

# Griffith City Council

SPECIAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2015

---



# Griffith City Council

## Special Purpose Financial Statements

for the financial year ended 30 June 2015

Contents	Page
<b>1. Statement by Councillors &amp; Management</b>	2
<b>2. Special Purpose Financial Statements:</b>	
Income Statement - Water Supply Business Activity	3
Income Statement - Sewerage Business Activity	4
Income Statement - Other Business Activities	n/a
Statement of Financial Position - Water Supply Business Activity	5
Statement of Financial Position - Sewerage Business Activity	6
Statement of Financial Position - Other Business Activities	n/a
<b>3. Notes to the Special Purpose Financial Statements</b>	7
<b>4. Auditor's Report</b>	16

---

### Background

- (i) These Special Purpose Financial Statements have been prepared for the use by both Council and the Division of Local Government in fulfilling their requirements under National Competition Policy.
  - (ii) The principle of competitive neutrality is based on the concept of a "level playing field" between persons/entities competing in a market place, particularly between private and public sector competitors.  
  
Essentially, the principle is that government businesses, whether Commonwealth, State or Local, should operate without net competitive advantages over other businesses as a result of their public ownership.
  - (iii) For Council, the principle of competitive neutrality & public reporting applies only to declared business activities.  
  
These include **(a)** those activities classified by the Australian Bureau of Statistics as business activities being water supply, sewerage services, abattoirs, gas production and reticulation and **(b)** those activities with a turnover of over \$2 million that Council has formally declared as a Business Activity (defined as Category 1 activities).
  - (iv) In preparing these financial statements for Council's self classified Category 1 businesses and ABS defined activities, councils must **(a)** adopt a corporatisation model and **(b)** apply full cost attribution including tax equivalent regime payments & debt guarantee fees (where the business benefits from councils borrowing position by comparison with commercial rates).
-

## Griffith City Council

### Special Purpose Financial Statements

for the financial year ended 30 June 2015

### Statement by Councillors and Management

made pursuant to the Local Government Code of Accounting Practice and Financial Reporting

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

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

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

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

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

**Signed in accordance with a resolution of Council made on 13 October 2015.**



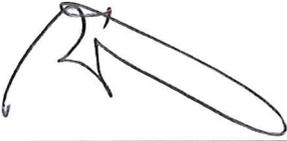

---

Cr John Dal Broi  
MAYOR



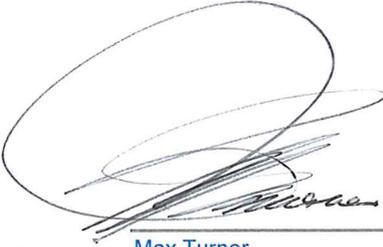

---

Cr Doug Curran  
COUNCILLOR




---

Brett Stonestreet  
GENERAL MANAGER




---

Max Turner  
RESPONSIBLE ACCOUNTING OFFICER

## Griffith City Council

## Income Statement of Council's Water Supply Business Activity

for the financial year ended 30 June 2015

\$ '000	Actual 2015	Actual 2014
<b>Income from continuing operations</b>		
Access charges	1,810	1,815
User charges	6,616	6,074
Fees	280	243
Interest	300	418
Grants and contributions provided for non capital purposes	79	84
Profit from the sale of assets	28	12
Other income	50	49
<b>Total income from continuing operations</b>	<b>9,163</b>	<b>8,695</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	2,038	1,926
Borrowing costs	-	-
Materials and contracts	2,967	2,815
Depreciation and impairment	2,077	1,992
Water purchase charges	-	-
Loss on sale of assets	-	-
Calculated taxation equivalents	119	130
Debt guarantee fee (if applicable)	-	-
Other expenses	917	764
<b>Total expenses from continuing operations</b>	<b>8,118</b>	<b>7,627</b>
<b>Surplus (deficit) from Continuing Operations before capital amounts</b>	<b>1,045</b>	<b>1,068</b>
Grants and contributions provided for capital purposes	64	204
<b>Surplus (deficit) from Continuing Operations after capital amounts</b>	<b>1,109</b>	<b>1,272</b>
Surplus (deficit) from discontinued operations	-	-
<b>Surplus (deficit) from ALL Operations before tax</b>	<b>1,109</b>	<b>1,272</b>
less: Corporate Taxation Equivalent (30%) [based on result before capital]	(314)	(320)
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>796</b>	<b>952</b>
plus Opening Retained Profits	81,212	79,884
plus/less: Prior Period Adjustments	(2)	-
plus Adjustments for amounts unpaid:		
- Taxation equivalent payments	54	56
- Debt guarantee fees	-	-
- Corporate taxation equivalent	314	320
less:		
- Tax Equivalent Dividend paid	-	-
- Surplus dividend paid	-	-
<b>Closing Retained Profits</b>	<b>82,373</b>	<b>81,212</b>
<b>Return on Capital %</b>	<b>0.8%</b>	<b>0.8%</b>
<b>Subsidy from Council</b>	<b>2,874</b>	<b>3,531</b>
<b>Calculation of dividend payable:</b>		
Surplus (deficit) after tax	796	952
less: Capital grants and contributions (excluding developer contributions)	-	(176)
<b>Surplus for dividend calculation purposes</b>	<b>796</b>	<b>776</b>
<b>Potential Dividend calculated from surplus</b>	<b>398</b>	<b>388</b>

## Griffith City Council

## Income Statement of Council's Sewerage Business Activity

for the financial year ended 30 June 2015

\$ '000	Actual 2015	Actual 2014
<b>Income from continuing operations</b>		
Access charges	6,973	6,741
User charges	711	708
Liquid Trade Waste charges	42	36
Fees	13	6
Interest	159	216
Grants and contributions provided for non capital purposes	59	59
Profit from the sale of assets	3	87
Other income	13	13
<b>Total income from continuing operations</b>	<b>7,973</b>	<b>7,866</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	1,673	1,690
Borrowing costs	1,491	1,565
Materials and contracts	1,697	1,705
Depreciation and impairment	1,856	1,784
Loss on sale of assets	-	-
Calculated taxation equivalents	95	100
Debt guarantee fee (if applicable)	-	-
Other expenses	736	561
<b>Total expenses from continuing operations</b>	<b>7,548</b>	<b>7,405</b>
<b>Surplus (deficit) from Continuing Operations before capital amounts</b>	<b>425</b>	<b>461</b>
Grants and contributions provided for capital purposes	50	30
<b>Surplus (deficit) from Continuing Operations after capital amounts</b>	<b>475</b>	<b>491</b>
Surplus (deficit) from discontinued operations	-	-
<b>Surplus (deficit) from ALL Operations before tax</b>	<b>475</b>	<b>491</b>
less: Corporate Taxation Equivalent (30%) [based on result before capital]	(128)	(138)
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>348</b>	<b>353</b>
plus Opening Retained Profits	62,591	62,064
plus/less: Other Adjustments Rounding	1	(1)
plus Adjustments for amounts unpaid:		
- Taxation equivalent payments	36	37
- Debt guarantee fees	-	-
- Corporate taxation equivalent	128	138
less:		
- Tax Equivalent Dividend paid	-	-
- Surplus dividend paid	-	-
<b>Closing Retained Profits</b>	<b>63,103</b>	<b>62,591</b>
<b>Return on Capital %</b>	<b>1.4%</b>	<b>1.5%</b>
<b>Subsidy from Council</b>	<b>2,142</b>	<b>2,732</b>
<b>Calculation of dividend payable:</b>		
Surplus (deficit) after tax	348	353
less: Capital grants and contributions (excluding developer contributions)	(7)	(21)
<b>Surplus for dividend calculation purposes</b>	<b>341</b>	<b>332</b>
<b>Potential Dividend calculated from surplus</b>	<b>170</b>	<b>166</b>

## Griffith City Council

Statement of Financial Position - Council's Water Supply Business Activity  
as at 30 June 2015

\$ '000	Actual 2015	Actual 2014
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	10,372	8,683
Investments	-	-
Receivables	3,023	2,876
Inventories	349	343
Other	-	-
Non-current assets classified as held for sale	-	-
<b>Total Current Assets</b>	<b>13,744</b>	<b>11,902</b>
<b>Non-Current Assets</b>		
Investments	-	-
Receivables	882	295
Inventories	2,233	2,233
Infrastructure, property, plant and equipment	129,771	129,199
Investments accounted for using equity method	-	-
Investment property	-	-
Intangible Assets	-	-
Other	-	-
<b>Total non-Current Assets</b>	<b>132,886</b>	<b>131,727</b>
<b>TOTAL ASSETS</b>	<b>146,630</b>	<b>143,629</b>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Bank Overdraft	-	-
Payables	1	1
Interest bearing liabilities	-	-
Provisions	-	-
<b>Total Current Liabilities</b>	<b>1</b>	<b>1</b>
<b>Non-Current Liabilities</b>		
Payables	-	-
Interest bearing liabilities	-	-
Provisions	-	-
<b>Total Non-Current Liabilities</b>	<b>-</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>	<b>1</b>	<b>1</b>
<b>NET ASSETS</b>	<b>146,629</b>	<b>143,628</b>
<b>EQUITY</b>		
Retained earnings	82,373	81,212
Revaluation reserves	64,256	62,416
Council equity interest	146,629	143,628
Non-controlling equity interest	-	-
<b>TOTAL EQUITY</b>	<b>146,629</b>	<b>143,628</b>

## Griffith City Council

## Statement of Financial Position - Council's Sewerage Business Activity

as at 30 June 2015

\$ '000	Actual 2015	Actual 2014
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	4,096	3,191
Investments	-	-
Receivables	2,311	2,427
Inventories	-	-
Other	-	-
Non-current assets classified as held for sale	-	-
<b>Total Current Assets</b>	<b>6,407</b>	<b>5,618</b>
<b>Non-Current Assets</b>		
Investments	-	-
Receivables	-	-
Inventories	-	-
Infrastructure, property, plant and equipment	134,360	133,652
Investments accounted for using equity method	-	-
Investment property	-	-
Intangible Assets	-	-
Other	-	-
<b>Total non-Current Assets</b>	<b>134,360</b>	<b>133,652</b>
<b>TOTAL ASSETS</b>	<b>140,767</b>	<b>139,270</b>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Bank Overdraft	-	-
Payables	-	-
Interest bearing liabilities	779	913
Provisions	-	-
<b>Total Current Liabilities</b>	<b>779</b>	<b>913</b>
<b>Non-Current Liabilities</b>		
Payables	-	-
Interest bearing liabilities	19,140	19,919
Provisions	-	-
<b>Total Non-Current Liabilities</b>	<b>19,140</b>	<b>19,919</b>
<b>TOTAL LIABILITIES</b>	<b>19,919</b>	<b>20,832</b>
<b>NET ASSETS</b>	<b>120,848</b>	<b>118,438</b>
<b>EQUITY</b>		
Retained earnings	63,103	62,591
Revaluation reserves	57,745	55,847
Council equity interest	120,848	118,438
Non-controlling equity interest	-	-
<b>TOTAL EQUITY</b>	<b>120,848</b>	<b>118,438</b>

# Griffith City Council

## Special Purpose Financial Statements

for the financial year ended 30 June 2015

### Contents of the Notes accompanying the Financial Statements

Note	Details	Page
1	Summary of Significant Accounting Policies	8
2	Water Supply Business Best Practice Management disclosure requirements	11
3	Sewerage Business Best Practice Management disclosure requirements	13

## Griffith City Council

### Notes to the Special Purpose Financial Statements

for the financial year ended 30 June 2015

#### Note 1. Significant Accounting Policies

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

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

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

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

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

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

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

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

#### National Competition Policy

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

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

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

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

#### Declared Business Activities

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

##### Category 1

(where gross operating turnover is over \$2 million)

##### a. Water Supply Service

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

##### b. Sewerage Service

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

##### Category 2

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

Council has no Category 2 Business Activities.

#### Monetary Amounts

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

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

## Griffith City Council

### Notes to the Special Purpose Financial Statements

for the financial year ended 30 June 2015

#### Note 1. Significant Accounting Policies

##### (i) Taxation Equivalent Charges

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

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

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

##### Notional Rate Applied %

###### Corporate Income Tax Rate – 30%

Land Tax – The first **\$432,000** of combined land values attracts **0%**. From \$432,001 to \$2,641,000 the rate is **1.6% + \$100**. For the remaining combined land value that exceeds \$2,641,000, a premium marginal rate of **2.0%** applies.

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

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

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

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

##### Income Tax

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

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

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

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

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

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

##### Local Government Rates & Charges

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

##### Loan & Debt Guarantee Fees

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

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

## Griffith City Council

### Notes to the Special Purpose Financial Statements

for the financial year ended 30 June 2015

#### Note 1. Significant Accounting Policies

##### (ii) Subsidies

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

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

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

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

##### (iii) Return on Investments (Rate of Return)

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

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

The Rate of Return on Capital is calculated as follows:

**Operating Result before Capital Income + Interest Expense**

**Written Down Value of I,PP&E as at 30 June**

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 3.02% at 30/6/15.

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

##### (iv) Dividends

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

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

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

- (i) 50% of this surplus in any one year, or
- (ii) the number of water supply or sewerage assessments at 30 June 2015 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

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

## Griffith City Council

Notes to the Special Purpose Financial Statements  
for the financial year ended 30 June 2015Note 2. Water Supply Business  
Best Practice Management disclosure requirements

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

2015

**1. Calculation and Payment of Tax-Equivalents**

[All Local Government Local Water Utilities must pay this dividend for tax-equivalents]

(i)	Calculated Tax Equivalents	119,000
(ii)	No of assessments multiplied by \$3/assessment	29,886
(iii)	Amounts payable for Tax Equivalents [lesser of (i) and (ii)]	29,886
(iv)	Amounts actually paid for Tax Equivalents	-

**2. Dividend from Surplus**

(i)	50% of Surplus before Dividends [Calculated in accordance with Best Practice Management for Water Supply and Sewerage Guidelines]	397,750
(ii)	No. of assessments multiplied by \$30/assessment, less tax equivalent charges/assessment	268,974
(iii)	Cumulative surplus before Dividends for the 3 years to 30 June 2015, less the cumulative dividends paid for the 2 years to 30 June 2014 & 30 June 2013	2,441,400

2015 Surplus	795,500	2014 Surplus	775,600	2013 Surplus	870,300
		2014 Dividend	-	2013 Dividend	-

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	268,974
(v)	Dividend actually paid from surplus [refer below for required pre-dividend payment Criteria]	-

**3. Required outcomes for 6 Criteria**

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

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

## Griffith City Council

Notes to the Special Purpose Financial Statements  
for the financial year ended 30 June 2015Note 2. Water Supply Business  
Best Practice Management disclosure requirements (continued)

---

Dollars Amounts shown below are in WHOLE DOLLARS (unless otherwise indicated) 2015


---

**National Water Initiative (NWI) Financial Performance Indicators**

<b>NWI F1</b>	Total Revenue (Water) Total Income (w13) - Grants for the Acquisition of Assets (w11a) - Interest Income (w9) - Aboriginal Communities W&S Program Income (w10a)	\$'000	8,899
<b>NWI F4</b>	Revenue from Residential Usage Charges (Water) Income from Residential Usage Charges (w6b) x 100 divided by the sum of [Income from Residential Usage Charges (w6a) + Income from Residential Access Charges (w6b)]	%	78.76%
<b>NWI F9</b>	Written Down Replacement Cost of Fixed Assets (Water) Written down current cost of system assets (w47)	\$'000	129,771
<b>NWI F11</b>	Operating Cost (OMA) (Water) Management Expenses (w1) + Operational & Maintenance Expenses (w2)	\$'000	5,946
<b>NWI F14</b>	Capital Expenditure (Water) Acquisition of fixed assets (w16)	\$'000	833
<b>NWI F17</b>	Economic Real Rate of Return (Water) [Total Income (w13) - Interest Income (w9) - Grants for acquisition of assets (w11a) - Operating Costs (NWI F11) - Current Cost Depreciation (w3)] x 100 divided by [Written Down Current Cost of System Assets (w47) + Plant & Equipment (w33b)]	%	0.68%
<b>NWI F26</b>	Capital Works Grants (Water) Grants for the Acquisition of Assets (w11a)	\$'000	-

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

## Griffith City Council

Notes to the Special Purpose Financial Statements  
for the financial year ended 30 June 2015Note 3. Sewerage Business  
Best Practice Management disclosure requirements

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

2015

**1. Calculation and Payment of Tax-Equivalents**

[All Local Government Local Water Utilities must pay this dividend for tax-equivalents]

(i)	Calculated Tax Equivalents	95,000
(ii)	No of assessments multiplied by \$3/assessment	24,804
(iii)	Amounts payable for Tax Equivalents [lesser of (i) and (ii)]	24,804
(iv)	Amounts actually paid for Tax Equivalents	-

**2. Dividend from Surplus**

(i)	50% of Surplus before Dividends [Calculated in accordance with Best Practice Management for Water Supply and Sewerage Guidelines]	170,250
(ii)	No. of assessments x (\$30 less tax equivalent charges per assessment)	223,236
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2015, less the cumulative dividends paid for the 2 years to 30 June 2014 & 30 June 2013	1,223,600

2015 Surplus	340,500	2014 Surplus	331,700	2013 Surplus	551,400
		2014 Dividend	-	2013 Dividend	-

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	170,250
(v)	Dividend actually paid from surplus [refer below for required pre-dividend payment Criteria]	-

**3. Required outcomes for 4 Criteria**

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

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

## Griffith City Council

Notes to the Special Purpose Financial Statements  
for the financial year ended 30 June 2015Note 3. Sewerage Business  
Best Practice Management disclosure requirements (continued)

---

Dollars Amounts shown below are in WHOLE DOLLARS (unless otherwise indicated) 2015


---

**National Water Initiative (NWI) Financial Performance Indicators**

<b>NWI F2</b>	Total Revenue (Sewerage) Total Income (s14) - Grants for Acquisition of Assets (s12a) - Interest Income (s10) - Aboriginal Communities W&S Program Income (w10a)	\$'000	7,860
<b>NWI F10</b>	Written Down Replacement Cost of Fixed Assets (Sewerage) Written down current cost of system assets (s48)	\$'000	134,360
<b>NWI F12</b>	Operating Cost (Sewerage) Management Expenses (s1) + Operational & Maintenance Expenses (s2)	\$'000	4,160
<b>NWI F15</b>	Capital Expenditure (Sewerage) Acquisition of Fixed Assets (s17)	\$'000	428
<b>NWI F18</b>	Economic Real Rate of Return (Sewerage) [Total Income (s14) - Interest Income (s10) - Grants for acquisition of Assets (s12a) - Operating cost (NWI F12) - Current cost depreciation (s3)] x 100 divided by [Written down current cost (ie. WDCC) of System Assets (s48) + Plant & Equipment (s34b)]	%	1.37%
<b>NWI F27</b>	Capital Works Grants (Sewerage) Grants for the Acquisition of Assets (12a)	\$'000	-

---

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

<b>NWI F3</b>	Total Income (Water & Sewerage) Total Income (w13 + s14) + Gain/Loss on disposal of assets (w14 + s15) minus Grants for acquisition of assets (w11a + s12a) - Interest Income (w9 + s10)	\$'000	16,789
<b>NWI F8</b>	Revenue from Community Service Obligations (Water & Sewerage) Community Service Obligations (NWI F25) x 100 divided by Total Income (NWI F3)	%	0.76%
<b>NWI F16</b>	Capital Expenditure (Water & Sewerage) Acquisition of Fixed Assets (w16 + s17)	\$'000	1,261
<b>NWI F19</b>	Economic Real Rate of Return (Water & Sewerage) [Total Income (w13 + s14) - Interest Income (w9 + s10) - Grants for acquisition of assets (w11a + s12a) - Operating Cost (NWI F11 + NWI F12) - Current cost depreciation (w3 + s3)] x 100 divided by [Written down replacement cost of fixed assets (NWI F9 + NWI F10) + Plant & equipment (w33b + s34b)]	%	1.03%
<b>NWI F20</b>	Dividend (Water & Sewerage) Dividend paid from surplus (2(v) of Note 2 + 2(v) of Note 3)	\$'000	-
<b>NWI F21</b>	Dividend Payout Ratio (Water & Sewerage) Dividend (NWI F20) x 100 divided by Net Profit after tax (NWI F24)	%	0.00%

## Griffith City Council

Notes to the Special Purpose Financial Statements  
for the financial year ended 30 June 2015Note 3. Sewerage Business  
Best Practice Management disclosure requirements (continued)

---

Dollars Amounts shown below are in WHOLE DOLLARS (unless otherwise indicated) 2015


---

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

NWI F22	Net Debt to Equity (Water & Sewerage) Overdraft (w36 + s37) + Borrowings (w38 + s39) - Cash & Investments (w30 + s31) x 100 divided by [Total Assets (w35 + s36) - Total Liabilities (w40 + s41)]	%	2.04%
NWI F23	Interest Cover (Water & Sewerage) Earnings before Interest & Tax (EBIT) divided by Net Interest  Earnings before Interest & Tax (EBIT): <span style="border: 1px solid black; padding: 2px;">2,721</span> Operating Result (w15a + s16a) + Interest expense (w4a + s4a) - Interest Income (w9 + s10) - Gain/Loss on disposal of assets (w14 + s15) + Miscellaneous Expenses (w4b + w4c + s4b + s4c)  Net Interest: <span style="border: 1px solid black; padding: 2px;">1,032</span> Interest Expense (w4a + s4a) - Interest Income (w9 + s10)		3
NWI F24	Net Profit After Tax (Water & Sewerage) Surplus before dividends (w15a + s16a) - Tax equivalents paid (Note 2-1(iv) + Note 3-1(iv))	\$'000	1,674
NWI F25	Community Service Obligations (Water & Sewerage) Grants for Pensioner Rebates (w11b + s12b)	\$'000	127

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

## **INDEPENDENT AUDITORS' REPORT TO GRIFFITH CITY COUNCIL REPORT ON THE SPECIAL PURPOSE FINANCIAL STATEMENTS**

### **REPORT ON THE FINANCIAL STATEMENTS**

We have audited the accompanying financial statements, being special purpose financial statements, of Griffith City Council (the Council), which comprises the statements of financial position by business activity as at 30 June 2015, and the income statements by business activity for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the Statement by Councillors and Management.

### **COUNCIL'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS**

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

### **AUDITORS' RESPONSIBILITY**

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

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

## OPINION

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

- (i) presenting fairly a view of the Council's financial position as at 30 June 2015 and of its performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards to the extent described in Note 1 and the Local Government Code of Accounting Practice and Financial Reporting.

## BASIS OF ACCOUNTING

Without modifying our opinion, we draw attention to Note 1 to the financial report, which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling the Council's financial reporting responsibilities under the Local Government Code of Accounting Practice and Financial Reporting. As a result, the financial report may not be suitable for another purpose.

The financial statements have been prepared for distribution to Council for the purpose of fulfilling the Council's financial reporting obligations under the Local Government Code of Accounting Practice and Financial Reporting. We disclaim any assumption of responsibility for any reliance on this report or on the financial statements to which it relates to any person other than the Council and the Office of Local Government, or for any purpose other than that for which it was prepared.



**CROWE HORWATH AUSWILD**



**BRADLEY D BOHUN**

Partner

Dated at Albury this 28<sup>th</sup> day of October 2015.