

Richmond Valley Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2016

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



Richmond Valley Council

General Purpose Financial Statements for the year ended 30 June 2016

Contents	Page
1. Statement by Councillors and Management	2
2. Primary Financial Statements:	
– Income Statement	3
– Statement of Comprehensive Income	4
– Statement of Financial Position	5
– Statement of Changes in Equity	6
– Statement of Cash Flows	7
3. Notes to the Financial Statements	8
4. Independent Auditor's Reports:	
– On the Financial Statements (Sect 417 [2])	81
– On the Conduct of the Audit (Sect 417 [3])	83

Overview

- (i) These financial statements are General Purpose Financial Statements and cover the 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 1993* (LGA).

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

- the ability to provide goods, services and facilities, and to carry out activities appropriate to the current and 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 25 October 2016. Council has the power to amend and reissue these financial statements.
-

Richmond Valley Council

General Purpose Financial Statements for the year ended 30 June 2016

Statement by Councillors and Management made pursuant to Section 413(2)(c) of the *Local Government Act 1993 (NSW)* (as amended)

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

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

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


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

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


Signed in accordance with a resolution of Council made on 25 October 2016.



Robert Mustow
Mayor


Daniel Simpson
Councillor

Vaughan Macdonald
General manager


Ryan Gaiter
Responsible accounting officer

Richmond Valley Council

Income Statement

for the year ended 30 June 2016

Budget 2016	\$ '000	Notes	Actual 2016	Actual 2015
Income from continuing operations				
Revenue:				
20,374	Rates and annual charges	3a	20,477	19,641
13,200	User charges and fees	3b	12,941	13,587
1,013	Interest and investment revenue	3c	867	1,121
105	Other revenues	3d	188	182
10,226	Grants and contributions provided for operating purposes	3e,f	10,882	10,066
1,186	Grants and contributions provided for capital purposes	3e,f	3,998	5,338
46,104	Total income from continuing operations		49,353	49,935
Expenses from continuing operations				
15,956	Employee benefits and on-costs	4a	17,073	16,026
1,812	Borrowing costs	4b	1,734	1,685
10,226	Materials and contracts	4c	10,169	10,669
10,826	Depreciation and amortisation	4d	11,199	10,555
–	Impairment	4d	–	–
5,689	Other expenses	4e	4,865	5,166
–	Net losses from the disposal of assets	5	2,586	2,350
44,509	Total expenses from continuing operations		47,626	46,451
1,595	Operating result from continuing operations		1,727	3,484
Discontinued operations				
–	Net profit/(loss) from discontinued operations	24	–	–
1,595	Net operating result for the year		1,727	3,484
1,595	Net operating result attributable to Council		1,727	3,484
–	Net operating result attributable to non-controlling interests		–	–
Net operating result for the year before grants and contributions provided for capital purposes				
409			(2,271)	(1,854)

¹ Original budget as approved by Council – refer Note 16

Richmond Valley Council

Statement of Comprehensive Income for the year ended 30 June 2016

\$ '000	Notes	Actual 2016	Actual 2015
Net operating result for the year (as per Income Statement)		1,727	3,484
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of I,PP&E	20b (ii)	200	41,059
Impairment (loss) reversal relating to I,PP&E	20b (ii)	1,983	(2,814)
Total items which will not be reclassified subsequently to the operating result		2,183	38,245
Amounts which will be reclassified subsequently to the operating result when specific conditions are met			
Nil			
Total other comprehensive income for the year		2,183	38,245
Total comprehensive income for the year		3,910	41,729
Total comprehensive income attributable to Council		3,910	41,729
Total comprehensive income attributable to non-controlling interests		—	—

Richmond Valley Council

Statement of Financial Position as at 30 June 2016

\$ '000	Notes	Actual 2016	Actual 2015
ASSETS			
Current assets			
Cash and cash equivalents	6a	12,066	21,749
Investments	6b	20,310	7,493
Receivables	7	7,936	12,120
Inventories	8	1,102	2,518
Other	8	366	419
Total current assets		41,780	44,299
Non-current assets			
Investments	6b	—	—
Receivables	7	2,166	2,040
Inventories	8	1,543	1,415
Infrastructure, property, plant and equipment	9	662,822	658,109
Investments accounted for using the equity method	19	—	—
Investment property	14	—	—
Intangible assets	25	—	—
Total non-current assets		666,531	661,564
TOTAL ASSETS		708,311	705,863
LIABILITIES			
Current liabilities			
Payables	10	4,231	5,713
Borrowings	10	1,800	1,620
Provisions	10	4,483	4,297
Total current liabilities		10,514	11,630
Non-current liabilities			
Payables	10	368	308
Borrowings	10	24,314	24,881
Provisions	10	2,527	2,366
Total non-current liabilities		27,209	27,555
TOTAL LIABILITIES		37,723	39,185
Net assets		670,588	666,678
EQUITY			
Retained earnings	20	330,145	328,418
Revaluation reserves	20	340,443	338,260
Council equity interest		670,588	666,678
Non-controlling equity interests		—	—
Total equity		670,588	666,678

Richmond Valley Council

Statement of Changes in Equity for the year ended 30 June 2016

\$ '000	Notes	Retained earnings	Reserves (Refer 20b)	Council interest	Non-controlling Interest	Total equity
2016						
Opening balance (as per last year's audited accounts)		328,418	338,260	666,678	—	666,678
a. Correction of prior period errors	20 (c)	—	—	—	—	—
b. Changes in accounting policies (prior year effects)	20 (d)	—	—	—	—	—
Revised opening balance (as at 1/7/15)		328,418	338,260	666,678	—	666,678
c. Net operating result for the year		1,727	—	1,727	—	1,727
d. Other comprehensive income						
– Revaluations: IPP&E asset revaluation rsve	20b (ii)	—	200	200	—	200
– Revaluations: other reserves	20b (ii)	—	—	—	—	—
– Transfers to Income Statement	20b (ii)	—	—	—	—	—
– Impairment (loss) reversal relating to I,PP&E	20b (ii)	—	1,983	1,983	—	1,983
Other comprehensive income		—	2,183	2,183	—	2,183
Total comprehensive income (c&d)		1,727	2,183	3,910	—	3,910
e. Distributions to/(contributions from) non-controlling Interests		—	—	—	—	—
f. Transfers between equity		—	—	—	—	—
Equity – balance at end of the reporting period		330,145	340,443	670,588	—	670,588

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council Interest	Non-controlling Interest	Total Equity
2015						
Opening balance (as per last year's audited accounts)		324,934	300,015	624,949	—	624,949
a. Correction of prior period errors	20 (c)	—	—	—	—	—
b. Changes in accounting policies (prior year effects)	20 (d)	—	—	—	—	—
Revised opening balance (as at 1/7/14)		324,934	300,015	624,949	—	624,949
c. Net operating result for the year		3,484	—	3,484	—	3,484
d. Other comprehensive income						
– Revaluations: IPP&E asset revaluation rsve	20b (ii)	—	41,059	41,059	—	41,059
– Revaluations: other reserves	20b (ii)	—	—	—	—	—
– Transfers to Income Statement	20b (ii)	—	—	—	—	—
– Impairment (loss) reversal relating to I,PP&E	20b (ii)	—	(2,814)	(2,814)	—	(2,814)
Other comprehensive income		—	38,245	38,245	—	38,245
Total comprehensive income (c&d)		3,484	38,245	41,729	—	41,729
e. Distributions to/(contributions from) non-controlling Interests		—	—	—	—	—
f. Transfers between equity		—	—	—	—	—
Equity – balance at end of the reporting period		328,418	338,260	666,678	—	666,678

Richmond Valley Council

Statement of Cash Flows for the year ended 30 June 2016

Budget 2016	\$ '000	Notes	Actual 2016	Actual 2015
Cash flows from operating activities				
Receipts:				
20,374	Rates and annual charges		20,176	19,629
13,200	User charges and fees		13,674	14,111
1,013	Investment and interest revenue received		726	926
11,412	Grants and contributions		17,852	13,433
–	Bonds, deposits and retention amounts received		63	15
105	Other		145	–
Payments:				
(15,956)	Employee benefits and on-costs		(17,382)	(16,354)
(9,834)	Materials and contracts		(9,269)	(11,855)
(1,728)	Borrowing costs		(1,234)	(1,232)
(5,689)	Other		(5,910)	(4,012)
12,897	Net cash provided (or used in) operating activities	11b	18,841	14,661
Cash flows from investing activities				
Receipts:				
–	Sale of investment securities		–	2,518
2,644	Sale of real estate assets		647	714
2,948	Sale of infrastructure, property, plant and equipment		341	1,056
1	Deferred debtors receipts		2	1
Payments:				
–	Purchase of investment securities		(12,500)	–
(19,214)	Purchase of infrastructure, property, plant and equipment		(16,464)	(14,489)
–	Purchase of real estate assets		(163)	(1,019)
(13,621)	Net cash provided (or used in) investing activities		(28,137)	(11,219)
Cash flows from financing activities				
Receipts:				
1,240	Proceeds from borrowings and advances		1,240	5,620
Payments:				
(1,740)	Repayment of borrowings and advances		(1,627)	(1,111)
(500)	Net cash flow provided (used in) financing activities		(387)	4,509
(1,224)	Net increase/(decrease) in cash and cash equivalents		(9,683)	7,951
21,749	Plus: cash and cash equivalents – beginning of year	11a	21,749	13,798
20,525	Cash and cash equivalents – end of the year	11a	12,066	21,749
Additional Information:				
plus:	Investments on hand – end of year	6b	20,310	7,493
Total cash, cash equivalents and investments			32,376	29,242

Please refer to Note 11 for additional cash flow information

This statement should be read in conjunction with the accompanying notes.

Richmond Valley Council

Notes to the Financial Statements

for the year ended 30 June 2016

Contents of the notes accompanying the financial statements

Note	Details	Page
1	Summary of significant accounting policies	9
2(a)	Council functions/activities – financial information	27
2(b)	Council functions/activities – component descriptions	28
3	Income from continuing operations	29
4	Expenses from continuing operations	34
5	Gains or losses from the disposal of assets	36
6(a)	Cash and cash equivalent assets	37
6(b)	Investments	37
6(c)	Restricted cash, cash equivalents and investments – details	38
7	Receivables	40
8	Inventories and other assets	41
9(a)	Infrastructure, property, plant and equipment	42
9(b)	Externally restricted infrastructure, property, plant and equipment	43
10(a)	Payables, borrowings and provisions	44
10(b)	Description of (and movements in) provisions	45
11	Statement of cash flows – additional information	46
12	Commitments for expenditure	48
13	Statement of performance measures:	
13a (i)	Local government industry indicators (consolidated)	49
13a (ii)	Local government industry graphs (consolidated)	50
13b	Local government industry indicators (by fund)	52
14	Investment properties	53 n/a
15	Financial risk management	53
16	Material budget variations	57
17	Statement of developer contributions	59
18	Contingencies and other liabilities/assets not recognised	62
19	Interests in other entities	63
20	Retained earnings, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors	65
21	Financial result and financial position by fund	66
22	'Held for sale' non-current assets and disposal groups	68 n/a
23	Events occurring after the reporting date	68 n/a
24	Discontinued operations	68 n/a
25	Intangible assets	68 n/a
26	Reinstatement, rehabilitation and restoration liabilities	69
27	Fair value measurement	70

Additional council disclosures

28	Council information and contact details	80
----	---	----

n/a – not applicable

Richmond Valley Council

Notes to the Financial Statements

for the year ended 30 June 2016

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)* and 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 IFRSs, 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)*, Regulation and Local Government Code of Accounting Practice and 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

There have been no new accounting standards adopted in this year's financial statements which have had any material impact on reported financial position, performance or cash flows.

(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 2015, except for AASB2015-7 Amendments to Australian Accounting Standards – Fair Value Disclosures of Not-for-Profit Public Sector Entities, which has reduced the fair value disclosures for Level 3 assets.

For summary information relating to the effects of standards with future operative dates refer further to paragraph (ab).

(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 and 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.

Richmond Valley Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

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

(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 infrastructure, property, plant and equipment,
- (ii) Estimated remediation provisions.

Significant judgements in applying the Council's accounting policies

- (i) Impairment of Receivables - Council has made a significant judgement about the impairment of a number of its receivables in Note 7.
- (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 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/contributed assets is normally obtained upon their receipt (or acquittal) or upon earlier notification that a grant has been secured, and is valued at their fair value at the date of transfer.

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

Richmond Valley Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

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 and 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 consolidated financial statements incorporate (i) the assets and liabilities of Council and any entities (or operations) that it controls as at 30 June 2016 and (ii) all the related operating results for the financial year ended 30 June 2016.

(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

Due to their immaterial value and nature, the following committees, entities and operations have been excluded from consolidation:

Richmond Valley Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

▪ Section 355 Committee

(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 that 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) Interests in other entities

Subsidiaries

Council has no interest in any subsidiaries.

Joint ventures

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

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

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

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

Associates

Council has no interest in any associates.

County councils

Council is a member of the following county councils (which are bodies incorporated 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.

▪ 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 council/s and accordingly these entities have not been consolidated or otherwise included within these financial statements.

Unconsolidated structured entities

Council has no interest in any unconsolidated structured entities.

(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.

Richmond Valley Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

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 that 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 and cash equivalents for presentation of the Cash Flow Statement.

(f) Investments and other financial assets

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

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

Each classification depends on the purpose or intention for which the investment was acquired and 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 and/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

Richmond Valley Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

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 and 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.

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 and 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'

Richmond Valley Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

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 invest in accordance with (and to comply with) section 625 of the *Local Government Act* and clause 212 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. Council no longer holds any investments that are not prescribed (eg. non-prescribed managed funds, CDOs, and equity linked notes),

(g) Fair value estimation – financial instruments

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

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

Richmond Valley Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

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 and 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 that are known to be uncollectible are written off in accordance with Council's policy.

A provision for impairment (i.e. an allowance account) relating to receivables is established when objective evidence shows that 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

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

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

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

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

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

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

(ii) Inventory held for distribution

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

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

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

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

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

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

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

Richmond Valley Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

(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:

- **Plant and equipment**
(as approximated by depreciated historical cost)
- **Operational Land** (external valuation)
- **Community Land** (external valuation)
- **Land improvements** (external valuation)
- **Buildings – specialised/non-specialised**
(external valuation)
- **Other structures** (external valuation)
- **Roads assets including roads, bridges and footpaths** (external valuation)
- **Bulk earthworks** (external valuation)
- **Stormwater drainage** (external valuation)
- **Water and Sewerage networks** (external valuation)
- **Swimming pools** (external valuation)
- **Other open space/recreational assets**
(external valuation)
- **Other assets**
(as approximated by depreciated historical cost)
- **Investment properties** – refer Note 1(p),

Initial recognition

On initial recognition, an asset's 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 (i.e. date of exchange) of the asset to arrive at fair value.

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

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

Subsequent costs

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to Council and the cost of the item can be measured reliably.

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

Asset revaluations (including indexation)

In accounting for asset revaluations relating to infrastructure, property, plant and 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

Richmond Valley Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

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
--------------------------------------	------------------

Other Infrastructure Assets

Swimming Pools	> \$10,000
Other Open Space/Recreational Assets	> \$10,000

Other Infrastructure	> \$10,000
----------------------	------------

Depreciation

Depreciation on Council's infrastructure, property, plant and equipment assets is calculated using the straight-line method in order to allocate an asset's cost (net of residual values) over its estimated useful life.

Council's Roads, bridges and footpaths were revalued as at 1 July 2015. These assets were broken into short and long lived components where applicable.

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 to 60 years
- Benches, seats etc	30 to 90 years

Buildings & Other Structures

- Buildings	10 to 200 years
-------------	-----------------

Stormwater Drainage

- Drains	80 years
- Culverts	80 years

Transportation Assets

- Sealed Roads: Surface	12 to 60 years
- Sealed Roads: Structure	50 to 200 years
- Unsealed roads	15 to 60 years
- Bridge: Concrete	100 to 200 years
- Bridge: Timber	100 to 200 years
- Kerb and Gutter	70 to 150 years
- Footpaths and Cycleways	12 to 100 years
- Minor and Major Culverts	70 to 150 years

Richmond Valley Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

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
- Swimming Pools	40 to 120 years
- Other Open Space/ Recreational Assets	10 to 200 years

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 derecognition

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.

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

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

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

Richmond Valley Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

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 that 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, e.g. 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.

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.

Richmond Valley Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

Specific information about 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' and discontinued operations

Council does not have any Non-Current Assets (or Disposal Groups) "Held for Sale" or Discontinued Operations.

(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.

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

(t) Payables

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

(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.

Richmond Valley Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

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 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 and 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,

Richmond Valley Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

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.

The last valuation of the scheme was performed by Mr Richard Boyfield (FIAA) on 24/02/16 and covers the period ended 30/06/15.

However the position is monitored annually and the actuary has estimated that as at 30 June 2016 the prior period deficit still exists.

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

The amount of employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense and disclosed as part of superannuation expenses at Note 4 (a) for the year ending 30 June 2016 was \$434,781.

The amount of additional contributions included in the total employer contribution advised above is \$292,893. Additional contributions are estimated to remain in place until 30/06/20 and remaining additional contributions are estimated to be \$736,000.

The share of the deficit that can be broadly attributed to Council is estimated to be in the order of \$345,242 as at 30 June 2016.

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 30/06/16.

(y) Self-insurance

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

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

(z) Allocation between current and non-current assets and 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.

Richmond Valley Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

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 it is 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 and Services Tax (GST)

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

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

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

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

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

Investing and financing cash flows are treated on a net basis (where recoverable from the ATO), i.e. they are exclusive of GST. Instead, the GST component of investing and financing activity cash flows that 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 issued (not yet effective)

Certain new (or amended) accounting standards and interpretations have been published that are not mandatory for reporting periods ending 30 June 2016.

Apart from AASB 2015-7, which relieves Council from providing quantitative information about the significant unobservable inputs within level 3 fair value measurements, Council has not adopted any of these standards early.

Apart from the AASB disclosures below, there are no other standards that are 'not yet effective' that are expected to have a material impact on Council in the current or future reporting periods and on foreseeable future transactions.

Council's assessment of the impact of upcoming new standards and interpretations that are likely to have an effect are set out below.

AASB 9 – Financial Instruments

AASB 9 replaces AASB 139 Financial Instruments: Recognition and Measurement and has an effective date for reporting periods beginning on or after 1 January 2018 (and must be applied retrospectively).

The overriding impact of AASB 9 is to change the requirements for the classification, measurement and disclosures associated with financial assets and financial liabilities.

These requirements are designed to improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139.

Under the new requirements the four current categories of financial assets stipulated in AASB 139 will be replaced with two measurement categories:

- fair value, and

Richmond Valley Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

- amortised cost (where financial assets will only be able to be measured at amortised cost when very specific conditions are met).

Council is yet to undertake a detailed assessment of the impact of AASB 9.

AASB 15 – Revenue from Contracts with Customers and associated amending standards

AASB 15 will replace AASB 118 which covers contracts for goods and services and AASB 111 which covers construction contracts.

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

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

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

Council is yet to undertake a detailed assessment of the impact of AASB 15.

AASB ED 260 Income of Not-for-Profit Entities

The AASB previously issued exposure draft AASB ED 260 on Income of Not-for-Profit Entities in April 2015.

The exposure draft proposed specific not-for-profit entity requirements and guidance when applying the principles of AASB 15 to income from certain transactions.

Much of the material in AASB 1004 is expected to be replaced by material included in AASB ED 260.

Specific revenue items that may considerably change are Grants and Contributions.

The most likely financial statement impact is the deferred recognition of Grants and Contributions (i.e. recognition as unearned revenue [liability]) until

Council has met the associated performance obligation/s relating to the Grants or Contribution.

At this stage there is no specific date of release for a standard or a date of applicability.

AASB16 – Leases

AASB 116 Leases replaces AASB 117 Leases and some associated lease-related Interpretations.

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

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

Council is yet to undertake a detailed assessment of the accounting impacts from AASB 16. However, based on preliminary assessments, impacts from the first time adoption of the standard are likely to include:

- a significant increase in lease assets and financial liabilities recognised on the balance sheet,
- a reduction in reported equity as the carrying amount of lease assets will reduce more quickly than the carrying amount of lease liabilities,
- lower operating cash outflows and higher financing cash flows in the statement of cash flows as principal repayments on all lease liabilities will now be included in financing activities rather than operating activities.

AASB2015-6 – Amendments to Australian Accounting Standards – Extending Related Party Disclosures to Not-for-Profit Public Sector Entities

From 1 July 2016, AASB 124 Related Party Disclosures will apply to Council.

This means that Council will be required to disclose information about related parties and Council transactions with those related parties.

Richmond Valley Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 1. Summary of significant accounting policies (continued)

Related parties will more than likely include the Mayor, Councillors and certain Council staff. In addition, the close family members of those people and any organisations that they control or are associated with will be classified as related parties (and fall under the related party reporting requirements).

AASB 2014 – 10 Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture

The amendments address an acknowledged inconsistency between the requirements in AASB 10 and those in AASB 128 (2011), in dealing with the sale or contribution of assets between an investor and its associate or joint venture.

The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not).

A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

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

This standard will only impact Council where there has been a sale or contribution of assets between the entity and the associate/joint venture.

(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 year ended 30 June 2016

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
	2016	2016	2015	2016	2016	2015	2016	2016	2015	2016	2015	2016	2015
Governance	–	–	–	1,988	1,890	1,928	(1,988)	(1,890)	(1,928)	–	–	–	–
Administration	1,261	1,065	860	433	–	–	828	1,065	860	129	126	44,690	55,525
Public order and safety	1,341	2,154	1,808	2,107	2,456	2,349	(766)	(302)	(541)	1,406	1,259	9,246	8,769
Health	257	234	198	542	554	555	(285)	(320)	(357)	–	–	900	877
Environment	4,941	5,316	7,160	6,220	6,061	6,071	(1,279)	(745)	1,089	605	2,782	43,034	42,449
Housing and community amenities	1,176	1,317	1,026	3,166	2,897	2,982	(1,990)	(1,580)	(1,956)	27	25	2,764	2,782
Water supplies	5,424	5,364	5,502	5,154	5,062	5,331	270	302	171	81	81	78,672	74,655
Sewerage services	7,612	7,649	7,753	6,687	7,302	6,817	925	347	936	80	88	117,719	105,184
Recreation and culture	1,177	1,220	949	4,184	4,722	5,133	(3,007)	(3,502)	(4,184)	632	383	77,465	73,480
Mining, manufacturing and construction	173	1,647	491	18	1,016	116	155	631	375	–	–	2,843	4,011
Transport and communication	6,068	7,806	7,397	11,711	14,069	12,716	(5,643)	(6,263)	(5,319)	3,810	2,699	313,290	320,558
Economic affairs	1,428	1,636	1,810	2,299	2,411	2,207	(871)	(775)	(397)	3	483	17,688	17,573
Total functions and activities	30,858	35,408	34,954	44,509	48,440	46,205	(13,651)	(13,032)	(11,251)	6,773	7,926	708,311	705,863
Share of gains/(losses) in associates and joint ventures (using the equity method)	–	–	–	–	–	–	–	–	–	–	–	–	–
General purpose income ¹	15,246	14,759	14,735	–	–	–	15,246	14,759	14,735	4,858	4,912	–	–
Operating result from continuing operations	46,104	50,167	49,689	44,509	48,440	46,205	1,595	1,727	3,484	11,631	12,838	708,311	705,863

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

Richmond Valley Council

Notes to the Financial Statements

for the year ended 30 June 2016

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 AND 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, street cleaning, drainage, stormwater management.

HOUSING AND COMMUNITY AMENITIES

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

WATER SUPPLIES

SEWERAGE SERVICES

RECREATION AND 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 AND CONSTRUCTION

Quarries & pits.

TRANSPORT AND 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 year ended 30 June 2016

Note 3. Income from continuing operations

\$ '000	Notes	Actual 2016	Actual 2015
(a) Rates and annual charges			
Ordinary rates			
Residential		6,298	6,087
Farmland		1,987	1,876
Business		1,350	1,298
Total ordinary rates		9,635	9,261
Special rates			
Nil			
Annual charges (pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Domestic waste management services		2,877	2,683
Stormwater management services		199	197
Water supply services		1,030	966
Sewerage services		6,273	6,111
Waste management services (non-domestic)		463	423
Total annual charges		10,842	10,380
TOTAL RATES AND ANNUAL CHARGES		20,477	19,641

Council has used 2014 year valuations provided by the NSW Valuer General in calculating its rates.

Richmond Valley Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 3. Income from continuing operations (continued)

\$ '000	Notes	Actual 2016	Actual 2015
(b) User charges and fees			
Specific user charges (per s.502 – specific 'actual use' charges)			
Water supply services		3,937	4,221
Sewerage services		830	871
Waste management services (non-domestic)		20	7
Total user charges		4,787	5,099
Other user charges and fees			
(i) Fees and charges – statutory and regulatory functions (per s.608)			
Planning and building regulation		417	432
Private works – section 67		163	145
Regulatory/ statutory fees		138	85
Registration fees		150	145
Total fees and charges – statutory/regulatory		868	807
(ii) Fees and charges – other (incl. general user charges (per s.608))			
Aerodrome		5	1
Casino showground		12	17
Cemeteries		324	261
Quarries		1,632	479
Rent / hire of council property		234	189
Richmond upper clarence regional library		11	13
RMS (formerly RTA) charges (state roads not controlled by Council)		2,959	4,624
Saleyards		853	836
Sports grounds		21	26
Waste disposal tipping fees		1,089	1,031
Other		146	204
Total fees and charges – other		7,286	7,681
TOTAL USER CHARGES AND FEES		12,941	13,587

Richmond Valley Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 3. Income from continuing operations (continued)

\$ '000	Notes	Actual 2016	Actual 2015
(c) Interest and investment revenue (including losses)			
Interest			
– Interest on overdue rates and annual charges (incl. special purpose rates)		246	145
– Interest earned on investments (interest and coupon payment income)		304	903
Fair value adjustments			
– Fair valuation movements in investments (at fair value or held for trading)		317	73
<u>TOTAL INTEREST AND INVESTMENT REVENUE</u>		<u>867</u>	<u>1,121</u>
Interest revenue is attributable to:			
Unrestricted investments/financial assets:			
Overdue rates and annual charges (general fund)		130	59
General Council cash and investments		245	552
Restricted investments/funds – external:			
Development contributions			
– Section 94		13	11
– Section 64		124	125
Water fund operations		118	73
Sewerage fund operations		237	301
Total interest and investment revenue recognised		<u>867</u>	<u>1,121</u>
(d) Other revenues			
Fines		111	84
Insurance claim recoveries		72	85
Other		5	13
<u>TOTAL OTHER REVENUE</u>		<u>188</u>	<u>182</u>

Richmond Valley Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 3. Income from continuing operations (continued)

\$ '000	2016 Operating	2015 Operating	2016 Capital	2015 Capital
(e) Grants				
General purpose (untied)				
Financial assistance – general component	3,152	3,196	–	–
Financial assistance – local roads component	1,481	1,487	–	–
Pensioners' rates subsidies – general component	225	229	–	–
Total general purpose	4,858	4,912	–	–
Specific purpose				
Pensioners' rates subsidies:				
– Water	81	81	–	–
– Sewerage	81	80	–	–
– Domestic waste management	90	87	–	–
Sewerage services	–	–	–	8
Bushfire and emergency services	809	1,002	597	173
Flood restoration	–	60	–	–
Library - Richmond Upper Clarence Regional	124	123	486	35
LIRS subsidy	3	483	–	–
Natural disaster funding	45	60	1,265	3,107
Sporting grounds	–	–	–	193
Strategic planning	12	11	–	–
Street lighting	88	88	–	–
Transport (roads to recovery)	2,003	701	–	–
Transport (other roads and bridges funding)	–	–	472	1,327
Waste and sustainability	91	91	360	54
Other	144	141	22	21
Total specific purpose	3,571	3,008	3,202	4,918
Total grants	8,429	7,920	3,202	4,918
Grant revenue is attributable to:				
– Commonwealth funding	6,765	5,510	3,055	33
– State funding	1,664	2,410	147	4,885
	8,429	7,920	3,202	4,918

Richmond Valley Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 3. Income from continuing operations (continued)

\$ '000	2016 Operating	2015 Operating	2016 Capital	2015 Capital
(f) Contributions				
Developer contributions:				
(s93 & s94 – EP&A Act, s64 of the LGA):				
S 93F – contributions using planning agreements	–	–	140	–
S 94 – contributions towards amenities/services	8	17	112	36
S 94A – fixed development consent levies	–	–	258	96
S 64 – water supply contributions	–	–	16	19
S 64 – sewerage service contributions	–	–	22	180
Total developer contributions	8	17	548	331
Other contributions:				
Bushfire and emergency services	577	438	–	–
Dedications (other than by S94)	–	–	130	–
Library - Richmond Upper Clarence Regional	268	264	–	–
Roads and bridges	1	–	–	–
RMS contributions (regional roads, block grant)	856	842	–	–
Saleyards	–	–	58	59
Sewerage (excl. section 64 contributions)	6	5	–	12
Sports grounds	69	68	–	–
Tourism	25	22	–	–
Water supplies (excl. section 64 contributions)	11	6	–	–
Other	632	484	60	18
Total other contributions	2,445	2,129	248	89
Total contributions	2,453	2,146	796	420
TOTAL GRANTS AND CONTRIBUTIONS	10,882	10,066	3,998	5,338

\$ '000	Actual 2016	Actual 2015
---------	----------------	----------------

(g) Restrictions relating to grants and contributions

Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner:

Unexpended at the close of the previous reporting period	6,095	5,611
Add: grants and contributions recognised in the current period but not yet spent:	1,509	995
Less: grants and contributions recognised in a previous reporting period now spent:	(919)	(511)
Net increase (decrease) in restricted assets during the period	590	484
Unexpended and held as restricted assets	6,685	6,095
Comprising:		
– Specific purpose unexpended grants	1,259	889
– Developer contributions	5,000	4,712
– Other contributions	426	494
	6,685	6,095

Richmond Valley Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 4. Expenses from continuing operations

\$ '000	Notes	Actual 2016	Actual 2015
(a) Employee benefits and on-costs			
Salaries and wages		13,632	12,484
Employee leave entitlements (ELE)		2,623	2,240
Superannuation		1,733	1,706
Workers' compensation insurance		428	390
Fringe benefit tax (FBT)		89	54
Payroll tax		124	123
Training costs (other than salaries and wages)		181	219
Other		211	279
Total employee costs		19,021	17,495
Less: capitalised costs		(1,948)	(1,469)
TOTAL EMPLOYEE COSTS EXPENSED		17,073	16,026
Number of 'full-time equivalent' employees (FTE) at year end		253	244
(b) Borrowing costs			
(i) Interest bearing liability costs			
Interest on loans		1,663	1,615
Total interest bearing liability costs expensed		1,663	1,615
(ii) Other borrowing costs			
Discount adjustments relating to movements in provisions (other than ELE)			
– Remediation liabilities	26	71	70
Total other borrowing costs		71	70
TOTAL BORROWING COSTS EXPENSED		1,734	1,685
(c) Materials and contracts			
Raw materials and consumables		9,656	10,046
Auditors remuneration ⁽¹⁾		63	51
Legal expenses:			
– Legal expenses: planning and development		25	9
– Legal expenses: other		24	127
Operating leases:			
– Operating lease rentals: minimum lease payments ⁽²⁾		401	436
TOTAL MATERIALS AND CONTRACTS		10,169	10,669

Richmond Valley Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Actual 2016	Actual 2015
(c) Materials and contracts (continued)			
1. Auditor remuneration			
During the year, the following fees were incurred for services provided by the Council's Auditor:			
(i) Audit and other assurance services			
– Audit and review of financial statements: Council's Auditor		53	51
Remuneration for audit and other assurance services		53	51
(ii) Other non-assurance services			
– Asset Management Preparedness Audit		10	–
Remuneration for other services		10	–
Total Auditor remuneration		63	51
2. Operating lease payments are attributable to:			
Computers		287	313
Motor vehicles		94	106
Other		20	17
		401	436

\$ '000	Notes	Impairment costs		Depreciation/amortisation	
		Actual 2016	Actual 2015	Actual 2016	Actual 2015
(d) Depreciation, amortisation and impairment					
Plant and equipment		—	—	1,335	1,682
Office equipment		—	—	40	36
Furniture and fittings		—	—	55	55
Land improvements (depreciable)		—	—	228	242
Infrastructure:					
– Buildings – specialised		—	—	945	1,062
– Other structures		—	—	158	237
– Roads		—	—	5,089	4,096
– Bridges		—	—	626	349
– Footpaths		—	—	264	251
– Stormwater drainage		—	—	550	531
– Water supply network		—	—	794	786
– Sewerage network		—	—	1,121	1,104
– Swimming pools		—	—	104	147
– Other open space/recreational assets		—	—	164	224
Other assets					
– Library books		—	—	72	76
Asset reinstatement costs	9 & 26	—	—	51	47
Total depreciation and impairment costs		—	—	11,596	10,925
Less: capitalised costs		—	—	(397)	(370)
TOTAL DEPRECIATION AND IMPAIRMENT COSTS EXPENSED		—	—	11,199	10,555

Richmond Valley Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Actual 2016	Actual 2015
(e) Other expenses			
Advertising		71	106
Bad and doubtful debts		1	129
Bank charges		20	17
Contributions/levies to other levels of government			
– Emergency Services levy (includes FRNSW, SES, and RFS levies)		39	34
– NSW Fire Brigade levy		73	95
– NSW Rural Fire Service levy		924	666
– Waste levy		850	1,185
Councillor expenses – mayoral fee		24	23
Councillor expenses – councillors' fees		77	73
Councillors' expenses (incl. mayor) – other (excluding fees above)		32	20
Donations, contributions and assistance to other organisations (Section 356)		498	402
Electricity and heating		648	822
Insurance		881	884
Street lighting		255	273
Subscriptions and publications		105	93
Telephone and communications		243	234
Valuation fees		73	84
Other		51	26
<u>TOTAL OTHER EXPENSES</u>		<u>4,865</u>	<u>5,166</u>

Note 5. Gains or losses from the disposal of assets

Property (excl. investment property)			
Proceeds from disposal – property		–	699
Less: carrying amount of property assets sold/written off		(366)	(1,639)
Net gain/(loss) on disposal		(366)	(940)
Plant and equipment			
Proceeds from disposal – plant and equipment		341	357
Less: carrying amount of plant and equipment assets sold/written off		(404)	(420)
Net gain/(loss) on disposal		(63)	(63)
Infrastructure			
Less: carrying amount of infrastructure assets sold/written off		(2,613)	(1,799)
Net gain/(loss) on disposal		(2,613)	(1,799)
Real estate assets held for sale			
Proceeds from disposal – real estate assets		647	711
Less: carrying amount of real estate assets sold/written off		(191)	(259)
Net gain/(loss) on disposal		456	452
<u>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</u>		<u>(2,586)</u>	<u>(2,350)</u>

Richmond Valley Council

Notes to the Financial Statements for the year ended 30 June 2016

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

\$ '000	Notes	2016 Actual Current	2016 Actual Non-current	2015 Actual Current	2015 Actual Non-current
Cash and cash equivalents (Note 6a)					
Cash on hand and at bank		644	–	4,239	–
Cash-equivalent assets ¹					
– Deposits at call		4,422	–	5,510	–
– Short-term deposits		7,000	–	12,000	–
Total cash and cash equivalents		12,066	–	21,749	–
Investments (Note 6b)					
– Managed funds		16,310	–	–	–
– Long term deposits		4,000	–	7,000	–
– Listed equity securities		–	–	493	–
Total investments		20,310	–	7,493	–
TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS		32,376	–	29,242	–

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

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

Cash and cash equivalents

a. 'At fair value through the profit and loss'	12,066	–	21,749	–
--	---------------	----------	---------------	----------

Investments

a. 'At fair value through the profit and loss'					
– 'Held for trading'	6(b-i)	20,310	–	7,493	–
Investments		20,310	–	7,493	–

Note 6(b-i)

Reconciliation of investments classified as 'at fair value through the profit and loss'

Balance at the beginning of the year	7,493	–	9,457	481
Revaluations (through the Income Statement)	317	–	73	–
Additions	25,000	–	30,000	–
Disposals (sales and redemptions)	(12,500)	–	(32,518)	–
Transfers between current/non-current	–	–	481	(481)
Balance at end of year	20,310	–	7,493	–

Comprising:

– Managed funds	16,310	–	–	–
– Listed equity securities	–	–	493	–
– Other long term financial assets	4,000	–	7,000	–
Total	20,310	–	7,493	–

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 year ended 30 June 2016

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

	2016 Actual Current	2016 Actual Non-current	2015 Actual Current	2015 Actual Non-current
\$ '000				
Total cash, cash equivalents and investments	32,376	–	29,242	–
attributable to:				
External restrictions (refer below)	22,134	–	23,471	–
Internal restrictions (refer below)	9,889	–	5,771	–
Unrestricted	353	–	–	–
	32,376	–	29,242	–

2016 \$ '000	Opening balance	Transfers to restrictions	Transfers from restrictions	Closing balance
-----------------	--------------------	------------------------------	--------------------------------	--------------------

Details of restrictions

External restrictions – included in liabilities

Specific purpose unexpended loans – general (A)	3,929	89	(929)	3,089
Bonds and deposits	411	79	(13)	477
External restrictions – included in liabilities	4,340	168	(942)	3,566

External restrictions – other

Developer contributions – general (D)	423	530	(405)	548
Developer contributions – water fund (D)	1,434	58	–	1,492
Developer contributions – sewer fund (D)	2,855	105	–	2,960
Specific purpose unexpended grants (F)	889	3,190	(2,820)	1,259
Water supplies (G)	1,019	599	–	1,618
Sewerage services (G)	8,552	–	(2,133)	6,419
Domestic waste management (G)	3,208	423	(125)	3,506
Stormwater management (G)	132	277	(207)	202
Other	619	149	(204)	564
External restrictions – other	19,131	5,331	(5,894)	18,568
Total external restrictions	23,471	5,499	(6,836)	22,134

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 (b))

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

Richmond Valley Council

Notes to the Financial Statements for the year ended 30 June 2016

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

2016 \$ '000	Opening balance	Transfers to restrictions	Transfers from restrictions	Closing balance
Internal restrictions				
Plant & vehicle Replacement	652	5,040	(4,150)	1,542
Real Estate & Infrastructure	410	2,606	(1,487)	1,529
Employees leave entitlement	944	27	–	971
Carry over works	51	91	(51)	91
Casino saleyards	318	1,101	(1,110)	309
Insurance	87	3	–	90
Other waste management	1,287	593	–	1,880
Petersons quarry	440	721	(122)	1,039
Public cemeteries perpetual maintenance	455	74	(62)	467
Quarry rehabilitation	96	17	–	113
Road Rehabilitation	–	213	–	213
Unexpended rates variations	216	221	(216)	221
Woodview quarry	388	777	(260)	905
Richmond upper clarence regional library	419	1,176	(1,331)	264
Revolving energy and sustainability fund	8	–	–	8
Rural Road Safety Program	–	70	(26)	44
RMS State Road Maintenance Contract	–	4,379	(4,176)	203
Total internal restrictions	5,771	17,109	(12,991)	9,889
TOTAL RESTRICTIONS	29,242	22,608	(19,827)	32,023

Richmond Valley Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 7. Receivables

\$ '000	Notes	2016		2015	
		Current	Non-current	Current	Non-current
Purpose					
Rates and annual charges		3,187	860	2,961	785
Interest and extra charges		193	21	196	21
User charges and fees		3,558	578	4,336	528
Accrued revenues					
– Interest on investments		46	–	219	–
Deferred debtors		1	19	22	–
Government grants and subsidies		442	320	3,858	398
Net GST receivable		243	–	236	–
Bank guarantees		112	368	112	308
Other debtors		291	–	–	–
Other debtors		–	–	411	–
Total		8,073	2,166	12,351	2,040
Less: provision for impairment					
Rates and annual charges		(79)	–	(79)	–
User charges and fees		(41)	–	(39)	–
Other debtors		(17)	–	(113)	–
Total provision for impairment – receivables		(137)	–	(231)	–
<u>TOTAL NET RECEIVABLES</u>		<u>7,936</u>	<u>2,166</u>	<u>12,120</u>	<u>2,040</u>
Externally restricted receivables					
Water supply					
– Specific purpose grants		89	–	88	–
– Rates and availability charges		310	117	297	103
– Other		1,215	450	1,271	427
Sewerage services					
– Specific purpose grants		80	–	80	–
– Rates and availability charges		1,669	610	1,615	573
– Other		365	129	366	102
Total external restrictions		3,728	1,306	3,717	1,205
Internally restricted receivables					
Nil					
Unrestricted receivables		4,208	860	8,403	835
TOTAL NET RECEIVABLES		7,936	2,166	12,120	2,040

Notes on debtors above:

- (i) Rates and annual charges outstanding are secured against the property.
- (ii) Doubtful rates debtors are provided for where the value of the property is less than the debt outstanding.
An allowance for other doubtful debts is made when there is objective evidence that a receivable is impaired.
- (iii) Interest was charged on overdue rates and charges at 8.50% (2015 8.50%).
Generally all other receivables are non-interest bearing.
- (iv) Please refer to Note 15 for issues concerning credit risk and fair value disclosures.

Richmond Valley Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 8. Inventories and other assets

\$ '000	Notes	2016		2015	
		Current	Non-current	Current	Non-current

(a) Inventories

(i) Inventories at cost

Real estate for resale (refer below)	199	1,543	355	1,415
Stores and materials	903	–	2,163	–
Total inventories at cost	1,102	1,543	2,518	1,415

(ii) Inventories at net realisable value (NRV)

Nil

TOTAL INVENTORIES	1,102	1,543	2,518	1,415
--------------------------	--------------	--------------	--------------	--------------

(b) Other assets

Prepayments	321	–	374	–
Work in progress – real estate	45	–	45	–
TOTAL OTHER ASSETS	366	–	419	–

Externally restricted assets

There are no restrictions applicable to the above assets.

(i) Other disclosures

(a) Details for real estate development

Residential	199	159	355	159
Industrial/commercial	–	1,384	–	1,256
Total real estate for resale	199	1,543	355	1,415

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

Represented by:

Acquisition costs	56	1,434	104	1,292
Development costs	143	109	251	123
Total costs	199	1,543	355	1,415
Total real estate for resale	199	1,543	355	1,415

Movements:

Real estate assets at beginning of the year	355	1,415	284	1,464
– Purchases and other costs	20	143	1,018	1
– Transfers in from (out to) Note 9	–	–	(738)	–
– WDV of sales (expense)	(176)	(15)	(259)	–
– Transfer between current/non-current	–	–	50	(50)
Total real estate for resale	199	1,543	355	1,415

(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.

Richmond Valley Council

Notes to the Financial Statements
for the year ended 30 June 2016

Note 9a. Infrastructure, property, plant and equipment

\$ '000	as at 30/6/2015					Asset movements during the reporting period										as at 30/6/2016				
						Additions renewals	Additions new assets	Reinstatement costs for impaired assets	Carrying value of disposals	Depreciation expense	Impairment reversal (via equity)	WIP transfers	Adjustments and transfers	Revaluation decrements to equity (ARR)	Revaluation increments to equity (ARR)					
	At cost	At fair value	Accumulated		Carrying value											At cost	At fair value	depreciation	impairment	Carrying value
Capital work in progress	2,773	–	–	–	2,773	310	1,296	–	(47)	–	–	(2,314)	–	–	–	2,018	–	–	–	2,018
Plant and equipment	–	21,509	11,634	–	9,875	1,999	829	–	(402)	(1,335)	–	317	–	–	–	–	23,639	12,356	–	11,283
Office equipment	–	998	810	–	188	–	1	–	–	(40)	–	–	–	–	–	–	998	849	–	149
Furniture and fittings	–	933	655	–	278	–	59	–	–	(55)	–	–	–	–	–	–	992	710	–	282
Land:																				
– Operational land	–	23,574	–	–	23,574	–	–	–	(264)	–	–	–	–	–	1,405	–	24,715	–	–	24,715
– Community land	–	22,899	–	–	22,899	–	143	–	–	–	–	–	–	–	1,215	–	24,257	–	–	24,257
– Land under roads (post 30/6/08)	–	156	–	–	156	–	–	–	–	–	–	–	–	–	–	–	156	–	–	156
Land improvements – non-depreciable	–	4,006	–	–	4,006	20	–	–	–	–	–	–	–	–	115	–	4,141	–	–	4,141
Land improvements – depreciable	–	12,218	1,499	–	10,719	182	173	–	(83)	(228)	–	–	–	–	301	–	12,789	1,725	–	11,064
Infrastructure:																				
– Buildings – specialised	–	58,255	11,792	–	46,463	1,339	209	–	–	(945)	–	890	–	–	1,312	–	62,212	12,944	–	49,268
– Other structures	–	11,463	1,883	–	9,580	10	16	–	–	(158)	–	1	(48)	–	269	–	11,755	2,085	–	9,670
– Roads	–	209,313	42,037	3,351	163,925	4,429	432	1,157	(1,460)	(5,089)	1,911	289	–	(5,610)	–	–	213,360	53,094	282	159,984
– Bridges	–	73,759	12,734	150	60,875	29	–	78	–	(626)	72	–	–	(2,208)	–	–	74,232	16,012	–	58,220
– Footpaths	–	16,376	4,162	–	12,214	55	107	–	(12)	(264)	–	11	–	(181)	–	–	16,616	4,686	–	11,930
– Bulk earthworks (non-depreciable)	–	71,897	–	–	71,897	–	79	–	–	–	–	–	–	–	460	–	72,436	–	–	72,436
– Stormwater drainage	–	48,737	14,520	–	34,217	37	102	–	(21)	(550)	–	6	–	–	215	–	49,149	15,143	–	34,006
– Water supply network	–	83,309	13,243	–	70,066	877	75	–	(331)	(794)	–	262	–	–	1,042	–	85,052	13,855	–	71,197
– Sewerage network	–	123,853	23,902	–	99,951	2,540	100	–	(670)	(1,121)	–	538	–	–	1,485	–	127,296	24,473	–	102,823
– Swimming pools	–	7,159	764	–	6,395	10	4	–	–	(104)	–	–	(4)	–	181	–	7,374	892	–	6,482
– Other open space/recreational assets	–	8,458	1,531	–	6,927	87	214	–	(91)	(164)	–	–	52	–	199	–	8,922	1,698	–	7,224
Other assets:																				
– Library books	–	1,390	986	–	404	84	–	–	(2)	(72)	–	–	–	–	–	–	1,432	1,018	–	414
Reinstatement, rehabilitation and restoration assets (refer Note 26):																				
– Tip assets	1,739	–	1,219	–	520	–	367	–	–	(25)	–	–	–	–	–	2,107	–	1,245	–	862
– Quarry assets	449	–	242	–	207	–	60	–	–	(26)	–	–	–	–	–	509	–	268	–	241
TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIP.	4,961	800,262	143,613	3,501	658,109	12,008	4,266	1,235	(3,383)	(11,596)	1,983	–	–	(7,999)	8,199	4,634	821,523	163,053	282	662,822

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

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

Richmond Valley Council

Notes to the Financial Statements
for the year ended 30 June 2016

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

\$ '000 Class of asset	Actual 2016				Actual 2015			
	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	66	–	–	66	340	–	–	340
Plant and equipment	–	190	158	32	–	181	134	47
Office equipment	–	3	3	–	–	3	3	–
Furniture and fittings	–	31	21	10	–	27	17	10
Land								
– Operational land	–	2,094	–	2,094	–	2,008	–	2,008
Infrastructure	–	85,052	13,855	71,197	–	83,309	13,243	70,066
Total water supply	66	87,370	14,037	73,399	340	85,528	13,397	72,471
Sewerage services								
WIP	610	–	–	610	546	–	–	546
Plant and equipment	–	657	435	222	–	676	384	292
Office equipment	–	25	25	–	–	25	24	1
Furniture and fittings	–	10	8	2	–	9	7	2
Land								
– Operational land	–	1,729	–	1,729	–	1,655	–	1,655
Infrastructure	–	127,296	24,473	102,823	–	123,853	23,902	99,951
Total sewerage services	610	129,717	24,941	105,386	546	126,218	24,317	102,447
TOTAL RESTRICTED I,PP&E	676	217,087	38,978	178,785	886	211,746	37,714	174,918

Richmond Valley Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 10a. Payables, borrowings and provisions

\$ '000	Notes	2016		2015	
		Current	Non-current	Current	Non-current
Payables					
Goods and services – operating expenditure		1,148	–	1,508	–
Goods and services – capital expenditure		1,311	–	1,185	–
Payments received in advance		30	–	27	–
Accrued expenses:					
– Salaries and wages		278	–	434	–
– Other expenditure accruals		834	–	1,788	–
Security bonds, deposits and retentions		456	–	393	–
ATO – net GST payable		62	–	70	–
Bank guarantees		112	368	112	308
Payable to LPMA (MRRV discontinued op)		–	–	196	–
Total payables		4,231	368	5,713	308
Borrowings					
Loans – secured ¹		1,800	24,314	1,620	24,881
Total borrowings		1,800	24,314	1,620	24,881
Provisions					
Employee benefits:					
Annual leave		1,637	–	1,642	–
Long service leave		2,462	121	2,640	94
Other leave		18	–	15	–
Sub-total – aggregate employee benefits		4,117	121	4,297	94
Asset remediation/restoration (future works)	26	366	2,406	–	2,272
Total provisions		4,483	2,527	4,297	2,366
TOTAL PAYABLES, BORROWINGS AND PROVISIONS					
		10,514	27,209	11,630	27,555
(i) Liabilities relating to restricted assets					
		2016		2015	
		Current	Non-current	Current	Non-current
Externally restricted assets					
Water		11	–	9	–
Sewer		1,273	16,108	1,245	17,173
Other		477	–	411	–
Liabilities relating to externally restricted assets		1,761	16,108	1,665	17,173
Total liabilities relating to restricted assets		1,761	16,108	1,665	17,173
Total liabilities relating to unrestricted assets		8,753	11,101	9,965	10,382
TOTAL PAYABLES, BORROWINGS AND PROVISIONS		10,514	27,209	11,630	27,555

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

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

Richmond Valley Council

Notes to the Financial Statements for the year ended 30 June 2016

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

	Actual 2016	Actual 2015
\$ '000		

(ii) Current liabilities not anticipated to be settled within the next twelve months

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

Provisions – employees benefits	2,409	2,618
	2,409	2,618

Note 10b. Description of and movements in provisions

Class of provision	2015	2016				Closing balance as at 30/6/16
	Opening balance as at 1/7/15	Additional provisions	Decrease due to payments	Remeasurement effects due to discounting	Unused amounts reversed	
Annual leave	1,642	1,100	(1,108)	3	–	1,637
Long service leave	2,734	467	(621)	3	–	2,583
Other leave	15	9	(6)	–	–	18
Asset remediation	2,272	–	–	500	–	2,772
TOTAL	6,663	1,576	(1,735)	506	–	7,010

- Employees leave entitlements and on-costs represents those benefits accrued and payable and an estimate of those that will become payable in the future as a result of past service.
- Asset remediation, reinstatement and restoration provisions represent the present value estimate of future costs Council will incur in order to remove, restore and remediate assets and/or activities as a result of past operations.

Richmond Valley Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 11. Statement of cash flows – additional information

\$ '000	Notes	Actual 2016	Actual 2015
(a) Reconciliation of cash assets			
Total cash and cash equivalent assets	6a	12,066	21,749
Less bank overdraft	10	–	–
Balance as per the Statement of Cash Flows		12,066	21,749
(b) Reconciliation of net operating result to cash provided from operating activities			
Net operating result from Income Statement		1,727	3,484
Adjust for non-cash items:			
Depreciation and amortisation		11,199	10,555
Net losses/(gains) on disposal of assets		2,586	2,350
Non-cash capital grants and contributions		(522)	(45)
Losses/(gains) recognised on fair value re-measurements through the P&L:			
– Investments classified as 'at fair value' or 'held for trading'		(317)	(73)
Unwinding of discount rates on reinstatement provisions		500	453
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		4,150	(1,855)
Increase/(decrease) in provision for doubtful debts		(94)	124
Decrease/(increase) in inventories		1,260	(570)
Decrease/(increase) in other assets		53	794
Increase/(decrease) in payables		(360)	(616)
Increase/(decrease) in other accrued expenses payable		(1,110)	689
Increase/(decrease) in other liabilities		(78)	50
Increase/(decrease) in employee leave entitlements		(153)	(325)
Increase/(decrease) in other provisions		–	(354)
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		18,841	14,661

Richmond Valley Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 11. Statement of cash flows – additional information (continued)

\$ '000	Notes	Actual 2016	Actual 2015
(c) Non-cash investing and financing activities			
Bushfire grants		321	16
Other dedications		130	–
Estimated future reinstatement costs		71	29
Total non-cash investing and financing activities		522	45
(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	46
Total financing arrangements		546	546

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

(ii) Secured loan liabilities

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

Richmond Valley Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 12. Commitments for expenditure

\$ '000	Notes	Actual 2016	Actual 2015
(a) Capital commitments (exclusive of GST)			
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:			
Property, plant and equipment			
Buildings		–	1,058
Plant and equipment		480	582
Infrastructure – other		299	830
Total commitments		779	2,470
These expenditures are payable as follows:			
Within the next year		779	2,470
Total payable		779	2,470
Sources for funding of capital commitments:			
Unrestricted general funds		–	2,470
Externally restricted reserves		299	–
Internally restricted reserves		480	–
Total sources of funding		779	2,470

Details of capital commitments

Capital expenditure commitments currently in place are for strengthening works at Jabour Weir, completion of Coraki Sewerage Treatment Plant inlet works and plant and equipment purchases including a road patching truck and roller.

(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	151	219
Later than one year and not later than 5 years	303	359
Later than 5 years	133	227
Total non-cancellable operating lease commitments	587	805

b. Non-cancellable operating leases include the following assets:

Computer equipment
Heavy plant - Komatsu graders

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.

Richmond Valley Council

Notes to the Financial Statements for the year ended 30 June 2016

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

\$ '000	Amounts 2016	Indicator 2016	Prior periods 20152014	
Local government industry indicators – consolidated				
1. Operating performance ratio				
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions less operating expenses	(2)	0.00%	0.95%	-11.54%
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	45,038			
2. Own source operating revenue ratio				
Total continuing operating revenue ⁽¹⁾ excluding all grants and contributions	34,156	69.65%	69.11%	73.14%
Total continuing operating revenue ⁽¹⁾	49,036			
3. Unrestricted current ratio				
Current assets less all external restrictions ⁽²⁾	15,918	2.51x	2.33x	2.57x
Current liabilities less specific purpose liabilities ^(3, 4)	6,344			
4. Debt service cover ratio				
Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation	12,931	3.85x	4.53x	2.63x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	3,361			
5. Rates, annual charges, interest and extra charges outstanding percentage				
Rates, annual and extra charges outstanding	4,182	17.00%	16.52%	18.88%
Rates, annual and extra charges collectible	24,607			
6. Cash expense cover ratio				
Current year's cash and cash equivalents plus all term deposits	16,066	5.44 mths	9.98 mths	7.80 mths
Payments from cash flow of operating and financing activities	2,952			

Notes

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

⁽²⁾ Refer Notes 6-8 inclusive.

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

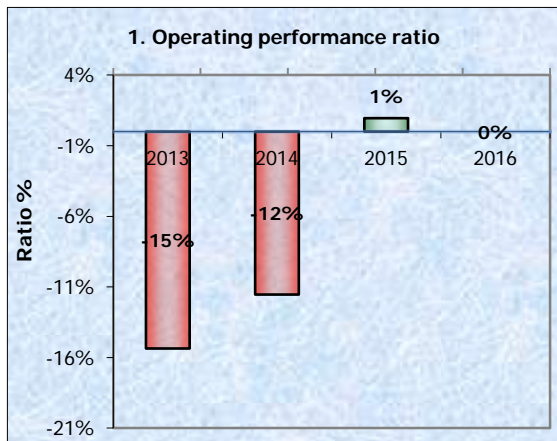
⁽³⁾ Refer to Note 10(a).

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

Richmond Valley Council

Notes to the Financial Statements for the year ended 30 June 2016

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



Benchmark: — Minimum $\geq 0.00\%$

Source for benchmark: Code of Accounting Practice and Financial Reporting #24

Purpose of operating performance ratio

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

Commentary on 2015/16 result

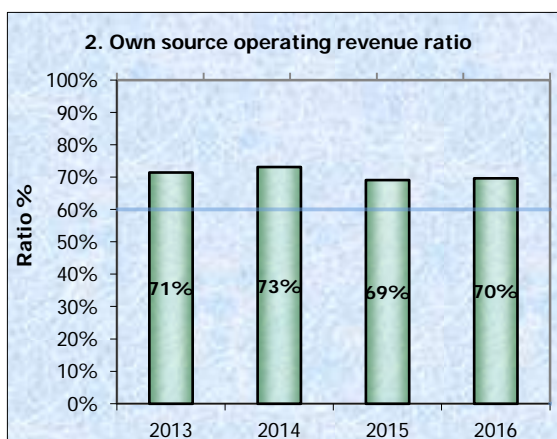
2015/16 ratio 0.00%

Council's Operating Performance Ratio is at the benchmark of 0%. Council is in its second year of a special rate variation approved over a 5 year period. This has allowed Council to take steps to address this ratio.



Ratio achieves benchmark

Ratio is outside benchmark



Benchmark: — Minimum $\geq 60.00\%$

Source for benchmark: Code of Accounting Practice and Financial Reporting #24

Purpose of own source operating revenue ratio

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

Commentary on 2015/16 result

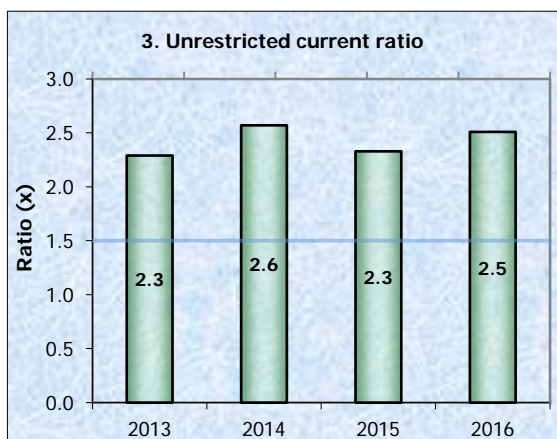
2015/16 ratio 69.65%

Council's Own Source Operating Revenue 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 further improvements in this ratio.



Ratio achieves benchmark

Ratio is outside benchmark



Benchmark: — Minimum ≥ 1.50

Source for benchmark: Code of Accounting Practice and Financial Reporting #24

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 2015/16 result

2015/16 ratio 2.51x

The Unrestricted Current Ratio has improved from 2015 and is well above the benchmark of 1.5.



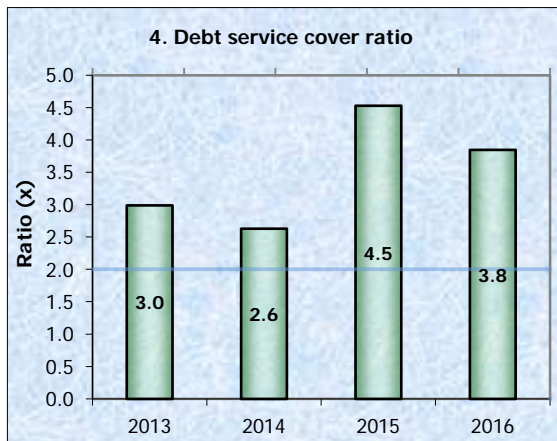
Ratio achieves benchmark

Ratio is outside benchmark

Richmond Valley Council

Notes to the Financial Statements for the year ended 30 June 2016

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



Benchmark: — Minimum ≥ 2.00

Source for benchmark: Code of Accounting Practice and Financial Reporting #24

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 2015/16 result

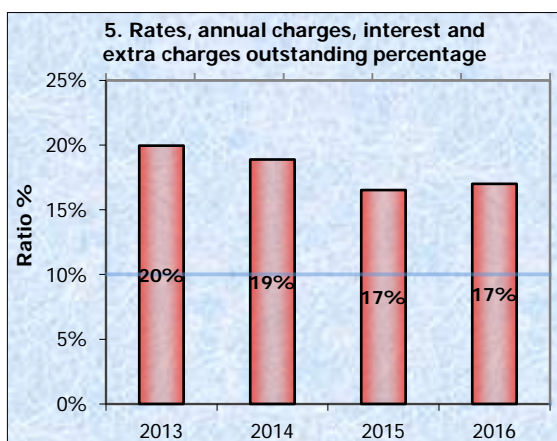
2015/16 ratio 3.85x

This ratio has decreased from 2015 due to further borrowings advanced as part of Council's special rate variation. The ratio is still well above the benchmark of 2.0.



Ratio achieves benchmark

Ratio is outside benchmark



Benchmark: — Maximum $< 10.00\%$

Source for Benchmark: Code of Accounting Practice and Financial Reporting #24

Purpose of rates and annual charges outstanding ratio

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

Commentary on 2015/16 result

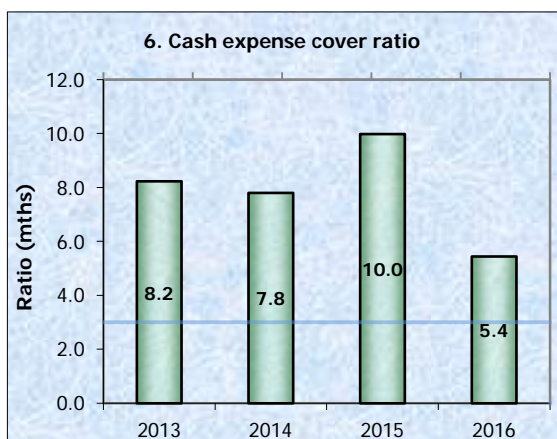
2015/16 ratio 17.00%

Whilst there has been a slight increase in this ratio, Council will continue to monitor and pursue outstanding amounts through its debt recovery practices. In comparing this ratio to the benchmark, it is impacted by the fact that Council levies its water and sewerage annual charges in arrears.



Ratio is within Benchmark

Ratio is outside Benchmark



Benchmark: — Minimum ≥ 3.00

Source for benchmark: Code of Accounting Practice and Financial Reporting #24

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 2015/16 result

2015/16 ratio 5.44 mths

Council's Cash Expense Cover Ratio is above the benchmark of 3. This ratio has decreased considerably due to Council investing in managed funds and these funds are not included in this ratio. The managed funds are liquid assets and can be redeemed within 5 days.



Ratio achieves benchmark

Ratio is outside benchmark

Richmond Valley Council

Notes to the Financial Statements for the year ended 30 June 2016

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

\$ '000	Water 2016	Sewer 2016	General ⁵ 2016
Local government industry indicators – by fund			
1. Operating performance ratio			
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions less operating expenses	12.71%	13.90%	-5.68%
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	prior period: 12.23%	16.92%	-5.13%
2. Own source operating revenue ratio			
Total continuing operating revenue ⁽¹⁾ excluding all grants and contributions	97.24%	97.91%	58.98%
Total continuing operating revenue ⁽¹⁾	prior period: 98.18%	96.41%	58.46%
3. Unrestricted current ratio			
Current assets less all external restrictions ⁽²⁾	293.82x	6.70x	2.51x
Current liabilities less specific purpose liabilities ^(3, 4)	prior period: 297.22x	8.52x	2.33x
4. Debt service cover ratio			
Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation	0.00	1.54x	7.13x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	prior period: 0.00x	1.65x	14.43x
5. Rates, annual charges, interest and extra charges outstanding percentage			
Rates, annual and extra charges outstanding	26.87%	26.28%	10.28%
Rates, annual and extra charges collectible	prior period: 26.91%	24.42%	9.91%
6. Cash expense cover ratio			
Current year's cash and cash equivalents plus all term deposits	9.24 mths	7.99 mths	4.15 mths
Payments from cash flow of operating and financing activities	prior period: 6.95 mths	21.93 mths	7.42 mths

Notes

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

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

Richmond Valley Council

Notes to the Financial Statements for the year ended 30 June 2016

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 and financial liabilities recognised in the financial statements is presented below.

	Carrying value		Fair value	
	2016	2015	2016	2015
Financial assets				
Cash and cash equivalents	12,066	21,749	12,066	21,749
Investments				
– 'Held for trading'	20,310	7,493	20,310	7,493
Receivables	10,102	14,160	10,102	14,000
Total financial assets	42,478	43,402	42,478	43,242
Financial liabilities				
Payables	4,569	5,994	4,569	5,994
Loans/advances	26,114	26,501	26,709	27,483
Total financial liabilities	30,683	32,495	31,278	33,477

Fair value is determined as follows:

- **Cash and cash equivalents, receivables, payables** – are estimated to be the carrying value that approximates market value.
- **Borrowings and held-to-maturity investments** – are based upon estimated future cash flows discounted by the current mkt interest rates applicable to assets and liabilities with similar risk profiles, unless quoted market prices are available.
- Financial assets classified (i) '**at fair value through profit and 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 and liabilities.

Richmond Valley Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 15. Financial risk management (continued)

\$ '000

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

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

Council has an investment policy which complies with the *Local Government Act 1993* and Minister's investment order. This policy is regularly reviewed by Council and it's 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 there changes are caused by factors specific to individual financial instruments or their issuers or are caused by factors affecting similar instruments traded in a market.
- **Interest rate risk** – the risk that movements in interest rates could affect returns and income.
- **Credit risk** – the risk that the investment counterparty will not complete their obligations particular to a financial instrument, resulting in a financial loss to Council – be it of a capital or income nature.

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

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

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

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

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

	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
2016				
Possible impact of a 10% movement in market values	1,631	–	(1,631)	–
Possible impact of a 1% movement in interest rates	324	–	(324)	–
2015				
Possible impact of a 10% movement in market values	49	–	(49)	–
Possible impact of a 1% movement in interest rates	292	–	(292)	–

Richmond Valley Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 15. Financial risk management (continued)

\$ '000

(b) Credit risk

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

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

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

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

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

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

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

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

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

		2016	2016	2015	2015
		Rates and annual charges	Other receivables	Rates and annual charges	Other receivables
(i) Ageing of receivables – %					
Current (not yet overdue)		79%	79%	79%	68%
Overdue		21%	21%	21%	32%
		100%	100%	100%	100%
		Rates and annual charges	Other receivables	Rates and annual charges	Other receivables
(ii) Ageing of receivables – value					
Rates and annual charges	Other receivables				
Current	Current	3,187	4,886	2,961	9,788
Overdue	Overdue	860	1,306	785	857
		4,047	6,192	3,746	10,645
(iii) Movement in provision for impairment of receivables				2016	2015
Balance at the beginning of the year				231	107
+ new provisions recognised during the year				2	129
– amounts already provided for and written off this year				(96)	(5)
Balance at the end of the year				137	231

Richmond Valley Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 15. Financial risk management (continued)

\$ '000

(c) Liquidity risk

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

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

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

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

\$ '000	Subject to no maturity	payable in:						Total cash outflows	Actual carrying values
		≤ 1 Year	1-2 Yrs	2-3 Yrs	3-4 Yrs	4-5 Yrs	> 5 Yrs		
2016									
Trade/other payables	456	4,113	–	–	–	–	–	4,569	4,569
Loans and advances	–	3,424	3,389	3,356	3,325	3,290	20,886	37,670	26,114
Total financial liabilities	456	7,537	3,389	3,356	3,325	3,290	20,886	42,239	30,683
2015									
Trade/other payables	393	5,601	–	–	–	–	–	5,994	5,994
Loans and advances	–	3,314	3,278	3,243	3,210	3,179	23,303	39,527	26,501
Total financial liabilities	393	8,915	3,278	3,243	3,210	3,179	23,303	45,521	32,495

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

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

	2016		2015	
	Carrying value	Average interest rate	Carrying value	Average interest rate
Trade/other payables	4,569	0.00%	5,994	0.00%
Loans and advances – fixed interest rate	26,114	6.34%	26,501	6.50%
	30,683		32,495	

Richmond Valley Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 16. Material budget variations

\$ '000

Council's original financial budget for 15/16 was adopted by the Council on 18 June 2015.

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

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

Note that for variations* of budget to actual :

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

F = Favourable budget variation, **U** = Unfavourable budget variation

\$ '000	2016 Budget	2016 Actual	2016 Variance* -----	
REVENUES				
Interest and investment revenue	1,013	867	(146)	(14%) U
Interest and investment revenue was under budget by \$146,000 (14%). This was mainly due to an excess accrual in the 2014/2015 Financial Statements of \$160,000. This error has been reversed against 2015/2016 revenue, reducing actual interest and investment revenue by \$160,000.				
Other revenues	105	188	83	79% F
Over revenues were over budget by \$83,000 (79%). This was mainly due to insurance claims and rebates being received which are unknown at the time of setting the original budget.				
Capital grants and contributions	1,186	3,998	2,812	237% F
Capital grants and contributions were over budget by \$2,812,000 (237%). 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 reasons for the variance was receipt of natural disaster funding of \$1,265,000, which was approved after the original budget was adopted. Council also received \$597,000 in grant funding from the NSW Rural Fire Service (unbudgeted) as well as being successful with a number of other grant applications during the year, such as grants of \$486,000 towards Public Library upgrades and grants of \$360,000 associated with Waste Management capital works.				

Richmond Valley Council

Notes to the Financial Statements
for the year ended 30 June 2016

Note 16. Material budget variations (continued)

\$ '000	2016 Budget	2016 Actual	2016 Variance*	
EXPENSES				
Other expenses	5,689	4,865	824	14% F
Other expenses were under budget by \$824,000 (14%). This was mainly due to savings in the Waste Levy of \$383,000, along with savings of \$283,000 in electricity and \$128,000 in advertising.				
Net losses from disposal of assets	–	2,586	(2,586)	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 \$2,586,000, details of which are disclosed in Note 5 of the General Purpose Financial Statements.				

Richmond Valley Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 17. Statement of developer contributions

\$ '000

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

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

SUMMARY OF CONTRIBUTIONS AND LEVIES

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Roads	185	–	–	5	–	–	190	–
Community facilities	4	–	–	–	–	–	4	–
Infrastructure	2	–	–	–	–	–	2	–
Community Services	49	–	–	2	–	–	51	–
Recreation & Civil Facilities	1	–	–	–	–	–	1	–
Quarry Roads	7	8	–	–	(12)	–	3	–
Rural Heavy Haulage	73	112	–	3	(35)	–	153	–
Bushfire	8	–	–	–	–	–	8	–
S94 contributions – under a plan	329	120	–	10	(47)	–	412	–
S94A levies – under a plan	93	258	–	3	(218)	–	136	–
Total S94 revenue under plans	422	378	–	13	(265)	–	548	–
S93F planning agreements	–	140	–	–	(140)	–	–	–
S64 contributions	4,290	38	–	124	–	–	4,452	–
Total contributions	4,712	556	–	137	(405)	–	5,000	–

Richmond Valley Council

Notes to the Financial Statements

for the year ended 30 June 2016

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	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Roads	108	–	–	3	–	–	111	–
Infrastructure	2	–	–	–	–	–	2	–
Community Services	49	–	–	2	–	–	51	–
Recreation & Civil Facilities	1	–	–	–	–	–	1	–
Quarry Roads	7	8	–	–	(12)	–	3	–
Rural Heavy Haulage	73	112	–	3	(35)	–	153	–
Total	240	120	–	8	(47)	–	321	–

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	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Roads	77	–	–	2	–	–	79	–
Community facilities	4	–	–	–	–	–	4	–
Bushfire	8	–	–	–	–	–	8	–
Total	89	–	–	2	–	–	91	–

Richmond Valley Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 17. Statement of developer contributions (continued)

\$ '000

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	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Section 94A Levies	93	258	–	3	(218)	–	136	–
Total	93	258	–	3	(218)	–	136	–

Richmond Valley Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 18. Contingencies and other assets/liabilities not recognised

\$ '000

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

LIABILITIES NOT RECOGNISED:

1. Guarantees

(i) Defined Benefit Superannuation Contribution Plans

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

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

The schemes most recent full actuarial review indicated that the net assets of the scheme were not sufficient to meet the accrued benefits of the schemes defined benefit member category with member Councils required to make significantly higher contributions in future years.

The Local Government Superannuation Scheme however is unable to provide Council with an accurate estimate of its share of the net deficit and accordingly Council has not recorded a net liability of \$345,242 for its Defined Benefit Scheme obligations in accordance with AASB 119.

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

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. Native Title Claims

NSD2300 of 2011. On 3rd October 2012 the Federal Court made orders joining Council as a party to the proceedings. It has been identified that Council has only one parcel of land in the determination areas which will not be impacted by a native title claim. Council intends to withdraw as a Respondent in the matter.

ASSETS NOT RECOGNISED:

1. Land under roads

As permitted under AASB 1051, Council has elected not to bring to account land under roads that it owned or controlled up to and including 30/06/2008.

Richmond Valley Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 19. Interests in other entities

\$ '000

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

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

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

Joint ventures and associates

Note 19(a)

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

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

(a) Joint ventures and associates

Council has excluded the following Joint Ventures and Associates from its consolidated Financial Statements as it is immaterial to the overall Financial Statements.

(a) Net carrying amounts – Council's share

Name of entity	Nature of relationship	Measurement method	2016	2015
North East Weight of Loads Group	Joint venture	Equity method	40	41
Total carrying amounts – material joint ventures and associates			40	41

(b) Details

Name of entity	Principal activity	Place of business
North East Weight of Loads Group	Policing vehicle weight limits to reduce road damage	Ballina

(c) Relevant interests and fair values

Name of entity	Quoted fair value		Interest in outputs		Interest in ownership		Proportion of voting power	
	2016	2015	2016	2015	2016	2015	2016	2015
North East Weight of Loads Group	N/A	N/A	10%	10%	22%	21%	13%	13%

Richmond Valley Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 19. Interests in other entities (continued)

\$ '000

(a) Joint ventures and associates (continued)

(d) Summarised financial information for joint ventures and associates

	North East Weight of Loads Group	
	2016	2015
Statement of financial position		
Current assets		
Cash and cash equivalents	300	276
Other current assets	49	56
Total current assets	349	332
Non-current assets	27	46
Current liabilities		
Other current liabilities	195	188
Total current liabilities	195	188
Net assets	181	190
Reconciliation of the carrying amount		
Opening net assets (1 July)	190	187
Profit/(loss) for the period	(232)	(214)
Members contributions	223	217
Closing net assets	181	190
Council's share of net assets (%)	22.2%	21.7%
Council's share of net assets (\$)	40	41
Statement of comprehensive income		
Income	235	252
Interest income	8	9
Depreciation and amortisation	(19)	(22)
Other expenses	(456)	(453)
Profit/(loss) from continuing operations	(232)	(214)
Profit/(loss) for period	(232)	(214)
Total comprehensive income	(232)	(214)
Share of income – Council (%)	10.5%	10.5%
Profit/(loss) – Council (\$)	(24)	(22)
Total comprehensive income – Council (\$)	(24)	(22)

Richmond Valley Council

Notes to the Financial Statements for the year ended 30 June 2016

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

\$ '000	Notes	Actual 2016	Actual 2015
(a) Retained earnings			
Movements in retained earnings were as follows:			
Balance at beginning of year (from previous years audited accounts)		328,418	324,934
a. Net operating result for the year		1,727	3,484
Balance at end of the reporting period		330,145	328,418

(b) Revaluation reserves

(i) Reserves are represented by:

– Infrastructure, property, plant and equipment revaluation reserve	340,443	338,260
Total	340,443	338,260

(ii) Reconciliation of movements in reserves:

Infrastructure, property, plant and equipment revaluation reserve

– Opening balance		338,260	300,015
– Revaluations for the year	9(a)	200	41,059
– (Impairment of revalued assets)/impairment reversals	9(a),(c)	1,983	(2,814)
– Balance at end of year		340,443	338,260

TOTAL VALUE OF RESERVES

340,443	338,260
----------------	----------------

(iii) Nature and purpose of reserves

Infrastructure, property, plant and equipment revaluation reserve

- The infrastructure, property, plant and equipment revaluation reserve is used to record increments/decrements of non-current asset values due to their revaluation.

(c) Correction of error/s relating to a previous reporting period

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 year ended 30 June 2016

Note 21. Financial result and financial position by fund

Income Statement by fund \$ '000	Actual 2016	Actual 2016	Actual 2016
Continuing operations	Water	Sewer	General¹
Income from continuing operations			
Rates and annual charges	1,110	6,449	12,918
User charges and fees	4,224	960	7,757
Interest and investment revenue	160	320	387
Other revenues	–	–	188
Grants and contributions provided for operating purposes	90	86	10,706
Grants and contributions provided for capital purposes	67	79	3,852
Total income from continuing operations	5,651	7,894	35,808
Expenses from continuing operations			
Employee benefits and on-costs	827	1,475	14,771
Borrowing costs	–	1,233	501
Materials and contracts	1,990	2,611	5,568
Depreciation and amortisation	812	1,145	9,242
Impairment	–	–	–
Other expenses	1,220	245	3,400
Net losses from the disposal of assets	352	679	1,555
Total expenses from continuing operations	5,201	7,388	35,037
Operating result from continuing operations	450	506	771
Discontinued operations			
Net profit/(loss) from discontinued operations	–	–	–
Net operating result for the year	450	506	771
Net operating result attributable to each council fund	450	506	771
Net operating result attributable to non-controlling interests	–	–	–
Net operating result for the year before grants and contributions provided for capital purposes	383	427	(3,081)

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

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

Richmond Valley Council

Notes to the Financial Statements as at 30 June 2016

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

Statement of Financial Position by fund \$ '000	Actual 2016	Actual 2016	Actual 2016
ASSETS	Water	Sewer	General¹
Current assets			
Cash and cash equivalents	3,110	4,378	4,578
Investments	–	5,000	15,310
Receivables	1,614	2,114	4,208
Inventories	–	–	1,102
Other	–	–	366
Non-current assets classified as 'held for sale'	–	–	–
Total current assets	4,724	11,492	25,564
Non-current assets			
Investments	–	–	–
Receivables	567	740	859
Inventories	–	–	1,543
Infrastructure, property, plant and equipment	73,399	105,386	484,037
Investments accounted for using the equity method	–	–	–
Investment property	–	–	–
Intangible assets	–	–	–
Total non-current assets	73,966	106,126	486,439
TOTAL ASSETS	78,690	117,618	512,003
LIABILITIES			
Current liabilities			
Payables	11	215	4,005
Borrowings	–	1,058	742
Provisions	–	–	4,483
Total current liabilities	11	1,273	9,230
Non-current liabilities			
Payables	–	–	368
Borrowings	–	16,108	8,206
Provisions	–	–	2,527
Total non-current liabilities	–	16,108	11,101
TOTAL LIABILITIES	11	17,381	20,331
Net assets	78,679	100,237	491,672
EQUITY			
Retained earnings	25,732	37,821	266,592
Revaluation reserves	52,947	62,416	225,080
Total equity	78,679	100,237	491,672

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

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

Richmond Valley Council

Notes to the Financial Statements for the year ended 30 June 2016

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

\$ '000

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

Note 23. Events occurring after the reporting date

Events that occur between the end of the reporting period (30 June 2016) 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 25/10/16.

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 2016.

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

These financial statements (and figures therein) do not incorporate any 'non-adjusting events' that have occurred after 30 June 2016 and which are only indicative of conditions that arose after 30 June 2016.

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

Note 24. Discontinued operations

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

Note 25. Intangible assets

Intangible assets represent identifiable non-monetary assets without physical substance.

Council is unaware of any control over intangible assets that warrant recognition in the financial statements, including either internally generated and developed assets or purchased assets.

Richmond Valley Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 26. Reinstatement, rehabilitation and 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	
		2016	2015
Landfills - Bora Ridge	2017	367	358
Landfills - Namoonah	2044	1,613	1,203
Quarries - Petersons	2024	440	395
Quarries - Woodview	2024	352	316
Balance at end of the reporting period	10(a)	2,772	2,272

Under AASB 116 – Property, Plant and 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	2,272	2,173
Amounts capitalised to new or existing assets:		
Effect of a change in discount rates used in PV calculations	429	383
Effect of a change in other calculation estimates used	–	(354)
Amortisation of discount (expensed to borrowing costs)	71	70
Total – reinstatement, rehabilitation and restoration provision	2,772	2,272

Richmond Valley Council

Notes to the Financial Statements for the year ended 30 June 2016

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 and recognised at fair values:

		Fair value measurement hierarchy			
2016		Level 1	Level 2	Level 3	Total
	Date of latest valuation	Quoted prices in active mkts	Significant observable inputs	Significant unobservable inputs	
Recurring fair value measurements					
Financial assets					
Investments					
– ‘Held for trading’	30/06/16	–	20,310	–	20,310
Total financial assets		–	20,310	–	20,310
Infrastructure, property, plant and equipment					
Plant & Equipment	30/06/16	–	–	11,283	11,283
Office Equipment	30/06/16	–	–	149	149
Furniture & Fittings	30/06/16	–	–	282	282
Land:					
- Operational Land	30/06/14	–	–	24,715	24,715
- Community Land	30/06/14	–	–	24,257	24,257
- Land Under Roads (post 30/06/08)	30/06/14	–	–	156	156
Land Improvements - non depreciable	30/06/15	–	–	4,141	4,141
Land Improvements - depreciable	30/06/15	–	–	11,064	11,064
Buildings - Specialised	30/06/15	–	–	49,268	49,268
Other Structures	30/06/15	–	–	9,670	9,670
Infrastructure:					
- Roads	1/07/15	–	–	159,984	159,984
- Bridges	1/07/15	–	–	58,220	58,220
- Footpaths	1/07/15	–	–	11,930	11,930
- Bulk Earthworks (non depreciable)	1/07/15	–	–	72,436	72,436
- Stormwater Drainage	30/06/14	–	–	34,006	34,006
- Water Supply Network	30/06/12	–	–	71,197	71,197
- Sewerage Network	30/06/12	–	–	102,823	102,823
- Swimming Pools	30/06/15	–	–	6,482	6,482
- Other Open Space/Recreational Assets	30/06/15	–	–	7,224	7,224
- Library Books	30/06/16	–	–	414	414
Total infrastructure, property, plant and equipment		–	–	659,701	659,701

Richmond Valley Council

Notes to the Financial Statements
for the year ended 30 June 2016

Note 27. Fair value measurement (continued)

\$ '000

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

2015	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’	30/06/15	–	7,493	–	7,493
Total financial assets		–	7,493	–	7,493
Infrastructure, property, plant and equipment					
Plant & Equipment	30/06/15	–	–	9,875	9,875
Office Equipment	30/06/15	–	–	188	188
Furniture & Fittings	30/06/15	–	–	278	278
Land:					
- Operational Land	30/06/14	–	–	23,574	23,574
- Community Land	30/06/14	–	–	22,899	22,899
- Land Under Roads (post 30/06/08)	30/06/14	–	–	156	156
Land Improvements - non depreciable	30/06/15	–	–	4,006	4,006
Land Improvements - depreciable	30/06/15	–	–	10,719	10,719
Buildings - Specialised	30/06/15	–	–	46,463	46,463
Other Structures	30/06/15	–	–	9,580	9,580
Infrastructure:					
- Roads	30/06/13	–	–	163,925	163,925
- Bridges	30/06/13	–	–	60,875	60,875
- Footpaths	30/06/13	–	–	12,214	12,214
- Bulk Earthworks (non depreciable)	30/06/13	–	–	71,897	71,897
- Stormwater Drainage	30/06/14	–	–	34,217	34,217
- Water Supply Network	30/06/12	–	–	70,066	70,066
- Sewerage Network	30/06/12	–	–	99,951	99,951
- Swimming Pools	30/06/15	–	–	6,395	6,395
- Other Open Space/Recreational Assets	30/06/15	–	–	6,927	6,927
- Library Books	30/06/15	–	–	404	404
Total infrastructure, property, plant and equipment		–	–	654,609	654,609

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

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

Richmond Valley Council

Notes to the Financial Statements

for the year ended 30 June 2016

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 the profit and loss include the following:

Term Deposits (maturity > 3 months)	\$4,000,000
NSW Treasury Corporation - Cash Facility Trust	\$8,154,000
NSW Treasury Corporation - Strategic Cash Facility Trust	\$8,156,000

Term deposits are carried at face value and interest is received on maturity.

For the NSW Treasury Corporation investments, Council receives a monthly statement quoting the unit price of the investments and any movement in fair value is recorded in the profit and loss. Investments with NSW Treasury Corporation are not within an active market and are therefore classified as level 2 inputs. There has been no change to the valuation process during the reporting period.

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

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.

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.

Richmond Valley Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 27. Fair value measurement (continued)

\$ '000

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

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

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 and the last valuation was performed by an external valuer as at 30 June 2015 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 and the last valuation was performed by an external valuer as at 30 June 2015.

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 and the last valuation was performed by an external valuer as at 30 June 2015. 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 changes to the valuation process during the reporting period.

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. A full revaluation of road assets is undertaken every 5 years. A desktop valuation was performed by an external valuer as at 1 July 2015 using the cost approach.

Whilst unit 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.

Richmond Valley Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 27. Fair value measurement (continued)

\$ '000

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

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

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.

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 and the last valuation was performed by an external valuer as at 30 June 2015. 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 year ended 30 June 2016

Note 27. Fair value measurement (continued)

\$ '000

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

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

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 and the last valuation was performed by an external valuer as at 30 June 2015. 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.

Richmond Valley Council

Notes to the Financial Statements for the year ended 30 June 2016

Note 27. Fair value measurement (continued)

\$ '000

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

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

	Plant & Equipment	Office Equipment	Furniture & Fittings	Operational Land	Total
Opening balance – 1/7/14	10,323	133	299	23,054	33,809
Transfers from/(to) another asset class	–	–	–	126	126
Purchases (GBV)	1,653	91	34	72	1,850
Disposals (WDV)	(419)	–	–	(496)	(915)
Depreciation and impairment	(1,682)	(36)	(55)	–	(1,773)
Revaluation increments to equity (ARR)	–	–	–	818	818
Closing balance – 30/6/15	9,875	188	278	23,574	33,915
Purchases (GBV)	2,828	1	59	–	2,888
Disposals (WDV)	(402)	–	–	(264)	(666)
Depreciation and impairment	(1,335)	(40)	(55)	–	(1,430)
Revaluation increments to equity (ARR)	–	–	–	1,405	1,405
Transfers from/(to) Capital Work In Progress	317	–	–	–	317
Closing balance – 30/6/16	11,283	149	282	24,715	36,429

	Community Land	Land Under Roads post 30/6/08	Land Improv Non-Deprec	Land Improv Depreciable	Total
Opening balance – 1/7/14	21,343	155	3,757	4,353	29,608
Transfers from/(to) another asset class	–	–	–	98	98
Purchases (GBV)	–	–	52	171	223
Disposals (WDV)	–	–	–	(10)	(10)
Depreciation and impairment	–	–	–	(242)	(242)
Revaluation increments to equity (ARR)	1,556	1	197	6,349	8,103
Closing balance – 30/6/15	22,899	156	4,006	10,719	37,780
Purchases (GBV)	143	–	20	355	518
Disposals (WDV)	–	–	–	(83)	(83)
Depreciation and impairment	–	–	–	(228)	(228)
Revaluation increments to equity (ARR)	1,215	–	115	301	1,631
Closing balance – 30/6/16	24,257	156	4,141	11,064	39,618

Richmond Valley Council

Notes to the Financial Statements
for the year ended 30 June 2016

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)

	Buildings Specialised	Other Structures	Roads	Bridges	Total
Opening balance – 1/7/14	31,022	5,850	163,394	60,871	261,137
Transfers from/(to) another asset class	–	–	1,518	–	1,518
Purchases (GBV)	405	86	5,690	109	6,290
Disposals (WDV)	(1,132)	(6)	(701)	–	(1,839)
Depreciation and impairment	(1,062)	(237)	(4,096)	(349)	(5,744)
Revaluation increments to equity (ARR)	17,230	3,887	1,058	394	22,569
Impairment loss (net)	–	–	(2,938)	(150)	(3,088)
Closing balance – 30/6/15	46,463	9,580	163,925	60,875	280,843
Transfers from/(to) another asset class	–	(48)	–	–	(48)
Purchases (GBV)	1,548	26	4,861	29	6,464
Disposals (WDV)	–	–	(1,460)	–	(1,460)
Depreciation and impairment	(945)	(158)	(5,089)	(626)	(6,818)
Revaluation increments to equity (ARR)	1,312	269	–	–	1,581
Revaluation decrements to equity (ARR)	–	–	(5,610)	(2,208)	(7,818)
Transfers from/(to) Capital Work In Progress	890	1	289	–	1,180
Impairment Reversal via Equity	–	–	1,911	72	1,983
Reinstatement cost for Impaired Assets	–	–	1,157	78	1,235
Closing balance – 30/6/16	49,268	9,670	159,984	58,220	277,142

	Footpaths	Bulk Earthworks Non-Deprec	Stormwater Drainage	Water Supply Network	Total
Opening balance – 1/7/14	11,380	71,372	33,134	69,338	185,224
Transfers from/(to) another asset class	–	61	220	95	376
Purchases (GBV)	923	–	895	807	2,625
Disposals (WDV)	(84)	–	(75)	(411)	(570)
Depreciation and impairment	(251)	–	(531)	(786)	(1,568)
Revaluation increments to equity (ARR)	73	464	214	1,023	1,774
Impairment reversal (net)	173	–	360	–	533
Closing balance – 30/6/15	12,214	71,897	34,217	70,066	188,394
Purchases (GBV)	162	79	139	952	1,332
Disposals (WDV)	(12)	–	(21)	(331)	(364)
Depreciation and impairment	(264)	–	(550)	(794)	(1,608)
Revaluation increments to equity (ARR)	–	460	215	1,042	1,717
Revaluation decrements to equity (ARR)	(181)	–	–	–	(181)
Transfers from/(to) Capital Work In Progress	11	–	6	262	279
Closing balance – 30/6/16	11,930	72,436	34,006	71,197	189,569

Richmond Valley Council

Notes to the Financial Statements for the year ended 30 June 2016

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)

	Sewerage Network	Swimming Pools	Other Open Space/ Recreation	Total
Opening balance – 1/7/14	98,966	3,616	3,388	105,970
Transfers from/(to) another asset class	389	–	11	400
Purchases (GBV)	714	32	358	1,104
Disposals (WDV)	(480)	(35)	(6)	(521)
Depreciation and impairment	(1,104)	(147)	(224)	(1,475)
Revaluation increments to equity (ARR)	1,466	2,929	3,400	7,795
Closing balance – 30/6/15	99,951	6,395	6,927	113,273
Transfers from/(to) another asset class	–	(4)	52	48
Purchases (GBV)	2,640	14	301	2,955
Disposals (WDV)	(670)	–	(91)	(761)
Depreciation and impairment	(1,121)	(104)	(164)	(1,389)
Revaluation increments to equity (ARR)	1,485	181	199	1,865
Transfers from/(to) Capital Work In Progress	538	–	–	538
Closing balance – 30/6/16	102,823	6,482	7,224	116,529

Richmond Valley Council

Notes to the Financial Statements

for the year ended 30 June 2016

Note 27. Fair value measurement (continued)

\$ '000

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

b. 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 process 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 year ended 30 June 2016

Note 28. Council information and 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 - 5:00pm

Telephone: 02 6660 0300

Facsimile: 02 6660 1300

Internet: www.richmondvalley.nsw.gov.au

Email: council@richmondvalley.nsw.gov.a

Officers

GENERAL MANAGER

Vaughan Macdonald

RESPONSIBLE ACCOUNTING OFFICER

Ryan Gaiter

PUBLIC OFFICER

Vaughan Macdonald

AUDITORS

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

Elected members

MAYOR

Robert Mustow

COUNCILLORS

Daniel Simpson
Sam Cornish
Robert Hayes
Sandra Humphrys
Jill Lyons
Steve Morrissey

Other information

ABN: 54 145 907 009

**RICHMOND VALLEY COUNCIL
GENERAL PURPOSE FINANCIAL STATEMENTS
INDEPENDENT AUDITOR'S 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 2016, 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) and Note 16 material budget variation explanations, 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 2016, 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 statements 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 2016 published in the annual report and 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 25th day of October 2016

**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 2016



www.tnr.com.au

Contents

Overview	85
Income Statement	85
Statement of Cash Flows	90
Statement of Financial Position	91
Infrastructure, Property, Plant & Equipment Matters	95
Debt Levels	101
Other matters	103

Overview

We are pleased to advise that we have completed the audit of Council's financial reports for the year ended 30 June 2016, 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.

Unmodified independent audit reports have been issued to the Council for the 2016 year and these are attached to each financial report. Further commentary as required by the *Local Government Act 1993* is provided in this 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*. 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.

Income Statement








This section provides Council with an overview of your financial results and includes commentary on key elements of the financial statements.

Consolidated Operating Result	Current Year (\$'000)	Prior Year (\$'000)	Audit Comments
Revenues from continuing operations	45,355	44,597	Council's consolidated surplus from all activities for 2016 was \$1,727,000. This compares to a surplus in 2015 of \$3,484,000. Refer to the 'Material Revenue and Expense Movements' section of this report for audit comments in relation to material movements in operating results.
Expenses from continuing operations	(33,841)	(33,546)	
Result from continuing operations before depreciation, capital revenue and loss on disposal of assets	11,514	11,051	
Less: depreciation expense	(11,199)	(10,555)	
Operating result after depreciation and before capital revenue and loss on disposal of assets	315	496	
Capital grants and contributions	3,998	5,338	
Loss on disposal of assets	(2,586)	(2,350)	
Operating result from all activities	1,727	3,484	

Results by Fund

Operating Result by Fund	General Current Year (\$'000)	General Prior Year (\$'000)	Water Current Year (\$'000)	Water Prior Year (\$'000)	Sewer Current Year (\$'000)	Sewer Prior Year (\$'000)
Revenues from continuing operations	31,956	31,098	5,584	5,763	7,815	7,736
Expenses from continuing operations	(24,240)	(24,034)	(4,037)	(4,235)	(5,564)	(5,277)
Result from continuing operations before depreciation, capital revenue and loss on disposal of assets	7,716	7,064	1,547	1,528	2,251	2,459
Less: depreciation expense	(9,242)	(8,627)	(812)	(798)	(1,145)	(1,130)
Operating result after depreciation and before capital revenue and loss on disposal of assets	(1,526)	(1,563)	735	730	1,106	1,329
Capital grants and contributions	3,852	5,119	67	19	79	200
Loss on disposal of assets	(1,555)	(1,458)	(352)	(412)	(679)	(480)
Operating result from all activities	771	2,098	450	337	506	1,049

Material Revenue and Expense Movements

Line Item	Increase / (Decrease)	Audit Comment
Revenues		
Rates & Annual Charges	 836,000	Partly attributable to the annual rate rise and the special rate variation approved by the Minister for Local Government totalling 5.5%. Also annual charges increased by \$462,000 (4.5%).
Quarries Income	 1,153,000	Attributable to royalty fees earned from the lease of Peterson's Quarry and sale of remaining gravel stockpiles prior to the lease commencing in 2016.
RMS charges	 (1,665,000)	RMS charges fluctuate year on year depending on state road maintenance requirements.
Transport (Roads to Recovery) - Operating	 1,302,000	The Federal Government has allocated additional Roads to Recovery funding for the 2015/2016 and 2016/2017 financial years.
Natural disaster funding - Capital	 (1,842,000)	More funding was received in 2014/15 to repair damage related to major flooding events in prior periods.
Expenses		
Employee benefits and on-costs	 1,047,000	Attributable to an increase in full time equivalent employees and local government state award increases.
Depreciation	 644,000	Largely attributable to a change in depreciation methodology to comply with the AASB's clarification on the definition of residual value. Under the new methodology residual values have been componentised into depreciable long life components as part of the desktop revaluation of roads, bridges and footpaths performed on 1 July 2015. Refer to the 'Asset Revaluations' section of this report for further detail.

Income Statement Ratios

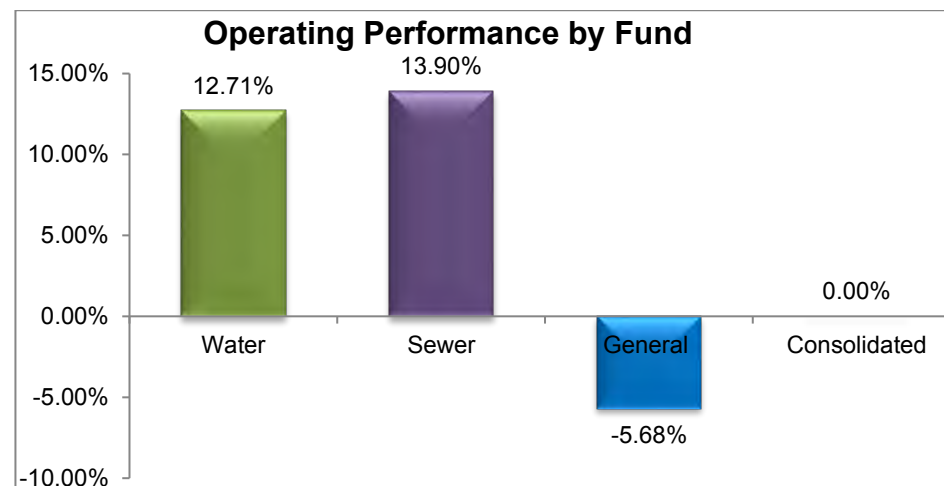
Operating Performance Ratio

This ratio measures a Council's achievement of containing operating expenditure within operating revenue (achieving a surplus after depreciation but before capital items). The benchmark is greater than 0%.

As illustrated, only Council's General Fund has an operating deficit after depreciation but before capital items.

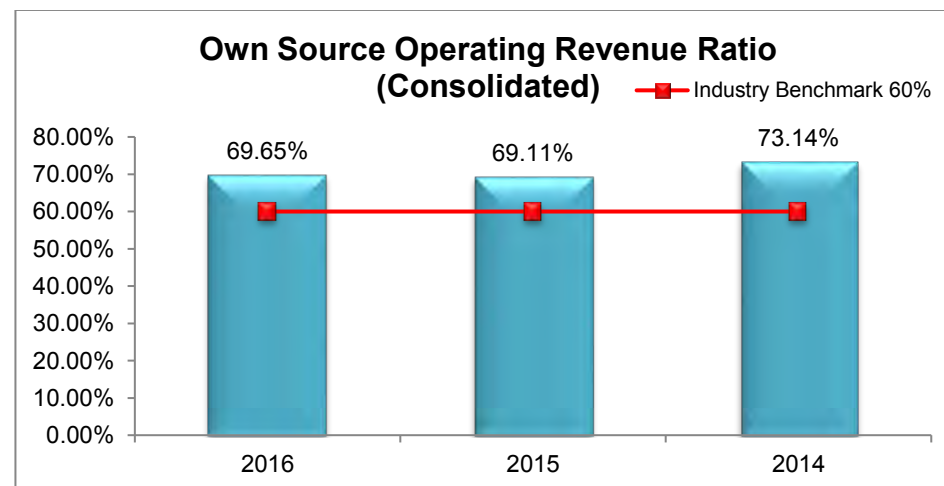
Council should improve the operating performance of the General Fund to achieve the greater than 0% benchmark.

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.



Own Source Operating Revenue Ratio

Local Government performance benchmarking 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 illustrates that Council sources 69.65% of its consolidated revenue from rates, annual charges, user charges, interest etc. which exceeds the industry benchmark of 60%.



Capital Grants & Contributions

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 \$3,202,000 and included grants for transport assets - \$472,000, grants for bushfire emergency services - \$597,000, grants for Richmond Upper Clarence Regional Library - \$486,000 and grants for storm/flood damage - \$1,265,000.

Capital contributions received during the year amounted to \$796,000. The table below provides an understanding of the nature and quantum of contributions received during the financial year:

Capital Contribution Type	Current Year (\$'000)	Prior Year (\$'000)	Audit Comments
S 93F – Contributions using planning agreements	140	-	Capital contributions has increased from 2015 by \$376,000 largely due to additional contributions from development activity. The use of cash contributions received during each year is restricted and accordingly they are not available for use in Council's general operations.
S 94 - Contributions towards amenities/services	112	36	
S 94A - Fixed Development Consent Levies	258	96	
S 64 - Water Supply Contributions	16	19	
S 64 - Sewerage Service Contributions	22	180	
Total Developer Contributions	548	331	
Non-cash Developer Dedications	130	-	
Other Contributions	118	89	
Total	796	420	

Statement of Cash Flows

Line Item	Current Year (\$'000)	Prior Year (\$'000)	Audit Comments
Operating & Capital receipts	52,636	48,114	The cash result from operations has improved from \$14,661,000 in 2015 to \$18,841,000 in 2016.
Operating payments	(33,795)	(33,453)	
Net cash result from operations	18,841	14,661	
Net sale/(purchase) of investments	(12,500)	2,518	The sale/purchase of investments can fluctuate year on year depending on the timing of investment of excess cash funds.
Net sale/(purchase) of IPPE	(16,123)	(13,433)	
Net sale/(purchase) of real estate assets	484	(305)	
Other investing activities	2	1	
New borrowings	1,240	5,620	Council obtained new borrowings during the current year of \$1.24 million for renewal of roads, sports grounds and public amenities.
Repayments of borrowings	(1,627)	(1,111)	
Net Movement in cash	(9,683)	7,951	
Cash at the start of the year	21,749	13,798	
Closing cash position	12,066	21,749	
Plus Investments	20,310	7,493	
Overall cash and investments	32,376	29,242	

Statement of Financial Position

Line Item	Current Year (\$'000)	Prior Year (\$'000)	Audit Comments
Current Assets	41,780	44,299	We provide commentary on some of the material assets and liabilities appearing on Council's statement of financial position as at 30 June 2016 together with related Office of Local Government benchmark data below.
Non-Current Assets	666,531	661,564	
Total Assets	708,311	705,863	
Current Liabilities	10,514	11,630	
Non-Current Liabilities	27,209	27,555	
Total Liabilities	37,723	39,185	
Equity	670,588	666,678	

Unrestricted Net Current Assets

Line Item	Current Year (\$'000)	Prior Year (\$'000)	Audit Comments
Current Assets	41,780	44,299	<p>Council's unrestricted current asset position provides a measure of the Council's capacity / liquidity to meet its commitments from current assets net of externally restricted cash, investments and receivables.</p> <p>At 30 June 2016 Council held \$9,574,000 of unrestricted current net assets being only \$190,000 less than 30 June 2015.</p> <p>Trends in the General Fund's unrestricted current ratio are shown later in this report.</p>
Externally restricted cash & investments	(22,134)	(23,471)	
Externally restricted receivables	(3,728)	(3,717)	
Current Assets less all external restrictions	15,918	17,111	
Current Liabilities	10,514	11,630	
Externally restricted liabilities	(1,761)	(1,665)	
Liabilities classified as current in the financial report but not expected to be paid in the next 12 months	(2,409)	(2,618)	
Current Liabilities less Specific Purpose Liabilities	6,344	7,347	
Unrestricted Current Net Assets before Internal Reserves	9,574	9,764	

Cash & Investments

Cash & Investments	Current Year (\$'000)	Prior Year (\$'000)	Audit Comments
Externally Restricted <i>Monies can only be spent in accordance with legislation, grant agreement or developer contribution plan specifications</i>	22,134	23,471	<p>Council is managing its investment portfolio in accordance with the Minister's Investment Order which is applicable to all local government authorities.</p> <p>Council has set aside additional internally restricted reserves at 30 June 2016 which are shown in the table below.</p>
Internally Restricted <i>Money set aside for special projects via Council resolution</i>	9,889	5,771	
Unrestricted <i>Funds forming part of working capital used for day-to-day Council operations</i>	353	-	
Total Cash & Investments	32,376	29,242	

Cash & Investments (Cont'd)

Internally Restricted Cash	Current Year (\$'000)	Prior Year (\$'000)	Audit Comments
Plant & Vehicle Replacement	1,542	652	<p>Council has resolved to set aside funds for these special purpose reserves.</p> <p>There have been significant increases in reserves for plant & vehicle replacement, real estate & infrastructure, other waste management and quarries.</p>
Real Estate & Infrastructure	1,529	410	
Employees leave entitlement	971	944	
Carry over works	91	51	
Casino saleyards	309	318	
Insurance	90	87	
Other waste management	1,880	1,287	
Petersons quarry	1,039	440	
Public cemeteries perpetual maintenance	467	455	
Quarry rehabilitation	113	96	
Road Rehabilitation	213	-	
Unexpended rates variations	221	216	
Woodview Quarry	905	388	
Richmond Upper Clarence Regional Library	264	419	
Revolving energy and sustainability fund	8	8	
Rural Road Safety Program	44	-	
RMS State Road Maintenance Contract	203	-	
Total Internal Restrictions	9,889	5,771	

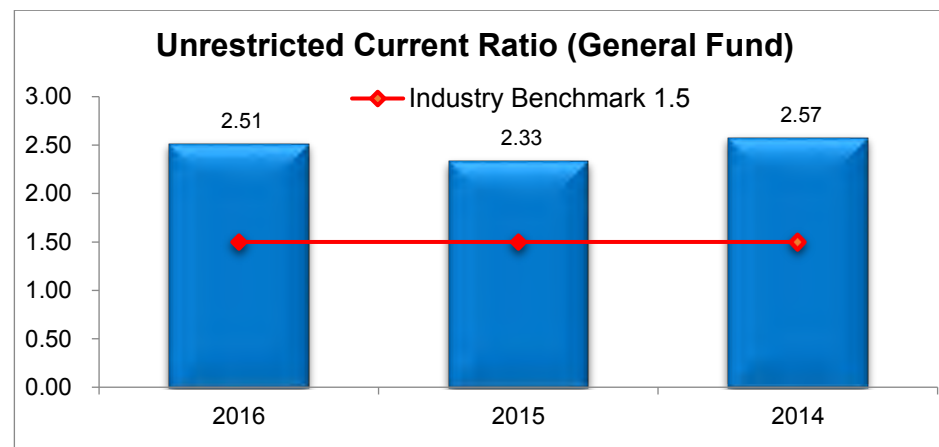
Statement of Financial Position Ratios

Unrestricted Current Ratio

The unrestricted current ratio provides a measure of Council's capacity / liquidity to meet its commitments from current assets net of externally restricted assets.

The Office of Local Government and NSW Treasury consider that this ratio should be at least 1.5.

At 30 June 2016 Council's General Fund has \$2.51 in liquid current assets for every \$1 of current liabilities. This is above the industry benchmark.

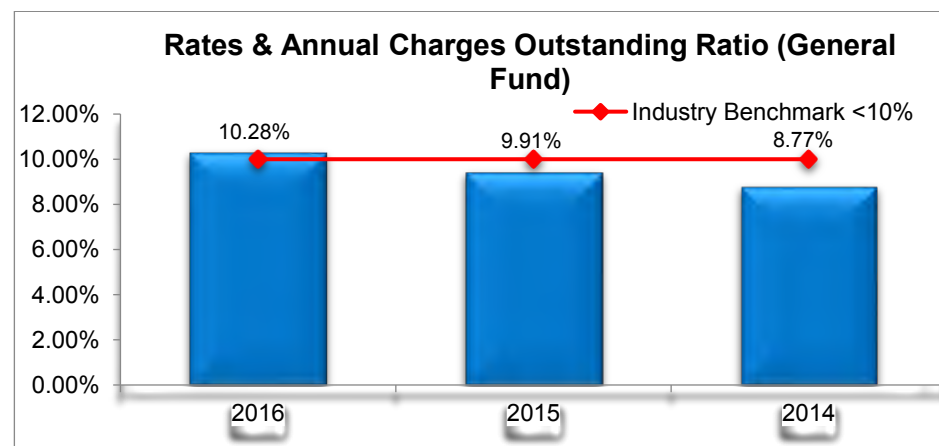


Rates & Annual Charges Outstanding Ratio

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 increased from 9.91% in 2015 to 10.28% as at 30 June 2016. The NSW Office of Local Government benchmark is less than 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 to satisfy the industry benchmark of below 10%.



Infrastructure, Property, Plant & Equipment Matters

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 two years is provided below:

Line Item	Current Year (\$'000)	Prior Year (\$'000)	Audit Comments
Council Constructed / Purchased Assets:			<p>Council constructed / purchased additions remain comparable to the prior year. There were no major new capital projects during the current financial year.</p> <p>The rate at which Council's assets are being renewed is measured by the Building and Infrastructure Renewal Ratio.</p>
Land and Buildings	2,834	1,205	
Plant and Equipment	2,640	1,762	
Roads and Drainage Network	5,270	7,597	
Water & Sewerage Network	3,592	1,521	
Other Assets	84	77	
Work in Progress	1,606	2,551	
Non-Cash Developer Contributions	130	-	
Non-Cash Grants/Contributions	118	16	
Total Asset Additions	16,274	14,729	
Asset additions – Renewals	12,008	10,388	
Asset additions – New	4,266	4,341	

Depreciation

Asset Class	Current Year		Prior Year		Audit Comments
	WDV \$'000	Depreciation Expense \$'000	WDV \$'000	Depreciation Expense \$'000	
Plant & Equipment	11,714	(1,430)	10,341	(1,773)	<p>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 \$663 million.</p> <p>The movements in roads, bridges and footpaths depreciation are the result of the desktop valuation performed as at 1 July 2015. Refer to the 'Asset Revaluations' section of this report for further detail.</p>
Operational Land	24,715	-	23,574	-	
Community Land	24,257	-	22,899	-	
Land Under Roads	156	-	156	-	
Land Improvements	15,205	(228)	14,725	(242)	
Buildings	49,268	(945)	46,463	(1,062)	
Other Structures	9,670	(158)	9,580	(237)	
Roads, Bridges & Footpaths	230,134	(5,979)	237,014	(4,696)	
Bulk Earthworks	72,436	-	71,897	-	
Stormwater Drainage	34,006	(550)	34,217	(531)	
Water Supply Infrastructure	71,197	(794)	70,066	(786)	
Sewer Supply Infrastructure	102,823	(1,121)	99,951	(1,104)	
Swimming Pools	6,482	(104)	6,395	(147)	
Other Open Space/Recreational Assets	7,224	(164)	6,927	(224)	
Work in Progress	2,018	-	2,773	-	
Other Assets	414	(72)	404	(76)	
Tip Assets	862	(25)	520	(23)	
Quarry Assets	241	(26)	207	(24)	
	662,822	(11,596)	658,109	(10,925)	

Asset Revaluations

Asset Class	WDV Prior to Revaluation \$'000	Revaluation Increase / (Decrease) \$'000	WDV Subsequent to Revaluation \$'000	Audit Comments
Land - indexed:				<p>In the previous financial year the Australian Accounting Standards Board (AASB) issued an Action Alert (no. 172). This included clarification on what could be considered as the residual value under the definition in AASB 116 Property, Plant and Equipment. As a result the cost savings from the re-use of in-situ material were not considered to be residual values and should be removed. In the current year, Council with the assistance of an external expert performed a desktop valuation as at 1 July 2015 to further componentise its roads, bridges and footpaths assets into short life and long life components and re-assess the respective useful lives for the new components. As a result of the desktop revaluation, net revaluation decrements of \$7,999,000 (net of indexation) were recognised, these amounts were debited to the Asset Revaluation Reserve. The increase in roads, bridges and footpaths depreciation expense is a result of depreciation being recognised for newly created long life components, these were previously considered residual values and therefore not subject to depreciation.</p> <p>In accordance with the requirement to maintain assets at fair value, the Council has applied indexation to all other land, buildings and infrastructure asset classes. As a result of the indexation increments of \$8,199,000 (excluding roads, bridges and transport assets) were recognised, these amounts were credited to the Asset Revaluation Reserve.</p> <p>It is important that Council regularly reassess the remaining useful lives of assets and their condition in future revaluations.</p>
- Operational Land	23,310	1,405	24,715	
- Community Land	23,042	1,215	24,257	
- Land under Roads (post 30/6/08)	156	-	156	
Land Improvements - indexed:				
- Land improvements - non-depreciable	4,026	115	4,141	
- Land improvements - depreciable	10,763	301	11,064	
Buildings - Specialised - indexed:				
- Buildings - Specialised	47,956	1,312	49,268	
Other Structures - indexed:				
- Other Structures	9,401	269	9,670	
Infrastructure - revalued:				
- Roads	165,594	(5,610)	159,984	
- Bridges	60,428	(2,208)	58,220	
- Footpaths	12,111	(181)	11,930	
Infrastructure - indexed:				
- Bulk Earthworks (non-depreciable)	71,976	460	72,436	
- Stormwater Drainage	33,791	215	34,006	
- Water Supply Network	70,155	1,042	71,197	
- Sewerage Network	101,338	1,485	102,823	
- Swimming Pools	6,301	181	6,482	
- Other Open Space/Recreational Assets	7,025	199	7,224	
Property, Plant & Equipment - not revalued	15,249	-	15,249	
	662,622	200	662,822	

Asset Management Performance Indicators

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

Audit of Asset Management Information

The Office of Local Government is planning to introduce an audit of special schedule 7. At this point in time it is unclear when the first audit will be undertaken as the framework to allow information to be prepared consistently across all NSW Council's is yet to be finalised. In early 2016, the Office of Local Government undertook a review of each Council's preparedness for the audit of special schedule 7. The results of this review indicated that most local government authorities require greater investment in asset management practices. The review of Richmond Valley Council's asset management practices indicated that there is sound compliance with most aspects of asset management best practice.

To ensure Council's asset management practices and systems continue to mature and also prepare for a possible audit of special schedule 7 it will be important to:

- Review the information contained in special schedule 7 to ensure it is accurate;
- Continue to review and update asset management plans, policies and procedures;
- Ensure that asset management is appropriately resourced to maximise the effectiveness of infrastructure management; and
- Continue to collect and analyse asset data to inform the asset management process and inform decision-making on building new infrastructure or renewing or repairing existing assets.

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.

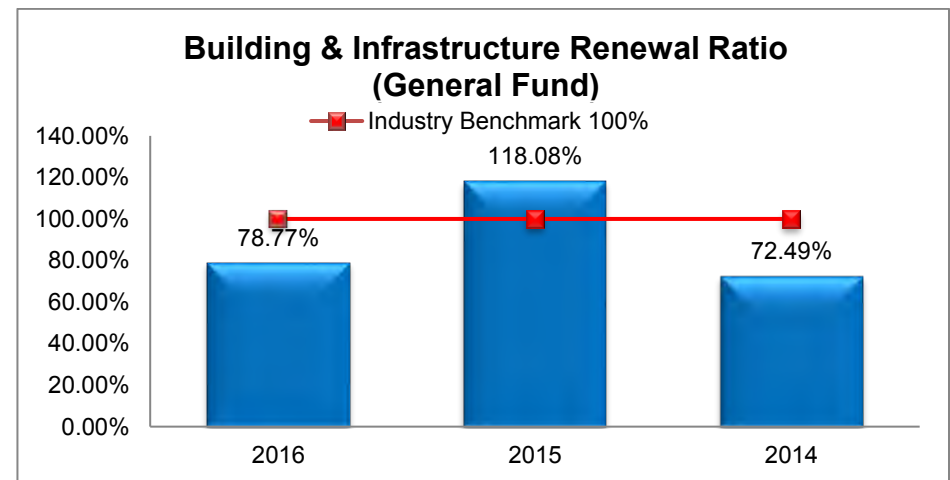
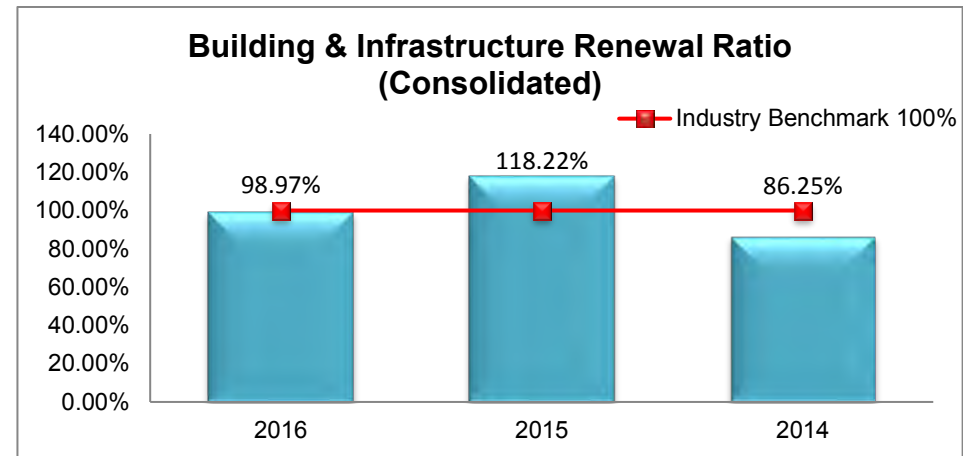
Building & Infrastructure Renewals Ratio

This ratio assesses the rate at which buildings and infrastructure assets are being renewed against the rate at which they are depreciating. 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 100% of the related depreciation expense.

For General Fund, Council has not satisfied this benchmark in the current year which means Council has not renewed assets equivalent to the rate at which they are depreciating. It must be noted that this ratio has been impacted by additional depreciation recorded for long life components of roads, bridges and footpath assets in the current year. This is explained in the 'Depreciation' section of this report above.

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.

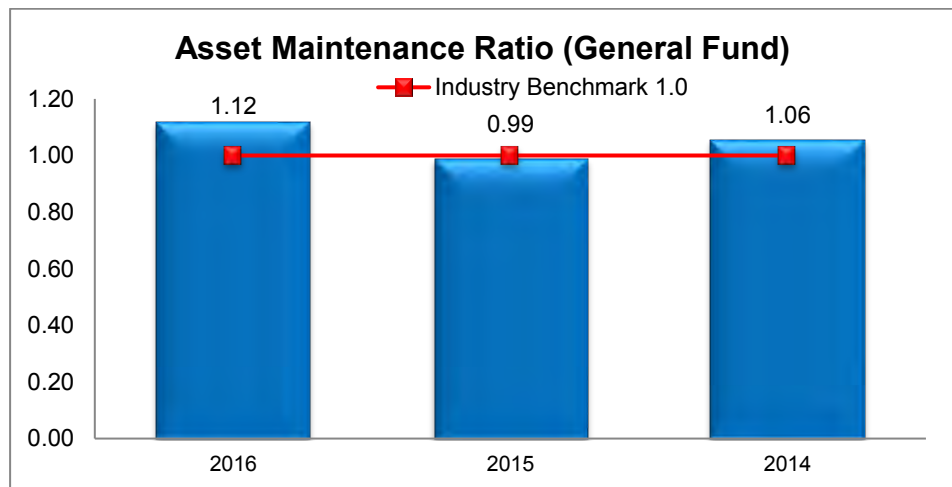
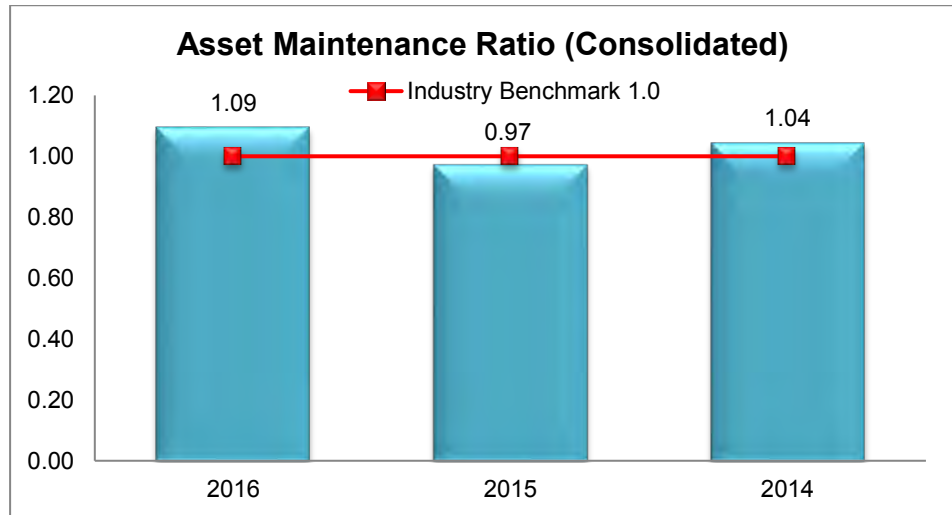


Asset Maintenance Ratio

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.

Council's ratios have improved and these graphs illustrate that Council is spending sufficient funds on asset maintenance to ensure their condition does not deteriorate below a satisfactory standard



Debt Levels

Line Item	Current Year (\$,000)	Prior Year (\$,000)	Audit Comments
Current Loan Liability	1,800	1,620	<p>Council obtained new general fund borrowings during the current year of \$1.24 million for renewal of roads, sports grounds and public amenities.</p> <p>The reduction in overall loan liabilities is due to principal repayments during the financial year.</p>
Non-Current Loan Liability	24,314	24,881	
Total Loan Liability	26,114	26,501	
By Fund			
General Fund	8,949	8,322	
Water Fund	-	-	
Sewer Fund	17,165	18,179	
Total Loan Liability	26,114	26,501	

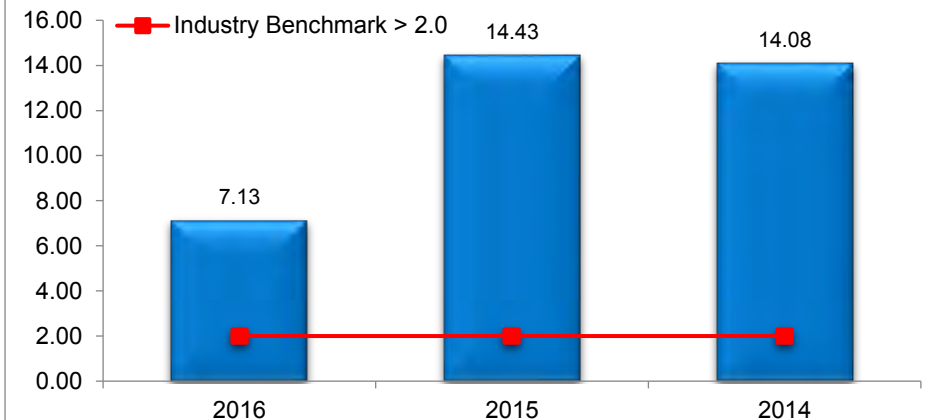
Debt Service Cover Ratio

This ratio measures the availability of operating cash to service debt including interest, principal and lease payments. The benchmark for the ratio is greater than 2.

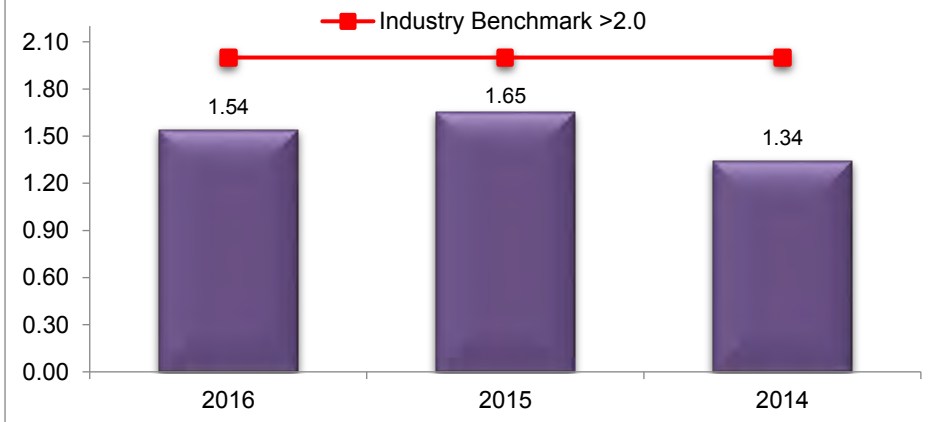
For the General Fund, the graph illustrates that Council is generating sufficient cash to satisfy its debt repayment obligations.

For the Sewer Fund, the debt service cover ratio remains below the benchmark in 2016. We suggest Council perform an analysis to determine if cash flow over the short to medium term is sufficient to allow this benchmark to be achieved in the future.

Debt Service Cover Ratio (General Fund)



Debt Service Cover Ratio (Sewer Fund)



Other matters

Financial Report Planning

The 2017 and future financial years will be impacted by several Australian Accounting Standards:

AASB No.	Application Date	Impact
AASB 124 <i>Related Parties</i>	1 July 2017	Introduces reporting of related party transactions to local government.
AASB 9 <i>Financial Instruments</i>	1 January 2018	Impacts recognition and reporting of certain financial instruments as well as the calculation of the provision for impairment relating to receivables.
AASB 15 <i>Revenue From Contracts With Customers</i>	1 January 2018	Introduces changes to the way in which certain revenue streams are recognised and reported. Comparative information will be required relating to the 2018 financial year.
AASB 16 <i>Leases</i>	1 January 2019	Requires financial statements to capitalise certain operating leases.

Council's finance team should assess the impact of new Accounting Standards well in advance of their implementation period to determine the likely impact on future financial reporting. This information should be presented to the Internal Audit Committee and be included in the notes to the financial statements.

Local Government Act Amendment

The NSW Parliament recently passed the Local Government Amendment (Governance & Planning) Bill 2016. There are a number of important amendments contained in this bill which are discussed below:

■ **Introduction of NSW Auditor-General as Auditor of Local Government in NSW**

The Bill appoints the Auditor-General as the auditor of all NSW Local Government Authorities. This appointment is effective 1 July 2016 and will result in most existing local government auditors being appointed as contractors to the Auditor-General. The NSW Audit Office will release information on how the audit of local government in NSW will be conducted for the 2017 and future years.

■ **Audit, Risk & Improvement Committee**

Section 428A of the Local Government Amendment (Governance & Planning) Bill 2016 requires all Councils to establish an Audit, Risk & Improvement Committee. Whilst Council already has an Internal Audit Committee, the legislation changes the name of the committee and is a little more prescriptive in what its responsibilities are.

Aside from the traditional responsibilities of a committee of this nature, the additional areas prescribed as being the responsibility of the Audit, Risk and Improvements Committee include review of:

- implementation of the strategic plan, delivery program and strategies
- service reviews
- collection of performance measurement data by the Council, and
- providing information on how to improve the Council's performance.

Council is not required to establish an Audit, Risk and Improvement Committee until 6 months after the recent ordinary election of councillors however it would be prudent to commence a review of the existing Committee charter to ensure it reflects the new legislative requirements and allow all committee members and Council staff to develop an approach that will achieve the desired outcomes.

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.

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.

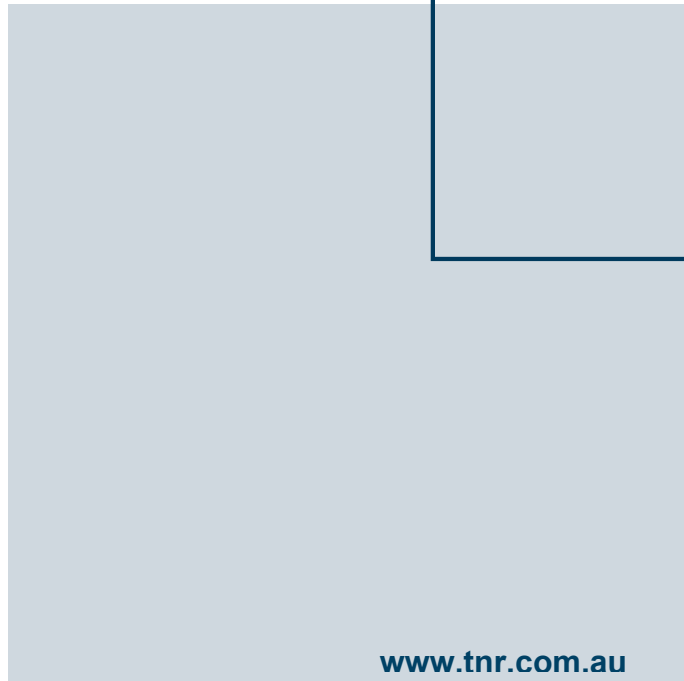
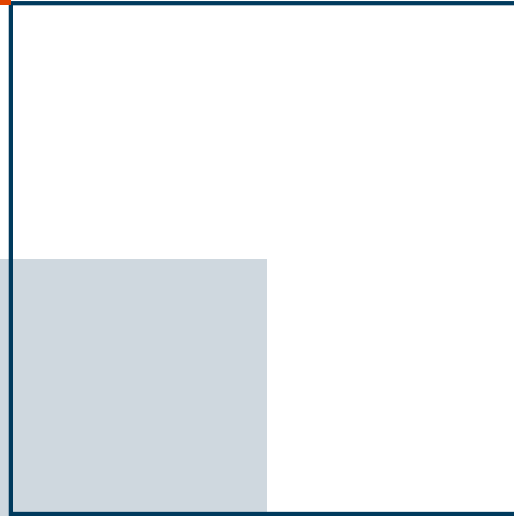
Yours faithfully

THOMAS NOBLE & RUSSELL
CHARTERED ACCOUNTANTS



.....
G W DWYER (PARTNER)
REGISTERED COMPANY AUDITOR

Dated at Lismore this 25th day of October 2016



www.tnr.com.au



Thomas
Noble &
Russell

Accountants | Auditors | Business Advisers

31 Keen Street, LISMORE, NSW, 2480
Tel +61 2 6626 3000 **Fax** +61 2 6621 9035

Richmond Valley Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2016

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



Richmond Valley Council

Special Purpose Financial Statements

for the year ended 30 June 2016

Contents	Page
1. Statement by Councillors and Management	2
2. Special Purpose Financial Statements:	
Income Statement – Water Supply Business Activity	3
Income Statement – Sewerage Business Activity	4
Income Statement – Other Business Activities	5
Statement of Financial Position – Water Supply Business Activity	6
Statement of Financial Position – Sewerage Business Activity	7
Statement of Financial Position – Other Business Activities	8
3. Notes to the Special Purpose Financial Statements	9
4. Auditor's Report	18

Background

- (i) These Special Purpose Financial Statements have been prepared for the use by both Council and the Office 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 and 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 more than \$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 and debt guarantee fees (where the business benefits from Council's borrowing position by comparison with commercial rates).
-

Richmond Valley Council

Special Purpose Financial Statements for the year ended 30 June 2016

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 and Costing for Council Businesses – A Guide to Competitive Neutrality',
- the Local Government Code of Accounting Practice and Financial Reporting,
- the NSW Office of Water Best-Practice Management of Water and Sewerage Guidelines.

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 25 October 2016.



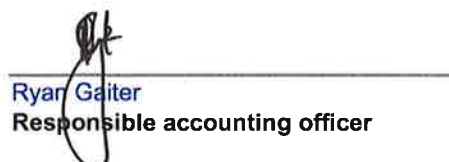
Robert Mustow
Mayor



Daniel Simpson
Councillor



Vaughan Macdonald
General manager



Ryan Gaiter
Responsible accounting officer

Richmond Valley Council

Income Statement of Council's Water Supply Business Activity

for the year ended 30 June 2016

\$ '000	Actual 2016	Actual 2015
Income from continuing operations		
Access charges	1,110	1,040
User charges	4,144	4,427
Fees	80	93
Interest	160	116
Grants and contributions provided for non-capital purposes	90	87
Profit from the sale of assets	—	—
Other income	—	—
Total income from continuing operations	5,584	5,763
Expenses from continuing operations		
Employee benefits and on-costs	827	891
Borrowing costs	—	—
Materials and contracts	1,990	2,090
Depreciation and impairment	812	798
Water purchase charges	1,007	972
Loss on sale of assets	352	412
Calculated taxation equivalents	26	25
Debt guarantee fee (if applicable)	—	—
Other expenses	213	282
Total expenses from continuing operations	5,227	5,470
Surplus (deficit) from continuing operations before capital amounts	357	293
Grants and contributions provided for capital purposes	67	19
Surplus (deficit) from continuing operations after capital amounts	424	312
Surplus (deficit) from discontinued operations	—	—
Surplus (deficit) from all operations before tax	424	312
Less: corporate taxation equivalent (30%) [based on result before capital]	(107)	(88)
SURPLUS (DEFICIT) AFTER TAX	317	224
Plus opening retained profits	25,281	24,944
Plus/less: prior period adjustments	—	—
Plus/less: other adjustments	1	—
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	26	25
– Debt guarantee fees	—	—
– Corporate taxation equivalent	107	88
Less:		
– Tax equivalent dividend paid	—	—
– Surplus dividend paid	—	—
Closing retained profits	25,732	25,281
Return on capital %	0.5%	0.4%
Subsidy from Council	—	—
Calculation of dividend payable:		
Surplus (deficit) after tax	317	224
Less: capital grants and contributions (excluding developer contributions)	(51)	—
Surplus for dividend calculation purposes	266	224
Potential dividend calculated from surplus	133	112

Richmond Valley Council

Income Statement of Council's Sewerage Business Activity for the year ended 30 June 2016

\$ '000	Actual 2016	Actual 2015
Income from continuing operations		
Access charges	6,449	5,955
User charges	898	1,210
Liquid trade waste charges	—	—
Fees	62	103
Interest	320	383
Grants and contributions provided for non-capital purposes	86	85
Profit from the sale of assets	—	—
Other income	—	—
Total income from continuing operations	7,815	7,736
Expenses from continuing operations		
Employee benefits and on-costs	1,475	1,234
Borrowing costs	1,233	1,317
Materials and contracts	2,611	2,431
Depreciation and impairment	1,145	1,130
Loss on sale of assets	679	480
Calculated taxation equivalents	20	20
Debt guarantee fee (if applicable)	—	—
Other expenses	245	295
Total expenses from continuing operations	7,408	6,907
Surplus (deficit) from continuing operations before capital amounts	407	829
Grants and contributions provided for capital purposes	79	200
Surplus (deficit) from continuing operations after capital amounts	486	1,029
Surplus (deficit) from discontinued operations	—	—
Surplus (deficit) from all operations before tax	486	1,029
Less: corporate taxation equivalent (30%) [based on result before capital]	(122)	(249)
SURPLUS (DEFICIT) AFTER TAX	364	780
Plus opening retained profits	37,315	36,266
Plus/less: prior period adjustments	—	—
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	20	20
– Debt guarantee fees	—	—
– Corporate taxation equivalent	122	249
Less:		
– Tax equivalent dividend paid	—	—
– Surplus dividend paid	—	—
Closing retained profits	37,821	37,315
Return on capital %	1.6%	2.1%
Subsidy from Council	—	—
Calculation of dividend payable:		
Surplus (deficit) after tax	364	780
Less: capital grants and contributions (excluding developer contributions)	(57)	(20)
Surplus for dividend calculation purposes	307	760
Potential dividend calculated from surplus	153	380

Richmond Valley Council

Income Statement of Council's Other Business Activities

for the year ended 30 June 2016

	Petersons Quarry		Woodview Quarry	
	Category 2		Category 2	
\$ '000	Actual 2016	Actual 2015	Actual 2016	Actual 2015
Income from continuing operations				
Access charges	—	—	—	—
User charges	—	—	—	—
Fees	1,488	637	773	643
Interest	21	16	18	14
Grants and contributions provided for non-capital purposes	14	—	—	—
Profit from the sale of assets	—	—	—	—
Other income	—	—	—	—
Total income from continuing operations	1,523	653	791	657
Expenses from continuing operations				
Employee benefits and on-costs	5	68	45	43
Borrowing costs	12	14	9	10
Materials and contracts	979	311	559	427
Depreciation and impairment	28	26	14	14
Loss on sale of assets	—	5	—	—
Calculated taxation equivalents	—	—	4	5
Debt guarantee fee (if applicable)	—	—	—	—
Other expenses	—	3	—	—
Total expenses from continuing operations	1,024	427	631	499
Surplus (deficit) from continuing operations before capital amounts	499	226	160	158
Grants and contributions provided for capital purposes	—	—	—	—
Surplus (deficit) from continuing operations after capital amounts	499	226	160	158
Surplus (deficit) from discontinued operations	—	—	—	—
Surplus (deficit) from all operations before tax	499	226	160	158
Less: corporate taxation equivalent (30%) [based on result before capital]	(150)	(68)	(48)	(47)
SURPLUS (DEFICIT) AFTER TAX	349	158	112	111
Plus opening retained profits	891	1,080	826	963
Plus/less: prior period adjustments	—	—	—	—
Plus adjustments for amounts unpaid:				
– Taxation equivalent payments	—	—	4	5
– Debt guarantee fees	—	—	—	—
– Corporate taxation equivalent	150	68	48	47
Add:				
– Subsidy paid/contribution to operations	43	(415)	329	(300)
Less:				
– TER dividend paid	—	—	—	—
– Dividend paid	—	—	—	—
Closing retained profits	1,433	891	1,319	826
Return on capital %	44.9%	21.2%	17.4%	17.6%
Subsidy from Council	—	—	—	—

Richmond Valley Council

Statement of Financial Position – Council's Water Supply Business Activity
as at 30 June 2016

\$ '000	Actual 2016	Actual 2015
ASSETS		
Current assets		
Cash and cash equivalents	3,110	2,453
Investments	–	–
Receivables	1,614	1,656
Inventories	–	–
Other	–	1
Non-current assets classified as held for sale	–	–
Total current assets	4,724	4,110
Non-current assets		
Investments	–	–
Receivables	567	530
Inventories	–	–
Infrastructure, property, plant and equipment	73,399	72,470
Investments accounted for using equity method	–	–
Investment property	–	–
Intangible assets	–	–
Other	–	–
Total non-current assets	73,966	73,000
TOTAL ASSETS	78,690	77,110
LIABILITIES		
Current liabilities		
Bank overdraft	–	–
Payables	11	9
Borrowings	–	–
Provisions	–	–
Total current liabilities	11	9
Non-current liabilities		
Payables	–	–
Borrowings	–	–
Provisions	–	–
Total non-current liabilities	–	–
TOTAL LIABILITIES	11	9
NET ASSETS	78,679	77,101
EQUITY		
Retained earnings	25,732	25,282
Revaluation reserves	52,947	51,819
Council equity interest	78,679	77,101
Non-controlling equity interest	–	–
TOTAL EQUITY	78,679	77,101

Richmond Valley Council

Statement of Financial Position – Council's Sewerage Business Activity
as at 30 June 2016

\$ '000	Actual 2016	Actual 2015
ASSETS		
Current assets		
Cash and cash equivalents	4,378	11,408
Investments	5,000	–
Receivables	2,114	2,060
Inventories	–	–
Other	–	–
Non-current assets classified as held for sale	–	–
Total Current Assets	11,492	13,468
Non-current assets		
Investments	–	–
Receivables	740	675
Inventories	–	–
Infrastructure, property, plant and equipment	105,386	102,447
Investments accounted for using equity method	–	–
Investment property	–	–
Intangible assets	–	–
Other	–	–
Total non-current assets	106,126	103,122
TOTAL ASSETS	117,618	116,590
LIABILITIES		
Current liabilities		
Bank overdraft	–	–
Payables	215	239
Borrowings	1,058	1,006
Provisions	–	–
Total current liabilities	1,273	1,245
Non-current liabilities		
Payables	–	–
Borrowings	16,108	17,173
Provisions	–	–
Total non-current liabilities	16,108	17,173
TOTAL LIABILITIES	17,381	18,418
NET ASSETS	100,237	98,172
EQUITY		
Retained earnings	37,821	37,315
Revaluation reserves	62,416	60,857
Council equity interest	100,237	98,172
Non-controlling equity interest	–	–
TOTAL EQUITY	100,237	98,172

Richmond Valley Council

Statement of Financial Position – Council's Other Business Activities

as at 30 June 2016

	Petersons Quarry		Woodview Quarry	
	Category 2		Category 2	
\$ '000	Actual 2016	Actual 2015	Actual 2016	Actual 2015
ASSETS				
Current assets				
Cash and cash equivalents	–	–	–	–
Investments	1,039	440	905	388
Receivables	–	–	–	–
Inventories	–	–	–	–
Other	–	–	–	–
Non-current assets classified as held for sale	–	–	–	–
Total Current Assets	1,039	440	905	388
Non-current assets				
Investments	–	–	–	–
Receivables	–	–	–	–
Inventories	–	–	–	–
Infrastructure, property, plant and equipment	1,137	1,134	973	957
Investments accounted for using equity method	–	–	–	–
Investment property	–	–	–	–
Other	–	–	–	–
Total non-current assets	1,137	1,134	973	957
TOTAL ASSETS	2,176	1,574	1,878	1,345
LIABILITIES				
Current liabilities				
Bank overdraft	–	–	–	–
Payables	–	–	–	–
Borrowings	–	–	–	–
Provisions	–	–	–	–
Total current liabilities	–	–	–	–
Non-current liabilities				
Payables	–	–	–	–
Borrowings	–	–	–	–
Provisions	440	395	352	316
Other Liabilities	–	–	–	–
Total non-current liabilities	440	395	352	316
TOTAL LIABILITIES	440	395	352	316
NET ASSETS	1,736	1,179	1,526	1,029
EQUITY				
Retained earnings	1,433	891	1,319	826
Revaluation reserves	303	288	207	203
Council equity interest	1,736	1,179	1,526	1,029
Non-controlling equity interest	–	–	–	–
TOTAL EQUITY	1,736	1,179	1,526	1,029

Richmond Valley Council

Special Purpose Financial Statements

for the year ended 30 June 2016

Contents of the notes accompanying the financial statements

Note	Details	Page
1	Summary of significant accounting policies	10
2	Water Supply Business Best-Practice Management disclosure requirements	13
3	Sewerage Business Best-Practice Management disclosure requirements	15

Richmond Valley Council

Notes to the Special Purpose Financial Statements for the year ended 30 June 2016

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 the SPFS, 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), and
- Australian Accounting Interpretations.

The disclosures in the SPFS have been prepared in accordance with:

- the Local Government Act (1993) NSW,
- the Local Government (General) 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, *Application of National Competition Policy to Local Government*.

The *Pricing and 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 and costing guidelines outline the process for identifying and allocating costs to activities and provide standards for disclosure. 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 and 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.

Richmond Valley Council

Notes to the Special Purpose Financial Statements for the year ended 30 June 2016

Note 1. Significant accounting policies (continued)

Monetary amounts

Amounts shown in the financial statements are in Australian currency and rounded to the nearest 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 Note 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 **\$482,000** of combined land values attracts **0%**. For that valued from \$482,001 to \$2,947,000 the rate is **1.6% + \$100**. For the remaining combined land value that exceeds \$2,947,000, 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 Best-Practice Management of Water Supply and Sewerage Guidelines, 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 Guidelines 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 Best-Practice Management of Water Supply and Sewerage Guidelines 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.

While income tax is not a specific cost for the purpose of pricing a good or service, it needs to be taken into account 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 or 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 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 30% rate applied is the equivalent company tax rate prevalent as at balance date. No adjustments have been made for variations that have occurred during the year.

Local government rates and charges

A calculation of the equivalent rates and charges payable on all category 1 businesses has been

Richmond Valley Council

Notes to the Special Purpose Financial Statements for the year ended 30 June 2016

Note 1. Significant accounting policies (continued)

applied to all land assets owned or exclusively used by the business activity.

Loan and 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 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 when 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 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 1.99% at 30/6/16.

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 of Water Supply and Sewerage 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 2016 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

In accordance with the Best-Practice Management of Water Supply and Sewerage Guidelines, 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 year ended 30 June 2016

Note 2. Water supply business best-practice management disclosure requirements

Dollars amounts shown below are in whole dollars (unless otherwise indicated)

2016

1. Calculation and payment of tax-equivalents

[all local government local water utilities must pay this dividend for tax equivalents]

(i)	Calculated tax equivalents	26,000
(ii)	Number of assessments multiplied by \$3/assessment	22,308
(iii)	Amounts payable for tax equivalents [lesser of (i) and (ii)]	22,308
(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]	132,950
(ii)	Number of assessments multiplied by \$30/assessment, less tax equivalent charges/assessment	200,772
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2016, less the cumulative dividends paid for the 2 years to 30 June 2015 and 30 June 2014	297,000

2016 Surplus	265,900	2015 Surplus	224,100	2014 Surplus	(193,000)
		2015 Dividend	–	2014 Dividend	–

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	132,950
(v)	Dividend actually paid from surplus [refer below for required pre-dividend payment criteria]	–
(vi)	Are the overhead reallocation charges to the water business fair and reasonable? ^a	YES

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 year ended 30 June 2016

Note 2. Water supply business best-practice management disclosure requirements (continued)

Dollars amounts shown below are in whole dollars (unless otherwise indicated)

2016

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	5,572
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)]	%	73.59%
NWI F9	Written down replacement cost of fixed assets (water) Written down current cost of system assets (w47)	\$'000	73,367
NWI F11	Operating cost (OMA) (water) Management expenses (w1) + operational and maintenance expenses (w2)	\$'000	4,037
NWI F14	Capital expenditure (water) Acquisition of fixed assets (w16)	\$'000	963
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 and equipment (w33b)]	%	0.99%
NWI F26	Capital works grants (water) Grants for the acquisition of assets (w11a)	\$'000	–

- Notes:
- References to w (e.g. w12) refer to item numbers within Special Schedules 3 and 4 of Council's Annual Financial Statements.
 - The NWI performance indicators are based upon the National Performance Framework Handbook for Urban Performance Reporting Indicators and Definitions.
- a refer to 3.2 (2) on page 15 of the Best-Practice Management of Water Supply and Sewerage Guidelines, 2007

Richmond Valley Council

Notes to the Special Purpose Financial Statements for the year ended 30 June 2016

Note 3. Sewerage business best-practice management disclosure requirements

Dollars amounts shown below are in whole dollars (unless otherwise indicated)

2016

1. Calculation and payment of tax-equivalents

[all local government local water utilities must pay this dividend for tax equivalents]

(i)	Calculated tax equivalents	20,000
(ii)	Number of assessments multiplied by \$3/assessment	21,255
(iii)	Amounts payable for tax equivalents [lesser of (i) and (ii)]	20,000
(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]	153,450
(ii)	Number of assessments x (\$30 less tax equivalent charges per assessment)	192,550
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2016, less the cumulative dividends paid for the 2 years to 30 June 2015 and 30 June 2014	1,408,100

2016 Surplus	306,900	2015 Surplus	760,300	2014 Surplus	340,900
		2015 Dividend	–	2014 Dividend	–

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	153,450
(v)	Dividend actually paid from surplus [refer below for required pre-dividend payment criteria]	–
(vi)	Are the overhead reallocation charges to the sewer business fair and reasonable? ^a	YES

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 and 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 year ended 30 June 2016Note 3. Sewerage business
best-practice management disclosure requirements (continued)

Dollars amounts shown below are in whole dollars (unless otherwise indicated)

2016

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	7,609
NWI F10	Written down replacement cost of fixed assets (sewerage) Written down current cost of system assets (s48)	\$'000	105,164
NWI F12	Operating cost (sewerage) Management expenses (s1) + operational and maintenance expenses (s2)	\$'000	4,331
NWI F15	Capital expenditure (sewerage) Acquisition of fixed assets (s17)	\$'000	2,715
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 (i.e. WDCC) of system assets (s48) + plant and equipment (s34b)]	%	2.02%
NWI F27	Capital works grants (sewerage) Grants for the acquisition of assets (12a)	\$'000	–

National Water Initiative (NWI) financial performance indicators
Water and sewer (combined)

NWI F3	Total income (water and 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	12,150
NWI F8	Revenue from community service obligations (water and sewerage) Community service obligations (NWI F25) x 100 divided by total income (NWI F3)	%	1.33%
NWI F16	Capital expenditure (water and sewerage) Acquisition of fixed assets (w16 + s17)	\$'000	3,678
NWI F19	Economic real rate of return (water and 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 and equipment (w33b + s34b)]	%	1.60%
NWI F20	Dividend (water and sewerage) Dividend paid from surplus (2 (v) of Note 2 + 2 (v) of Note 3)	\$'000	–
NWI F21	Dividend payout ratio (water and 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 year ended 30 June 2016

Note 3. Sewerage business best-practice management disclosure requirements (continued)

Dollars amounts shown below are in whole dollars (unless otherwise indicated)

2016

National Water Initiative (NWI) financial performance indicators Water and sewer (combined)

NWI F22	Net debt to equity (water and sewerage)	%	2.61%
	Overdraft (w36 + s37) + borrowings (w38 + s39) – cash and investments (w30 + s31) x 100 divided by [total assets (w35 + s36) – total liabilities (w40 + s41)]		
NWI F23	Interest cover (water and sewerage)		-
	Earnings before interest and tax (EBIT) divided by net interest		
	Earnings before interest and tax (EBIT):		2,856
	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:		870
	Interest expense (w4a + s4a) – interest income (w9 + s10)		
NWI F24	Net profit after tax (water and sewerage)	\$'000	955
	Surplus before dividends (w15a + s16a) – tax equivalents paid (Note 2-1 (iv) + Note 3-1 (iv))		
NWI F25	Community service obligations (water and sewerage)	\$'000	161
	Grants for pensioner rebates (w11b + s12b)		

- Notes:
- References to w (eg. s12) refer to item numbers within Special Schedules 5 and 6 of Council's Annual Financial Statements.
 - The NWI performance indicators are based upon the National Performance Framework Handbook for Urban Performance Reporting Indicators and Definitions.
- a refer to 3.2 (2) on page 15 of the Best-Practice Management of Water Supply and Sewerage Guidelines, 2007

**RICHMOND VALLEY COUNCIL
SPECIAL PURPOSE FINANCIAL STATEMENTS
INDEPENDENT AUDITOR'S 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 2016, 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 2016 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 2016 published in the annual report and 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 25th day of October 2016

**THOMAS NOBLE & RUSSELL
CHARTERED ACCOUNTANTS**


G W DWYER (Partner)
Registered Company Auditor

Richmond Valley Council

SPECIAL SCHEDULES
for the year ended 30 June 2016

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



Richmond Valley Council

Special Schedules for the year ended 30 June 2016

Contents

Page

Special Schedules¹

Special Schedule 1	Net Cost of Services	2
Special Schedule 2(a)	Statement of Long Term Debt (all purposes)	4
Special Schedule 2(b)	Statement of Internal Loans (Sect. 410(3) LGA 1993)	n/a
Special Schedule 3	Water Supply Operations – incl. Income Statement	5
Special Schedule 4	Water Supply – Statement of Financial Position	8
Special Schedule 5	Sewerage Service Operations – incl. Income Statement	9
Special Schedule 6	Sewerage Service – Statement of Financial Position	12
Notes to Special Schedules 3 and 5		13
Special Schedule 7	Report on Infrastructure Assets	14
Special Schedule 8	Permissible Income Calculation	19

¹ Special Schedules are not audited (with the exception of Special Schedule 8).

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 1 – Net Cost of Services for the year ended 30 June 2016

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
Governance	1,890	–	–	(1,890)
Administration	–	1,065	–	1,065
Public order and safety				
Fire service levy, fire protection, emergency services	2,141	1,425	597	(119)
Beach control	64	27	–	(37)
Enforcement of local government regulations	–	–	–	–
Animal control	251	105	–	(146)
Other	–	–	–	–
Total public order and safety	2,456	1,557	597	(302)
Health	554	234	–	(320)
Environment				
Noxious plants and insect/vermin control	113	–	–	(113)
Other environmental protection	264	–	–	(264)
Solid waste management	4,549	4,691	360	502
Street cleaning	246	–	–	(246)
Drainage	889	201	64	(624)
Stormwater management	–	–	–	–
Total environment	6,061	4,892	424	(745)
Community services and education				
Administration and education	–	–	–	–
Social protection (welfare)	–	–	–	–
Aged persons and disabled	–	–	–	–
Children's services	–	–	–	–
Total community services and education	–	–	–	–
Housing and community amenities				
Public cemeteries	311	324	–	13
Public conveniences	209	–	–	(209)
Street lighting	275	88	–	(187)
Town planning	2,102	535	370	(1,197)
Other community amenities	–	–	–	–
Total housing and community amenities	2,897	947	370	(1,580)
Water supplies	5,062	5,297	67	302
Sewerage services	7,302	7,570	79	347

Richmond Valley Council

Special Schedule 1 – Net Cost of Services (continued)

for the year ended 30 June 2016

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
Recreation and culture				
Public libraries	1,143	402	493	(248)
Museums	—	—	—	—
Art galleries	—	—	—	—
Community centres and halls	617	81	—	(536)
Performing arts venues	—	—	—	—
Other performing arts	—	—	—	—
Other cultural services	—	—	—	—
Sporting grounds and venues	975	39	41	(895)
Swimming pools	650	—	4	(646)
Parks and gardens (lakes)	947	105	—	(842)
Other sport and recreation	390	33	22	(335)
Total recreation and culture	4,722	660	560	(3,502)
Fuel and energy	—	—	—	—
Agriculture	—	—	—	—
Mining, manufacturing and construction				
Building control	—	—	—	—
Other mining, manufacturing and construction	1,016	1,647	—	631
Total mining, manufacturing and const.	1,016	1,647	—	631
Transport and communication				
Urban roads (UR) – local	2,947	548	306	(2,093)
Urban roads – regional	—	—	—	—
Sealed rural roads (SRR) – local	3,778	1,622	191	(1,965)
Sealed rural roads (SRR) – regional	1,110	785	320	(5)
Unsealed rural roads (URR) – local	2,379	18	1,015	(1,346)
Unsealed rural roads (URR) – regional	—	—	—	—
Bridges on UR – local	133	—	—	(133)
Bridges on SRR – local	348	—	—	(348)
Bridges on URR – local	107	25	—	(82)
Bridges on regional roads	63	—	—	(63)
Parking areas	—	—	—	—
Footpaths	375	—	—	(375)
Aerodromes	194	5	11	(178)
Other transport and communication	2,635	2,960	—	325
Total transport and communication	14,069	5,963	1,843	(6,263)
Economic affairs				
Camping areas and caravan parks	—	—	—	—
Other economic affairs	2,411	1,578	58	(775)
Total economic affairs	2,411	1,578	58	(775)
Totals – functions	48,440	31,410	3,998	(13,032)
General purpose revenues ⁽¹⁾		14,759		14,759
Share of interests – joint ventures and associates using the equity method	—	—		—
NET OPERATING RESULT ⁽²⁾	48,440	46,169	3,998	1,727

(1) Includes: rates and annual charges (including ex gratia, excluding water and sewer), non-capital general purpose grants, interest on investments (excluding externally restricted assets) and interest on overdue rates and annual charges (2) As reported in the Income Statement

Richmond Valley Council

Special Schedule 2(a) – Statement of Long Term Debt (all purpose)

for the year ended 30 June 2016

\$'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	1,620	24,881	26,501	1,240	1,627	–	–	1,663	1,800	24,314	26,114
Other	–	–	–	–	–	–	–	–	–	–	–
Total loans	1,620	24,881	26,501	1,240	1,627	–	–	1,663	1,800	24,314	26,114
Other long term debt											
Ratepayers advances	–	–	–	–	–	–	–	–	–	–	–
Government advances	–	–	–	–	–	–	–	–	–	–	–
Finance leases	–	–	–	–	–	–	–	–	–	–	–
Deferred payments	–	–	–	–	–	–	–	–	–	–	–
Total long term debt	–	–	–	–	–	–	–	–	–	–	–
Total debt	1,620	24,881	26,501	1,240	1,627	–	–	1,663	1,800	24,314	26,114

Notes: excludes (i) internal loans and (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 3 – Water Supply Income Statement

Includes all internal transactions, i.e. prepared on a gross basis
for the year ended 30 June 2016

\$'000	Actuals 2016	Actuals 2015
A Expenses and income Expenses		
1. Management expenses		
a. Administration	1,233	1,206
b. Engineering and supervision	572	611
2. Operation and maintenance expenses		
– dams and weirs		
a. Operation expenses	–	–
b. Maintenance expenses	4	1
– Mains		
c. Operation expenses	64	101
d. Maintenance expenses	198	200
– Reservoirs		
e. Operation expenses	12	14
f. Maintenance expenses	31	46
– Pumping stations		
g. Operation expenses (excluding energy costs)	–	–
h. Energy costs	86	126
i. Maintenance expenses	22	56
– Treatment		
j. Operation expenses (excluding chemical costs)	439	469
k. Chemical costs	179	196
l. Maintenance expenses	83	141
– Other		
m. Operation expenses	82	69
n. Maintenance expenses	25	25
o. Purchase of water	1,007	972
3. Depreciation expenses		
a. System assets	794	786
b. Plant and equipment	18	13
4. Miscellaneous expenses		
a. Interest expenses	–	–
b. Revaluation decrements	–	–
c. Other expenses	–	1
d. Impairment – system assets	–	–
e. Impairment – plant and equipment	–	–
f. Aboriginal Communities Water and Sewerage Program	–	–
g. Tax equivalents dividends (actually paid)	–	–
5. Total expenses	4,849	5,033

Richmond Valley Council

Special Schedule 3 – Water Supply Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis
for the year ended 30 June 2016

\$'000	Actuals 2016	Actuals 2015
Income		
6. Residential charges		
a. Access (including rates)	808	744
b. Usage charges	2,252	2,311
7. Non-residential charges		
a. Access (including rates)	301	297
b. Usage charges	1,892	2,116
8. Extra charges	82	39
9. Interest income	78	76
10. Other income	81	94
10a. Aboriginal Communities Water and Sewerage Program	–	–
11. Grants		
a. Grants for acquisition of assets	–	–
b. Grants for pensioner rebates	81	81
c. Other grants	–	5
12. Contributions		
a. Developer charges	16	19
b. Developer provided assets	50	–
c. Other contributions	9	–
13. Total income	5,650	5,782
14. Gain (or loss) on disposal of assets	(352)	(412)
15. Operating result	449	337
15a. Operating result (less grants for acquisition of assets)	449	337

Richmond Valley Council

Special Schedule 3 – Water Supply Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis
for the year ended 30 June 2016

\$'000	Actuals 2016	Actuals 2015
B Capital transactions		
Non-operating expenditures		
16. Acquisition of fixed assets		
a. New assets for improved standards	75	125
b. New assets for growth	–	–
c. Renewals	877	1,056
d. Plant and equipment	11	21
17. Repayment of debt	–	–
18. Totals	963	1,202
Non-operating funds employed		
19. Proceeds from disposal of assets	–	–
20. Borrowing utilised	–	–
21. Totals	–	–
C Rates and charges		
22. Number of assessments		
a. Residential (occupied)	6,546	6,300
b. Residential (unoccupied, ie. vacant lot)	145	191
c. Non-residential (occupied)	634	762
d. Non-residential (unoccupied, ie. vacant lot)	111	112
23. Number of ETs for which developer charges were received	3 ET	4 ET
24. Total amount of pensioner rebates (actual dollars)	\$ 146,557	\$ 147,400

Richmond Valley Council

Special Schedule 4 – Water Supply Statement of Financial Position

Includes internal transactions, i.e. prepared on a gross basis
as at 30 June 2016

\$'000	Actuals Current	Actuals Non-current	Actuals Total
ASSETS			
25. Cash and investments			
a. Developer charges	1,492	–	1,492
b. Special purpose grants	–	–	–
c. Accrued leave	–	–	–
d. Unexpended loans	–	–	–
e. Sinking fund	–	–	–
f. Other	1,618	–	1,618
26. Receivables			
a. Specific purpose grants	89	–	89
b. Rates and availability charges	310	117	427
c. User charges	1,215	450	1,665
d. Other	–	–	–
27. Inventories	–	–	–
28. Property, plant and equipment			
a. System assets	–	73,367	73,367
b. Plant and equipment	–	32	32
29. Other assets	–	–	–
30. Total assets	4,724	73,966	78,690
LIABILITIES			
31. Bank overdraft	–	–	–
32. Creditors	11	–	11
33. Borrowings	–	–	–
34. Provisions			
a. Tax equivalents	–	–	–
b. Dividend	–	–	–
c. Other	–	–	–
35. Total liabilities	11	–	11
36. NET ASSETS COMMITTED	4,713	73,966	78,679
EQUITY			
37. Accumulated surplus			25,732
38. Asset revaluation reserve			52,947
39. TOTAL EQUITY			78,679
Note to system assets:			
40. Current replacement cost of system assets			87,246
41. Accumulated current cost depreciation of system assets			(13,879)
42. Written down current cost of system assets			73,367

Richmond Valley Council

Special Schedule 5 – Sewerage Service Income Statement

Includes all internal transactions, i.e. prepared on a gross basis
for the year ended 30 June 2016

\$'000	Actuals 2016	Actuals 2015
A Expenses and income Expenses		
1. Management expenses		
a. Administration	1,431	1,410
b. Engineering and supervision	687	650
2. Operation and maintenance expenses		
– mains		
a. Operation expenses	335	199
b. Maintenance expenses	130	85
– Pumping stations		
c. Operation expenses (excluding energy costs)	161	161
d. Energy costs	75	104
e. Maintenance expenses	315	250
– Treatment		
f. Operation expenses (excl. chemical, energy, effluent and biosolids management costs)	526	395
g. Chemical costs	45	42
h. Energy costs	112	138
i. Effluent management	–	–
j. Biosolids management	127	118
k. Maintenance expenses	213	337
– Other		
l. Operation expenses	–	–
m. Maintenance expenses	174	71
3. Depreciation expenses		
a. System assets	1,121	1,104
b. Plant and equipment	24	26
4. Miscellaneous expenses		
a. Interest expenses	1,233	1,317
b. Revaluation decrements	–	–
c. Other expenses	–	–
d. Impairment – system assets	–	–
e. Impairment – plant and equipment	–	–
f. Aboriginal Communities Water and Sewerage Program	–	–
g. Tax equivalents dividends (actually paid)	–	–
5. Total expenses	6,709	6,407

Richmond Valley Council

Special Schedule 5 – Sewerage Service Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis
for the year ended 30 June 2016

\$'000	Actuals 2016	Actuals 2015
Income		
6. Residential charges (including rates)	6,172	5,955
7. Non-residential charges		
a. Access (including rates)	–	294
b. Usage charges	1,112	845
8. Trade waste charges		
a. Annual fees	–	–
b. Usage charges	–	–
c. Excess mass charges	53	71
d. Re-inspection fees	–	–
9. Extra charges	35	47
10. Interest income	285	336
11. Other income	72	103
11a. Aboriginal Communities Water and Sewerage Program	–	–
12. Grants		
a. Grants for acquisition of assets	–	20
b. Grants for pensioner rebates	80	80
c. Other grants	6	5
13. Contributions		
a. Developer charges	22	180
b. Developer provided assets	57	–
c. Other contributions	–	–
14. Total income	7,894	7,936
15. Gain (or loss) on disposal of assets	(679)	(480)
16. Operating result	506	1,049
16a. Operating result (less grants for acquisition of assets)	506	1,029

Richmond Valley Council

Special Schedule 5 – Sewerage Service Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis
for the year ended 30 June 2016

\$'000	Actuals 2016	Actuals 2015
B Capital transactions		
Non-operating expenditures		
17. Acquisition of fixed assets		
a. New assets for improved standards	100	—
b. New assets for growth	—	—
c. Renewals	2,540	1,187
d. Plant and equipment	75	5
18. Repayment of debt	1,013	966
19. Totals	3,728	2,158
Non-operating funds employed		
20. Proceeds from disposal of assets	—	—
21. Borrowing utilised	—	—
22. Totals	—	—
C Rates and charges		
23. Number of assessments		
a. Residential (occupied)	6,238	6,114
b. Residential (unoccupied, ie. vacant lot)	119	177
c. Non-residential (occupied)	634	603
d. Non-residential (unoccupied, ie. vacant lot)	94	95
24. Number of ETs for which developer charges were received	3 ET	23 ET
25. Total amount of pensioner rebates (actual dollars)	\$ 146,597	\$ 146,810

Richmond Valley Council

Special Schedule 6 – Sewerage Service Statement of Financial Position

Includes internal transactions, i.e. prepared on a gross basis
as at 30 June 2016

\$'000	Actuals Current	Actuals Non-current	Actuals Total
ASSETS			
26. Cash and investments			
a. Developer charges	2,960	—	2,960
b. Special purpose grants	—	—	—
c. Accrued leave	—	—	—
d. Unexpended loans	—	—	—
e. Sinking fund	—	—	—
f. Other	6,419	—	6,419
27. Receivables			
a. Specific purpose grants	80	—	80
b. Rates and availability charges	1,669	610	2,279
c. User charges	365	129	494
d. Other	—	—	—
28. Inventories	—	—	—
29. Property, plant and equipment			
a. System assets	—	105,164	105,164
b. Plant and equipment	—	222	222
30. Other assets	—	—	—
31. Total assets	11,493	106,125	117,618
LIABILITIES			
32. Bank overdraft	—	—	—
33. Creditors	215	—	215
34. Borrowings	1,058	16,108	17,166
35. Provisions			
a. Tax equivalents	—	—	—
b. Dividend	—	—	—
c. Other	—	—	—
36. Total liabilities	1,273	16,108	17,381
37. NET ASSETS COMMITTED	10,220	90,017	100,237
EQUITY			
38. Accumulated surplus			37,821
39. Asset revaluation reserve			62,416
40. TOTAL EQUITY			100,237
Note to system assets:			
41. Current replacement cost of system assets			129,670
42. Accumulated current cost depreciation of system assets			(24,506)
43. Written down current cost of system assets			105,164

Richmond Valley Council

Notes to Special Schedules 3 and 5

for the year ended 30 June 2016

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 and 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) including 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 7 – Report on Infrastructure Assets as at 30 June 2016

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2015/16 Required maintenance ^a	2015/16 Actual maintenance	Carrying value	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Buildings												
	Buildings – specialised	731	–	345	346	49,268	62,212	20%	25%	43%	11%	1%
	Sub-total	731	–	345	346	49,268	62,212	20.0%	25.0%	43.0%	11.0%	1.0%
Other structures												
	Other structures	11	–	94	124	9,670	11,755	44%	54%	2%	0%	0%
	Sub-total	11	–	94	124	9,670	11,755	44.0%	54.0%	2.0%	0.0%	0.0%
Roads												
	Sealed roads	184	–	1,458	1,712	141,685	181,936	42%	49%	8%	1%	0%
	Unsealed roads	88	–	787	866	18,299	31,424	2%	31%	57%	10%	0%
	Bridges	–	–	63	25	58,220	74,232	38%	49%	12%	1%	0%
	Footpaths	–	–	39	39	11,930	16,616	56%	34%	9%	1%	0%
	Bulk earthworks	–	–	–	–	72,436	72,436	100%	0%	0%	0%	0%
	Sub-total	272	–	2,347	2,642	302,570	376,644	49.6%	37.4%	11.4%	1.6%	0.0%

Richmond Valley Council

Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2016 (continued)

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2015/16 Required maintenance ^a	2015/16 Actual maintenance	Carrying value	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Water supply network	Water supply network	199	–	411	302	71,197	85,052	42%	52%	6%	0%	0%
	Sub-total	199	–	411	302	71,197	85,052	42.0%	52.0%	6.0%	0.0%	0.0%
Sewerage network	Sewerage network	5,408	–	819	964	102,823	127,296	39%	40%	13%	8%	0%
	Sub-total	5,408	–	819	964	102,823	127,296	39.0%	40.0%	13.0%	8.0%	0.0%
Stormwater drainage	Stormwater drainage	132		153	157	34,006	49,149	36%	40%	17%	7%	0%
	Sub-total	132	–	153	157	34,006	49,149	36.0%	40.0%	17.0%	7.0%	0.0%
Open space/recreational assets	Swimming pools	–	–	13	16	6,482	7,374	62%	38%	0%	0%	0%
	Other Open Space/Recreation	144	–	97	129	7,224	8,922	61%	29%	4%	5%	1%
	Sub-total	144	–	110	145	13,706	16,296	61.5%	33.1%	2.2%	2.7%	0.5%
	TOTAL – ALL ASSETS	6,897	–	4,279	4,680	583,240	728,404	43.6%	38.9%	13.8%	3.7%	0.1%

Notes:

^a Required maintenance is the amount identified in Council's asset management plans.

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 7 – Report on Infrastructure Assets (continued)

for the year ended 30 June 2016

\$ '000	Amounts 2016	Indicator 2016	Prior periods 20152014	
Infrastructure asset performance indicators * consolidated				
1. Infrastructure renewals ratio				
Asset renewals ⁽¹⁾	9,714	98.97%	118.22%	86.25%
Depreciation, amortisation and impairment	9,815			
2. Infrastructure backlog ratio				
Estimated cost to bring assets to a satisfactory standard	6,897	1.32%	1.80%	6.41%
Carrying value of infrastructure assets	521,868			
3. Asset maintenance ratio				
Actual asset maintenance	4,680	1.09	0.97	1.04
Required asset maintenance	4,279			

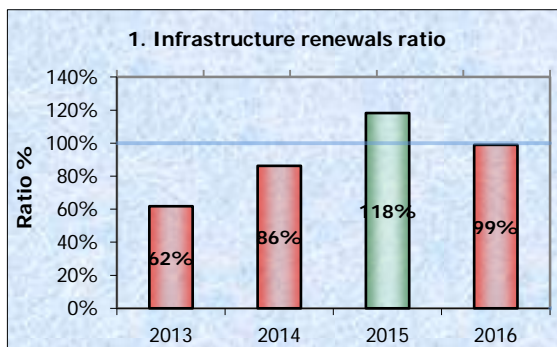
Notes

* All asset performance indicators are calculated using the asset classes identified in the previous table.

⁽¹⁾ Asset renewals represent the replacement and/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.

Richmond Valley Council

Special Schedule 7 – Report on Infrastructure Assets (continued) for the year ended 30 June 2016



Benchmark: — Minimum $\geq 100.00\%$

Source for benchmark: Code of Accounting Practice and Financial Reporting #24

Purpose of asset renewals ratio

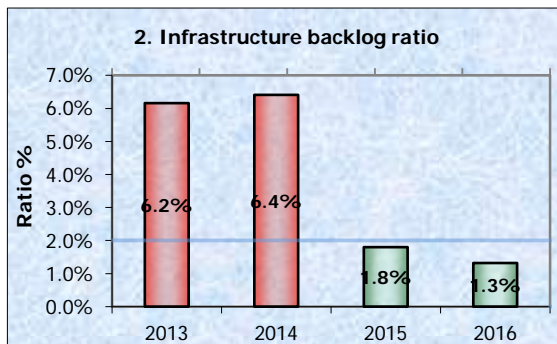
To assess the rate at which these assets are being renewed relative to the rate at which they are depreciating.

Commentary on 2015/16 result

2015/16 Ratio 98.97%

Council's Infrastructure Renewals Ratio has improved considerably since 2013. The approval of Council's special rate variation has enabled an increased focus on asset renewals.

Ratio achieves benchmark
 Ratio is outside benchmark



Benchmark: — Maximum $< 2.00\%$

Source for benchmark: Code of Accounting Practice and Financial Reporting #24

Purpose of infrastructure backlog ratio

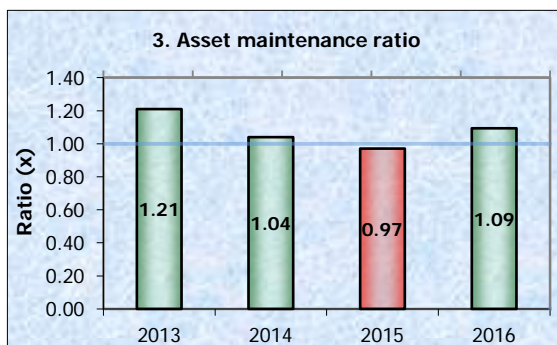
This ratio shows what proportion the backlog is against the total value of a Council's infrastructure.

Commentary on 2015/16 result

2015/16 Ratio 1.32%

Council is continuing to refine its condition assessment and valuation methodologies. The approval of a special rate variation and increased spending on renewals rather than new assets has led to an improvement in this ratio.

Ratio achieves benchmark
 Ratio is outside benchmark



Benchmark: — Minimum > 1.00

Source for benchmark: Code of Accounting Practice and Financial Reporting #24

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 2015/16 result

2015/16 Ratio 1.09 x

Council's Asset Maintenance Ratio continues to be at the benchmark of 1.0 or higher.

Ratio achieves benchmark
 Ratio is outside benchmark

Richmond Valley Council

Special Schedule 7 – Report on Infrastructure Assets (continued)

for the year ended 30 June 2016

	Water	Sewer	General ⁽¹⁾
\$ '000	2016	2016	2016
Infrastructure asset performance indicators by fund			
1. Infrastructure renewals ratio			
Asset renewals ⁽²⁾			
Depreciation, amortisation and impairment	111.71%	232.29%	78.77%
prior period:	134.35%	107.61%	118.08%
2. Infrastructure backlog ratio			
Estimated cost to bring assets to a satisfactory standard			
Carrying value of infrastructure assets	0.28%	5.26%	0.37%
prior period:	0.13%	5.67%	1.07%
3. Asset maintenance ratio			
Actual asset maintenance			
Required asset maintenance	0.73	1.18	1.12
prior period:	0.93	0.91	0.99

Notes

- (1) General fund refers to all of Council's activities except for its water and sewer activities which are listed separately.
- (2) Asset renewals represent the replacement and/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.

Richmond Valley Council

Special Schedule 8 – Permissible Income Calculation for the year ended 30 June 2017

\$'000		Calculation 2015/16	Calculation 2016/17
Notional general income calculation ⁽¹⁾			
Last year notional general income yield	a	9,906	10,300
Plus or minus adjustments ⁽²⁾	b	(24)	29
Notional general income	c = (a + b)	9,882	10,329
Permissible income calculation			
Special variation percentage ⁽³⁾	d	5.50%	5.50%
Or rate peg percentage	e	0.00%	0.00%
Or crown land adjustment (incl. rate peg percentage)	f	0.00%	0.00%
Less expiring special variation amount	g	—	—
Plus special variation amount	h = d x (c - g)	544	568
Or plus rate peg amount	i = c x e	—	—
Or plus Crown land adjustment and rate peg amount	j = c x f	—	—
Sub-total	k = (c + g + h + i + j)	10,426	10,897
Plus (or minus) last year's carry forward total	l	—	126
Less valuation objections claimed in the previous year	m	—	—
Sub-total	n = (l + m)	—	126
Total permissible income	o = k + n	10,426	11,023
Less notional general income yield	p	10,300	11,213
Catch-up or (excess) result	q = o - p	126	(190)
Plus income lost due to valuation objections claimed ⁽⁴⁾	r	—	—
Less unused catch-up ⁽⁵⁾	s	—	—
Carry forward to next year	t = q + r - s	126	(190)

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.
- (6) Carry forward amounts which are in excess (an amount that exceeds the permissible income) require ministerial approval by order published in the *NSW Government Gazette* in accordance with section 512 of the *Local Government Act 1993*. The OLG will extract these amounts from Council's Special Schedule 8 in the financial data return (FDR) to administer this process.

RICHMOND VALLEY COUNCIL
SPECIAL SCHEDULE NO 8
INDEPENDENT AUDITOR'S REPORT

REPORT ON SPECIAL SCHEDULE NO 8

We have audited the accompanying special purpose financial statement comprising the reconciliation of total permissible general income (Special Schedule No. 8) of Richmond Valley Council for the year ending 30 June 2017.

Responsibility of Council for Special Schedule No. 8

The Council is responsible for the preparation and fair presentation of Special Schedule No. 8 in accordance with the Local Government Code of Accounting Practice and Financial Reporting (Guidelines) Update No. 24. 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. 8 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.

Auditor's Responsibility

Our responsibility is to express an opinion on Special Schedule No. 8 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. 8 is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in Special Schedule No. 8. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of Special Schedule No. 8, 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. 8.

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. 8 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. 8 of Richmond Valley Council for 2016/17 is properly drawn up in accordance with the requirements of the NSW Office of Local Government and in accordance with the books and records of the Council.

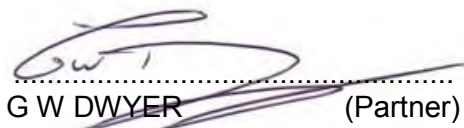
Basis of Accounting

Without modifying our opinion, we advise that this schedule has been prepared for distribution to the NSW 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.

Dated at Lismore this 25th day of October 2016

**THOMAS NOBLE & RUSSELL
CHARTERED ACCOUNTANTS**

Per:



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