructure, property, plant and equipment	9	698,142	701,364
Investments accounted for using the equity method	19	339	330
Intangible assets	25	5,825	5,728
Total non-current assets		708,319	711,443
TOTAL ASSETS		756,668	755,796
LIABILITIES			
Current liabilities			
Payables	10	5,299	5,217
Income received in advance	10	1,018	846
Borrowings	10	1,060	1,187
Provisions	10	6,155	6,223
Total current liabilities		13,532	13,473
Non-current liabilities			
Payables	10	4	6
Borrowings	10	18,515	19,530
Provisions	10	166	213
Total non-current liabilities		18,685	19,749
TOTAL LIABILITIES		32,217	33,222
Net assets		724,451	722,574
EQUITY			
Retained earnings	20	410,815	396,992
Revaluation reserves	20	313,636	325,582
Council equity interest		724,451	722,574
Total equity		724,451	722,574

Griffith City Council

Statement of Changes in Equity
for the year ended 30 June 2017

\$ '000	Notes	2017					2016						
		Retained earnings	Asset revaluation reserve (Refer 20b)	Other reserves (Refer 20b)	Council interest	Non-controlling interest	Total equity	Retained earnings	Asset revaluation reserve (Refer 20b)	Other reserves (Refer 20b)	Council interest	Non-controlling interest	Total equity
Opening balance (as per last year's audited accounts)		396,992	325,582	–	722,574	–	722,574	381,139	311,562	–	692,701	–	692,701
a. Correction of prior period errors	20 (c)	(6)	–	–	(6)	–	(6)	(6)	–	–	(6)	–	(6)
b. Changes in accounting policies (prior year effects)	20 (d)	–	–	–	–	–	–	–	–	–	–	–	–
Revised opening balance		396,986	325,582	–	722,568	–	722,568	381,133	311,562	–	692,695	–	692,695
c. Net operating result for the year		13,820	–	–	13,820	–	13,820	15,843	–	–	15,843	–	15,843
d. Other comprehensive income													
– Revaluations: IPP&E asset revaluation rsve	20b (ii)	–	(12,043)	–	(12,043)	–	(12,043)	–	13,033	–	13,033	–	13,033
– Joint ventures and associates	19b	9	–	–	9	–	9	10	–	–	10	–	10
– Other movements – water entitlements	20b (ii)	–	97	–	97	–	97	–	987	–	987	–	987
Other comprehensive income		9	(11,946)	–	(11,937)	–	(11,937)	10	14,020	–	14,030	–	14,030
Total comprehensive income (c&d)		13,829	(11,946)	–	1,883	–	1,883	15,853	14,020	–	29,873	–	29,873
e. Distributions to/(contributions from) non-controlling interests		–	–	–	–	–	–	–	–	–	–	–	–
f. Transfers between equity		–	–	–	–	–	–	–	–	–	–	–	–
Equity – balance at end of the reporting period		410,815	313,636	–	724,451	–	724,451	396,986	325,582	–	722,568	–	722,568

Griffith City Council

Statement of Cash Flows

for the year ended 30 June 2017

Budget 2017	\$ '000	Notes	Actual 2017	Actual 2016
Cash flows from operating activities				
Receipts:				
29,316	Rates and annual charges		29,885	29,412
13,828	User charges and fees		14,910	15,037
980	Investment and interest revenue received		1,424	1,163
13,040	Grants and contributions		16,307	19,267
–	Bonds, deposits and retention amounts received		46	14
1,414	Other		3,564	5,377
Payments:				
(23,378)	Employee benefits and on-costs		(21,819)	(22,342)
(10,955)	Materials and contracts		(14,515)	(13,487)
(1,468)	Borrowing costs		(1,425)	(1,524)
(4,604)	Other		(4,434)	(4,189)
18,173	Net cash provided (or used in) operating activities	11b	23,943	28,728
Cash flows from investing activities				
Receipts:				
–	Sale of investment securities		3,000	–
819	Sale of infrastructure, property, plant and equipment		1,156	514
11	Deferred debtors receipts		12	16
Payments:				
–	Purchase of investment securities		(3,578)	(5,184)
(19,097)	Purchase of infrastructure, property, plant and equipment		(20,903)	(24,190)
(18,267)	Net cash provided (or used in) investing activities		(20,313)	(28,844)
Cash flows from financing activities				
Receipts:				
–	Proceeds from finance leases		48	61
Payments:				
(1,232)	Repayment of borrowings and advances		(1,217)	(1,453)
–	Repayment of finance lease liabilities		(18)	(14)
(1,232)	Net cash flow provided (used in) financing activities		(1,187)	(1,406)
(1,326)	Net increase/(decrease) in cash and cash equivalents		2,443	(1,522)
38,022	Plus: cash and cash equivalents – beginning of year	11a	17,196	18,718
36,696	Cash and cash equivalents – end of the year	11a	19,639	17,196
Additional Information:				
	plus: Investments on hand – end of year	6b	21,404	20,826
	Total cash, cash equivalents and investments		41,043	38,022

Please refer to Note 11 for information on the following:

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

Griffith City Council

Notes to the Financial Statements

for the year ended 30 June 2017

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n/a – not applicable

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Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Australian Accounting Interpretations, the Local Government Act 1993 (NSW) and Regulations, and the Local Government Code of Accounting Practice and Financial Reporting. Council is a not for-profit entity for the purpose of preparing these financial statements.

(i) New and amended standards adopted by Council

AASB 124 Related Party Disclosures was adopted during the year, this standard had no impact on reporting financial position or performance, however note 28 has been added.

AASB 2014-3 Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations [AASB 1 and AASB 11] this standard had no impact on reporting financial position or performance

(ii) Early adoption of standards

Council has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 1 July 2016.

(iii) Historical cost convention

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

(iv) Significant accounting estimates and judgements

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

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

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year include:

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

Significant judgements in applying the Council's accounting policies

- (i) Impairment of Receivables

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

(b) Revenue recognition

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

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

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

(i) Rates, annual charges, grants and contributions

Rates, annual charges, grants and contributions (including developer contributions) are recognised as

Griffith City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

revenue when the Council obtains control over the assets comprising these receipts. Developer contributions may only be expended for the purposes for which the contributions were required, but the Council may apply contributions according to the priorities established in work schedules.

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

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

Where grants or contributions recognised as revenues during the financial year were obtained on condition that they be expended in a particular manner or used over a particular period and those conditions were un-discharged at reporting date, the unused grant or contribution is disclosed in Note 3(g). The note also discloses the amount of unused grant or contribution from prior years that was expended on Council's operations during the current year.

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

(ii) User charges and fees

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

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

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

(iv) Interest

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

(v) Rent

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

(vi) Dividend income

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

(vii) Other income

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

(c) Principles of consolidation

(i) The Consolidated Fund

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

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

- Griffith City Council Ordinary Fund
- Griffith City Council Water Fund
- Griffith City Council Sewerage Fund
- Griffith Health Facilities Limited
- Pioneer Park Museum

(ii) The Trust Fund

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

Trust monies and property held by Council but not subject to the control of Council have been excluded from these reports. A separate statement of monies held in the Trust Fund is available for inspection at the Council office by any person free of charge.

Griffith City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

(iii) County Councils

Council is not a member of any county councils.

(iv) Interests in other entities

Subsidiaries

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

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

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

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

Joint arrangements

Joint ventures

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

Any interests in joint ventures are accounted for using the equity method and are carried at cost.

Under the equity method, Council's share of the operation's profits/(losses) are recognised in the income statement, and its share of movements in retained earnings and reserves are recognised in the balance sheet.

Detailed information relating to Council's joint ventures can be found at Note 19 (b).

The Council has determined that it has only joint ventures.

Joint ventures/associates

Interests in joint ventures/associates are accounted for using the equity method in accordance with AASB 128 Associates and Joint Ventures. Under this method, the investment is initially recognised as a cost and the carrying amount is increased or decreased to recognise the Council's share of the profit or loss and other comprehensive income of the investee after the date of acquisition.

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

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

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

(d) Leases

Leases of property, plant and equipment where Council, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases.

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

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

Griffith City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

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

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

(e) Impairment of assets

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

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

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

(f) Cash and cash equivalents

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

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

(g) Inventories

(i) Raw materials and stores, work in progress and finished goods

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

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

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

(ii) Inventory held for distribution

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

(iii) Land held for resale/capitalisation of borrowing costs

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

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

Griffith City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

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

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

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

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

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

(i) Investments and other financial assets

Classification

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

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

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

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

(ii) Loans and receivables

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

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

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

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

(iii) Held-to-maturity investments

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

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

(iv) Available-for-sale financial assets

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

Griffith City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

intends to dispose of the investment within 12 months of the reporting date.

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

Recognition and de-recognition

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

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

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

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

Subsequent measurement

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

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

Impairment

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

A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss

event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

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

(i) Assets carried at amortised cost

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

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

Collectability of receivables is reviewed on an on-going basis. Debts that are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of receivables) is used when there is objective evidence that Council will not be able to collect all amounts due according to the original terms of the receivables.

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

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

Griffith City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

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

Investment Policy

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

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

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

(j) Fair value estimation – financial instruments

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

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

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

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is

estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Council for similar financial instruments.

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

Council's assets have been progressively revalued to fair value in accordance with a staged implementation advised by the Office of Local Government. At reporting date, the following classes of IPPE were stated at their fair value:

Externally valued:

- Operational land
- Community land
- Buildings – specialised/non-specialised
- Other structures
- Roads assets including roads, bridges and footpaths
- Bulk earthworks
- Stormwater drainage
- Water and sewerage networks
- Swimming pools
- Other open space/recreational assets
- Other infrastructure

As approximated by depreciated historical cost:

- Plant and equipment
- Land improvements
- Other assets

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

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

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

Griffith City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

revaluations are undertaken for all assets on a five-year cycle.

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

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

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

Depreciation

Land is not depreciated.

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

Plant and Equipment	
- Office Equipment	5 to 10 years
- Office furniture	10 to 20 years
- Computer Equipment	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
<hr/>	
Other Equipment	
- Playground equipment	5 to 15 years
- Benches, seats etc	10 to 20 years
<hr/>	
Buildings	
- Buildings: Masonry	50 to 100 years
- Buildings: Other	20 to 40 years
Stormwater Drainage	
- Drains	80 to 100 years
- Culverts	50 to 80 years

Transportation Assets

- Sealed Roads: Surface	15 to 20 years
- Sealed Roads: Structure	20 to 120 years
- Unsealed roads (Structure & Surface)	20 to 120 years
<hr/>	
- Bridge: Concrete	100 to 120 years
- Bridge: Other	100 to 120 years
<hr/>	
- Kerb, Gutter and Paths	14 to 66 years

Water and Sewer Assets

- Dams and reservoirs	80 to 100 years
- Bores	20 to 40 years
- Reticulation pipes: PVC	70 to 80 years
- Reticulation pipes: Other	25 to 80 years
- Pumps and telemetry	15 to 25 years

Other Infrastructure Assets

- Bulk earthworks	Infinite
<hr/>	
- Other Open Space/ Recreational Assets	5 to 20 years
<hr/>	
- Other Infrastructure	5 to 20 years

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

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

(l) Investment property

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

(m) Payables

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

(n) Borrowings

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

Griffith City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

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

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

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

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

(o) Borrowing costs

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

(p) Provisions

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

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised

even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

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

(q) Employee benefits

(i) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be wholly settled within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled.

The liability for annual leave and accumulating sick leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

(ii) Other long-term employee benefit obligations

The liability for long service leave and annual leave that is not expected to be wholly settled within 12 months after the end of the period in which the employees render the related service is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method.

Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Griffith City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

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

(iii) Retirement benefit obligations

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

Defined Benefit Plans

A liability or asset in respect of defined benefit superannuation plans would ordinarily be recognised in the 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 has 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.

(r) Land under roads

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

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

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

(s) Self-insurance

Council does not self-insure.

(t) Intangible assets

Water Licences

Council holds a number of high and general security water licences which it recognises as an intangible asset.

The water licences are individually tradable on the open water licence sales market.

The licences were obtained principally through land acquisitions where the water licence was attached to the land.

The water licences are now individually separated from the land and can be sold on a permanent or temporary transfer basis.

At present Council only trades the water entitlement associated with the water licences on a temporary basis. Income received from the sales of water entitlements are disclosed as other revenue.

The licences are recorded in Council's accounts at fair value based on market valuations obtained from the open water licence sales market at balance date.

No amortisation costs are applicable, as high and general security water licences have an indefinite life.

Water licences purchased are initially recorded at cost and are valued at least every 5 years based on

Griffith City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

market evidence. Water licences are tested for impairment annually based on market sales evidence. If the recoverable amount is less than carrying amount the carrying amount is reduced to recoverable amount and the reduction is recognised as impairment loss.

(u) Crown reserves

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

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

(v) Rural fire service assets

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

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

(w) Goods and Services Tax (GST)

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

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to the

taxation authority is included with other receivables or payables in the Statement of Financial Position.

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

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

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

AASB 9 - Financial Instruments

Significant revisions to the classification and measurement of financial assets, reducing the number of categories and simplifying the measurement choices, including the removal of impairment testing of assets measured at fair value. The amortised cost model is available for debt assets meeting both business model and cash flow characteristics tests. All investments in equity instruments using AASB 9 are to be measured at fair value. Apart from Held-to-maturity term deposits, Council already values all other investments at fair value with the result that there will not be any financial impact for these developments.

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

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

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

Griffith City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

- expected credit losses (expected credit losses that result from all possible default events over the life of the financial instrument).

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

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

AASB 15 - Revenue from contracts with customers

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

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

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

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

AASB 16 - Leases

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

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

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

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

(y) Rounding of amounts

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

(z) 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.

(aa) 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 year ended 30 June 2017

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

\$ '000 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 and non-current)	
	Original budget	Actual	Actual	Original budget	Actual	Actual	Original budget	Actual	Actual	Actual	Actual	Actual	Actual
	2017	2017	2016	2017	2017	2016	2017	2017	2016	2017	2016	2017	2016
Governance	473	656	7,203	1,973	2,489	1,774	(1,500)	(1,833)	5,429	767	4,894	26,237	31,413
Administration	41	608	637	7,199	5,159	6,206	(7,158)	(4,551)	(5,569)	4	19	29,612	25,734
Public order and safety	366	499	422	999	1,065	948	(633)	(566)	(526)	113	111	3,449	3,462
Health	109	148	303	521	528	704	(412)	(380)	(401)	–	–	65	65
Environment	7,036	7,202	6,529	4,701	5,326	4,192	2,335	1,876	2,337	253	308	61,196	60,375
Community services and education	70	106	130	493	464	431	(423)	(358)	(301)	–	–	3,587	3,604
Housing and community amenities	1,271	1,721	1,901	3,835	3,767	4,106	(2,564)	(2,046)	(2,205)	114	142	14,531	14,602
Water supplies	8,523	9,588	9,336	6,384	5,948	6,042	2,139	3,640	3,294	68	68	152,178	149,826
Sewerage services	8,865	9,139	8,623	6,692	6,766	6,482	2,173	2,373	2,141	271	59	143,189	142,899
Recreation and culture	3,680	3,244	2,646	8,502	8,317	8,472	(4,822)	(5,073)	(5,826)	890	219	43,753	44,023
Mining, manufacturing and construction	65	141	114	7	–	1	58	141	113	–	–	42	42
Transport and communication	6,087	6,263	5,874	8,701	8,534	8,265	(2,614)	(2,271)	(2,391)	3,845	3,707	271,582	272,485
Economic affairs	706	770	890	1,595	1,643	1,605	(889)	(873)	(715)	21	22	6,908	6,936
Total functions and activities	37,292	40,085	44,608	51,602	50,006	49,228	(14,310)	(9,921)	(4,620)	6,346	9,549	756,329	755,466
Share of gains/(losses) in associates and joint ventures (using the equity method)	–	–	–	–	–	–	–	–	–	–	–	339	330
General purpose income ¹	21,285	23,741	20,463	–	–	–	21,285	23,741	20,463	7,646	5,019	–	–
Operating result from continuing operations	58,577	63,826	65,071	51,602	50,006	49,228	6,975	13,820	15,843	13,992	14,568	756,668	755,796

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

Griffith City Council

Notes to the Financial Statements

for the year ended 30 June 2017

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

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

GOVERNANCE

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

ADMINISTRATION

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

PUBLIC ORDER AND SAFETY

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

HEALTH

Includes immunisation, food control, health centres etc.

ENVIRONMENT

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

COMMUNITY SERVICES AND EDUCATION

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

HOUSING AND COMMUNITY AMENITIES

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

WATER SUPPLIES

SEWERAGE SERVICES

RECREATION AND CULTURE

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

MINING, MANUFACTURING AND CONSTRUCTION

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

TRANSPORT AND COMMUNICATION

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

ECONOMIC AFFAIRS

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

Griffith City Council

Notes to the Financial Statements
for the year ended 30 June 2017

Note 3. Income from continuing operations

\$ '000	Notes	Actual 2017	Actual 2016
(a) Rates and annual charges			
Ordinary rates			
Residential		7,921	7,718
Farmland		5,025	4,890
Business		2,548	2,498
Total ordinary rates		15,494	15,106
Special rates			
Nil			
Annual charges (pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Domestic waste management services		2,448	2,337
Stormwater management services		186	183
Water supply services		1,995	1,935
Sewerage services		7,332	7,103
Waste management services (non-domestic)		1,249	1,062
Kerbside recycling		1,192	1,140
Total annual charges		14,402	13,760
TOTAL RATES AND ANNUAL CHARGES		29,896	28,866

Council has used 2013 year valuations provided by the NSW Valuer General in calculating its rates.

Griffith City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 3. Income from continuing operations (continued)

\$ '000	Notes	Actual 2017	Actual 2016
(b) User charges and fees			
Specific user charges (per s.502 – specific 'actual use' charges)			
Domestic waste management services		3	4
Water supply services		5,985	6,195
Sewerage services		765	772
Waste management services (non-domestic)		281	236
Total user charges		7,034	7,207
Other user charges and fees			
(i) Fees and charges – statutory and regulatory functions (per s.608)			
Planning and building regulation		208	240
Private works – section 67		136	131
Regulatory/ statutory fees		201	222
Registration fees		16	17
Regulatory fees		120	119
Section 149 certificates (EPA Act)		83	98
Section 603 certificates		45	51
Town planning		60	59
Water supplies		271	243
Total fees and charges – statutory/regulatory		1,140	1,180
(ii) Fees and charges – other (incl. general user charges (per s.608))			
Aerodrome		723	667
Cemeteries		471	498
Engineering services		10	3
Industrial discharge		77	26
Library and art gallery		102	97
Museum		93	79
Regional theatre		389	513
RMS (formerly RTA) charges (state roads not controlled by Council)		1,017	788
Saleyards		507	414
Sporting grounds		14	19
Sports stadium		103	102
Swimming centres		1,430	1,329
Tourism		124	175
Waste disposal tipping fees		1,284	1,055
Other		30	31
Total fees and charges – other		6,374	5,796
TOTAL USER CHARGES AND FEES		14,548	14,183

Griffith City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 3. Income from continuing operations (continued)

\$ '000	Notes	Actual 2017	Actual 2016
(c) Interest and investment revenue (including losses)			
Interest			
– Interest on overdue rates and annual charges (incl. special purpose rates)		67	97
– Interest earned on investments (interest and coupon payment income)		1,355	1,066
TOTAL INTEREST AND INVESTMENT REVENUE		1,422	1,163
Interest revenue is attributable to:			
Unrestricted investments/financial assets:			
Overdue rates and annual charges (general fund)		9	41
General Council cash and investments		592	297
Restricted investments/funds – external:			
Development contributions			
– Section 94		21	13
– Section 64		91	61
Water fund operations		480	341
Sewerage fund operations		179	197
Domestic waste management operations		24	47
Griffith Health Facilities Limited/private hospital		26	166
Total interest and investment revenue recognised		1,422	1,163
(d) Other revenues			
Fines – parking		207	162
Fines – other		112	61
Legal fees recovery – rates and charges (extra charges)		114	164
Commissions and agency fees		10	7
Lease rental		332	299
Quarry income		141	114
Recycling income (non-domestic)		21	11
Sales – general		19	26
Temporary sale of water allocation		118	245
Temporary sale of "Town" water allocation		122	1,079
Work health safety incentive payment		68	66
DA Fees – Advertising & Notification		28	–
Other		22	59
TOTAL OTHER REVENUE		1,314	2,293

Griffith City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 3. Income from continuing operations (continued)

\$ '000	2017 Operating	2016 Operating	2017 Capital	2016 Capital
(e) Grants				
General purpose (untied)				
Financial assistance – general component	5,199	3,346	–	–
Financial assistance – local roads component	2,292	1,513	–	–
Pensioners' rates subsidies – general component	155	160	–	–
Total general purpose	7,646	5,019	–	–
Specific purpose				
Pensioners' rates subsidies:				
– Water	68	68	–	–
– Sewerage	59	59	–	–
– Domestic waste management	41	42	–	–
Sewerage services	–	–	212	–
Arts NSW – cultural development program	–	20	–	–
Arts NSW – shadow play	135	–	–	–
Bushfire and emergency services	113	111	–	–
Council applications management	–	20	–	–
Economic development	21	2	–	–
Employment and training programs	4	19	–	–
Environmental protection	13	49	–	–
Flood plain study and risk management	–	10	61	–
Griffith community private hospital	–	–	750	4,894
Health – mosquito control	4	3	–	–
Health – noxious weeds	119	144	–	–
LIRS subsidy	15	60	–	–
Recreation and culture – community projects	36	12	–	–
Recreation and culture – library	87	95	150	–
Recreation and culture – passive recreation	–	–	105	77
Public Reserves Management Fund Program	44	–	315	–
Road safety	5	15	–	–
Street lighting	109	107	–	–
Tourism	–	10	–	10
Transport (roads to recovery)	1,724	1,769	–	–
Transport (RTA)	500	–	411	885
Waste and recycling	–	–	17	–
Australia Council for the Arts	–	10	–	–
Stronger Communities Program	–	–	–	5
Fixing Country Roads	–	–	925	629
Regional Tourism Infrastructure Fund (RTIF)	–	–	285	424
Museums & Galleries of NSW	–	–	10	–
Community Building Partnership	–	–	8	–
Total specific purpose	3,097	2,625	3,249	6,924
Total grants	10,743	7,644	3,249	6,924
Grant revenue is attributable to:				
– Commonwealth funding	9,330	6,739	750	4,909
– State funding	1,413	905	2,499	2,015
	10,743	7,644	3,249	6,924

Griffith City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 3. Income from continuing operations (continued)

\$ '000	2017 Operating	2016 Operating	2017 Capital	2016 Capital
(f) Contributions				
Developer contributions:				
(s93 & s94 – EP&A Act, s64 of the LGA):				
S 94 – contributions towards amenities/services	–	–	12	204
S 94A – fixed development consent levies	–	–	314	181
S 64 – water supply contributions	–	–	468	410
S 64 – sewerage service contributions	–	–	323	318
S 64 – stormwater contributions	–	–	32	113
Total developer contributions	17 –	–	1,149	1,226
Other contributions:				
Administration services	–	–	18	15
Charles Sturt University	29	30	–	–
Economic affairs – tourism/events	35	23	26	–
Griffith community private hospital	–	–	68	1,253
Health – health services	27	29	–	–
Museum	2	3	58	–
Public order and safety – bushfire/SES	84	75	–	–
Recreation and culture – Arts	5	–	3	–
Recreation and culture – community projects	8	25	–	–
Recreation and culture – library	2	4	–	–
Recreation and culture – passive recreation	30	8	18	181
Recreation and culture – theatre	28	26	–	–
Roads and bridges	–	–	–	85
RMS contributions (regional roads, block grant)	506	628	–	–
Sewerage (excl. section 64 contributions)	–	–	22	7
Fire Emergency Services Levy	87	–	–	–
Strategic Planning	–	–	2	–
Waste Management	–	–	1	–
Water supplies (excl. section 64 contributions)	107	61	–	14
Lake Wyangan & Catchment Management Strategy Cont.	–	136	–	–
Street Lighting	–	–	–	2
Total other contributions	950	1,048	216	1,557
Total contributions	950	1,048	1,365	2,783
TOTAL GRANTS AND CONTRIBUTIONS	11,693	8,692	4,614	9,707

Griffith City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 3. Income from continuing operations (continued)

\$ '000	Actual 2017	Actual 2016
(g) Unspent grants and contributions		
Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner:		
Unexpended at the close of the previous reporting period	5,018	3,811
Add: grants and contributions recognised in the current period but not yet spent:	1,712	1,300
Add: grants and contributions received for the provision of goods and services in a future period	189	–
Less: grants and contributions recognised in a previous reporting period now spent:	(61)	(93)
Net increase (decrease) in restricted assets during the period	1,840	1,207
Unexpended and held as restricted assets	6,858	5,018
Comprising:		
– Specific purpose unexpended grants	751	61
– Developer contributions	6,107	4,957
	6,858	5,018

Griffith City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 4. Expenses from continuing operations

\$ '000	Notes	Actual 2017	Actual 2016
(a) Employee benefits and on-costs			
Salaries and wages		17,378	17,015
Travel expenses		21	29
Employee leave entitlements (ELE)		2,744	3,611
Superannuation		1,987	2,063
Workers' compensation insurance		511	547
Fringe benefit tax (FBT)		69	76
Payroll tax		139	135
Training costs (other than salaries and wages)		260	214
Educational assistance		12	20
Motor vehicle allowance		47	80
Professional development		21	29
Staff recruitment		63	64
Total employee costs		23,252	23,883
Less: capitalised costs		(1,599)	(1,212)
TOTAL EMPLOYEE COSTS EXPENSED		21,653	22,671
Number of 'full-time equivalent' employees (FTE) at year end		287	282
(b) Borrowing costs			
(i) Interest bearing liability costs			
Interest on loans		1,425	1,569
Total interest bearing liability costs		1,425	1,569
Less: capitalised costs		–	(45)
Total interest bearing liability costs expensed		1,425	1,524
(ii) Other borrowing costs			
Interest applicable on interest free (and favourable) loans to Council		45	54
Total other borrowing costs		45	54
TOTAL BORROWING COSTS EXPENSED		1,470	1,578
(c) Materials and contracts			
Raw materials and consumables		10,815	9,760
Auditors remuneration ⁽¹⁾		50	42
Legal expenses:			
– Legal expenses: planning and development		113	3
– Legal expenses: other		195	203
Operating leases:			
– Operating lease rentals: minimum lease payments ⁽²⁾		54	62
TOTAL MATERIALS AND CONTRACTS		11,227	10,070

(continued on the next page...)

Griffith City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Actual 2017	Actual 2016
(c) Materials and contracts (continued)			
1. Auditor remuneration			
a. During the year, the following fees were incurred for services provided by the Auditor-General:			
(i) Audit and other assurance services			
– Audit and review of financial statements: Auditor-General		48	–
Remuneration for audit and other assurance services		48	–
Total Auditor-General remuneration		48	–
b. During the year, the following fees were incurred for services provided by the other Council's Auditors (and the Auditors of other consolidated entities):			
(i) Audit and other assurance services			
– Audit and review of financial statements: Council's Auditor		2	42
Remuneration for audit and other assurance services		2	42
Total remuneration of other Council's Auditors		2	42
Total Auditor remuneration		50	42
2. Operating lease payments are attributable to:			
Buildings		12	8
Computers		42	54
		54	62
(d) Depreciation, amortisation and impairment			
Plant and equipment		1,439	1,381
Office equipment		175	184
Furniture and fittings		64	52
Infrastructure:			
– Buildings – specialised		645	477
– Other structures		459	329
– Roads		3,403	3,261
– Bridges		55	54
– Footpaths		225	209
– Stormwater drainage		517	450
– Water supply network		1,937	1,900
– Sewerage network		1,723	1,678
– Other open space/recreational assets		278	763
Other assets			
– Other		381	448
Total gross depreciation and amortisation costs		11,301	11,186
Less: capitalised costs		(133)	(84)
Total depreciation and amortisation costs		11,168	11,102
Impairment			
Nil			
TOTAL DEPRECIATION AND IMPAIRMENT COSTS EXPENSED		11,168	11,102

Griffith City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Actual 2017	Actual 2016
(e) Other expenses			
Bad and doubtful debts		12	2
Contributions/levies to other levels of government			
– DWR contributions		49	48
– Emergency services levy (includes FRNSW, SES, and RFS levies)		48	44
– NSW fire brigade levy		91	89
– NSW rural fire service levy		259	181
Councillor expenses – mayoral fee		41	40
Councillor expenses – councillors' fees		219	220
Councillors' expenses (incl. mayor) – other (excluding fees above)		109	106
Donations, contributions and assistance to other organisations (Section 356)			
– Donations, contributions and assistance: Community Grant Program		56	–
– Donations, contributions and assistance: Annual Sikh Games		10	–
– Donations, contributions and assistance: Regional Arts Board		18	–
– Donations, contributions and assistance: RIVROC/RAMROC		25	24
– Donations, contributions and assistance: Riverina Regional Cities Forecast ID		36	25
– Donations, contributions and assistance: Town Band		–	7
– Donations, contributions and assistance: WRCL		255	243
– Donations, contributions and assistance: Other		61	87
– Donations, contributions and assistance St Vincents Private Hospital		400	–
Electricity and heating		1,552	1,556
Insurance		584	581
Street lighting		452	352
Telephone and communications		211	202
<u>TOTAL OTHER EXPENSES</u>		<u>4,488</u>	<u>3,807</u>

Note 5. Gains or losses from the disposal of assets

Property (excl. investment property)			
Proceeds from disposal – property		85	–
Net gain/(loss) on disposal		85	–
Plant and equipment			
Proceeds from disposal – plant and equipment		1,071	514
Less: carrying amount of plant and equipment assets sold/written off		(817)	(347)
Net gain/(loss) on disposal		254	167
Financial assets			
Proceeds from disposal/redemptions/maturities – financial assets		3,000	–
Less: carrying amount of financial assets sold/redeemed/matured		(3,000)	–
Net gain/(loss) on disposal		–	–
<u>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</u>		<u>339</u>	<u>167</u>

Griffith City Council

Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000	Notes	2017	2017	2016	2016
		Actual Current	Actual Non-current	Actual Current	Actual Non-current
Cash and cash equivalents (Note 6a)					
Cash on hand and at bank		10,721	–	3,603	–
Cash-equivalent assets ¹					
– Managed funds		2,400	–	2,187	–
– Short-term deposits		6,518	–	11,406	–
Total cash and cash equivalents		19,639	–	17,196	–
Investments (Note 6b)					
– Long term deposits		2,000	4,000	2,000	4,000
– NCD's, FRN's (with maturities > 3 months)		15,404	–	13,789	–
– Other long term financial assets		–	–	1,037	–
Total investments		17,404	4,000	16,826	4,000
TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS		37,043	4,000	34,022	4,000

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

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

Cash and cash equivalents

a. 'At fair value through the profit and loss'	19,639	–	17,196	–
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Investments

a. 'At fair value through the profit and loss'				
– 'Held for trading'	15,404	–	14,826	–
b. 'Held to maturity'	2,000	4,000	2,000	4,000
Investments	17,404	4,000	16,826	4,000

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

Griffith City Council

Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000	2017	2017	2016	2016
	Actual Current	Actual Non-current	Actual Current	Actual Non-current
Total cash, cash equivalents and investments	37,043	4,000	34,022	4,000
attributable to:				
External restrictions (refer below)	22,588	4,000	20,093	4,000
Internal restrictions (refer below)	10,859	–	13,790	–
Unrestricted	3,596	–	139	–
	37,043	4,000	34,022	4,000

2017 \$ '000	Opening balance	Transfers to restrictions	Transfers from restrictions	Closing balance
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Details of restrictions

External restrictions – included in liabilities

Nil

External restrictions – other

Developer contributions – general	(A)	1,632	395	(112)	1,915
Developer contributions – water fund	(A)	2,217	519	–	2,736
Developer contributions – sewer fund	(A)	1,108	348	–	1,456
Specific purpose unexpended grants	(B)	61	690	–	751
Water supplies	(C)	11,620	2,270	–	13,890
Sewerage services	(C)	4,707	466	–	5,173
Stormwater management	(C)	645	21	–	666
Specific purpose unexpended grants – Griffith Health Facilities Limited	(A)	2,103	–	(2,102)	1
External restrictions – other		24,093	4,709	(2,214)	26,588
Total external restrictions		24,093	4,709	(2,214)	26,588

A Development contributions which are not yet expended for the provision of services and amenities in accordance with contributions plans (refer Note 17).

B Grants which are not yet expended for the purposes for which the grants were obtained. (refer Note 1 (b))

C Water, sewerage, domestic waste management (DWM) and other special rates/levies/charges are externally restricted assets and must be applied for the purposes for which they were raised.

Griffith City Council

Notes to the Financial Statements

for the year ended 30 June 2017

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

2017 \$ '000	Opening balance	Transfers to restrictions	Transfers from restrictions	Closing balance
Internal restrictions				
Plant and vehicle replacement	1,000	23	–	1,023
Infrastructure replacement (Buildings)	1,000	23	–	1,023
Employees leave entitlement	2,000	46	–	2,046
Centenary celebrations	103	–	(103)	–
Griffith Health Facilities Limited	2,982	–	(2,958)	24
Waste Services	4,041	–	–	4,041
Roads Reserve	446	10	–	456
Major Projects Reserve	968	22	–	990
Facilities Reserve	500	11	–	511
Parks & Gardens Infrastructure Reserve	250	–	(16)	234
Floodplain & Drainage Mitigation Reserve	500	11	–	511
Total internal restrictions	13,790	146	(3,077)	10,859
TOTAL RESTRICTIONS	37,883	4,855	(5,291)	37,447

Griffith City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 7. Receivables

\$ '000	Notes	2017		2016	
		Current	Non-current	Current	Non-current
Purpose					
Rates and annual charges		2,205	–	2,194	–
User charges and fees		4,310	–	3,620	–
Accrued revenues					
– Interest on investments		137	–	139	–
– Other income accruals		557	–	224	–
Deferred debtors		7	13	11	21
Government grants and subsidies		364	–	364	–
Net GST receivable		530	–	637	–
Total		8,110	13	7,189	21
Less: provision for impairment					
User charges and fees		(596)	–	(596)	–
Total provision for impairment – receivables		(596)	–	(596)	–
TOTAL NET RECEIVABLES		7,514	13	6,593	21
Externally restricted receivables					
Water supply					
– Rates and availability charges		–	–	366	–
– Other		2,840	–	2,309	–
Sewerage services					
– Rates and availability charges		1,849	–	1,787	–
– Other		309	–	275	–
Total external restrictions		4,998	–	4,737	–
Internally restricted receivables					
Nil					
Unrestricted receivables		2,516	13	1,856	21
TOTAL NET RECEIVABLES		7,514	13	6,593	21

Notes on debtors above:

- (i) Rates and annual charges outstanding are secured against the property.
- (ii) Doubtful rates debtors are provided for where the value of the property is less than the debt outstanding.
An allowance for other doubtful debts is made when there is objective evidence that a receivable is impaired.
- (iii) Interest was charged on overdue rates and charges at 8.50% (2016 8.50%).
Generally all other receivables are non-interest bearing.
- (iv) Please refer to Note 15 for issues concerning credit risk and fair value disclosures.

Griffith City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 8. Inventories and other assets

\$ '000	Notes	2017		2016	
		Current	Non-current	Current	Non-current
(a) Inventories					
(i) Inventories at cost					
Real estate for resale (refer below)		3,019	–	3,019	–
Stores and materials		614	–	528	–
Trading stock		59	–	56	–
Other		10	–	5	–
Total inventories at cost		3,702	–	3,608	–
(ii) Inventories at net realisable value (NRV)					
Nil					
TOTAL INVENTORIES		3,702	–	3,608	–
(b) Other assets					
Prepayments		90	–	130	–
TOTAL OTHER ASSETS		90	–	130	–
Externally restricted assets					
Water					
Stores and materials		326	–	326	–
Real estate for resale		2,233	–	2,233	–
Total water		2,559	–	2,559	–
Sewerage					
Nil					
Domestic waste management					
Nil					
Other					
Nil					
Total externally restricted assets		2,559	–	2,559	–
Total internally restricted assets		–	–	–	–
Total unrestricted assets		1,233	–	1,179	–
TOTAL INVENTORIES AND OTHER ASSETS		3,792	–	3,738	–

Griffith City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 8. Inventories and other assets (continued)

\$ '000	2017		2016	
	Current	Non-current	Current	Non-current
Other disclosures				
(a) Details for real estate development				
Residential	2,291	–	2,291	–
Industrial/commercial	728	–	728	–
Total real estate for resale	3,019	–	3,019	–
(Valued at the lower of cost and net realisable value)				
Represented by:				
Acquisition costs	3,019	–	3,019	–
Total costs	3,019	–	3,019	–
Total real estate for resale	3,019	–	3,019	–
Movements:				
Real estate assets at beginning of the year	3,019	–	728	2,291
– Transfer between current/non-current	–	–	2,291	(2,291)
Total real estate for resale	3,019	–	3,019	–

(b) Inventory write downs

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

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

Griffith City Council

Notes to the Financial Statements
for the year ended 30 June 2017

Note 9a. Infrastructure, property, plant and equipment

Asset class \$ '000	as at 30/6/2016			Asset movements during the reporting period							as at 30/6/2017		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Adjustments and transfers	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
Capital work in progress	16,529	–	16,529	–	4,382	–	–	(15,324)	–	–	5,587	–	5,587
Plant and equipment	15,507	8,012	7,495	–	3,475	(815)	(1,439)	–	–	–	18,167	9,451	8,716
Office equipment	2,156	1,162	994	–	175	–	(175)	–	–	–	2,331	1,337	994
Furniture and fittings	1,518	944	574	–	651	–	(64)	–	–	–	2,169	1,008	1,161
Land:													
– Operational land	21,648	–	21,648	–	–	–	–	–	–	–	21,648	–	21,648
– Community land	9,171	3	9,168	–	–	–	–	–	–	–	9,171	3	9,168
Infrastructure:													
– Buildings – specialised	64,940	6,951	57,989	812	3,071	–	(645)	14,429	1,794	1	87,152	9,701	77,451
– Other structures	13,673	4,093	9,580	1,298	728	–	(459)	118	1,795	(351)	15,753	3,044	12,709
– Roads	297,400	49,748	247,652	2,516	1,203	–	(3,403)	353	2,107	–	304,823	54,395	250,428
– Bridges	5,311	2,302	3,009	–	–	–	(55)	–	–	56	5,388	2,378	3,010
– Footpaths	11,960	5,319	6,641	–	119	–	(225)	–	–	512	12,829	5,782	7,047
– Stormwater drainage	67,886	13,851	54,035	103	–	–	(517)	–	–	617	67,989	13,751	54,238
– Water supply network	175,715	49,786	125,929	911	389	–	(1,937)	272	–	1,223	176,111	49,324	126,787
– Sewerage network	173,108	43,388	129,720	151	361	–	(1,723)	117	–	(14,374)	169,073	54,821	114,252
– Other open space/recreational assets	15,536	8,763	6,773	95	216	–	(278)	35	(5,232)	273	9,306	7,424	1,882
Other assets:													
– Other	7,793	4,165	3,628	–	285	(2)	(381)	–	(464)	–	6,934	3,870	3,064
TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIP.	899,851	198,487	701,364	5,886	15,055	(817)	(11,301)	–	–	(12,043)	914,431	216,289	698,142

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

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

Griffith City Council

Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000	Actual			Actual		
	2017			2016		
Class of asset	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount
Water supply						
WIP	462	–	462	282	–	282
Plant and equipment	1,290	663	627	1,294	592	702
Office equipment	–	–	–	12	12	–
Land						
– Operational land	1,000	–	1,000	1,000	–	1,000
– Community land	340	3	337	340	3	337
Buildings	2,540	218	2,322	2,470	204	2,266
Other structures	200	47	153	170	41	129
Infrastructure	178,509	51,723	126,786	175,715	49,786	125,929
Other assets	721	625	96	698	589	109
Total water supply	185,062	53,279	131,783	181,981	51,227	130,754
Sewerage services						
WIP	647	–	647	27	–	27
Plant and equipment	1,118	528	590	1,022	522	500
Office equipment	3	3	–	2	2	–
Furniture and fittings	9	5	4	9	4	5
Land						
– Operational land	2,418	–	2,418	2,418	–	2,418
– Community land	267	–	267	267	–	267
Buildings	1,640	109	1,531	1,635	100	1,535
Other structures	367	110	257	367	98	269
Infrastructure	159,362	45,111	114,251	173,109	43,388	129,721
Other assets	849	594	255	806	526	280
Total sewerage services	166,680	46,460	120,220	179,662	44,640	135,022
Domestic waste management						
Plant and equipment	675	342	333	567	346	221
Land						
– Operational land	1,340	–	1,340	1,340	–	1,340
– Community land	357	–	357	357	–	357
Buildings	191	41	150	191	39	152
Other assets	358	224	134	342	194	148
Total DWM	2,921	607	2,314	2,797	579	2,218
TOTAL RESTRICTED I,PP&E	354,663	100,346	254,317	364,440	96,446	267,994

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

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

Griffith City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 10a. Payables, borrowings and provisions

\$ '000	Notes	2017		2016	
		Current	Non-current	Current	Non-current
Payables					
Goods and services – operating expenditure		3,776	–	3,756	–
Accrued expenses:					
– Other expenditure accruals		204	4	188	6
Security bonds, deposits and retentions		1,319	–	1,273	–
Total payables		5,299	4	5,217	6
Income received in advance					
Payments received in advance		1,018	–	846	–
Total income received in advance		1,018	–	846	–
Borrowings					
Loans – secured ¹		1,033	18,465	1,172	19,498
Finance lease liabilities		27	50	15	32
Total borrowings		1,060	18,515	1,187	19,530
Provisions					
Employee benefits:					
Annual leave		2,031	–	2,033	–
Sick leave		133	–	150	–
Long service leave		3,991	166	4,040	213
Total provisions		6,155	166	6,223	213
TOTAL PAYABLES, BORROWINGS AND PROVISIONS		13,532	18,685	13,473	19,749
(i) Liabilities relating to restricted assets					
		2017		2016	
		Current	Non-current	Current	Non-current
Externally restricted assets					
Water		2	–	2	–
Sewer		766	17,659	715	18,425
Liabilities relating to externally restricted assets		768	17,659	717	18,425
Internally restricted assets					
Nil					
Total liabilities relating to restricted assets		768	17,659	717	18,425
Total liabilities relating to unrestricted assets		12,764	1,026	12,756	1,324
TOTAL PAYABLES, BORROWINGS AND PROVISIONS		13,532	18,685	13,473	19,749

¹: Loans are secured over the general rating income of Council

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

Griffith City Council

Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000	Actual 2017	Actual 2016
(ii) Current liabilities not anticipated to be settled within the next twelve months		
The following liabilities, even though classified as current, are not expected to be settled in the next 12 months.		
Provisions – employees benefits	4,163	4,288
Payables – security bonds, deposits and retentions	1,144	1,087
Other liabilities: payments received in advance	252	277
	5,559	5,652

Note 10b. Description of and movements in provisions

Class of provision	2016		2017			
	Opening balance as at 1/7/16	Additional provisions	Decrease due to payments	Remeasurement effects due to discounting	Unused amounts reversed	Closing balance as at 30/6/17
Annual leave	2,033	1,356	(1,373)	15	–	2,031
Sick leave	150	–	(8)	(9)	–	133
Long service leave	4,253	503	(510)	(89)	–	4,157
TOTAL	6,436	1,859	(1,891)	(83)	–	6,321

- a. Employees leave entitlements and on-costs represents those benefits accrued and payable and an estimate of those that will become payable in the future as a result of past service.

Griffith City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 11. Statement of cash flows – additional information

\$ '000	Notes	Actual 2017	Actual 2016
(a) Reconciliation of cash assets			
Total cash and cash equivalent assets	6a	19,639	17,196
Balance as per the Statement of Cash Flows		19,639	17,196
(b) Reconciliation of net operating result to cash provided from operating activities			
Net operating result from Income Statement		13,820	15,843
Adjust for non-cash items:			
Depreciation and amortisation		11,168	11,102
Net losses/(gains) on disposal of assets		(339)	(167)
Losses/(gains) recognised on fair value re-measurements through the P&L:			
– Other (Water Licences Revaluation through Revaluation Reserve)		91	987
Amortisation of premiums, discounts and prior period fair valuations			
– Interest expense on interest-free loans received by Council (previously fair valued)		45	54
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		(925)	1,148
Decrease/(increase) in inventories		(94)	(938)
Decrease/(increase) in other assets		40	199
Increase/(decrease) in payables		20	521
Increase/(decrease) in other accrued expenses payable		14	(278)
Increase/(decrease) in other liabilities		218	(132)
Increase/(decrease) in employee leave entitlements		(115)	389
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		23,943	28,728
(c) Non-cash investing and financing activities			
Nil			
(d) Financing arrangements			
(i) Unrestricted access was available at balance date to the following lines of credit:			
Bank overdraft facilities ⁽¹⁾		1,000	1,000
Credit cards/purchase cards		90	80
Total financing arrangements		1,090	1,080
Amounts utilised as at balance date:			
– Credit cards/purchase cards		23	35
Total financing arrangements utilised		23	35

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

(ii) Secured loan liabilities

Loans are secured by a mortgage over future years rate revenue only.

Griffith City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 12. Commitments for expenditure

\$ '000	Notes	Actual 2017	Actual 2016	
(a) Capital commitments (exclusive of GST)				
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:				
Property, plant and equipment				
Buildings		–	7,565	
Lake Wyangan, Nericon & Tharbogang Villages Sewerage Scheme		310	–	
Above Ground Refuelling Facility		297	–	
Total commitments		607	7,565	
These expenditures are payable as follows:				
Within the next year		607	7,565	
Total payable		607	7,565	
Sources for funding of capital commitments:				
Unrestricted general funds		477	–	
Future grants and contributions		130	2,480	
Unexpended grants		–	2,103	
Internally restricted reserves		–	2,982	
Total sources of funding		607	7,565	
(b) Finance lease commitments				
(i) Commitments under finance leases at the reporting date are payable as follows:				
Within the next year		27	15	
Later than one year and not later than 5 years		50	32	
Amount recognised as a liability		77	47	
(ii) Finance lease liability recognised represent;				
Current liabilities		27	15	
Non-current liabilities		50	32	
Total finance lease liabilities disclosed		77	47	
(iii) General details				
Council leases the following property, plant and equipment under finance leases:				
	Term (years)	Option to purchase	Contingent rent clauses	
Other equipment/assets	4	Y	N	
Total carrying value at year end				77 47

(c) Operating lease commitments (non-cancellable)

Nil

Griffith City Council

Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000	Amounts 2017	Indicator 2017	Prior periods 2016	2015	Benchmark
Local government industry indicators – consolidated					
1. Operating performance ratio					
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions less operating expenses	<u>8,867</u>	15.06%	10.81%	6.50%	>0.00%
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	<u>58,873</u>				
2. Own source operating revenue ratio					
Total continuing operating revenue ⁽¹⁾ excluding all grants and contributions	<u>47,180</u>	74.31%	71.65%	76.42%	>60.00%
Total continuing operating revenue ⁽¹⁾	<u>63,487</u>				
3. Unrestricted current ratio					
Current assets less all external restrictions ⁽²⁾	<u>18,204</u>	2.53x	3.19x	3.04x	>1.5x
Current liabilities less specific purpose liabilities ^(3, 4)	<u>7,205</u>				
4. Debt service cover ratio					
Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation	<u>21,505</u>	7.95x	6.12x	4.94x	>2x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	<u>2,705</u>				
5. Rates, annual charges, interest and extra charges outstanding percentage					
Rates, annual and extra charges outstanding	<u>2,205</u>	6.83%	6.88%	8.77%	< 5%
Rates, annual and extra charges collectible	<u>32,271</u>				Metro <10% Rural
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	<u>25,639</u>	7.08 mths	6.47 mths	7.0 mths	> 3 mths
Payments from cash flow of operating and financing activities	<u>3,619</u>				

Notes

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

(2) Refer Notes 6-8 inclusive.

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

(3) Refer to Note 10(a).

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

Griffith City Council

Notes to the Financial Statements for the year ended 30 June 2017

Note 13a(ii). Local government industry indicators – graphs (consolidated)



Purpose of operating performance ratio

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

Commentary on 2016/17 result

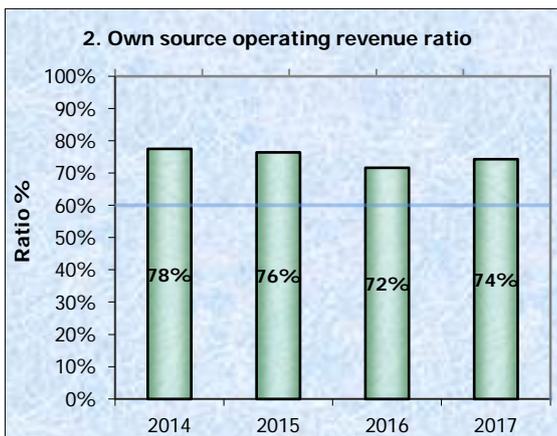
2016/17 ratio 15.06%

Council has achieved another strong operating result with a positive performance recorded in each of the past 3 financial years. Operating expenses have been well contained and base revenues maintained for the year.

Benchmark: ——— Minimum $\geq 0.00\%$

Source for benchmark: Code of Accounting Practice and Financial Reporting #25

 Ratio achieves benchmark
 Ratio is outside benchmark



Purpose of own source operating revenue ratio

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

Commentary on 2016/17 result

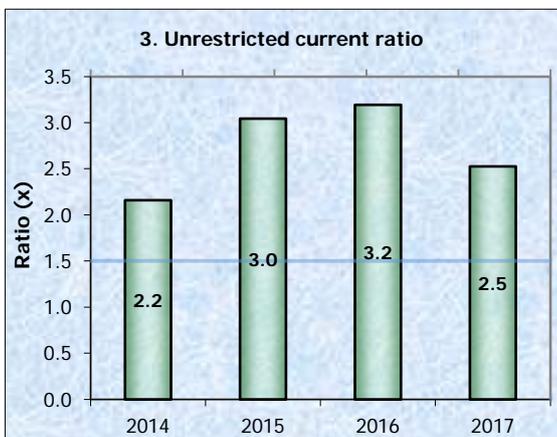
2016/17 ratio 74.31%

Council's own source revenues are comfortably above the minimum 60% benchmark. Council has a healthy rating base that is supporting a strong ratio for own source revenue.

Benchmark: ——— Minimum $\geq 60.00\%$

Source for benchmark: Code of Accounting Practice and Financial Reporting #25

 Ratio achieves benchmark
 Ratio is outside benchmark



Purpose of unrestricted current ratio

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

Commentary on 2016/17 result

2016/17 ratio 2.53x

Council's Unrestricted Current Ratio has been on a positive improving trend. Council is aiming to increase this ratio above 3.0 in the medium term. The ratio is comfortably in excess of the minimum 1.5 ratio benchmark.

Benchmark: ——— Minimum ≥ 1.50

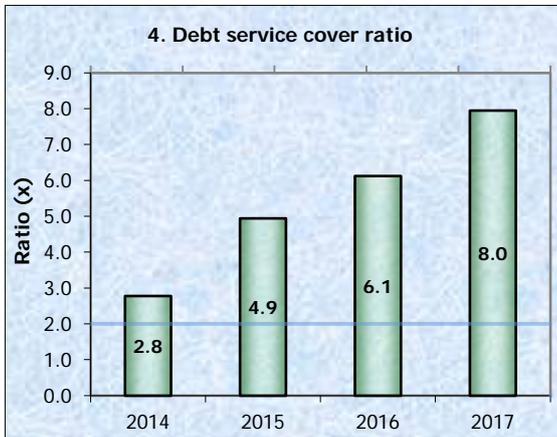
Source for benchmark: Code of Accounting Practice and Financial Reporting #25

 Ratio achieves benchmark
 Ratio is outside benchmark

Griffith City Council

Notes to the Financial Statements for the year ended 30 June 2017

Note 13a(ii). Local government industry indicators – graphs (consolidated)



Purpose of debt service cover ratio

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

Commentary on 2016/17 result

2016/17 ratio 7.95x

Council's Debt Service Cover Ratio should continue to increase or remain stable unless new borrowings occur.

Benchmark: Minimum >=2.00

Source for benchmark: Code of Accounting Practice and Financial Reporting #25

Ratio achieves benchmark
 Ratio is outside benchmark



Purpose of rates and annual charges outstanding ratio

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

Commentary on 2016/17 result

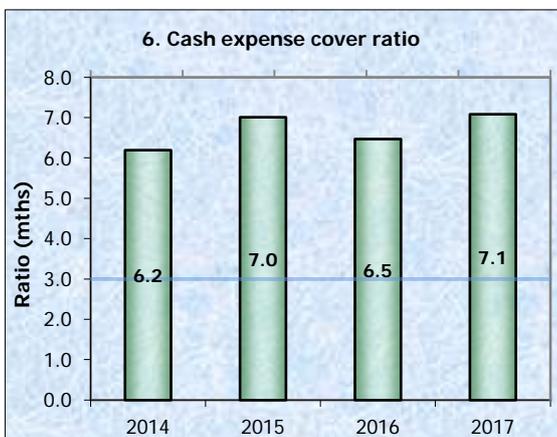
2016/17 ratio 6.83%

This ratio is impacted by the timing of Councils 3rd Trimester Water Sewer billing which is billed in June but is collectible in July. The ratio remains below the 10% benchmark. It is a reflection of the satisfactory controls in place for the collection of Councils' revenue.

Benchmark: Maximum <10.00%

Source for Benchmark: Code of Accounting Practice and Financial Reporting #25

Ratio is within Benchmark
 Ratio is outside Benchmark



Purpose of cash expense cover ratio

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

Commentary on 2016/17 result

2016/17 ratio 7.08 mths

Council's Cash Expense Cover Ratio remains in a very healthy position with the coverage more than twice the minimum benchmark of 3 months.

Benchmark: Minimum >=3.00

Source for benchmark: Code of Accounting Practice and Financial Reporting #25

Ratio achieves benchmark
 Ratio is outside benchmark

Griffith City Council

Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000	General indicators ⁵		Water indicators		Sewer indicators		Benchmark
	2017	2016	2017	2016	2017	2016	
Local government industry indicators – by fund							
1. Operating performance ratio							
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions less operating expenses	15.70%	9.61%	19.25%	17.83%	7.28%	7.84%	>0.00%
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions							
2. Own source operating revenue ratio							
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	66.23%	62.16%	91.71%	94.03%	93.19%	95.55%	>60.00%
Total continuing operating revenue ⁽¹⁾							
3. Unrestricted current ratio							
Current assets less all external restrictions ⁽²⁾	2.53x	3.24x	7,644.50x	8,590.00x	9.57x	9.47x	>1.5x
Current liabilities less specific purpose liabilities ^(3, 4)							

Notes

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

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

Griffith City Council

Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000	General indicators ⁵		Water indicators		Sewer indicators		Benchmark
	2017	2016	2017	2016	2017	2016	
Local government industry indicators – by fund (continued)							
4. Debt service cover ratio							
Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation	21.98x	13.10x	0.00x	0.00x	1.88x	1.78x	>2x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)							
5. Rates, annual charges, interest and extra charges outstanding percentage							
Rates, annual and extra charges outstanding	1.55%	0.18%	0.00%	20.20%	24.82%	24.73%	< 5% Metro <10% Rural
Rates, annual and extra charges collectible							
6. Cash expense cover ratio							
Current year's cash and cash equivalents plus all term deposits	2.49	3.00	25.75	23.67	11.73	6.87	> 3 months
Payments from cash flow of operating and financing activities	months	months	months	months	months	months	

Notes

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

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

Griffith City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 14. Investment properties

\$ '000

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

Note 15. Financial risk management

Risk management

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

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

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

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

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

	Carrying value		Fair value	
	2017	2016	2017	2016
Financial assets				
Cash and cash equivalents	19,639	17,196	19,639	17,196
Investments				
– 'Held for trading'	15,404	14,826	15,404	16,826
– 'Held to maturity'	6,000	6,000	6,000	4,000
Receivables	7,527	6,614	7,527	6,614
Total financial assets	48,570	44,636	48,570	44,636
Financial liabilities				
Payables	5,303	5,223	5,303	5,223
Loans/advances	19,498	20,670	19,498	20,670
Lease liabilities	77	47	77	47
Total financial liabilities	24,878	25,940	24,878	25,940

Griffith City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 15. Financial risk management (continued)

\$ '000

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

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

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

The risks associated with the investments held are:

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

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

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

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

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

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

	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
2017				
Possible impact of a 10% movement in market values	1,540	1,540	(1,540)	(1,540)
Possible impact of a 1% movement in interest rates	154	154	(154)	(154)
2016				
Possible impact of a 10% movement in market values	1,483	1,483	(1,483)	(1,483)
Possible impact of a 1% movement in interest rates	148	148	(148)	(148)

Griffith City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 15. Financial risk management (continued)

\$ '000

(b) Credit risk

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

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

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

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

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

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

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

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

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

	2017 Rates and annual charges	2017 Other receivables	2016 Rates and annual charges	2016 Other receivables
(i) Ageing of receivables – %				
Current (not yet overdue)	90%	93%	85%	93%
Overdue	10%	7%	15%	7%
	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

		2017 Rates and annual charges	2017 Other receivables	2016 Rates and annual charges	2016 Other receivables
(ii) Ageing of receivables – value					
Rates and annual charges	Other receivables				
Current	Current	1,995	4,995	1,863	4,070
< 1 year overdue	0 – 30 days overdue	199	246	331	249
1 – 2 years overdue	31 – 60 days overdue	11	85	–	–
> 5 years overdue	> 91 days overdue	–	62	–	60
		<u>2,205</u>	<u>5,388</u>	<u>2,194</u>	<u>4,379</u>

(iii) Movement in provision for impairment of receivables	2017	2016
Balance at the beginning of the year	596	596
Balance at the end of the year	<u>596</u>	<u>596</u>

Griffith City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 15. Financial risk management (continued)

\$ '000

(c) Liquidity risk

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

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

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

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

\$ '000	Subject to no maturity	payable in:						Total cash outflows	Actual carrying values
		≤ 1 Year	1-2 Yrs	2-3 Yrs	3-4 Yrs	4-5 Yrs	> 5 Yrs		
2017									
Trade/other payables	1,319	3,984	–	–	–	–	–	5,303	5,303
Loans and advances	–	2,423	2,419	2,257	2,240	9,338	10,881	29,558	19,498
Lease liabilities	–	29	29	13	10	–	–	94	77
Total financial liabilities	1,319	6,436	2,448	2,270	2,250	9,338	10,881	34,955	24,878
2016									
Trade/other payables	1,273	3,950	–	–	–	–	–	5,223	5,223
Loans and advances	–	2,422	2,423	2,419	2,257	2,240	20,219	31,980	20,670
Lease liabilities	–	17	29	29	13	10	–	98	47
Total financial liabilities	1,273	6,389	2,452	2,448	2,270	2,250	20,219	37,301	25,940

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

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

	2017		2016	
	Carrying value	Average interest rate	Carrying value	Average interest rate
Trade/other payables	5,303	0.00%	5,223	0.00%
Loans and advances – fixed interest rate	19,498	6.30%	20,670	6.30%
Lease liabilities	77	9.40%	47	9.34%
	<u>24,878</u>		<u>25,940</u>	

Griffith City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 16. Material budget variations

\$ '000

Council's original financial budget for 16/17 was adopted by the Council on 14 June 2016.

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

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

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	2017 Budget	2017 Actual	2017 Variance*		
REVENUES					
Rates and annual charges	29,316	29,896	580	2%	F
User charges and fees	13,828	14,548	720	5%	F
Interest and investment revenue	980	1,422	442	45%	F
Council conservatively budgets for interest and investment revenue. Investments have returned a better than anticipated yield.					
Other revenues	1,414	1,314	(100)	(7%)	U
Operating grants and contributions	8,866	11,693	2,827	32%	F
Council received advance payments of the 2017-2018 Financial Assistance grants totalling \$2.6M Other small grants that were unbudgeted were also received throughout the year.					
Capital grants and contributions	4,173	4,614	441	11%	F
A State Library of NSW Grant of \$150k and a Regional Tourism Infrastructure Fund (RTIF) Grant for \$285k were received that were not originally included in the budget.					
Net gains from disposal of assets	–	339	339	0%	F
Council does not budget for disposal of assets					

Griffith City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 16. Material budget variations (continued)

\$ '000	2017 Budget	2017 Actual	2017 ----- Variance* -----		
EXPENSES					
Employee benefits and on-costs	23,378	21,653	1,725	7%	F
Borrowing costs	1,468	1,470	(2)	(0%)	U
Materials and contracts	10,955	11,227	(272)	(2%)	U
Depreciation and amortisation	11,197	11,168	29	0%	F
Other expenses	4,604	4,488	116	3%	F

Budget variations relating to Council's Cash Flow Statement include:

Cash flows from operating activities	18,173	23,943	5,770	31.8%	F
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Council received an additional \$8M income that was not budgeted for, comprising mostly of grants and contributions, and other revenue.

Council made savings in expenditure across all functions.

Cash flows from investing activities	(18,267)	(20,313)	(2,046)	11.2%	U
---	-----------------	-----------------	----------------	--------------	----------

Council does not budget for purchase of investments (\$600k) and Council also spent a further \$1.1M on capital than was included in the original budget.

Cash flows from financing activities	(1,232)	(1,187)	45	(3.7%)	F
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Griffith City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 17. Statement of developer contributions

\$ '000

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

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

SUMMARY OF CONTRIBUTIONS AND LEVIES

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Traffic facilities	98	–	–	2	–	–	100	–
Parking	(35)	–	–	–	–	–	(35)	–
Open space	246	9	–	5	–	–	260	–
Community facilities	69	4	–	1	–	–	74	–
S94 contributions – under a plan	378	13	–	8	–	–	399	–
S94A levies – under a plan	580	314	–	13	(91)	–	816	–
Total S94 revenue under plans	958	327	–	21	(91)	–	1,215	–
S94 not under plans	7	–	–	–	–	–	7	–
S64 contributions	3,992	823	–	91	(21)	–	4,885	–
Total contributions	4,957	1,150	–	112	(112)	–	6,107	–

Griffith City Council

Notes to the Financial Statements

for the year ended 30 June 2017

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	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Parking	(35)	–	–	–	–	–	(35)	–
Total	(35)	–	–	–	–	–	(35)	–

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	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Open space	186	8	–	4	–	–	198	–
Total	186	8	–	4	–	–	198	–

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	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Community facilities	69	4	–	1	–	–	74	–
Total	69	4	–	1	–	–	74	–

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	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Open space	60	1	–	1	–	–	62	–
Total	60	1	–	1	–	–	62	–

Griffith City Council

Notes to the Financial Statements

for the year ended 30 June 2017

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	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Traffic facilities	98	–	–	2	–	–	100	–
Total	98	–	–	2	–	–	100	–

S94A LEVIES – UNDER A PLAN

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	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Sec 94A from 01-07-10	580	314	–	13	(91)	–	816	–
Total	580	314	–	13	(91)	–	816	–

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	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Open space	7	–	–	–	–	–	7	–
Total	7	–	–	–	–	–	7	–

Griffith City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 18. Contingencies and other assets/liabilities not recognised

\$ '000

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

LIABILITIES NOT RECOGNISED:

1. Guarantees

(i) Defined benefit superannuation contribution plans

Council participates in an 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.

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

The scheme has been deemed to be a 'multi-employer fund' for the purposes of AASB119

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.

The last valuation of the scheme was performed by Mr Richard Boyfield (BSc, FIA, FIAA) on 02/12/16 and covers the period ended 30/06/16.

However the position is monitored annually and the actuary has estimated that as at 30 June 2017 the prior period deficit still exists.

(i) Defined benefit superannuation contribution plans (continued)

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

The amount of employer contributions to the defined benefit section of the Superannuation Scheme and recognised as an expense and disclosed as part of superannuation expenses at Note 4 (a) for the year ending 30 June 2017 was \$502,292.

The amount of additional contributions included in the total employer contribution advised above is \$136,771.

Council's expected contribution to the plan for the next annual reporting period is \$263,293.

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

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

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 Council's contributions to the pool and the result of insurance claims within each of the fund years.

Griffith City Council

Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000

LIABILITIES NOT RECOGNISED (continued):

(ii) Statewide Limited (continued)

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.

2. Other liabilities

(i) Third party claims

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

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

(ii) S94 plans

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

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

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

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

(iii) Landfill restoration provision

Council operates 2 landfill sites and will have to remediate the sites at some future date. At balance date Council is unable to reliably estimate the financial cost of such work. Refer Note 26.

ASSETS NOT RECOGNISED:

(i) Land under roads

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

(ii) Infringement notices/fines

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

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

Griffith City Council

Notes to the Financial Statements for the year ended 30 June 2017

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

\$ '000

ASSETS NOT RECOGNISED: (continued)

(ii) Infringement notices/fines (continued)

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

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

(iii) Rural fire fighting assets

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

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

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

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

Griffith City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 19. Interests in other entities

\$ '000

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

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

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

Controlled entities (subsidiaries)

Note 19(a)

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

Joint ventures and associates

Note 19(b)

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

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

Joint operations

Note 19(c)

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

Unconsolidated structured entities

Note 19(d)

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

Subsidiaries, joint arrangements and associates not recognised

Note 19(e)

Accounting recognition:

(i) Subsidiaries disclosed under Note 19(a) and joint operations disclosed at Note 19(c) are accounted for on a 'line by line' consolidation basis within the Income Statement and Statement of Financial Position.

(ii) Joint ventures and associates as per Note 19(b) are accounted for using the equity accounting method and are disclosed as a 1 line entry in both the Income Statement and Statement of Financial Position.

	Council's share of net income		Council's share of net assets	
	Actual 2017	Actual 2016	Actual 2017	Actual 2016
Joint ventures	–	–	339	330
Associates	–	–	–	–
Total	–	–	339	330

Griffith City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 19. Interests in other entities (continued)

\$ '000

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

Council's consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with AASB 10 and the accounting policy described in Note 1(c).

Name of operation/entity	Principal activity	Ownership		Voting rights	
		2017	2016	2017	2016
Griffith Health Facilities Limited	Fundraising for Griffith Community Private Hospital Griffith, NSW				
Interests in Subsidiary					
Council's interest in Subsidiary		100%	100%	100%	100%

Summarised financial information for the Subsidiary

	2017	2016
Summarised statement of comprehensive income		
Revenue	140	1,286
Expenses	(2,960)	(1,000)
Profit for the period	(2,820)	286
Summarised statement of financial position		
Current assets	22	2,982
Total assets	22	2,982
Net assets	22	2,982
Summarised statement of cash flows		
Cash flows from operating activities	(2,977)	242
Cash flows from investing activities	17	44
Net increase (decrease) in cash and cash equivalents	(2,960)	286

Griffith City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 19. Interests in other entities (continued)

\$ '000

(b) Joint ventures and associates

Council has incorporated the following joint ventures and associates into its consolidated financial statements.

(a) Net carrying amounts – Council's share

Name of entity	Nature of relationship	Measurement method	2017	2016
Western Riverina Library	Joint Venture	Percentage	339	330
Total carrying amounts – material joint ventures and associates			339	330

(b) Details

Name of entity	Principal activity	Place of business
Western Riverina Library	Provision of library/mobile library services	Various

(c) Relevant interests and fair values

Name of entity	Quoted fair value		Interest in outputs		Interest in ownership		Proportion of voting power	
	2017	2016	2017	2016	2017	2016	2017	2016
Western Riverina Library	339	330	62%	60%	62%	60%	17%	17%

(d) Summarised financial information for joint ventures and associates

	Western Riverina Library	
	2017	2016
Statement of financial position		
Current assets		
Cash and cash equivalents	112	109
Other current assets	10	2
Non-current assets	442	454
Current liabilities		
Other current liabilities	18	18
Net assets	546	547
Reconciliation of the carrying amount		
Opening net assets (1 July)	547	547
Profit/(loss) for the period	(1)	–
Closing net assets	546	547
Council's share of net assets (%)	62.0%	60.2%
Council's share of net assets (\$)	339	330

Griffith City Council

Notes to the Financial Statements
for the year ended 30 June 2017

Note 19. Interests in other entities (continued)

\$ '000

(b) Joint ventures and associates (continued)

(d) Summarised financial information for joint ventures and associates (cont'd)

	Western Riverina Library	
	2017	2016
Statement of comprehensive income		
Income	421	406
Interest income	3	3
Depreciation and amortisation	(111)	(124)
Other expenses	(314)	(285)
Profit/(loss) from continuing operations	(1)	-
Profit/(loss) for period	(1)	-
Total comprehensive income	(1)	-
Share of income – Council (%)	62.0%	60.2%
Total comprehensive income – Council (\$)	9	-

(c) Joint operations

Council has no interest in any joint operations.

(d) Unconsolidated structured entities

Council has no unconsolidated structured entities

(e) Subsidiaries, joint arrangements and associates not recognised

None.

Griffith City Council

Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000	Notes	Actual 2017	Actual 2016
(a) Retained earnings			
Movements in retained earnings were as follows:			
Balance at beginning of year (from previous years audited accounts)		396,992	381,139
a. Correction of prior period errors	20 (c)	(6)	–
b. Other comprehensive income (excl. direct to reserves transactions)		9	10
c. Net operating result for the year		13,820	15,843
Balance at end of the reporting period		410,815	396,992
(b) Revaluation reserves			
(i) Reserves are represented by:			
– Infrastructure, property, plant and equipment revaluation reserve		313,636	325,582
Total		313,636	325,582
(ii) Reconciliation of movements in reserves:			
Infrastructure, property, plant and equipment revaluation reserve			
– Opening balance		325,582	311,562
– Revaluations for the year	9(a)	(12,043)	13,033
– Water Entitlement available for temp/perm sale revaluation for year		97	987
– Balance at end of year		313,636	325,582
TOTAL VALUE OF RESERVES		313,636	325,582
(iii) Nature and purpose of reserves			
Infrastructure, property, plant and equipment revaluation reserve			
– The infrastructure, property, plant and equipment revaluation reserve is used to record increments/decrements of non-current asset values due to their revaluation.			
(c) Correction of error/s relating to a previous reporting period			
Correction of errors disclosed in this year's financial statements:			
Rounding errors from the 2015-2016 Year		(6)	–
In accordance with AASB 108 – Accounting Policies, Changes in Accounting Estimates and Errors, the above prior period errors have been recognised retrospectively.			
These amounted to the following equity adjustments:			
– Adjustments to closing equity – 30/6/16 (relating to adjustments for the 30/6/16 year end)		(6)	–
Total prior period adjustments – prior period errors		(6)	–
(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 year ended 30 June 2017

Note 21. Financial result and financial position by fund

Income Statement by fund \$ '000	Actual 2017	Actual 2017	Actual 2017
<u>Continuing operations</u>	Water	Sewer	General¹
Income from continuing operations			
Rates and annual charges	1,878	7,450	20,568
User charges and fees	7,091	855	6,602
Interest and investment revenue	550	204	668
Other revenues	106	13	1,195
Grants and contributions provided for operating purposes	175	59	11,459
Grants and contributions provided for capital purposes	611	567	3,436
Other income			
Net gains from disposal of assets	15	36	288
Share of interests in joint ventures and associates using the equity method	–	–	–
Total income from continuing operations	10,426	9,184	44,216
Expenses from continuing operations			
Employee benefits and on-costs	2,148	1,804	17,701
Borrowing costs	–	1,373	97
Materials and contracts	2,971	2,090	6,166
Depreciation and amortisation	2,109	1,915	7,144
Impairment	–	–	–
Other expenses	764	803	2,921
Total expenses from continuing operations	7,992	7,985	34,029
Operating result from continuing operations	2,434	1,199	10,187
<u>Discontinued operations</u>			
Net profit/(loss) from discontinued operations	–	–	–
Net operating result for the year	2,434	1,199	10,187
Net operating result attributable to each council fund	2,434	1,199	10,187
Net operating result attributable to non-controlling interests	–	–	–
Net operating result for the year before grants and contributions provided for capital purposes	1,823	632	6,751

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

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

Griffith City Council

Notes to the Financial Statements

as at 30 June 2017

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

Statement of Financial Position by fund \$ '000	Actual 2017	Actual 2017	Actual 2017
ASSETS	Water	Sewer	General¹
Current assets			
Cash and cash equivalents	12,626	6,629	17,788
Investments	–	–	–
Receivables	2,840	2,158	2,696
Inventories	2,739	–	963
Other	–	–	90
Total current assets	18,205	8,787	21,537
Non-current assets			
Investments	4,000	–	–
Receivables	373	–	13
Inventories	–	–	–
Infrastructure, property, plant and equipment	131,783	120,220	446,139
Investments accounted for using the equity method	–	–	339
Intangible assets	–	–	5,825
Total non-current assets	136,156	120,220	452,316
TOTAL ASSETS	154,361	129,007	473,853
LIABILITIES			
Current liabilities			
Payables	2	–	5,477
Income received in advance	–	–	1,018
Borrowings	–	766	294
Provisions	–	–	6,155
Total current liabilities	2	766	12,944
Non-current liabilities			
Payables	–	–	377
Income received in advance	–	–	–
Borrowings	–	17,659	856
Provisions	–	–	166
Total non-current liabilities	–	17,659	1,399
TOTAL LIABILITIES	2	18,425	14,343
Net assets	154,359	110,582	459,510
EQUITY			
Retained earnings	87,031	65,307	258,477
Revaluation reserves	67,328	45,275	201,033
Other reserves	–	–	–
Total equity	154,359	110,582	459,510

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

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

Griffith City Council

Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000

Council did not classify any non-current assets or disposal groups as 'held for sale'.

Note 23. Events occurring after the reporting date

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

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

Accordingly, the 'authorised for issue' date is 23/10/17.

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

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

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

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

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

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

Note 24. Discontinued operations

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

Griffith City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 25. Intangible assets

\$ '000	Actual 2017	Actual 2016
Intangible assets represent identifiable non-monetary assets without physical substance.		
Intangible assets are as follows:		
Opening values:		
Gross book value (1/7)	5,728	4,741
Accumulated amortisation (1/7)	–	–
Accumulated impairment (1/7)	–	–
Net book value – opening balance	5,728	4,741
Movements for the year		
– Other capitalised costs (revaluation)	97	987
Closing values:		
Gross book value (30/6)	5,825	5,728
Accumulated amortisation (30/6)	–	–
Accumulated impairment (30/6)	–	–
TOTAL INTANGIBLE ASSETS – NET BOOK VALUE ¹	5,825	5,728
¹ The net book value of intangible assets represent:		
– Water Entitlements	5,825	5,728
	5,825	5,728

Council have reclassified in the current year the “water entitlement (available for temporary/permanent sale)” from inventory to intangible assets and prior period comparatives have also been updated.

Note 26. Reinstatement, rehabilitation and restoration liabilities

Council has garbage centres and transfer stations 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 30/6/17.

Accordingly, no provision amounts have been brought to account in these financial statements for such future reinstatement and restoration costs.

Griffith City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 27. Fair value measurement

\$ '000

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

- Infrastructure, property, plant and equipment
- Financial assets and liabilities

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

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

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

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

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

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

2017	Date of latest valuation	Fair value measurement hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Recurring fair value measurements					
Financial assets					
Investments					
– 'Held for trading'	30/06/17	15,404	–	–	15,404
Total financial assets		15,404	–	–	15,404
Infrastructure, property, plant and equipment					
Plant and equipment	30/06/16	–	–	8,716	8,716
Office equipment	30/06/16	–	–	994	994
Furniture and fittings	30/06/16	–	–	1,161	1,161
Operational land	30/06/13	–	–	21,648	21,648
Community land	30/06/13	–	–	9,168	9,168
Buildings – specialised	30/06/13	–	–	77,451	77,451
Other structures	30/06/13	–	–	12,709	12,709
Roads	30/06/14	–	–	250,428	250,428
Bridges	30/06/14	–	–	3,010	3,010
Footpaths	30/06/14	–	–	7,047	7,047
Stormwater drainage	30/06/16	–	–	54,238	54,238
Water supply network	30/06/17	–	–	126,787	126,787
Sewerage network	30/06/17	–	–	114,252	114,252
Other open space/recreational assets	30/06/13	–	–	1,882	1,882
Other	30/06/14	–	–	3,064	3,064
Total infrastructure, property, plant and equipment		–	–	692,555	692,555

Griffith City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 27. Fair value measurement (continued)

\$ '000

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

2016	Date of latest valuation	Fair value measurement hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Recurring fair value measurements					
Financial assets					
Investments					
– 'Held for trading'	30/06/16	14,826	–	–	14,826
Total financial assets		14,826	–	–	14,826
Infrastructure, property, plant and equipment					
Plant and equipment	30/06/16	–	–	7,495	7,495
Office equipment	30/06/16	–	–	994	994
Furniture and fittings	30/06/16	–	–	574	574
Operational land	30/06/13	–	–	21,648	21,648
Community land	30/06/13	–	–	9,168	9,168
Buildings – specialised	30/06/13	–	–	57,989	57,989
Other structures	30/06/13	–	–	9,580	9,580
Roads	30/06/14	–	–	247,652	247,652
Bridges	30/06/14	–	–	3,009	3,009
Footpaths	30/06/14	–	–	6,641	6,641
Stormwater drainage	30/06/16	–	–	54,035	54,035
Water supply network	30/06/12	–	–	125,929	125,929
Sewerage network	30/06/12	–	–	129,720	129,720
Other open space/recreational assets	30/06/13	–	–	6,773	6,773
Other	30/06/14	–	–	3,628	3,628
Total infrastructure, property, plant and equipment		–	–	684,835	684,835

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

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

Griffith City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 27. Fair value measurement (continued)

\$ '000

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

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

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

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

Plant & Equipment

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

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

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

- Useful life
- Residual value
- Gross replacement cost.

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

Office Equipment

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

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

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

- Useful life
- Residual value
- Gross replacement cost

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

Griffith City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 27. Fair value measurement (continued)

\$ '000

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

Furniture & Fittings

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

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

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

- Useful life
- Residual value
- Gross replacement cost.

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

Operational Land

This asset class comprises all of Council's land classified as Operational Land under the NSW Local Government Act 1993. The key unobservable input to the valuation is the price per square metre. The last valuation was undertaken at 30 June 2013 and was performed by APV Valuers & Asset Management.

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

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

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

Griffith City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 27. Fair value measurement (continued)

\$ '000

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

Community Land

This asset class comprises all of Council's land classified as Community Land under the NSW Local Government Act 1993. Community land (including owned by Council, the Crown and various other Government Agencies that is managed by Council) by definition is land intended for public access and use or where other restrictions applying to the land create some obligation to maintain public access (such as a trust deed, dedication under section 94 of the Environment Planning and Assessment Act 1979) This gives rise to the restrictions in the Act, intended to preserve the qualities of the land. Community land:

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

The key unobservable input to the valuation is the price per square metre. The last valuation was undertaken as at 30 June 2013 and was performed by APV Valuers & Asset Management.

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

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

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

Buildings – Specialised

Buildings were valued by APV Valuers and Asset Management as at 30 June 2013 using the cost approach. The approach estimated the replacement cost for each building by physically inspecting the properties and componentising the buildings into significant parts with different useful lives and taking into account a range of factors. Inputs such as estimates of residual value and pattern of consumption required extensive professional judgement and impacted significantly on the final determination of fair value. As such these assets were classified as having been valued using Level 3 valuation inputs.

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

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

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

Griffith City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 27. Fair value measurement (continued)

\$ '000

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

Other Structures

Examples of other structures include fencing, lighting, washbays, stock yards and hardstands.

Other Structures were valued by APV Valuers and Asset Management as at 30 June 2013 using the cost approach. The approach estimated the replacement cost for each structure by physically inspecting the properties and componentising the structures into significant parts with different useful lives and taking into account a range of factors. Inputs such as estimates of residual value and pattern of consumption required extensive professional judgement and impacted significantly on the final determination of fair value. As such these assets were classified as having been valued using Level 3 valuation inputs.

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

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

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

Roads

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

The Cost Approach was used to value this asset class as at 30 June 2014. Valuations were undertaken inhouse using Council's Asset System, Assetic MyData, with assistance and review provided by the system vendor's valuation staff.

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

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

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

There has been no change to the valuation process during the reporting period but there has been significant changes the level 3 inputs utilised in the revaluation process.

Griffith City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 27. Fair value measurement (continued)

\$ '000

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

Bridges

Bridges includes all council owned road and foot bridges.

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

The Cost Approach was used to value this asset class. Valuations were undertaken in house using Council's Asset System, Assetic MyData as at 30 June 2014. Assistance and review was provided by the system vendor's valuation staff.

A pricing model was developed and is based on unit rates determined from Rawlinson's Cost Guide indexed for regional price differences. The model was calibrated using costs data from a recently constructed foot bridge in Griffith and a road bridge constructed by Wagga Wagga City Council. Condition information was obtained from an in house level 3 inspection.

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

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

Footpaths

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

Footpath assets were componentised into Formation, Pavement and Surface. Replacement values were attributed to these components based on the relevant unit rates and quantity measured in square meters. Fair value was then determined taking into account the condition and relevant patterns of consumption. These component values were then combined to determine the overall valuation for each footpath segment.

The Cost Approach was used to value this asset class as at 30 June 2014. Valuations were undertaken inhouse using Council's Asset System, Assetic MyData, with assistance and review provided by the system vendor's valuation staff.

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

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

There has been no change to the valuation process during the reporting period but there has been significant changes the level 3 inputs utilised in the revaluation process.

Griffith City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 27. Fair value measurement (continued)

\$ '000

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

Stormwater Drainage

Stormwater assets including drainage pits and drainage pipes were valued by APV Valuers and Asset Management as at 30 June 2008 using the cost approach. The approach estimated the fair value for each drainage component based on calculated replacement cost and condition. Due to the nature of these assets condition was determined by service history of the assets and local knowledge which was used to calibrate age based condition models. A review of the data was commenced in 2014 and is ongoing. The asset values have been indexed in accordance with the NSW Reference Rates manual for water and sewer assets. Also, due to limitations in the historical records of these very long lived assets there some uncertainty regarding the actual design, specifications and dimensions of some assets.

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

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

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

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

Water Supply Network

Water supply network assets including water treatment plants, reservoirs and reticulation assets. The valuation was completed in house with extensive input and review by Assetic Australia as at 30 June 2012 using the cost approach. The approach estimated the replacement cost for each asset component based on calculated replacement cost and condition. Due to the nature of these assets condition was determined by service history of the assets and local knowledge which was used to calibrate age based condition models.

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

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

These assets are indexed each year in line with the NSW Reference Rates Manual as publish by the Office of Water.

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

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

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

Griffith City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 27. Fair value measurement (continued)

\$ '000

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

Sewerage Network

Sewerage network assets include sewer treatment plants, pump stations and reticulation assets. The valuation was completed in house with extensive input and review by Assetic Australia as at 30 June 2012 using the cost approach. The approach estimated the replacement cost for each asset component based on calculated replacement cost and condition. Due to the nature of these assets condition was determined by service history of the assets and local knowledge which was used to calibrate age based condition models.

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

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

These assets are indexed each year in line with the NSW Reference Rates Manual as publish by the Office of Water.

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

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

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

Swimming Pools

Griffith City Council owns three indoor swimming pools co located at the Griffith Regional Aquatic Centre. They were valued as at 30 June 2013 as part of the building valuation by APV Valuers and Asset Management using the cost approach. The approach estimated the replacement cost of each pool by physically inspecting the aquatic centre and componentising the pools into significant parts with different useful lives and taking into account a range of factors. Inputs such as estimates of residual value and pattern of consumption required extensive professional judgement and impacted significantly on the final determination of fair value. As such these assets were classified as having been valued using Level 3 valuation inputs.

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

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

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

Griffith City Council

Notes to the Financial Statements for the year ended 30 June 2017

Note 27. Fair value measurement (continued)

\$ '000

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

Other Open Space/Recreational Assets

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

The valuation methodology used by APV as at 30 June 2013. The approach estimated the replacement cost for each asset by physically inspecting them and componentising into significant parts with different useful lives and taking into account a range of factors. Inputs such as estimates of residual value and pattern of consumption required extensive professional judgement and impacted significantly on the final determination of fair value. As such these assets were classified as having been valued using Level 3 valuation inputs.

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

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

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

Other

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

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

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

- Useful life
 - Residual value
 - Gross replacement cost
-

Griffith City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 27. Fair value measurement (continued)

\$ '000

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

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

	Plant and equipment	Office equipment	Furniture and fittings	Operational land	Total
Opening balance – 1/7/15	7,845	1,009	546	21,648	31,048
Purchases (GBV)	1,377	169	80	–	1,626
Disposals (WDV)	(346)	–	–	–	(346)
Depreciation and impairment	(1,381)	(184)	(52)	–	(1,617)
Closing balance – 30/6/16	7,495	994	574	21,648	30,711
Purchases (GBV)	3,475	175	651	–	4,301
Disposals (WDV)	(815)	–	–	–	(815)
Depreciation and impairment	(1,439)	(175)	(64)	–	(1,678)
Closing balance – 30/6/17	8,716	994	1,161	21,648	32,519
	Community land	Buildings – specialised	Other structures	Roads	Total
Opening balance – 1/7/15	9,168	58,106	9,341	246,395	323,010
Transfers from/(to) another asset class	–	–	(298)	–	(298)
Purchases (GBV)	–	360	866	4,259	5,485
Depreciation and impairment	–	(477)	(329)	(3,261)	(4,067)
FV gains – other comprehensive income	–	–	–	259	259
Closing balance – 30/6/16	9,168	57,989	9,580	247,652	324,389
Transfers from/(to) another asset class	–	1,794	1,795	2,107	5,696
Purchases (GBV)	–	18,312	2,144	4,072	24,528
Depreciation and impairment	–	(645)	(459)	(3,403)	(4,507)
FV gains – other comprehensive income	–	1	(351)	–	(350)
Closing balance – 30/6/17	9,168	77,451	12,709	250,428	349,756

Griffith City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 27. Fair value measurement (continued)

\$ '000

(4). Fair value measurements using significant unobservable inputs (level 3) (continued)**a. The following tables present the changes in level 3 fair value asset classes.** (continued)

	Bridges	Foothpaths	Stormwater drainage	Water supply network	Total
Opening balance – 1/7/15	3,063	6,635	45,332	125,173	180,203
Purchases (GBV)	–	215	133	807	1,155
Depreciation and impairment	(54)	(209)	(450)	(1,900)	(2,613)
FV gains – other comprehensive income	–	–	9,020	1,849	10,869
Closing balance – 30/6/16	3,009	6,641	54,035	125,929	189,614
Purchases (GBV)	–	119	103	1,572	1,794
Depreciation and impairment	(55)	(225)	(517)	(1,937)	(2,734)
FV gains – other comprehensive income	56	512	617	1,223	2,408
Closing balance – 30/6/17	3,010	7,047	54,238	126,787	191,082

	Sewerage Network	Open Space Recreational Assets	Other Assets	Total
Opening balance – 1/7/15	128,704	5,143	3,637	137,484
Transfers from/(to) another asset class	–	298	–	298
Purchases (GBV)	789	2,095	440	3,324
Disposals (WDV)	–	–	(1)	(1)
Depreciation and impairment	(1,678)	(763)	(448)	(2,889)
FV gains – other comprehensive income	1,905	–	–	1,905
Closing balance – 30/6/16	129,720	6,773	3,628	140,121
Transfers from/(to) another asset class	–	(5,232)	(464)	(5,696)
Purchases (GBV)	629	346	285	1,260
Disposals (WDV)	–	–	(2)	(2)
Depreciation and impairment	(1,723)	(278)	(381)	(2,382)
FV gains – other comprehensive income	(14,374)	273	–	(14,101)
Rounding from 2016	–	–	(2)	(2)
Closing balance – 30/6/17	114,252	1,882	3,064	119,198

Griffith City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 27. Fair value measurement (continued)

\$ '000

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

b. Information relating to the transfers into and out of the level 3 fair valuation hierarchy (as disclosed in the table above) includes:

The Valuation Process for Level 3 Fair Value Measurements

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

Fair value Hierarchy

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2 Inputs other than quoted prices included within level 1 that are observable for the asset or liability either directly or indirectly.
- Level 3 – Unobservable inputs for asset or liability

Fair Value Valuation techniques

The valuation techniques prescribed by AASB 13 can be summarised as:

• Cost Approach:

A valuation technique that reflects the amount what would be required to replace the service capacity of an asset (current replacement cost)

• Income Approach:

Valuation technique that converts future amounts (cash flows inflows/outflows) to signal the current (i.e. discounted) amount. The fair value measurement is determined on the basis of the value indicated by current market expectations about these future amounts.

• Market Approach:

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

Valuation Approach and Level used by Griffith City Council

(1) Valuation techniques used to derive Fair Values

Due to the nature of council assets and the absence of an active market council utilises the Cost Approach.

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

The following Level 3 inputs were used:

• Asset quantity

Asset quantity was derived from a combination of desk top survey and physical inspection

Griffith City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 27. Fair value measurement (continued)

\$ '000

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

b. Information relating to the transfers into and out of the level 3 fair valuation hierarchy includes:

Valuation Approach and Level used by Griffith City Council (continued)

• Unit rates

For asset classes valued in house (ei Roads, Bridges, Footpaths, Water network, Sewer network, and Other) unit rate information is determined by consultation with relevant engineering and operations staff.

Assets valued by external valuers APV Asset Management (Land, Buildings, Other Structures, Stormwater Drainage, Swimming pools, and Open space/ Recreational assets) the costs were determined using their extensive database of cost data and professional judgement.

• Asset condition

Asset condition was assessed using both in house inspectors, specialist asset inspection contractors and asset valuation professionals.

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

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

• Pattern of consumption

The pattern of consumption were developed by professional valuers APV Asset Management and asset management specialists Assetic Australia. In both cases the patterns were selected based on models developed for similar councils and in conjunction with Griffith City Council asset management staff.

• Useful life

Useful Life was determined by council staff in conjunction with consultants based on engineering experience, local knowledge and historic data

• Residual value

Residual value is based on the estimated amount that would currently obtain from disposal of the asset

• Valuation processes

Griffith City Council uses a combination of in house valuations and independent and qualified valuers to determine the fair value of the assets listed in this note. An annual assessment is undertaken to determine whether the carrying amount of the assets is materially different from the fair value. If any variation is considered material a revaluation is undertaken either by comprehensive revaluation or by applying an interim revaluation using appropriate indices.

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

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

(2). Transfers between hierarchy

Council's policy for determining when transfers into different levels of the hierarchy have occurred is at the end of the reporting period. During the reporting period there were no transfers between levels of hierarchy.

(3). Highest and best use

All of Council's non financial assets are considered to be utilised for their highest and best use. This was established in consideration the criteria of physical possibility, legal permissibility, financial feasibility and maximum profitability. Implied within these criteria is the recognition of the contribution of that specific use to community environment and community development goals.

Griffith City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 28. Related party disclosures

\$

a. Key management personnel

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

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

	Actual 2017
Compensation:	
Short-term benefits	1,269,842
Post-employment benefits	89,479
Other long-term benefits	24,936
Termination benefits	7,043
Total	<u>1,391,300</u>

b. Other transactions with KMP and their related parties

There were no material transactions with KMP and their related parties during the financial year. All transactions were conducted on normal arm's length terms.

c. Other related party transactions

There were no material transactions with Council's joint ventures and associates, as disclosed in Note 19.

Griffith City Council

Notes to the Financial Statements for the year ended 30 June 2017

Note 29. Council information and contact details

Principal place of business:

1 Benerembah Street
GRIFFITH NSW 2680

Contact details**Mailing address:**

PO Box 485
GRIFFITH NSW 2680

Opening hours:

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

Telephone: 02 6962 8100

Facsimile: 02 6962 7161

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

Email: admin@griffith.nsw.gov.au

Officers**GENERAL MANAGER**

Brett Stonestreet

RESPONSIBLE ACCOUNTING OFFICER

Max Turner

PUBLIC OFFICER

Shireen Donaldson

AUDITORS

Audit Office of NSW
15/1 Margaret Street
Sydney NSW 2000

Elected members**MAYOR**

Cr John Dal Broi

COUNCILLORS

Cr Dino Zappacosta

Cr Anne Napoli

Cr Christine Stead

Cr Mike Neville

Cr Simon Croce

Cr Doug Curran

Cr Paul Snaidero

Cr Deb Longhurst

Cr Rina Mercuri

Cr Brian Simpson

Cr Edwin Mardon

Other information

ABN: 81 274 100 792



INDEPENDENT AUDITOR'S REPORT

Report on the general purpose financial statements

Griffith City Council

To the Councillors of the Griffith City Council

Opinion

I have audited the accompanying financial statements of Griffith City Council (the Council), which comprise the statement of financial position as at 30 June 2017, the income statement, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the Statement by Councillors and Management.

In my opinion,

- the Council's accounting records have been kept in accordance with the requirements of the *Local Government Act 1993*, Chapter 13, Part 3, Division 2 (the Division)
- the financial statements:
 - have been presented, in all material respects, in accordance with the requirements of this Division
 - are consistent with the Council's accounting records
 - present fairly, in all material respects, the financial position of the Council as at 30 June 2017, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- all information relevant to the conduct of the audit has been obtained
- no material deficiencies in the accounting records or financial statements have come to light during the audit.

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

Basis for Opinion

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

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

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

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

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

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

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

Other Matter

The financial statements of the Council for the year ended 30 June 2016 were audited by another auditor who expressed an unmodified opinion on that financial statement on 27 October 2016.

The Councillors' Responsibility for the Financial Statements

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

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

Auditor's Responsibility for the Audit of the Financial Statements

My objectives are to:

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

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

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/ar3.pdf. The description forms part of my auditor's report.

My opinion does *not* provide assurance:

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



Lawrissa Chan
Director, Financial Audit Services

23 October 2017
SYDNEY

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

Contact: Lawrissa Chan
Phone no: 02 9275 7100
Our ref: D1726127/1733

23 October 2017

Dear Cr Dal Broi

**Report on the Conduct of the Audit
for the year ended 30 June 2017
Griffith City Council**

We have audited the general purpose financial statements of Griffith City Council (the Council) for the year ended 30 June 2017 as required by section 415 of the *Local Government Act 1993* (the Act).

We expressed an unmodified opinion on the Council's general purpose financial statements.

This Report on the Conduct of the Audit (the Report) for the Council for the year ended 30 June 2017 is issued in accordance with section 417 of the Act. This Report should be read in conjunction with our audit opinion on the general purpose financial statements issued under s417(2) of the Act.

INCOME STATEMENT

Operating result

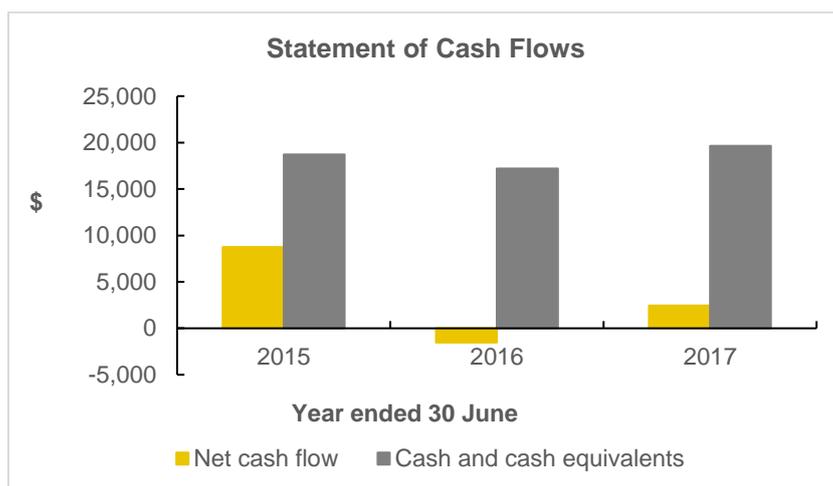
	2017 \$'000	2016 \$'000	Variance %
Rates and annual charges revenue	29,896	28,866	3.6 
Grants and contributions revenue	16,307	18,399	11.4 
Operating result for the year	13,820	15,843	12.8 
Net operating result before capital amounts	9,206	6,136	50.0 

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

- Council’s operating surplus decreased from \$15.8 million in the previous year to \$13.8 million in the current period. The \$2 million decrease is due to a reduction in grants and contributions provided for capital purposes of \$5.1 million for the Griffith Community Private Hospital, which has been offset by the receipt of \$2.5 million (50 per cent) of 2017-18 Financial Assistance Grants in Advance. Council budgeted for a surplus of \$7.0 million.
- The net operating result before capital contributions was a surplus of \$9.2 million against the previous year’s surplus of \$6.1 million. The increase is predominantly due to the receipt of \$2.5 million of 2017-18 Financial Assistance Grants in advance.
- Rates and annual charges revenue has increased by \$1.0 million (3.6 per cent). The increase in rate income is in line with the permissible rate increase granted by the Minister for Local Government and movements in rateable properties in the Griffith City Council area.
- Grants and contributions revenue decreased by \$2.1 million due to a reduction in grants and contributions provided for capital purposes of \$5.1 million for the Griffith Community Private Hospital, which has been offset by the receipt of \$2.5 million (50 per cent) of 2017-18 Financial Assistance Grants in Advance.
- Council’s depreciation and amortisation expense was consistent with prior year, with a slight increase of \$0.1 million to \$11.2 million for the year ended 30 June 2017 (2016: \$11.1 million).

STATEMENT OF CASH FLOWS

- Council has generated consistent cash flows in the past three years. Council’s cash and cash equivalents balance at 30 June 2017 is \$19.6 million compared with \$17.2 million in the prior year.
- Council recorded a net increase in cash and cash equivalents of \$2.4 million in 2017 compared to a net decrease of \$1.5 million in the prior year. The net increase in cash and cash equivalents of \$2.4 million are due to the sale of investment securities and reduction of purchases of infrastructure, property, plant and equipment compared with the prior year.



FINANCIAL POSITION

Cash and Investments

Restricted Cash and Investments	2017	2016	Commentary
	\$'000	\$'000	
External restrictions	26,588	24,093	<ul style="list-style-type: none"> Externally restricted cash and investments are restricted in their use by externally imposed requirements. The movement in externally restricted cash balances is predominantly a result of the increase in water supplies restriction of \$2.3 million.
Internal restrictions	10,859	13,790	
Unrestricted	3,596	139	
Cash and investments	41,043	38,022	<ul style="list-style-type: none"> Internally restricted cash and investments have been restricted in their use by resolution or policy of Council to reflect identified programs of works and any forward plans identified by Council. The movement in internally restricted cash balances included a \$3.0 million reduction in the restriction held for the Griffith Health Facilities Limited. Council has increased its unrestricted cash and investments balance by \$3.5 million from the prior year due to the improved operating result before capital amounts.

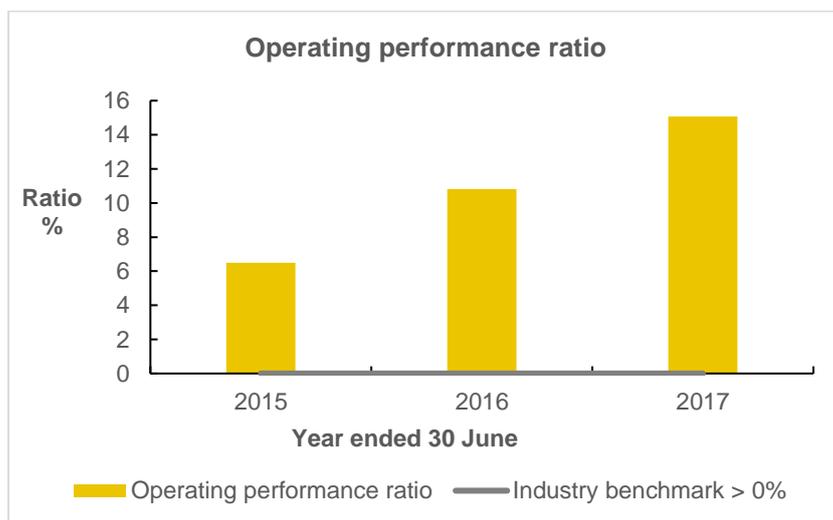
Debt

- The Council had borrowings of \$19.6 million as at 30 June 2017 (2016: \$20.7 million).

PERFORMANCE RATIOS

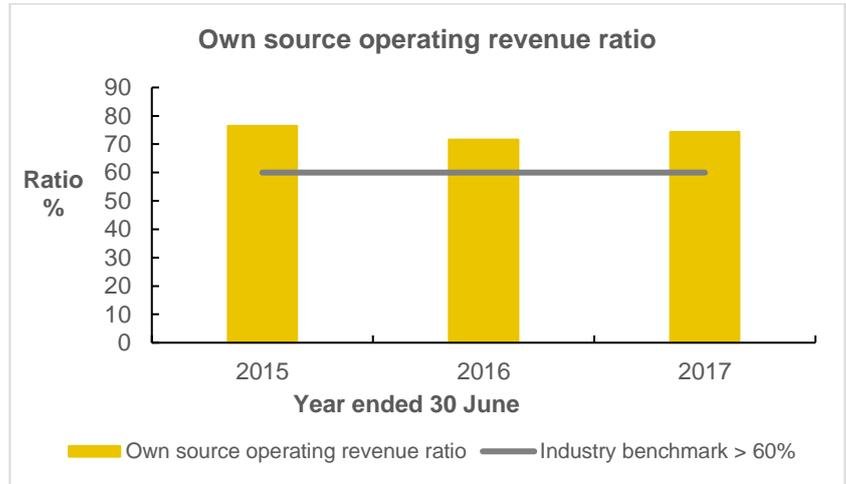
Operating performance ratio

- The 'operating performance ratio' measures how well Council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by the Office of Local Government (OLG) is greater than zero per cent.
- The operating performance ratio improved to 15.06 per cent and remained well above the industry benchmark of 0 per cent.
- The operating performance ratio improved, which is mainly attributed to the receipt of \$2.6 million of 2017-18 Financial Assistance Grants in advance.



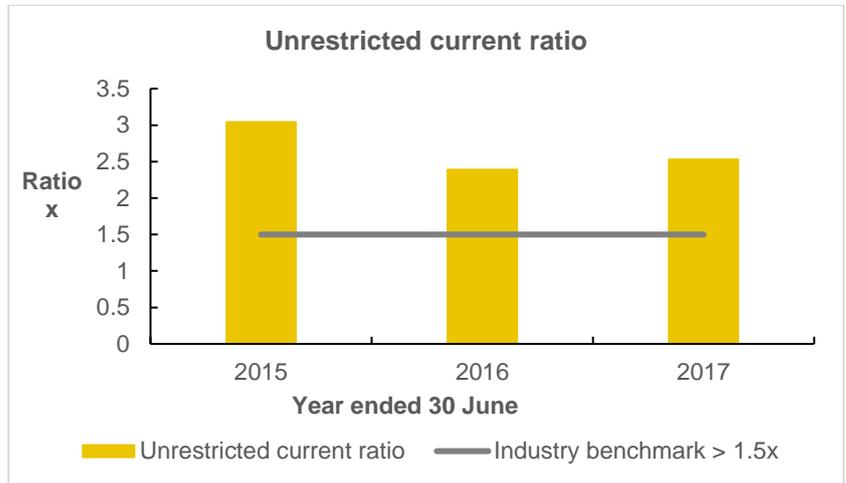
Own source operating revenue ratio

- The 'own source operating revenue ratio' measures Council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by OLG is greater than 60 per cent.
- The own source operating revenue ratio improved slightly to 74.31 per cent and is consistent with the three year average result for Council.
- The ratio remained above the industry benchmark of 60 per cent.



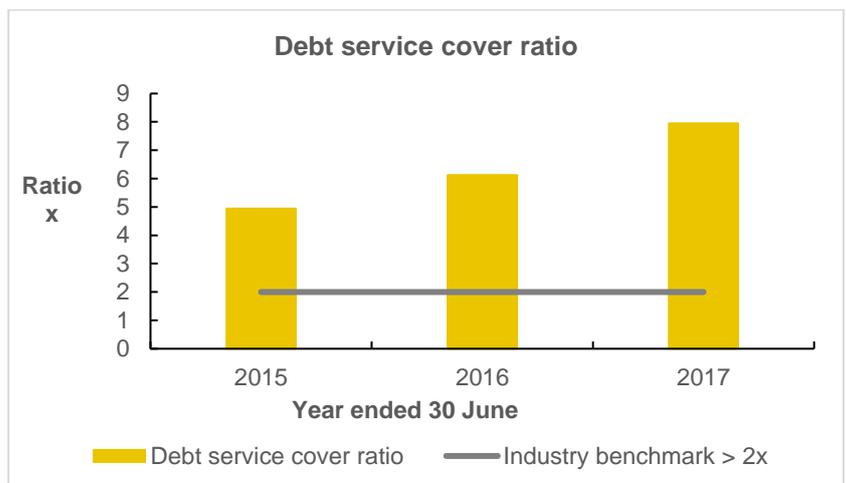
Unrestricted current ratio

- The 'unrestricted current ratio' is specific to local government and represents Council's ability to meet its short term obligations as they fall due. The benchmark set by OLG is greater than 1.5 times.
- The liquidity ratio shows a slight improvement to 2.53 times (2016: 2.39 times).
- Council continues to report a result well in excess of the 1.5:1 benchmark minimum and has sufficient liquidity to meet its current liabilities as and when they fall due.



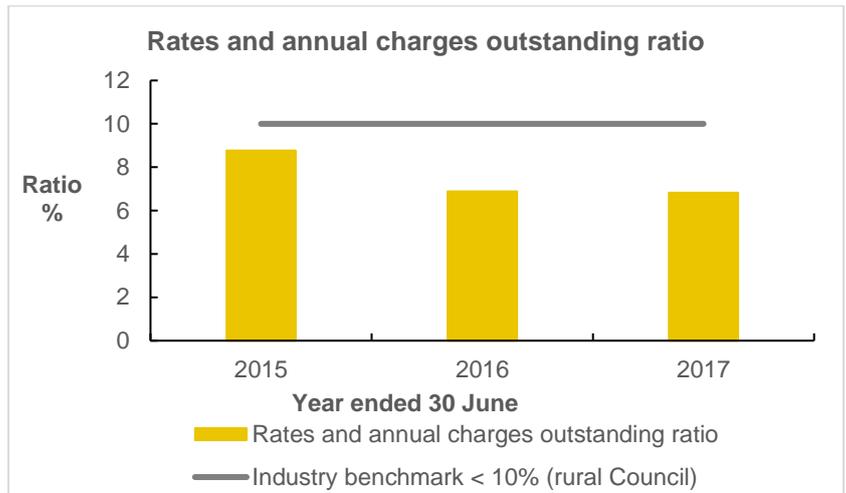
Debt service cover ratio

- The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by OLG is greater than two times.
- This ratio indicates 7.95 times (2016: 6.12 times) Council's operating cash is available to service Council debts.
- Council continues to demonstrate that sufficient cash is being generated from operations to fund loan repayments.



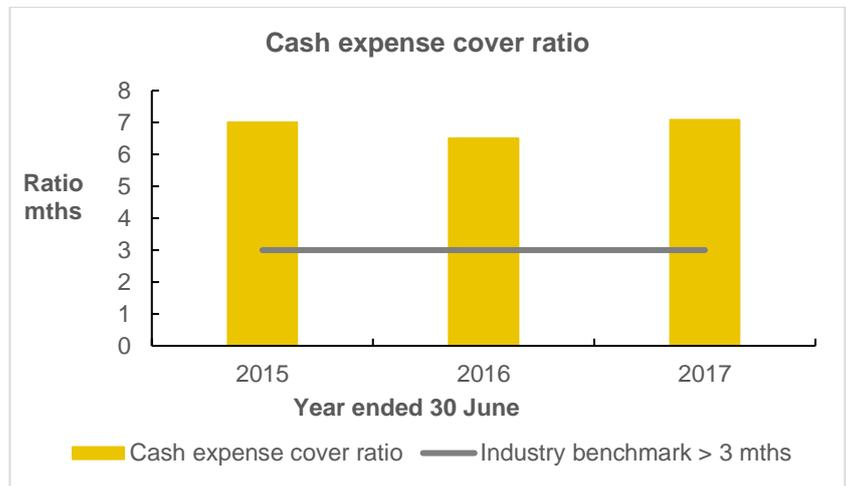
Rates and annual charges outstanding ratio

- The 'rates and annual charges outstanding ratio' assesses the impact of uncollected rates and annual charges on Council's liquidity and the adequacy of debt recovery efforts. The benchmark set by OLG is less than 10 per cent for rural councils.
- The outstanding rates % has decreased slightly since prior year to 6.83 per cent (2016: 6.88 per cent) and is within the benchmark for rural councils of less than 10 per cent. The improved result is primarily driven by improved debt recovery procedures.



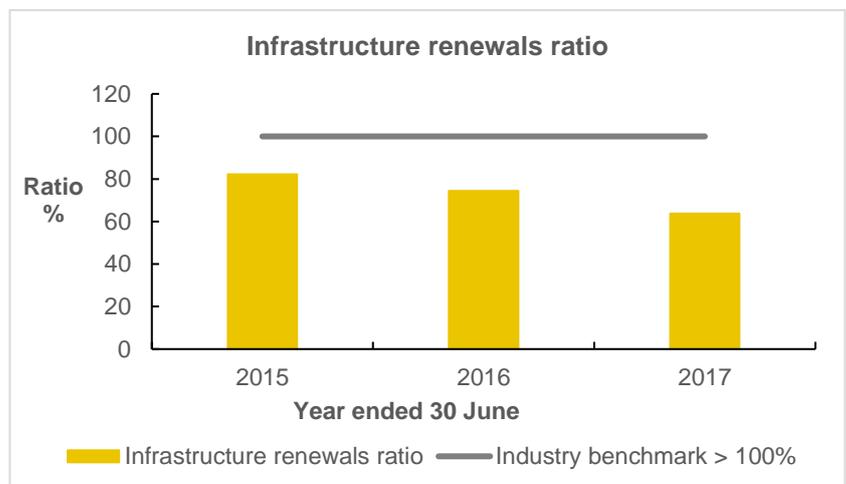
Cash expense cover ratio

- This liquidity ratio indicates the number of months the Council can continue paying for its immediate expenses without additional cash inflow. The benchmark set by OLG is greater than three months.
- At 30 June 2017, the Council had the capacity to cover 7.08 months of cash expenditure without additional cash inflows. Council has performed comfortably above the benchmark in both the current and prior period, indicating a satisfactory liquidity position for Council.



Infrastructure renewals ratio

- The 'infrastructure renewals ratio' represents the rate at which assets are being renewed relative to the rate at which they are depreciating.
- The ratio has been steadily decreasing since 2015 and is below the industry benchmark of greater than 100 per cent.
- Council need to be aware of the deteriorating impact on infrastructure assets if this underperformance is sustained over an extended period.



OTHER MATTERS

New accounting standards implemented

AASB 124 'Related Party Disclosures'

Effective for annual reporting periods beginning on or 1 July 2016

AASB 2015-6 extended the scope of AASB 124 to include not-for-profit public sector entities. As a result, Council's financial statements disclosed the:

- compensation paid to their key management personnel
- nature of their related party relationships
- amount and nature of their related party transactions, outstanding balances and commitments and outstanding balances (including commitments).

Legislative compliance

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

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



Lawrissa Chan
Director, Financial Audit Services

23 October 2017
SYDNEY

cc: Mr Brett Stonestreet, General Manager
Mr Max Turner, Director - Business, Cultural & Financial Services