

Richmond Valley Council

GENERAL PURPOSE FINANCIAL STATEMENTS

for the year ended 30 June 2014

“The development of community and natural attributes of the area to enable a pleasant and sustainable lifestyle.”

Richmond
Valley
Council



Richmond Valley Council

General Purpose Financial Statements

for the financial year ended 30 June 2014

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Overview

- (i) These financial statements are General Purpose Financial Statements and cover the consolidated operations for Richmond Valley Council.
- (ii) Richmond Valley Council is a body politic of NSW, Australia - being constituted as a Local Government area by proclamation and is duly empowered by the Local Government Act (LGA) 1993 of NSW.

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

- the ability to provide goods, services & facilities, and to carry out activities appropriate to the current & future needs of the local community and of the wider public,
- the responsibility for administering regulatory requirements under the LGA and
- a role in the management, improvement and development of the resources in the area.

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

- (iii) All figures presented in these financial statements are presented in Australian Currency.
- (iv) These financial statements were authorised for issue by the Council on 21 October 2014. Council has the power to amend and reissue these financial statements.
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Richmond Valley Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Understanding Council's Financial Statements

Introduction

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

What you will find in the Statements

The financial statements set out the financial performance, financial position & cash flows of Council for the financial year ended 30 June 2014.

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

About the Primary Financial Statements

The financial statements incorporate 5 "primary" financial statements:

1. The Income Statement

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

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

2. The Statement of Comprehensive Income

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

3. The Statement of Financial Position

A 30 June snapshot of Council's financial position indicating its Assets, Liabilities & "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 5 primary financial statements.

About the Auditor's Reports

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

In NSW, the Auditor provides 2 audit reports:

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

Who uses the Financial Statements ?

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

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

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

Richmond Valley Council

General Purpose Financial Statements

for the financial year ended 30 June 2014

Statement by Councillors and Management

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

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

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

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

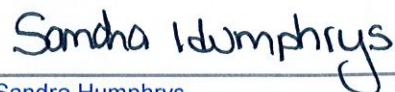
- present fairly the Council's operating result and financial position for the year, and
- accords with Council's accounting and other records.

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

Signed in accordance with a resolution of Council made on 21 October 2014.



Ernie Bennett
MAYOR



Sandra Humphrys
COUNCILLOR



John Walker
GENERAL MANAGER



Ryan Gaiter
RESPONSIBLE ACCOUNTING OFFICER

Richmond Valley Council

Income Statement

for the financial year ended 30 June 2014

Budget ¹ 2014	\$ '000	Notes	Actual 2014	Actual 2013
Income from Continuing Operations				
Revenue:				
17,941	Rates & Annual Charges	3a	18,205	17,288
13,200	User Charges & Fees	3b	14,129	12,908
1,582	Interest & Investment Revenue	3c	1,142	2,191
99	Other Revenues	3d	161	381
8,690	Grants & Contributions provided for Operating Purposes	3e,f	6,539 ²	9,052
2,191	Grants & Contributions provided for Capital Purposes	3e,f	5,791	3,707
Other Income:				
-	Net Share of interests in Joint Ventures & Associated Entities using the equity method	19	-	-
43,703	Total Income from Continuing Operations		45,967	45,527
Expenses from Continuing Operations				
14,271	Employee Benefits & On-Costs	4a	15,249	13,653
1,753	Borrowing Costs	4b	1,676	1,720
12,282	Materials & Contracts	4c	12,458	13,085
14,382	Depreciation & Amortisation	4d	10,560	13,665
-	Impairment	4d	-	-
5,616	Other Expenses	4e	4,799	5,150
-	Net Losses from the Disposal of Assets	5	1,301	1,327
48,304	Total Expenses from Continuing Operations		46,043	48,600
(4,601)	Operating Result from Continuing Operations		(76)	(3,073)
Discontinued Operations				
-	Net Profit/(Loss) from Discontinued Operations	24	-	(1,802)
(4,601)	Net Operating Result for the Year		(76)	(4,875)
(4,601)	Net Operating Result attributable to Council		(76)	(4,875)
-	Net Operating Result attributable to Non-controlling Interests		-	-
(6,792)	Net Operating Result for the year before Grants and Contributions provided for Capital Purposes		(5,867)	(8,582)

¹ Original Budget as approved by Council - refer Note 16

² Financial Assistance Grants for 13/14 are lower, reflecting a timing difference due to a change in how the grant is paid - refer Note 3 (e)

Richmond Valley Council

Statement of Comprehensive Income
for the financial year ended 30 June 2014

\$ '000	Notes	Actual 2014	Actual 2013
Net Operating Result for the year (as per Income statement)		(76)	(4,875)
Other Comprehensive Income:			
Amounts which will not be reclassified subsequently to the Operating Result			
Gain (loss) on revaluation of I,PP&E	20b (ii)	21,709	40,798
Impairment (loss) reversal relating to I,PP&E	20b (ii)	2	(1,755)
Total Items which will not be reclassified subsequently to the Operating Result		21,711	39,043
Amounts which will be reclassified subsequently to the Operating Result when specific conditions are met			
Nil			
Total Other Comprehensive Income for the year		21,711	39,043
Total Comprehensive Income for the Year		21,635	34,168
Total Comprehensive Income attributable to Council		21,635	34,168
Total Comprehensive Income attributable to Non-controlling Interests		-	-

Richmond Valley Council

Statement of Financial Position

as at 30 June 2014

\$ '000	Notes	Actual 2014	Actual 2013
ASSETS			
Current Assets			
Cash & Cash Equivalents	6a	21,798	26,040
Investments	6b	1,457	1,722
Receivables	7	9,996	6,924
Inventories	8	1,877	2,485
Other	8	1,213	592
Non-current assets classified as "held for sale"	22	-	-
Total Current Assets		36,341	37,763
Non-Current Assets			
Investments	6b	481	3,336
Receivables	7	2,437	2,330
Inventories	8	1,464	539
Infrastructure, Property, Plant & Equipment	9	618,919	593,836
Investments accounted for using the equity method	19	-	-
Investment Property	14	-	-
Intangible Assets	25	-	-
Total Non-Current Assets		623,301	600,041
TOTAL ASSETS		659,642	637,804
LIABILITIES			
Current Liabilities			
Payables	10	5,378	4,269
Borrowings	10	1,111	1,218
Provisions	10	4,610	4,712
Total Current Liabilities		11,099	10,199
Non-Current Liabilities			
Payables	10	434	308
Borrowings	10	20,881	21,992
Provisions	10	2,279	1,991
Total Non-Current Liabilities		23,594	24,291
TOTAL LIABILITIES		34,693	34,490
Net Assets		624,949	603,314
EQUITY			
Retained Earnings	20	324,934	325,010
Revaluation Reserves	20	300,015	278,304
Council Equity Interest		624,949	603,314
Non-controlling Interests		-	-
Total Equity		624,949	603,314

Richmond Valley Council

Statement of Changes in Equity for the financial year ended 30 June 2014

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council Interest	Non- controlling Interest	Total Equity
2014						
Opening Balance (as per Last Year's Audited Accounts)		325,010	278,304	603,314	-	603,314
a. Correction of Prior Period Errors	20 (c)	-	-	-	-	-
b. Changes in Accounting Policies (prior year effects)	20 (d)	-	-	-	-	-
Revised Opening Balance (as at 1/7/13)		325,010	278,304	603,314	-	603,314
c. Net Operating Result for the Year		(76)	-	(76)	-	(76)
d. Other Comprehensive Income						
- Revaluations : IPP&E Asset Revaluation Rsv	20b (ii)	-	21,709	21,709	-	21,709
- Revaluations: Other Reserves	20b (ii)	-	-	-	-	-
- Transfers to Income Statement	20b (ii)	-	-	-	-	-
- Impairment (loss) reversal relating to I,PP&E	20b (ii)	-	2	2	-	2
Other Comprehensive Income		-	21,711	21,711	-	21,711
Total Comprehensive Income (c&d)		(76)	21,711	21,635	-	21,635
e. Distributions to/(Contributions from) Non-controlling Interests		-	-	-	-	-
f. Transfers between Equity		-	-	-	-	-
Equity - Balance at end of the reporting period		324,934	300,015	624,949	-	624,949

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council Interest	Non- controlling Interest	Total Equity
2013						
Opening Balance (as per Last Year's Audited Accounts)		329,510	239,636	569,146	-	569,146
a. Correction of Prior Period Errors	20 (c)	-	-	-	-	-
b. Changes in Accounting Policies (prior year effects)	20 (d)	-	-	-	-	-
Revised Opening Balance (as at 1/7/12)		329,510	239,636	569,146	-	569,146
c. Net Operating Result for the Year		(4,875)	-	(4,875)	-	(4,875)
d. Other Comprehensive Income						
- Revaluations : IPP&E Asset Revaluation Rsv	20b (ii)	-	40,798	40,798	-	40,798
- Revaluations: Other Reserves	20b (ii)	-	-	-	-	-
- Transfers to Income Statement	20b (ii)	-	-	-	-	-
- Impairment (loss) reversal relating to I,PP&E	20b (ii)	-	(1,755)	(1,755)	-	(1,755)
Other Comprehensive Income		-	39,043	39,043	-	39,043
Total Comprehensive Income (c&d)		(4,875)	39,043	34,168	-	34,168
e. Distributions to/(Contributions from) Non-controlling Interests		-	-	-	-	-
f. Transfers between Equity		375	(375)	-	-	-
Equity - Balance at end of the reporting period		325,010	278,304	603,314	-	603,314

Richmond Valley Council

Statement of Cash Flows

for the financial year ended 30 June 2014

Budget 2014	\$ '000	Notes	Actual 2014	Actual 2013
Cash Flows from Operating Activities				
Receipts:				
17,941	Rates & Annual Charges		18,268	17,021
13,469	User Charges & Fees		11,032	14,097
1,582	Investment & Interest Revenue Received		1,104	1,365
10,578	Grants & Contributions		10,166	14,343
-	Bonds, Deposits & Retention amounts received		18	111
133	Other		698	925
Payments:				
(15,401)	Employee Benefits & On-Costs		(15,337)	(14,396)
(11,907)	Materials & Contracts		(10,887)	(14,008)
(1,630)	Borrowing Costs		(1,711)	(2,029)
(4,494)	Other		(4,389)	(7,680)
10,271	Net Cash provided (or used in) Operating Activities	11b	8,962	9,749
Cash Flows from Investing Activities				
Receipts:				
-	Sale of Investment Securities		2,182	1,409
880	Sale of Real Estate Assets		454	1,123
1,345	Sale of Infrastructure, Property, Plant & Equipment		830	449
2	Deferred Debtors Receipts		2	1
Payments:				
(14,872)	Purchase of Infrastructure, Property, Plant & Equipment		(15,319)	(13,058)
(403)	Purchase of Real Estate Assets		(1,135)	(35)
(13,048)	Net Cash provided (or used in) Investing Activities		(12,986)	(10,111)
Cash Flows from Financing Activities				
Receipts:				
-	Proceeds from Borrowings & Advances		-	2,708
Payments:				
(1,218)	Repayment of Borrowings & Advances		(1,218)	(1,317)
(1,218)	Net Cash Flow provided (used in) Financing Activities		(1,218)	1,391
(3,995)	Net Increase/(Decrease) in Cash & Cash Equivalents		(5,242)	1,029
27,040	plus: Cash & Cash Equivalents - beginning of year	11a	27,040	26,011
23,045	Cash & Cash Equivalents - end of the year	11a	21,798	27,040
Additional Information:				
	plus: Investments on hand - end of year	6b	1,938	4,058
Total Cash, Cash Equivalents & Investments			23,736	31,098

Please refer to Note 11 for information on the following:

- Non Cash Financing & Investing Activities.
- Financing Arrangements.
- Net cash flow disclosures relating to any Discontinued Operations

Richmond Valley Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

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n/a - not applicable

Richmond Valley Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

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

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

(a) Basis of preparation

(i) Background

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

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

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

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

Because AASBs are sector neutral, some standards either:

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

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

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

(iii) New and amended standards adopted by Council

During the current year, the following relevant standards became mandatory for Council and have been adopted:

- AASB 13 Fair Value Measurement
- AASB 119 Employee Benefits

AASB 13 Fair Value Measurement has not affected the assets or liabilities which are to be measured at fair value, however it provides detailed guidance on how to measure fair value in accordance with the accounting standards.

It introduces the concept of highest and best use for non-financial assets and has caused the Council to review their valuation methodology.

The level of disclosures regarding fair value have increased significantly and have been included in the financial statements at Note 27.

AASB 119 Employee Benefits introduced revised definitions for short-term employee benefits.

Whilst the Council has reviewed the annual leave liability to determine the level of annual leave which is expected to be paid more than 12 months after the end of the reporting period, there has been no effect on the amounts disclosed as leave liabilities since Council's existing valuation policy was to discount annual leave payable more than 12 months after the end of the reporting period to present values.

(iv) Early adoption of Accounting Standards

Council has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 1 July 2013.

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

Richmond Valley Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

(v) Basis of Accounting

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

- (i) certain financial assets and liabilities at fair value through profit or loss and available-for-sale financial assets which are all valued at fair value,
- (ii) the write down of any Asset on the basis of Impairment (if warranted) and
- (iii) certain classes of non current assets (eg. Infrastructure, Property, Plant & Equipment and Investment Property) that are accounted for at fair valuation.

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

(vi) Changes in Accounting Policies

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

There has been no changes in accounting policies when compared with previous financial statements.

(vii) Critical Accounting Estimates

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

Accordingly this requires management to exercise its judgement in the process of applying the Council's accounting policies.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on 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 are set out below:

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

Critical judgements in applying 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.
- (ii) Projected Section 94 Commitments - Council has used significant judgement in determining future Section 94 income and expenditure in Note 17.

(b) Revenue recognition

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

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

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

Revenue is measured on major income categories as follows:

Rates, Annual Charges, Grants and Contributions

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

Control over assets acquired from rates and annual charges is obtained at the commencement of the rating year as it is an enforceable debt linked to the

Richmond Valley Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

rateable property or, where earlier, upon receipt of the rates.

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

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

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

Where grants or contributions recognised as revenues during the financial year were obtained on condition that they be expended in a particular manner or used over a particular period and those conditions were undischarged at balance date, the unused grant or contribution is disclosed in Note 3(g).

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

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

Whilst Council generally incorporates these amounts as part of a Development Consents Order, such developer contributions are only recognised as income upon their physical receipt by Council, due to the possibility that individual Development Consents may not be acted upon by the applicant and accordingly would not be payable to Council.

Developer contributions may only be expended for the purposes for which the contributions were required but the Council may apply contributions according to the priorities established in work schedules.

A detailed Note relating to developer contributions can be found at Note 17.

User Charges, Fees and Other Income

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

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

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

Sale of Infrastructure, Property, Plant and Equipment

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

Interest and Rents

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

Interest Income from Cash & Investments is accounted for using the effective interest rate at the date that interest is earned.

Dividend Income

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

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

These financial statements incorporate **(i)** the assets and liabilities of Council and any entities (or operations) that it **controls** (as at 30 June 2014) and **(ii)** all the related operating results (for the financial year ended the 30th June 2014).

Richmond Valley Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

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

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

(i) The Consolidated Fund

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

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

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

- General Purpose Operations
- Water Supply
- Sewerage Service

(ii) The Trust Fund

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

Trust monies and property subject to Council's control have been included in these statements.

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

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

(iii) Joint Ventures

Jointly Controlled Assets & Operations

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

Jointly Controlled Entities

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

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

(iv) Associated Entities

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

Such entities are usually termed Associates.

(v) County Councils

Council is a member of the following County Councils (which are bodies corporate under the Local Government Act);

- **Rous County Council (Rous Water)**

Rous Water provides bulk water supply to the lower river area of Richmond Valley Council. This County Council contains four Constituent Councils.

- **Richmond River County Council**

Richmond River County Council provides floodplain management services. This County Council contains three Constituent Councils.

Richmond Valley Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

▪ **Far North Coast County Council** (Far North Coast Weeds)

Far North Coast Weeds provides administration of the Noxious Weeds Act 1993. This County Council contains six Constituent Councils.

The governing body of each County Council is responsible for managing its own affairs.

Council is of the opinion that it neither controls nor significantly influences the above County Councils and accordingly these entities have not been consolidated or otherwise included within these financial statements.

(vi) Additional Information

Note 19 provides more information in relation to Joint Venture Entities, Associated Entities and Joint Venture Operations where applicable.

(d) Leases

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

Finance Leases

Leases of property, plant and equipment where the Council 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 lower of the fair value of the leased property and the present value of the minimum lease payments.

The corresponding rental obligations, net of finance charges, are included in borrowings.

Each lease payment is allocated between the liability outstanding and the recognition of a finance charge.

The interest element of the finance charge is costed 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.

Property, plant and equipment acquired under finance leases is depreciated over the shorter of each leased asset's useful life and the lease term.

Operating Leases

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

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

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

(e) Cash and Cash Equivalents

For Statement of Cash Flows (and Statement of Financial Position) 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 balance sheet but are incorporated into Cash & Cash Equivalents for presentation of the Cash Flow Statement.

(f) Investments and Other Financial Assets

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

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

Richmond Valley Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

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

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

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

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

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

Derivatives are classified as held for trading unless they are designated as hedges.

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

(ii) Loans and receivables

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

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

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

(iii) Held-to-maturity investments

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

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

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

(iv) Available-for-sale financial assets

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

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

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

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

Financial Assets – Reclassification

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

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

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

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

Richmond Valley Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

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

General Accounting & Measurement of Financial Instruments:

(i) Initial Recognition

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

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

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

(ii) Subsequent Measurement

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

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

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

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

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

Impairment

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

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

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

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

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

(iii) Types of Investments

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

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

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

Council amended its policy following revisions to the Ministerial Local Government Investment Order arising from the Cole Inquiry recommendations.

Richmond Valley Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

Certain investments that Council holds are no longer prescribed (eg. managed funds, CDOs, and equity linked notes), however they have been retained under grandfathering provisions of the Order. These will be disposed of when most financially advantageous to Council.

(g) Fair value estimation

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

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

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

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

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

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

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

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

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

(h) Receivables

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

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

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

A provision for impairment (ie. an allowance account) relating to receivables is established when there is objective evidence that the Council will not be able to collect all amounts due according to the original terms of each receivable.

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

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

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

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

(i) Inventories

Raw Materials and Stores, Work in Progress and Finished Goods

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

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

Richmond Valley Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

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

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

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

Land Held for Resale/Capitalisation of Borrowing Costs

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

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

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

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

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

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

Acquisition of assets

Council's non current assets are continually revalued (over a 5 year period) in accordance with the fair valuation policy as mandated by the Office of Local Government.

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

- **Investment Properties** – refer Note 1(p),
- **Water and Sewerage Networks**
(External Valuation)
- **Operational Land** (External Valuation)

- **Buildings – Specialised/Non Specialised**
(External Valuation)
- **Plant and Equipment**
(as approximated by depreciated historical cost)
- **Roads Assets incl. roads, bridges & footpaths**
(External Valuation)
- **Drainage Assets** (External Valuation)
- **Bulk Earthworks** (External Valuation)
- **Community Land** (External Valuation)
- **Land Improvements**
(as approximated by depreciated historical cost)
- **Other Structures**
(as approximated by depreciated historical cost)
- **Other Assets**
(as approximated by depreciated historical cost)

Initial Recognition

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

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

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

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

Subsequent costs

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow

Richmond Valley Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

to Council and the cost of the item can be measured reliably.

All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Asset Revaluations (including Indexation)

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

- Increases in the combined carrying amounts of asset classes arising on revaluation are credited to the asset revaluation reserve.
- To the extent that a net asset class increase reverses a decrease previously recognised via the profit or loss, then increase is first recognised in profit or loss.
- Net decreases that reverse previous increases of the same asset class are first charged against revaluation reserves directly in equity to the extent of the remaining reserve attributable to the asset, with all other decreases charged to the Income statement.

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

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

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

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

Capitalisation Thresholds

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

Land

- council land 100% Capitalised

- open space 100% Capitalised

Plant & Equipment

Office Furniture > \$1,000
Office Equipment > \$1,000
Other Plant & Equipment > \$1,000

Buildings & Land Improvements

Park Furniture & Equipment > \$2,000

Building

- construction/extensions 100% Capitalised
- renovations > \$10,000

Other Structures > \$2,000

Water & Sewer Assets

Reticulation extensions > \$5,000
Other > \$5,000

Stormwater Assets

Drains & Culverts > \$5,000
Other > \$5,000

Transport Assets

Road construction & reconstruction 100% Capitalised
Reseal/Re-sheet & major repairs: 100% Capitalised

Bridge construction & reconstruction 100% Capitalised

Depreciation

Depreciation on Council's land improvements, buildings and other structures is calculated using the straight line method. For all of Councils infrastructure assets a more sophisticated asset condition based assessment model is used.

The refined condition assessment model utilises a methodology that better represents the pattern in which each asset's future economic benefits are expected to be consumed.

Stormwater drainage assets were re-valued as at 30 June 2014 using the refined condition assessment model also.

The adoption of the methodology from 1 July 2014 (as a result of the 2014 revaluation process) will not result in any significant change in depreciation expense from 1 July 2014.

Richmond Valley Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

Land is not depreciated.

Estimated useful lives for Council's I,PP&E include:

Plant & Equipment

- Office Equipment	3 to 10 years
- Office furniture	5 to 20 years
- Computer Equipment	3 years
- Vehicles	5 to 20 years
- Heavy Plant/Road Making equip.	5 to 20 years
- Other plant and equipment	3 to 50 years

Other Equipment

- Playground equipment	10 years
- Benches, seats etc	25 to 40 years

Buildings & Other Structures

- Buildings	10 to 100 years
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Stormwater Drainage

- Drains	80 years
- Culverts	80 years

Transportation Assets

- Sealed Roads : Surface	12 to 36 years
- Sealed Roads : Structure	36 to 60 years
- Unsealed roads	10 years
- Bridge : Concrete	120 years
- Bridge : Doolan Deck	100 years
- Bridge : Timber	50 years
- Kerb and Gutter	60 years
- Footpaths and Cycleways	15 to 60 years
- Minor and Major Culverts	60 years

Water & Sewer Assets

- Dams and reservoirs	25 to 100 years
- Treatment Plant structure	15 to 100 years
- Treatment Plant mech & elect	20 to 25 years
- Pump Station structure	15 to 100 years
- Pump Station mech & elect	20 to 25 years
- Reticulation pipes : PVC	70 years
- Reticulation pipes : Other	70 to 90 years

Other Infrastructure Assets

- Bulk earthworks	Infinite
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All asset residual values and useful lives are reviewed and adjusted (if appropriate), at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount – refer Note 1(s) on Asset Impairment.

Disposal and De-recognition

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in Council's Income Statement in the year the asset is derecognised.

(k) Land

Land (other than Land under Roads) is in accordance with Part 2 of Chapter 6 of the Local Government Act (1993) classified as either Operational or Community.

This classification of Land is disclosed in Note 9(a).

(l) Land under roads

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

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

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

(m) Intangible Assets

Council has not classified any assets as Intangible.

(n) Crown Reserves

Crown Reserves under Council's care and control are recognised as assets of the Council.

Richmond Valley Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

While ownership of the reserves remains with the Crown, Council retains operational control of the reserves and is responsible for their maintenance and use in accordance with the specific purposes to which the reserves are dedicated.

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

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

(o) Rural Fire Service assets

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

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

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

(p) Investment property

Council has deemed that it does not have any investment properties.

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

Close down, Restoration and Remediation costs include the dismantling and demolition of infrastructure, the removal of residual materials and the remediation of disturbed areas.

Estimated close down and restoration costs are provided for in the accounting period when the obligation arising from the related disturbance occurs, whether this occurs during the development or during the operation phase, based on the net present value of estimated future costs.

Provisions for close down and restoration costs do not include any additional obligations which are expected to arise from future disturbance.

Costs are estimated on the basis of a closure plan.

The cost estimates are calculated annually during the life of the operation to reflect known developments, eg updated cost estimates and revisions to the estimated lives of operations, and are subject to formal review at regular intervals.

Close down, Restoration and Remediation costs are a normal consequence of tip and quarry operations, and the majority of close down and restoration expenditure is incurred at the end of the life of the operations.

Although the ultimate cost to be incurred is uncertain, Council estimates the respective costs based on feasibility and engineering studies using current restoration standards and techniques.

The amortisation or 'unwinding' of the discount applied in establishing the net present value of provisions is charged to the income statement in each accounting period.

This amortisation of the discount is disclosed as a borrowing cost in Note 4(b).

Other movements in the provisions for Close down, Restoration and Remediation costs including those resulting from new disturbance, updated cost estimates, changes to the estimated lives of operations and revisions to discount rates are capitalised within property, plant and equipment.

These costs are then depreciated over the lives of the assets to which they relate.

Where rehabilitation is conducted systematically over the life of the operation, rather than at the time of closure, provision is made for the estimated outstanding continuous rehabilitation work at each balance sheet date and the cost is charged to the income statement.

Richmond Valley Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

Provision is made for the estimated present value of the costs of environmental clean up obligations outstanding at the balance sheet date.

These costs are charged to the income statement.

Movements in the environmental clean up provisions are presented as an operating cost, except for the unwind of the discount which is shown as a borrowing cost.

Remediation procedures generally commence soon after the time the damage, remediation process and estimated remediation costs become known, but may continue for many years depending on the nature of the disturbance and the remediation techniques.

As noted above, the ultimate cost of environmental remediation is uncertain and cost estimates can vary in response to many factors including changes to the relevant legal requirements, the emergence of new restoration techniques or experience at other locations.

The expected timing of expenditure can also change, for example in response to changes in quarry reserves or production rates.

As a result there could be significant adjustments to the provision for close down and restoration and environmental clean up, which would affect future financial results.

Specific Information relating to Council's provisions relating to Close down, Restoration and Remediation costs can be found at Note 26.

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

Non-current assets (or disposal groups) are classified as held for sale and stated at the lower of either **(i)** their carrying amount and **(ii)** fair value less costs to sell, if their carrying amount will be recovered principally through a sale transaction rather than through continuing use.

The exception to this is plant and motor vehicles which are turned over on a regular basis. Plant and motor vehicles are retained in Non Current Assets under the classification of Infrastructure, Property,

Plant and Equipment - unless the assets are to be traded in after 30 June and the replacement assets were already purchased and accounted for as at 30 June.

For any assets or disposal groups classified as Non-Current Assets "held for sale", an impairment loss is recognised at any time when the assets carrying value is greater than its fair value less costs to sell.

Non-current assets "held for sale" are not depreciated or amortised while they are classified as "held for sale".

Non-current assets classified as "held for sale" are presented separately from the other assets in the balance sheet.

A Discontinued Operation is a component of Council that has been disposed of or is classified as "held for sale" and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale.

The results of discontinued operations are presented separately on the face of the income statement.

(s) Impairment of assets

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

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Where an asset is not held principally for cash generating purposes (for example Infrastructure Assets) and would be replaced if the Council was deprived of it then depreciated replacement cost is used as value in use, otherwise value in use is estimated by using a discounted cash flow model.

Richmond Valley Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

Non-financial assets (other than goodwill) that suffered a prior period impairment are reviewed for possible reversal of the impairment at each reporting date.

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

(t) Payables

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

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

(u) Borrowings

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

Borrowings are subsequently measured at amortised cost.

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

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

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

(v) Borrowing costs

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

(w) Provisions

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

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

Provisions are not recognised for future operating losses.

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

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

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date.

The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability.

The increase in the provision due to the passage of time is recognised as interest expense.

(x) Employee benefits

(i) Short Term Obligations

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

Leave liabilities are recognised in the provision for employee benefits in respect of employees' services up to the reporting date with other short term

Richmond Valley Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

employee benefit obligations disclosed under payables.

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

All other short-term employee benefit obligations are presented as payables.

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

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

(ii) Other Long Term Obligations

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

These liabilities are measured at the present value of the expected future payments to be made using the projected unit credit method.

Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service.

Expected future payments are then discounted using market yields at the reporting date based on national government bonds with terms to maturity and currency that match as closely as possible the estimated future cash outflows.

Due to the nature of when and how Long Service Leave can be taken, all Long Service Leave for employees with 4 or more years of service has been classified as Current, as it has been deemed that Council does not have the unconditional right to defer settlement beyond 12 months – even though it is not anticipated that all employees with more than 4 years service (as at reporting date) will apply for and take their leave entitlements in the next 12 months.

(iii) Retirement benefit obligations

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

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

Defined Benefit Plans

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

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

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

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

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

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

However the position is monitored annually and the Actuary has estimated that as at 30 June 2014 the prior period deficit still exists.

Richmond Valley Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

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

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

The share of this deficit that can be broadly attributed to Council is estimated to be in the order of \$ 1,171,572 as at 30 June 2014.

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.

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

Defined Contribution Plans

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

(iv) Employee Benefit On-Costs

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

These amounts include Superannuation and Workers Compensation expenses which will be payable upon the future payment of certain Leave Liabilities accrued as at 30/6/14.

(y) Self insurance

Council has determined to self-insure for insurance claims relating to plant and vehicles.

No provision for future claims have been provided for in Note 10.

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

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

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

Exceptions

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

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

(aa) Taxes

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

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

Goods & Services Tax (GST)

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

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

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

Richmond Valley Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

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

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

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

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

(ab) New accounting standards and interpretations

Certain new (or amended) accounting standards and interpretations have been published that are not mandatory for reporting periods ending 30 June 2014.

Council has not adopted any of these standards early.

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

Applicable to Local Government with implications:

AASB 9 Financial Instruments, associated standards, AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 and AASB 2012-6 Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and transitional disclosures and AASB 2013-9 Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments (effective from 1 January 2017)

AASB 9 Financial Instruments addresses the classification, measurement and de-recognition of financial assets and financial liabilities.

The standard is not applicable until 1 January 2015 but is available for early adoption.

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

Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognised directly in profit or loss although there is currently a proposal by the IASB to introduce a Fair value through Other Comprehensive Income category for debt instruments.

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

The de-recognition rules have been transferred from AASB 139 Financial Instruments: Recognition and Measurement and have not been changed.

The Council has not yet fully assessed the impact on the reporting financial position and performance on adoption of AASB 9.

Applicable to Local Government but no implications for Council;

AASB 2013-3 Amendments to AASB 136 Recoverable Amount Disclosures for Non-Financial Assets (effective for 30 June 2015 Financial Statements)

There are no changes to reported financial position or performance from AASB 2013 – 3, however additional disclosures may be required.

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

AASB 10 Consolidated Financial Statements, AASB 11 Joint Arrangements, AASB 12 Disclosure of Interests in Other Entities, revised AASB 127 Separate Financial Statements and AASB 128 Investments in Associates and Joint Ventures and AASB 2011-7 Amendments to Australian Accounting Standards arising from

Richmond Valley Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

the Consolidation and Joint Arrangements Standards (effective for 30 June 2015 Financial Statements for not-for-profit entities)

This suite of five new and amended standards address the accounting for joint arrangements, consolidated financial statements and associated disclosures.

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

The core principle that a consolidated entity presents a parent and its subsidiaries as if they are a single economic entity remains unchanged, as do the mechanics of consolidation. However, the standard introduces a single definition of control that applies to all entities.

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

Power is the current ability to direct the activities that significantly influence returns. Returns must vary and can be positive, negative or both.

Control exists when the investor can use its power to affect the amount of its returns.

There is also new guidance on participating and protective rights and on agent/principal relationships. Council does not expect the new standard to have a significant impact on its composition.

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

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

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

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

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

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

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

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

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

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

Amendments to AASB 128 provide clarification that an entity continues to apply the equity method and does not remeasure its retained interest as part of ownership changes where a joint venture becomes an associate, and vice versa.

The amendments also introduce a "partial disposal" concept.

Council is still assessing the impact of these amendments.

Council does not expect to adopt the new standards before their operative date.

They would therefore be first applied in the financial statements for the annual reporting period ending 30 June 2015.

Not applicable to Local Government per se;

None

There are no other standards that are "not yet effective" and expected to have a material impact on

Richmond Valley Council

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

Note 1. Summary of Significant Accounting Policies

Council in the current or future reporting periods and on foreseeable future transactions.

(ac) Rounding of amounts

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

(ad) Comparative Figures

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

(ae) Disclaimer

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

Richmond Valley Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

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

Functions/Activities	Income, Expenses and Assets have been directly attributed to the following Functions / Activities. Details of these Functions/Activities are provided in Note 2(b).												
	Income from Continuing Operations			Expenses from Continuing Operations			Operating Result from Continuing Operations			Grants included in Income from Continuing Operations		Total Assets held (Current & Non-current)	
	Original Budget	Actual	Actual	Original Budget	Actual	Actual	Original Budget	Actual	Actual	Actual	Actual	Actual	Actual
	2014	2014	2013	2014	2014	2013	2014	2014	2013	2014	2013	2014	2013
Governance	-	18	-	1,860	1,866	1,314	(1,860)	(1,848)	(1,314)	-	-	-	-
Administration	507	621	805	297	749	518	210	(128)	287	100	-	44,599	55,320
Public Order & Safety	1,570	1,547	1,706	2,338	2,174	2,177	(768)	(627)	(471)	949	1,035	7,100	7,411
Health	242	206	186	746	689	670	(504)	(483)	(484)	-	-	606	415
Environment	5,228	5,030	5,127	6,507	5,573	5,937	(1,279)	(543)	(810)	663	304	40,837	31,709
Housing & Community Amenities	1,169	988	850	2,909	2,857	2,949	(1,740)	(1,869)	(2,099)	59	154	2,378	1,470
Water Supplies	5,066	5,129	4,981	4,967	5,410	4,964	99	(281)	17	77	115	73,398	71,447
Sewerage Services	7,451	7,183	9,218	6,494	6,776	7,519	957	407	1,699	82	860	104,068	102,717
Recreation & Culture	645	736	782	4,307	4,206	4,496	(3,662)	(3,470)	(3,714)	215	211	50,087	52,119
Mining, Manufacturing & Construction	123	376	352	-	200	353	123	176	(1)	-	-	3,299	3,979
Transport & Communication	5,778	10,780	6,423	15,766	13,706	16,120	(9,988)	(2,926)	(9,697)	3,593	2,285	319,942	300,131
Economic Affairs	1,813	1,907	1,623	2,113	2,058	2,175	(300)	(151)	(552)	639	-	13,328	11,086
Total Functions & Activities	29,592	34,521	32,053	48,304	46,264	49,192	(18,712)	(11,743)	(17,139)	6,377	4,964	659,642	637,804
Share of gains/(losses) in Associates & Joint Ventures (using the Equity Method)	-	-	-	-	-	-	-	-	-	-	-	-	-
General Purpose Income ¹	14,111	11,667	14,066	-	-	-	14,111	11,667	14,066	2,517	4,738	-	-
Operating Result from Continuing Operations	43,703	46,188	46,119	48,304	46,264	49,192	(4,601)	(76)	(3,073)	8,894	9,702	659,642	637,804

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

Richmond Valley Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 2(b). Council Functions / Activities - Component Descriptions

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

GOVERNANCE

Costs relating to the Council's role as a component of democratic government, including elections, members' fees and expenses, subscriptions to local authority associations, meetings of council and policy making committees, area representation and public disclosure and compliance.

ADMINISTRATION

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

PUBLIC ORDER & SAFETY

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

HEALTH

Inspection, immunisations, food control, health centres, other, administration.

ENVIRONMENT

Noxious plants and insect/vermin control, other environmental protection, solid waste management (including domestic and other waste management services), street cleaning, drainage, stormwater management.

HOUSING & COMMUNITY AMENITIES

Town planning, street lighting, public cemeteries, public conveniences, other community amenities.

WATER SUPPLIES

SEWERAGE SERVICES

RECREATION & CULTURE

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

MINING, MANUFACTURING & CONSTRUCTION

Quarries & pits.

TRANSPORT & COMMUNICATION

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

ECONOMIC AFFAIRS

Camping areas, tourism and area promotion, industrial development promotion, saleyards and markets, real estate development, other business undertakings.

Richmond Valley Council

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

Note 3. Income from Continuing Operations

\$ '000	Notes	Actual 2014	Actual 2013
(a) Rates & Annual Charges			
Ordinary Rates			
Residential		5,373	5,124
Farmland		1,666	1,593
Business		1,158	1,120
Total Ordinary Rates		8,197	7,837
Special Rates			
Nil			
Annual Charges (pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Domestic Waste Management Services		2,588	2,468
Stormwater Management Services		198	197
Water Supply Services		1,112	866
Sewerage Services		5,702	5,529
Waste Management Services (non-domestic)		408	391
Total Annual Charges		10,008	9,451
TOTAL RATES & ANNUAL CHARGES		18,205	17,288

Council has used 2011 year valuations provided by the NSW Valuer General in calculating its rates.

Richmond Valley Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 3. Income from Continuing Operations (continued)

\$ '000	Notes	Actual 2014	Actual 2013
(b) User Charges & Fees			
Specific User Charges (per s.502 - Specific "actual use" charges)			
Water Supply Services		3,757	3,590
Sewerage Services		1,106	952
Waste Management Services (non-domestic)		35	9
Total User Charges		4,898	4,551
Other User Charges & Fees			
(i) Fees & Charges - Statutory & Regulatory Functions (per s.608)			
Planning & Building Regulation		386	328
Private Works - Section 67		529	1,455
Regulatory/ Statutory Fees		94	58
Registration Fees		149	164
Total Fees & Charges - Statutory/Regulatory		1,158	2,005
(ii) Fees & Charges - Other (incl. General User Charges) (per s.608)			
Aerodrome		3	15
Casino Showground		15	22
Cemeteries		300	209
Plant Hire (External)		-	102
Rent / Hire of Council Property		214	166
Richmond Upper Clarence Regional Library		13	11
RMS (formerly RTA) Charges (State Roads not controlled by Council)		5,518	3,198
Saleyards		729	722
Sports Grounds		26	30
Waste Disposal Tipping Fees		1,113	1,640
Other		142	237
Total Fees & Charges - Other		8,073	6,352
TOTAL USER CHARGES & FEES		14,129	12,908

Richmond Valley Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 3. Income from Continuing Operations (continued)

\$ '000	Notes	Actual 2014	Actual 2013
(c) Interest & Investment Revenue (incl. losses)			
Interest & Dividends			
- Interest on Overdue Rates & Annual Charges (incl. Special Purpose Rates)		183	200
- Interest earned on Investments (interest & coupon payment income)		897	1,150
Fair Value Adjustments			
- Fair Valuation movements in Investments (at FV or Held for Trading)		62	841
TOTAL INTEREST & INVESTMENT REVENUE		<u>1,142</u>	<u>2,191</u>
Interest Revenue is attributable to:			
Unrestricted Investments/Financial Assets:			
Overdue Rates & Annual Charges (General Fund)		105	108
General Council Cash & Investments		887	1,413
Restricted Investments/Funds - External:			
Development Contributions			
- Section 94		9	21
- Section 64		115	161
Water Fund Operations		(7)	236
Sewerage Fund Operations		33	252
Total Interest & Investment Revenue Recognised		<u>1,142</u>	<u>2,191</u>
(d) Other Revenues			
Fines		57	24
Insurance Claim Recoveries		104	357
TOTAL OTHER REVENUE		<u>161</u>	<u>381</u>

Richmond Valley Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 3. Income from Continuing Operations (continued)

\$ '000	2014 Operating	2013 Operating	2014 Capital	2013 Capital
(e) Grants				
General Purpose (Untied)				
Financial Assistance - General Component	1,551	3,112	-	-
Financial Assistance - Local Roads Component	737	1,406	-	-
Pensioners' Rates Subsidies - General Component	229	220	-	-
Total General Purpose	2,517	4,738	-	-

¹ The Financial Assistance Grant for 13/14 reflects a one off reduction due to the fact that this grant is no longer being paid in advance by up to 50% as has occurred in previous years - it does not represent a loss of income but is instead a timing difference.

Specific Purpose

Pensioners' Rates Subsidies:

- Water	77	81	-	-
- Sewerage	83	81	-	-
- Domestic Waste Management	91	90	-	-
Water Supplies	-	34	-	-
Sewerage Services	-	34	-	745
Bushfire & Emergency Services	823	810	123	225
Coastal Reserve Management	-	21	-	-
Evans Head Memorial Aerodrome Remediation	-	75	-	-
Flood Restoration	13	-	-	-
Library - Richmond Upper Clarence Regional	123	162	-	-
Natural Disaster Funding	182	441	1,752	896
Saleyards	-	-	639	-
Sporting Grounds	-	-	62	21
Strategic Planning	32	31	-	-
Street Lighting	88	88	-	-
Transport (Roads to Recovery)	-	-	693	694
Transport (Other Roads & Bridges Funding)	-	-	1,027	229
Waste and Sustainability	108	141	289	-
Other	138	45	34	20
Total Specific Purpose	1,758	2,134	4,619	2,830
Total Grants	4,275	6,872	4,619	2,830

Grant Revenue is attributable to:

- Commonwealth Funding	2,388	4,594	1,353	694
- State Funding	1,887	2,278	3,266	2,136
	4,275	6,872	4,619	2,830

Richmond Valley Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 3. Income from Continuing Operations (continued)

\$ '000	2014 Operating	2013 Operating	2014 Capital	2013 Capital
(f) Contributions				
Developer Contributions:				
(s93 & s94 - EP&A Act, s64 of the LGA):				
S 94 - Contributions towards amenities/services	-	-	48	45
S 94A - Fixed Development Consent Levies	-	-	34	57
S 64 - Water Supply Contributions	-	-	36	14
S 64 - Sewerage Service Contributions	-	-	49	498
Total Developer Contributions	-	-	167	614
	17			
Other Contributions:				
Bushfire and Emergency Services	441	494	-	-
Dedications (other than by S94)	-	-	687	31
Evans Head Memorial Aerodrome	-	-	-	90
Library - Richmond Upper Clarence Regional	262	254	-	-
Roads & Bridges	30	-	-	-
RMS Contributions (Regional Roads, Block Grant)	828	815	-	-
Saleyards	-	-	51	48
Sewerage (excl. Section 64 contributions)	14	2	-	-
Sports Grounds	68	74	-	-
Tourism	27	82	-	-
Water Supplies (excl. Section 64 contributions)	16	3	4	2
Other	578	456	263	92
Total Other Contributions	2,264	2,180	1,005	263
Total Contributions	2,264	2,180	1,172	877
TOTAL GRANTS & CONTRIBUTIONS	6,539	9,052	5,791	3,707

Richmond Valley Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 3. Income from Continuing Operations (continued)

\$ '000	Actual 2014	Actual 2013
(g) Restrictions relating to Grants and Contributions		
Certain grants & contributions are obtained by Council on condition that they be spent in a specified manner:		
Unexpended at the Close of the Previous Reporting Period	7,633	8,770
add: Grants & contributions recognised in the current period but not yet spent:	976	3,523
less: Grants & contributions recognised in a previous reporting period now spent:	(2,998)	(4,660)
Net Increase (Decrease) in Restricted Assets during the Period	(2,022)	(1,137)
Unexpended and held as Restricted Assets	5,611	7,633
Comprising:		
- Specific Purpose Unexpended Grants	809	2,870
- Developer Contributions	4,291	4,309
- Other Contributions	511	454
	5,611	7,633

Richmond Valley Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 4. Expenses from Continuing Operations

\$ '000	Notes	Actual 2014	Actual 2013
(a) Employee Benefits & On-Costs			
Salaries and Wages		11,649	9,810
Employee Leave Entitlements (ELE)		2,309	2,054
Superannuation		1,569	1,439
Workers' Compensation Insurance		439	561
Fringe Benefit Tax (FBT)		61	38
Payroll Tax		95	94
Training Costs (other than Salaries & Wages)		221	223
Other		182	71
Total Employee Costs		16,525	14,290
less: Capitalised Costs		(1,276)	(637)
TOTAL EMPLOYEE COSTS EXPENSED		15,249	13,653
Number of "Equivalent Full Time" Employees at year end		210	191
(b) Borrowing Costs			
(i) Interest Bearing Liability Costs			
Interest on Loans		1,614	1,588
Total Interest Bearing Liability Costs Expensed		1,614	1,588
(ii) Other Borrowing Costs			
Discount adjustments relating to movements in Provisions (other than ELE)			
- Remediation Liabilities	26	62	132
Total Other Borrowing Costs		62	132
TOTAL BORROWING COSTS EXPENSED		1,676	1,720
(c) Materials & Contracts			
Raw Materials & Consumables		11,796	12,561
Auditors Remuneration ⁽¹⁾		54	50
Legal Expenses:			
- Legal Expenses: Planning & Development		81	12
- Legal Expenses: Other		125	68
Operating Leases:			
- Operating Lease Rentals: Minimum Lease Payments ⁽²⁾		402	394
TOTAL MATERIALS & CONTRACTS		12,458	13,085

Richmond Valley Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Actual 2014	Actual 2013
(c) Materials & Contracts (continued)			
1. Auditor Remuneration			
During the year, the following fees were incurred for services provided by the Council's Auditor (& the Auditors of other Consolidated Entities):			
(i) Audit and Other Assurance Services			
- Audit & review of financial statements: Council's Auditor		54	50
Remuneration for audit and other assurance services		54	50
Total Auditor Remuneration		54	50
2. Operating Lease Payments are attributable to:			
Computers		263	292
Motor Vehicles		122	88
Other		17	14
		402	394

\$ '000	Notes	Impairment Costs		Depreciation/Amortisation	
		Actual 2014	Actual 2013	Actual 2014	Actual 2013
(d) Depreciation, Amortisation & Impairment					
Plant and Equipment		-	-	1,726	1,531
Office Equipment		-	-	35	34
Furniture & Fittings		-	-	59	60
Land Improvements (depreciable)		-	-	270	269
Buildings - Specialised		-	-	1,063	1,061
Other Structures		-	-	222	215
Infrastructure:					
- Roads		-	-	3,969	7,185
- Bridges		-	-	338	441
- Footpaths		-	-	203	243
- Stormwater Drainage		-	-	546	530
- Water Supply Network		-	-	781	778
- Sewerage Network		-	-	1,065	921
- Swimming Pools		-	-	151	151
- Other Open Space/Recreational Assets		-	-	270	278
Other Assets					
- Library Books		-	-	76	75
Asset Reinstatement Costs	9 & 26	-	-	31	74
Total Depreciation & Impairment Costs		-	-	10,805	13,846
less: Capitalised Costs		-	-	(245)	(181)
TOTAL DEPRECIATION & IMPAIRMENT COSTS EXPENSED		-	-	10,560	13,665

Richmond Valley Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Actual 2014	Actual 2013
(e) Other Expenses			
Advertising		110	229
Bad & Doubtful Debts		22	3
Bank Charges		11	43
Contributions/Levies to Other Levels of Government			
- Emergency Services Levy (includes FRNSW, SES, and RFS Levies)		35	36
- NSW Fire Brigade Levy		95	93
- NSW Rural Fire Service Levy		665	688
- Waste Levy		876	1,100
Councillor Expenses - Mayoral Fee		22	22
Councillor Expenses - Councillors' Fees		72	81
Councillors' Expenses (incl. Mayor) - Other (excluding fees above)		31	30
Donations, Contributions & Assistance to other organisations (Section 356)		417	374
Electricity & Heating		864	891
Insurance		867	849
Street Lighting		284	283
Subscriptions & Publications		99	131
Telephone & Communications		231	217
Valuation Fees		72	67
Other		26	13
<u>TOTAL OTHER EXPENSES</u>		<u>4,799</u>	<u>5,150</u>

Note 5. Gains or Losses from the Disposal of Assets

Property (excl. Investment Property)			
Proceeds from Disposal - Property		14	-
less: Carrying Amount of Property Assets Sold / Written Off		(47)	(213)
Net Gain/(Loss) on Disposal		(33)	(213)
Plant & Equipment			
Proceeds from Disposal - Plant & Equipment		328	449
less: Carrying Amount of P&E Assets Sold / Written Off		(376)	(424)
Net Gain/(Loss) on Disposal		(48)	25
Infrastructure			
Proceeds from Disposal - Infrastructure		-	-
less: Carrying Amount of Infrastructure Assets Sold / Written Off		(1,441)	(1,683)
Net Gain/(Loss) on Disposal		(1,441)	(1,683)
Real Estate Assets Held For Sale			
Proceeds from Disposal - Real Estate Assets		457	1,123
less: Carrying Amount of Real Estate Assets Sold / Written Off		(236)	(579)
Net Gain/(Loss) on Disposal		221	544
<u>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</u>		<u>(1,301)</u>	<u>(1,327)</u>

Richmond Valley Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 6a. - Cash Assets and Note 6b. - Investments

\$ '000	Notes	2014 Actual Current	2014 Actual Non Current	2013 Actual Current	2013 Actual Non Current
Cash & Cash Equivalents (Note 6a)					
Cash on Hand and at Bank		2,964	-	2,744	-
Cash-Equivalent Assets ¹					
- Deposits at Call		18,834	-	23,296	1,000
Total Cash & Cash Equivalents		21,798	-	26,040	1,000
Investments (Note 6b)					
- Managed Funds		-	-	1,234	-
- CDO's		938	-	-	903
- Listed Equity Securities		519	481	488	1,433
Total Investments		1,457	481	1,722	2,336
TOTAL CASH ASSETS, CASH EQUIVALENTS & INVESTMENTS		23,255	481	27,762	3,336

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

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

Cash & Cash Equivalents

a. "At Fair Value through the Profit & Loss"	21,798	-	26,040	1,000
--	---------------	----------	---------------	--------------

Investments

a. "At Fair Value through the Profit & Loss"					
- "Held for Trading"	6(b-i)	1,457	481	1,722	2,336
Investments		1,457	481	1,722	2,336

Note 6(b-i)

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

Balance at the Beginning of the Year	1,722	2,336	1,972	2,654
Revaluations (through the Income Statement)	46	16	697	144
Disposals (sales & redemptions)	(2,182)	-	(1,409)	-
Transfers between Current/Non Current	1,871	(1,871)	462	(462)
Balance at End of Year	1,457	481	1,722	2,336

Comprising:

- Managed Funds	-	-	1,234	-
- CDO's	938	-	-	903
- Listed Equity Securities	519	-	488	1,433
- Other Long Term Financial Assets	-	481	-	-
Total	1,457	481	1,722	2,336

Refer to Note 27 - Fair Value Measurement for information regarding the fair value of investments held.

Richmond Valley Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

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

\$ '000	2014	2014	2013	2013
	Actual Current	Actual Non Current	Actual Current	Actual Non Current
Total Cash, Cash Equivalents and Investments	23,255	481	27,762	3,336
attributable to:				
External Restrictions (refer below)	17,904	481	21,571	3,336
Internal Restrictions (refer below)	5,351	-	5,689	-
Unrestricted	-	-	502	-
	23,255	481	27,762	3,336

2014 \$ '000	Opening Balance	Transfers to Restrictions	Transfers from Restrictions	Closing Balance
-----------------	--------------------	------------------------------	--------------------------------	--------------------

Details of Restrictions

External Restrictions - Included in Liabilities

Specific Purpose Unexpended Loans-Sewer (A)	2,848	-	(2,848)	-
Bonds & Deposits	370	24	-	394
External Restrictions - Included in Liabilities	3,218	24	(2,848)	394

External Restrictions - Other

Developer Contributions - General (D)	344	199	(216)	327
Developer Contributions - Water Fund (D)	1,495	-	(123)	1,372
Developer Contributions - Sewer Fund (D)	2,470	122	-	2,592
Specific Purpose Unexpended Grants (F)	2,870	-	(2,061)	809
Water Supplies (G)	1,980	-	(928)	1,052
Sewerage Services (G)	9,243	-	(908)	8,335
Domestic Waste Management (G)	2,584	655	(477)	2,762
Stormwater Management (G)	173	357	(403)	127
Other	530	205	(120)	615
External Restrictions - Other	21,689	1,538	(5,236)	17,991
Total External Restrictions	24,907	1,562	(8,084)	18,385

A Loan moneys which must be applied for the purposes for which the loans were raised.

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

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

G Water, Sewerage, Domestic Waste Management (DWM) & other Special Rates/Levies/Charges are externally restricted assets and must be applied for the purposes for which they were raised.

Richmond Valley Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

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

2014 \$ '000	Opening Balance	Transfers to Restrictions	Transfers from Restrictions	Closing Balance
Internal Restrictions				
Plant & Vehicle Replacement	876	4,711	(5,142)	445
Infrastructure Replacement	134	3,318	(3,347)	105
Employees Leave Entitlement	735	14	-	749
Carry Over Works	607	76	(431)	252
Casino Saleyards	391	1,418	(1,615)	194
Insurance	52	32	-	84
Other Waste Management	1,747	162	(455)	1,454
Petersons Quarry	22	1,053	(491)	584
Public Cemeteries Perpetual Maintenance	391	53	(37)	407
Quarry Rehabilitation	55	37	(16)	76
Revolving Energy and Sustainability Fund	8	-	-	8
Richmond Upper Clarence Regional Library	316	926	(825)	417
Unexpended Rates Variations	18	65	(18)	65
Woodview Quarry	56	908	(453)	511
Evans Head Airport	15	258	(273)	-
Rural Road Safety	-	70	(70)	-
RMS State Roads Maintenance Contract	266	5,519	(5,785)	-
Total Internal Restrictions	5,689	18,620	(18,958)	5,351
TOTAL RESTRICTIONS	30,596	20,182	(27,042)	23,736

Richmond Valley Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 7. Receivables

\$ '000	Notes	2014		2013	
		Current	Non Current	Current	Non Current
Purpose					
Rates & Annual Charges		318	683	402	662
Interest & Extra Charges		136	145	134	137
User Charges & Fees		6,860	1,234	3,784	1,200
Capital Debtors (being sale of assets)					
- Sale of Land		3	-	-	-
- Other Asset Sales		-	-	488	-
Accrued Revenues					
- Interest on Investments		80	-	114	-
Government Grants & Subsidies		2,330	-	1,142	-
Deferred Debtors		1	22	2	23
Net GST Receivable		78	-	384	-
Bank Guarantees		102	353	21	308
Other Debtors		195	-	537	-
Total		10,103	2,437	7,008	2,330
less: Provision for Impairment					
Rates & Annual Charges		(79)	-	(79)	-
User Charges & Fees		(12)	-	(4)	-
Other Debtors		(16)	-	(1)	-
Total Provision for Impairment - Receivables		(107)	-	(84)	-
TOTAL NET RECEIVABLES		9,996	2,437	6,924	2,330
Externally Restricted Receivables					
Water Supply					
- Specific Purpose Grants		89	-	95	-
- Rates & Availability Charges		2	2	2	2
- Other		1,210	506	1,132	486
Sewerage Services					
- Specific Purpose Grants		82	-	88	-
- Rates & Availability Charges		2	2	2	3
- Other		1,911	729	1,840	714
Domestic Waste Management		-	-	141	143
Stormwater Management		-	-	12	12
Other - Bank Guarantees		-	-	21	308
Total External Restrictions		3,296	1,239	3,333	1,668
Internally Restricted Receivables - Nil					
Unrestricted Receivables		6,700	1,198	3,591	662
TOTAL NET RECEIVABLES		9,996	2,437	6,924	2,330

Notes on Debtors above:

- (i) Rates & Annual Charges Outstanding are secured against the property.
- (ii) Doubtful Rates Debtors are provided for where the value of the property is less than the debt outstanding.
An allowance for other doubtful debts is made when there is objective evidence that a receivable is impaired.
- (iii) Interest was charged on overdue rates & charges at 9.00% (2013 10.00%).
Generally all other receivables are non interest bearing.
- (iv) Please refer to Note 15 for issues concerning Credit Risk and Fair Value disclosures.

Richmond Valley Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 8. Inventories & Other Assets

\$ '000	Notes	2014		2013	
		Current	Non Current	Current	Non Current
Inventories					
Real Estate for resale (refer below)		284	1,464	310	539
Stores & Materials		1,593	-	2,175	-
Total Inventories		1,877	1,464	2,485	539
Other Assets					
Prepayments		356	-	575	-
Work In Progress - Real Estate		857	-	17	-
Total Other Assets		1,213	-	592	-
TOTAL INVENTORIES / OTHER ASSETS		3,090	1,464	3,077	539

Externally Restricted Assets

There are no restrictions applicable to the above assets.

Other Disclosures**(a) Details for Real Estate Development**

Residential		284	218	310	413
Industrial/Commercial		-	1,246	-	126
Total Real Estate for Resale		284	1,464	310	539

(Valued at the lower of cost and net realisable value)

Represented by:

Acquisition Costs		212	1,341	58	416
Development Costs		72	123	252	123
Total Costs		284	1,464	310	539
Total Real Estate for Resale		284	1,464	310	539

Movements:

Real Estate assets at beginning of the year		310	539	539	854
- Purchases and other costs		14	1,121	35	-
- WDV of Sales (exp)	5	(236)	-	(243)	(336)
- Transfer between Current/Non Current		196	(196)	(21)	21
Total Real Estate for Resale		284	1,464	310	539

(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.

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

Note 9a. Infrastructure, Property, Plant & Equipment

\$ '000	as at 30/6/2013					Asset Movements during the Reporting Period								as at 30/6/2014				
	At	At	Accumulated		Carrying	Asset Additions	WDV of Asset Disposals	Depreciation Expense	Impairment Reversal (via Equity)	WIP Transfers	Adjustments & Transfers	Revaluation Decrements to Equity (ARR)	Revaluation Increments to Equity (ARR)	At	At	Accumulated		Carrying
	Cost	Fair Value	Dep'n	Impairment	Value									Cost	Fair Value	Dep'n	Impairment	Value
Capital Work in Progress	10,492	-	-	-	10,492	1,767	(36)	-	-	(10,201)	-	-	-	2,022	-	-	-	2,022
Plant & Equipment	-	20,085	9,954	-	10,131	2,294	(376)	(1,726)	-	-	-	-	-	-	21,321	10,997	-	10,324
Office Equipment	-	891	755	-	136	32		(35)	-	-	-	-	-	-	907	774	-	133
Furniture & Fittings	-	864	541	-	323	35		(59)	-	-	-	-	-	-	899	600	-	299
Land:																		
- Operational Land	-	23,141	-	-	23,141	65	(25)	-	-	13	244	(384)	-	-	23,054	-	-	23,054
- Community Land	-	22,387	-	-	22,387	-	-	-	-	-	(244)	(800)	-	-	21,343	-	-	21,343
- Land under Roads (post 30/6/08)	-	142	-	-	142	-	-	-	-	-	-	-	13	-	155	-	-	155
Land Improvements - non depreciable	-	3,560	-	-	3,560	149	-	-	-	48	-	-	-	-	3,757	-	-	3,757
Land Improvements - depreciable	-	7,915	3,479	-	4,436	154	(1)	(270)	-	34	-	-	-	-	8,062	3,709	-	4,353
Buildings - Specialised	-	56,617	26,781	-	29,836	1,752	(13)	(1,063)	-	459	51	-	-	-	57,807	26,785	-	31,022
Other Structures	-	8,812	4,127	-	4,685	1,245	-	(222)	-	142	-	-	-	-	10,175	4,325	-	5,850
Infrastructure:																		
- Roads	-	194,357	33,836	1,896	158,625	1,996	(429)	(3,969)	1,484	426	-	-	5,261	-	202,468	38,661	413	163,394
- Bridges	-	70,625	11,725	47	58,853	233	(60)	(338)	47	174	-	-	1,962	-	73,184	12,313	-	60,871
- Footpaths	-	14,124	3,724	173	10,227	1,106	(89)	(203)	-	-	-	-	339	-	15,544	3,991	173	11,380
- Bulk Earthworks (non-depreciable)	-	69,049	-	-	69,049	10	-	-	-	-	-	-	2,313	-	71,372	-	-	71,372
- Stormwater Drainage	-	45,278	20,217	360	24,701	235	(3)	(546)	-	40	-	-	8,707	-	47,432	13,937	361	33,134
- Water Supply Network	-	77,931	12,045	-	65,886	1,860	(368)	(781)	-	912	-	-	1,829	-	81,937	12,599	-	69,338
- Sewerage Network	-	110,256	21,271	-	88,985	1,114	(406)	(1,065)	-	7,869	-	-	2,469	-	121,654	22,688	-	98,966
- Swimming Pools	-	6,670	2,903	-	3,767	-	-	(151)	-	-	-	-	-	-	6,670	3,054	-	3,616
- Other Open Space/Recreational Assets	-	7,527	4,038	-	3,489	192	(56)	(270)	-	84	(51)	-	-	-	7,583	4,195	-	3,388
Other Assets:																		
- Library Books	-	1,294	897	-	397	83	-	(76)	-	-	-	-	-	-	1,360	956	-	404
Reinstatement, Rehabilitation & Restoration Assets (refer Note 26):																		
- Tip Assets	1,604	-	1,182	-	422	125	-	(14)	-	-	-	-	-	1,729	-	1,196	-	533
- Quarry Assets	368	-	202	-	166	62	-	(17)	-	-	-	-	-	430	-	219	-	211
TOTAL INFRASTRUCTURE, PROPERTY, PLANT & EQUIP.	12,464	741,525	157,677	2,476	593,836	14,509	(1,862)	(10,805)	1,531	-	-	(1,184)	22,893	4,181	776,684	160,999	947	618,919

Additions to Buildings & Infrastructure Assets are made up of Asset Renewals (\$6,785) and New Assets (\$3,289). 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 & Equipment.

Richmond Valley Council

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

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

\$ '000 Class of Asset	Actual 2014				Actual 2013			
	At Cost	At Fair Value	A/Dep & Impairm't	Carrying Value	At Cost	At Fair Value	A/Dep & Impairm't	Carrying Value
Water Supply								
WIP	119	-	-	119	926	-	-	926
Plant & Equipment	-	164	125	39	-	164	126	38
Office Equipment	-	3	3	-	-	3	3	-
Furniture & Fittings	-	27	15	12	-	27	10	17
Land								
- Operational Land	-	1,927	-	1,927	-	2,009	-	2,009
Infrastructure	-	81,937	12,599	69,338	-	77,931	12,045	65,886
Total Water Supply	119	84,058	12,742	71,435	926	80,134	12,184	68,876
Sewerage Services								
WIP	461	-	-	461	8,040	-	-	8,040
Plant & Equipment	-	674	362	312	-	547	454	93
Office Equipment	-	25	24	1	-	26	22	4
Furniture & Fittings	-	9	6	3	-	9	5	4
Land								
- Operational Land	-	1,585	-	1,585	-	1,577	-	1,577
Infrastructure	-	121,654	22,688	98,966	-	110,256	21,271	88,985
Total Sewerage Services	461	123,947	23,080	101,328	8,040	112,415	21,752	98,703
TOTAL RESTRICTED I,PP&E	580	208,005	35,822	172,763	8,966	192,549	33,936	167,579

Richmond Valley Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 10a. Payables, Borrowings & Provisions

\$ '000	Notes	2014		2013	
		Current	Non Current	Current	Non Current
Payables					
Goods & Services - operating expenditure		2,124	-	1,135	-
Goods & Services - capital expenditure		1,099	-	1,598	-
Payments Received In Advance		27	-	22	-
Accrued Expenses:					
- Salaries & Wages		437	-	462	-
- Other Expenditure Accruals		1,096	-	475	-
Security Bonds, Deposits & Retentions		378	-	360	-
Bank Guarantees		21	434	21	308
Payable to LPMA (MRRV Discontinued Op)		196	-	196	-
Total Payables		5,378	434	4,269	308
Borrowings					
Loans - Secured ¹		1,111	20,881	1,218	21,992
Total Borrowings		1,111	20,881	1,218	21,992
Provisions					
Employee Benefits;					
Annual Leave		1,616	-	1,571	-
Long Service Leave		2,980	106	3,113	67
Other Leave		14	-	28	-
Sub Total - Aggregate Employee Benefits		4,610	106	4,712	67
Asset Remediation/Restoration (Future Works) ²⁶		-	2,173	-	1,924
Total Provisions		4,610	2,279	4,712	1,991
Total Payables, Borrowings & Provisions		11,099	23,594	10,199	24,291
(i) Liabilities relating to Restricted Assets					
		2014		2013	
		Current	Non Current	Current	Non Current
Externally Restricted Assets					
Water		10	-	10	-
Sewer		1,216	18,179	1,333	21,993
Other		394	-	370	-
Liabilities relating to externally restricted assets		1,620	18,179	1,713	21,993
Internally Restricted Assets					
Nil					
Total Liabilities relating to restricted assets		1,620	18,179	1,713	21,993
Total Liabilities relating to Unrestricted Assets		9,479	5,415	8,486	2,298
TOTAL PAYABLES, BORROWINGS & PROVISIONS		11,099	23,594	10,199	24,291

¹ Loans are secured over the General Rating Income of Council

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

Richmond Valley Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

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

\$ '000	Actual 2014	Actual 2013
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(ii) Current Liabilities not anticipated to be settled within the next 12 months

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

Provisions - Employees Benefits	2,366	2,240
	<u>2,366</u>	<u>2,240</u>

Note 10b. Description of and movements in Provisions

Class of Provision	2013		2014			
	Opening Balance as at 1/7/13	Additional Provisions	Decrease due to Payments	Remeasurement effects due to Discounting	Unused amounts reversed	Closing Balance as at 30/6/14
Annual Leave	1,571	979	(940)	6	-	1,616
Long Service Leave	3,180	495	(615)	26	-	3,086
Other Leave (enter deta	28	6	(19)	(1)	-	14
Asset Remediation	1,924	285	-	(36)	-	2,173
TOTAL	6,703	1,765	(1,574)	(5)	-	6,889

- a. Employees Leave Entitlements & On-Costs represents those benefits accrued and payable and an estimate of those that will become payable in the future as a result of past service.
- b. Asset Remediation, Reinstatement & Restoration Provisions represent the Present Value estimate of future costs Council will incur in order to remove, restore & remediate assets &/or activities as a result of past operations.

Richmond Valley Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 11. Statement of Cash Flows - Additional Information

\$ '000	Notes	Actual 2014	Actual 2013
(a) Reconciliation of Cash Assets			
Total Cash & Cash Equivalent Assets	6a	21,798	27,040
Less Bank Overdraft	10	-	-
BALANCE as per the STATEMENT of CASH FLOWS		21,798	27,040
(b) Reconciliation of Net Operating Result to Cash provided from Operating Activities			
Net Operating Result from Income Statement		(76)	(4,875)
Adjust for non cash items:			
Depreciation & Amortisation		10,560	13,665
Net Losses/(Gains) on Disposal of Assets		1,301	1,327
Non Cash Capital Grants and Contributions		(976)	(227)
Losses/(Gains) recognised on Fair Value Re-measurements through the P&L:			
- Investments classified as "At Fair Value" or "Held for Trading"		(62)	(841)
- Other		-	(1)
Unwinding of Discount Rates on Reinstatement Provisions		(35)	(309)
+/- Movement in Operating Assets and Liabilities & Other Cash Items:			
Decrease/(Increase) in Receivables		(3,689)	3,435
Increase/(Decrease) in Provision for Doubtful Debts		23	(38)
Decrease/(Increase) in Inventories		582	(647)
Decrease/(Increase) in Other Assets		(621)	(91)
Increase/(Decrease) in Payables		989	(275)
Increase/(Decrease) in other accrued Expenses Payable		596	(128)
Increase/(Decrease) in Other Liabilities		149	(203)
Increase/(Decrease) in Employee Leave Entitlements		(63)	(750)
Increase/(Decrease) in Other Provisions		284	(293)
NET CASH PROVIDED FROM/(USED IN) OPERATING ACTIVITIES from the STATEMENT of CASH FLOWS		8,962	9,749

Richmond Valley Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 11. Statement of Cash Flows - Additional Information (continued)

\$ '000	Notes	Actual 2014	Actual 2013
(c) Non-Cash Investing & Financing Activities			
Bushfire Grants		25	196
Other Dedications		77	-
Subdivider Dedications		687	31
Estimated Future Reinstatement Costs		187	-
Total Non-Cash Investing & Financing Activities		976	227
(d) Financing Arrangements			
(i) Unrestricted access was available at balance date to the following lines of credit:			
Bank Overdraft Facilities ⁽¹⁾		500	500
Credit Cards / Purchase Cards		46	26
Total Financing Arrangements		546	526
Amounts utilised as at Balance Date:			
- Credit Cards / Purchase Cards		-	1
Total Financing Arrangements Utilised		-	1

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

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

(ii) Secured Loan Liabilities

Loans are secured by a mortgage over future years Rate Revenue only.

Richmond Valley Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 12. Commitments for Expenditure

\$ '000	Notes	Actual 2014	Actual 2013
(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 & Equipment			
Buildings		-	565
Plant & Equipment		-	382
Infrastructure - Broadwater Sewerage Scheme		-	300
Infrastructure - Northern Rivers Livestock Exchange Upgrade		-	838
Infrastructure - Namoon Waste Transfer Facility		-	493
Infrastructure - Other		-	14
Total Commitments		-	2,592
These expenditures are payable as follows:			
Within the next year		-	2,592
Total Payable		-	2,592
Sources for Funding of Capital Commitments:			
Unrestricted General Funds		-	2,592
Total Sources of Funding		-	2,592

(b) Finance Lease Commitments

Nil

(c) Operating Lease Commitments (Non Cancellable)

a. Commitments under Non Cancellable Operating Leases at the Reporting date, but not recognised as Liabilities are payable:

Within the next year	245	201
Later than one year and not later than 5 years	202	158
Later than 5 years	-	1
Total Non Cancellable Operating Lease Commitments	447	360

b. Non Cancellable Operating Leases include the following assets:

Contingent Rentals may be payable depending on the condition of items or usage during the lease term.

Conditions relating to Operating Leases:

- All Operating Lease Agreements are secured only against the Leased Asset.
- No Lease Agreements impose any financial restrictions on Council regarding future debt etc.

(d) Investment Property Commitments

Nil

Richmond Valley Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

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

\$ '000	Amounts 2014	Indicator 2014	Prior Periods 2013 2012	
Local Government Industry Indicators - Consolidated				
1. Operating Performance Ratio				
Total continuing operating revenue ⁽¹⁾				
<u>(excl. Capital Grants & Contributions) - Operating Expenses</u>	<u>(4,628)</u>	-11.54%	-15.36%	-11.93%
Total continuing operating revenue ⁽¹⁾ (excl. Capital Grants & Contributions)	40,114			
2. Own Source Operating Revenue Ratio				
Total continuing operating revenue ⁽¹⁾				
<u>(less ALL Grants & Contributions)</u>	<u>33,575</u>	73.14%	71.45%	61.10%
Total continuing operating revenue ⁽¹⁾	45,905			
3. Unrestricted Current Ratio				
Current Assets less all External Restrictions ⁽²⁾	<u>15,141</u>	2.13	2.06	1.93
Current Liabilities less Specific Purpose Liabilities ^(3, 4)	<u>7,113</u>			
4. Debt Service Cover Ratio				
Operating Result ⁽¹⁾ before capital excluding interest and depreciation / impairment / amortisation (EBITDA)	<u>7,608</u>	2.63	2.99	3.85
Principal Repayments (from the Statement of Cash Flows) + Borrowing Interest Costs (from the Income Statement)	<u>2,894</u>			
5. Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage				
Rates, Annual and Extra Charges Outstanding	<u>1,203</u>	6.12%	6.80%	5.21%
Rates, Annual and Extra Charges Collectible	<u>19,644</u>			
6. Cash Expense Cover Ratio				
Current Year's Cash and Cash Equivalents including All Term Deposits	<u>21,798</u>	7.80	8.23	8.08
Payments from cash flow of operating and financing activities	<u>2,795</u>			

Notes

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

⁽²⁾ Refer Notes 6-8 inclusive.

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

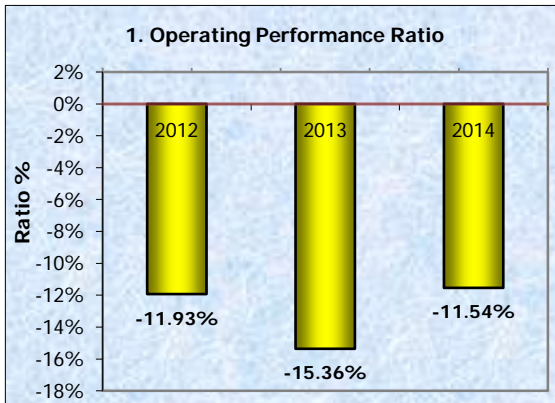
⁽³⁾ Refer to Note 10(a).

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

Richmond Valley Council

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

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.

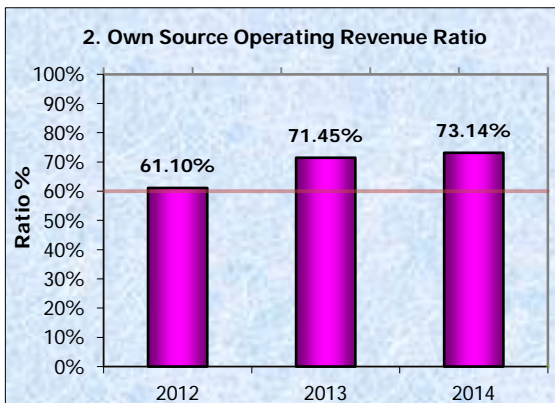
Commentary on 2013/14 Result

2013/14 Ratio -11.54%

Council's Operating Performance Ratio is below the benchmark of 0%. Council has obtained a special rate variation over the next 5 years and has taken steps to address this ratio as part of the current 10 year Long Term Financial Plan.

— Minimum 0.00%

Source for Benchmark: Code of Accounting Practice and Financial Reporting



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 & contributions.

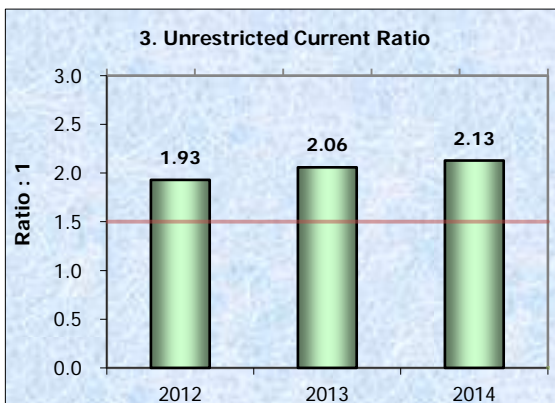
Commentary on 2013/14 Result

2013/14 Ratio 73.14%

Council's Own Source Operating Revenue Ratio is above the benchmark of 60% and indicates a trend towards less reliance on grants and contributions. The approval of Council's special rate variation should lead to a further improvement in this ratio.

— Minimum 60.00%

Source for Benchmark: Code of Accounting Practice and Financial Reporting



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 2013/14 Result

2013/14 Ratio 2.13

The Unrestricted Current Ratio has increased to 2.13, primarily as a result of an increase in Current Assets proportionate to Current Liabilities.

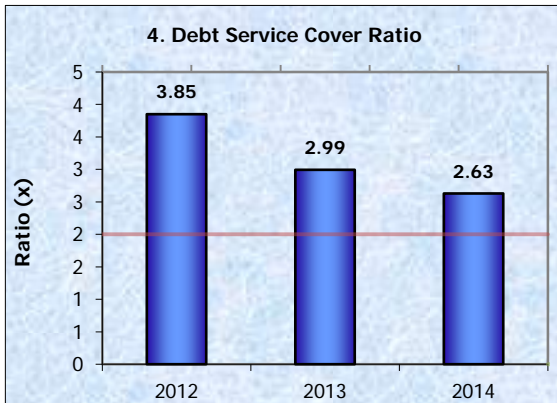
— Minimum 1.50

Source for Benchmark: Code of Accounting Practice and Financial Reporting

Richmond Valley Council

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

Note 13a(ii). Local Government Industry Indicators - Graphs (Consolidated)



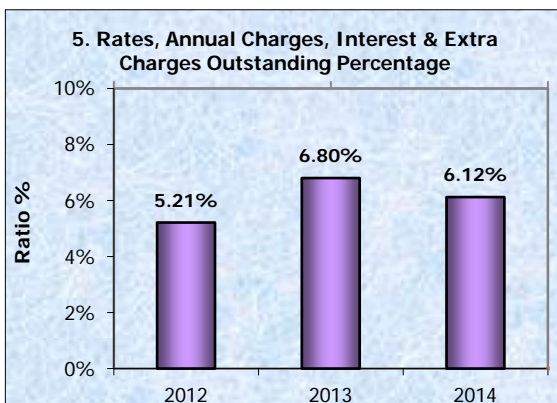
— Minimum 2.00

Source for Benchmark: NSW Treasury Corporation

Purpose of Debt Service Cover Ratio

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

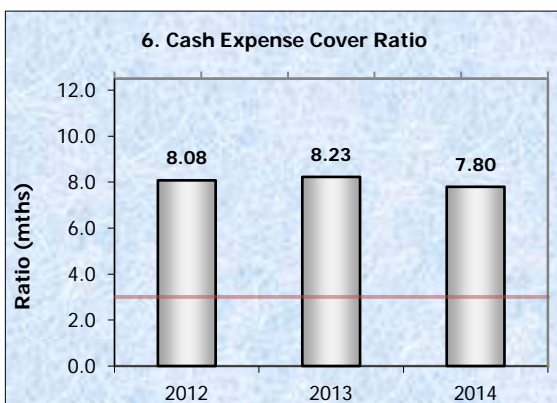
Commentary on 2013/14 Result	
2013/14 Ratio	2.63
<p>The Debt Service Cover Ratio has decreased to 2.63. This was mainly due to a reduction in Cash and Cash Equivalents from 2013.</p>	



Purpose of Rates & 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 2013/14 Result	
2013/14 Ratio	6.12%
<p>Whilst there has been an improvement in this ratio for 2014, Council will continue to monitor and pursue outstanding amounts through its debt recovery practices.</p>	



— Minimum 3.00

Source for Benchmark: Code of Accounting Practice and Financial Reporting

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 Result	
2013/14 Ratio	7.80
<p>Council's Cash Expense Cover Ratio is well above the benchmark of 3 and has been consistent over the last 3 years.</p>	

Richmond Valley Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

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

\$ '000	Water 2014	Sewer 2014	General ⁵ 2014
Local Government Industry Indicators - by Fund			
1. Operating Performance Ratio			
Total continuing operating revenue ⁽¹⁾			
<u>(excl. Capital Grants & Contributions) - Operating Expenses</u>	3.53%	11.78%	-20.67%
Total continuing operating revenue ⁽¹⁾			
(excl. Capital Grants & Contributions)	prior period: 6.97%	11.77%	-27.20%
2. Own Source Operating Revenue Ratio			
Total continuing operating revenue ⁽¹⁾			
<u>(less ALL Grants & Contributions)</u>	97.16%	97.48%	63.79%
Total continuing operating revenue ⁽¹⁾			
	prior period: 97.24%	84.81%	63.06%
3. Unrestricted Current Ratio			
<u>Current Assets less all External Restrictions ⁽²⁾</u>	235.30	8.50	2.13
Current Liabilities less Specific Purpose Liabilities ^(3, 4)			
	prior period: 320.80	8.38	2.06
4. Debt Service Cover Ratio			
<u>Operating Result ⁽¹⁾ before capital excluding interest and depreciation / impairment / amortisation (EBITDA)</u>	0.00	1.34	14.08
Principal Repayments (from the Statement of Cash Flows) + Borrowing Interest Costs (from the Income Statement)			
	prior period: 0.00	1.34	10.10
5. Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage			
<u>Rates, Annual and Extra Charges Outstanding</u>	0.41%	0.07%	9.21%
Rates, Annual and Extra Charges Collectible			
	prior period: 0.51%	0.09%	10.23%
6. Cash Expense Cover Ratio			
<u>Current Year's Cash and Cash Equivalents including All Term Deposits</u> x12	6.68	20.53	4.45
Payments from cash flow of operating and financing activities			
	prior period: 8.12	23.80	4.32

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 & Sewer activities which are listed separately.

Richmond Valley Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 14. Investment Properties

\$ '000

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

Note 15. Financial Risk Management

Risk Management

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

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

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

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

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

	Carrying Value		Fair Value	
	2014	2013	2014	2013
Financial Assets				
Cash and Cash Equivalents	21,798	27,040	21,768	27,040
Investments				
- "Held for Trading"	1,938	4,058	1,938	4,058
Receivables	12,433	9,254	12,433	9,254
Total Financial Assets	36,169	40,352	36,139	40,352
Financial Liabilities				
Payables	5,785	4,555	5,785	4,555
Loans / Advances	21,992	23,210	24,305	26,823
Total Financial Liabilities	27,777	27,765	30,090	31,378

Fair Value is determined as follows:

- **Cash & Cash Equivalents, Receivables, Payables** - are estimated to be the carrying value which approximates mkt value.
- **Borrowings & Held to Maturity Investments** - are based upon estimated future cash flows discounted by the current market interest rates applicable to assets & liabilities with similar risk profiles, unless quoted market prices are available.
- Financial Assets classified (i) **"at fair value through profit & loss"** or (ii) **Available for Sale** - are based upon quoted market prices (in active markets for identical investments) at the reporting date or independent valuation.

Refer to Note 27 - Fair Value Measurement for information regarding the fair value of financial assets & liabilities

Richmond Valley Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 15. Financial Risk Management (continued)

\$ '000

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

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

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

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

The 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 these changes are caused by factors specific to individual financial instruments or their issuers or are caused by factors affecting similar instruments traded in a market.
- **Interest Rate Risk** - the risk that movements in interest rates could affect returns and income.
- **Credit Risk** - the risk that the investment counterparty) will not complete their obligations particular to a financial instrument, resulting in a financial loss to Council - be it of a capital or income nature.

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

Council also seeks advice from independent advisers before placing any funds in Cash Equivalents & Investments.

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

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

	Increase of Values/Rates		Decrease of Values/Rates	
	Profit	Equity	Profit	Equity
2014				
Possible impact of a 10% movement in Market Values	194	-	(194)	-
Possible impact of a 1% movement in Interest Rates	237	-	(237)	-
2013				
Possible impact of a 10% movement in Market Values	406	-	(406)	-
Possible impact of a 1% movement in Interest Rates	310	-	(310)	-

Richmond Valley Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 15. Financial Risk Management (continued)

\$ '000

(b) Receivables

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

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

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

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

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

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:

	2014	2014	2013	2013
	Rates & Annual Charges	Other Receivables	Rates & Annual Charges	Other Receivables
(i) Ageing of Receivables - %				
Current (not yet overdue)	32%	85%	38%	80%
Overdue	68%	15%	62%	20%
	100%	100%	100%	100%
(ii) Ageing of Receivables - value				
Current (not yet overdue)	320	9,808	402	6,606
Overdue	681	1,731	662	1,668
	1,001	11,539	1,064	8,274
(iii) Movement in Provision for Impairment of Receivables			2014	2013
Balance at the beginning of the year			84	122
+ new provisions recognised during the year			23	5
- amounts already provided for & written off this year			-	(43)
Balance at the end of the year			107	84

Richmond Valley Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 15. Financial Risk Management (continued)

\$ '000

(c) Payables & Borrowings

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

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

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

The contractual undiscounted cash outflows (ie. principal and interest) of Council's Payables & Borrowings are set out in the 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		
2014									
Trade/Other Payables	378	5,407	-	-	-	-	-	5,785	5,785
Loans & Advances	-	2,663	2,631	2,596	2,562	2,529	25,418	38,399	21,992
Total Financial Liabilities	378	8,070	2,631	2,596	2,562	2,529	25,418	44,184	27,777
2013									
Trade/Other Payables	360	4,195	-	-	-	-	-	4,555	4,555
Loans & Advances	-	2,975	2,790	2,758	2,723	2,689	29,061	42,996	23,210
Total Financial Liabilities	360	7,170	2,790	2,758	2,723	2,689	29,061	47,551	27,765

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

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

	2014		2013	
	Carrying Value	Average Interest Rate	Carrying Value	Average Interest Rate
Trade/Other Payables	5,785	0.0%	4,555	0.0%
Loans & Advances - Fixed Interest Rate	21,992	7.2%	23,210	7.2%
	<u>27,777</u>		<u>27,765</u>	

Richmond Valley Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 16. Material Budget Variations

\$ '000

Council's Original Financial Budget for 13/14 was adopted by the Council on 25 June 2013.

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

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

Note that for Variations* of Budget to Actual :

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

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

\$ '000	2014 Budget	2014 Actual	2014 ----- Variance* -----		
REVENUES					
Rates & Annual Charges	17,941	18,205	264	1%	F
User Charges & Fees	13,200	14,129	929	7%	F
Interest & Investment Revenue	1,582	1,142	(440)	(28%)	U
Interest and investment revenue was under budget by \$440,000 (28%). This was mainly due to lower than anticipated interest rates, along with a reduction in the level of cash and investments held.					
Other Revenues	99	161	62	63%	F
Other revenues were over budget by \$62,000 (63%). This was primarily due to insurance claims being received in relation to storm damage and other matters, which are uncontrollable events which cannot be foreseen at the time of setting the original budget.					
Operating Grants & Contributions	8,690	6,539	(2,151)	(25%)	U
Operating Grants and Contributions were under budget by \$2,151,000 (25%). In many instances, the actual amount of grants received depends upon decisions made by State and Federal Governments after the original budget was adopted. The main reason for the variance was a decision in the May 2014 Federal Budget, whereby there would be no advance payment of the 2014/2015 Financial Assistance Grant, which was factored in to the original budget.					
Capital Grants & Contributions	2,191	5,791	3,600	164%	F
Capital Grants and Contributions were over budget by \$3,600,000 (164%). In many instances, the actual amount of grants received depends upon decisions made by State and Federal Governments after the original budget was adopted and on the outcomes of various grant applications submitted throughout the year. The main reason for the variance was natural disaster funding received of \$1,732,700 as well as subdivider dedications of \$686,600.					

Richmond Valley Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 16. Material Budget Variations (continued)

\$ '000	2014 Budget	2014 Actual	2014 ----- Variance* -----		
EXPENSES					
Employee Benefits & On-Costs	14,271	15,249	(978)	(7%)	U
Borrowing Costs	1,753	1,676	77	4%	F
Materials & Contracts	12,282	12,458	(176)	(1%)	U
Depreciation & Amortisation	14,382	10,560	3,822	27%	F
Depreciation and Amortisation was under budget by \$3,822,000 (27%). The main reason for this decrease was a result of the revaluation of Council's Roads, Bridges and Footpaths as at 30 June 2013. The change in valuation and depreciation methodology, resulted in a significant reduction in depreciation expense.					
Other Expenses	5,616	4,799	817	15%	F
Other Expenses were under budget by \$817,000 (15%). The main reason for this was a reduction of \$403,700 in the State Government Landfill Levy on original budget, due to lower levels of commercial and industrial waste than was anticipated. There were also savings in contributions/levies to bushfire and emergency services of \$155,500, along with savings in general operating costs, including \$79,100 in insurance costs, \$42,500 in telephone costs, \$40,600 in electricity costs and various others.					
Net Losses from Disposal of Assets	-	1,301	(1,301)	0%	U
The net profit or loss from the disposal of assets is unknown at the time of setting the original budget. Due to this, asset purchases and sales are budgeted for on a gross basis. The net loss from the disposal of assets is \$1,301,000, details of which are disclosed in Note 5 to the General Purpose Financial Statements.					

Richmond Valley Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 17. Statement of Developer Contributions

\$ '000

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

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

SUMMARY OF CONTRIBUTIONS & LEVIES

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Roads	175	-	-	6	-	-	181	-	(4,370)	(4,189)	-
Open Space	-	-	-	-	-	-	-	-	(339)	(339)	-
Community Facilities	4	-	-	-	-	-	4	-	(103)	(99)	-
Infrastructure	-	2	-	-	-	-	2	-	(277)	(275)	-
Community Services	46	-	-	1	-	-	47	-	(246)	(199)	-
Recreation & Civil Facilities	-	-	-	-	-	-	-	-	(654)	(654)	-
Emergency Safety	-	-	-	-	-	-	-	-	(143)	(143)	-
Environmental Protection	-	-	-	-	-	-	-	-	(2)	(2)	-
Quarry Roads	-	30	-	-	(11)	-	19	126	(292)	(147)	-
Rural Heavy Haulage	18	46	-	1	-	-	65	863	(929)	(1)	-
Bushfire	7	-	-	-	-	-	7	-	(7)	-	-
S94 Contributions - under a Plan	250	78	-	8	(11)	-	325	989	(7,362)	(6,048)	-
S94A Levies - under a Plan	94	34	-	1	(128)	-	1				-
Total S94 Revenue Under Plans	344	112	-	9	(139)	-	326				-
S64 Contributions	3,965	85	-	115	(200)	-	3,965				
Total Contributions	4,309	197	-	124	(339)	-	4,291	989	(7,362)	(6,048)	-

Richmond Valley Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 17. Statement of Developer Contributions (continued)

\$ '000

S94 CONTRIBUTIONS - UNDER A PLAN

CONTRIBUTION PLAN NUMBER 2 - EX RRSC

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Roads	102	-	-	4	-	-	106	-	(4,295)	(4,189)	-
Infrastructure	-	2	-	-	-	-	2	-	(277)	(275)	-
Community Services	46	-	-	1	-	-	47	-	(246)	(199)	-
Recreation & Civil Facilities	-	-	-	-	-	-	-	-	(654)	(654)	-
Emergency Safety	-	-	-	-	-	-	-	-	(143)	(143)	-
Environmental Protection	-	-	-	-	-	-	-	-	(2)	(2)	-
Quarry Roads	-	30	-	-	(11)	-	19	126	(292)	(147)	-
Rural Heavy Haulage	18	46	-	1	-	-	65	863	(929)	(1)	-
Total	166	78	-	6	(11)	-	239	989	(6,838)	(5,610)	-

CONTRIBUTION PLAN NUMBER 1 - Ex Casino

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Open Space	-	-	-	-	-	-	-	-	(339)	(339)	-
Community Facilities	-	-	-	-	-	-	-	-	(99)	(99)	-
Total	-	-	-	-	-	-	-	-	(438)	(438)	-

Richmond Valley Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 17. Statement of Developer Contributions (continued)

\$ '000

S94 CONTRIBUTIONS - UNDER A PLAN

CONTRIBUTION PLAN NUMBER - Ex Copmanhurst

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Roads	73	-	-	2	-	-	75	-	(75)	-	-
Community Facilities	4	-	-	-	-	-	4	-	(4)	-	-
Bushfire	7	-	-	-	-	-	7	-	(7)	-	-
Total	84	-	-	2	-	-	86	-	(86)	-	-

S94A LEVIES - UNDER A PLAN

CONTRIBUTION PLAN NUMBER 1 - Richmond Valley Council

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Section 94A Levies	94	34	-	1	(128)	-	1	-	-	-	-
Total	94	34	-	1	(128)	-	1	-	-	-	-

Richmond Valley Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 18. Contingencies & Other Assets/Liabilities Not Recognised

\$ '000

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

LIABILITIES NOT RECOGNISED:

1. Defined Benefit Superannuation Contribution Plans

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

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

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

The Local Government Superannuation Scheme however is unable to provide Council with an accurate estimate of its share of the net deficit and accordingly Council has not recorded a net liability of \$1,171,572 for its Defined Benefit Scheme obligations in accordance with AASB 119 for year ended 30 June 2014.

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.

2. Self-Insurance: NORPOOL

Council has previously entered into an agreement with a number of Local Government Authorities to jointly manage certain civil liabilities of these Councils which may arise as a result of the exercise of their powers, authorities, duties or functions.

The insurance pool known as NORPOOL was wound up during the 2005/2006 financial year with surplus funds distributed to former members. There are no outstanding claims associated with NORPOOL, however if future claims arise then these will be the responsibility of the Council to whom the claims relate.

3. Mid Richmond Residents Village - Grants

As of 1 July 2010, the Mid Richmond Residents Village was transferred to Baptist Community Services, being the new approved provider for the facility. A possible consequence of this transfer, is the status of previously received Capital Grants from the Federal Government. Clauses in the Residential Care Grants agreements, used towards the construction of the Dementia Unit and the Upgrade of Fire Safety Systems, have been referred to the Director of the Capital Grants Section of the Federal Department of Health and Ageing for determination as to whether any repayment of Grant funds may be requested. As at 30 June 2014, no determination has been made.

ASSETS NOT RECOGNISED:

(i) Land Under Roads

As permitted under AASB 1051, Council has elected not to bring to account Land Under Roads that it owned or controlled up to & including 30/6/08.

Richmond Valley Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

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

\$ '000

Council's objectives can and in some cases are best met through the use of separate entities & 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 Councils (i) interest and (ii) control and the type (form) of entity/operation, as follows;

Joint Venture Operations

Note 19(a)

Arrangements that do not comprise an actual individual entity which can deploy the resources of the individual participants. Under JV Operations, Council Jointly Controls the operations with the Other Parties involved.

(a) Joint Venture Operations

(a) Council is involved in the following Joint Venture Operations (JVO)

Name of Operation	Principal Activity	Councils Interests in Outputs of JVO's	
		2014	2013
North East Weight of Loads Group	Policing Vehicle weight limits to reduce road damage	10%	
(b) Council Assets employed in the Joint Venture Operations			
Council's own assets employed in the Operations			
Council's share of assets jointly owned with other partners			
Current Assets		63	67
Current Liabilities		(37)	(32)
Property, Plant & Equipment		14	10
Total Net Assets Employed - Council & Jointly Owned		40	45

Richmond Valley Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 20. Equity - Retained Earnings and Revaluation Reserves

\$ '000	Notes	Actual 2014	Actual 2013
(a) Retained Earnings			
Movements in Retained Earnings were as follows:			
Balance at beginning of Year (from previous years audited accounts)		325,010	329,510
a. Net Operating Result for the Year		(76)	(4,875)
b. Transfers between Equity		-	375
Balance at End of the Reporting Period		324,934	325,010

(b) Reserves

(i) Reserves are represented by:

- Infrastructure, Property, Plant & Equipment Revaluation Reserve	300,015	278,304
Total	300,015	278,304

(ii) Reconciliation of movements in Reserves:

Infrastructure, Property, Plant & Equipment Revaluation Reserve

- Opening Balance	278,304	239,636
- Revaluations for the year	9(a) 21,709	40,798
- (Impairment of revalued assets) / Impairment reversals	9(a),(c) 2	(1,755)
- Transfer to Retained Earnings for Asset disposals	-	(375)
- Balance at End of Year	300,015	278,304

TOTAL VALUE OF RESERVES

300,015	278,304
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(iii) Nature & Purpose of Reserves

Infrastructure, Property, Plant & Equipment Revaluation Reserve

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

(c) Correction of Error/s relating to a Previous Reporting Period

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

(d) Voluntary Changes in Accounting Policies

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

Richmond Valley Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 21. Financial Result & Financial Position by Fund

Income Statement by Fund \$ '000	Actual 2014	Actual 2014	Actual 2014
Continuing Operations	Water	Sewer	General¹
Income from Continuing Operations			
Rates & Annual Charges	1,181	5,804	11,220
User Charges & Fees	4,013	1,269	8,847
Interest & Investment Revenue	34	107	1,001
Other Revenues	-	-	161
Grants & Contributions provided for Operating Purposes	92	96	6,351
Grants & Contributions provided for Capital Purposes	59	89	5,643
Other Income			
Net Gains from Disposal of Assets	-	-	-
Share of interests in Joint Ventures & Associates using the Equity Method	-	-	-
Total Income from Continuing Operations	5,379	7,365	33,223
Expenses from Continuing Operations			
Employee Benefits & on-costs	889	1,021	13,339
Borrowing Costs	-	1,610	66
Materials & Contracts	2,199	2,386	7,873
Depreciation & Amortisation	794	1,096	8,670
Impairment	-	-	-
Other Expenses	1,265	301	3,233
Net Losses from the Disposal of Assets	378	426	497
Total Expenses from Continuing Operations	5,525	6,840	33,678
Operating Result from Continuing Operations	(146)	525	(455)
Discontinued Operations			
Net Profit/(Loss) from Discontinued Operations	-	-	-
Net Operating Result for the Year	(146)	525	(455)
Net Operating Result attributable to each Council Fund	(146)	525	(455)
Net Operating Result attributable to Non-controlling Interests	-	-	-
Net Operating Result for the year before Grants and Contributions provided for Capital Purposes	(205)	436	(6,098)

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

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

Richmond Valley Council

Notes to the Financial Statements

as at 30 June 2014

Note 21. Financial Result & Financial Position by Fund (continued)

Statement of Financial Position by Fund \$ '000	Actual 2014	Actual 2014	Actual 2014
ASSETS	Water	Sewer	General¹
Current Assets			
Cash & Cash Equivalents	2,425	10,927	8,446
Investments	-	-	1,457
Receivables	1,300	1,994	6,702
Inventories	-	-	1,877
Other	-	-	1,213
Non-current assets classified as 'held for sale'	-	-	-
Total Current Assets	3,725	12,921	19,695
Non-Current Assets			
Investments	-	-	481
Receivables	508	732	1,197
Inventories	-	-	1,464
Infrastructure, Property, Plant & Equipment	71,436	101,329	446,154
Investments Accounted for using the equity method	-	-	-
Investment Property	-	-	-
Intangible Assets	-	-	-
Total Non-Current Assets	71,944	102,061	449,296
TOTAL ASSETS	75,669	114,982	468,991
LIABILITIES			
Current Liabilities			
Payables	10	250	5,118
Borrowings	-	966	145
Provisions	-	-	4,610
Total Current Liabilities	10	1,216	9,873
Non-Current Liabilities			
Payables	-	-	434
Borrowings	-	18,179	2,702
Provisions	-	-	2,279
Total Non-Current Liabilities	-	18,179	5,415
TOTAL LIABILITIES	10	19,395	15,288
Net Assets	75,659	95,587	453,703
EQUITY			
Retained Earnings	24,944	36,266	263,724
Revaluation Reserves	50,715	59,321	189,979
Total Equity	75,659	95,587	453,703

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

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

Richmond Valley Council

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

Note 22. "Held for Sale" Non Current Assets & 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 (ending 30 June 2014) 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 21/10/14.

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 2014.

(ii) Events that provide evidence of conditions that arose after the Reporting Period

These financial statements (& figures therein) do not incorporate any "non-adjusting events" that have occurred after 30 June 2014 and which are only indicative of conditions that arose after 30 June 2014.

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

Richmond Valley Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 24. Discontinued Operations

\$ '000	Actual 2014	Actual 2013
(i) Discontinued Operations		
Council has closed its bridge and prestressing business activity during 2012/2013. The Namoonna Prestressing Factory was sold 1 March 2013 and the Coraki Doolan Deck Factory was sold 26 June 2013.		
(ii) Financial Performance of Discontinued Operations		
Financial Performance		
Revenues	-	965
Expenses	-	(1,176)
Gross Profit/(Loss) of Discontinued Operations	-	(211)
Gain/(Losses) On Reclassification &/or Sale		
Consideration Received for Discontinued Operations	-	798
less:		
Net Carrying Value of Discontinued Operations	-	(2,389)
Gain/(Loss) on Reclassification/Sale	-	(1,591)
<u>NET PROFIT/(LOSS) from DISCONTINUED OPERATIONS</u>	<u>-</u>	<u>(1,802)</u>
(iii) Cash Flows from Discontinued Operations		
Net Cash Flows from Operating Activities (excl. Boundary Adjustments)	-	333
Net Cash Flows from Investing Activities - excl. sale proceeds	-	(2)
Net Cash Flows from Investing Activities - sale proceeds	-	798
Net Increase/(Decrease) in Cash Generated by the Operations	-	1,129
(iv) Net Carrying Value of Discontinued Operations		
Carrying Value - Assets	-	803
Net Carrying Value	-	803
Total Value of Discontinued Operations (On Hand)	-	803

Richmond Valley Council

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

Note 25. Intangible Assets

\$ '000	Actual 2014	Actual 2013
Intangible Assets represent identifiable non-monetary asset without physical substance.		
Intangible Assets are as follows;		
Opening Values:		
Gross Book Value (1/7)	-	53
Accumulated Amortisation (1/7)	-	(44)
Accumulated Impairment (1/7)	-	-
Net Book Value - Opening Balance	-	9
Movements for the year		
- Amortisation charges	-	(6)
- Gross Book Value written off	-	(53)
- Accumulated Amortisation charges written off	-	50
Closing Values:		
Gross Book Value (30/6)	-	-
Accumulated Amortisation (30/6)	-	-
Accumulated Impairment (30/6)	-	-
<u>TOTAL INTANGIBLE ASSETS - NET BOOK VALUE</u> ¹	<u>-</u>	<u>-</u>

Richmond Valley Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 26. Reinstatement, Rehabilitation & Restoration Liabilities

\$ '000

Council has legal/public obligations to make restore, rehabilitate and reinstate the following assets/operations:

Asset/Operation	Estimated year of restoration	NPV of Provision	
		2014	2013
Landfills - Bora Ridge	2015	348	329
Landfills - Namoonna	2044	1,157	1,010
Quarries - Petersons	2011	371	325
Quarries - Woodview	2024	297	260
Balance at End of the Reporting Period		2,173	1,924

10(a)

Under AASB 116 - Property, Plant & Equipment, where the use of an asset results in the obligation to dismantle or remove the asset and restore the site on which the asset stands, an estimate of such costs is required to be included in the cost of the asset.

An equivalent liability must be recognised under AASB 137 - Provisions, Contingent Liabilities and Contingent Assets.

The provision has been calculated by determining the present value of the future expenditures expected to be incurred. The discount rate used is the risk free borrowing rate applicable to Council.

Reconciliation of movement in Provision for year:

Balance at beginning of year	1,924	2,526
Amounts capitalised to new or existing assets:		
Effect of a change in discount rates used in PV calculations	(97)	(441)
Effect of a change in other calculation estimates used	284	(293)
Amortisation of discount (expensed to borrowing costs)	62	132
Total - Reinstatement, rehabilitation and restoration provision	2,173	1,924

Richmond Valley Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

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

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 & recognised at fair values:

2014	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"	30/06/14	-	1,938	-	1,938
Total Financial Assets		-	1,938	-	1,938
Infrastructure, Property, Plant & Equipment					
Plant & Equipment	30/06/14	-	-	10,324	10,324
Office Equipment	30/06/14	-	-	133	133
Furniture & Fittings	30/06/14	-	-	299	299
Land:					
- Operational Land	30/06/14	-	-	23,054	23,054
- Community Land	30/06/14	-	-	21,343	21,343
- Land Under Roads (post 30/06/08)	30/06/14	-	-	155	155
Land Improvements - non depreciable	30/06/11	-	-	3,757	3,757
Land Improvements - depreciable	30/06/11	-	-	4,353	4,353
Buildings - Specialised	30/06/11	-	-	31,022	31,022
Other Structures	30/06/11	-	-	5,850	5,850
Infrastructure:					
- Roads	30/06/13	-	-	163,394	163,394
- Bridges	30/06/13	-	-	60,871	60,871
- Footpaths	30/06/13	-	-	11,380	11,380
- Bulk Earthworks (non depreciable)	30/06/13	-	-	71,372	71,372
- Stormwater Drainage	30/06/14	-	-	33,134	33,134
- Water Supply Network	30/06/12	-	-	69,338	69,338
- Sewerage Network	30/06/12	-	-	98,966	98,966
- Swimming Pools	30/06/11	-	-	3,616	3,616
- Other Open Space/Recreational Assets	30/06/11	-	-	3,388	3,388
- Library Books	30/06/14	-	-	404	404
Total Infrastructure, Property, Plant & Equipment		-	-	616,153	616,153

(2) Transfers between Level 1 & 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.

Richmond Valley Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

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:

Financial Assets

Investments - At fair value through profit or loss - are represented by capital protected products being the Nexus 4 Topaz Note, Octagon PLC (Emu Note) and AB Svensk Exportkredit (All Seasons Note). Council obtains valuations from its investment advisor, Denison Financial Advisory, on a monthly basis and at the end of each reporting period to ensure the financial statements reflect the most up to date valuation. The best evidence of fair value is the current price in an active market for similar assets. These investments are highly illiquid as a direct consequence of the global financial crisis which has caused difficulties in valuing the securities, placing these assets in level 2. The valuations provided are sourced from the arranging banks and/or indicative ASX bid rates for these investments. There has been no change to the valuation process during the reporting period.

Infrastructure, Property, Plant & Equipment

Plant & Equipment, Office Equipment and Furniture & Fittings

Plant and equipment, office equipment and furniture and fittings are valued at cost but are disclosed at fair value in the notes. The carrying amount of these assets (depreciated historical cost) is deemed to be fair value due to the nature of these items. Examples of assets within these classes are as follows:

- Plant and Equipment - Graders, trucks, rollers, tractors, mowers, cars and light commercial vehicles.
- Office Equipment - Computer equipment, photocopiers, projectors and other electronic office equipment.
- Furniture & Fittings - Chairs, desks, shelving, display systems.

The gross replacement cost of these assets are based on current market prices, which are based on observable inputs, however the pattern of consumption, remaining useful life and residual value is implicated by internal factors which are unobservable inputs placing these assets in level 3. There has been no change to the valuation process during the reporting period.

Land - Operational

This asset class comprises all of Council's land classified as Operational Land under the NSW Local Government Act 1993. Council obtains its fair values for operational land from an external valuer every 3 years. Generally, fair value is the most advantageous price reasonably obtainable by the seller and the most advantageous price reasonably obtained by the buyer. This is not necessarily the market selling price of the asset, rather, it is regarded as the maximum value that Council would rationally pay to acquire the asset if it did not hold it, taking into account quoted market price in an active and liquid market, the current market price of the same or similar asset, the cost of replacing the asset, if management intend to replace the asset, the remaining useful life and condition of the asset; and cash flows from the future use and disposal.

Council's Operational Land was revalued as at 30 June 2014. This asset class is categorised as level 3 due to a number of the above-mentioned inputs used in the valuation requiring significant professional judgement, which are therefore unobservable. There has been no change to the valuation process during the reporting period.

Richmond Valley Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 27. Fair Value Measurement (continued)

\$ '000

(3) Valuation techniques used to derive Level 2 and Level 3 Fair Values (continued)

Infrastructure, Property, Plant & Equipment (continued)

Land - Community

Council's Community Land (including land 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. Many of these parcels of land have no feasible alternative use, such as parks and reserves. Community Land is valued using the 'Market Approach'. Fair value is derived by adjusting observable market inputs using unobservable inputs. The resulting measurement is categorised within level 3. Community Land was revalued as at 30 June 2014. There has been no change to the valuation process during the reporting period.

Land Improvements (Non-Depreciable and Depreciable)

Land improvement assets include all works carried out to the land to improve its utility, service potential or make it ready for an identified use. Assets include landscaping, land forming, earthworks not integral to other assets, external playing surfaces and facilities internal infrastructure.

Land Improvements are valued by an external valuer every 5 years using the cost approach. Unobservable inputs include patterns of consumption, residual values, asset conditions and remaining useful lives. These factors require extensive professional judgement, resulting in this asset class being classified as level 3. There has been no change to the valuation process during the reporting period.

Land Under Roads (post 30/06/08)

Land under roads is land under roadways and road reserves including land under footpaths, nature strips and median strips. Council has elected not to recognise land under roads acquired before 1 July 2008 in accordance with AASB 1051. Land under roads acquired after 1 July 2008 is recognised in accordance with AASB 116 - Property, Plant and Equipment and Council recognised this for the first time in the 2010/2011 financial year. Land Under Roads has been revalued as at 30 June 2014 and the valuation was based on the average unit value of all rateable land within Council's area of control using values provided by the Valuer General. This asset class is classified as level 3 as significant inputs used in the valuation methodology are unobservable. There were no changes to the valuation process during the reporting period.

Buildings (Specialised)

Specialised buildings are valued using the cost approach and are valued by an external valuer every 5 years. Unobservable inputs include patterns of consumption, residual values, asset conditions and remaining useful lives. These factors require extensive professional judgement, resulting in this asset class being classified as level 3. There has been no change to the valuation process during the reporting period.

Other Structures

These assets include all other structures not included in the category of Buildings. Examples include statues, fences, monuments and clocktowers. Other structures are valued using the cost approach and are valued by an external valuer every 5 years. Unobservable inputs include patterns of consumption, residual values, asset conditions and remaining useful lives. These factors require extensive professional judgement, resulting in this asset class being classified as level 3. There has been no change to the valuation process during the reporting period.

Richmond Valley Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 27. Fair Value Measurement (continued)

\$ '000

(3) Valuation techniques used to derive Level 2 and Level 3 Fair Values (continued)

Infrastructure, Property, Plant & Equipment (continued)

Roads, Bridges & Footpaths (including Bulk Earthworks)

This asset class includes the road formation (bulk earthworks), road pavement and road seal, along with other road assets including kerb and guttering, guardrail and roadside furniture including signs and other traffic management devices. The full revaluation of road assets is undertaken every 5 years and the last valuation was performed by an external valuer as at 30 June 2013 using the cost approach.

Whilst units rates, based on square metres or similar capacity, can be supported by market evidence (level 2), other inputs (such as estimates of residual value, useful life, pattern of consumption and asset condition) require extensive professional judgement and impact significantly on the final determination of fair value. As such, this asset class is classified as being valued using level 3 inputs. There has been no change to the valuation process during the reporting period.

Stormwater Drainage

Drainage refers to the system for the collection, storage and removal of stormwater developed and maintained by Council. These assets include pipelines, pits, headwalls and other drainage structures. The full revaluation of Stormwater Drainage assets is undertaken every 5 years and the last valuation by performed by an external valuer as at 30 June 2014 using the cost approach.

Whilst units rates, based on square metres or similar capacity, can be supported by market evidence (level 2), other inputs (such as estimates of residual value, useful life, pattern of consumption and asset condition) require extensive professional judgement and impact significantly on the final determination of fair value. As such, this asset class is classified as being valued using level 3 inputs. There has been no change to the valuation process during the reporting period.

Water Supply Network

Water Supply Network assets include water pipelines, treatment plants, reservoirs, pump stations, water meters and connections etc. Water Supply Network assets are valued by an external valuer every 5 years using the cost approach. In between full revaluations, these assets are indexed each year in line with the NSW Reference Rates Manual as published by the NSW Office of Water.

Whilst the units rates based on linear metres of certain diameter pipes and prices per unit per pit or similar capacity can be supported by market evidence (level 2), other inputs (such as estimates of residual value, useful life, pattern of consumption and asset condition) require extensive professional judgement and impact significantly on the final determination of fair value. As such, this asset class is classified as being valued using level 3 inputs. There has been no change to the valuation process during the reporting period.

Sewerage Network

Sewerage Network assets include sewerage pipelines, treatment works, pump stations, manholes and sewerage connections. Sewerage Network assets are valued by an external valuer every 5 years using the cost approach. In between full revaluations, these assets are indexed each year in line with the NSW Reference Rates Manual as published by the NSW Office of Water.

Whilst the units rates based on linear metres of certain diameter pipes and prices per unit per pit or similar capacity can be supported by market evidence (level 2), other inputs (such as estimates of residual value, useful life, pattern of consumption and asset condition) require extensive professional judgement and impact significantly on the final determination of fair value. As such, this asset class is classified as being valued using level 3 inputs. There has been no change to the valuation process during the reporting period.

Richmond Valley Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 27. Fair Value Measurement (continued)

\$ '000

(3) Valuation techniques used to derive Level 2 and Level 3 Fair Values (continued)

Infrastructure, Property, Plant & Equipment (continued)

Swimming Pools

These assets include all structures located within the facility. These assets are valued by an external valuer every 5 years using the cost approach. Unobservable inputs include patterns of consumption, residual values, asset conditions and remaining useful lives. These factors require extensive professional judgement, resulting in this asset class being classified as level 3. There has been no change to the valuation process during the reporting period.

Other Open Space/Recreational Assets

These assets include all structures within Council's sports grounds, parks and reserves. This asset class is valued by an external valuer every 5 years using the cost approach. Unobservable inputs include patterns of consumption, residual values, asset conditions and remaining useful lives. These factors require extensive professional judgement, resulting in this asset class being classified as level 3. There has been no change to the valuation process during the reporting period.

Other Assets (Library Books)

These assets include library books, journals, magazines, CD's, DVD's etc. Library books are valued at cost but are disclosed at fair value in the notes due to the nature of these items.

The gross replacement cost of these assets are based on current market prices, which are based on observable inputs, however the pattern of consumption and remaining useful life are implicated by internal factors which are unobservable inputs placing these assets in level 3. There has been no change to the valuation process during the reporting period.

(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 & Equipment	Office Equipment	Furniture &Fittings	Operational Land	Total
Adoption of AASB 13	10,131	136	323	23,141	33,731
Transfers from/(to) another asset class	-	-	-	244	244
Transfers from/(to) Capital Work In Progress	-	-	-	13	13
Purchases (GBV)	2,294	32	35	65	2,426
Disposals (WDV)	(376)	-	-	(25)	(401)
Depreciation & Impairment	(1,726)	(35)	(59)	-	(1,820)
Revaluation Decrements to Equity (ARR)	-	-	-	(384)	(384)
Closing Balance - 30/6/14	10,323	133	299	23,054	33,809

Richmond Valley Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

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)

	Community Land	Land Under Roads post 30/6/08	Land Improv Non-Deprec	Land Improv Depreciable	Total
Adoption of AASB 13	22,387	142	3,560	4,436	30,525
Transfers from/(to) another asset class	(244)	-	-	-	(244)
Transfers from/(to) Capital Work In Progress	-	-	48	34	82
Purchases (GBV)	-	-	149	154	303
Disposals (WDV)	-	-	-	(1)	(1)
Depreciation & Impairment	-	-	-	(270)	(270)
Revaluation Increments to Equity (ARR)	-	13	-	-	13
Revaluation Decrements to Equity (ARR)	(800)	-	-	-	(800)
Closing Balance - 30/6/14	21,343	155	3,757	4,353	29,608

	Buildings Specialised	Other Structures	Roads	Bridges	Total
Adoption of AASB 13	29,836	4,685	158,625	58,853	251,999
Transfers from/(to) another asset class	51	-	-	-	51
Transfers from/(to) Capital Work In Progress	459	142	426	174	1,201
Purchases (GBV)	1,752	1,245	1,996	233	5,226
Disposals (WDV)	(13)	-	(429)	(60)	(502)
Depreciation & Impairment	(1,063)	(222)	(3,969)	(338)	(5,592)
Revaluation Increments to Equity (ARR)	-	-	5,261	1,962	7,223
Impairment Reversal via Equity	-	-	1,484	47	1,531
Closing Balance - 30/6/14	31,022	5,850	163,394	60,871	261,137

Richmond Valley Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

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)

	Footpaths	Bulk Earthworks Non-Deprec	Stormwater Drainage	Water Supply Network	Total
Adoption of AASB 13	10,227	69,049	24,701	65,886	169,863
Transfers from/(to) Capital Work In Progress	-	-	40	912	952
Purchases (GBV)	1,106	10	235	1,860	3,211
Disposals (WDV)	(89)	-	(3)	(368)	(460)
Depreciation & Impairment	(203)	-	(546)	(781)	(1,530)
Revaluation Increments to Equity (ARR)	339	2,313	8,707	1,829	13,188
Closing Balance - 30/6/14	11,380	71,372	33,134	69,338	185,224

	Sewerage Network	Swimming Pools	Other Open Space/ Recreation	Total
Adoption of AASB 13	88,985	3,767	3,489	96,241
Transfers from/(to) another asset class	-	-	(51)	(51)
Transfers from/(to) Capital Work In Progress	7,869	-	84	7,953
Purchases (GBV)	1,114	-	192	1,306
Disposals (WDV)	(406)	-	(56)	(462)
Depreciation & Impairment	(1,065)	(151)	(270)	(1,486)
Revaluation Increments to Equity (ARR)	2,469	-	-	2,469
Closing Balance - 30/6/14	98,966	3,616	3,388	105,970

Richmond Valley Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 27. Fair Value Measurement (continued)

\$ '000

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

c. Significant unobservable valuation inputs used (for Level 3 asset classes) and their relationship to fair value.

The following table summarises the quantitative information relating to the significant unobservable inputs used in deriving the various Level 3 Asset Class fair values.

Class	Fair Value (30/6/14) \$'000	Key Unobservable Inputs	Expected range of inputs	Description of how changes in inputs will affect the fair value
Financial Assets				
Investments - At Fair Value through Profit or Loss	1,938	▪ Unit Price	\$0.94 to \$1.0372	Significant changes in the estimated unit price would result in significant changes to fair value measurement.
I,PP&E				
Plant & Equipment, Office Equipment & Furniture & Fittings	10,756	▪ Gross Replacement Cost ▪ Remaining Useful Life ▪ Residual Value	▪ Varies significantly from asset to asset ▪ 3 to 40 years ▪ 0% to 80%	Significant changes in the gross replacement value, pattern of consumption effecting the remaining useful life or residual value would result in significant changes to fair value measurement.
Land - Operational	23,054	▪ Land Value (price per square metre)	\$1 - \$1,154 (per square metre)	Significant changes in the price per square metre would result in significant changes to fair value measurement.
Land - Community	21,343	▪ Land Value (price per square metre)	\$1 - \$348 (per square metre)	Significant changes in the price per square metre would result in significant changes to fair value measurement.
Land Under Roads (post 30/06/08)	155	▪ Land Value (price per square metre)	\$1.08 (per square metre)	Significant changes in the price per square metre would result in significant changes to fair value measurement.
Land Improvements - Non-Depreciable	3,757	▪ Gross Replacement Cost ▪ Asset Condition	▪ Varies significantly from asset to asset ▪ Excellent to average.	Significant changes in the gross replacement value and asset condition would result in significant changes to fair value measurement.
Land Improvements - Depreciable	4,353	▪ Gross Replacement Cost ▪ Asset Condition ▪ Remaining Useful Life	▪ Varies significantly from asset to asset ▪ Excellent to very poor. ▪ 1 to 100 years	Significant changes in the gross replacement value, asset condition, pattern of consumption effecting the remaining useful life or residual value would result in significant changes to fair value measurement.
Buildings - Specialised	31,022	▪ Gross Replacement Cost ▪ Asset Condition ▪ Remaining Useful Life ▪ Residual Value	▪ Varies significantly from asset to asset ▪ Excellent to very poor. ▪ 1 to 100 years ▪ 0% to 10%	Significant changes in the gross replacement value, asset condition, pattern of consumption effecting the remaining useful life or residual value would result in significant changes to fair value measurement.

Richmond Valley Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 27. Fair Value Measurement (continued)

\$ '000

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

c. Significant unobservable valuation inputs used (for Level 3 asset classes) and their relationship to fair value.

Class	Fair Value (30/6/14) \$'000	Key Unobservable Inputs	Expected range of inputs	Description of how changes in inputs will affect the fair value
I,PP&E (continued) Other Structures	5,850	<ul style="list-style-type: none"> ▪ Gross Replacement Cost ▪ Asset Condition ▪ Remaining Useful Life ▪ Residual Value 	<ul style="list-style-type: none"> ▪ Varies significantly from asset to asset ▪ Excellent to very poor. ▪ 1 to 100 years ▪ 0% to 10% 	Significant changes in the gross replacement value, asset condition, pattern of consumption effecting the remaining useful life or residual value would result in significant changes to fair value measurement.
Roads	163,394	<ul style="list-style-type: none"> ▪ Gross Replacement Cost ▪ Asset Condition ▪ Remaining Useful Life ▪ Residual Value 	<ul style="list-style-type: none"> ▪ Varies significantly from asset to asset ▪ Excellent to very poor. ▪ 1 to 100 years ▪ 0% to 40% 	Significant changes in the gross replacement value, asset condition, pattern of consumption effecting the remaining useful life or residual value would result in significant changes to fair value measurement.
Bridges	60,871	<ul style="list-style-type: none"> ▪ Gross Replacement Cost ▪ Asset Condition ▪ Remaining Useful Life ▪ Residual Value 	<ul style="list-style-type: none"> ▪ Varies significantly from asset to asset ▪ Excellent to poor. ▪ 30 to 100 years ▪ 40% 	Significant changes in the gross replacement value, asset condition, pattern of consumption effecting the remaining useful life or residual value would result in significant changes to fair value measurement.
Footpaths	11,380	<ul style="list-style-type: none"> ▪ Gross Replacement Cost ▪ Asset Condition ▪ Remaining Useful Life ▪ Residual Value 	<ul style="list-style-type: none"> ▪ Varies significantly from asset to asset ▪ Excellent to poor. ▪ very poor. ▪ 15 to 60 years ▪ 0% to 35% 	Significant changes in the gross replacement value, asset condition, pattern of consumption effecting the remaining useful life or residual value would result in significant changes to fair value measurement.
Bulk Earthworks (Non-Depreciable)	71,372	<ul style="list-style-type: none"> ▪ Gross Replacement Cost ▪ Asset Condition ▪ Residual Value 	<ul style="list-style-type: none"> ▪ Varies significantly from asset to asset ▪ Excellent ▪ 100% 	Significant changes in the gross replacement value, asset condition, pattern of consumption effecting the remaining useful life or residual value would result in significant changes to fair value measurement.
Stormwater Drainage	33,134	<ul style="list-style-type: none"> ▪ Gross Replacement Cost ▪ Asset Condition ▪ Remaining Useful Life ▪ Residual Value 	<ul style="list-style-type: none"> ▪ Varies significantly from asset to asset ▪ Excellent to poor. ▪ very poor. ▪ 30 to 100 years ▪ 0% to 40% 	Significant changes in the gross replacement value, asset condition, pattern of consumption effecting the remaining useful life or residual value would result in significant changes to fair value measurement.
Water Supply Network	69,338	<ul style="list-style-type: none"> ▪ Gross Replacement Cost ▪ Asset Condition ▪ Remaining Useful Life ▪ Residual Value 	<ul style="list-style-type: none"> ▪ Varies significantly from asset to asset ▪ Excellent to poor. ▪ very poor. ▪ 15 to 100 years ▪ 0% to 70% 	Significant changes in the gross replacement value, asset condition, pattern of consumption effecting the remaining useful life or residual value would result in significant changes to fair value measurement.

Richmond Valley Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 27. Fair Value Measurement (continued)

\$ '000

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

c. Significant unobservable valuation inputs used (for Level 3 asset classes) and their relationship to fair value.

Class	Fair Value (30/6/14) \$'000	Key Unobservable Inputs	Expected range of inputs	Description of how changes in inputs will affect the fair value
I,PP&E (continued) Sewerage Network	98,966	<ul style="list-style-type: none"> ▪ Gross Replacement Cost ▪ Asset Condition ▪ Remaining Useful Life ▪ Residual Value 	<ul style="list-style-type: none"> ▪ Varies significantly from asset to asset ▪ Excellent to poor. ▪ 15 to 100 years ▪ 0% to 70% 	Significant changes in the gross replacement value, asset condition, pattern of consumption effecting the remaining useful life or residual value would result in significant changes to fair value measurement.
Swimming Pools	3,616	<ul style="list-style-type: none"> ▪ Gross Replacement Cost ▪ Asset Condition ▪ Remaining Useful Life ▪ Residual Value 	<ul style="list-style-type: none"> ▪ Varies significantly from asset to asset ▪ Excellent to poor. ▪ 10 to 50 years ▪ 0% 	Significant changes in the gross replacement value, asset condition, pattern of consumption effecting the remaining useful life or residual value would result in significant changes to fair value measurement.
Other Open Space/ Recreational Assets	3,388	<ul style="list-style-type: none"> ▪ Gross Replacement Cost ▪ Asset Condition ▪ Remaining Useful Life ▪ Residual Value 	<ul style="list-style-type: none"> ▪ Varies significantly from asset to asset ▪ Excellent to poor. ▪ 10 to 80 years ▪ 0% 	Significant changes in the gross replacement value, asset condition, pattern of consumption effecting the remaining useful life or residual value would result in significant changes to fair value measurement.
Library Books	404	<ul style="list-style-type: none"> ▪ Gross Replacement Cost ▪ Remaining Useful Life ▪ Residual Value 	<ul style="list-style-type: none"> ▪ Varies significantly from asset to asset ▪ 10 years ▪ 0% 	Significant changes in the gross replacement value, pattern of consumption effecting the remaining useful life or residual value would result in significant changes to fair value measurement.

Richmond Valley Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 27. Fair Value Measurement (continued)

\$ '000

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

d. The Valuation Process for Level 3 Fair Value Measurements

Fair Value Hierarchy

AASB 13 Fair Value Measurement requires disclosure of fair value measurement by level of input, using the following '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 Valuation Techniques

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

'Cost Approach': A valuation technique that reflects the amount that would be required to replace the service capacity of an asset (current replacement cost).

'Income Approach': A valuation technique that converts future amounts (cash inflows/outflows) to signal the current (ie 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 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:

Level 2 valuation process for some asset classes where the basis was Cost Approach under Level 2 input, whereby maximising observable inputs and minimising unobservable inputs as below:

- Quoted prices for similar asset in active markets
- Current replacement cost concept
- Purchase price
- Useful life

Level 3 valuation process for some asset classes where the basis was Cost Approach. The inputs used for this technique were:

- Pattern of consumption
- Residual value
- Asset condition
- Unit rates
- Useful life

(5). Highest and best use

All of Council's non financial assets are considered as being utilised for their highest and best use.

Richmond Valley Council

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

Note 28. Council Information & Contact Details

Principal Place of Business:

Cnr Walker Street and Graham Place
Casino NSW 2470

Contact Details**Mailing Address:**

Locked Bag 10
Casino NSW 2470

Opening Hours:

Office Hours: 8:30am - 5:00pm
Cashier Hours: 8:30am - 4:30pm

Telephone: 02 6660 0300

Facsimile: 02 6660 1300

Internet: www.richmondvalley.nsw.gov.au

Email: council@richmondvalley.nsw.gov.au

Officers**GENERAL MANAGER**

John Walker

RESPONSIBLE ACCOUNTING OFFICER

Ryan Gaiter

PUBLIC OFFICER

Derek Swanborough

AUDITORS

Thomas, Noble and Russell
PO Box 106
31 Keen Street
Lismore NSW 2480

Elected Members**MAYOR**

Ernie Bennett

COUNCILLORS

Robert Hayes
Sandra Humphrys
Steve Morrissey
Robert Mustow
Daniel Simpson
Col Sullivan

Other Information

ABN: 54 145 907 009



**RICHMOND VALLEY COUNCIL
GENERAL PURPOSE FINANCIAL STATEMENTS
INDEPENDENT AUDIT REPORT**

Report on the Financial Statements

We have audited the accompanying financial statements of Richmond Valley Council (“the Council”), which comprises the statement of financial position as at 30 June 2014, the income statement, 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.

Council’s Responsibility for the Financial Statements

The Council is 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 Council determines is necessary to enable the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor’s Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s 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 control relevant to the Council’s preparation and fair presentation of the financial statements 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 Council’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Council, as well as evaluating the overall presentation of the financial statements.

Our audit responsibility does not extend to the original budget information included in the income statement, statement of cash flows, Note 2(a), Note 16 budget variation explanations and Note 17 forecast information, and accordingly, we do not express an opinion on such. In addition, our audit did not include an analysis of the prudence of business decisions made by Council or management.

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



Independence

In conducting our audit, we have complied with the independence requirements of the Australian professional accounting bodies.

Opinion

In our opinion:

- a) The Council's accounting records have been kept in accordance with the requirements of the *Local Government Act, 1993*, Chapter 13, Part 3, Division 2;
- b) The financial statements:
 - i. Have been prepared in accordance with the requirements of this Division;
 - ii. Are consistent with the Council's accounting records;
 - iii. Present fairly, in all material respects, the Council's financial position as at 30 June 2014, and of its performance and its cash flows for the year then ended; and
 - iv. Are in accordance with applicable Accounting Standards;
- c) All information relevant to the conduct of the audit has been obtained; and
- d) There are no material deficiencies in the accounting records or financial report that have come to light in the course of the audit.

Matters Relating to the Electronic Presentation of the Audited Financial Statements

This auditor's report relates to the general purpose financial statements of Richmond Valley Council for the financial year ended 30 June 2014 included on Council's website. The Council is responsible for the integrity of the Council's website. We have not been engaged to report on the integrity of this website. The auditor's report refers only to the financial statements identified above. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial statements. If users of the financial statements are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial statements to confirm the information contained in this website version of the financial statements.

Dated at Lismore this 21st day of October 2014

**THOMAS NOBLE & RUSSELL
CHARTERED ACCOUNTANTS**


.....
G W DWYER (Partner)
Registered Company Auditor

Richmond Valley Council

Report to Council under s417 of the Local Government Act 1993

30 June 2014

Richmond Valley Council



BRW.
CLIENT
CHOICE
AWARDS
2013
australia's best professional service firms
WINNER

BRW.
CLIENT
CHOICE
AWARDS
2014
australia's best professional service firms
WINNER



Thomas
Noble &
Russell

Accountants | Auditors | Business Advisers

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We are pleased to advise that we have completed the audit of Council's financial reports for the year ended 30 June 2014, in accordance with Section 415 of the *Local Government Act 1993*. The financial reports that have been subject to independent audit are the:

- General purpose financial report; and
- Special purpose financial report.

1. THE AUDITOR'S ROLE & RESPONSIBILITY

Council's annual financial audit engagement has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance as to whether the financial reports comply with Australian Accounting Standards as well as other statutory requirements and are free of material misstatement.

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

Our independent audit report is attached to each financial report.

This report should be read in conjunction with our audit opinion on the general purpose financial report provided under Section 417(2) of the *Local Government Act 1993*.

Reporting on the Conduct of the Audit

Section 417 (3) of the *Local Government Act 1993* requires us to consider and provide comment on the material items affecting the general purpose financial report and other matters pertinent to the audit. Arising from the audit, there are a number of observations we wish to raise concerning the trends in Council's finances. These observations are set out below.

2. INCOME STATEMENT

2.1 Consolidated Operating Result

Council's consolidated deficit from all activities for 2014 was \$76,000. This compares to a deficit in 2013 of \$4,875,000. This result can be summarised as follows:

Consolidated Operating Result	2014 \$'000	2013 \$'000	2012 \$'000
Revenues from continuing operations	40,176	41,820	47,132
Expenses from continuing operations	(34,182)	(33,608)	(38,144)
Surplus from continuing operations before depreciation	5,994	8,212	8,988
Less: depreciation expense	(10,560)	(13,665)	(14,570)
Operating deficit after depreciation & before capital revenue and other significant items	(4,566)	(5,453)	(5,582)
Significant items impacting the operating result			
Gain/(Loss) on disposal of assets	(1,301)	(1,327)	(3,236)
Operating deficit before capital revenue	(5,867)	(6,780)	(8,818)
Capital grants and contributions	5,791	3,707	7,439
Discontinued operations	-	(1,802)	-
Deficit from all activities	(76)	(4,875)	(1,379)

These results are more meaningfully analysed by operating Fund as detailed further in this report.

2.2 Operating Result by Fund

The consolidated operating result comprises the surpluses and deficits associated with Council's General, Sewer (waste water) and Water Funds. The results of each fund are provided below:

Operating Result by Fund	General 2014 \$'000	Water 2014 \$'000	Sewer 2014 \$'000	General 2013 \$'000	Water 2013 \$'000	Sewer 2013 \$'000
Revenues from continuing operations	27,580	5,320	7,276	28,563	5,154	8,103
Expenses from continuing operations	(24,511)	(4,353)	(5,318)	(23,622)	(3,857)	(6,129)
Surplus from continuing operations before depreciation	3,069	967	1,958	4,941	1,297	1,974
Less: depreciation expense	(8,670)	(794)	(1,096)	(11,924)	(789)	(952)
Operating result after depreciation & before capital revenue and other significant items	(5,601)	173	862	(6,983)	508	1,022
Significant items impacting the operating result						
Gain/(Loss) on disposal of assets	(497)	(378)	(426)	(432)	(392)	(503)
Operating result before capital revenue	(6,098)	(205)	436	(7,415)	116	519
Capital grants and contributions	5,643	59	89	2,416	21	1,270
Discontinued operations	-	-	-	(1,802)	-	-
Surplus/Deficit from all activities	(455)	(146)	525	(6,801)	137	1,789

2.3 Material Items Impacting the Result After Depreciation & Before Capital Revenue and Other Significant Items

2.3.1 General Fund Result

The General Fund operating result after depreciation and before capital revenue and other significant items has improved by \$1,382,000 from a \$6,983,000 deficit in 2013 to a \$5,601,000 deficit in 2014. Some of the material components contributing to the reduced overall deficit include:

Revenue

- Increase in ordinary rates income of \$360,000, mainly due to the 3.4% rate rise as approved by the Minister for Local Government;
- Increase in other fees and charges of \$1,721,000, mainly due to increased RMS charges of \$2,320,000;
- Decrease in interest and investment revenue of \$1,049,000, due mainly to a \$779,000 reduction in the increments in investment values experienced in 2014;
- Decrease in general purpose grants of \$2,221,000, due to a reduction in financial assistance advances from the Federal government.

Expenses

- Increase in employee costs of \$1,449,000;
- Decrease in depreciation and amortisation of \$3,254,000; primarily the result of lower depreciation on transport infrastructure assets of \$3,359,000. Subsequent to the 30 June 2013 revaluation Council commenced using a consumption based depreciation methodology (previously straight line) for transport infrastructure assets in 2014 which resulted in a lower depreciation expense.

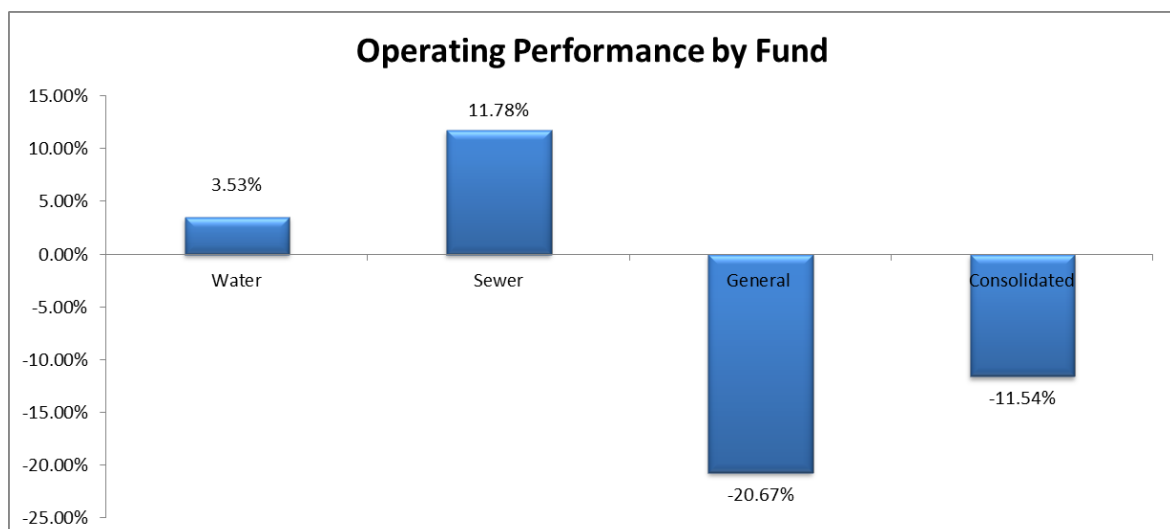
2.3.2 Water and Sewer Funds

The Water Fund operating result after depreciation and before capital revenue and other significant items has deteriorated from a surplus of \$508,000 in 2013 to a surplus of \$173,000 in 2014.

The Sewer Fund operating result after depreciation and before capital revenue and other significant items has deteriorated from a surplus of \$1,022,000 in 2013 to a surplus of \$862,000 in 2014.

2.3.3 Operating Performance Ratio

The Office of Local Government has introduced a ratio that measures a Council's achievement of containing operating expenditure within operating revenue (achieving a surplus after depreciation but before capital revenue). The benchmark is greater than 0%.

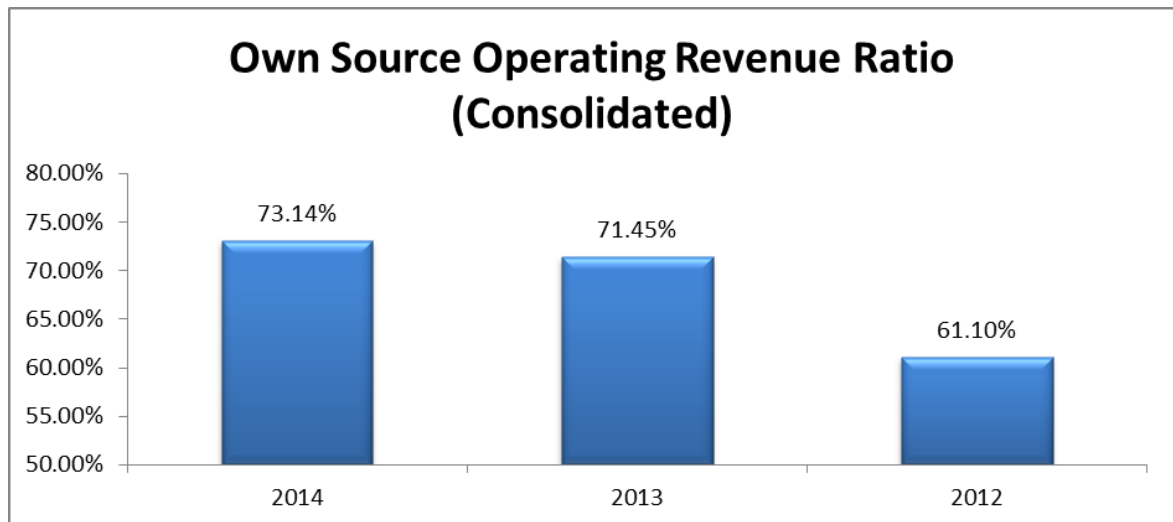


As previously illustrated Council's General Fund has an operating deficit after depreciation of \$5,601,000. This result was adversely impacted by the reduction in Financial Assistance Grant funding in the 2014 financial year to the extent of \$2,230,000. Without this negative impact, General Fund would have achieved an operating performance ratio of -11.61%.

It is important to distinguish that this ratio is focusing on operating performance and hence capital grants and contributions and fair value adjustments are excluded.

2.3.4 Own Source Operating Revenue Ratio

Local Government performance benchmarking now analyses the ability of Council to generate its own revenue sources rather than over-reliance on grants and contributions (capital and operating) received from external sources. The graph below illustrates that Council sources 73.14% of its consolidated revenue from rates, annual charges, user charges, interest etc. which exceeds the industry benchmark of 60%.



Individually General, Water and Sewer Funds own source operating revenue ratio also exceed industry benchmarks.

2.4 Capital Grants & Contributions – All Funds

Council receives capital grants and contributions from various sources each financial year to renew existing assets as well as construct new assets. Capital contributions include developer contributions as well as dedications received by Council on the finalisation of a development.

Capital grants received during the year amounted to \$4,619,000 and included grants for saleyards - \$639,000, grants for transport asset - \$1,720,000 and grants for storm/flood damage - \$1,752,000.

Capital contributions received during the year amounted to \$1,172,000. The table below provides an understanding of the nature and quantum of contributions received during the financial year:

	2014 \$'000	2013 \$'000	2012 \$'000
S 94 - Contributions towards amenities/services	48	45	237
S 94A - Fixed Development Consent Levies	34	57	116
S 64 - Water Supply Contributions	36	14	45
S 64 - Sewerage Service Contributions	49	498	111
Total Developer Contributions	167	614	509
Non-cash Developer Dedications	687	31	834
Other Contributions	318	232	356
Total	1,172	877	1,699

The use of cash contributions received during each year is restricted and accordingly they are not available for use in Council's general operations.

3. STATEMENT OF FINANCIAL POSITION

Council's Statement of Financial Position (Balance Sheet) is summarised below.

	2014 \$'000	2013 \$'000	2012 \$'000
Current Assets	36,341	37,763	40,521
Non-Current Assets	623,301	600,041	564,145
Total Assets	659,642	637,804	604,666
Current Liabilities	11,099	10,199	11,862
Non-Current Liabilities	23,594	24,291	23,658
Total Liabilities	34,693	34,490	35,520
Equity	624,949	603,314	569,146

We provide commentary on some of the material assets and liabilities appearing on Council's statement of financial position as at 30 June 2014 together with related Office of Local Government benchmark data.

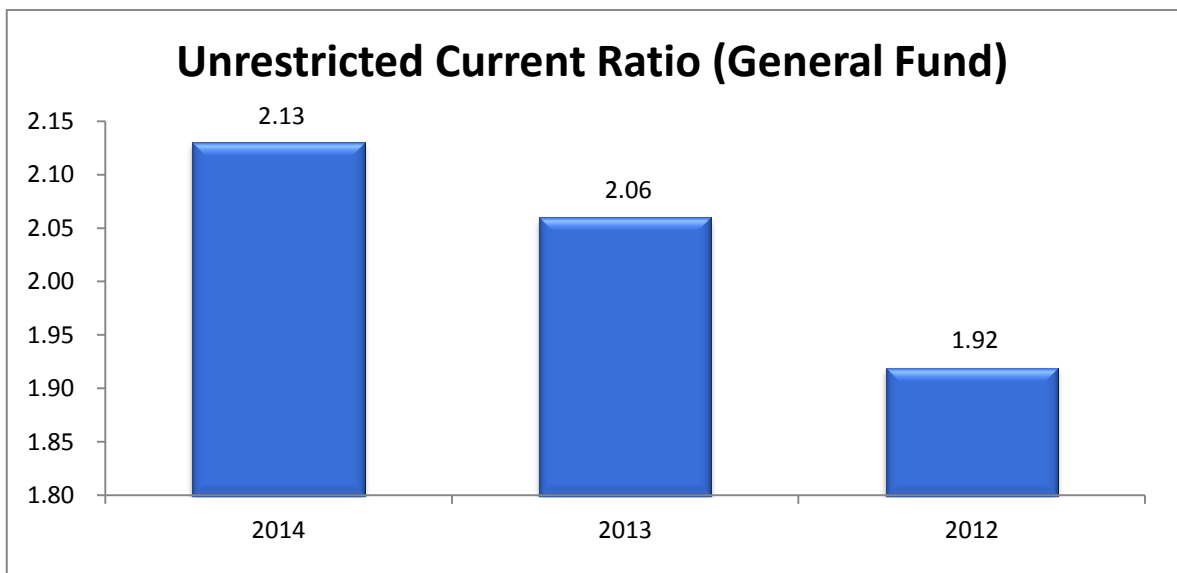
3.1 Net Current Assets

3.1.1 Unrestricted Net Current Assets & Ratio

	2014 \$'000	2013 \$'000	2012 \$'000
Current Assets	36,341	37,763	40,521
Externally restricted cash & investments	(17,904)	(21,571)	(23,822)
Externally restricted receivables	(3,296)	(3,333)	(3,548)
Current Assets less all External Restrictions	15,141	12,859	13,151
Current Liabilities	11,099	10,199	11,862
Externally restricted liabilities	(1,620)	(1,713)	(1,584)
Liabilities classified as current in the financial report but not expected to be paid in the next 12 months	(2,366)	(2,240)	(3,453)
Current Liabilities less Specific Purpose Liabilities	7,113	6,246	6,825
Unrestricted Current Net Assets before Internal Reserves	8,028	6,613	6,326

Council's unrestricted current asset position provides a measure of the organisation's capacity / liquidity to meet its commitments from current assets net of externally restricted cash, investments and receivables.

The unrestricted current ratio measures Council's net unrestricted current ratio. The Office of Local Government and NSW Treasury consider that this ratio should be in the range of 1.5 – 2.0.



At 30 June 2014 Council's General Fund has \$2.13 in liquid current assets for every \$1 of current liabilities.

This ratio has increased over the last three years as Council's net unrestricted assets have increased.

3.1.2 Cash & Investments (Current & Non-Current)

Included in Council's assets are cash and investments which are restricted in their use as follows:

Cash & Investments	2014 \$'000	2013 \$'000	2012 \$'000
Externally Restricted	18,385	24,907	26,476
<i>Monies can only be spent in accordance with legislation, grant agreement or developer contribution plan specifications</i>			
Internally Restricted	5,351	5,689	4,161
<i>Money set aside for special projects via Council resolution</i>			
Unrestricted	-	502	-
<i>Funds forming part of working capital used for day-to-day Council operations</i>			
Total Cash & Investments	<u>23,736</u>	<u>31,098</u>	<u>30,637</u>

Council is managing its investment portfolio in accordance with the Minister's Investment Order which is applicable to all local government authorities.

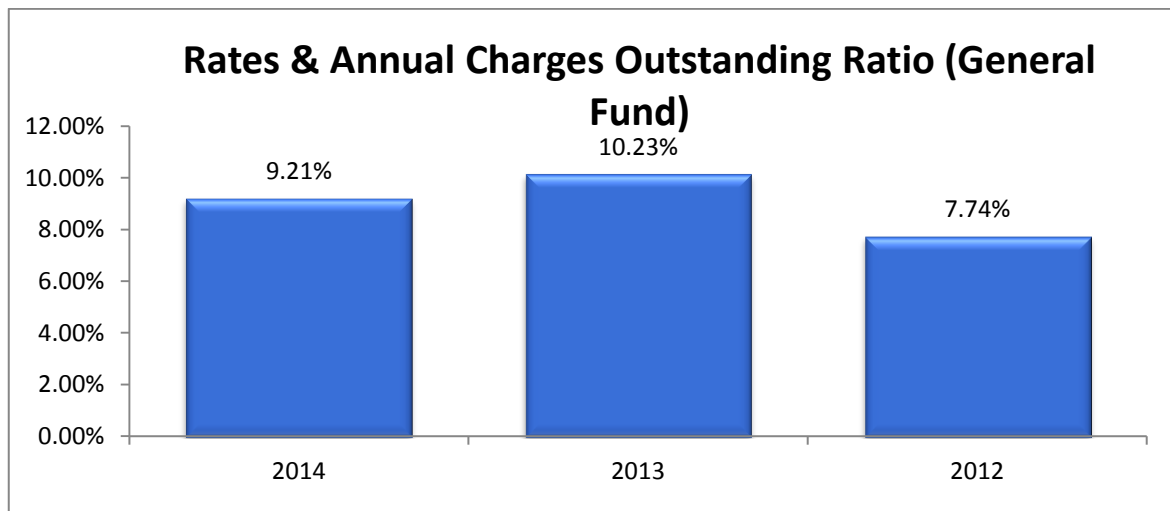
Total Internally Restricted Cash

Council has resolved to set aside the following special purpose reserves:

	2014 \$'000	2013 \$'000	2012 \$'000
Plant & Vehicle Replacement	445	876	121
Infrastructure Replacement	105	134	-
Employees Leave Entitlement	749	735	391
Carry Over Works	252	607	435
Casino Saleyards	194	391	445
Insurance	84	52	52
Other Waste Management	1,454	1,747	1,862
Petersons Quarry	584	22	92
Public Cemeteries Perpetual Maintenance	407	391	365
Quarry Rehabilitation	76	55	54
Revolving Energy and Sustainability Fund	8	8	11
Richmond Upper Clarence Regional Library	417	316	258
Unexpended Rates Variations	65	18	49
Woodview Quarry	511	56	26
Evans Head Airport	-	15	-
RMS State Roads Maintenance Contract	-	266	-
Total Internal Restrictions	<u>5,351</u>	<u>5,689</u>	<u>4,161</u>

3.1.3 Rates and Annual Charges Outstanding Percentage

This is a financial performance indicator that assesses the effectiveness of Council's revenue collection processes.



Council's General Fund rates and annual charges outstanding ratio has improved from 10.23% in 2013 to 9.21% as at 30 June 2014. The NSW Office of Local Government benchmark is <5% for urban and coastal Council's and <10% for rural Council's.

We suggest that it would be prudent for Council to review its policies and procedures to determine the level of outstanding rates and annual charges it wishes to maintain.

3.2 Infrastructure, Property, Plant and Equipment (I,P,P&E)

The largest asset or liability appearing on Council's statement of financial position is I,P,P&E. Note 9 to the general purpose financial statements provides an understanding of Council's I,P,P&E and illustrates that Council is responsible for maintaining and improving assets with a written down value of approximately \$619 million.

3.2.1 Depreciation

	WDV 2014 \$'000	Depreciation Expense 2014 \$'000	WDV 2013 \$'000	Depreciation Expense 2013 \$'000	WDV 2012 \$'000	Depreciation Expense 2012 \$'000
Plant & Equipment	10,756	(1,820)	10,590	(1,696)	11,196	(1,588)
Operational Land	23,054	-	23,141	-	24,313	-
Community Land	21,343	-	22,387	-	23,916	-
Land Under Roads	155	-	142	-	142	-
Land Improvements	8,110	(270)	7,996	(270)	8,098	(263)
Buildings	31,022	(1,063)	29,836	(1,100)	31,454	(1,056)
Other Structures	5,850	(222)	4,685	(234)	5,355	(221)
Roads, Bridges & Footpaths	235,645	(4,510)	227,705	(7,869)	196,925	(7,476)
Bulk Earthworks	71,372	-	69,049	-	67,003	-
Stormwater Drainage	33,134	(546)	24,701	(530)	24,504	(506)
Water Supply Infrastructure	69,338	(781)	65,886	(778)	64,579	(1,305)
Sewer Supply Infrastructure	98,966	(1,065)	88,985	(921)	85,856	(1,632)
Swimming Pools	3,616	(151)	3,767	(151)	3,918	(151)
Other Open Space/Recreational Assets	3,388	(270)	3,489	(278)	3,557	(278)
Work in Progress	2,022	-	10,492	-	5,858	-
Other Assets	404	(76)	397	(75)	390	(74)
Tip Assets	533	(14)	422	(43)	1,021	(206)
Quarry Assets	211	(17)	166	(31)	350	(28)
	<u>618,919</u>	<u>(10,805)</u>	<u>593,836</u>	<u>(13,976)</u>	<u>558,435</u>	<u>(14,784)</u>

The major movements in the above table for transport, stormwater drainage, water and sewer asset written down values and depreciation are the result of the general revaluation for these assets as detailed at section 3.2.2 of this report.

3.2.2 Asset Revaluations

During the current financial year Council with the assistance of an external expert performed a full revaluation of its land and stormwater drainage infrastructure assets. All other infrastructure assets were indexed in accordance with applicable indices. As a result of the revaluation (including indexation), net revaluation increments of \$21,709,000 were recognised, these amounts were credited to the Asset Revaluation Reserve.

	WDV Prior to Revaluation \$'000	Revaluation Increase / (Decrease) \$'000	WDV Subsequent to Revaluation \$'000
Land - revalued:			
- Operational Land	23,438	(384)	23,054
- Community Land	22,143	(800)	21,343
- Land under Roads (post 30/6/08)	142	13	155
Infrastructure - revalued:			
- Stormwater Drainage	24,427	8,707	33,134
Infrastructure - indexed:			
- Roads	158,133	5,261	163,394
- Bridges	58,909	1,962	60,871
- Footpaths	11,041	339	11,380
- Bulk Earthworks (non-depreciable)	69,059	2,313	71,372
- Water Supply Network	67,509	1,829	69,338
- Sewerage Network	96,497	2,469	98,966
Property, Plant & Equipment - not revalued	65,912	-	65,912
	<u>597,210</u>	<u>21,709</u>	<u>618,919</u>

3.2.3 Reassessment of Asset Useful Lives

As required by Australian Accounting Standards, Council has reassessed asset useful lives and residual values. Whilst we noted overall revaluation increases, the overall depreciation for the year reduced from \$13,976,000 in 2013 to \$10,805,000 in 2014. The most notable single movement in depreciation was the reduction in depreciation of transport infrastructure assets by \$3,359,000 which is a result of Council moving to a consumption based depreciation methodology from 1 July 2013 (previously straight line).

It is important that Council regularly reassess the remaining useful lives of assets and their condition in future revaluations.

3.2.4 Council Constructed / Purchased Additions

Each year Council budgets to renew or capitalise new assets. An illustration of I,P,P&E capitalised over the past three years is provided below:

	2014 \$'000	2013 \$'000	2012 \$'000
Developer Infrastructure Dedications	687	31	834
Non-Cash Grants / Contributions			
Bush Fire Grants	25	182	74
Other Dedications	77	-	-
Council Constructed / Purchased Assets			
Land and Buildings	3,667	1,499	4,330
Plant and Equipment	2,336	1,900	2,844
Roads and Drainage	2,954	2,702	3,720
Water & Sewerage Network	2,913	2,041	1,059
Other Assets	83	83	85
Work in Progress	1,767	6,339	5,136
Total Asset Additions	14,509	14,777	18,082
Consisting of:			
Asset Renewals - Buildings & Infrastructure	6,785	7,040	5,589
Dedicated Assets	789	213	908
New Assets	6,935	7,524	11,585
	14,509	14,777	18,082

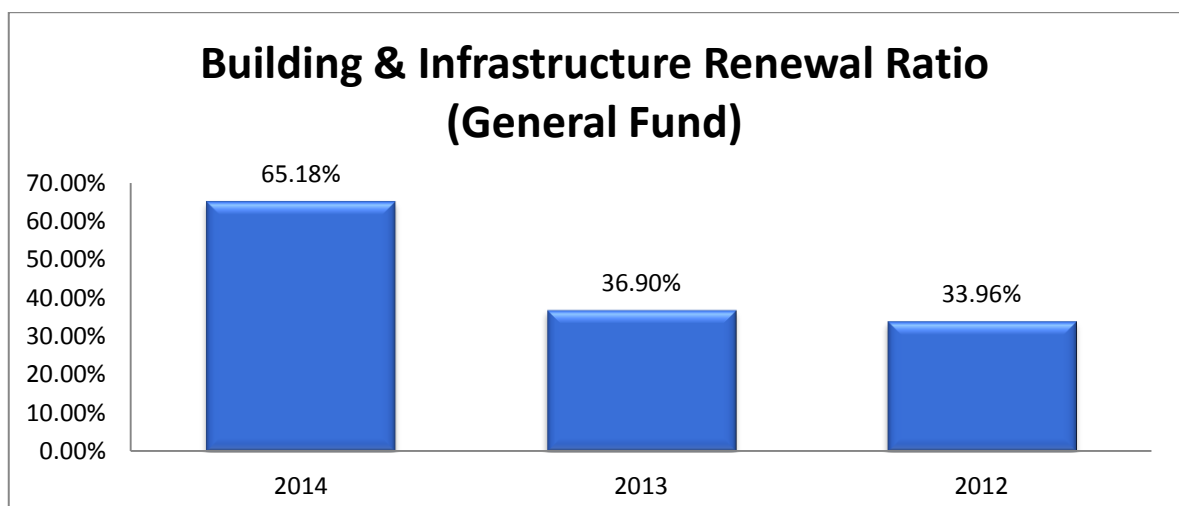
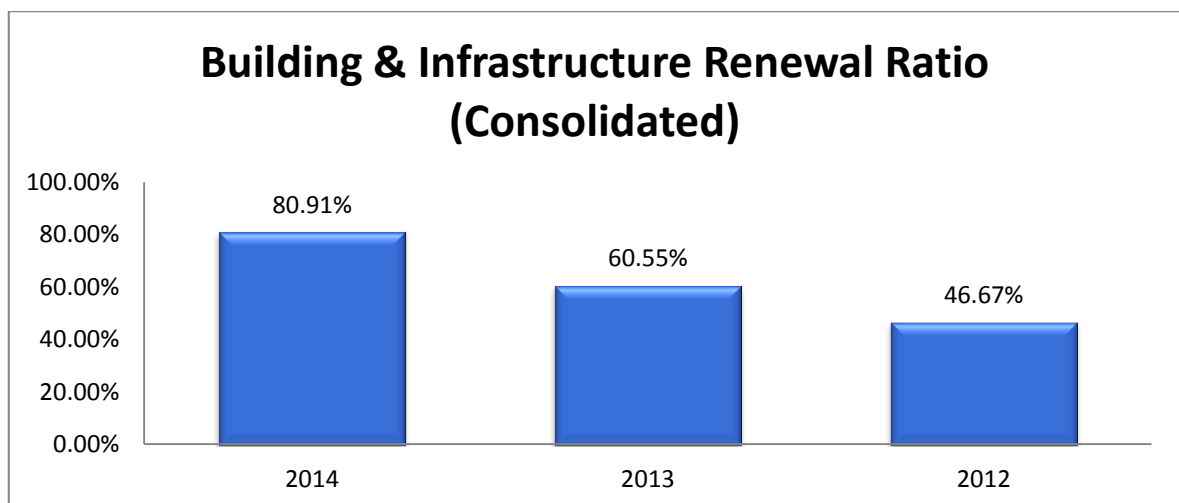
3.2.5 Asset Management Performance Indicators

The NSW Office of Local Government has introduced several performance indicators designed to provide Council with measures of asset management.

Asset Management Performance Indicators disclosed in Special Schedule 7 provide information on council's assets in addition to that contained in Note 9 - Infrastructure, Property, Plant and Equipment. The nature of the information in the Report on Infrastructure Assets is related to the condition, maintenance and renewal of infrastructure assets. This information and the following asset management performance indicators are not subject to audit this financial year. However, commencing 2014/2015 this information will be subject to audit.

Buildings & Infrastructure Renewals Ratio

Assessing the rate at which buildings and infrastructure assets are being renewed against the rate at which they are depreciating is measured using the buildings and infrastructure renewals ratio. The buildings and infrastructure renewals ratio is calculated based on replacement of existing assets with assets of equivalent capacity or performance as opposed to the acquisition of new assets. Expenditure incurred to add capacity to existing assets is excluded from this ratio.



Industry benchmarking recommends that asset renewals equate to the related depreciation expense or be in the range of 90-100%.

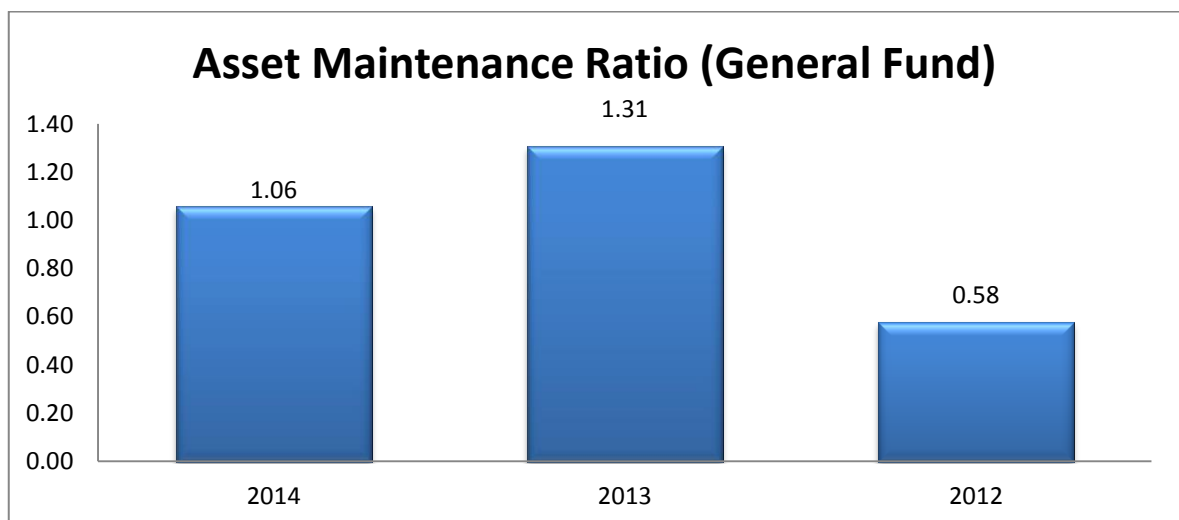
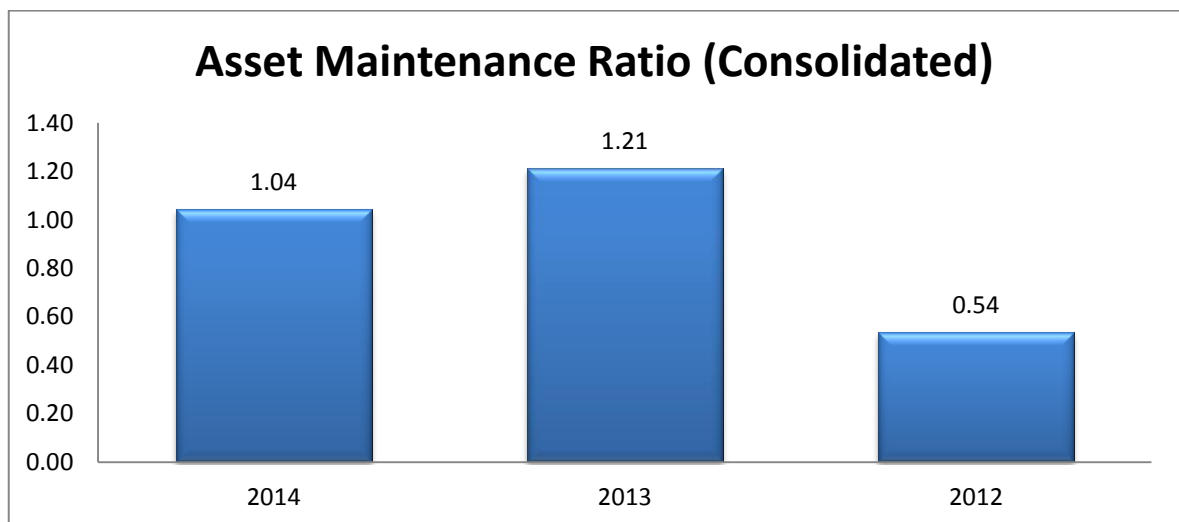
Whilst Council's ratios have improved, these graphs illustrate that Council is not renewing assets equivalent to the rate at which they are depreciating.

The challenge facing all local government authorities is to improve this ratio to satisfy this industry benchmark continuously, particularly in the General Fund, which is subject to rate pegging limits and special rate variations.

Asset Maintenance Ratio

This ratio compares actual versus required (as estimated by Council staff) annual asset maintenance. A ratio of above 1.0 indicates that the Council is investing enough funds within the year to stop the Infrastructure Backlog from growing. This ratio is highly dependent on accurate and consistent required maintenance and quantified infrastructure backlog calculations.

The benchmark for this ratio is greater than 1.0.

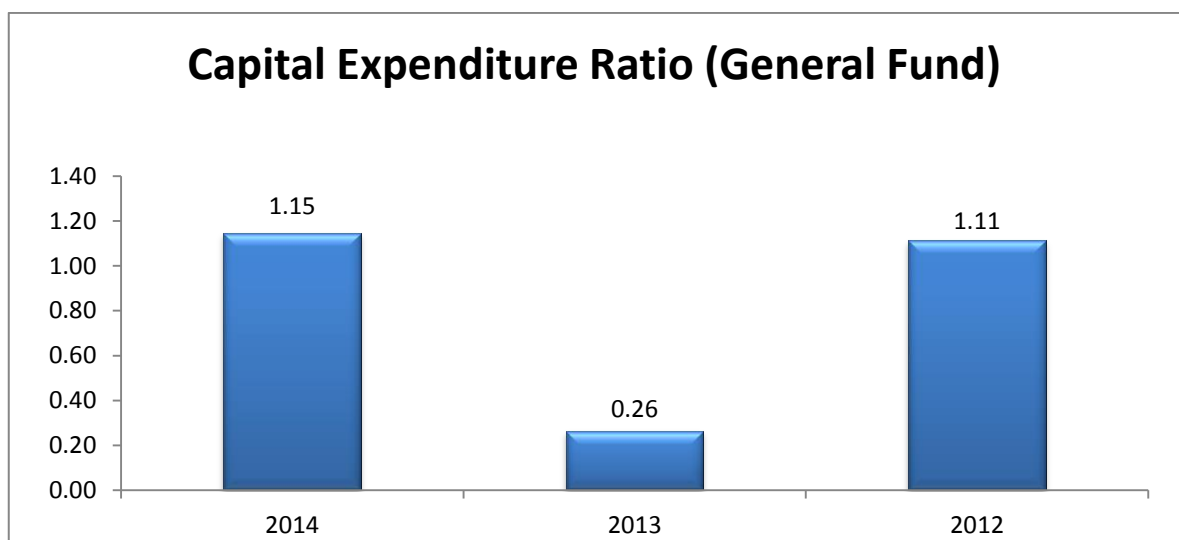
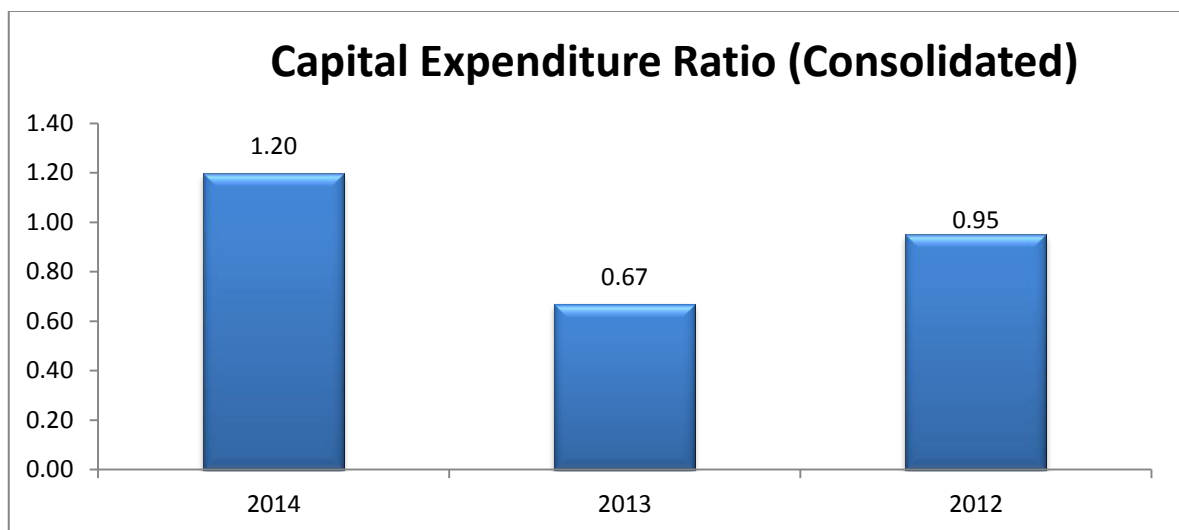


The ratios for 2014 indicate that Council is spending sufficient funds on asset maintenance to ensure their condition does not deteriorate below a satisfactory standard.

Capital Expenditure Ratio

This ratio indicates the extent to which Council is forecasting to expand its asset base with capital expenditure spent on both new assets as well as replacement and renewal of existing assets.

The benchmark for this ratio is greater than 1.0.



Creating financial capacity to fund asset maintenance, renewals and new capital projects is one of the most difficult issues facing the Local Government industry in Australia. The ability to satisfy the industry parameters for asset renewals is a key goal for any local government authority which will only be achieved by:

- having asset management and financial systems that accurately identify and record renewals expenditure throughout each year,
- ensuring that the depreciation expense disclosed in the financial report reflects the actual consumption of each asset,

- ensuring policies and procedures are updated so that Council personnel have sound guidance on capital v maintenance and renewals v new capital works,
- accurately recording renewals expenditure where projects include replacing an existing asset with greater capacity, and
- constantly reviewing Council's operations so that the maximum available resources can be directed toward asset renewal.

3.3 Loan Liability

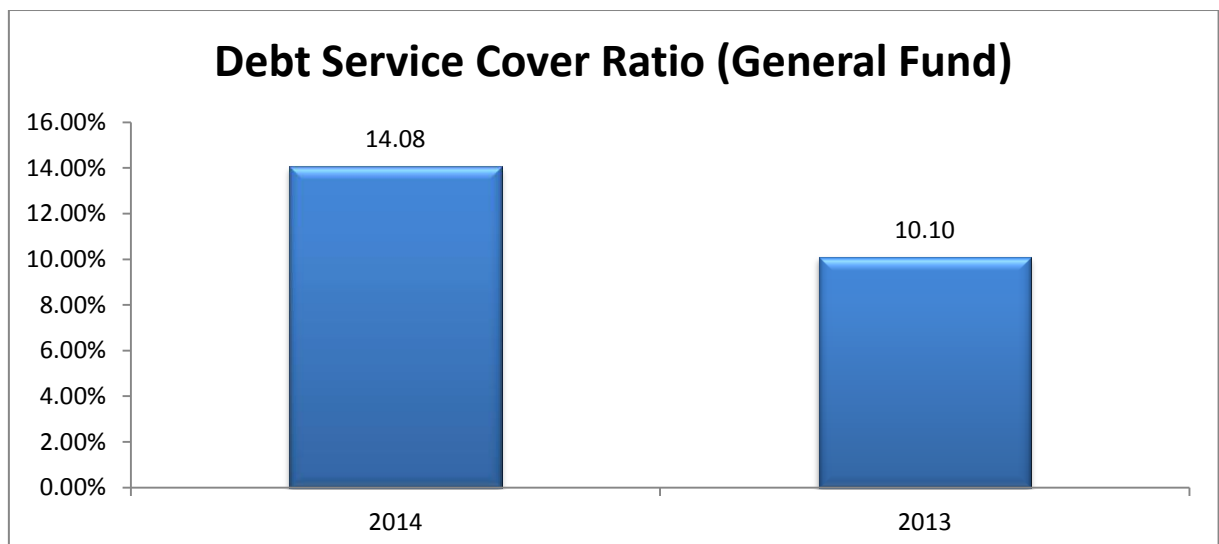
	2014 \$'000	2013 \$'000	2012 \$'000
Current Loan Liability	1,111	1,218	1,048
Non-Current Loan Liability	20,881	21,992	20,771
Total Loan Liability	21,992	23,210	21,819

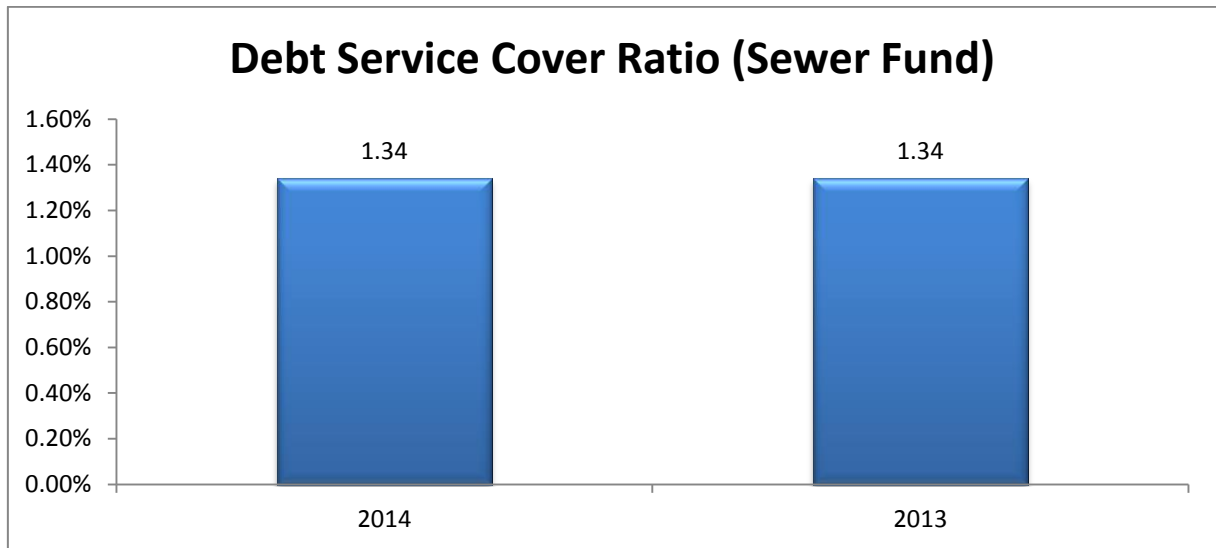
By Fund:

General Fund	2,847	148	150
Water Fund	-	-	-
Sewer Fund	19,145	23,062	21,669
Total Loan Liability	21,992	23,210	21,819

Debt Service Cover Ratio

A new ratio has been introduced to measure the availability of operating cash to service debt including interest, principal and lease payments. This ratio replaces the Debt Service Ratio which measured the Council's debt and interest repayment as a percentage of revenue. The benchmark for the new ratio is greater than 2.





These graphs illustrate that Council is generating sufficient cash to satisfy its debt repayment obligations in General Fund. For Sewer Fund we suggest that the ratio be analysed to determine if cash flow over the short to medium term is sufficient to allow this benchmark to be achieved.

4. OTHER MATTERS

4.1 Internal Control Environment

No significant breakdowns of internal control were encountered during the course of our audit nor did we become aware of the existence of items comprising material error, sufficient to cause us to issue a modified audit opinion. We will issue a separate report to Council which identifies internal control weaknesses and other audit observations in due course.

4.2 Financial Performance Measurement

In 2015 Council's special schedule 7 will be subject to independent audit. Special schedule 7 contains asset management ratios, costs to bring assets to a satisfactory standard and information relating to actual and required maintenance expenditure levels. As this information has not been subject to independent review in prior years, it is important that Council:

- Review the information contained in special schedule 7 to ensure it is accurate;
- Have policies and procedures supporting the compilation of information that is included in special schedule 7 so that asset management ratios are calculated accurately;
- Aligns asset data collection to allow efficient compilation of the information contained in special schedule 7.

Subject to the foregoing comments the books of account and records of the Council were maintained in good order and condition and the information and explanations required during the course of our work were readily supplied by the General Manager and his staff.

Yours faithfully

**THOMAS NOBLE & RUSSELL
CHARTERED ACCOUNTANTS**

Per:



.....
G W DWYER (Partner)
Registered Company Auditor

Richmond Valley Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2014

“The development of community and
natural attributes of the area to enable
a pleasant and sustainable lifestyle.”

Richmond
Valley
Council



Richmond Valley Council

Special Purpose Financial Statements

for the financial year ended 30 June 2014

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Background

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

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

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

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

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

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

Richmond Valley Council

Special Purpose Financial Statements

for the financial year ended 30 June 2014

Statement by Councillors and Management

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

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

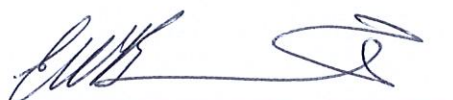
- The NSW Government Policy Statement "Application of National Competition Policy to Local Government".
- The Division of Local Government Guidelines "Pricing & Costing for Council Businesses - A Guide to Competitive Neutrality".
- The Local Government Code of Accounting Practice and Financial Reporting.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

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

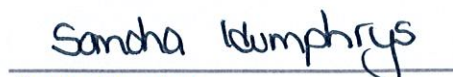
- Present fairly the Operating Result and Financial Position for each of Council's declared Business Activities for the year, and
- Accord with Council's accounting and other records.

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

Signed in accordance with a resolution of Council made on 21 October 2014.



Ernie Bennett
MAYOR



Sandra Humphrys
COUNCILLOR



John Walker
GENERAL MANAGER



Ryan Gaiter
RESPONSIBLE ACCOUNTING OFFICER

Richmond Valley Council

Income Statement of Council's Water Supply Business Activity

for the financial year ended 30 June 2014

\$ '000	Actual 2014	Actual 2013
Income from continuing operations		
Access charges	1,181	930
User charges	3,938	3,720
Fees	75	83
Interest	34	301
Grants and contributions provided for non capital purposes	92	118
Profit from the sale of assets	-	-
Other income	-	2
Total income from continuing operations	5,320	5,154
Expenses from continuing operations		
Employee benefits and on-costs	889	761
Borrowing costs	-	-
Materials and contracts	2,199	1,847
Depreciation and impairment	794	789
Water purchase charges	947	931
Loss on sale of assets	378	392
Calculated taxation equivalents	24	26
Debt guarantee fee (if applicable)	-	-
Other expenses	318	318
Total expenses from continuing operations	5,549	5,064
Surplus (deficit) from Continuing Operations before capital amounts	(229)	90
Grants and contributions provided for capital purposes	59	21
Surplus (deficit) from Continuing Operations after capital amounts	(170)	111
Surplus (deficit) from discontinued operations	-	-
Surplus (deficit) from ALL Operations before tax	(170)	111
less: Corporate Taxation Equivalent (30%) [based on result before capital]	-	(27)
SURPLUS (DEFICIT) AFTER TAX	(170)	84
plus Opening Retained Profits	25,090	24,953
plus/less: Prior Period Adjustments	-	-
plus Adjustments for amounts unpaid:		
- Taxation equivalent payments	24	26
- Debt guarantee fees	-	-
- Corporate taxation equivalent	-	27
less:		
- Tax Equivalent Dividend paid	-	-
- Surplus dividend paid	-	-
Closing Retained Profits	24,944	25,090
Return on Capital %	-0.3%	0.1%
Subsidy from Council	n/a	n/a
Calculation of dividend payable:		
Surplus (deficit) after tax	(170)	84
less: Capital grants and contributions (excluding developer contributions)	(23)	(7)
Surplus for dividend calculation purposes	-	77
Potential Dividend calculated from surplus	-	39

Richmond Valley Council

Income Statement of Council's Sewerage Business Activity

for the financial year ended 30 June 2014

\$ '000	Actual 2014	Actual 2013
Income from continuing operations		
Access charges	5,804	5,528
User charges	1,187	1,107
Liquid Trade Waste charges	-	-
Fees	82	974
Interest	107	347
Grants and contributions provided for non capital purposes	96	147
Profit from the sale of assets	-	-
Other income	-	-
Total income from continuing operations	7,276	8,103
Expenses from continuing operations		
Employee benefits and on-costs	1,021	1,002
Borrowing costs	1,610	1,573
Materials and contracts	2,386	3,194
Depreciation and impairment	1,096	952
Loss on sale of assets	426	503
Calculated taxation equivalents	19	19
Debt guarantee fee (if applicable)	-	78
Other expenses	301	360
Total expenses from continuing operations	6,859	7,681
Surplus (deficit) from Continuing Operations before capital amounts	417	422
Grants and contributions provided for capital purposes	89	1,270
Surplus (deficit) from Continuing Operations after capital amounts	506	1,692
Surplus (deficit) from discontinued operations	-	-
Surplus (deficit) from ALL Operations before tax	506	1,692
less: Corporate Taxation Equivalent (30%) [based on result before capital]	(125)	(127)
SURPLUS (DEFICIT) AFTER TAX	381	1,565
plus Opening Retained Profits	35,740	33,951
plus/less: Prior Period Adjustments	-	-
plus Adjustments for amounts unpaid:		
- Taxation equivalent payments	19	19
- Debt guarantee fees	-	78
- Corporate taxation equivalent	125	127
less:		
- Tax Equivalent Dividend paid	-	-
- Surplus dividend paid	-	-
Closing Retained Profits	36,265	35,740
Return on Capital %	2.0%	2.0%
Subsidy from Council	n/a	n/a
Calculation of dividend payable:		
Surplus (deficit) after tax	381	1,565
less: Capital grants and contributions (excluding developer contributions)	(40)	(773)
Surplus for dividend calculation purposes	341	792
Potential Dividend calculated from surplus	170	396

Richmond Valley Council

Income Statement of Council's Other Business Activities

for the financial year ended 30 June 2014

\$ '000	Petersons Quarry		Woodview Quarry	
	Category 2		Category 2	
	Actual 2014	Actual 2013	Actual 2014	Actual 2013
Income from continuing operations				
Access charges	-	-	-	-
User charges	-	-	-	-
Fees	920	298	926	841
Interest	-	2	-	2
Grants and contributions provided for non capital purposes	-	-	-	-
Profit from the sale of assets	-	-	-	-
Other income	-	-	-	-
Total income from continuing operations	920	300	926	843
Expenses from continuing operations				
Employee benefits and on-costs	105	42	30	61
Borrowing costs	13	20	8	16
Materials and contracts	879	320	586	515
Depreciation and impairment	23	31	12	22
Loss on sale of assets	-	57	-	2
Calculated taxation equivalents	-	-	5	5
Debt guarantee fee (if applicable)	-	-	-	-
Other expenses	3	10	2	2
Total expenses from continuing operations	1,023	480	643	623
Surplus (deficit) from Continuing Operations before capital amounts	(103)	(180)	283	220
Grants and contributions provided for capital purposes	-	-	-	-
Surplus (deficit) from Continuing Operations after capital amounts	(103)	(180)	283	220
Surplus (deficit) from discontinued operations	-	-	-	-
Surplus (deficit) from ALL Operations before tax	(103)	(180)	283	220
less: Corporate Taxation Equivalent (30%) [based on result before capital]	-	-	(85)	(66)
SURPLUS (DEFICIT) AFTER TAX	(103)	(180)	198	154
plus Opening Retained Profits	533	712	528	527
plus/less: Prior Period Adjustments	-	-	-	-
plus Adjustments for amounts unpaid:				
- Taxation equivalent payments	-	-	5	5
- Debt guarantee fees	-	-	-	-
- Corporate taxation equivalent	-	-	85	66
add:				
- Subsidy Paid/Contribution To Operations	650	1	147	-
less:				
- TER dividend paid	-	-	-	-
- Dividend paid	-	-	-	(224)
Closing Retained Profits	1,080	533	963	528
Return on Capital %	-9.3%	-16.7%	31.3%	25.9%
Subsidy from Council	125	196	-	-

Richmond Valley Council

Income Statement of Council's Other Business Activities

for the financial year ended 30 June 2014

Bridge &
Prestressing

Category 1

\$ '000	Actual 2014	Actual 2013
Income from continuing operations		
Access charges	-	-
User charges	-	-
Fees	-	-
Interest	-	-
Grants and contributions provided for non capital purposes	-	-
Profit from the sale of assets	-	-
Other income	-	-
Total income from continuing operations	-	-
Expenses from continuing operations		
Employee benefits and on-costs	-	-
Borrowing costs	-	-
Materials and contracts	-	-
Depreciation and impairment	-	-
Loss on sale of assets	-	-
Calculated taxation equivalents	-	-
Debt guarantee fee (if applicable)	-	-
Other expenses	-	-
Total expenses from continuing operations	-	-
Surplus (deficit) from Continuing Operations before capital amounts	-	-
Grants and contributions provided for capital purposes	-	-
Surplus (deficit) from Continuing Operations after capital amounts	-	-
Surplus (deficit) from discontinued operations	-	(2,083)
Surplus (deficit) from ALL Operations before tax	-	(2,083)
less: Corporate Taxation Equivalent (30%) [based on result before capital]	-	-
SURPLUS (DEFICIT) AFTER TAX	-	(2,083)
plus Opening Retained Profits	-	(428)
plus/less: Prior Period Adjustments	-	-
plus/less: Other Adjustments	-	375
plus Adjustments for amounts unpaid:		
- Taxation equivalent payments	-	3
- Debt guarantee fees	-	-
- Corporate taxation equivalent	-	-
add:		
- Subsidy Paid/Contribution To Operations	-	2,133
less:		
- TER dividend paid	-	-
- Dividend paid	-	-
Closing Retained Profits	-	-
Return on Capital %	n/a	n/a
Subsidy from Council	-	-

Richmond Valley Council

Statement of Financial Position - Council's Water Supply Business Activity

as at 30 June 2014

\$ '000	Actual 2014	Actual 2013
ASSETS		
Current Assets		
Cash and cash equivalents	2,425	2,610
Investments	-	864
Receivables	1,300	1,228
Inventories	-	-
Other	-	1
Non-current assets classified as held for sale	-	-
Total Current Assets	3,725	4,703
Non-Current Assets		
Investments	-	-
Receivables	508	489
Inventories	-	-
Infrastructure, property, plant and equipment	71,436	68,876
Investments accounted for using equity method	-	-
Investment property	-	-
Other	-	-
Total non-Current Assets	71,944	69,365
TOTAL ASSETS	75,669	74,068
LIABILITIES		
Current Liabilities		
Bank Overdraft	-	-
Payables	10	10
Interest bearing liabilities	-	-
Provisions	-	-
Total Current Liabilities	10	10
Non-Current Liabilities		
Payables	-	-
Interest bearing liabilities	-	-
Provisions	-	-
Total Non-Current Liabilities	-	-
TOTAL LIABILITIES	10	10
NET ASSETS	75,659	74,058
EQUITY		
Retained earnings	24,944	25,090
Revaluation reserves	50,715	48,968
Council equity interest	75,659	74,058
Non-controlling equity interest	-	-
TOTAL EQUITY	75,659	74,058

Richmond Valley Council

Statement of Financial Position - Council's Sewerage Business Activity

as at 30 June 2014

\$ '000	Actual 2014	Actual 2013
ASSETS		
Current Assets		
Cash and cash equivalents	10,927	14,191
Investments	-	370
Receivables	1,994	1,930
Inventories	-	-
Other	-	-
Non-current assets classified as held for sale	-	-
Total Current Assets	12,921	16,491
Non-Current Assets		
Investments	-	-
Receivables	732	717
Inventories	-	-
Infrastructure, property, plant and equipment	101,329	98,703
Investments accounted for using equity method	-	-
Investment property	-	-
Other	-	-
Total non-Current Assets	102,061	99,420
TOTAL ASSETS	114,982	115,911
LIABILITIES		
Current Liabilities		
Bank Overdraft	-	-
Payables	250	263
Interest bearing liabilities	966	1,070
Provisions	-	-
Total Current Liabilities	1,216	1,333
Non-Current Liabilities		
Payables	-	-
Interest bearing liabilities	18,179	21,992
Provisions	-	-
Total Non-Current Liabilities	18,179	21,992
TOTAL LIABILITIES	19,395	23,325
NET ASSETS	95,587	92,586
EQUITY		
Retained earnings	36,266	35,741
Revaluation reserves	59,321	56,845
Council equity interest	95,587	92,586
Non-controlling equity interest	-	-
TOTAL EQUITY	95,587	92,586

Richmond Valley Council

Statement of Financial Position - Council's Other Business Activities

as at 30 June 2014

\$ '000	Petersons Quarry		Woodview Quarry	
	Category 2		Category 2	
	Actual 2014	Actual 2013	Actual 2014	Actual 2013
ASSETS				
Current Assets				
Cash and cash equivalents	-	-	-	-
Investments	584	23	511	56
Receivables	-	-	-	-
Inventories	-	-	-	-
Other	-	-	-	-
Non-current assets classified as held for sale	-	-	-	-
Total Current Assets	584	23	511	56
Non-Current Assets				
Investments	-	-	-	-
Receivables	-	-	-	-
Inventories	-	-	-	-
Infrastructure, property, plant and equipment	972	956	930	910
Investments accounted for using equity method	-	-	-	-
Investment property	-	-	-	-
Other	-	-	-	-
Total Non-Current Assets	972	956	930	910
TOTAL ASSETS	1,556	979	1,441	966
LIABILITIES				
Current Liabilities				
Bank Overdraft	-	-	-	-
Payables	-	-	-	-
Interest bearing liabilities	-	-	-	-
Provisions	-	-	-	-
Total Current Liabilities	-	-	-	-
Non-Current Liabilities				
Payables	-	-	-	-
Interest bearing liabilities	-	-	-	-
Provisions	371	325	297	260
Other Liabilities	-	-	-	-
Total Non-Current Liabilities	371	325	297	260
TOTAL LIABILITIES	371	325	297	260
NET ASSETS	1,185	654	1,144	706
EQUITY				
Retained earnings	1,080	534	963	528
Revaluation reserves	105	120	181	178
Council equity interest	1,185	654	1,144	706
Non-controlling equity interest	-	-	-	-
TOTAL EQUITY	1,185	654	1,144	706

Richmond Valley Council

Special Purpose Financial Statements

for the financial year ended 30 June 2014

Contents of the Notes accompanying the Financial Statements

Note	Details	Page
1	Summary of Significant Accounting Policies	11
2	Water Supply Business Best Practice Management disclosure requirements	14
3	Sewerage Business Best Practice Management disclosure requirements	16

Richmond Valley Council

Notes to the Special Purpose Financial Statements

for the financial year ended 30 June 2014

Note 1. Significant Accounting Policies

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

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

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

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

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

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

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

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

National Competition Policy

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

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

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

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

Declared Business Activities

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

Category 1

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

a. Water Supplies

Comprising the whole of the operations and assets of the water supply systems, which service the towns of Broadwater, Casino, Coraki, Evans Head and Woodburn.

b. Sewerage Services

Comprising the whole of the operations and assets of the sewerage reticulation and treatment systems, which service the towns of Casino, Broadwater, Coraki, Evans Head, Rileys Hill and Woodburn.

Category 2

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

a. Petersons Quarry

Providing high quality supplies of gravel, aggregate and other materials, for both Council's construction program and also for sale to the public.

b. Woodview Quarry

Providing high quality supplies of gravel, aggregate and other materials, for both Council's construction program and also for sale to the public.

Monetary Amounts

Amounts shown in the financial statements are in Australian currency and rounded to the nearest one

Richmond Valley Council

Notes to the Special Purpose Financial Statements

for the financial year ended 30 June 2014

Note 1. Significant Accounting Policies

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.

(i) Taxation Equivalent Charges

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

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

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

Notional Rate Applied %

Corporate Income Tax Rate – 30%

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

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

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

The payment of taxation equivalent charges, referred in the Best Practice Management of Water Supply and Sewerage Guides to as a “Dividend for Taxation

equivalent”, may be applied for any purpose allowed under the Local Government Act, 1993.

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

Income Tax

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

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

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

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

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

The rate applied of 30% is the equivalent company tax rate prevalent as at balance date.

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.

Richmond Valley Council

Notes to the Special Purpose Financial Statements

for the financial year ended 30 June 2014

Note 1. Significant Accounting Policies

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.

(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 3.56% at 30/6/14.

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

(iv) Dividends

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

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

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

- (i) 50% of this surplus in any one year, or
- (ii) the number of water supply or sewerage assessments at 30 June 2014 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

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

Richmond Valley Council

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

Note 2. Water Supply Business Best Practice Management disclosure requirements

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

2014

1. Calculation and Payment of Tax-Equivalents

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

(i)	Calculated Tax Equivalents	24,000
(ii)	No of assessments multiplied by \$3/assessment	22,107
(iii)	Amounts payable for Tax Equivalents [lesser of (i) and (ii)]	22,107
(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]	-
(ii)	No. of assessments multiplied by \$30/assessment, less tax equivalent charges/assessment	198,963
(iii)	Cumulative surplus before Dividends for the 3 years to 30 June 2014, less the cumulative dividends paid for the 2 years to 30 June 2013 & 30 June 2012	(971,000)

2014 Surplus	(193,000)	2013 Surplus	77,000	2012 Surplus	(855,000)
		2013 Dividend	-	2012 Dividend	-

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	n/a
(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)	<input type="checkbox"/>
(ii)	Full Cost Recovery, without significant cross subsidies [Refer Item 2(a) in Table 1 on page 22 of the Best Practice Guidelines]	<input type="checkbox"/>
	- Complying charges [Item 2(b) in Table 1]	<input type="checkbox"/>
	- DSP with Commercial Developer Charges [Item 2(e) in Table 1]	<input type="checkbox"/>
	- If Dual Water Supplies, Complying Charges [Item 2(g) in Table 1]	<input type="checkbox"/>
(iii)	Sound Water Conservation and Demand Management implemented	<input type="checkbox"/>
(iv)	Sound Drought Management implemented	<input type="checkbox"/>
(v)	Complete Performance Reporting Form (by 15 September each year)	<input type="checkbox"/>
(vi)	a. Integrated Water Cycle Management Evaluation	<input type="checkbox"/>
	b. Complete and implement Integrated Water Cycle Management Strategy	<input type="checkbox"/>

Richmond Valley Council

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

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

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

National Water Initiative (NWI) Financial Performance Indicators

NWI F1	Total Revenue (Water) Total Income (w13) - Grants for the Acquisition of Assets (w11a) - Interest Income (w9) - Aboriginal Communities W&S Program Income (w10a)	\$'000	5,378
NWI F4	Revenue from Residential Usage Charges (Water) Income from Residential Usage Charges (w6b) x 100 divided by the sum of [Income from Residential Usage Charges (w6a) + Income from Residential Access Charges (w6b)]	%	75.52%
NWI F9	Written Down Replacement Cost of Fixed Assets (Water) Written down current cost of system assets (w47)	\$'000	71,397
NWI F11	Operating Cost (OMA) (Water) Management Expenses (w1) + Operational & Maintenance Expenses (w2)	\$'000	4,355
NWI F14	Capital Expenditure (Water) Acquisition of fixed assets (w16)	\$'000	1,975
NWI F17	Economic Real Rate of Return (Water) [Total Income (w13) - Interest Income (w9) - Grants for acquisition of assets (w11a) - Operating Costs (NWI F11) - Current Cost Depreciation (w3)] x 100 divided by [Written Down Current Cost of System Assets (w47) + Plant & Equipment (w33b)]	%	0.32%
NWI F26	Capital Works Grants (Water) Grants for the Acquisition of Assets (w11a)	\$'000	-

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

Richmond Valley Council

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

Note 3. Sewerage Business Best Practice Management disclosure requirements

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

2014

1. Calculation and Payment of Tax-Equivalents

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

(i)	Calculated Tax Equivalents	19,000
(ii)	No of assessments multiplied by \$3/assessment	20,988
(iii)	Amounts payable for Tax Equivalents [lesser of (i) and (ii)]	19,000
(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]	170,450
(ii)	No. of assessments x (\$30 less tax equivalent charges per assessment)	190,880
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2014, less the cumulative dividends paid for the 2 years to 30 June 2013 & 30 June 2012	(1,047,700)

2014 Surplus	340,900	2013 Surplus	792,400	2012 Surplus	(2,181,000)
		2013 Dividend	-	2012 Dividend	-

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	n/a
(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)	
(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]	
	Complying charges	
	(a) Residential [Item 2(c) in Table 1]	
	(b) Non Residential [Item 2(c) in Table 1]	
	(c) Trade Waste [Item 2(d) in Table 1]	
	DSP with Commercial Developer Charges [Item 2(e) in Table 1]	
	Liquid Trade Waste Approvals & Policy [Item 2(f) in Table 1]	
(iii)	Complete Performance Reporting Form (by 15 September each year)	
(iv)	a. Integrated Water Cycle Management Evaluation	
	b. Complete and implement Integrated Water Cycle Management Strategy	

Richmond Valley Council

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

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

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

National Water Initiative (NWI) Financial Performance Indicators

NWI F2	Total Revenue (Sewerage) Total Income (s14) - Grants for Acquisition of Assets (s12a) - Interest Income (s10) - Aboriginal Communities W&S Program Income (w10a)	\$'000	7,307
NWI F10	Written Down Replacement Cost of Fixed Assets (Sewerage) Written down current cost of system assets (s48)	\$'000	101,016
NWI F12	Operating Cost (Sewerage) Management Expenses (s1) + Operational & Maintenance Expenses (s2)	\$'000	3,707
NWI F15	Capital Expenditure (Sewerage) Acquisition of Fixed Assets (s17)	\$'000	1,543
NWI F18	Economic Real Rate of Return (Sewerage) [Total Income (s14) - Interest Income (s10) - Grants for acquisition of Assets (s12a) - Operating cost (NWI F12) - Current cost depreciation (s3)] x 100 divided by [Written down current cost (ie. WDCC) of System Assets (s48) + Plant & Equipment (s34b)]	%	2.47%
NWI F27	Capital Works Grants (Sewerage) Grants for the Acquisition of Assets (12a)	\$'000	-

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

NWI F3	Total Income (Water & Sewerage) Total Income (w13 + s14) + Gain/Loss on disposal of assets (w14 + s15) minus Grants for acquisition of assets (w11a + s12a) - Interest Income (w9 + s10)	\$'000	11,881
NWI F8	Revenue from Community Service Obligations (Water & Sewerage) Community Service Obligations (NWI F25) x 100 divided by Total Income (NWI F3)	%	1.36%
NWI F16	Capital Expenditure (Water & Sewerage) Acquisition of Fixed Assets (w16 + s17)	\$'000	3,518
NWI F19	Economic Real Rate of Return (Water & Sewerage) [Total Income (w13 + s14) - Interest Income (w9 + s10) - Grants for acquisition of assets (w11a + s12a) - Operating Cost (NWI F11 + NWI F12) - Current cost depreciation (w3 + s3)] x 100 divided by [Written down replacement cost of fixed assets (NWI F9 + NWI F10) + Plant & equipment (w33b + s34b)]	%	1.58%
NWI F20	Dividend (Water & Sewerage) Dividend paid from surplus (2(v) of Note 2 + 2(v) of Note 3)	\$'000	-
NWI F21	Dividend Payout Ratio (Water & Sewerage) Dividend (NWI F20) x 100 divided by Net Profit after tax (NWI F24)	%	0.00%

Richmond Valley Council

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

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

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

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

NWI F22	Net Debt to Equity (Water & Sewerage) Overdraft (w36 + s37) + Borrowings (w38 + s39) - Cash & Investments (w30 + s31) x 100 divided by [Total Assets (w35 + s36) - Total Liabilities (w40 + s41)]	%	3.38%
NWI F23	Interest Cover (Water & Sewerage) Earnings before Interest & Tax (EBIT) divided by Net Interest Earnings before Interest & Tax (EBIT): 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: Interest Expense (w4a + s4a) - Interest Income (w9 + s10)		2
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	380
NWI F25	Community Service Obligations (Water & Sewerage) Grants for Pensioner Rebates (w11b + s12b)	\$'000	161

- 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.



**RICHMOND VALLEY COUNCIL
SPECIAL PURPOSE FINANCIAL STATEMENTS
INDEPENDENT AUDIT REPORT**

Report on the Financial Statements

We have audited the accompanying financial statements, being special purpose financial statements, of Richmond Valley Council (“the Council”), which comprises the statement of financial position as at 30 June 2014, the income statement for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the statement by Councillors’ and Management.

Council’s Responsibility for the Financial Statements

The Council is responsible for the preparation and fair presentation of the financial statements and has determined that the basis of preparation described in Note 1 to the financial statements is appropriate to meet the requirements of the *Local Government Act 1993* and meet the needs of the NSW Office of Local Government. The Council’s responsibility also includes such internal control as the Council determines is necessary to enable the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor’s Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s 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 control relevant to the Council’s preparation and fair presentation of the financial statements 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 Council’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Council, as well as evaluating the overall presentation of the financial statements.

Our audit responsibility does not extend to the best practice management disclosures in note 2 and note 3, and accordingly, we do not express an opinion on such. In addition, our audit did not include an analysis of the prudence of business decisions made by Council or management.

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



Independence

In conducting our audit, we have complied with the independence requirements of the Australian professional accounting bodies.

Opinion

In our opinion, the special purpose financial statements of Richmond Valley Council:

- a) Have been prepared in accordance with the requirements of those applicable Australian Accounting Standards detailed in Note 1 and the Local Government Code of Accounting Practice and Financial Reporting;
 - i. Are consistent with the Council's accounting records;
 - ii. Present fairly, in all material respects, the financial position of Council's nominated Business Activities as at 30 June 2014 and the results of their operations for the year then ended;
- b) All information relevant to the conduct of the audit has been obtained; and
- c) There are no material deficiencies in the accounting records or financial statements that we have become aware of in the course of the audit.

Basis of Accounting

Without modifying our opinion, we draw attention to Note 1 to the financial statements, which describes the basis of accounting. The financial statements have been prepared for the purpose of fulfilling the financial reporting requirements of the NSW Office of Local Government. As a result, the financial statements may not be suitable for another purpose.

Matters Relating to the Electronic Presentation of the Audited Financial Statements

This auditor's report relates to the special purpose financial statements of Richmond Valley Council for the financial year ended 30 June 2014 included on Council's website. The Council is responsible for the integrity of the website. We have not been engaged to report on the integrity of this website. The auditor's report refers only to the financial statements identified above. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial statements. If users of the financial statements are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial statements to confirm the information contained in this website version of the financial statements.

Dated at Lismore this 21st day of October 2014

**THOMAS NOBLE & RUSSELL
CHARTERED ACCOUNTANTS**


.....
G W DWYER (Partner)
Registered Company Auditor

Richmond Valley Council

SPECIAL SCHEDULES
for the year ended 30 June 2014

“The development of community and natural attributes of the area to enable a pleasant and sustainable lifestyle.”

Richmond
Valley
Council



Richmond Valley Council

Special Schedules

for the financial year ended 30 June 2014

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¹ Special Schedules are not audited (with the exception of Special Schedule 9).

Background

- (i) These Special Schedules have been designed to meet the requirements of special purpose users such as;
- the NSW Grants Commission
 - the Australian Bureau of Statistics (ABS),
 - the NSW Office of Water (NOW), and
 - the Office of Local Government (OLG).
- (ii) The financial data is collected for various uses including;
- the allocation of Financial Assistance Grants,
 - the incorporation of Local Government financial figures in national statistics,
 - the monitoring of loan approvals,
 - the allocation of borrowing rights, and
 - the monitoring of the financial activities of specific services.

Richmond Valley Council

Special Schedule No. 1 - Net Cost of Services

for the financial year ended 30 June 2014

\$'000

Function or Activity	Expenses from Continuing Operations	Income from continuing operations		Net Cost of Services
		Non Capital	Capital	
Governance	1,866	18	-	(1,848)
Administration	749	621	-	(128)
Public Order and Safety				
Fire Service Levy, Fire Protection, Emergency Services	1,897	1,289	126	(482)
Beach Control	35	-	-	(35)
Enforcement of Local Govt. Regulations	-	-	-	-
Animal Control	242	132	-	(110)
Other	-	-	-	-
Total Public Order & Safety	2,174	1,421	126	(627)
Health	689	206	-	(483)
Environment				
Noxious Plants and Insect/Vermin Control	108	-	-	(108)
Other Environmental Protection	341	8	-	(333)
Solid Waste Management	3,974	4,371	289	686
Street Cleaning	234	-	-	(234)
Drainage	916	212	150	(554)
Stormwater Management	-	-	-	-
Total Environment	5,573	4,591	439	(543)
Community Services and Education				
Administration & Education	-	-	-	-
Social Protection (Welfare)	-	-	-	-
Aged Persons and Disabled	-	-	-	-
Children's Services	-	-	-	-
Total Community Services & Education	-	-	-	-
Housing and Community Amenities				
Public Cemeteries	283	300	-	17
Public Conveniences	194	-	-	(194)
Street Lighting	341	88	-	(253)
Town Planning	2,039	600	-	(1,439)
Other Community Amenities	-	-	-	-
Total Housing and Community Amenities	2,857	988	-	(1,869)
Water Supplies	5,410	5,106	23	(281)
Sewerage Services	6,776	7,142	41	407

Richmond Valley Council

Special Schedule No. 1 - Net Cost of Services (continued)

for the financial year ended 30 June 2014

\$'000

Function or Activity	Expenses from Continuing Operations	Income from continuing operations		Net Cost of Services
		Non Capital	Capital	
Recreation and Culture				
Public Libraries	965	416	7	(542)
Museums	-	-	-	-
Art Galleries	-	-	-	-
Community Centres and Halls	650	66	6	(578)
Performing Arts Venues	-	-	-	-
Other Performing Arts	-	-	-	-
Other Cultural Services	-	-	-	-
Sporting Grounds and Venues	803	31	45	(727)
Swimming Pools	749	12	-	(737)
Parks & Gardens (Lakes)	680	67	4	(609)
Other Sport and Recreation	359	38	44	(277)
Total Recreation and Culture	4,206	630	106	(3,470)
Fuel & Energy	-	-	-	-
Agriculture	-	-	-	-
Mining, Manufacturing and Construction				
Building Control	-	-	-	-
Other Mining, Manufacturing & Construction	200	376	-	176
Total Mining, Manufacturing and Const.	200	376	-	176
Transport and Communication				
Urban Roads (UR) - Local	2,021	93	602	(1,326)
Urban Roads - Regional	-	-	-	-
Sealed Rural Roads (SRR) - Local	2,470	88	686	(1,696)
Sealed Rural Roads (SRR) - Regional	994	787	271	64
Unsealed Rural Roads (URR) - Local	2,582	82	1,323	(1,177)
Unsealed Rural Roads (URR) - Regional	-	-	-	-
Bridges on UR - Local	74	-	-	(74)
Bridges on SRR - Local	176	-	-	(176)
Bridges on URR - Local	138	-	-	(138)
Bridges on Regional Roads	38	-	-	(38)
Parking Areas	-	-	-	-
Footpaths	391	-	1,067	676
Aerodromes	178	12	250	84
Other Transport & Communication	4,644	5,519	-	875
Total Transport and Communication	13,706	6,581	4,199	(2,926)
Economic Affairs				
Camping Areas & Caravan Parks	-	-	-	-
Other Economic Affairs	2,058	1,217	690	(151)
Total Economic Affairs	2,058	1,217	690	(151)
Totals – Functions	46,264	28,897	5,624	(11,743)
General Purpose Revenues ⁽²⁾		11,667		11,667
Share of interests - joint ventures & associates using the equity method	-	-		-
NET OPERATING RESULT ⁽¹⁾	46,264	40,564	5,624	(76)

(1) As reported in the Income Statement

(2) Includes: Rates & Annual Charges (incl. Ex Gratia, excl. Water & Sewer), Non Capital General Purpose Grants, Interest on Investments (excl. Ext. Restricted Assets) & Interest on overdue Rates & Annual Charges

Richmond Valley Council

Special Schedule No. 2(a) - Statement of Long Term Debt (all purpose)

for the financial year ended 30 June 2014

\$'000

Classification of Debt	Principal outstanding at beginning of the year			New Loans raised during the year	Debt redemption during the year		Transfers to Sinking Funds	Interest applicable for Year	Principal outstanding at the end of the year		
	Current	Non Current	Total		From Revenue	Sinking Funds			Current	Non Current	Total
Loans (by Source)											
Commonwealth Government	-	-	-	-	-	-	-	-	-	-	-
Treasury Corporation	-	-	-	-	-	-	-	-	-	-	-
Other State Government	-	-	-	-	-	-	-	-	-	-	-
Public Subscription	-	-	-	-	-	-	-	-	-	-	-
Financial Institutions	1,070	21,992	23,062	-	1,070	-	-	1,610	1,111	20,881	21,992
Other	148	-	148	-	148	-	-	4	-	-	-
Total Loans	1,218	21,992	23,210	-	1,218	-	-	1,614	1,111	20,881	21,992
Other Long Term Debt											
Ratepayers Advances	-	-	-	-	-	-	-	-	-	-	-
Government Advances	-	-	-	-	-	-	-	-	-	-	-
Finance Leases	-	-	-	-	-	-	-	-	-	-	-
Deferred Payments	-	-	-	-	-	-	-	-	-	-	-
Total Long Term Debt	-	-	-	-	-	-	-	-	-	-	-
Total Debt	1,218	21,992	23,210	-	1,218	-	-	1,614	1,111	20,881	21,992

Notes: Excludes (i) Internal Loans & (ii) Principal Inflows/Outflows relating to Loan Re-Financing.

This Schedule is prepared using the **face value** of debt obligations, rather than **fair value** (which are reported in the GPFS).

Richmond Valley Council

Special Schedule No. 3 - Water Supply Income Statement

Includes ALL INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.
for the financial year ended 30 June 2014

\$'000	Actuals 2014	Actuals 2013
A Expenses and Income		
Expenses		
1. Management expenses		
a. Administration	1,218	1,022
b. Engineering and Supervision	836	654
2. Operation and Maintenance expenses		
- Dams & Weirs		
a. Operation expenses	-	-
b. Maintenance expenses	1	2
- Mains		
c. Operation expenses	30	36
d. Maintenance expenses	236	183
- Reservoirs		
e. Operation expenses	10	11
f. Maintenance expenses	64	29
- Pumping Stations		
g. Operation expenses (excluding energy costs)	-	5
h. Energy costs	156	139
i. Maintenance expenses	74	28
- Treatment		
j. Operation expenses (excluding chemical costs)	460	465
k. Chemical costs	125	137
l. Maintenance expenses	100	84
- Other		
m. Operation expenses	72	121
n. Maintenance expenses	26	-
o. Purchase of water	947	931
3. Depreciation expenses		
a. System assets	781	783
b. Plant and equipment	14	6
4. Miscellaneous expenses		
a. Interest expenses	-	-
b. Revaluation Decrements	-	-
c. Other expenses	-	10
d. Impairment - System assets	-	-
e. Impairment - Plant and equipment	-	-
f. Aboriginal Communities Water & Sewerage Program	-	-
g. Tax Equivalents Dividends (actually paid)	-	-
5. Total expenses	5,150	4,646

Richmond Valley Council

Special Schedule No. 3 - Water Supply Income Statement (continued)

Includes ALL INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.
for the financial year ended 30 June 2014

\$'000	Actuals 2014	Actuals 2013
Income		
6. Residential charges		
a. Access (including rates)	698	656
b. Usage charges	2,153	2,003
7. Non-residential charges		
a. Access (including rates)	483	274
b. Usage charges	1,786	1,716
8. Extra charges	29	34
9. Interest income	5	268
10. Other income	75	85
10a. Aboriginal Communities Water and Sewerage Program	-	-
11. Grants		
a. Grants for acquisition of assets	-	-
b. Grants for pensioner rebates	78	81
c. Other grants	16	37
12. Contributions		
a. Developer charges	36	14
b. Developer provided assets	20	5
c. Other contributions	4	2
13. Total income	5,383	5,175
14. Gain (or loss) on disposal of assets	(378)	(392)
15. Operating Result	(145)	137
15a. Operating Result (less grants for acquisition of assets)	(145)	137

Richmond Valley Council

Special Schedule No. 3 - Water Supply Income Statement (continued)

Includes ALL INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.
for the financial year ended 30 June 2014

\$'000	Actuals 2014	Actuals 2013
B Capital transactions		
Non-operating expenditures		
16. Acquisition of Fixed Assets		
a. New Assets for Improved Standards	29	343
b. New Assets for Growth	88	-
c. Renewals	1,857	1,010
d. Plant and equipment	1	110
17. Repayment of debt		
a. Loans	-	-
b. Advances	-	-
c. Finance leases	-	-
18. Transfer to sinking fund	-	-
19. Totals	1,975	1,463
Non-operating funds employed		
20. Proceeds from disposal of assets	-	-
21. Borrowing utilised		
a. Loans	-	-
b. Advances	-	-
c. Finance leases	-	-
22. Transfer from sinking fund	-	-
23. Totals	-	-
C Rates and charges		
24. Number of assessments		
a. Residential (occupied)	6,300	6,279
b. Residential (unoccupied, ie. vacant lot)	196	206
c. Non-residential (occupied)	767	767
d. Non-residential (unoccupied, ie. vacant lot)	106	93
25. Number of ETs for which developer charges were received	11 ET	4 ET
26. Total amount of pensioner rebates (actual dollars)	\$ 150,425	\$ 146,635

Richmond Valley Council

Special Schedule No. 3 - Water Supply Cross Subsidies
for the financial year ended 30 June 2014

\$'000	Yes	No	Amount
D Best practice annual charges and developer charges*			
27. Annual charges			
a. Does Council have best-practice water supply annual charges and usage charges*?	<input type="checkbox"/> YES	<input type="checkbox"/>	
If Yes, go to 28a.			
If No, please report if council has removed land value from access charges (ie rates)?	<input type="checkbox"/>	<input type="checkbox"/>	
NB. Such charges for both residential customers and non-residential customers comply with section 3.2 of Water Supply, Sewerage and Trade Waste Pricing Guidelines, NSW Office of Water, December, 2002. Such charges do not involve significant cross subsidies.			
b. Cross-subsidy from residential customers using less than allowance (page 25 of Guidelines)			<input type="text"/>
c. Cross-subsidy to non-residential customers (page 24 of Guidelines)			<input type="text"/>
d. Cross-subsidy to large connections in unmetered supplies (page 26 of Guidelines)			<input type="text"/>
28. Developer charges			
a. Has council completed a water supply Development Servicing** Plan?	<input type="checkbox"/> YES	<input type="checkbox"/>	
b. Total cross-subsidy in water supply developer charges for 2012/13 (page 47 of Guidelines)			<input type="text"/>
** In accordance with page 9 of Developer Charges Guidelines for Water Supply, Sewerage and Stormwater, NSW Office of Water, December, 2002.			
29. Disclosure of cross-subsidies			
Total of cross-subsidies (27b +27c + 27d + 28b)			<input type="text" value="-"/>

* Councils which have not yet implemented best practice water supply pricing should disclose cross-subsidies in items 27b, 27c and 27d above.

However, disclosure of cross-subsidies is **not** required where a Council has implemented best practice pricing and is phasing in such pricing over a period of 3 years.

Richmond Valley Council

Special Schedule No. 4 - Water Supply Statement of Financial Position

Includes INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.
as at 30 June 2014

\$'000	Actuals Current	Actuals Non Current	Actuals Total
ASSETS			
30. Cash and investments			
a. Developer charges	1,372	-	1,372
b. Special purpose grants	-	-	-
c. Accrued leave	-	-	-
d. Unexpended loans	-	-	-
e. Sinking fund	-	-	-
f. Other	1,052	-	1,052
31. Receivables			
a. Specific purpose grants	89	-	89
b. Rates and Availability Charges	2	2	4
c. User Charges	-	-	-
d. Other	1,210	506	1,716
32. Inventories	-	-	-
33. Property, plant and equipment			
a. System assets	-	71,397	71,397
b. Plant and equipment	-	39	39
34. Other assets	-	-	-
35. Total assets	3,725	71,944	75,669
LIABILITIES			
36. Bank overdraft	-	-	-
37. Creditors	10	-	10
38. Borrowings			
a. Loans	-	-	-
b. Advances	-	-	-
c. Finance leases	-	-	-
39. Provisions			
a. Tax equivalents	-	-	-
b. Dividend	-	-	-
c. Other	-	-	-
40. Total liabilities	10	-	10
41. NET ASSETS COMMITTED	3,715	71,944	75,659
EQUITY			
42. Accumulated surplus			24,944
43. Asset revaluation reserve			50,715
44. TOTAL EQUITY			75,659
Note to system assets:			
45. Current replacement cost of system assets			84,013
46. Accumulated current cost depreciation of system assets			(12,616)
47. Written down current cost of system assets			71,397

Richmond Valley Council

Special Schedule No. 5 - Sewerage Service Income Statement

Includes ALL INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.
for the financial year ended 30 June 2014

\$'000	Actuals 2014	Actuals 2013
A Expenses and Income		
Expenses		
1. Management expenses		
a. Administration	1,172	987
b. Engineering and Supervision	671	650
2. Operation and Maintenance expenses		
- Mains		
a. Operation expenses	136	153
b. Maintenance expenses	36	72
- Pumping Stations		
c. Operation expenses (excluding energy costs)	137	104
d. Energy costs	101	132
e. Maintenance expenses	235	389
- Treatment		
f. Operation expenses (excl. chemical, energy, effluent & biosolids management costs)	405	648
g. Chemical costs	23	31
h. Energy costs	155	158
i. Effluent Management	-	-
j. Biosolids Management	79	115
k. Maintenance expenses	479	187
- Other		
l. Operation expenses	-	-
m. Maintenance expenses	78	931
3. Depreciation expenses		
a. System assets	1,065	936
b. Plant and equipment	32	15
4. Miscellaneous expenses		
a. Interest expenses	1,610	1,573
b. Revaluation Decrements	-	-
c. Other expenses	-	-
d. Impairment - System assets	-	-
e. Impairment - Plant and equipment	-	-
f. Aboriginal Communities Water & Sewerage Program	-	-
g. Tax Equivalent Dividends (actually paid)	-	-
5. Total expenses	6,414	7,081

Richmond Valley Council

Special Schedule No. 5 - Sewerage Income Statement (continued)

Includes ALL INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.
for the financial year ended 30 June 2014

\$'000	Actuals 2014	Actuals 2013
Income		
6. Residential charges (including rates)	5,804	5,528
7. Non-residential charges		
a. Access (including rates)	178	261
b. Usage charges	951	766
8. Trade Waste Charges		
a. Annual Fees	-	-
b. Usage charges	-	-
c. Excess mass charges	57	81
d. Re-inspection fees	-	-
9. Extra charges	49	56
10. Interest income	58	291
11. Other income	82	975
11a. Aboriginal Communities Water & Sewerage Program	-	-
12. Grants		
a. Grants for acquisition of assets	-	745
b. Grants for pensioner rebates	83	81
c. Other grants	14	65
13. Contributions		
a. Developer charges	48	497
b. Developer provided assets	41	26
c. Other contributions	-	1
14. Total income	7,365	9,373
15. Gain (or loss) on disposal of assets	(426)	(502)
16. Operating Result	525	1,790
16a. Operating Result (less grants for acquisition of assets)	525	1,045

Richmond Valley Council

Special Schedule No. 5 - Sewerage Income Statement (continued)

Includes ALL INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.
for the financial year ended 30 June 2014

\$'000	Actuals 2014	Actuals 2013
B Capital transactions		
Non-operating expenditures		
17. Acquisition of Fixed Assets		
a. New Assets for Improved Standards	254	3,508
b. New Assets for Growth	80	-
c. Renewals	1,082	2,103
d. Plant and equipment	127	11
18. Repayment of debt		
a. Loans	1,070	1,025
b. Advances	-	-
c. Finance leases	-	-
19. Transfer to sinking fund	-	-
20. Totals	2,613	6,647
Non-operating funds employed		
21. Proceeds from disposal of assets	-	-
22. Borrowing utilised		
a. Loans	-	2,418
b. Advances	-	-
c. Finance leases	-	-
23. Transfer from sinking fund	-	-
24. Totals	-	2,418
C Rates and charges		
25. Number of assessments		
a. Residential (occupied)	6,111	6,089
b. Residential (unoccupied, ie. vacant lot)	183	194
c. Non-residential (occupied)	611	599
d. Non-residential (unoccupied, ie. vacant lot)	91	82
26. Number of ETs for which developer charges were received	9 ET	62 ET
27. Total amount of pensioner rebates (actual dollars)	\$ 150,069	\$ 147,702

Richmond Valley Council

Special Schedule No. 5 - Sewerage Cross Subsidies
for the financial year ended 30 June 2014

\$'000	Yes	No	Amount
D Best practice annual charges and developer charges*			
28. Annual charges			
a. Does Council have best-practice sewerage annual charges, usage charges and trade waste fees & charges*?	<input type="checkbox"/> YES	<input type="checkbox"/>	
If Yes, go to 29a.			
If No, please report if council has removed land value from access charges (ie rates)?	<input type="checkbox"/>	<input type="checkbox"/>	
NB. Such charges for both residential customers and non-residential customers comply with section 4.2 & 4.3 of the Water Supply, Sewerage and Trade Waste Pricing Guidelines, NSW Office of Water, December, 2002. Such charges do not involve significant cross subsidies.			
b. Cross-subsidy to non-residential customers (page 45 of Guidelines)			<input type="text"/>
c. Cross-subsidy to trade waste discharges (page 46 of Guidelines)			<input type="text"/>
29. Developer charges			
a. Has council completed a sewerage Development Servicing** Plan?	<input type="checkbox"/> YES	<input type="checkbox"/>	
b. Total cross-subsidy in sewerage developer charges for 2012/13 (page 47 of Guidelines)			<input type="text"/>
** In accordance with page 9 of Developer Charges Guidelines for Water Supply, Sewerage and Stormwater, NSW Office of Water, December, 2002.			
30. Disclosure of cross-subsidies			
Total of cross-subsidies (28b + 28c + 29b)			<input type="text" value="-"/>

* Councils which have not yet implemented best practice sewer pricing & liquid waste pricing should disclose cross-subsidies in items 28b and 28c above.

However, disclosure of cross-subsidies is **not** required where a Council has implemented best practice sewerage and liquid waste pricing and is phasing in such pricing over a period of 3 years.

Richmond Valley Council

Special Schedule No. 6 - Sewerage Service Statement of Financial Position

Includes INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.
as at 30 June 2014

\$'000	Actuals Current	Actuals Non Current	Actuals Total
ASSETS			
31. Cash and investments			
a. Developer charges	2,592	-	2,592
b. Special purpose grants	-	-	-
c. Accrued leave	-	-	-
d. Unexpended loans	-	-	-
e. Sinking fund	-	-	-
f. Other	8,335	-	8,335
32. Receivables			
a. Specific purpose grants	82	-	82
b. Rates and Availability Charges	2	2	4
c. User Charges	-	-	-
d. Other	1,911	729	2,640
33. Inventories	-	-	-
34. Property, plant and equipment			
a. System assets	-	101,016	101,016
b. Plant and equipment	-	313	313
35. Other assets	-	-	-
36. Total Assets	12,922	102,060	114,982
LIABILITIES			
37. Bank overdraft	-	-	-
38. Creditors	250	-	250
39. Borrowings			
a. Loans	966	18,179	19,145
b. Advances	-	-	-
c. Finance leases	-	-	-
40. Provisions			
a. Tax equivalents	-	-	-
b. Dividend	-	-	-
c. Other	-	-	-
41. Total Liabilities	1,216	18,179	19,395
42. NET ASSETS COMMITTED	11,706	83,881	95,587
EQUITY			
42. Accumulated surplus			36,266
44. Asset revaluation reserve			59,321
45. TOTAL EQUITY			95,587
Note to system assets:			
46. Current replacement cost of system assets			123,733
47. Accumulated current cost depreciation of system assets			(22,717)
48. Written down current cost of system assets			101,016

Richmond Valley Council

Notes to Special Schedule No.'s 3 & 5

for the financial year ended 30 June 2014

Administration ⁽¹⁾

(item 1a of Special Schedules 3 and 5) comprises the following:

- Administration staff:
 - Salaries and allowance
 - Travelling expenses
 - Accrual of leave entitlements
 - Employment overheads.
- Meter reading.
- Bad and doubtful debts.
- Other administrative/corporate support services.

Engineering and supervision ⁽¹⁾

(item 1b of Special Schedules 3 and 5) comprises the following:

- Engineering staff:
 - Salaries and allowance
 - Travelling expenses
 - Accrual of leave entitlements
 - Employment overheads.
- Other technical and supervision staff:
 - Salaries and allowance
 - Travelling expenses
 - Accrual of leave entitlements
 - Employment overheads.

Operational expenses (item 2 of Special Schedules 3 and 5) comprise the day to day operational expenses excluding maintenance expenses.

Maintenance expenses (item 2 of Special Schedules 3 and 5) comprise the day to day repair and maintenance expenses. (Refer to Section 5 of the Local Government Asset Accounting Manual regarding capitalisation principles and the distinction between capital and maintenance expenditure).

Other expenses (item 4c of Special Schedules 3 and 5) includes all expenses not recorded elsewhere.

Revaluation decrements (item 4b of Special Schedules 3 and 5) is to be used when I,PP&E decreases in FV.

Impairment Losses (item 4d & 4e of Special Schedules 3 and 5) are to be used when the carrying amount of an asset exceeds its recoverable amount (refer to page D-31).

Aboriginal Communities Water and Sewerage Program (item 4f of Special Schedules 3 and 5) is to be used when operation and maintenance work has been undertaken on behalf of the Aboriginal Communities Water and Sewerage Program. Similarly, income for item 11a of Special Schedule 3 and item 12a of Special Schedule 5 are for services provided to the Aboriginal Communities Water and Sewerage Program and is not part of Council's water supply and sewerage revenue.

Residential charges ⁽²⁾ (items 6a, 6b and item 6 of Special Schedules 3 and 5 respectively) include all income from residential charges. Item 6 of Schedule 3 should be separated into 6a Access Charges (including rates if applicable) and 6b Usage Charges.

Non-residential charges ⁽²⁾ (items 7a, 7b of Special Schedules 3 and 5) include all income from non-residential charges separated into 7a Access Charges (including rates if applicable) and 7b Usage Charges.

Trade waste charges (item 8 of Special Schedule 5) include all income from trade waste charges separated into 8a Annual Fees, 8b Usage Charges and 8c Excess Mass Charges and 8d Re-inspection Fees.

Other income (items 10 and 11 of Special Schedules 3 and 5 respectively) include all income not recorded elsewhere.

Other contributions (items 12c and 13c of Special Schedules 3 and 5 respectively) incl. capital contributions for water supply or sewerage services received by Council under Section 565 of the Local Government Act.

Notes:

⁽¹⁾ Administration and engineering costs for the development of capital works projects should be reported as part of the capital cost of the project and not as part of the recurrent expenditure (ie. in item 16 for water supply and item 17 for sewerage, and **not** in items 1a and 1b).

⁽²⁾ To enable accurate reporting of **residential revenue from usage charges**, it is essential for councils to accurately separate their residential (item 6) charges and non-residential (item 7) charges.

Richmond Valley Council

Special Schedule No. 7 - Report on Infrastructure Assets

as at 30 June 2014

\$'000

Asset Class	Asset Category	Estimated cost to bring up to a satisfactory standard ⁽¹⁾	Required Annual Maintenance ⁽²⁾	Actual Maintenance 2013/14 ⁽³⁾	Written Down Value (WDV) ⁽⁴⁾	Assets in Condition as a % of WDV ^{(4), (5)}				
						1	2	3	4	5
Buildings	Council Offices	98	51	52	4,834	1%	97%	2%	0%	0%
	Council Works Depot	126	45	50	1,419	52%	40%	6%	2%	0%
	Community Centres and Halls	2,915	82	51	8,228	46%	20%	33%	1%	0%
	Amenities/Toilets	10	16	3	35	0%	0%	100%	0%	0%
	Bushfire & Emergency Services	379	36	38	3,331	76%	12%	12%	0%	0%
	Public Libraries	795	11	10	815	20%	0%	80%	0%	0%
	Public Cemeteries	13	4	-	164	0%	87%	13%	0%	0%
	Sports Grounds/Parks&Gardens	3,772	70	68	6,424	3%	33%	56%	8%	0%
	Aerodromes	246	4	-	830	3%	0%	19%	78%	0%
	Economic Affairs	1,051	26	17	1,391	9%	23%	58%	10%	0%
	Quarries	41	4	3	45	22%	2%	73%	2%	1%
	Other Waste	34	8	5	1,385	88%	9%	3%	0%	0%
	Swimming Pools	703	12	4	2,121	88%	1%	10%	0%	1%
	sub total	10,183	369	301	31,022	34.5%	32.3%	28.5%	4.6%	0.1%
Other Structures	Other Structures	1,817	118	113	5,850	50%	11%	39%	0%	0%
	sub total	1,817	118	113	5,850	50.0%	11.0%	39.0%	0.0%	0.0%
Roads	Sealed Roads Surface	371	277	320	21,289	57%	37%	6%	0%	0%
	Sealed Roads Structure	757	1,043	1,204	86,107	37%	57%	6%	0%	0%
	Unsealed Roads	2,789	787	811	15,368	0%	18%	70%	12%	0%
	Bridges	718	73	31	60,872	42%	47%	10%	1%	0%
	Footpaths & Cycleways	289	65	41	11,380	62%	31%	7%	0%	0%
continued...										

Richmond Valley Council

Special Schedule No. 7 - Report on Infrastructure Assets (continued)

as at 30 June 2014

\$'000

Asset Class	Asset Category	Estimated cost to bring up to a satisfactory standard ⁽¹⁾	Required Annual Maintenance ⁽²⁾	Actual Maintenance 2013/14 ⁽³⁾	Written Down Value (WDV) ⁽⁴⁾	Assets in Condition as a % of WDV ^{(4), (5)}				
						1	2	3	4	5
Roads (continued)	Kerb and Gutter	289	4	10	16,139	52%	36%	10%	2%	0%
	Road Furniture	351	232	254	4,430	40%	40%	19%	0%	1%
	Bus Shelters	112	5	2	415	34%	45%	20%	1%	0%
	Minor & Major Culverts	328	60	81	16,988	10%	81%	8%	1%	0%
	Traffic Management Devices	20	-	-	2,654	57%	38%	5%	0%	0%
	sub total	6,024	2,546	2,754	235,645	38.2%	48.5%	11.9%	1.3%	0.0%
Water Supply Network	Treatment Plants	141	114	99	10,768	4%	88%	8%	0%	0%
	Water Connections	160	92	156	4,351	76%	19%	5%	0%	0%
	Reservoirs	27	45	64	11,935	5%	89%	6%	0%	0%
	Hydrants & Stop Valves	133	14	6	4,904	73%	22%	5%	0%	0%
	Pipelines	706	96	40	32,362	65%	32%	3%	0%	0%
	Pump Stations	40	38	74	3,166	24%	69%	7%	0%	0%
	Water Meters	-	-	-	1,852	96%	4%	0%	0%	0%
	sub total	1,207	399	439	69,338	45.4%	49.9%	4.7%	0.0%	0.0%
Sewerage Network	Pump Stations	-	188	235	9,437	37%	63%	0%	0%	0%
	Pipelines	3,138	292	172	41,481	66%	22%	8%	4%	0%
	Manholes	1,959	125	14	12,457	36%	41%	14%	9%	0%
	Treatment Works	866	319	479	31,015	13%	66%	21%	0%	0%
	Sewerage Connections	315	-	-	4,576	55%	33%	3%	9%	0%
	sub total	6,278	924	900	98,966	42.3%	42.6%	11.8%	3.2%	0.0%

Special Schedule No. 7 - Report on Infrastructure Assets (continued)
as at 30 June 2014

\$'000

Asset Class	Asset Category	Estimated cost to bring up to a satisfactory standard ⁽¹⁾	Required Annual Maintenance ⁽²⁾	Actual Maintenance 2013/14 ⁽³⁾	Written Down Value (WDV) ⁽⁴⁾	Assets in Condition as a % of WDV ^{(4), (5)}				
						1	2	3	4	5
Stormwater Drainage	Stormwater Conduits	1,917	129	165	26,677	44%	40%	13%	3%	0%
	Inlet and Junction Pits	266	21	27	5,051	29%	44%	19%	8%	0%
	Head Walls	40	2	3	396	29%	40%	27%	4%	0%
	Outfall Structures	1	3	4	1,010	78%	21%	1%	0%	0%
	sub total	2,224	155	199	33,134	42.6%	40.0%	13.7%	3.7%	0.0%
Open Space/ Recreational Assets	Swimming Pools	1,419	13	36	3,616	76%	1%	18%	5%	0%
	Other Open Space/Recreation	1,684	45	24	3,388	29%	42%	28%	1%	0%
	sub total	3,103	58	60	7,004	53.3%	20.8%	22.8%	3.1%	0.0%
TOTAL - ALL ASSETS		30,836	4,569	4,766	480,959	40.5%	45.0%	12.5%	1.9%	0.0%

Notes:

- (1). Satisfactory is defined as "satisfying expectations or needs, leaving no room for complaint, causing satisfaction, adequate".
The estimated cost to bring assets to a satisfactory standard is the amount of money that is required to be spent on an asset to ensure that it is in a satisfactory standard.
This estimated cost should not include any planned enhancements (ie.to heighten, intensify or improve the facilities).
- (2). Required Annual Maintenance is "what should be spent to maintain assets in a satisfactory standard."
- (3). Actual Maintenance is what has been spent in the current year to maintain the assets.
Actual Maintenance may be higher or lower than the required annual maintenance due to the timing of when the maintenance actually occurs.
- (4). Written Down Value is in accordance with Note 9 of Council's General Purpose Financial Statements
- (5). **Infrastructure Asset Condition Assessment "Key"**

1	Excellent	No work required (normal maintenance)
2	Good	Only minor maintenance work required
3	Average	Maintenance work required
4	Poor	Renewal required
5	Very Poor	Urgent renewal/upgrading required

Richmond Valley Council

Special Schedule No. 7 - Report on Infrastructure Assets (continued)
for the financial year ended 30 June 2014

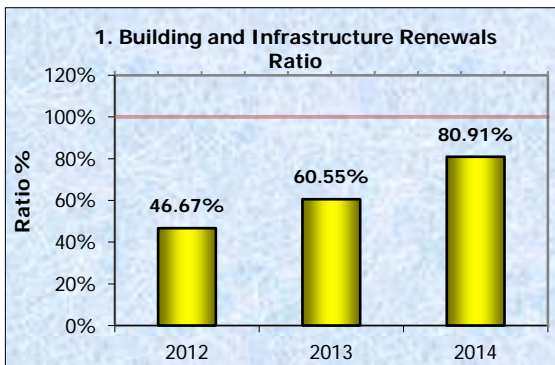
\$ '000	Amounts	Indicator	Prior Periods	
	2014	2014	2013	2012
Infrastructure Asset Performance Indicators Consolidated				
1. Building and Infrastructure Renewals Ratio				
Asset Renewals (Building and Infrastructure) ⁽¹⁾	6,785	80.91%	60.55% ⁽²⁾	46.67% ⁽²⁾
Depreciation, Amortisation & Impairment	8,386			
2. Infrastructure Backlog Ratio				
Estimated Cost to bring Assets to a Satisfactory Condition	30,836	0.06	0.06 ⁽³⁾	0.19 ⁽³⁾
Total value ⁽⁴⁾ of Infrastructure, Building, Other Structures & depreciable Land Improvement Assets	480,959			
3. Asset Maintenance Ratio				
Actual Asset Maintenance	4,766	1.04	1.21	0.54
Required Asset Maintenance	4,569			
4. Capital Expenditure Ratio				
Annual Capital Expenditure	12,647	1.20	0.67	0.95
Annual Depreciation	10,560			

Notes

- ⁽¹⁾ Asset Renewals represent the replacement &/or refurbishment of existing assets to an equivalent capacity/performance as opposed to the acquisition of new assets (or the refurbishment of old assets) that increases capacity/performance. Asset Renewals include building and infrastructure assets only.
- ⁽²⁾ The Building and Infrastructure Renewals Ratio has been recalculated for the 2012 and 2013 financial years to include Capital Work In Progress for Building and Infrastructure Assets.
- ⁽³⁾ The Infrastructure Backlog Ratio has been calculated on a new basis for 2014 per the Office of Local Government Code of Accounting Practice and Financial Reporting. The estimated cost to bring assets to a satisfactory condition is the estimated amount of money that is required to be spent on an asset to bring it back to a condition rating of good (as defined by condition level 2 in Special Schedule 7). In previous reporting periods, the level defined as satisfactory was the condition level as deemed by Council. For 2013, the condition level Council deemed as being satisfactory was condition 3 (Average), whereas for 2012 it was condition level 2. The cost to bring the assets back to a satisfactory condition was calculated on a different methodology limiting the usefulness of the comparative ratios for 2012 and 2013.
- ⁽⁴⁾ Written down value

Richmond Valley Council

Special Schedule No. 7 - Report on Infrastructure Assets (continued) for the financial year ended 30 June 2014



Purpose of Asset Renewals Ratio

To assess the rate at which these assets are being renewed relative to the rate at which they are depreciating.

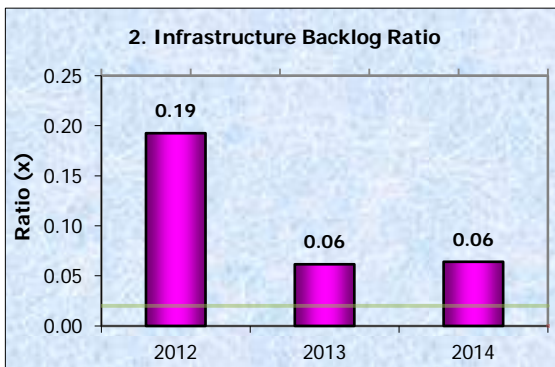
Commentary on 2013/14 Result

2013/14 Ratio 80.91%

Council's Building and Infrastructure Renewal Ratio has improved considerably from 2012, which included a major one-off construction of a new Fire Control Centre. Council will continue to focus on improving this ratio through increases in capital renewals.

— Minimum 100.00%

Source for Benchmark: TCorp Sustainability Review of NSW Local Govt. (2013)



Purpose of Infrastructure Backlog Ratio

This ratio shows what proportion the backlog is against the total value of a Council's infrastructure.

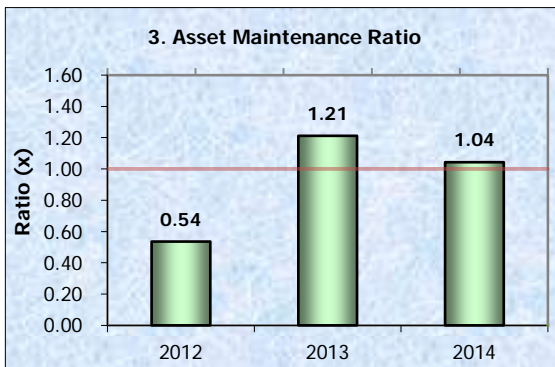
Commentary on 2013/14 Result

2013/14 Ratio 0.06 x

Council has refined its condition assessment and valuation methodologies over the last few years, which has resulted in an improvement in the Infrastructure Backlog Ratio. Note: the 2012 and 2013 ratios were calculated based on different methodologies limiting the usefulness of the comparative ratios for 2012 and 2013.

— Maximum .02

Source for Benchmark: TCorp Sustainability Review of NSW Local Govt. (2013)



Purpose of Asset Maintenance Ratio

Compares actual vs. required annual asset maintenance. A ratio above 1.0 indicates Council is investing enough funds to stop the Infrastructure Backlog growing.

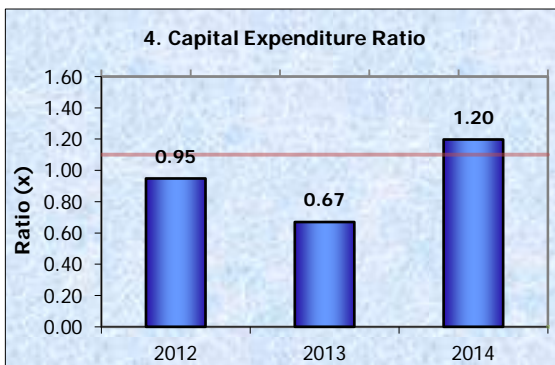
Commentary on 2013/14 Result

2013/14 Ratio 1.04 x

Council will continue to refine its calculation of Required Annual Maintenance. Note: the 2012 ratio was calculated on a different basis, whereby the annual depreciation was considered as the required annual maintenance.

— Minimum 1.00

Source for Benchmark: TCorp Sustainability Review of NSW Local Govt. (2013)



Purpose of Capital Expenditure Ratio

To assess the extent to which a Council is expanding its asset base thru capital expenditure on both new assets and the replacement and renewal of existing assets.

Commentary on 2013/14 Result

2013/14 Ratio 1.20 x

Council's Capital Expenditure Ratio was around the TCorp benchmark in 2012 and was over this benchmark in 2014. However, this does include new assets as well as renewals.

— Minimum 1.10

Source for Benchmark: TCorp Sustainability Review of NSW Local Govt. (2013)

Richmond Valley Council

Special Schedule No. 7 - Report on Infrastructure Assets (continued)
for the financial year ended 30 June 2014

\$ '000	Water 2014	Sewer 2014	General ⁽¹⁾ 2014
Infrastructure Asset Performance Indicators By Fund			
1. Building and Infrastructure Renewals Ratio			
<u>Asset Renewals (Building and Infrastructure) ⁽¹⁾</u>	223.05%	73.24%	65.18%
Depreciation, Amortisation & Impairment			
prior period:	163.75%	228.34%	36.90%
2. Infrastructure Backlog Ratio			
<u>Estimated Cost to bring Assets to a Satisfactory Condition</u>	0.02	0.06	0.07
Total value ⁽³⁾ of Infrastructure, Building, Other Structures & Depreciable Land Improvement Assets			
prior period:	0.00	0.11	0.06
3. Asset Maintenance Ratio			
<u>Actual Asset Maintenance</u>	1.10	0.97	1.06
Required Asset Maintenance			
prior period:	0.83	1.04	1.31
4. Capital Expenditure Ratio			
<u>Annual Capital Expenditure</u>	2.01	1.02	1.15
Annual Depreciation			
prior period:	1.24	5.41	0.26

Notes

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

⁽²⁾ Asset Renewals represent the replacement &/or refurbishment of existing assets to an equivalent capacity/performance as opposed to the acquisition of new assets (or the refurbishment of old assets) that increases capacity/performance. Asset Renewals include building and infrastructure assets only.

⁽³⁾ Written down value

Richmond Valley Council

Special Schedule No. 8 - Financial Projections

as at 30 June 2014

\$'000	Actual ⁽¹⁾ 13/14	Forecast ⁽³⁾ 14/15	Forecast ⁽³⁾ 15/16	Forecast ⁽³⁾ 16/17	Forecast ⁽³⁾ 17/18	Forecast ⁽³⁾ 18/19	Forecast ⁽³⁾ 19/20	Forecast ⁽³⁾ 20/21	Forecast ⁽³⁾ 21/22	Forecast ⁽³⁾ 22/23	Forecast ⁽³⁾ 23/24
(i) OPERATING BUDGET											
Income from continuing operations	45,967	47,118	46,671	48,101	49,870	51,739	53,182	54,645	56,148	57,691	59,314
Expenses from continuing operations	46,043	46,026	46,552	47,929	48,970	50,048	51,211	52,820	53,883	55,522	56,984
Operating Result from Continuing Operations	(76)	1,092	119	172	900	1,691	1,971	1,825	2,265	2,169	2,330
(ii) CAPITAL BUDGET											
New Capital Works ⁽²⁾	3,934	5,429	2,385	3,262	4,075	4,275	619	422	240	390	225
Replacement/Refurbishment of Existing Assets	10,575	13,996	13,057	10,323	9,414	8,586	10,356	9,433	8,570	12,831	14,514
Total Capital Budget	14,509	19,425	15,442	13,585	13,489	12,861	10,975	9,855	8,810	13,221	14,739
Funded by:											
– Loans	-	1,120	1,240	1,260	1,482	2,500	-	-	-	4,500	4,500
– Asset sales	785	3,962	573	692	598	578	727	672	622	702	573
– Reserves	6,237	7,334	8,230	6,386	5,783	4,359	6,029	5,110	3,959	3,958	5,613
– Grants/Contributions	5,736	3,798	1,740	1,441	1,442	1,442	1,443	1,443	1,444	1,445	1,445
– Recurrent revenue	1,751	3,211	3,659	3,806	4,184	3,982	2,776	2,630	2,785	2,616	2,608
– Other	-	-	-	-	-	-	-	-	-	-	-
	14,509	19,425	15,442	13,585	13,489	12,861	10,975	9,855	8,810	13,221	14,739

Notes:

(1) From 13/14 Income Statement.

(2) New Capital Works are major non-recurrent projects, eg new Leisure Centre, new Library, new Swimming pool etc.

(3) Financial projections should be in accordance with Council's Integrated Planning and Reporting framework.

Richmond Valley Council

Special Schedule No. 9 - Permissible Income Calculation

for the financial year ended 30 June 2015

\$'000		Calculation 2013/14	Calculation 2014/15
Notional General Income Calculation ⁽¹⁾			
Last Year Notional General Income Yield	a	8,439	8,807
Plus or minus Adjustments ⁽²⁾	b	5	14
Notional General Income	c	8,444	8,821
Permissible Income Calculation			
Special variation percentage ⁽³⁾	d	0.00%	12.30%
or Rate peg percentage	e	3.40%	0.00%
or Crown land adjustment incl. rate peg percentage	f	0.00%	
less expiring Special variation amount	g	-	-
plus Special variation amount	h = c x d	-	1,085
or plus Rate peg amount	i = c x e	287	-
or plus Crown land adjustment and rate peg amount	j = c x f	-	-
sub-total	k = (c+g+h+i+j)	8,731	9,906
plus (or minus) last year's Carry Forward Total	l	76	1
less Valuation Objections claimed in the previous year	m	-	(1)
sub-total	n = (l + m)	76	0
Total Permissible income	o = k + n	8,807	9,906
less Notional General Income Yield	p	8,807	9,906
Catch-up or (excess) result	q = o - p	0	0
plus Income lost due to valuation objections claimed ⁽⁴⁾	r	1	-
less Unused catch-up ⁽⁵⁾	s	-	-
Carry forward to next year	t = q + r - s	1	0

Notes

- ¹ The Notional General Income will not reconcile with rate income in the financial statements in the corresponding year. The statements are reported on an accrual accounting basis which include amounts that relate to prior years' rates income.
- ² Adjustments account for changes in the number of assessments and any increase or decrease in land value occurring during the year. The adjustments are called "supplementary valuations" as defined in the Valuation of Land Act 1916.
- ³ The Special Variation Percentage is inclusive of the Rate Peg percentage and where applicable crown land adjustment.
- ⁴ Valuation objections are unexpected changes in land values as a result of land owners successfully objecting to the land value issued by the Valuer-General. Councils can claim the value of the income lost due to valuation objections in any single year.
- ⁵ Unused catch-up amounts will be deducted if they are not caught up within 2 years. Usually councils will have a nominal carry forward figure. These amounts can be adjusted for in setting the rates in a future year.



RICHMOND VALLEY COUNCIL
SPECIAL SCHEDULE NO 9
INDEPENDENT AUDITORS' REPORT

REPORT ON SPECIAL SCHEDULE NO 9

We have audited the accompanying special purpose financial statement comprising the reconciliation of total permissible general income (Special Schedule No. 9) of Richmond Valley Council for the year ending 30 June 2015.

Responsibility of Council for Special Schedule No. 9

The Council is responsible for the preparation and fair presentation of Special Schedule No. 9 in accordance with the Local Government Code of Accounting Practice and Financial Reporting (Guidelines) Update No. 22. This responsibility includes the maintenance of adequate accounting records and internal controls designed to prevent and detect fraud and error; designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of Special Schedule No. 9 that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on Special Schedule No. 9 based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether Special Schedule No. 9 is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in Special Schedule No. 9. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of Special Schedule No. 9, whether due to fraud or error. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of Special Schedule No. 9.

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, there is an unavoidable risk that some material misstatements may not be detected, even though the audit is properly planned and performed in accordance with Australian Auditing Standards.

In making our risk assessments, we consider internal controls relevant to the entity's preparation of Special Schedule No. 9 in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

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



Independence

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

Audit Opinion

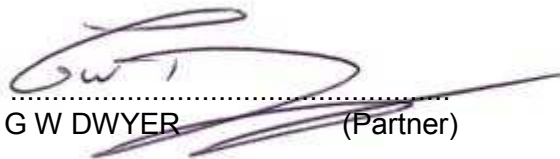
In our opinion, Special Schedule No. 9 of Richmond Valley Council for 2014/15 is properly drawn up in accordance with the requirements of the Office of Local Government and in accordance with the books and records of the Council.

Basis of Accounting

Without modifying our opinion, we advise that this schedule has been prepared for distribution to the Office of Local Government for the purposes of confirming that Council's reconciliation of Council's total permissible general income is presented fairly. As a result, the schedule may not be suitable for another purpose.

THOMAS NOBLE & RUSSELL CHARTERED ACCOUNTANTS

Per:



G W DWYER (Partner)

Dated at Lismore this 30th day of September 2014.