

# Richmond Valley Council

GENERAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2017

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"A great community with a relaxed lifestyle,  
beautiful environment and vibrant economy."

Richmond  
Valley  
Council



# Richmond Valley Council

## General Purpose Financial Statements for the year ended 30 June 2017

Contents	Page
<b>1. Statement by Councillors and Management</b>	<b>2</b>
<b>2. Primary Financial Statements:</b>	
– Income Statement	3
– Statement of Comprehensive Income	4
– Statement of Financial Position	5
– Statement of Changes in Equity	6
– Statement of Cash Flows	7
<b>3. Notes to the Financial Statements</b>	<b>8</b>
<b>4. Independent Auditor's Reports:</b>	
– On the Financial Statements (Sect 417 [2])	83
– On the Conduct of the Audit (Sect 417 [3])	86

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### 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 guiding principles are detailed in Chapter 3 of the LGA and includes:

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

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

- (iii) All figures presented in these financial statements are presented in Australian currency.
  - (iv) These financial statements were authorised for issue by the Council on 17 October 2017. Council has the power to amend and reissue these financial statements.
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## Richmond Valley Council

### General Purpose Financial Statements for the year ended 30 June 2017

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

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

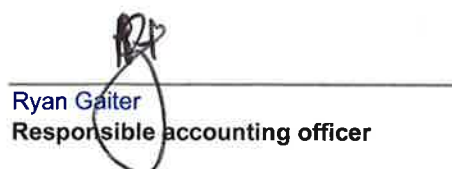
- the *Local Government Act 1993 (NSW)* (as amended) and the regulations made thereunder,
- the Australian Accounting Standards and professional pronouncements, and
- the Local Government Code of Accounting Practice and Financial Reporting.

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

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

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

**Signed in accordance with a resolution of Council made on 17 October 2017.**

  
Robert Mustow  
Mayor  
Steve Morrissey  
Councillor  
Vaughan Macdonald  
General manager  
Ryan Gaiter  
Responsible accounting officer

# Richmond Valley Council

## Income Statement

for the year ended 30 June 2017

Budget 2017	<sup>1</sup> \$ '000	Notes	Actual 2017	Actual 2016
Income from continuing operations				
Revenue:				
21,554	Rates and annual charges	3a	21,723	20,477
14,022	User charges and fees	3b	15,615	12,941
1,032	Interest and investment revenue	3c	1,031	867
108	Other revenues	3d	226	188
11,230	Grants and contributions provided for operating purposes	3e,f	13,780	10,882
3,390	Grants and contributions provided for capital purposes	3e,f	4,083	3,998
51,336	Total income from continuing operations		56,458	49,353
Expenses from continuing operations				
16,505	Employee benefits and on-costs	4a	18,205	17,073
1,738	Borrowing costs	4b	1,684	1,734
11,215	Materials and contracts	4c	12,094	10,169
12,406	Depreciation and amortisation	4d	11,917	11,199
5,334	Other expenses	4e	4,177	4,865
—	Net losses from the disposal of assets	5	874	2,586
47,198	Total expenses from continuing operations		48,951	47,626
4,138	Operating result from continuing operations		7,507	1,727
Discontinued operations				
—	Net profit/(loss) from discontinued operations	24	—	—
4,138	Net operating result for the year		7,507	1,727
4,138	Net operating result attributable to Council		7,507	1,727
—	Net operating result attributable to non-controlling interests		—	—
Net operating result for the year before grants and contributions provided for capital purposes				
748			3,424	(2,271)

<sup>1</sup> Original budget as approved by Council – refer Note 16

# Richmond Valley Council

## Statement of Comprehensive Income for the year ended 30 June 2017

\$ '000	Notes	Actual 2017	Actual 2016
<b>Net operating result for the year</b> (as per Income Statement)		<b>7,507</b>	<b>1,727</b>
<b>Other comprehensive income:</b>			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of I,PP&E	20b (ii)	20,179	200
Impairment (loss) reversal relating to I,PP&E	20b (ii)	(8,330)	1,983
<b>Total items which will not be reclassified subsequently to the operating result</b>		<b>11,849</b>	<b>2,183</b>
Amounts which will be reclassified subsequently to the operating result when specific conditions are met			
Nil			
<b>Total other comprehensive income for the year</b>		<b>11,849</b>	<b>2,183</b>
<b>Total comprehensive income for the year</b>		<b>19,356</b>	<b>3,910</b>
<b>Total comprehensive income attributable to Council</b>		<b>19,356</b>	<b>3,910</b>
<b>Total comprehensive income attributable to non-controlling interests</b>		<b>—</b>	<b>—</b>

# Richmond Valley Council

## Statement of Financial Position as at 30 June 2017

\$ '000	Notes	Actual 2017	Actual 2016
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	6a	12,934	12,066
Investments	6b	25,711	20,310
Receivables	7	9,867	7,936
Inventories	8	1,092	1,102
Other	8	369	366
<b>Total current assets</b>		<b>49,973</b>	<b>41,780</b>
<b>Non-current assets</b>			
Receivables	7	2,208	2,166
Inventories	8	1,297	1,543
Infrastructure, property, plant and equipment	9	673,629	662,822
<b>Total non-current assets</b>		<b>677,134</b>	<b>666,531</b>
<b>TOTAL ASSETS</b>		<b>727,107</b>	<b>708,311</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	10	4,276	4,201
Income received in advance	10	30	30
Borrowings	10	1,986	1,800
Provisions	10	4,124	4,483
<b>Total current liabilities</b>		<b>10,416</b>	<b>10,514</b>
<b>Non-current liabilities</b>			
Payables	10	590	368
Borrowings	10	23,586	24,314
Provisions	10	2,571	2,527
<b>Total non-current liabilities</b>		<b>26,747</b>	<b>27,209</b>
<b>TOTAL LIABILITIES</b>		<b>37,163</b>	<b>37,723</b>
<b>Net assets</b>		<b>689,944</b>	<b>670,588</b>
<b>EQUITY</b>			
Retained earnings	20	337,652	330,145
Revaluation reserves	20	352,292	340,443
Council equity interest		689,944	670,588
Non-controlling equity interests		—	—
<b>Total equity</b>		<b>689,944</b>	<b>670,588</b>

## Richmond Valley Council

## Statement of Changes in Equity

for the year ended 30 June 2017

\$ '000	Notes	2017					2016				
		Retained earnings	Asset revaluation reserve (Refer 20b)	Council interest	Non-controlling interest	Total equity	Retained earnings	Asset revaluation reserve (Refer 20b)	Council interest	Non-controlling interest	Total equity
<b>Opening balance</b> (as per last year's audited accounts)		330,145	340,443	<b>670,588</b>	—	<b>670,588</b>	328,418	338,260	<b>666,678</b>	—	<b>666,678</b>
a. Correction of prior period errors	20 (c)	—	—	—	—	—	—	—	—	—	—
b. Changes in accounting policies (prior year effects)	20 (d)	—	—	—	—	—	—	—	—	—	—
<b>Revised opening balance</b>		<b>330,145</b>	<b>340,443</b>	<b>670,588</b>	<b>—</b>	<b>670,588</b>	<b>328,418</b>	<b>338,260</b>	<b>666,678</b>	<b>—</b>	<b>666,678</b>
<b>c. Net operating result for the year</b>		<b>7,507</b>	—	<b>7,507</b>	—	<b>7,507</b>	1,727	—	<b>1,727</b>	—	<b>1,727</b>
d. Other comprehensive income											
– Revaluations: IPP&E asset revaluation rsve	20b (ii)	—	20,179	<b>20,179</b>	—	<b>20,179</b>	—	200	<b>200</b>	—	<b>200</b>
– Revaluations: other reserves	20b (ii)	—	—	—	—	—	—	—	—	—	—
– Transfers to Income Statement	20b (ii)	—	—	—	—	—	—	—	—	—	—
– Impairment (loss) reversal relating to I,PP&E	20b (ii)	—	(8,330)	<b>(8,330)</b>	—	<b>(8,330)</b>	—	1,983	<b>1,983</b>	—	<b>1,983</b>
<b>Other comprehensive income</b>		<b>—</b>	<b>11,849</b>	<b>11,849</b>	<b>—</b>	<b>11,849</b>	<b>—</b>	<b>2,183</b>	<b>2,183</b>	<b>—</b>	<b>2,183</b>
<b>Total comprehensive income (c&amp;d)</b>		<b>7,507</b>	<b>11,849</b>	<b>19,356</b>	<b>—</b>	<b>19,356</b>	<b>1,727</b>	<b>2,183</b>	<b>3,910</b>	<b>—</b>	<b>3,910</b>
e. Distributions to/(contributions from) non-controlling interests		—	—	—	—	—	—	—	—	—	—
f. Transfers between equity		—	—	—	—	—	—	—	—	—	—
<b>Equity – balance at end of the reporting period</b>		<b>337,652</b>	<b>352,292</b>	<b>689,944</b>	<b>—</b>	<b>689,944</b>	<b>330,145</b>	<b>340,443</b>	<b>670,588</b>	<b>—</b>	<b>670,588</b>

# Richmond Valley Council

## Statement of Cash Flows for the year ended 30 June 2017

Budget 2017	\$ '000	Notes	Actual 2017	Actual 2016
<b>Cash flows from operating activities</b>				
<b>Receipts:</b>				
21,554	Rates and annual charges		21,994	20,176
14,022	User charges and fees		13,597	13,674
1,032	Investment and interest revenue received		622	726
14,620	Grants and contributions		16,186	17,852
–	Bonds, deposits and retention amounts received		–	63
108	Other		312	145
<b>Payments:</b>				
(16,505)	Employee benefits and on-costs		(18,087)	(17,382)
(10,959)	Materials and contracts		(12,249)	(9,269)
(1,653)	Borrowing costs		(1,628)	(1,234)
–	Bonds, deposits and retention amounts refunded		(29)	–
(5,334)	Other		(3,884)	(5,910)
<b>16,885</b>	<b>Net cash provided (or used in) operating activities</b>	11b	<b>16,834</b>	<b>18,841</b>
<b>Cash flows from investing activities</b>				
<b>Receipts:</b>				
530	Sale of real estate assets		1,707	647
2,946	Sale of infrastructure, property, plant and equipment		517	341
1	Deferred debtors receipts		–	2
<b>Payments:</b>				
–	Purchase of investment securities		(5,000)	(12,500)
(19,834)	Purchase of infrastructure, property, plant and equipment		(12,347)	(16,464)
(15)	Purchase of real estate assets		(301)	(163)
<b>(16,372)</b>	<b>Net cash provided (or used in) investing activities</b>		<b>(15,424)</b>	<b>(28,137)</b>
<b>Cash flows from financing activities</b>				
<b>Receipts:</b>				
1,260	Proceeds from borrowings and advances		1,260	1,240
<b>Payments:</b>				
(1,850)	Repayment of borrowings and advances		(1,802)	(1,627)
<b>(590)</b>	<b>Net cash flow provided (used in) financing activities</b>		<b>(542)</b>	<b>(387)</b>
<b>(77)</b>	<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>868</b>	<b>(9,683)</b>
12,066	Plus: cash and cash equivalents – beginning of year	11a	12,066	21,749
<b>11,989</b>	<b>Cash and cash equivalents – end of the year</b>	11a	<b>12,934</b>	<b>12,066</b>
Additional Information:				
	plus: Investments on hand – end of year	6b	25,711	20,310
	<b>Total cash, cash equivalents and investments</b>		<b>38,645</b>	<b>32,376</b>

Please refer to Note 11 for additional cash flow information



# Richmond Valley Council

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

### 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	23
2(b)	Council functions/activities – component descriptions	24
3	Income from continuing operations	25
4	Expenses from continuing operations	30
5	Gains or losses from the disposal of assets	33
6(a)	Cash and cash equivalent assets	34
6(b)	Investments	34
6(c)	Restricted cash, cash equivalents and investments – details	35
7	Receivables	37
8	Inventories and other assets	38
9(a)	Infrastructure, property, plant and equipment	40
9(b)	Externally restricted infrastructure, property, plant and equipment	41
10(a)	Payables, borrowings and provisions	42
10(b)	Description of (and movements in) provisions	43
11	Statement of cash flows – additional information	44
12	Commitments	45
13	Statement of performance measures:	
13a (i)	Local government industry indicators (consolidated)	47
13a (ii)	Local government industry graphs (consolidated)	48
13b	Local government industry indicators (by fund)	50
14	Investment properties	52 n/a
15	Financial risk management	52
16	Material budget variations	56
17	Statement of developer contributions	58
18	Contingencies and other liabilities/assets not recognised	61
19	Interests in other entities	62
20	Retained earnings, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors	64
21	Financial result and financial position by fund	65
22	'Held for sale' non-current assets and disposal groups	67 n/a
23	Events occurring after the reporting date	67 n/a
24	Discontinued operations	67 n/a
25	Intangible assets	67 n/a
26	Reinstatement, rehabilitation and restoration liabilities	68
27	Fair value measurement	69
28	Related party disclosures	79

#### Additional council disclosures

29	Council information and contact details	82
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n/a – not applicable

# Richmond Valley Council

## Notes to the Financial Statements

for the year ended 30 June 2017

### Note 1. Summary of significant accounting policies

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

#### (a) Basis of preparation

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

#### (i) New and amended standards adopted by Council

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

The adoption of AASB 2014-3 Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations [AASB 1 and AASB 11] has had no material impact on Council's financial position or performance.

#### (ii) Early adoption of standards

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

#### (iii) Historical cost convention

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

#### (iv) Significant accounting estimates and judgements

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

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

#### *Critical accounting estimates and assumptions*

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

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

#### *Significant judgements in applying the Council's accounting policies*

- (i) Impairment of Receivables

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

#### (b) Revenue recognition

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

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

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

#### (i) Rates, annual charges, grants and contributions

Rates, annual charges, grants and contributions (including developer contributions) are recognised as revenue when the Council obtains control over the

# Richmond Valley Council

## Notes to the Financial Statements

for the year ended 30 June 2017

### Note 1. Summary of significant accounting policies (continued)

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

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

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

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

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

#### (ii) User charges and fees

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

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

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

#### (iv) Interest

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

#### (v) Rent

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

#### (vi) Dividend income

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

#### (vii) Other income

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

### (c) Principles of consolidation

#### (i) The Consolidated Fund

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

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

- General purpose operations
- Water supply
- Sewerage service

#### (ii) The Trust Fund

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

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

# Richmond Valley Council

## Notes to the Financial Statements

for the year ended 30 June 2017

### Note 1. Summary of significant accounting policies (continued)

#### (iii) County Councils

Council is a member of the following county council (which is constituted under the *Local Government Act*):

##### ▪ Rous County Council (Rous Water)

*Rous County Council provides three main functions to Richmond Valley Council:*

- *bulk water supply to the lower river area of Richmond Valley Council.*
- *Floodplain management services*
- *Administration of the Noxious Weeds Act 1993*

The governing body of the above 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 and accordingly these entities have not been consolidated or otherwise included within these financial statements.

#### (iv) Interests in other entities

##### Subsidiaries

Council has no interest in any subsidiaries.

##### Joint arrangements

The Council has determined that it has only joint ventures.

##### Joint ventures/associates

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).

#### (d) Leases

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

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

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

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

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

#### (e) Impairment of assets

Intangible assets that have an indefinite useful life or are not yet available for use are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the

# Richmond Valley Council

## Notes to the Financial Statements

for the year ended 30 June 2017

### Note 1. Summary of significant accounting policies (continued)

higher of an asset's fair value less costs to sell and value in use.

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

#### (f) Cash and cash equivalents

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

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

#### (g) Inventories

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

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

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

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

##### (ii) Inventory held for distribution

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

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

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

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

##### (h) 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.

#### (i) Investments and other financial assets

##### Classification

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

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



# Richmond Valley Council

## Notes to the Financial Statements

for the year ended 30 June 2017

### Note 1. Summary of significant accounting policies (continued)

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

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

#### (ii) Loans and receivables

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

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

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

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

#### (iii) Held-to-maturity investments

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

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

#### (iv) Available-for-sale financial assets

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

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

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

#### *Recognition and de-recognition*

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

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

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

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

#### *Subsequent measurement*

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

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

#### *Impairment*

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

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

## Richmond Valley Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 1. Summary of significant accounting policies (continued)

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

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

##### (i) Assets carried at amortised cost

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

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

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

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

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

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

##### Investment Policy

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

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

##### (j) Fair value estimation – financial instruments

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

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

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

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Council for similar financial instruments.

# Richmond Valley Council

## Notes to the Financial Statements

for the year ended 30 June 2017

### Note 1. Summary of significant accounting policies (continued)

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

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

##### Externally valued:

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

##### Internally valued:

Nil

##### As approximated by depreciated historical cost:

- Plant and equipment
- Other assets

Non-specialised assets with short useful lives are measured at depreciated historical cost as an approximation of fair value. Council has assessed that any difference between fair value and depreciated historical cost is unlikely to be material. Water and sewerage network assets are indexed annually between full revaluations in accordance with the latest indices provided in the NSW Office of Water Rates Reference Manual.

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

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

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

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

#### 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
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##### 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
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# Richmond Valley Council

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

### Note 1. Summary of significant accounting policies (continued)

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

#### Water & Sewer Assets

- Dams and reservoirs	25 to 200 years
- Treatment Plant structure	15 to 200 years
- Treatment Plant mech & elect	20 to 25 years
- Pump Station structure	15 to 200 years
- Pump Station mech & elect	20 to 25 years
- Reticulation pipes: PVC	70 to 160 years
- Reticulation pipes: Other	70 to 160 years

#### Other Infrastructure Assets

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

### Depreciation

Land is not depreciated.

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

#### Plant & 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
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#### 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

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

Water supply network and sewerage network assets were revalued as at 30 June 2017. These assets were broken into short and long life components. The depreciation of these assets will change from a consumption based model to a straight line basis from 1 July 2017. This will result in a significant change in depreciation expense. For the year ending 30 June 2018 the effect on depreciation is estimated to be as follows:

Water supply network assets – increase from \$848,901 to \$1,429,815

Sewerage network assets – increase from \$1,175,715 to \$2,090,510

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

### (I) Investment property

Investment property, principally comprising freehold office buildings, is held for long-term rental yields and is not occupied by the Council.

Investment property is carried at fair value, which is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, Council uses alternative valuation methods such as recent prices in less active

# Richmond Valley Council

## Notes to the Financial Statements

for the year ended 30 June 2017

### Note 1. Summary of significant accounting policies (continued)

markets, or discounted cash flow projections. Changes in fair values are recorded in the income statement as part of other income.

Properties that are under construction for future use as investment properties are regarded as investment properties. These are also carried at fair value unless the fair value cannot yet be reliably determined. Where that is the case, the property will be accounted for at cost until either the fair value becomes reliably determinable or construction is complete.

#### (m) Payables

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

#### (n) Borrowings

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

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

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

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

#### (o) Borrowing costs

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

#### (p) Provisions

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

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

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

#### (q) Employee benefits

##### (i) Short-term obligations

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

## Richmond Valley Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 1. Summary of significant accounting policies (continued)

reporting period and are measured at the amounts expected to be paid when the liabilities are settled.

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

##### (ii) Other long-term employee benefit obligations

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

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

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

##### (iii) Retirement benefit obligations

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

##### Defined Benefit Plans

A liability or asset in respect of defined benefit superannuation plans would ordinarily be recognised in the Statement of Financial Position, 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 that arise from membership of the fund to the reporting date, calculated annually by independent actuaries using the projected unit credit method.

Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. However, when this information is not reliably available, Council accounts for its obligations to defined benefit plans on the same basis as its obligations to defined contribution plans, i.e. as an expense when it becomes 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 02/12/16 and covers the period ended 30/06/16.

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

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 2017 was \$344,254.66.

The amount of additional contributions included in the total employer contribution advised above is \$184,000. Additional contributions are estimated to remain in place until 30/06/20 and remaining additional contributions are estimated to be \$489,000.

# Richmond Valley Council

## Notes to the Financial Statements

for the year ended 30 June 2017

### Note 1. Summary of significant accounting policies (continued)

The share of the deficit that can be broadly attributed to Council is estimated to be 0.51% as at 30 June 2017.

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 30/06/17.

#### **(r) 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.

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

#### **(s) 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.

#### **(t) Intangible assets**

Council has not classified any assets as intangible.

#### **(u) Crown reserves**

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

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

#### **(v) Rural fire service assets**

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

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

#### **(w) Goods and Services Tax (GST)**

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

# Richmond Valley Council

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

### Note 1. Summary of significant accounting policies (continued)

cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to the taxation authority is included with other receivables or payables in the Statement of Financial Position.

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

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

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

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 2016-2 – Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107**

This standard amends AASB 107 *Statement of Cash Flows* to require entities who are preparing financial statements in accordance with Tier 1 reporting requirements to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

The effective date of this standard is for annual reporting periods beginning on or after 1 January 2017.

There will be no impact on reported financial position or performance for Council however any changes in

liabilities arising from financing activities will be shown in the Statement of Cash Flows.

#### **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
- 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.



## Richmond Valley Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 1. Summary of significant accounting policies (continued)

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 impact of AASB 15.

##### **AASB16 – Leases**

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

AASB 16 introduces a single lease accounting model (for lessees) that will require all leases to be accounted for on the balance sheet (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.

##### **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.

##### **AASB 1058 – Income of NFP Entities**

AASB 1058 supersedes all the income recognition requirements relating to councils, previously in AASB 1004 Contribution. The timing of income recognition depends on whether such a transaction gives rise to a liability or other performance obligation (a promise to transfer a good or service), or a contribution by owners, related to an asset (such as cash or another asset) received by an entity.

AASB 1058 applies when a council receives volunteer services or enters into other transactions in which the consideration to acquire an asset is significantly less than the fair value of the asset, and where the council's objective is principally to enable the asset to further the council's objectives". In cases where the council enters into other transactions, the council recognises and measures the asset at fair value in accordance with the applicable Australian Accounting Standard (e.g. AASB 116 Property, Plant and Equipment).

Upon initial recognition of the asset, this Standard requires Council to consider whether any other financial statement elements (called 'related amounts') should be recognised in accordance with the applicable Accounting Standard, such as:

- (a) contributions by owners
- (b) revenue, or a contract liability arising from a contract with a customer
- (c) a lease liability
- (d) a financial instrument
- (e) a provision.

## Richmond Valley Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 1. Summary of significant accounting policies (continued)

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If the transaction is a transfer of a financial asset to enable Council to acquire or construct a recognisable non-financial asset to be controlled by Council (i.e. an in-substance acquisition of a non-financial asset), the council recognises a liability for the excess of the fair value of the transfer over any related amounts recognised.

Council will recognise income as it satisfies its obligations under the transfer similarly to income recognition in relation to performance obligations under AASB 15.

If the transaction does not enable Council to acquire or construct a recognisable non-financial asset to be controlled by Council, then any excess of the initial carrying amount of the recognised asset over the related amounts is recognised as income.

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 impact of AASB 1058.

#### **(y) Rounding of amounts**

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

#### **(z) Comparative figures**

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

#### **(aa) Disclaimer**

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

## Richmond Valley Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## 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
	2017	2017	2016	2017	2017	2016	2017	2017	2016	2017	2016	2017	2016
Governance	–	–	–	2,232	2,039	1,890	(2,232)	(2,039)	(1,890)	–	–	–	–
Administration	1,251	779	1,065	609	–	–	642	779	1,065	155	129	51,585	44,690
Public order and safety	1,432	2,051	2,154	2,245	2,244	2,456	(813)	(193)	(302)	1,352	1,406	10,337	9,246
Health	265	217	234	677	604	554	(412)	(387)	(320)	–	–	916	900
Environment	5,280	5,189	5,316	6,282	6,673	6,061	(1,002)	(1,484)	(745)	179	605	42,581	43,034
Housing and community amenities	1,269	1,326	1,317	3,072	3,009	2,897	(1,803)	(1,683)	(1,580)	31	27	2,957	2,764
Water supplies	5,537	5,801	5,364	5,202	5,399	5,062	335	402	302	77	81	79,614	78,672
Sewerage services	7,861	9,110	7,649	6,569	7,394	7,302	1,292	1,716	347	81	80	124,664	117,719
Recreation and culture	1,227	1,461	1,220	4,410	4,809	4,722	(3,183)	(3,348)	(3,502)	331	632	80,822	77,465
Mining, manufacturing and construction	790	1,460	1,647	118	189	1,016	672	1,271	631	–	–	2,877	2,843
Transport and communication	7,345	8,280	7,806	13,204	15,130	14,069	(5,859)	(6,850)	(6,263)	3,350	3,810	311,184	313,290
Economic affairs	3,132	3,635	1,636	2,578	2,549	2,411	554	1,086	(775)	942	3	19,570	17,688
<b>Total functions and activities</b>	<b>35,389</b>	<b>39,309</b>	<b>35,408</b>	<b>47,198</b>	<b>50,039</b>	<b>48,440</b>	<b>(11,809)</b>	<b>(10,730)</b>	<b>(13,032)</b>	<b>6,498</b>	<b>6,773</b>	<b>727,107</b>	<b>708,311</b>
Share of gains/(losses) in associates and joint ventures (using the equity method)	–	–	–	–	–	–	–	–	–	–	–	–	–
General purpose income <sup>1</sup>	15,947	18,237	14,759	–	–	–	15,947	18,237	14,759	7,186	4,858	–	–
<b>Operating result from continuing operations</b>	<b>51,336</b>	<b>57,546</b>	<b>50,167</b>	<b>47,198</b>	<b>50,039</b>	<b>48,440</b>	<b>4,138</b>	<b>7,507</b>	<b>1,727</b>	<b>13,684</b>	<b>11,631</b>	<b>727,107</b>	<b>708,311</b>

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 2017

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

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

##### **GOVERNANCE**

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

##### **ADMINISTRATION**

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

##### **PUBLIC ORDER AND SAFETY**

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

##### **HEALTH**

Includes immunisation, food control, health centres etc.

##### **ENVIRONMENT**

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

##### **HOUSING AND COMMUNITY AMENITIES**

Includes public cemeteries; public conveniences; street lighting; town planning; other community amenities.

##### **WATER SUPPLIES**

##### **SEWERAGE SERVICES**

##### **RECREATION AND CULTURE**

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

##### **MINING, MANUFACTURING AND CONSTRUCTION**

Includes quarries and 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**

Includes camping areas and caravan parks; tourism and area promotion; industrial development promotion; saleyards and markets; real estate development; and other business undertakings.

# Richmond Valley Council

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

### Note 3. Income from continuing operations

<b>\$ '000</b>	<b>Notes</b>	<b>Actual 2017</b>	<b>Actual 2016</b>
<b>(a) Rates and annual charges</b>			
<b>Ordinary rates</b>			
Residential		6,915	6,298
Farmland		2,179	1,987
Business		1,432	1,350
<b>Total ordinary rates</b>		<b>10,526</b>	<b>9,635</b>
<b>Special rates</b>			
Nil			
<b>Annual charges</b> (pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Domestic waste management services		3,044	2,877
Stormwater management services		198	199
Water supply services		1,073	1,030
Sewerage services		6,410	6,273
Waste management services (non-domestic)		472	463
<b>Total annual charges</b>		<b>11,197</b>	<b>10,842</b>
<b>TOTAL RATES AND ANNUAL CHARGES</b>		<b>21,723</b>	<b>20,477</b>

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 2017

### Note 3. Income from continuing operations (continued)

\$ '000	Notes	Actual 2017	Actual 2016
<b>(b) User charges and fees</b>			
<b>Specific user charges</b> (per s.502 – specific ‘actual use’ charges)			
Water supply services		4,325	3,937
Sewerage services		903	830
Waste management services (non-domestic)		23	20
<b>Total user charges</b>		<b>5,251</b>	<b>4,787</b>
<b>Other user charges and fees</b>			
<b>(i) Fees and charges – statutory and regulatory functions (per s.608)</b>			
Planning and building regulation		466	417
Private works – section 67		1,006	163
Regulatory/ statutory fees		137	138
Registration fees		194	150
<b>Total fees and charges – statutory/regulatory</b>		<b>1,803</b>	<b>868</b>
<b>(ii) Fees and charges – other (incl. general user charges (per s.608))</b>			
Aerodrome		4	5
Casino showground		13	12
Cemeteries		346	324
Quarries		1,437	1,632
Rent / hire of council property		278	234
Richmond upper clarence regional library		12	11
RMS (formerly RTA) charges (state roads not controlled by Council)		3,858	2,959
Saleyards		1,210	853
Sports grounds		22	21
Waste disposal tipping fees		1,148	1,089
Other		233	146
<b>Total fees and charges – other</b>		<b>8,561</b>	<b>7,286</b>
<b>TOTAL USER CHARGES AND FEES</b>		<b>15,615</b>	<b>12,941</b>

# Richmond Valley Council

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

### Note 3. Income from continuing operations (continued)

\$ '000	Notes	Actual 2017	Actual 2016
<b>(c) Interest and investment revenue (including losses)</b>			
<b>Interest</b>			
– Interest on overdue rates and annual charges (incl. special purpose rates)		230	246
– Interest earned on investments (interest and coupon payment income)		400	304
<b>Fair value adjustments</b>			
– Fair valuation movements in investments (at fair value or held for trading)		401	317
<b><u>TOTAL INTEREST AND INVESTMENT REVENUE</u></b>		<b><u>1,031</u></b>	<b><u>867</u></b>
<b>Interest revenue is attributable to:</b>			
<b>Unrestricted investments/financial assets:</b>			
Overdue rates and annual charges (general fund)		119	130
General Council cash and investments		454	245
<b>Restricted investments/funds – external:</b>			
Development contributions			
– Section 94		16	13
– Section 64		118	124
Water fund operations		112	118
Sewerage fund operations		212	237
<b>Total interest and investment revenue recognised</b>		<b><u>1,031</u></b>	<b><u>867</u></b>
<b>(d) Other revenues</b>			
Fines		134	111
Insurance claim recoveries		81	72
Other		11	5
<b><u>TOTAL OTHER REVENUE</u></b>		<b><u>226</u></b>	<b><u>188</u></b>

# Richmond Valley Council

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

### Note 3. Income from continuing operations (continued)

\$ '000	2017 Operating	2016 Operating	2017 Capital	2016 Capital
<b>(e) Grants</b>				
<b>General purpose (untied)</b>				
Financial assistance – general component	4,719	3,152	–	–
Financial assistance – local roads component	2,243	1,481	–	–
Pensioners' rates subsidies – general component	224	225	–	–
<b>Total general purpose</b>	<b>7,186</b>	<b>4,858</b>	<b>–</b>	<b>–</b>
<b>Specific purpose</b>				
Pensioners' rates subsidies:				
– Water	76	81	–	–
– Sewerage	81	81	–	–
– Domestic waste management	88	90	–	–
Bushfire and emergency services	601	809	742	597
Economic development	105	–	–	–
Library – Richmond Upper Clarence Regional	136	124	113	486
LIRS subsidy	3	3	–	–
Natural disaster funding	188	45	463	1,265
Sporting grounds	–	–	60	–
Strategic planning	11	12	–	–
Street lighting	88	88	–	–
Transport (roads to recovery)	2,314	2,003	–	–
Transport (other roads and bridges funding)	–	–	298	472
Waste and sustainability	91	91	–	360
Northern Rivers Livestock Exchange	–	–	834	–
Other	184	144	22	22
<b>Total specific purpose</b>	<b>3,966</b>	<b>3,571</b>	<b>2,532</b>	<b>3,202</b>
<b>Total grants</b>	<b>11,152</b>	<b>8,429</b>	<b>2,532</b>	<b>3,202</b>
<b>Grant revenue is attributable to:</b>				
– Commonwealth funding	9,403	6,765	834	3,055
– State funding	1,749	1,664	1,698	147
	<b>11,152</b>	<b>8,429</b>	<b>2,532</b>	<b>3,202</b>

# Richmond Valley Council

## Notes to the Financial Statements

for the year ended 30 June 2017

### Note 3. Income from continuing operations (continued)

\$ '000	2017 Operating	2016 Operating	2017 Capital	2016 Capital
<b>(f) Contributions</b>				
<b>Developer contributions:</b>				
<b>(s93 &amp; s94 – EP&amp;A Act, s64 of the LGA):</b>				
S 93F – contributions using planning agreements	–	–	–	140
S 94 – contributions towards amenities/services	83	8	74	112
S 94A – fixed development consent levies	–	–	106	258
S 64 – water supply contributions	–	–	51	16
S 64 – sewerage service contributions	–	–	(12)	22
<b>Total developer contributions</b>	<b>83</b>	<b>8</b>	<b>219</b>	<b>548</b>
<b>Other contributions:</b>				
Bushfire and emergency services	530	577	–	–
Dedications (other than by S94)	–	–	682	130
Library – Richmond Upper Clarence Regional	292	268	–	–
Roads and bridges	41	1	–	–
RMS contributions (regional roads, block grant)	871	856	–	–
Northern Rivers Livestock Exchange	–	–	119	58
Sewerage (excl. section 64 contributions)	1	6	–	–
Sports grounds	70	69	489	–
Tourism	8	25	–	–
Water supplies (excl. section 64 contributions)	1	11	–	–
Energy Saving Certificate	81	–	–	–
Other	650	632	42	60
<b>Total other contributions</b>	<b>2,545</b>	<b>2,445</b>	<b>1,332</b>	<b>248</b>
<b>Total contributions</b>	<b>2,628</b>	<b>2,453</b>	<b>1,551</b>	<b>796</b>
<b>TOTAL GRANTS AND CONTRIBUTIONS</b>	<b>13,780</b>	<b>10,882</b>	<b>4,083</b>	<b>3,998</b>

\$ '000	Actual 2017	Actual 2016
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### (g) Unspent grants and contributions

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

Unexpended at the close of the previous reporting period	6,685	6,095
<b>Add:</b> grants and contributions recognised in the current period but not yet spent:	4,256	1,509
<b>Less:</b> grants and contributions recognised in a previous reporting period now spent:	(909)	(919)

**Net increase (decrease) in restricted assets during the period** **3,347** **590**

**Unexpended and held as restricted assets** **10,032** **6,685**

#### Comprising:

– Specific purpose unexpended grants	3,910	1,259
– Developer contributions	5,272	5,000
– Other contributions	850	426
	<b>10,032</b>	<b>6,685</b>

# Richmond Valley Council

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

### Note 4. Expenses from continuing operations

\$ '000	Notes	Actual 2017	Actual 2016
<b>(a) Employee benefits and on-costs</b>			
Salaries and wages		14,244	13,632
Employee leave entitlements (ELE)		2,730	2,623
Superannuation		1,735	1,733
Workers' compensation insurance		340	428
Fringe benefit tax (FBT)		75	89
Payroll tax		148	124
Training costs (other than salaries and wages)		243	181
Other		152	211
<b>Total employee costs</b>		<b>19,667</b>	<b>19,021</b>
Less: capitalised costs		(1,462)	(1,948)
<b>TOTAL EMPLOYEE COSTS EXPENSED</b>		<b>18,205</b>	<b>17,073</b>
Number of 'full-time equivalent' employees (FTE) at year end		<b>253</b>	<b>253</b>
<b>(b) Borrowing costs</b>			
<b>(i) Interest bearing liability costs</b>			
Interest on loans		1,620	1,663
<b>Total interest bearing liability costs expensed</b>		<b>1,620</b>	<b>1,663</b>
<b>(ii) Other borrowing costs</b>			
Discount adjustments relating to movements in provisions (other than ELE)			
– Remediation liabilities	26	64	71
<b>Total other borrowing costs</b>		<b>64</b>	<b>71</b>
<b>TOTAL BORROWING COSTS EXPENSED</b>		<b>1,684</b>	<b>1,734</b>

# Richmond Valley Council

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

### Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Actual 2017	Actual 2016
<b>(c) Materials and contracts</b>			
Raw materials and consumables		11,579	9,656
Auditors remuneration <sup>(1)</sup>		66	63
Legal expenses:			
– Legal expenses: planning and development		21	25
– Legal expenses: other		121	24
Operating leases:			
– Operating lease rentals: minimum lease payments <sup>(2)</sup>		307	401
<b><u>TOTAL MATERIALS AND CONTRACTS</u></b>		<b><u>12,094</u></b>	<b><u>10,169</u></b>
<b>1. Auditor remuneration</b>			
a. During the year, the following fees were incurred for services provided by the Auditor-General:			
<b>(i) Audit and other assurance services</b>			
– Audit and review of financial statements: Auditor-General		65	–
<b>Remuneration for audit and other assurance services</b>		<b>65</b>	<b>–</b>
<b>Total Auditor-General remuneration</b>		<b>65</b>	<b>–</b>
b. During the year, the following fees were incurred for services provided by the other Council's Auditors:			
<b>(i) Audit and other assurance services</b>			
– Audit and review of financial statements: Council's Auditor		1	53
<b>Remuneration for audit and other assurance services</b>		<b>1</b>	<b>53</b>
<b>(ii) Other non-assurance services</b>			
– Asset management preparedness audit		–	10
<b>Remuneration for other services</b>		<b>–</b>	<b>10</b>
<b>Total remuneration of other Council's Auditors</b>		<b>1</b>	<b>63</b>
<b>Total Auditor remuneration</b>		<b>66</b>	<b>63</b>
<b>2. Operating lease payments are attributable to:</b>			
Computers		192	287
Motor vehicles		94	94
Other		21	20
		<b>307</b>	<b>401</b>



# Richmond Valley Council

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

### Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Actual 2017	Actual 2016
<b>(d) Depreciation, amortisation and impairment</b>			
Plant and equipment		1,475	1,335
Office equipment		43	40
Furniture and fittings		57	55
Land improvements (depreciable)		239	228
Infrastructure:			
– Buildings – specialised		995	945
– Other structures		163	158
– Roads		5,078	5,089
– Bridges		631	626
– Footpaths		283	264
– Stormwater drainage		555	550
– Water supply network		849	794
– Sewerage network		1,176	1,121
– Swimming pools		108	104
– Other open space/recreational assets		177	164
Other assets			
– Library books		89	72
Asset reinstatement costs	9 & 26	275	51
<b>Total gross depreciation and amortisation costs</b>		<b>12,193</b>	<b>11,596</b>
Less: capitalised costs		(276)	(397)
<b>Total depreciation and amortisation costs</b>		<b>11,917</b>	<b>11,199</b>
<b>Impairment</b>			
Nil			
<b><u>TOTAL DEPRECIATION AND IMPAIRMENT COSTS EXPENSED</u></b>		<b><u>11,917</u></b>	<b><u>11,199</u></b>

# Richmond Valley Council

## Notes to the Financial Statements

for the year ended 30 June 2017

### Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Actual 2017	Actual 2016
<b>(e) Other expenses</b>			
Advertising		63	71
Bad and doubtful debts		29	1
Bank charges		19	20
Contributions/levies to other levels of government			
– Emergency services levy (includes FRNSW, SES, and RFS levies)		43	39
– NSW fire brigade levy		101	99
– NSW rural fire service levy		802	898
– Waste levy		345	850
Councillor expenses – mayoral fee		24	24
Councillor expenses – councillors' fees		77	77
Councillors' expenses (incl. mayor) – other (excluding fees above)		19	32
Donations, contributions and assistance to other organisations (Section 356)		475	498
Electricity and heating		658	648
Insurance		815	881
Street lighting		284	255
Subscriptions and publications		61	105
Telephone and communications		259	243
Valuation fees		81	73
Other		22	51
<b><u>TOTAL OTHER EXPENSES</u></b>		<b><u>4,177</u></b>	<b><u>4,865</u></b>

### Note 5. Gains or losses from the disposal of assets

<b>Property</b> (excl. investment property)			
Less: carrying amount of property assets sold/written off		(139)	(366)
<b>Net gain/(loss) on disposal</b>		<b>(139)</b>	<b>(366)</b>
<b>Plant and equipment</b>			
Proceeds from disposal – plant and equipment		517	341
Less: carrying amount of plant and equipment assets sold/written off		(447)	(404)
<b>Net gain/(loss) on disposal</b>		<b>70</b>	<b>(63)</b>
<b>Infrastructure</b>			
Less: carrying amount of infrastructure assets sold/written off		(1,979)	(2,613)
<b>Net gain/(loss) on disposal</b>		<b>(1,979)</b>	<b>(2,613)</b>
<b>Real estate assets held for sale</b>			
Proceeds from disposal – real estate assets		1,707	647
Less: carrying amount of real estate assets sold/written off		(533)	(191)
<b>Net gain/(loss) on disposal</b>		<b>1,174</b>	<b>456</b>
<b><u>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</u></b>		<b><u>(874)</u></b>	<b><u>(2,586)</u></b>

## Richmond Valley Council

## Notes to the Financial Statements

for the year ended 30 June 2017

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

		2017	2017	2016	2016
		Actual	Actual	Actual	Actual
\$ '000	Notes	Current	Non-current	Current	Non-current
Cash and cash equivalents (Note 6a)					
Cash on hand and at bank		694	—	644	—
Cash-equivalent assets <sup>1</sup>					
– Deposits at call		3,240	—	4,422	—
– Short-term deposits		9,000	—	7,000	—
<b>Total cash and cash equivalents</b>		<b>12,934</b>	<b>—</b>	<b>12,066</b>	<b>—</b>
Investments (Note 6b)					
– Managed funds		16,711	—	16,310	—
– Long term deposits		9,000	—	4,000	—
<b>Total investments</b>		<b>25,711</b>	<b>—</b>	<b>20,310</b>	<b>—</b>
<b>TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS</b>		<b>38,645</b>	<b>—</b>	<b>32,376</b>	<b>—</b>

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

**Investments were classified at year end in  
accordance with AASB 139 as follows:**

**Investments**

**a. 'At fair value through the profit and loss'**

– 'Held for trading'	25,711	–	20,310	–
<b>Investments</b>	<b>25,711</b>	<b>–</b>	<b>20,310</b>	<b>–</b>

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 2017

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

\$ '000	2017 Actual Current	2017 Actual Non-current	2016 Actual Current	2016 Actual Non-current
<b>Total cash, cash equivalents and investments</b>	<b>38,645</b>	<b>–</b>	<b>32,376</b>	<b>–</b>
<b>attributable to:</b>				
External restrictions (refer below)	26,262	–	22,134	–
Internal restrictions (refer below)	12,383	–	9,889	–
Unrestricted	–	–	353	–
	<b>38,645</b>	<b>–</b>	<b>32,376</b>	<b>–</b>

2017 \$ '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)	3,089	622	(731)	2,980
Bonds and deposits	477	–	(27)	450
<b>External restrictions – included in liabilities</b>	<b>3,566</b>	<b>622</b>	<b>(758)</b>	<b>3,430</b>

##### External restrictions – other

Developer contributions – general (D)	548	281	(165)	664
Developer contributions – water fund (D)	1,492	91	–	1,583
Developer contributions – sewer fund (D)	2,960	65	–	3,025
Specific purpose unexpended grants (F)	1,259	3,943	(1,291)	3,910
Water supplies (G)	1,618	810	–	2,428
Sewerage services (G)	6,419	164	(459)	6,123
Domestic waste management (G)	3,506	924	(596)	3,834
Stormwater management (G)	202	214	(116)	300
Other	564	524	(123)	965
<b>External restrictions – other</b>	<b>18,568</b>	<b>7,016</b>	<b>(2,750)</b>	<b>22,832</b>
<b>Total external restrictions</b>	<b>22,134</b>	<b>7,638</b>	<b>(3,508)</b>	<b>26,262</b>

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 2017

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

2017 \$ '000	Opening balance	Transfers to restrictions	Transfers from restrictions	Closing balance
<b>Internal restrictions</b>				
Plant and vehicle replacement	1,542	4,964	(5,035)	1,471
Real estate and infrastructure	1,529	1,711	(1,877)	1,363
Employees leave entitlement	971	70	–	1,041
Carry over works	91	247	(91)	247
Casino saleyards	309	1,463	(1,150)	622
Insurance	90	2	–	92
Other waste management	1,880	451	(120)	2,211
Petersons quarry	1,039	1,020	(100)	1,959
Public cemeteries perpetual maintenance	467	72	(37)	502
Quarry rehabilitation	113	13	(3)	123
Revolving energy and sustainability fund	8	–	–	8
Richmond upper clarence regional library	264	1,130	(1,030)	364
RMS state road maintenance contract	203	3,357	(3,555)	5
Road rehabilitation	213	445	(168)	490
Rural road safety program	44	70	(49)	65
Unexpended rates variations	221	821	(221)	821
Woodview quarry	905	445	(351)	999
<b>Total internal restrictions</b>	<b>9,889</b>	<b>16,281</b>	<b>(13,787)</b>	<b>12,383</b>
<b>TOTAL RESTRICTIONS</b>	<b>32,023</b>	<b>23,919</b>	<b>(17,295)</b>	<b>38,645</b>

# Richmond Valley Council

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

### Note 7. Receivables

\$ '000	Notes	2017		2016	
		Current	Non-current	Current	Non-current
<b>Purpose</b>					
Rates and annual charges		3,032	744	3,187	860
Interest and extra charges		190	18	193	21
User charges and fees		5,605	578	3,558	578
Accrued revenues					
– Interest on investments		60	–	46	–
Deferred debtors		1	19	1	19
Government grants and subsidies		816	250	442	320
Net GST receivable		117	–	243	–
Bank guarantees		102	599	112	368
Other debtors		109	–	291	–
<b>Total</b>		<b>10,032</b>	<b>2,208</b>	<b>8,073</b>	<b>2,166</b>
<b>Less: provision for impairment</b>					
Rates and annual charges		(79)	–	(79)	–
User charges and fees		(70)	–	(41)	–
Other debtors		(16)	–	(17)	–
<b>Total provision for impairment – receivables</b>		<b>(165)</b>	<b>–</b>	<b>(137)</b>	<b>–</b>
<b><u>TOTAL NET RECEIVABLES</u></b>		<b><u>9,867</u></b>	<b><u>2,208</u></b>	<b><u>7,936</u></b>	<b><u>2,166</u></b>
<b>Externally restricted receivables</b>					
<b>Water supply</b>					
– Specific purpose grants		81	–	89	–
– Rates and availability charges		305	115	310	117
– Other		1,370	514	1,215	450
<b>Sewerage services</b>					
– Specific purpose grants		80	–	80	–
– Rates and availability charges		1,660	538	1,669	610
– Other		1,238	107	365	129
<b>Total external restrictions</b>		<b>4,734</b>	<b>1,274</b>	<b>3,728</b>	<b>1,306</b>
<b>Internally restricted receivables</b>					
Nil					
<b>Unrestricted receivables</b>		<b>5,133</b>	<b>934</b>	<b>4,208</b>	<b>860</b>
<b>TOTAL NET RECEIVABLES</b>		<b>9,867</b>	<b>2,208</b>	<b>7,936</b>	<b>2,166</b>

#### Notes on debtors above:

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

# Richmond Valley Council

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

### Note 8. Inventories and other assets

\$ '000	Notes	2017		2016	
		Current	Non-current	Current	Non-current
(a) Inventories					
(i) Inventories at cost					
Real estate for resale (refer below)		213	1,297	199	1,543
Stores and materials		879	–	903	–
<b>Total inventories at cost</b>		<b>1,092</b>	<b>1,297</b>	<b>1,102</b>	<b>1,543</b>
(ii) Inventories at net realisable value (NRV)					
Nil					
<b><u>TOTAL INVENTORIES</u></b>		<b><u>1,092</u></b>	<b><u>1,297</u></b>	<b><u>1,102</u></b>	<b><u>1,543</u></b>
(b) Other assets					
Prepayments		324	–	321	–
Work in progress – real estate		45	–	45	–
<b><u>TOTAL OTHER ASSETS</u></b>		<b><u>369</u></b>	<b><u>–</u></b>	<b><u>366</u></b>	<b><u>–</u></b>
Externally restricted assets					
Water					
Nil					
Sewerage					
Prepayments		3	–	–	–
<b>Total sewerage</b>		<b>3</b>	<b>–</b>	<b>–</b>	<b>–</b>
Domestic waste management					
Nil					
Other					
Nil					
<b>Total externally restricted assets</b>		<b>3</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Total internally restricted assets</b>		<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Total unrestricted assets</b>		<b>1,458</b>	<b>1,297</b>	<b>1,468</b>	<b>1,543</b>
<b>TOTAL INVENTORIES AND OTHER ASSETS</b>		<b>1,461</b>	<b>1,297</b>	<b>1,468</b>	<b>1,543</b>

# Richmond Valley Council

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

### Note 8. Inventories and other assets (continued)

\$ '000	2017		2016	
	Current	Non-current	Current	Non-current
<b>Other disclosures</b>				
<b>(a) Details for real estate development</b>				
Residential	125	–	199	159
Industrial/commercial	88	1,297	–	1,384
<b>Total real estate for resale</b>	<b>213</b>	<b>1,297</b>	<b>199</b>	<b>1,543</b>
(Valued at the lower of cost and net realisable value)				
<b>Represented by:</b>				
Acquisition costs	48	1,276	56	1,434
Development costs	165	21	143	109
<b>Total costs</b>	<b>213</b>	<b>1,297</b>	<b>199</b>	<b>1,543</b>
<b>Total real estate for resale</b>	<b>213</b>	<b>1,297</b>	<b>199</b>	<b>1,543</b>
<b>Movements:</b>				
Real estate assets at beginning of the year	199	1,543	355	1,415
– Purchases and other costs	300	1	20	143
– WDV of sales (expense) 5	(533)	–	(176)	(15)
– Transfer between current/non-current	247	(247)	–	–
<b>Total real estate for resale</b>	<b>213</b>	<b>1,297</b>	<b>199</b>	<b>1,543</b>

#### (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 2017

## Note 9a. Infrastructure, property, plant and equipment

Asset class	as at 30/6/2016			Asset movements during the reporting period									as at 30/6/2017		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals	Additions new assets	Reinstatement costs for impaired assets	Carrying value of disposals	Depreciation expense	Impairment loss (recognised in equity)	Impairment reversal (via equity)	WIP transfers	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
<b>\$ '000</b>															
Capital work in progress	2,018	—	2,018	1,401	1,264	—	—	—	—	—	(1,537)	—	3,146	—	3,146
Plant and equipment	23,639	12,356	11,283	1,870	667	—	(413)	(1,475)	—	—	—	—	24,187	12,255	11,932
Office equipment	998	849	149	—	135	—	—	(43)	—	—	—	—	1,134	893	241
Furniture and fittings	992	710	282	—	234	—	—	(57)	—	—	—	—	1,226	767	459
<b>Land:</b>															
– Operational land	24,715	—	24,715	—	100	—	—	—	—	—	—	2,223	27,038	—	27,038
– Community land	24,257	—	24,257	—	—	—	(132)	—	—	—	—	1,166	25,291	—	25,291
– Land under roads (post 30/6/08)	156	—	156	—	—	—	—	—	—	—	—	92	248	—	248
Land improvements – non-depreciable	4,141	—	4,141	—	9	—	—	—	—	—	—	223	4,373	—	4,373
Land improvements – depreciable	12,789	1,725	11,064	46	37	—	(7)	(239)	—	—	—	583	13,543	2,059	11,484
<b>Infrastructure:</b>															
– Buildings – specialised	62,212	12,944	49,268	264	336	—	(1)	(995)	—	—	514	2,630	66,594	14,578	52,016
– Other structures	11,755	2,085	9,670	33	65	—	(17)	(163)	—	—	—	516	12,457	2,353	10,104
– Roads	213,360	53,376	159,984	4,376	175	434	(1,411)	(5,078)	(8,372)	83	227	2,573	219,107	66,115	152,992
– Bridges	74,232	16,012	58,220	28	—	—	—	(631)	(41)	—	—	951	75,457	16,931	58,526
– Footpaths	16,616	4,686	11,930	36	154	—	(73)	(283)	—	—	—	191	16,952	4,997	11,955
– Bulk earthworks (non-depreciable)	72,436	—	72,436	—	—	—	—	—	—	—	—	1,195	73,631	—	73,631
– Stormwater drainage	49,149	15,143	34,006	5	41	—	—	(555)	—	—	92	553	50,093	15,951	34,142
– Water supply network	85,052	13,855	71,197	693	36	—	(243)	(849)	—	—	66	134	87,605	16,570	71,035
– Sewerage network	127,296	24,473	102,823	1,256	72	—	(124)	(1,176)	—	—	610	6,428	136,601	26,711	109,890
– Swimming pools	7,374	892	6,482	106	—	—	(67)	(108)	—	—	—	341	7,803	1,049	6,754
– Other open space/recreational assets	8,922	1,698	7,224	158	63	—	(44)	(177)	—	—	28	380	9,580	1,948	7,632
<b>Other assets:</b>															
– Library books	1,432	1,018	414	—	81	—	(34)	(89)	—	—	—	—	1,179	807	372
<b>Reinstatement, rehabilitation and restoration assets (refer Note 26):</b>															
– Tip assets	2,107	1,245	862	—	—	—	(433)	(241)	—	—	—	—	1,674	1,486	188
– Quarry assets	509	268	241	—	—	—	(27)	(34)	—	—	—	—	482	302	180
<b>TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIP.</b>	<b>826,157</b>	<b>163,335</b>	<b>662,822</b>	<b>10,272</b>	<b>3,469</b>	<b>434</b>	<b>(3,026)</b>	<b>(12,193)</b>	<b>(8,413)</b>	<b>83</b>	<b>—</b>	<b>20,179</b>	<b>859,401</b>	<b>185,772</b>	<b>673,629</b>

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 2017

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

\$ '000 Class of asset	Actual 2017			Actual 2016		
	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount
<b>Water supply</b>						
WIP	5	–	5	66	–	66
Plant and equipment	191	163	28	190	158	32
Office equipment	3	3	–	3	3	–
Furniture and fittings	42	24	18	31	21	10
Land						
– Operational land	2,134	–	2,134	2,094	–	2,094
Infrastructure	87,605	16,570	71,035	85,052	13,855	71,197
<b>Total water supply</b>	<b>89,980</b>	<b>16,760</b>	<b>73,220</b>	<b>87,436</b>	<b>14,037</b>	<b>73,399</b>
<b>Sewerage services</b>						
WIP	28	–	28	610	–	610
Plant and equipment	661	451	210	657	435	222
Office equipment	37	27	10	25	25	–
Furniture and fittings	10	8	2	10	8	2
Land						
– Operational land	1,748	–	1,748	1,729	–	1,729
Infrastructure	136,601	26,711	109,890	127,296	24,473	102,823
<b>Total sewerage services</b>	<b>139,085</b>	<b>27,197</b>	<b>111,888</b>	<b>130,327</b>	<b>24,941</b>	<b>105,386</b>
<b>TOTAL RESTRICTED I,PP&amp;E</b>	<b>229,065</b>	<b>43,957</b>	<b>185,108</b>	<b>217,763</b>	<b>38,978</b>	<b>178,785</b>

# Richmond Valley Council

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

### Note 10a. Payables, borrowings and provisions

\$ '000	Notes	2017		2016	
		Current	Non-current	Current	Non-current
<b>Payables</b>					
Goods and services – operating expenditure		969	–	1,148	–
Goods and services – capital expenditure		1,031	–	1,311	–
Accrued expenses:					
– Salaries and wages		314	–	278	–
– Other expenditure accruals		1,288	–	834	–
Security bonds, deposits and retentions		427	–	456	–
ATO – net GST payable		135	–	62	–
Bank guarantees		112	590	112	368
<b>Total payables</b>		<b>4,276</b>	<b>590</b>	<b>4,201</b>	<b>368</b>
<b>Income received in advance</b>					
Payments received in advance		30	–	30	–
<b>Total income received in advance</b>		<b>30</b>	<b>–</b>	<b>30</b>	<b>–</b>
<b>Borrowings</b>					
Loans – secured <sup>1</sup>		1,986	23,586	1,800	24,314
<b>Total borrowings</b>		<b>1,986</b>	<b>23,586</b>	<b>1,800</b>	<b>24,314</b>
<b>Provisions</b>					
<b>Employee benefits:</b>					
Annual leave		1,750	–	1,637	–
Long service leave		2,358	196	2,462	121
Other leave		16	–	18	–
Sub-total – aggregate employee benefits		4,124	196	4,117	121
Asset remediation/restoration (future works)	26	–	2,375	366	2,406
<b>Total provisions</b>		<b>4,124</b>	<b>2,571</b>	<b>4,483</b>	<b>2,527</b>
<b>TOTAL PAYABLES, BORROWINGS AND PROVISIONS</b>					
		<b>10,416</b>	<b>26,747</b>	<b>10,514</b>	<b>27,209</b>
<b>(i) Liabilities relating to restricted assets</b>					
		2017		2016	
		Current	Non-current	Current	Non-current
<b>Externally restricted assets</b>					
Water		–	7	11	–
Sewer		1,309	14,998	1,273	16,108
Other		450	–	477	–
Liabilities relating to externally restricted assets		1,759	15,005	1,761	16,108
<b>Internally restricted assets</b>					
Nil					
<b>Total liabilities relating to restricted assets</b>		1,759	15,005	1,761	16,108
<b>Total liabilities relating to unrestricted assets</b>		8,657	11,742	8,753	11,101
<b>TOTAL PAYABLES, BORROWINGS AND PROVISIONS</b>		<b>10,416</b>	<b>26,747</b>	<b>10,514</b>	<b>27,209</b>

<sup>1</sup>. 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 2017

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

	Actual 2017	Actual 2016
\$ '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	2,772	2,409
Payables – security bonds, deposits and retentions	427	456
	<b>3,199</b>	<b>2,865</b>

### Note 10b. Description of and movements in provisions

The movement in each class of provision (excluding those relating to employee benefits) is presented in the table below.

Class of provision	2016	2017				Closing balance as at 30/6/17
	Opening balance as at 1/7/16	Additional provisions	Decrease due to revised costs/life	Remeasurement effects due to discounting	Unused amounts reversed	
Asset remediation	2,772	–	(453)	56	–	2,375
<b>TOTAL</b>	<b>2,772</b>	<b>–</b>	<b>(453)</b>	<b>56</b>	<b>–</b>	<b>2,375</b>

- a. 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 2017

### Note 11. Statement of cash flows – additional information

\$ '000	Notes	Actual 2017	Actual 2016
<b>(a) Reconciliation of cash assets</b>			
Total cash and cash equivalent assets	6a	12,934	12,066
Less bank overdraft	10	–	–
<b>Balance as per the Statement of Cash Flows</b>		<b>12,934</b>	<b>12,066</b>
<b>(b) Reconciliation of net operating result to cash provided from operating activities</b>			
<b>Net operating result from Income Statement</b>		<b>7,507</b>	<b>1,727</b>
<b>Adjust for non-cash items:</b>			
Depreciation and amortisation		11,917	11,199
Net losses/(gains) on disposal of assets		874	2,586
Non-cash capital grants and contributions		(1,373)	(522)
Losses/(gains) recognised on fair value re-measurements through the P&L:			
– Investments classified as 'at fair value' or 'held for trading'		(401)	(317)
Unwinding of discount rates on reinstatement provisions		56	500
<b>+/- Movement in operating assets and liabilities and other cash items:</b>			
Decrease/(increase) in receivables		(2,001)	4,150
Increase/(decrease) in provision for doubtful debts		28	(94)
Decrease/(increase) in inventories		24	1,260
Decrease/(increase) in other assets		(3)	53
Increase/(decrease) in payables		(179)	(360)
Increase/(decrease) in other accrued expenses payable		490	(1,110)
Increase/(decrease) in other liabilities		266	(78)
Increase/(decrease) in employee leave entitlements		82	(153)
Increase/(decrease) in other provisions		(453)	–
<b>Net cash provided from/(used in) operating activities from the Statement of Cash Flows</b>		<b>16,834</b>	<b>18,841</b>

# Richmond Valley Council

## Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000	Notes	Actual 2017	Actual 2016
<b>(c) Non-cash investing and financing activities</b>			
Bushfire grants		627	321
Other dedications		682	130
Estimated future reinstatement costs		64	71
<b>Total non-cash investing and financing activities</b>		<b>1,373</b>	<b>522</b>
<b>(d) Financing arrangements</b>			
<b>(i) Unrestricted access was available at balance date to the following lines of credit:</b>			
Bank overdraft facilities <sup>(1)</sup>		500	500
Credit cards/purchase cards		56	46
<b>Total financing arrangements</b>		<b>556</b>	<b>546</b>

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.

### Note 12. Commitments

#### **(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**

Plant and equipment	190	480
Infrastructure – other	5,493	299
<b>Total commitments</b>	<b>5,683</b>	<b>779</b>
<b>These expenditures are payable as follows:</b>		
Within the next year	5,683	779
<b>Total payable</b>	<b>5,683</b>	<b>779</b>
<b>Sources for funding of capital commitments:</b>		
Unrestricted general funds	5,683	–
Externally restricted reserves	–	299
Internally restricted reserves	–	480
<b>Total sources of funding</b>	<b>5,683</b>	<b>779</b>

##### **Details of capital commitments**

Capital expenditure commitments currently in place are for the upgrade of the Northern Rivers Livestock Exchange along with the relocation of the Evans Head Tennis Courts. Plant and equipment purchases are for the upgrade of a Tipping Truck.

# Richmond Valley Council

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

### Note 12. Commitments (continued)

\$ '000	Notes	Actual 2017	Actual 2016
(b) Finance lease commitments			
Nil			
(c) Operating lease commitments (non-cancellable)			
<b>As Lessee</b>			
<b>a. Commitments under non-cancellable operating leases at the reporting date, but not recognised as liabilities are payable:</b>			
Within the next year		273	151
Later than one year and not later than 5 years		426	303
Later than 5 years		–	133
<b>Total non-cancellable operating lease commitments</b>		<b>699</b>	<b>587</b>
<b>b. Non-cancellable operating leases include the following assets:</b>			
Computer equipment			
Heavy plant - Komatsu graders			
<b>Conditions relating to operating leases:</b>			
– All operating lease agreements are secured only against the leased asset.			
– No lease agreements impose any financial restrictions on Council regarding future debt etc.			
<b>As Lessor</b>			
<b>a. Future minimum lease payments receivable under non-cancellable operating leases not recognised in the financial statements are receivable as follows:</b>			
Within the next year		433	424
Later than one year and not later than 5 years		895	1,328
Later than 5 years		–	–
<b>Total minimum lease payments receivable</b>		<b>1,328</b>	<b>1,752</b>
<b>b. Total Contingent rents recognised as income in the period</b>			
Contingent Rents recognised as income in the period		972	250
<b>c. Lessor's Leasing Arrangements include the following:</b>			
Council has leased out its quarry operation at Coraki for the period 1 July 2015 to 30 June 2020. Future minimum lease payments are based on a minimum extraction per month at an agreed rate per tonne.			
Contingent rents recognised as income during the period are those amounts over and above the minimum extraction at an agreed rate per tonne.			

# Richmond Valley Council

## Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000	Amounts 2017	Indicator 2017	Prior periods		Benchmark
			2016	2015	
Local government industry indicators – consolidated					
1. Operating performance ratio					
Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions less operating expenses	3,897	7.50%	0.00%	0.95%	>0.00%
Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions	51,974				
2. Own source operating revenue ratio					
Total continuing operating revenue <sup>(1)</sup> excluding all grants and contributions	38,194	68.13%	69.65%	69.11%	>60.00%
Total continuing operating revenue <sup>(1)</sup>	56,057				
3. Unrestricted current ratio					
Current assets less all external restrictions <sup>(2)</sup>	18,974	3.48x	2.70x	2.33x	>1.5x
Current liabilities less specific purpose liabilities <sup>(3, 4)</sup>	5,458				
4. Debt service cover ratio					
Operating result <sup>(1)</sup> before capital excluding interest and depreciation/impairment/amortisation	17,498	5.02x	3.85x	4.53x	>2x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	3,486				
5. Rates, annual charges, interest and extra charges outstanding percentage					
Rates, annual and extra charges outstanding	3,905	14.94%	17.00%	16.52%	< 5% Metro <10% Rural
Rates, annual and extra charges collectible	26,135				
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	21,934	6.99 mths	5.4 mths	10.0 mths	> 3 mths
Payments from cash flow of operating and financing activities	3,140				

#### Notes

<sup>(1)</sup> 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.

<sup>(2)</sup> Refer Notes 6-8 inclusive.

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

<sup>(3)</sup> Refer to Note 10(a).

<sup>(4)</sup> 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 2017

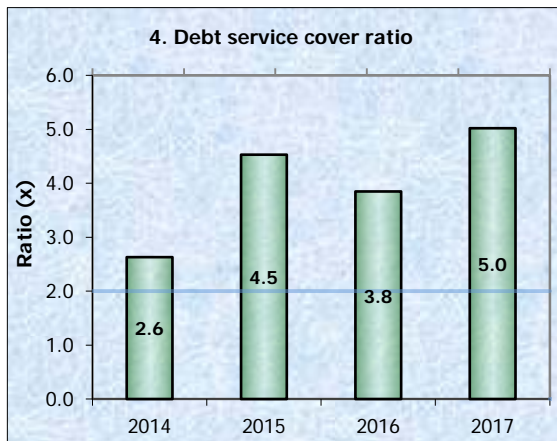
### Note 13a(ii). Local government industry indicators – graphs (consolidated)

<p><b>1. Operating performance ratio</b></p> <p>Benchmark: — Minimum <math>\geq 0.00\%</math></p> <p>Source for benchmark: Code of Accounting Practice and Financial Reporting #25</p>	<p><b>Purpose of operating performance ratio</b></p> <p>This ratio measures Council's achievement of containing operating expenditure within operating revenue.</p>	<p><b>Commentary on 2016/17 result</b></p> <p><b>2016/17 ratio 7.50%</b></p> <p>Council's Operating Performance Ratio is above the benchmark of 0%. This is partially due to the Federal Government bringing forward the first two instalments of the 2017/18 financial assistance grant, increasing revenue by \$2.369m. Council is also in its third year of a special rate variation approved over a 5 year period. This has allowed Council to take steps towards addressing this ratio.</p>
<p><b>2. Own source operating revenue ratio</b></p> <p>Benchmark: — Minimum <math>\geq 60.00\%</math></p> <p>Source for benchmark: Code of Accounting Practice and Financial Reporting #25</p>	<p><b>Purpose of own source operating revenue ratio</b></p> <p>This ratio measures fiscal flexibility. It is the degree of reliance on external funding sources such as operating grants and contributions.</p>	<p><b>Commentary on 2016/17 result</b></p> <p><b>2016/17 ratio 68.13%</b></p> <p>Council's Own Source Operating Revenue is above the benchmark of 60% and remains relatively consistent at around 70%. This trends towards less reliance on grants and contributions and Council's special rate variation should lead to further improvements in this ratio.</p>
<p><b>3. Unrestricted current ratio</b></p> <p>Benchmark: — Minimum <math>\geq 1.50</math></p> <p>Source for benchmark: Code of Accounting Practice and Financial Reporting #25</p>	<p><b>Purpose of unrestricted current ratio</b></p> <p>To assess the adequacy of working capital and its ability to satisfy obligations in the short term for the unrestricted activities of Council.</p>	<p><b>Commentary on 2016/17 result</b></p> <p><b>2016/17 ratio 3.48x</b></p> <p>The Unrestricted Current Ratio has continued to improve and remains above the benchmark of 1.5. The improvement has been due to a proportionate increase in cash and receivables over current liabilities.</p>

# Richmond Valley Council

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

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



Benchmark: — Minimum  $\geq 2.00$

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

#### Purpose of debt service cover ratio

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

#### Commentary on 2016/17 result

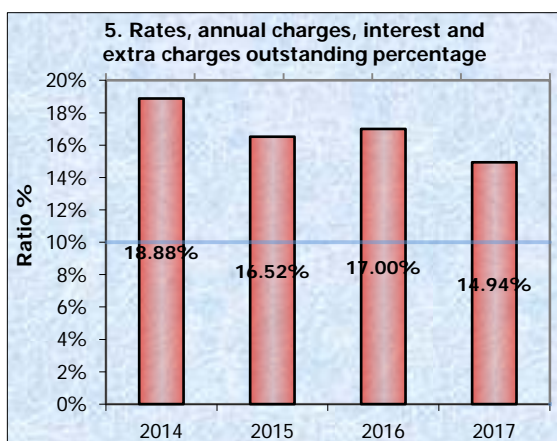
**2016/17 ratio 5.02x**

Council's Debt Service Ratio has improved to 5.0 and is well above the benchmark of 2.0. This is due to an improved operating result meaning there was more cash available to service the repayment of debt.



Ratio achieves benchmark

Ratio is outside benchmark



Benchmark: — Maximum  $< 10.00\%$

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

#### Purpose of rates and annual charges outstanding ratio

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

#### Commentary on 2016/17 result

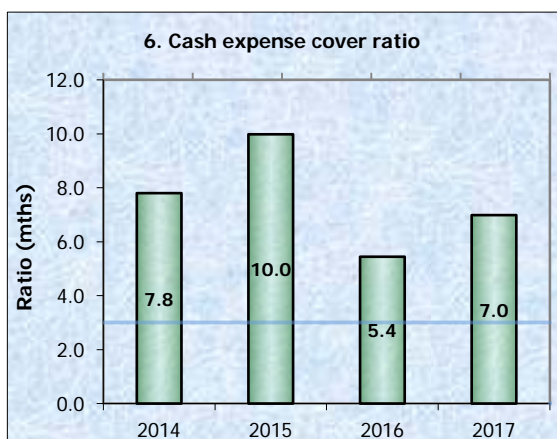
**2016/17 ratio 14.94%**

There has been an improvement in Council's Rates, annual charges, interest and extra charges outstanding ratio, reducing from 17.00% to 14.94%. 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  $\geq 3.00$

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

#### Purpose of cash expense cover ratio

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

#### Commentary on 2016/17 result

**2016/17 ratio 6.99 mths**

Council's Cash Expense Cover Ratio is well above the benchmark of 3.0. This ratio excludes managed funds which are liquid assets that 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 2017

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

\$ '000	General indicators <sup>5</sup>		Water indicators		Sewer indicators		Benchmark
	2017	2016	2017	2016	2017	2016	
Local government industry indicators – by fund							
1. Operating performance ratio							
Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions							
less operating expenses							
<hr/>							
Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions	5.12%	-5.68%	14.78%	12.71%	12.62%	13.90%	>0.00%
2. Own source operating revenue ratio							
Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions							
<hr/>							
Total continuing operating revenue <sup>(1)</sup>	58.08%	58.98%	97.56%	97.24%	92.94%	97.91%	>60.00%
3. Unrestricted current ratio							
Current assets less all external restrictions <sup>(2)</sup>							
<hr/>							
Current liabilities less specific purpose liabilities <sup>(3, 4)</sup>	3.48x	2.70x	No liabilities	293.82x	6.95x	6.70x	>1.5x

#### 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 2017

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

\$ '000	General indicators <sup>5</sup>		Water indicators		Sewer indicators		Benchmark
	2017	2016	2017	2016	2017	2016	
Local government industry indicators – by fund (continued)							
4. Debt service cover ratio							
Operating result <sup>(1)</sup> before capital excluding interest and depreciation/impairment/amortisation	9.79x	7.13x	0.00x	0.00x	1.55x	1.54x	>2x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)							
5. Rates, annual charges, interest and extra charges outstanding percentage							
Rates, annual and extra charges outstanding	8.25%	10.28%	25.56%	26.87%	24.72%	26.28%	< 5% Metro <10% Rural
Rates, annual and extra charges collectible							
6. Cash expense cover ratio							
Current year's cash and cash equivalents plus all term deposits	6.36	4.15	11.20	9.24	6.75	7.99	> 3 months
Payments from cash flow of operating and financing activities	months	months	months	months	months	months	

#### Notes

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

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

# Richmond Valley Council

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

### Note 14. Investment properties

\$ '000

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

### Note 15. Financial risk management

#### Risk management

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

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

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

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

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	
	2017	2016	2017	2016
<b>Financial assets</b>				
Cash and cash equivalents	12,934	12,066	12,934	12,066
Investments				
– 'Held for trading'	25,711	20,310	25,711	20,310
Receivables	12,075	10,102	12,075	10,102
<b>Total financial assets</b>	<b>50,720</b>	<b>42,478</b>	<b>50,720</b>	<b>42,478</b>
<b>Financial liabilities</b>				
Payables	4,866	4,569	4,866	4,569
Loans/advances	25,572	26,114	25,828	26,709
<b>Total financial liabilities</b>	<b>30,438</b>	<b>30,683</b>	<b>30,694</b>	<b>31,278</b>

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 2017

### Note 15. Financial risk management (continued)

\$ '000

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

Council's finance section manages the cash and Investments portfolio.

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 no longer receives regular advice from independent advisers before placing any funds in cash equivalents and investments although advice can be provided on a needs basis.

#### (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
<b>2017</b>				
Possible impact of a 10% movement in market values	1,671	–	(1,671)	–
Possible impact of a 1% movement in interest rates	387	–	(387)	–
<b>2016</b>				
Possible impact of a 10% movement in market values	1,631	–	(1,631)	–
Possible impact of a 1% movement in interest rates	324	–	(324)	–



# Richmond Valley Council

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

### Note 15. Financial risk management (continued)

\$ '000

#### (b) Credit risk

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

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

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

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

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

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

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

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

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

		2017	2017	2016	2016
		Rates and annual charges	Other receivables	Rates and annual charges	Other receivables
<b>(i) Ageing of receivables – %</b>					
Current (not yet overdue)		80%	83%	79%	79%
Overdue		20%	17%	21%	21%
		<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
		Rates and annual charges	Other receivables	Rates and annual charges	Other receivables
<b>(ii) Ageing of receivables – value</b>					
<b>Rates and annual charges</b>	<b>Other receivables</b>				
Current	Current	3,032	7,249	3,187	4,886
Overdue	Overdue	744	1,215	860	1,306
		<b>3,776</b>	<b>8,464</b>	<b>4,047</b>	<b>6,192</b>
<b>(iii) Movement in provision for impairment of receivables</b>				2017	2016
Balance at the beginning of the year				137	231
+ new provisions recognised during the year				29	2
– amounts already provided for and written off this year				(1)	(96)
<b>Balance at the end of the year</b>				<b>165</b>	<b>137</b>

# Richmond Valley Council

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

### Note 15. Financial risk management (continued)

\$ '000

#### (c) Liquidity risk

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

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

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

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

\$ '000	Subject to no maturity	payable in:						Total cash outflows	Actual carrying values
		≤ 1 Year	1-2 Yrs	2-3 Yrs	3-4 Yrs	4-5 Yrs	> 5 Yrs		
2017									
Trade/other payables	427	4,439	–	–	–	–	–	4,866	4,866
Loans and advances	–	3,538	3,504	3,473	3,439	3,405	18,371	35,730	25,572
Total financial liabilities	427	7,977	3,504	3,473	3,439	3,405	18,371	40,596	30,438
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

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

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

	2017		2016	
	Carrying value	Average interest rate	Carrying value	Average interest rate
Trade/other payables	4,866	0.00%	4,569	0.00%
Loans and advances – fixed interest rate	25,572	6.21%	26,114	6.34%
	<u>30,438</u>		<u>30,683</u>	



# Richmond Valley Council

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

### Note 16. Material budget variations

\$ '000

Council's original financial budget for 16/17 was adopted by the Council on 28 June 2016.

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

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

**Note that for variations\* of budget to actual :**

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

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

\$ '000	2017 Budget	2017 Actual	2017 Variance*	
<b>REVENUES</b>				
<b>User charges and fees</b>	<b>14,022</b>	<b>15,615</b>	<b>1,593</b>	<b>11% F</b>
User charges and fees were over budget by \$1,593,000 (11%). This was mainly due to additional quarry royalties than budgeted of \$696,000 as well as additional private works income of \$825,000.				
<b>Other revenues</b>	<b>108</b>	<b>226</b>	<b>118</b>	<b>109% F</b>
Other revenues were over budget by \$118,000 (109%). This is mainly due to insurance claims and rebates being received which are unknown at the time of setting the original budget.				
<b>Operating grants and contributions</b>	<b>11,230</b>	<b>13,780</b>	<b>2,550</b>	<b>23% F</b>
Operating grants and contributions were over budget by \$2,550,000 (23%). In many instances, the actual amount of grants received depends upon decisions made by State and Federal Governments after the original budget was adopted and on the outcomes of various grant applications submitted throughout the year. The main reason for the variance was the Federal Government bringing forward 50% of the 2017-18 Financial Assistance Grant in the amount of \$2,368,746.				
<b>Capital grants and contributions</b>	<b>3,390</b>	<b>4,083</b>	<b>693</b>	<b>20% F</b>
Capital grants and contributions were over budget by \$693,000 (20%). 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 increase were \$682,000 in subdivision dedications and \$742,000 in Rural Fire Service grants (unbudgeted). These increases were offset by a reduction in actual grant income of \$916,000 associated with the upgrade of the Northern Rivers Livestock Exchange, with remaining works to be completed in 2017-18.				

# Richmond Valley Council

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

### Note 16. Material budget variations (continued)

\$ '000	2017 Budget	2017 Actual	2017 Variance*	
<b>EXPENSES</b>				
<b>Other expenses</b>	<b>5,334</b>	<b>4,177</b>	<b>1,157</b>	<b>22% F</b>
Other expenses were under budget by \$1,157,000 (22%). This was mainly due to savings of \$645,000 in the NSW State Government landfill levy, \$127,000 in insurance expenses, \$123,000 in advertising costs, \$124,000 in contributions to the NSW Rural Fire Service and \$88,000 in electricity costs.				
<b>Net losses from disposal of assets</b>	<b>–</b>	<b>874</b>	<b>(874)</b>	<b>0% U</b>
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 only. The net loss from the disposal of assets is \$874,000, 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 2017

### Note 17. Statement of developer contributions

\$ '000

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

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

#### SUMMARY OF CONTRIBUTIONS AND LEVIES

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Roads	190	–	–	5	–	–	195	–
Community facilities	4	–	–	1	–	–	5	–
Infrastructure	2	–	–	–	–	–	2	–
Community Services	51	–	–	1	–	–	52	–
Recreation & Civil Facilities	1	–	–	–	–	–	1	–
Quarry Roads	3	83	–	–	(11)	–	75	–
Rural Heavy Haulage	153	74	–	5	(76)	–	156	–
Bushfire	8	–	–	1	–	–	9	–
<b>S94 contributions – under a plan</b>	<b>412</b>	<b>157</b>	<b>–</b>	<b>13</b>	<b>(87)</b>	<b>–</b>	<b>495</b>	<b>–</b>
<b>S94A levies – under a plan</b>	<b>136</b>	<b>106</b>	<b>–</b>	<b>4</b>	<b>(78)</b>	<b>–</b>	<b>168</b>	<b>–</b>
<b>Total S94 revenue under plans</b>	<b>548</b>	<b>263</b>	<b>–</b>	<b>17</b>	<b>(165)</b>	<b>–</b>	<b>663</b>	<b>–</b>
S64 contributions	4,452	39	–	118	–	–	4,609	–
<b>Total contributions</b>	<b>5,000</b>	<b>302</b>	<b>–</b>	<b>135</b>	<b>(165)</b>	<b>–</b>	<b>5,272</b>	<b>–</b>

## Richmond Valley Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## Note 17. Statement of developer contributions (continued)

\$ '000

## S94 CONTRIBUTIONS – UNDER A PLAN

## CONTRIBUTION PLAN 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	111	–	–	3	–	–	114	–
Infrastructure	2	–	–	–	–	–	2	–
Community Services	51	–	–	1	–	–	52	–
Recreation & Civil Facilities	1	–	–	–	–	–	1	–
Quarry Roads	3	83	–	–	(11)	–	75	–
Rural Heavy Haulage	153	74	–	5	(76)	–	156	–
<b>Total</b>	<b>321</b>	<b>157</b>	<b>–</b>	<b>9</b>	<b>(87)</b>	<b>–</b>	<b>400</b>	<b>–</b>

## 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	79	–	–	2	–	–	81	–
Community facilities	4	–	–	1	–	–	5	–
Bushfire	8	–	–	1	–	–	9	–
<b>Total</b>	<b>91</b>	<b>–</b>	<b>–</b>	<b>4</b>	<b>–</b>	<b>–</b>	<b>95</b>	<b>–</b>

## Richmond Valley Council

## Notes to the Financial Statements

for the year ended 30 June 2017

## 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	136	106	–	4	(78)	–	168	–
<b>Total</b>	<b>136</b>	<b>106</b>	<b>–</b>	<b>4</b>	<b>(78)</b>	<b>–</b>	<b>168</b>	<b>–</b>

# Richmond Valley Council

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

### Note 18. Contingencies and other assets/liabilities not recognised

\$ '000

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

#### LIABILITIES NOT RECOGNISED:

##### 1. Guarantees

##### (i) Defined Benefit Superannuation Contribution Plans

Council is party to an Industry Defined Benefit Plan under the Local Government Superannuation Scheme - Pool B (the Scheme) which is a defined benefit plan that has been deemed to be a "multi-employer fund" for purposes of AASB119 *Employee Benefits*. Sufficient information is not available to account for the Scheme as a defined benefit plan in accordance with AASB119 because the assets to the Scheme are pooled together for all councils.

The amount of employer contributions to the defined benefit section of the Scheme and recognised as an expense for the year ending 30 June 2017 was \$344,254.66. The last valuation of the Scheme was performed by Mr Richard Boyfield (FIAA) on 2 December 2016 and covers the year ended 30 June 2017.

However, the position is monitored annually and the actuary has estimated that, as at 30 June 2017, a deficit still exists. Effective from 1 July 2009, employers are required to make additional contributions to assist in extinguishing this deficit. The amount of additional contributions included in the total employer contribution advised above is \$184,000. Council's expected contribution to the plan for the next annual reporting period is \$184,000.

The share of the deficit that is broadly attributed to Council is estimated to be in the order of 0.51% as at 30 June 2017.

##### (i) Defined Benefit Superannuation Contribution Plans (continued)

Council's share of the 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 Council's accounts. Council has a possible obligation that may arise should the Scheme require immediate payment to correct the deficiency.

##### 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 2017

### Note 19. Interests in other entities

\$ '000

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

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

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

#### 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	2017	2016
North East Weight of Loads Group	Joint venture	Equity method	37	40
<b>Total carrying amounts – material joint ventures and associates</b>			<b>37</b>	<b>40</b>

#### (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	
	2017	2016	2017	2016	2017	2016	2017	2016
North East Weight of Loads Group	N/A	N/A	10%	10%	25%	22%	13%	13%

# Richmond Valley Council

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

### Note 19. Interests in other entities (continued)

\$ '000

#### (d) Summarised financial information for joint ventures and associates (continued)

	North East Weight of Loads Group	
	2017	2016
<b>Statement of financial position</b>		
<b>Current assets</b>		
Cash and cash equivalents	202	300
Other current assets	53	49
<b>Non-current assets</b>	<b>113</b>	<b>27</b>
<b>Current liabilities</b>		
Other current liabilities	218	198
<b>Net assets</b>	<b>150</b>	<b>178</b>
<b>Reconciliation of the carrying amount</b>		
Opening net assets (1 July)	178	187
Profit/(loss) for the period	(259)	(232)
Members contributions	231	223
<b>Closing net assets</b>	<b>150</b>	<b>178</b>
<b>Council's share of net assets (%)</b>	<b>24.7%</b>	<b>22.1%</b>
<b>Council's share of net assets (\$)</b>	<b>37</b>	<b>39</b>
<b>Statement of comprehensive income</b>		
Income	226	235
Interest income	8	8
Depreciation and amortisation	(19)	(19)
Other expenses	(474)	(456)
<b>Profit/(loss) from continuing operations</b>	<b>(259)</b>	<b>(232)</b>
<b>Profit/(loss) for period</b>	<b>(259)</b>	<b>(232)</b>
<b>Total comprehensive income</b>	<b>(259)</b>	<b>(232)</b>
<b>Share of income – Council (%)</b>	<b>10.5%</b>	<b>10.5%</b>
<b>Profit/(loss) – Council (\$)</b>	<b>(27)</b>	<b>(24)</b>
<b>Total comprehensive income – Council (\$)</b>	<b>(27)</b>	<b>(24)</b>



# Richmond Valley Council

## Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000	Notes	Actual 2017	Actual 2016
<b>(a) Retained earnings</b>			
<b>Movements in retained earnings were as follows:</b>			
Balance at beginning of year (from previous years audited accounts)		330,145	328,418
a. Net operating result for the year		7,507	1,727
<b>Balance at end of the reporting period</b>		<b>337,652</b>	<b>330,145</b>

### (b) Revaluation reserves

#### (i) Reserves are represented by:

– Infrastructure, property, plant and equipment revaluation reserve	352,292	340,443
<b>Total</b>	<b>352,292</b>	<b>340,443</b>

#### (ii) Reconciliation of movements in reserves:

##### Infrastructure, property, plant and equipment revaluation reserve

– Opening balance		340,443	338,260
– Revaluations for the year	9(a)	20,179	200
– (Impairment of revalued assets)/impairment reversals	9(a),(c)	(8,330)	1,983
<b>– Balance at end of year</b>		<b>352,292</b>	<b>340,443</b>

##### TOTAL VALUE OF RESERVES

<b>352,292</b>	<b>340,443</b>
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#### (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 2017

### Note 21. Financial result and financial position by fund

Income Statement by fund \$ '000	Actual 2017	Actual 2017	Actual 2017
<b>Continuing operations</b>	<b>Water</b>	<b>Sewer</b>	<b>General<sup>1</sup></b>
<b>Income from continuing operations</b>			
Rates and annual charges	1,157	6,563	14,003
User charges and fees	4,697	1,807	9,111
Interest and investment revenue	152	290	589
Other revenues	–	6	220
Grants and contributions provided for operating purposes	78	83	13,619
Grants and contributions provided for capital purposes	72	566	3,445
<b>Total income from continuing operations</b>	<b>6,156</b>	<b>9,315</b>	<b>40,987</b>
<b>Expenses from continuing operations</b>			
Employee benefits and on-costs	912	1,807	15,486
Borrowing costs	–	1,174	510
Materials and contracts	2,155	3,096	6,843
Depreciation and amortisation	862	1,201	9,854
Impairment	–	–	–
Other expenses	1,229	242	2,706
Net losses from the disposal of assets	243	124	507
<b>Total expenses from continuing operations</b>	<b>5,401</b>	<b>7,644</b>	<b>35,906</b>
<b>Operating result from continuing operations</b>	<b>755</b>	<b>1,671</b>	<b>5,081</b>
<b>Discontinued operations</b>			
Net profit/(loss) from discontinued operations	–	–	–
<b>Net operating result for the year</b>	<b>755</b>	<b>1,671</b>	<b>5,081</b>
<b>Net operating result attributable to each council fund</b>	<b>755</b>	<b>1,671</b>	<b>5,081</b>
<b>Net operating result attributable to non-controlling interests</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Net operating result for the year before grants and contributions provided for capital purposes</b>	<b>683</b>	<b>1,105</b>	<b>1,636</b>

<sup>1</sup> 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 2017

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

Statement of Financial Position by fund \$ '000	Actual 2017	Actual 2017	Actual 2017
<b>ASSETS</b>	<b>Water</b>	<b>Sewer</b>	<b>General<sup>1</sup></b>
<b>Current assets</b>			
Cash and cash equivalents	4,011	4,148	4,775
Investments	–	5,000	20,711
Receivables	1,807	2,978	5,082
Inventories	–	–	1,092
Other	–	3	366
<b>Total current assets</b>	<b>5,818</b>	<b>12,129</b>	<b>32,026</b>
<b>Non-current assets</b>			
Investments	–	–	–
Receivables	578	645	985
Inventories	–	–	1,297
Infrastructure, property, plant and equipment	73,220	111,888	488,521
Investments accounted for using the equity method	–	–	–
Investment property	–	–	–
Intangible assets	–	–	–
<b>Total non-current assets</b>	<b>73,798</b>	<b>112,533</b>	<b>490,803</b>
<b>TOTAL ASSETS</b>	<b>79,616</b>	<b>124,662</b>	<b>522,829</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	7	201	4,068
Income received in advance	–	–	30
Borrowings	–	1,108	878
Provisions	–	–	4,124
<b>Total current liabilities</b>	<b>7</b>	<b>1,309</b>	<b>9,100</b>
<b>Non-current liabilities</b>			
Payables	–	–	590
Borrowings	–	14,998	8,588
Provisions	–	–	2,571
<b>Total non-current liabilities</b>	<b>–</b>	<b>14,998</b>	<b>11,749</b>
<b>TOTAL LIABILITIES</b>	<b>7</b>	<b>16,307</b>	<b>20,849</b>
<b>Net assets</b>	<b>79,609</b>	<b>108,355</b>	<b>501,980</b>
<b>EQUITY</b>			
Retained earnings	26,487	39,492	271,673
Revaluation reserves	53,122	68,863	230,307
<b>Total equity</b>	<b>79,609</b>	<b>108,355</b>	<b>501,980</b>

<sup>1</sup> 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 2017

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

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\$ '000

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

#### Note 23. Events occurring after the reporting date

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

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

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

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

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

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

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

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

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

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

#### Note 24. Discontinued operations

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

#### Note 25. Intangible assets

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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 2017

### 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	
		2017	2016
Landfills – Bora Ridge	2018	580	367
Landfills – Namoonah	2020	1,015	1,613
Quarries – Petersons	2025	433	440
Quarries – Woodview	2025	347	352
Balance at end of the reporting period	10(a)	<u>2,375</u>	<u>2,772</u>

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	2,772	2,272
Amounts capitalised to new or existing assets:		
– revised costs	(405)	–
– revised life	(47)	–
Effect of a change in discount rates used in PV calculations	(8)	429
Amortisation of discount (expensed to borrowing costs)	64	71
<b>Total – reinstatement, rehabilitation and restoration provision</b>	<u><b>2,376</b></u>	<u><b>2,772</b></u>

# Richmond Valley Council

## Notes to the Financial Statements

for the year ended 30 June 2017

### Note 27. Fair value measurement

\$ '000

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

- Infrastructure, property, plant and equipment
- Financial assets

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			
2017		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’	30/06/17	–	25,711	–	25,711
Total financial assets		–	25,711	–	25,711
Infrastructure, property, plant and equipment					
Plant & Equipment	30/06/17	–	–	11,932	11,932
Office Equipment	30/06/17	–	–	241	241
Furniture & Fittings	30/06/17	–	–	459	459
Land:					
– Operational Land	30/06/17	–	–	27,038	27,038
– Community Land	30/06/17	–	–	25,291	25,291
– Land Under Roads (post 30/06/08)	30/06/17	–	–	248	248
Land Improvements – non depreciable	30/06/15	–	–	4,373	4,373
Land Improvements – depreciable	30/06/15	–	–	11,484	11,484
Buildings – Specialised	30/06/15	–	–	52,016	52,016
Other Structures	30/06/15	–	–	10,104	10,104
Infrastructure:					
– Roads	1/07/15	–	–	152,992	152,992
– Bridges	1/07/15	–	–	58,526	58,526
– Footpaths	1/07/15	–	–	11,955	11,955
– Bulk Earthworks (non depreciable)	1/07/15	–	–	73,631	73,631
– Stormwater Drainage	30/06/14	–	–	34,142	34,142
– Water Supply Network	30/06/17	–	–	71,035	71,035
– Sewerage Network	30/06/17	–	–	109,890	109,890
– Swimming Pools	30/06/15	–	–	6,754	6,754
– Other Open Space/Recreational Assets	30/06/15	–	–	7,632	7,632
– Library Books	30/06/17	–	–	372	372
Total infrastructure, property, plant and equipment		–	–	670,115	670,115

# Richmond Valley Council

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

### Note 27. Fair value measurement (continued)

\$ '000

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

2016	Date of latest valuation	Fair value measurement hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Recurring fair value measurements					
Financial assets					
Investments					
– ‘Held for trading’	30/06/16	–	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

### (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 2017

#### Note 27. Fair value measurement (continued)

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\$ '000

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##### (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)	\$9,000,000
NSW Treasury Corporation - Cash Facility Trust	\$8,345,000
NSW Treasury Corporation - Strategic Cash Facility Trust	\$8,366,000

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.

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##### 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 2017. This asset class is categorised as level 3 due to a number of the above-mentioned inputs used in the valuation requiring significant professional judgement, which are therefore unobservable. There has been no change to the valuation process during the reporting period.



## Richmond Valley Council

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

#### Note 27. Fair value measurement (continued)

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\$ '000

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

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

###### Land - Community

Council's Community Land (including land owned by Council, the Crown and various other Government Agencies that is managed by Council) by definition is land intended for public access and use or where other restrictions applying to the land create some obligation to maintain public access. Many of these parcels of land have no feasible alternative use, such as parks and reserves. Community Land is valued using the 'Market Approach'. Fair value is derived by adjusting observable market inputs using unobservable inputs. The resulting measurement is categorised within level 3. Community Land was revalued as at 30 June 2017. There has been no change to the valuation process during the reporting period.

###### Land Improvements (Non-Depreciable and Depreciable)

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

Land Improvements are valued by an external valuer every 5 years using the cost approach 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 2017 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.

# Richmond Valley Council

## Notes to the Financial Statements

for the year ended 30 June 2017

### Note 27. Fair value measurement (continued)

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\$ '000

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

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

###### Roads, Bridges & Footpaths (including Bulk Earthworks)

This asset class includes the road formation (bulk earthworks), road pavement and road seal, along with other road assets including kerb and guttering, guardrail and roadside furniture including signs and other traffic management devices. 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 units rates, based on square metres or similar capacity, can be supported by market evidence (level 2), other inputs (such as estimates of residual value, useful life, pattern of consumption and asset condition) require extensive professional judgement and impact significantly on the final determination of fair value. As such, this asset class is classified as being valued using level 3 inputs. There has been no change to the valuation process during the reporting period.

###### Stormwater Drainage

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

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

###### Water Supply Network

Water Supply Network assets include water pipelines, treatment plants, reservoirs, pump stations, water meters and connections etc. Water Supply Network assets are valued by an external valuer every 5 years using the cost approach. In between full revaluations, these assets are indexed each year in line with the NSW Reference Rates Manual as published by the NSW Office of Water. Water Supply Network Assets were revalued as at 30 June 2017.

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. Sewerage Network Assets were revalued as at 30 June 2017.

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

# Richmond Valley Council

## Notes to the Financial Statements

for the year ended 30 June 2017

### Note 27. Fair value measurement (continued)

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\$ '000

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

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

###### Swimming Pools

These assets include all structures located within the facility. These assets are valued by an external valuer every 5 years using the cost approach 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 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.

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# Richmond Valley Council

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

### Note 27. Fair value measurement (continued)

\$ '000

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

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

	Plant & Equipment	Office Equipment	Furniture & Fittings	Operational Land	Total
<b>Opening balance – 1/7/15</b>	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
<b>Closing balance – 30/6/16</b>	<b>11,283</b>	<b>149</b>	<b>282</b>	<b>24,715</b>	<b>36,429</b>
Purchases (GBV)	2,537	135	234	100	3,006
Disposals (WDV)	(413)	–	–	–	(413)
Depreciation and impairment	(1,475)	(43)	(57)	–	(1,575)
Revaluation increments to equity (ARR)	–	–	–	2,223	2,223
<b>Closing balance – 30/6/17</b>	<b>11,932</b>	<b>241</b>	<b>459</b>	<b>27,038</b>	<b>39,670</b>

	Community Land	Land Under Roads post 30/6/08	Land Improv Non-Deprec	Land Improv Depreciable	Total
<b>Opening balance – 1/7/15</b>	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
<b>Closing balance – 30/6/16</b>	<b>24,257</b>	<b>156</b>	<b>4,141</b>	<b>11,064</b>	<b>39,618</b>
Purchases (GBV)	–	–	9	83	92
Disposals (WDV)	(132)	–	–	(7)	(139)
Depreciation and impairment	–	–	–	(239)	(239)
Revaluation increments to equity (ARR)	1,166	92	223	583	2,064
<b>Closing balance – 30/6/17</b>	<b>25,291</b>	<b>248</b>	<b>4,373</b>	<b>11,484</b>	<b>41,396</b>

# Richmond Valley Council

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

### Note 27. Fair value measurement (continued)

\$ '000

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

##### a. The following tables present the changes in level 3 fair value asset classes. (continued)

	Buildings Specialised	Other Structures	Roads	Bridges	Total
<b>Opening balance – 1/7/15</b>	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
<b>Closing balance – 30/6/16</b>	<b>49,268</b>	<b>9,670</b>	<b>159,984</b>	<b>58,220</b>	<b>277,142</b>
Purchases (GBV)	600	98	4,552	27	5,277
Disposals (WDV)	(1)	(17)	(1,411)	–	(1,429)
Depreciation and impairment	(995)	(163)	(5,078)	(631)	(6,867)
Revaluation increments to equity (ARR)	2,630	516	2,573	951	6,670
Transfers from/(to) Capital Work In Progress	514	–	227	–	741
Impairment reversal via equity	–	–	83	–	83
Impairment loss recognised in equity	–	–	(8,372)	(41)	(8,413)
Reinstatement costs for impaired assets	–	–	434	–	434
<b>Closing balance – 30/6/17</b>	<b>52,016</b>	<b>10,104</b>	<b>152,992</b>	<b>58,526</b>	<b>273,638</b>

	Footpaths	Bulk Earthworks Non-Deprec	Stormwater Drainage	Water Supply Network	Total
<b>Opening balance – 1/7/15</b>	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
<b>Closing balance – 30/6/16</b>	<b>11,930</b>	<b>72,436</b>	<b>34,006</b>	<b>71,197</b>	<b>189,569</b>
Purchases (GBV)	190	–	46	730	966
Disposals (WDV)	(73)	–	–	(243)	(316)
Depreciation and impairment	(283)	–	(555)	(849)	(1,687)
Revaluation increments to equity (ARR)	191	1,195	553	134	2,073
Transfers from/(to) Capital Work In Progress	–	–	92	66	158
<b>Closing balance – 30/6/17</b>	<b>11,955</b>	<b>73,631</b>	<b>34,142</b>	<b>71,035</b>	<b>190,763</b>

# Richmond Valley Council

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

### Note 27. Fair value measurement (continued)

\$ '000

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

##### a. The following tables present the changes in level 3 fair value asset classes. (continued)

	Sewerage Network	Swimming Pools	Other Open Space/ Recreation	Total
<b>Opening balance – 1/7/15</b>	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
<b>Closing balance – 30/6/16</b>	<b>102,823</b>	<b>6,482</b>	<b>7,224</b>	<b>116,529</b>
Purchases (GBV)	1,329	106	221	1,656
Disposals (WDV)	(124)	(67)	(44)	(235)
Depreciation and impairment	(1,176)	(108)	(177)	(1,461)
Revaluation increments to equity (ARR)	6,428	341	380	7,149
Transfers from/(to) Capital Work In Progress	610	–	28	638
<b>Closing balance – 30/6/17</b>	<b>109,890</b>	<b>6,754</b>	<b>7,632</b>	<b>124,276</b>

# Richmond Valley Council

## Notes to the Financial Statements

for the year ended 30 June 2017

### Note 27. Fair value measurement (continued)

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\$ '000

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#### (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 2017

### Note 28. Related party disclosures

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\$ '000

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#### a. Key management personnel

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

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

	Actual 2017
<b>Compensation:</b>	
Short-term benefits	852
Post-employment benefits	67
Other long-term benefits	21
Termination benefits	—
<b>Total</b>	<b>940</b>



## Richmond Valley Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 28. Related party disclosures (continued)

\$ '000

##### b. Other transactions with KMP and their related parties

Council has determined that transactions at arm's length between KMP and Council as part of Council delivering a public service objective (e.g. access to library or Council swimming pool by KMP) will not be disclosed.

Nature of the transaction		Value of transactions during year	Outstanding balance (incl. loans and commitments)	Terms and conditions	Provisions for doubtful debts outstanding	Doubtful debts expense recognised
	Note	\$'000	\$'000		\$'000	\$'000
Employee expenses relating to close family members of KMP	1	109	—	Council staff award - Local Government (State) Award 2017	—	—

1 Two (2) close family members of Council's KMP are/were employed by the council under the relevant pay award on an arm's length basis.

## Richmond Valley Council

### Notes to the Financial Statements

for the year ended 30 June 2017

#### Note 28. Related party disclosures (continued)

\$ '000

##### c. Other related party transactions

Nature of the transaction		Value of transactions during year	Outstanding balance (incl. loans and commitments)	Terms and conditions	Provisions for doubtful debts outstanding	Doubtful debts expense recognised
	Note	\$'000	\$'000		\$'000	\$'000
Joint Venture - North East Weight of Loads Group	1	24	—	Contributions are shared between the member Council's based on their interest in the organisation.	—	—

- 1 The principal activity of NEWLOG is the checking and enforcement of load weights carried by heavy vehicles on roads within the member council's boundaries. NEWLOG operates with the objective to generally advance the aims of reducing damage to Council and classified roads and promotion of road safety, by policing of vehicle weights as prescribed in the Acts and Regulations pertinent to overloading.

# Richmond Valley Council

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

### Note 29. Council information and contact details

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#### Principal place of business:

Cnr Walker Street and Graham Place  
Casino NSW 2470

#### Contact details

##### Mailing address:

Locked Bag 10  
CASINO NSW 2470

##### Opening hours:

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

**Telephone:** 02 6660 0300

**Facsimile:** 02 6660 1300

**Internet:** [www.richmondvalley.nsw.gov.au](http://www.richmondvalley.nsw.gov.au)

**Email:** [council@richmondvalley.nsw.gov.au](mailto:council@richmondvalley.nsw.gov.au)

#### Officers

##### GENERAL MANAGER

Vaughan Macdonald

##### RESPONSIBLE ACCOUNTING OFFICER

Ryan Gaiter

##### PUBLIC OFFICER

Vaughan Macdonald

##### AUDITORS

Audit Office of New South Wales  
GPO Box 12  
SYDNEY NSW 2001

#### Elected members

##### MAYOR

Robert Mustow

##### COUNCILLORS

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

#### Other information

**ABN:** 54 145 907 009



## **INDEPENDENT AUDITOR'S REPORT**

### **Report on the general purpose financial statements**

#### **Richmond Valley Council**

To the Councillors of the Richmond Valley Council

### **Opinion**

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

In my opinion,

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

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

### **Basis for Opinion**

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

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

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

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

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

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

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

### **Other Matter**

The financial statements of the Council for the year ended 30 June 2016 were audited by another auditor who expressed an unmodified opinion on that financial statement on 25 October 2016.

### **The Councillors' Responsibility for the Financial Statements**

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

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

### **Auditor's Responsibility for the Audit of the Financial Statements**

My objectives are to:

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

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

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

My opinion does *not* provide assurance:

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



Reiky Jiang  
Director, Financial Audit Services

19 October 2017  
SYDNEY

Mr Robert Mustow  
Mayor  
Richmond Valley Council  
Locked Bag 10  
CASINO NSW 2470

Contact: Reiky Jiang  
Phone no: 02 9275 7100  
Our ref: D1726194 /1782

19 October 2017

Dear Mr Mustow

### **Report on the Conduct of the Audit for the year ended 30 June 2017 Richmond Valley Council**

I have audited the general purpose financial statements of the Richmond Valley Council (the Council) for the year ended 30 June 2017 as required by s415 of the *Local Government Act 1993* (the Act).

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

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

## **SIGNIFICANT AUDIT ISSUES AND OBSERVATIONS**

I did not identify any significant audit issues and observations during my audit of the Council's financial statements.

## **INCOME STATEMENT**

### **Operating result**

	<b>2017</b>	<b>2016</b>	<b>Variance</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>%</b>
<b>Rates and annual charges revenue</b>	21,723	20,477	6.1 ↑
<b>Grants and contributions revenue</b>	17,863	14,880	20.1 ↑
<b>Operating result for the year</b>	7,507	1,727	334.7 ↑
<b>Net operating result before capital amounts</b>	3,424	(2,271)	250.8 ↑

The improved operating result was due to the following movements:

**Total income from continuing operations increased by \$7.1 million due to:**

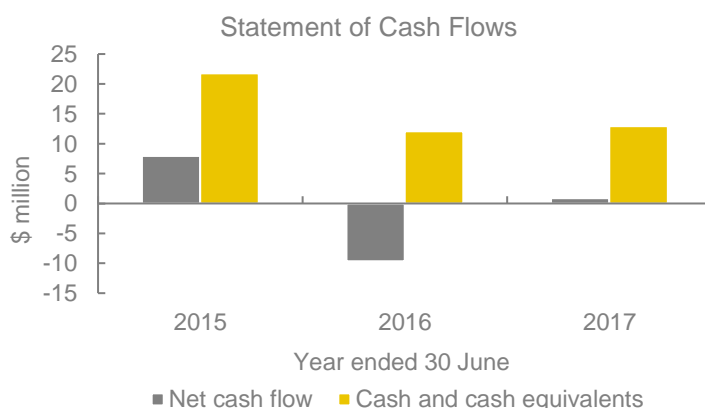
- ordinary rates increased by \$0.9 million. Council had an approved special general rate increase of 5.5 per cent for the 2016/17 year
- user charges and fees increased by \$2.7 million. This increase was attributable to increased water supply charges of \$0.4 million, additional income from S67 private works of \$0.8 million relating to the Pacific Highway upgrade, increased charges to Roads and Maritime Services NSW (RMS) of \$0.9 million and \$0.4 million additional charges for the Northern Rivers Livestock Exchange
- the financial assistance grant increased by \$2.3 million and roads to recovery grants increased by \$0.3 million. The Federal Government brought forward 50 per cent of the 2017/2018 financial assistance grant which was paid in June 2017
- capital grants decreased by \$0.7 million. Whilst Council received capital grants towards the Northern Rivers Livestock Exchange of \$0.8 million, reductions in natural disaster funding of \$0.8 million, grants for the library service of \$0.4 million and the absence of waste and sustainability capital grants (2016: \$0.4 million) resulted in an overall decrease
- capital contributions increased by \$0.8 million. This was the result of higher dedications of \$0.6m and contributions towards sports grounds (Evans Head tennis courts) of \$0.5 million.

**Expenses from continuing operations increased by \$1.3 million due to:**

- employee costs increased by \$1.1 million. This increase was attributable to award increases, the regrading of positions and a reduction of \$0.5 million in capitalised employee costs
- materials and contracts costs increased by \$1.9 million. Significant contributors to this increase include higher RMS works expenses and increased operating expenses for roads, bridges and footpaths
- depreciation expense increased by \$0.7 million
- other expenses decreased by \$0.7 million. Council commenced transporting the bulk of its waste to south-east Queensland during July 2016, pending the construction of a new landfill cell at the Nammoona Landfill site. Due to Queensland not being subject to a waste levy, this has resulted in a \$0.5 million reduction in this expense
- net losses from disposal of assets decreased by \$1.7 million.

## STATEMENT OF CASH FLOWS

- Council's cash and cash equivalents increased by \$0.9 million during the current financial year.
- Cash provided from operating activities decreased by \$2.0 million due to higher expenditure payments but similar receipts compared to the prior year. An increase of \$2.0 million in receivables was also a contributing factor to this decrease.
- Cash used in investing activities decreased by \$12.7 million due to less purchases of investment securities, and lower capital expenditure.





## FINANCIAL POSITION

### Cash and Investments

Restricted Cash and Investments	2017	2016	Commentary
	\$m	\$m	
External restrictions	26.2	22.1	Externally restricted balances include unexpended specific grants, developer contributions and domestic waste management charges. The increase in externally restricted cash and investments is predominantly due a \$2.6 million increase in unexpended specific purpose grants.
Internal restrictions	12.4	9.9	Balances are internally restricted due to Council policy or decisions for forward plans including works programs. Internally restricted cash and investments have increased by \$2.5 million, with increases of \$0.9 million for Petersons quarry and \$0.6 million for unexpended rate variations being most significant.
Unrestricted	-	0.3	Unrestricted balances provide liquidity for day-to-day operations.
<b>Cash and investments</b>	<b>38.6</b>	<b>32.3</b>	

### Debt

- Council has a Bank Overdraft Facility with an approved drawdown limit of \$0.5 million
- At the end of the financial year, Council had not drawn down any of the Facility
- Council continues to repay borrowings in-line with existing loan agreements, and entered into a new \$1.3 million agreement in the current year.

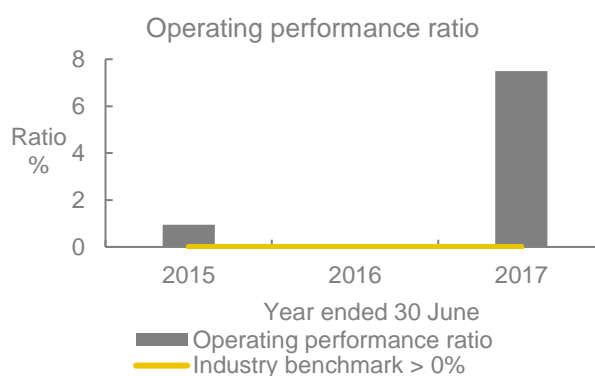
## PERFORMANCE RATIOS

The definition of each ratio analysed below (except for the 'building and infrastructure renewals ratio') is included in Note 13 of the Council's audited general purpose financial statements. The 'building and infrastructure renewals ratio' is defined in Council's unaudited Special Schedule 7.

### Operating performance ratio

- Council has continued to meet the industry benchmark for the operating performance ratio.
- The increase in the ratio for the 2016/17 financial year is largely attributable to the receipt of 50 per cent of the 2017/2018 financial assistance grant in June 2017.
- All funds achieved a positive operating performance ratio for the year.

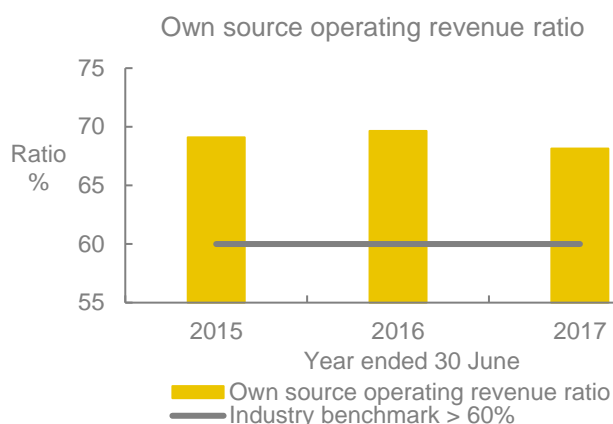
The 'operating performances ratio' measures how well council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by the OLG is greater than zero per cent.



## Own source operating revenue ratio

- Council has continued to meet the industry benchmark for the own source operating revenue ratio demonstrating it is not overly reliant on external funding sources.
- Council's general fund achieved a ratio of 58.08 per cent for the year. This ratio was impacted by the receipt of additional financial assistance grant mentioned earlier.

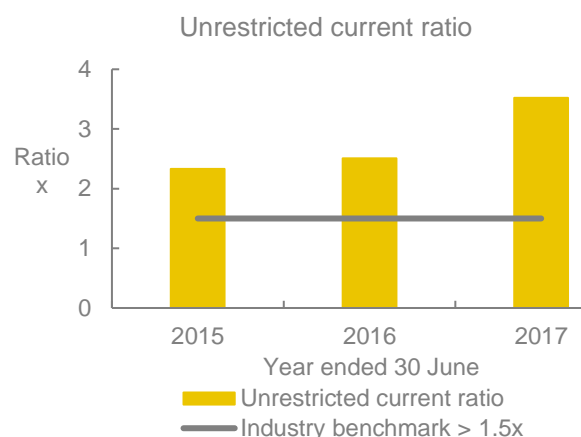
The 'own source operating revenue ratio' measures council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by OLG is greater than 60 per cent.



## Unrestricted current ratio

- Council's unrestricted current ratio continues to be well above the industry benchmark.
- The improvement in the ratio as at 30 June 2017 is reflective of an increase in receivables as well as increased amounts of internally restricted reserves set aside for future works and other expenditure programmes.
- All funds had an unrestricted current ratio above the industry benchmark.

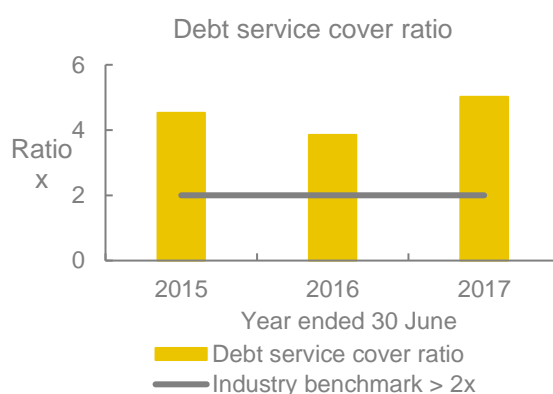
The 'unrestricted current ratio' is specific to local government and represents council's ability to meet its short-term obligations as they fall due. The benchmark set by OLG is greater than 1.5 times.



## Debt service cover ratio

- Council's debt service cover ratio continues to be well above the industry benchmark.
- Council has seen an improvement in the debt service cover ratio over the prior year due to an improvement in its operating result.
- For the sewer fund, the debt service cover ratio remains below the benchmark at 1.55.
- Council should continue to monitor the sewer fund position to ensure cash flow over the short to medium term is sufficient to allow for the servicing of debt repayment obligations.

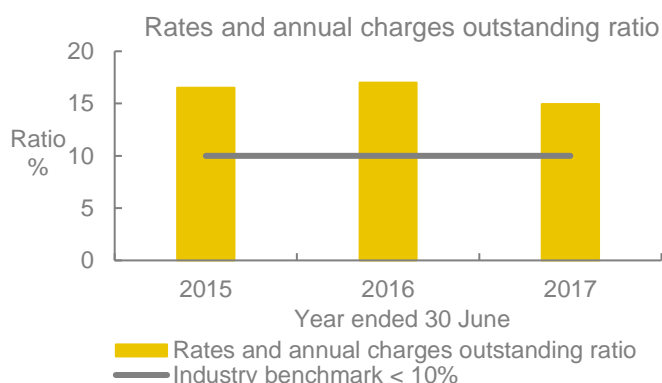
The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by OLG is greater than two times.



## Rates and annual charges outstanding ratio

- Despite an improvement in the current year, Council did not meet the industry benchmark for rates and annual charges outstanding as at 30 June 2017.
- The water and sewer fund ratios are higher than the general fund ratio (and industry benchmark) as Council levies the annual charges in arrears for these funds.
- Council should monitor and pursue outstanding amounts through its debt recovery practices.

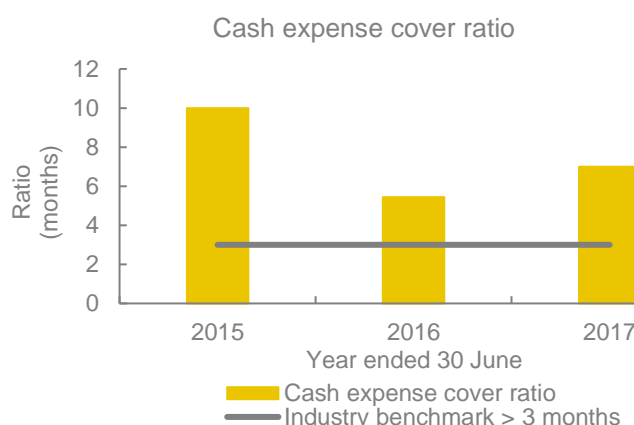
The 'rates and annual charges outstanding ratio' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by OLG is less than 10 per cent for rural councils.



## Cash expense cover ratio

- Council's cash expense cover ratio continues to be well above the industry benchmark.
- The improvement in the ratio as at 30 June 2017 is due to an increase in cash at bank and term deposits from the prior year.
- All funds achieved cash expense cover ratios above the industry benchmark.

This liquidity ratio indicates the number of months the council can continue paying for its immediate expenses without additional cash inflow. The benchmark set by OLG is greater than three months.

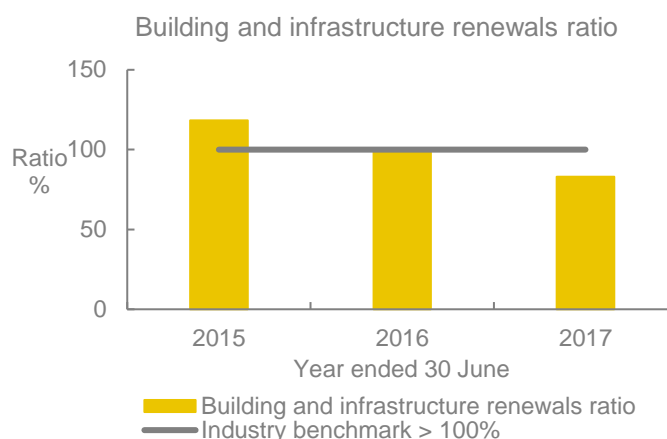


## Building and infrastructure renewals ratio

- In 2016/17 there has been a reduction in the level of Council expenditure on building and infrastructure renewals.
- Council's asset renewal expenditure in the current year had not kept pace with the rate at which these assets were depreciating.
- The sewer fund alone has achieved an asset renewal ratio above the industry benchmark.

The 'building and infrastructure renewals ratio' assesses the rate at which these assets are being renewed against the rate at which they are depreciating. The benchmark set by OLG is greater than 100 per cent.

This ratio is sourced from council's Special Schedule 7 which has not been audited.



## OTHER MATTERS

### New accounting standards implemented

#### AASB 124 'Related Party Disclosures'

Effective for annual reporting periods beginning on or 1 July 2016

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

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

### Legislative compliance

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

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

Yours sincerely



Reiky Jiang  
Director, Financial Audit Services

cc: Mr Vaughan Macdonald, General Manager  
Mr Daniel Simpson, Chair of the Internal Audit Committee  
Tim Hurst, Acting Chief Executive of the Office of Local Government

# Richmond Valley Council

SPECIAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2017

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“A great community with a relaxed lifestyle,  
beautiful environment and vibrant economy.”

Richmond  
Valley  
Council



# Richmond Valley Council

## Special Purpose Financial Statements

for the year ended 30 June 2017

Contents	Page
<b>1. Statement by Councillors and Management</b>	<b>2</b>
<b>2. Special Purpose Financial Statements:</b>	
Income Statement – Water Supply Business Activity	3
Income Statement – Sewerage Business Activity	4
Income Statement – Other Business Activities	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
<b>3. Notes to the Special Purpose Financial Statements</b>	<b>9</b>
<b>4. Auditor's Report</b>	<b>18</b>

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### 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 2017

### 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 17 October 2017.**



Robert Mustow  
Mayor



Steve Morrissey  
Councillor



Vaughan Macdonald  
General manager



Ryan Gailer  
Responsible accounting officer



# Richmond Valley Council

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

for the year ended 30 June 2017

\$ '000	Actual 2017	Actual 2016
<b>Income from continuing operations</b>		
Access charges	1,157	1,110
User charges	4,596	4,144
Fees	101	80
Interest	152	160
Grants and contributions provided for non-capital purposes	78	90
Other income	—	—
<b>Total income from continuing operations</b>	<b>6,084</b>	<b>5,584</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	912	827
Borrowing costs	—	—
Materials and contracts	2,155	1,990
Depreciation, amortisation and impairment	862	812
Water purchase charges	1,016	1,007
Loss on sale of assets	243	352
Calculated taxation equivalents	27	26
Other expenses	213	213
<b>Total expenses from continuing operations</b>	<b>5,428</b>	<b>5,227</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>656</b>	<b>357</b>
Grants and contributions provided for capital purposes	72	67
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>728</b>	<b>424</b>
Surplus (deficit) from discontinued operations	—	—
<b>Surplus (deficit) from all operations before tax</b>	<b>728</b>	<b>424</b>
Less: corporate taxation equivalent (30%) [based on result before capital]	(197)	(107)
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>531</b>	<b>317</b>
Plus opening retained profits	25,732	25,281
Plus/less: prior period adjustments	—	—
Plus/less: other adjustments	—	1
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	27	26
– Debt guarantee fees	—	—
– Corporate taxation equivalent	197	107
Less:		
– Tax equivalent dividend paid	—	—
– Surplus dividend paid	—	—
<b>Closing retained profits</b>	<b>26,487</b>	<b>25,732</b>
<b>Return on capital %</b>	<b>0.9%</b>	<b>0.5%</b>
<b>Subsidy from Council</b>	<b>—</b>	<b>—</b>
<b>Calculation of dividend payable:</b>		
Surplus (deficit) after tax	531	317
Less: capital grants and contributions (excluding developer contributions)	(21)	(51)
<b>Surplus for dividend calculation purposes</b>	<b>510</b>	<b>266</b>
<b>Potential dividend calculated from surplus</b>	<b>255</b>	<b>133</b>

# Richmond Valley Council

## Income Statement of Council's Sewerage Business Activity for the year ended 30 June 2017

\$ '000	Actual 2017	Actual 2016
<b>Income from continuing operations</b>		
Access charges	6,563	6,449
User charges	954	898
Liquid trade waste charges	—	—
Fees	853	62
Interest	290	320
Grants and contributions provided for non-capital purposes	83	86
Other income	6	—
<b>Total income from continuing operations</b>	<b>8,749</b>	<b>7,815</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	1,807	1,475
Borrowing costs	1,174	1,233
Materials and contracts	3,096	2,611
Depreciation, amortisation and impairment	1,201	1,145
Loss on sale of assets	124	679
Calculated taxation equivalents	20	20
Debt guarantee fee (if applicable)	—	—
Other expenses	242	245
<b>Total expenses from continuing operations</b>	<b>7,664</b>	<b>7,408</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>1,085</b>	<b>407</b>
Grants and contributions provided for capital purposes	566	79
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>1,651</b>	<b>486</b>
Surplus (deficit) from discontinued operations	—	—
<b>Surplus (deficit) from all operations before tax</b>	<b>1,651</b>	<b>486</b>
Less: corporate taxation equivalent (30%) [based on result before capital]	(326)	(122)
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>1,326</b>	<b>364</b>
Plus opening retained profits	37,821	37,315
Plus/less: prior period adjustments	—	—
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	20	20
– Debt guarantee fees	—	—
– Corporate taxation equivalent	326	122
Less:		
– Tax equivalent dividend paid	—	—
– Surplus dividend paid	—	—
<b>Closing retained profits</b>	<b>39,492</b>	<b>37,821</b>
<b>Return on capital %</b>	<b>2.0%</b>	<b>1.6%</b>
<b>Subsidy from Council</b>	<b>—</b>	<b>—</b>
<b>Calculation of dividend payable:</b>		
Surplus (deficit) after tax	1,326	364
Less: capital grants and contributions (excluding developer contributions)	(554)	(57)
<b>Surplus for dividend calculation purposes</b>	<b>772</b>	<b>307</b>
<b>Potential dividend calculated from surplus</b>	<b>386</b>	<b>153</b>

## Richmond Valley Council

## Income Statement of Council's Other Business Activities

for the year ended 30 June 2017

	Petersons Quarry		Woodview Quarry	
	Category 2		Category 2	
\$ '000	Actual 2017	Actual 2016	Actual 2017	Actual 2016
<b>Income from continuing operations</b>				
Access charges	—	—	—	—
User charges	—	—	—	—
Fees	1,396	1,488	427	773
Interest	44	21	28	18
Grants and contributions provided for non-capital purposes	15	14	—	—
Other income	—	—	—	—
<b>Total income from continuing operations</b>	<b>1,455</b>	<b>1,523</b>	<b>455</b>	<b>791</b>
<b>Expenses from continuing operations</b>				
Employee benefits and on-costs	—	5	34	45
Borrowing costs	8	12	7	9
Materials and contracts	96	979	373	559
Depreciation, amortisation and impairment	33	28	18	14
Loss on sale of assets	—	—	—	—
Calculated taxation equivalents	—	—	6	4
Debt guarantee fee (if applicable)	—	—	—	—
Other expenses	4	—	—	—
<b>Total expenses from continuing operations</b>	<b>141</b>	<b>1,024</b>	<b>438</b>	<b>631</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>1,314</b>	<b>499</b>	<b>17</b>	<b>160</b>
Grants and contributions provided for capital purposes	—	—	—	—
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>1,314</b>	<b>499</b>	<b>17</b>	<b>160</b>
Surplus (deficit) from discontinued operations	—	—	—	—
<b>Surplus (deficit) from all operations before tax</b>	<b>1,314</b>	<b>499</b>	<b>17</b>	<b>160</b>
Less: corporate taxation equivalent (30%) [based on result before capital]	(394)	(150)	(5)	(48)
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>920</b>	<b>349</b>	<b>12</b>	<b>112</b>
<b>Plus opening retained profits</b>	1,433	891	1,319	826
<b>Plus/less: prior period adjustments</b>	—	—	—	—
<b>Plus adjustments for amounts unpaid:</b>				
– Taxation equivalent payments	—	—	6	4
– Debt guarantee fees	—	—	—	—
– Corporate taxation equivalent	394	150	5	48
<b>Add:</b>				
– Subsidy paid/contribution to operations	—	43	50	329
<b>Less:</b>				
– TER dividend paid	—	—	—	—
– Dividend paid	(436)	—	—	—
<b>Closing retained profits</b>	<b>2,311</b>	<b>1,433</b>	<b>1,392</b>	<b>1,319</b>
<b>Return on capital %</b>	<b>118.1%</b>	<b>44.9%</b>	<b>2.2%</b>	<b>17.4%</b>
<b>Subsidy from Council</b>	<b>—</b>	<b>—</b>	<b>2</b>	<b>—</b>

## Richmond Valley Council

Statement of Financial Position – Council's Water Supply Business Activity  
as at 30 June 2017

\$ '000	Actual 2017	Actual 2016
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	4,011	3,110
Investments	–	–
Receivables	1,807	1,614
Inventories	–	–
Other	–	–
Non-current assets classified as held for sale	–	–
<b>Total current assets</b>	<b>5,818</b>	<b>4,724</b>
<b>Non-current assets</b>		
Investments	–	–
Receivables	578	567
Inventories	–	–
Infrastructure, property, plant and equipment	73,220	73,399
Investments accounted for using equity method	–	–
Investment property	–	–
Intangible assets	–	–
<b>Total non-current assets</b>	<b>73,798</b>	<b>73,966</b>
<b>TOTAL ASSETS</b>	<b>79,616</b>	<b>78,690</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Bank overdraft	–	–
Payables	7	11
Income received in advance	–	–
Borrowings	–	–
Provisions	–	–
<b>Total current liabilities</b>	<b>7</b>	<b>11</b>
<b>Non-current liabilities</b>		
Payables	–	–
Borrowings	–	–
Provisions	–	–
<b>Total non-current liabilities</b>	<b>–</b>	<b>–</b>
<b>TOTAL LIABILITIES</b>	<b>7</b>	<b>11</b>
<b>NET ASSETS</b>	<b>79,609</b>	<b>78,679</b>
<b>EQUITY</b>		
Retained earnings	26,487	25,732
Revaluation reserves	53,122	52,947
Other reserves	–	–
Council equity interest	79,609	78,679
Non-controlling equity interest	–	–
<b>TOTAL EQUITY</b>	<b>79,609</b>	<b>78,679</b>

## Richmond Valley Council

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

as at 30 June 2017

\$ '000	Actual 2017	Actual 2016
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	4,148	4,378
Investments	5,000	5,000
Receivables	2,978	2,114
Inventories	–	–
Other	3	–
Non-current assets classified as held for sale	–	–
<b>Total current Assets</b>	<b>12,129</b>	<b>11,492</b>
<b>Non-current assets</b>		
Investments	–	–
Receivables	645	740
Inventories	–	–
Infrastructure, property, plant and equipment	111,888	105,386
Investments accounted for using equity method	–	–
Investment property	–	–
Intangible assets	–	–
<b>Total non-current assets</b>	<b>112,533</b>	<b>106,126</b>
<b>TOTAL ASSETS</b>	<b>124,662</b>	<b>117,618</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Bank overdraft	–	–
Payables	201	215
Income received in advance	–	–
Borrowings	1,108	1,058
Provisions	–	–
<b>Total current liabilities</b>	<b>1,309</b>	<b>1,273</b>
<b>Non-current liabilities</b>		
Payables	–	–
Borrowings	14,998	16,108
Provisions	–	–
<b>Total non-current liabilities</b>	<b>14,998</b>	<b>16,108</b>
<b>TOTAL LIABILITIES</b>	<b>16,307</b>	<b>17,381</b>
<b>NET ASSETS</b>	<b>108,355</b>	<b>100,237</b>
<b>EQUITY</b>		
Retained earnings	39,492	37,821
Revaluation reserves	68,863	62,416
Other reserves	–	–
Council equity interest	108,355	100,237
Non-controlling equity interest	–	–
<b>TOTAL EQUITY</b>	<b>108,355</b>	<b>100,237</b>

## Richmond Valley Council

## Statement of Financial Position – Council's Other Business Activities

as at 30 June 2017

	Petersons Quarry		Woodview Quarry	
	Category 2		Category 2	
\$ '000	Actual 2017	Actual 2016	Actual 2017	Actual 2016
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalents	–	–	–	–
Investments	1,958	1,039	999	905
Receivables	–	–	–	–
Inventories	–	–	–	–
<b>Total Current Assets</b>	<b>1,958</b>	<b>1,039</b>	<b>999</b>	<b>905</b>
<b>Non-current assets</b>				
Investments	–	–	–	–
Receivables	–	–	–	–
Inventories	–	–	–	–
Infrastructure, property, plant and equipment	1,119	1,137	1,085	973
Investments accounted for using equity method	–	–	–	–
Investment property	–	–	–	–
Intangible assets	–	–	–	–
<b>Total non-current assets</b>	<b>1,119</b>	<b>1,137</b>	<b>1,085</b>	<b>973</b>
<b>TOTAL ASSETS</b>	<b>3,077</b>	<b>2,176</b>	<b>2,084</b>	<b>1,878</b>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Bank overdraft	–	–	–	–
Payables	–	–	–	–
Income received in advance	–	–	–	–
Borrowings	–	–	–	–
Provisions	–	–	–	–
<b>Total current liabilities</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Non-current liabilities</b>				
Payables	–	–	–	–
Borrowings	–	–	–	–
Provisions	433	440	347	352
Other Liabilities	–	–	–	–
<b>Total non-current liabilities</b>	<b>433</b>	<b>440</b>	<b>347</b>	<b>352</b>
<b>TOTAL LIABILITIES</b>	<b>433</b>	<b>440</b>	<b>347</b>	<b>352</b>
<b>NET ASSETS</b>	<b>2,644</b>	<b>1,736</b>	<b>1,737</b>	<b>1,526</b>
<b>EQUITY</b>				
Retained earnings	2,311	1,433	1,392	1,319
Revaluation reserves	333	303	345	207
Other reserves	–	–	–	–
Council equity interest	<b>2,644</b>	<b>1,736</b>	<b>1,737</b>	<b>1,526</b>
Non-controlling equity interest	–	–	–	–
<b>TOTAL EQUITY</b>	<b>2,644</b>	<b>1,736</b>	<b>1,737</b>	<b>1,526</b>

## Richmond Valley Council

### Special Purpose Financial Statements for the year ended 30 June 2017

#### 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 2017

#### Note 1. Significant accounting policies

A statement summarising the supplemental accounting policies adopted in the preparation of the Special Purpose Financial Statements (SPFS) for National Competition Policy (NCP) reporting purposes follows.

These financial statements are SPFS prepared for use by Council and the Office of Local Government. For the purposes of these statements, the Council is a non-reporting not-for-profit entity.

The figures presented in these Special Purpose Financial Statements 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 these Special Purpose Financial Statements 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 prepared on an accruals basis. They are based on historic costs and do not take into account changing money values or, except where specifically stated, current values of non-current assets. 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' in 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 NSW government policy statement titled '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 a standard for disclosure requirements.

These disclosures are reflected in Council's pricing and/or financial reporting systems and include taxation equivalents, Council subsidies, return on investments (rate of return), and dividends paid.

#### Declared business activities

In accordance with *Pricing 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 2017

#### 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, except for 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. Where this is the case, they are disclosed as a cost of operations just like all other costs.

However, where Council does not pay some taxes which are generally paid by private sector businesses, such as income tax, these equivalent tax payments have been applied to all Council-nominated business activities and are reflected in Special Purpose 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 **\$549,000** of combined land values attracts **0%**. For the combined land values in excess of \$549,001 up to \$3,357,000 the rate is **1.6% + \$100**. For the remaining combined land value that exceeds \$3,357,000 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 Department of Primary Industries Water (DPIW), 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 to in the NSW Office of Water 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 to the NSW Office of Water 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 the business activities.

Whilst 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/(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 gain/ (loss) from ordinary activities before capital amounts has been achieved.

Since the 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 the SPFS.

The rate applied of 30% is the equivalent company tax rate prevalent at reporting 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 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

## Richmond Valley Council

### Notes to the Special Purpose Financial Statements for the year ended 30 June 2017

#### Note 1. Significant accounting policies (continued)

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 NCP 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 actual rate of return achieved by each business activity is disclosed at the foot of each respective Income Statement.

The rate of return is calculated as follows:

**Operating result before capital income + interest expense**

**Written down value of I,PP&E as at 30 June**

#### (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.

Each dividend must be calculated and approved in accordance with the DPIW guidelines and must not exceed:

- (i) 50% of this surplus in any one year, or
- (ii) the number of water supply or sewerage assessments at 30 June 2017 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

In accordance with the DPIW guidelines a Dividend Payment form, Statement of Compliance, Unqualified Independent Financial Audit Report and Compliance Audit Report are required to be submitted to the DPIW.

# Richmond Valley Council

## Notes to the Special Purpose Financial Statements for the year ended 30 June 2017

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

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

2017

#### 1. Calculation and payment of tax-equivalents

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

(i)	Calculated tax equivalents	27,000
(ii)	Number of assessments multiplied by \$3/assessment	22,563
(iii)	Amounts payable for tax equivalents [lesser of (i) and (ii)]	22,563
(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]	255,100
(ii)	Number of assessments multiplied by \$30/assessment, less tax equivalent charges/assessment	203,067
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2017, less the cumulative dividends paid for the 2 years to 30 June 2016 and 30 June 2015	1,000,200

2017 Surplus	510,200	2016 Surplus	265,900	2015 Surplus	224,100
		2016 Dividend	–	2015 Dividend	–

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	203,067
(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? <sup>a</sup>	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 2017

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

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

2017

#### National Water Initiative (NWI) financial performance indicators

<b>NWI F1</b>	Total revenue (water) Total income (w13) – grants for the acquisition of assets (w11a) – interest income (w9) – Aboriginal Communities W&S Program income (w10a)	\$'000	6,066
<b>NWI F4</b>	Revenue from residential usage charges (water) Income from residential usage charges (w6b) x 100 divided by the sum of [income from residential usage charges (w6a) + income from residential access charges (w6b)]	%	75.54%
<b>NWI F9</b>	Written down replacement cost of fixed assets (water) Written down current cost of system assets (w47)	\$'000	73,192
<b>NWI F11</b>	Operating cost (OMA) (water) Management expenses (w1) + operational and maintenance expenses (w2)	\$'000	4,296
<b>NWI F14</b>	Capital expenditure (water) Acquisition of fixed assets (w16)	\$'000	729
<b>NWI F17</b>	Economic real rate of return (water) [total income (w13) – interest income (w9) – grants for acquisition of assets (w11a) – operating costs (NWI F11) – current cost depreciation (w3)] x 100 divided by [written down current cost of system assets (w47) + plant and equipment (w33b)]	%	1.24%
<b>NWI F26</b>	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 2017

### Note 3. Sewerage business best-practice management disclosure requirements

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

2017

#### 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	21,246
(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]	385,750
(ii)	Number of assessments x (\$30 less tax equivalent charges per assessment)	192,460
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2017, less the cumulative dividends paid for the 2 years to 30 June 2016 and 30 June 2015	1,838,700

2017 Surplus	771,500	2016 Surplus	306,900	2015 Surplus	760,300
		2016 Dividend	–	2015 Dividend	–

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	192,460
(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? <sup>a</sup>	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 2017

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

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

2017

#### National Water Initiative (NWI) financial performance indicators

<b>NWI F2</b>	Total revenue (sewerage) Total income (s14) – grants for acquisition of assets (s12a) – interest income (s10) – Aboriginal Communities W&S Program income (w10a)	\$'000	9,074
<b>NWI F10</b>	Written down replacement cost of fixed assets (sewerage) Written down current cost of system assets (s48)	\$'000	111,678
<b>NWI F12</b>	Operating cost (sewerage) Management expenses (s1) + operational and maintenance expenses (s2)	\$'000	5,145
<b>NWI F15</b>	Capital expenditure (sewerage) Acquisition of fixed assets (s17)	\$'000	1,328
<b>NWI F18</b>	Economic real rate of return (sewerage) [total income (s14) – interest income (s10) – grants for acquisition of assets (s12a) – operating cost (NWI F12) – current cost depreciation (s3)] x 100 divided by [written down current cost (i.e. WDCC) of system assets (s48) + plant and equipment (s34b)]	%	2.44%
<b>NWI F27</b>	Capital works grants (sewerage) Grants for the acquisition of assets (12a)	\$'000	–

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

<b>NWI F3</b>	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	14,773
<b>NWI F8</b>	Revenue from community service obligations (water and sewerage) Community service obligations (NWI F25) x 100 divided by total income (NWI F3)	%	1.08%
<b>NWI F16</b>	Capital expenditure (water and sewerage) Acquisition of fixed assets (w16 + s17)	\$'000	2,057
<b>NWI F19</b>	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)]	%	1.96%
<b>NWI F20</b>	Dividend (water and sewerage) Dividend paid from surplus (2 (v) of Note 2 + 2 (v) of Note 3)	\$'000	–
<b>NWI F21</b>	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 2017

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

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

2017

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

<b>NWI F22</b>	Net debt to equity (water and sewerage)	%	1.57%
	Overdraft (w36 + s37) + borrowings (w38 + s39) – cash and investments (w30 + s31) x 100 divided by [total assets (w35 + s36) – total liabilities (w40 + s41)]		
<b>NWI F23</b>	Interest cover (water and sewerage)		4
	Earnings before interest and tax (EBIT) divided by net interest		
	Earnings before interest and tax (EBIT):		3,636
	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:		843
	Interest expense (w4a + s4a) – interest income (w9 + s10)		
<b>NWI F24</b>	Net profit after tax (water and sewerage)	\$'000	2,426
	Surplus before dividends (w15a + s16a) – tax equivalents paid (Note 2-1 (iv) + Note 3-1 (iv))		
<b>NWI F25</b>	Community service obligations (water and sewerage)	\$'000	159
	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



## **INDEPENDENT AUDITOR'S REPORT**

### **Report on the special purpose financial statement**

#### **Richmond Valley Council**

To the Councillors of the Richmond Valley Council

### **Opinion**

I have audited the accompanying special purpose financial statements (the financial statements) of Richmond Valley Council's (the Council) Declared Business Activities, which comprise the statement of financial position of each Declared Business Activity as at 30 June 2017, the income statement of each Declared Business Activity for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information for the Business Activities declared by Council, and the Statement by Councillors and Management.

The Declared Business Activities of the Council are:

- Water Supply Business Activity
- Sewerage Business Activity
- Peterson's Quarry Business Activity
- Woodview Quarry Business Activity.

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Council's declared Business Activities as at 30 June 2017, and their financial performance for the year then ended, in accordance with the Australian Accounting Standards described in Note 1 and the Local Government Code of Accounting Practice and Financial Reporting (LG Code).

My opinion should be read in conjunction with the rest of this report and in particular, the Emphasis of Matter referring to the basis of accounting.

### **Basis for Opinion**

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

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

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

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

### **Emphasis of Matter - Basis of Accounting**

Without modifying my opinion, I 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 Council's financial reporting responsibilities under the LG Code. As a result, the financial statements may not be suitable for another purpose.



## **Other Matter**

The financial statements of the Council for the year ended 30 June 2016 were audited by another auditor who expressed an unmodified opinion on that financial statement on 25 October 2016.

## **The Councillors' Responsibility for the Financial Statements**

The Councillors are responsible for the preparation and fair presentation of the financial statements and for determining that the accounting policies, described in Note 1 to the financial statements, are appropriate to meet the requirements in the LG Code. The Councillors' responsibility also includes such internal control as the Councillors determine is necessary to enable the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

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

## **Auditor's Responsibility for the Audit of the Financial Statements**

My objectives are to:

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

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

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at:

[http://www.auasb.gov.au/auditors\\_responsibilities/ar4.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf).

The description forms part of my auditor's report.

My opinion does not provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.



Reiky Jiang  
Director, Financial Audit Services

19 October 2017  
SYDNEY

# Richmond Valley Council

SPECIAL SCHEDULES  
for the year ended 30 June 2017

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“A great community with a relaxed lifestyle,  
beautiful environment and vibrant economy.”

Richmond  
Valley  
Council



# Richmond Valley Council

## Special Schedules for the year ended 30 June 2017

### Contents

Page

#### Special Schedules<sup>1</sup>

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

<sup>1</sup> 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 2017

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
<b>Governance</b>	<b>2,039</b>	<b>–</b>	<b>–</b>	<b>(2,039)</b>
<b>Administration</b>	<b>–</b>	<b>779</b>	<b>–</b>	<b>779</b>
<b>Public order and safety</b>				
Fire service levy, fire protection, emergency services	1,940	1,142	742	(56)
Beach control	47	6	–	(41)
Enforcement of local government regulations	–	–	–	–
Animal control	257	161	–	(96)
Other	–	–	–	–
<b>Total public order and safety</b>	<b>2,244</b>	<b>1,309</b>	<b>742</b>	<b>(193)</b>
<b>Health</b>	<b>604</b>	<b>217</b>	<b>–</b>	<b>(387)</b>
<b>Environment</b>				
Noxious plants and insect/vermin control	114	–	–	(114)
Other environmental protection	269	–	–	(269)
Solid waste management	5,168	4,989	–	(179)
Street cleaning	270	–	–	(270)
Drainage	852	200	–	(652)
Stormwater management	–	–	–	–
<b>Total environment</b>	<b>6,673</b>	<b>5,189</b>	<b>–</b>	<b>(1,484)</b>
<b>Community services and education</b>				
Administration and education	–	–	–	–
Social protection (welfare)	–	–	–	–
Aged persons and disabled	–	–	–	–
Children's services	–	–	–	–
<b>Total community services and education</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Housing and community amenities</b>				
Public cemeteries	297	346	–	49
Public conveniences	209	–	–	(209)
Street lighting	305	168	–	(137)
Town planning	2,198	631	181	(1,386)
Other community amenities	–	–	–	–
<b>Total housing and community amenities</b>	<b>3,009</b>	<b>1,145</b>	<b>181</b>	<b>(1,683)</b>
<b>Water supplies</b>	<b>5,399</b>	<b>5,729</b>	<b>72</b>	<b>402</b>
<b>Sewerage services</b>	<b>7,394</b>	<b>8,544</b>	<b>566</b>	<b>1,716</b>

## Richmond Valley Council

# Special Schedule 1 – Net Cost of Services (continued)

for the year ended 30 June 2017

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
<b>Recreation and culture</b>				
Public libraries	1,217	441	132	(644)
Museums	–	–	–	–
Art galleries	–	–	–	–
Community centres and halls	606	82	–	(524)
Performing arts venues	–	–	–	–
Other performing arts	–	–	–	–
Other cultural services	–	–	–	–
Sporting grounds and venues	1,022	55	521	(446)
Swimming pools	738	3	–	(735)
Parks and gardens (lakes)	816	104	60	(652)
Other sport and recreation	410	41	22	(347)
<b>Total recreation and culture</b>	<b>4,809</b>	<b>726</b>	<b>735</b>	<b>(3,348)</b>
<b>Fuel and energy</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Agriculture</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Mining, manufacturing and construction</b>				
Building control	–	–	–	–
Other mining, manufacturing and construction	189	1,460	–	1,271
<b>Total mining, manufacturing and const.</b>	<b>189</b>	<b>1,460</b>	<b>–</b>	<b>1,271</b>
<b>Transport and communication</b>				
Urban roads (UR) – local	2,691	934	90	(1,667)
Urban roads – regional	–	–	–	–
Sealed rural roads (SRR) – local	4,060	1,241	123	(2,696)
Sealed rural roads (SRR) – regional	1,173	865	227	(81)
Unsealed rural roads (URR) – local	2,451	104	393	(1,954)
Unsealed rural roads (URR) – regional	–	–	–	–
Bridges on UR – local	128	–	–	(128)
Bridges on SRR – local	350	–	–	(350)
Bridges on URR – local	104	440	–	336
Bridges on regional roads	62	–	–	(62)
Parking areas	–	–	–	–
Footpaths	435	1	–	(434)
Aerodromes	189	4	–	(185)
Other transport and communication	3,487	3,858	–	371
<b>Total transport and communication</b>	<b>15,130</b>	<b>7,447</b>	<b>833</b>	<b>(6,850)</b>
<b>Economic affairs</b>				
Camping areas and caravan parks	–	–	–	–
Other economic affairs	2,549	2,681	954	1,086
<b>Total economic affairs</b>	<b>2,549</b>	<b>2,681</b>	<b>954</b>	<b>1,086</b>
<b>Totals – functions</b>	<b>50,039</b>	<b>35,226</b>	<b>4,083</b>	<b>(10,730)</b>
<b>General purpose revenues <sup>(1)</sup></b>		<b>18,237</b>		<b>18,237</b>
<b>Share of interests – joint ventures and associates using the equity method</b>	<b>–</b>	<b>–</b>		<b>–</b>
<b>NET OPERATING RESULT <sup>(2)</sup></b>	<b>50,039</b>	<b>53,463</b>	<b>4,083</b>	<b>7,507</b>

(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 2017

\$'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
<b>Loans (by source)</b>											
Commonwealth Government	–	–	–	–	–	–	–	–	–	–	–
NSW Treasury Corporation	–	–	–	–	–	–	–	–	–	–	–
Other State Government	–	–	–	–	–	–	–	–	–	–	–
Public subscription	–	–	–	–	–	–	–	–	–	–	–
Financial institutions	1,800	24,314	<b>26,114</b>	1,260	1,802	–	–	1,620	1,986	23,586	<b>25,572</b>
Other	–	–	–	–	–	–	–	–	–	–	–
<b>Total loans</b>	<b>1,800</b>	<b>24,314</b>	<b>26,114</b>	<b>1,260</b>	<b>1,802</b>	<b>–</b>	<b>–</b>	<b>1,620</b>	<b>1,986</b>	<b>23,586</b>	<b>25,572</b>
<b>Other long term debt</b>											
Ratepayers advances	–	–	–	–	–	–	–	–	–	–	–
Government advances	–	–	–	–	–	–	–	–	–	–	–
Finance leases	–	–	–	–	–	–	–	–	–	–	–
Deferred payments	–	–	–	–	–	–	–	–	–	–	–
<b>Total long term debt</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Total debt</b>	<b>1,800</b>	<b>24,314</b>	<b>26,114</b>	<b>1,260</b>	<b>1,802</b>	<b>–</b>	<b>–</b>	<b>1,620</b>	<b>1,986</b>	<b>23,586</b>	<b>25,572</b>

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 2017

\$'000	Actuals 2017	Actuals 2016
<b>A Expenses and income</b> <b>Expenses</b>		
<b>1. Management expenses</b>		
a. Administration	1,299	1,233
b. Engineering and supervision	664	572
<b>2. Operation and maintenance expenses</b>		
– dams and weirs		
a. Operation expenses	–	–
b. Maintenance expenses	5	4
– Mains		
c. Operation expenses	44	64
d. Maintenance expenses	237	198
– Reservoirs		
e. Operation expenses	3	12
f. Maintenance expenses	59	31
– Pumping stations		
g. Operation expenses (excluding energy costs)	–	–
h. Energy costs	87	86
i. Maintenance expenses	28	22
– Treatment		
j. Operation expenses (excluding chemical costs)	475	439
k. Chemical costs	219	179
l. Maintenance expenses	80	83
– Other		
m. Operation expenses	72	82
n. Maintenance expenses	8	25
o. Purchase of water	1,016	1,007
<b>3. Depreciation expenses</b>		
a. System assets	849	794
b. Plant and equipment	13	18
<b>4. Miscellaneous expenses</b>		
a. Interest expenses	–	–
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)	–	–
<b>5. Total expenses</b>	<b>5,158</b>	<b>4,849</b>

# 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 2017

\$'000	Actuals 2017	Actuals 2016
<b>Income</b>		
<b>6. Residential charges</b>		
a. Access (including rates)	842	808
b. Usage charges	2,600	2,252
<b>7. Non-residential charges</b>		
a. Access (including rates)	315	301
b. Usage charges	1,996	1,892
<b>8. Extra charges</b>	62	82
<b>9. Interest income</b>	90	78
<b>10. Other income</b>	101	81
<b>10a. Aboriginal Communities Water and Sewerage Program</b>	–	–
<b>11. Grants</b>		
a. Grants for acquisition of assets	–	–
b. Grants for pensioner rebates	77	81
c. Other grants	–	–
<b>12. Contributions</b>		
a. Developer charges	51	16
b. Developer provided assets	21	50
c. Other contributions	1	9
<b>13. Total income</b>	<b>6,156</b>	<b>5,650</b>
<b>14. Gain (or loss) on disposal of assets</b>	(243)	(352)
<b>15. Operating result</b>	<b>755</b>	<b>449</b>
<b>15a. Operating result (less grants for acquisition of assets)</b>	755	449



## 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 2017

\$'000	Actuals 2017	Actuals 2016
<b>B Capital transactions</b>		
<b>Non-operating expenditures</b>		
<b>16. Acquisition of fixed assets</b>		
a. New assets for improved standards	15	75
b. New assets for growth	21	–
c. Renewals	687	877
d. Plant and equipment	6	11
<b>17. Repayment of debt</b>	–	–
<b>18. Totals</b>	<b>729</b>	<b>963</b>
<b>Non-operating funds employed</b>		
<b>19. Proceeds from disposal of assets</b>	–	–
<b>20. Borrowing utilised</b>	–	–
<b>21. Totals</b>	<b>–</b>	<b>–</b>
<b>C Rates and charges</b>		
<b>22. Number of assessments</b>		
a. Residential (occupied)	6,596	6,546
b. Residential (unoccupied, ie. vacant lot)	165	145
c. Non-residential (occupied)	675	634
d. Non-residential (unoccupied, ie. vacant lot)	85	111
<b>23. Number of ETs for which developer charges were received</b>	14 ET	3 ET
<b>24. Total amount of pensioner rebates (actual dollars)</b>	\$ 149,685	\$ 146,557

# 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 2017

\$'000	Actuals Current	Actuals Non-current	Actuals Total
<b>ASSETS</b>			
<b>25. Cash and investments</b>			
a. Developer charges	1,583	–	1,583
b. Special purpose grants	–	–	–
c. Accrued leave	–	–	–
d. Unexpended loans	–	–	–
e. Sinking fund	–	–	–
f. Other	2,428	–	2,428
<b>26. Receivables</b>			
a. Specific purpose grants	81	–	81
b. Rates and availability charges	305	115	420
c. User charges	1,370	514	1,884
d. Other	–	–	–
<b>27. Inventories</b>	–	–	–
<b>28. Property, plant and equipment</b>			
a. System assets	–	73,192	73,192
b. Plant and equipment	–	28	28
<b>29. Other assets</b>	–	–	–
<b>30. Total assets</b>	<b>5,767</b>	<b>73,849</b>	<b>79,616</b>
<b>LIABILITIES</b>			
<b>31. Bank overdraft</b>	–	–	–
<b>32. Creditors</b>	–	7	7
<b>33. Borrowings</b>	–	–	–
<b>34. Provisions</b>			
a. Tax equivalents	–	–	–
b. Dividend	–	–	–
c. Other	–	–	–
<b>35. Total liabilities</b>	<b>–</b>	<b>7</b>	<b>7</b>
<b>36. NET ASSETS COMMITTED</b>	<b>5,767</b>	<b>73,842</b>	<b>79,609</b>
<b>EQUITY</b>			
<b>37. Accumulated surplus</b>			26,487
<b>38. Asset revaluation reserve</b>			53,122
<b>39. Other reserves</b>			–
<b>40. TOTAL EQUITY</b>			<b>79,609</b>
<b>Note to system assets:</b>			
<b>41. Current replacement cost</b> of system assets			89,789
<b>42. Accumulated current cost</b> depreciation of system assets			(16,597)
<b>43. Written down current cost</b> of system assets			<b>73,192</b>

# 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 2017

\$'000	Actuals 2017	Actuals 2016
<b>A Expenses and income</b> <b>Expenses</b>		
<b>1. Management expenses</b>		
a. Administration	1,477	1,431
b. Engineering and supervision	831	687
<b>2. Operation and maintenance expenses</b>		
– mains		
a. Operation expenses	348	335
b. Maintenance expenses	178	130
– Pumping stations		
c. Operation expenses (excluding energy costs)	170	161
d. Energy costs	71	75
e. Maintenance expenses	318	315
– Treatment		
f. Operation expenses (excl. chemical, energy, effluent and biosolids management costs)	551	526
g. Chemical costs	44	45
h. Energy costs	126	112
i. Effluent management	–	–
j. Biosolids management	82	127
k. Maintenance expenses	225	213
– Other		
l. Operation expenses	652	30
m. Maintenance expenses	72	144
<b>3. Depreciation expenses</b>		
a. System assets	1,176	1,121
b. Plant and equipment	25	24
<b>4. Miscellaneous expenses</b>		
a. Interest expenses	1,174	1,233
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)	–	–
<b>5. Total expenses</b>	<b>7,520</b>	<b>6,709</b>

## 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 2017

\$'000	Actuals 2017	Actuals 2016
<b>Income</b>		
<b>6. Residential charges</b> (including rates)	6,266	6,172
<b>7. Non-residential charges</b>		
a. Access (including rates)	–	–
b. Usage charges	1,190	1,112
<b>8. Trade waste charges</b>		
a. Annual fees	–	–
b. Usage charges	–	–
c. Excess mass charges	61	53
d. Re-inspection fees	–	–
<b>9. Extra charges</b>	49	35
<b>10. Interest income</b>	241	285
<b>11. Other income</b>	859	72
<b>11a. Aboriginal Communities Water and Sewerage Program</b>	–	–
<b>12. Grants</b>		
a. Grants for acquisition of assets	–	–
b. Grants for pensioner rebates	82	80
c. Other grants	1	6
<b>13. Contributions</b>		
a. Developer charges	(12)	22
b. Developer provided assets	578	57
c. Other contributions	–	–
<b>14. Total income</b>	<b>9,315</b>	<b>7,894</b>
<b>15. Gain (or loss) on disposal of assets</b>	(124)	(679)
<b>16. Operating result</b>	<b>1,671</b>	<b>506</b>
<b>16a. Operating result (less grants for acquisition of assets)</b>	1,671	506

## 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 2017

\$'000	Actuals 2017	Actuals 2016
<b>B Capital transactions</b>		
<b>Non-operating expenditures</b>		
<b>17. Acquisition of fixed assets</b>		
a. New assets for improved standards	25	100
b. New assets for growth	47	–
c. Renewals	1,240	2,540
d. Plant and equipment	16	75
<b>18. Repayment of debt</b>	1,059	1,013
<b>19. Totals</b>	<b>2,387</b>	<b>3,728</b>
<b>Non-operating funds employed</b>		
<b>20. Proceeds from disposal of assets</b>	–	–
<b>21. Borrowing utilised</b>	–	–
<b>22. Totals</b>	<b>–</b>	<b>–</b>
<b>C Rates and charges</b>		
<b>23. Number of assessments</b>		
a. Residential (occupied)	6,187	6,238
b. Residential (unoccupied, ie. vacant lot)	151	119
c. Non-residential (occupied)	659	634
d. Non-residential (unoccupied, ie. vacant lot)	85	94
<b>24. Number of ETs for which developer charges were received</b>	– ET	3 ET
<b>25. Total amount of pensioner rebates (actual dollars)</b>	\$ 146,743	\$ 146,597

## 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 2017

\$'000	Actuals Current	Actuals Non-current	Actuals Total
<b>ASSETS</b>			
<b>26. Cash and investments</b>			
a. Developer charges	3,025	–	<b>3,025</b>
b. Special purpose grants	–	–	–
c. Accrued leave	–	–	–
d. Unexpended loans	–	–	–
e. Sinking fund	–	–	–
f. Other	6,123	–	<b>6,123</b>
<b>27. Receivables</b>			
a. Specific purpose grants	80	–	<b>80</b>
b. Rates and availability charges	1,660	538	<b>2,198</b>
c. User charges	–	–	–
d. Other	1,238	107	<b>1,345</b>
<b>28. Inventories</b>	–	–	–
<b>29. Property, plant and equipment</b>			
a. System assets	–	111,678	<b>111,678</b>
b. Plant and equipment	–	210	<b>210</b>
<b>30. Other assets</b>	3	–	<b>3</b>
<b>31. Total assets</b>	<b>12,129</b>	<b>112,533</b>	<b>124,662</b>
<b>LIABILITIES</b>			
<b>32. Bank overdraft</b>	–	–	–
<b>33. Creditors</b>	201	–	<b>201</b>
<b>34. Borrowings</b>	1,108	14,998	<b>16,106</b>
<b>35. Provisions</b>			
a. Tax equivalents	–	–	–
b. Dividend	–	–	–
c. Other	–	–	–
<b>36. Total liabilities</b>	<b>1,309</b>	<b>14,998</b>	<b>16,307</b>
<b>37. NET ASSETS COMMITTED</b>	<b>10,820</b>	<b>97,535</b>	<b>108,355</b>
<b>EQUITY</b>			
<b>38. Accumulated surplus</b>			39,492
<b>39. Asset revaluation reserve</b>			68,863
<b>40. Other reserves</b>			–
<b>41. TOTAL EQUITY</b>			<b>108,355</b>
<b>Note to system assets:</b>			
<b>42. Current replacement cost</b> of system assets			138,424
<b>43. Accumulated current cost</b> depreciation of system assets			(26,746)
<b>44. Written down current cost</b> of system assets			<b>111,678</b>

# Richmond Valley Council

## Notes to Special Schedules 3 and 5

for the year ended 30 June 2017

### Administration <sup>(1)</sup>

(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 <sup>(1)</sup>

(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** <sup>(2)</sup> (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** <sup>(2)</sup> (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:

<sup>(1)</sup> 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).

<sup>(2)</sup> 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 2017

\$'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	2016/17 Required maintenance <sup>a</sup>	2016/17 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Buildings	Buildings – specialised	3,114	3,114	339	359	52,017	66,595	20%	25%	43%	11%	1%
	<b>Sub-total</b>	<b>3,114</b>	<b>3,114</b>	<b>339</b>	<b>359</b>	<b>52,016</b>	<b>66,595</b>	<b>20.0%</b>	<b>25.0%</b>	<b>43.0%</b>	<b>11.0%</b>	<b>1.0%</b>
Other structures	Other structures	26	26	110	117	10,104	12,457	44%	54%	2%	0%	0%
	<b>Sub-total</b>	<b>26</b>	<b>26</b>	<b>110</b>	<b>117</b>	<b>10,104</b>	<b>12,457</b>	<b>44.0%</b>	<b>54.0%</b>	<b>2.0%</b>	<b>0.0%</b>	<b>0.0%</b>
Roads	Sealed roads	5,757	5,757	1,532	1,869	137,912	186,960	44%	47%	8%	1%	0%
	Unsealed roads	3,401	3,401	795	952	15,009	31,980	2%	31%	57%	10%	0%
	Bridges	251	251	63	14	58,597	75,624	38%	49%	12%	1%	0%
	Footpaths	71	71	39	18	11,955	16,952	57%	33%	9%	1%	0%
	Bulk earthworks	–	–	–	–	73,631	73,631	100%	0%	0%	0%	0%
	<b>Sub-total</b>	<b>9,480</b>	<b>9,480</b>	<b>2,429</b>	<b>2,853</b>	<b>297,104</b>	<b>385,147</b>	<b>50.6%</b>	<b>36.5%</b>	<b>11.4%</b>	<b>1.6%</b>	<b>0.0%</b>
Water supply network	Water supply network	828	828	413	371	71,035	87,605	45%	49%	4%	2%	0%
	<b>Sub-total</b>	<b>828</b>	<b>828</b>	<b>413</b>	<b>371</b>	<b>71,035</b>	<b>87,605</b>	<b>45.0%</b>	<b>49.0%</b>	<b>4.0%</b>	<b>2.0%</b>	<b>0.0%</b>
Sewerage network	Sewerage network	4,494	4,494	849	1,036	109,890	136,601	41%	36%	14%	9%	0%
	<b>Sub-total</b>	<b>4,494</b>	<b>4,494</b>	<b>849</b>	<b>1,036</b>	<b>109,890</b>	<b>136,601</b>	<b>41.0%</b>	<b>36.0%</b>	<b>14.0%</b>	<b>9.0%</b>	<b>0.0%</b>



## Richmond Valley Council

## Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2017 (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	2016/17 Required maintenance <sup>a</sup>	2016/17 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Stormwater drainage	Stormwater drainage	1,824	1,824	159	137	34,142	50,093	36%	40%	17%	7%	0%
	<b>Sub-total</b>	<b>1,824</b>	<b>1,824</b>	<b>159</b>	<b>137</b>	<b>34,142</b>	<b>50,093</b>	<b>36.0%</b>	<b>40.0%</b>	<b>17.0%</b>	<b>7.0%</b>	<b>0.0%</b>
Open space/recreational assets	Swimming pools	3	3	10	14	6,753	7,803	62%	38%	0%	0%	0%
	Other Open Space/Recreation	225	225	97	129	7,633	9,580	62%	28%	4%	5%	1%
	<b>Sub-total</b>	<b>228</b>	<b>228</b>	<b>107</b>	<b>143</b>	<b>14,386</b>	<b>17,383</b>	<b>62.0%</b>	<b>32.5%</b>	<b>2.2%</b>	<b>2.8%</b>	<b>0.6%</b>
	<b>TOTAL – ALL ASSETS</b>	<b>19,994</b>	<b>19,994</b>	<b>4,406</b>	<b>5,016</b>	<b>588,677</b>	<b>755,881</b>	<b>44.7%</b>	<b>37.3%</b>	<b>13.8%</b>	<b>4.1%</b>	<b>0.1%</b>

## Notes:

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

## Infrastructure asset condition assessment 'key'

1	<b>Excellent</b>	No work required (normal maintenance)
2	<b>Good</b>	Only minor maintenance work required
3	<b>Average</b>	Maintenance work required
4	<b>Poor</b>	Renewal required
5	<b>Very poor</b>	Urgent renewal/upgrading required

## Richmond Valley Council

Special Schedule 7 – Report on Infrastructure Assets (continued)  
for the year ended 30 June 2017

\$ '000	Amounts 2017	Indicator 2017	Benchmark	Prior periods	
				2016	2015
Infrastructure asset performance indicators * consolidated					
1. Infrastructure renewals ratio					
Asset renewals <sup>(1)</sup>	8,306	82.94%	>= 100%	98.97%	118.22%
Depreciation, amortisation and impairment	10,015				
2. Infrastructure backlog ratio					
Estimated cost to bring assets to a satisfactory standard	19,994	3.80%	< 2%	1.32%	1.80%
Net carrying amount of infrastructure assets	526,530				
3. Asset maintenance ratio					
Actual asset maintenance	5,016	1.14	> 1.00	1.09	0.97
Required asset maintenance	4,406				
4. Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	19,994	2.65%		0.95%	1.32%
Gross replacement cost	755,881				

## 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 2017

<p><b>1. Infrastructure renewals ratio</b></p> <p>Benchmark: — Minimum <math>\geq 100.00\%</math> Source for benchmark: Code of Accounting Practice and Financial Reporting #25</p>	<p><b>Purpose of asset renewals ratio</b></p> <p>To assess the rate at which these assets are being renewed relative to the rate at which they are depreciating.</p>	<p><b>Commentary on 2016/17 result</b></p> <p><b>2016/17 Ratio 82.94%</b></p> <p>Council's Infrastructure renewals ratio decreased to 82.94% in 2016/2017. The approval of Council's special rate variation will enable a continued focus on asset renewals going forward.</p>
<p><b>2. Infrastructure backlog ratio</b></p> <p>Benchmark: — Maximum <math>&lt; 2.00\%</math> Source for benchmark: Code of Accounting Practice and Financial Reporting #25</p>	<p><b>Purpose of infrastructure backlog ratio</b></p> <p>This ratio shows what proportion the backlog is against the total value of a Council's infrastructure.</p>	<p><b>Commentary on 2016/17 result</b></p> <p><b>2016/17 Ratio 3.80%</b></p> <p>Council's Infrastructure backlog ratio has increased to 3.8%. The major driver of this was the extensive damage to the road network as a result of major flooding in March 2017.</p>
<p><b>3. Asset maintenance ratio</b></p> <p>Benchmark: — Minimum <math>&gt; 1.00</math> Source for benchmark: Code of Accounting Practice and Financial Reporting #25</p>	<p><b>Purpose of asset maintenance ratio</b></p> <p>Compares actual vs. required annual asset maintenance. A ratio above 1.0 indicates Council is investing enough funds to stop the infrastructure backlog growing.</p>	<p><b>Commentary on 2016/17 result</b></p> <p><b>2016/17 Ratio 1.14 x</b></p> <p>Council's Asset maintenance ratio continues to be above the benchmark of 1.0 or higher.</p>
<p><b>4. Cost to bring assets to agreed service level</b></p>	<p><b>Purpose of agreed service level ratio</b></p> <p>This ratio provides a snapshot of the proportion of outstanding renewal works compared to the total value of assets under Council's care and stewardship.</p>	<p><b>Commentary on 2016/17 result</b></p> <p><b>2016/17 Ratio 2.65%</b></p> <p>Outstanding renewals remain relatively low at 2.65% of the total replacement cost of Council's infrastructure assets.</p>

## Richmond Valley Council

## Special Schedule 7 – Report on Infrastructure Assets (continued)

for the year ended 30 June 2017

\$ '000	Benchmark	Water 2017	Sewer 2017	General <sup>(1)</sup> 2017
<b>Infrastructure asset performance indicators by fund</b>				
<b>1. Infrastructure renewals ratio</b>				
Asset renewals <sup>(2)</sup>		<b>82.21%</b>	<b>109.18%</b>	<b>79.15%</b>
Depreciation, amortisation and impairment	>= 100%			
	prior period:	111.71%	232.29%	78.77%
<b>2. Infrastructure backlog ratio</b>				
Estimated cost to bring assets to a satisfactory standard		<b>1.17%</b>	<b>4.09%</b>	<b>4.25%</b>
Net carrying amount of infrastructure assets	< 2%			
	prior period:	0.28%	5.26%	0.37%
<b>3. Asset maintenance ratio</b>				
Actual asset maintenance		<b>0.90</b>	<b>1.22</b>	<b>1.15</b>
Required asset maintenance	> 1.00			
	prior period:	0.73	1.18	1.12
<b>4. Cost to bring assets to agreed service level</b>				
Estimated cost to bring assets to an agreed service level set by Council		<b>0.95%</b>	<b>3.29%</b>	<b>2.76%</b>
Gross replacement cost				

## 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 2018

\$'000		Calculation 2016/17	Calculation 2017/18
<b>Notional general income calculation <sup>(1)</sup></b>			
Last year notional general income yield	a	10,300	11,213
Plus or minus adjustments <sup>(2)</sup>	b	29	137
<b>Notional general income</b>	<b>c = (a + b)</b>	<b>10,329</b>	<b>11,350</b>
<b>Permissible income calculation</b>			
Special variation percentage <sup>(3)</sup>	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	$h = d \times (c - g)$	568	624
Or plus rate peg amount	$i = c \times e$	—	—
Or plus Crown land adjustment and rate peg amount	$j = c \times f$	—	—
<b>Sub-total</b>	<b><math>k = (c + g + h + i + j)</math></b>	<b>10,897</b>	<b>11,974</b>
Plus (or minus) last year's carry forward total	l	126	(190)
Less valuation objections claimed in the previous year	m	—	—
<b>Sub-total</b>	<b><math>n = (l + m)</math></b>	<b>126</b>	<b>(190)</b>
<b>Total permissible income</b>	<b><math>o = k + n</math></b>	<b>11,023</b>	<b>11,784</b>
Less notional general income yield	p	11,213	11,767
<b>Catch-up or (excess) result</b>	<b><math>q = o - p</math></b>	<b>(190)</b>	<b>17</b>
Plus income lost due to valuation objections claimed <sup>(4)</sup>	r	—	—
Less unused catch-up <sup>(5)</sup>	s	—	—
<b>Carry forward to next year</b>	<b><math>t = q + r - s</math></b>	<b>(190)</b>	<b>17</b>

#### 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.



## **INDEPENDENT AUDITOR'S REPORT**

### **Special Schedule No. 8**

### **Richmond Valley Council**

To the Councillors of Richmond Valley Council

### **Opinion**

I have audited the accompanying special purpose financial statement comprising the reconciliation of total permissible general income (Special Schedule No. 8) of Richmond Valley Council (the Council) for the year ending 30 June 2018.

In my opinion, Special Schedule No. 8 of the Council for 2017-18 is prepared, in all material respects in accordance with the requirements of the Local Government Code of Accounting Practice and Financial Reporting (LG Code) issued by the Office of Local Government (OLG), and is in accordance with the books and records of the Council.

My opinion should be read in conjunction with the rest of this report, and in particular the Emphasis of Matter paragraph, which describes the basis of accounting.

### **Basis for Opinion**

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under the standards are described in the 'Auditor's Responsibilities for the Audit of Special Schedule No.8' section of my report.

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

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

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

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

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

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

## **Emphasis of Matter - Basis of Accounting**

Without modifying my opinion, I draw attention to the notes and explanations in Special Schedule No. 8 that instruct councils in its preparation so it complies with OLG's requirements as described in the LG Code. As a result, Special Schedule No. 8 may not be suitable for another purpose.

## **Councillors' Responsibility for Special Schedule No. 8**

The Councillors of the Council are responsible for the preparation of Special Schedule No. 8 in accordance with the LG Code. The Councillors' responsibility also includes such internal control as the Councillors determine is necessary to enable the preparation of Special Schedule No. 8 that is free from material misstatement, whether due to fraud or error.

In preparing Special Schedule No.8, the Councillors must assess the Council's ability to continue as a going concern except where the Council will be dissolved or amalgamated by an Act of Parliament. The assessment must disclose, as applicable, matters related to going concern and the appropriateness of using the going concern basis of accounting.

## **Auditor's Responsibility for the Audit of Special Schedule No. 8**

My objectives are to:

- obtain reasonable assurance whether Special Schedule No. 8 as a whole is free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on Special Schedule No.8.

A description of my responsibilities for the audit of Special Schedule No.8 is located at the Auditing and Assurance Standards Board website at [http://www.auasb.gov.au/auditors\\_responsibilities/ar8.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar8.pdf). The description forms part of my auditor's report.

My opinion does not provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- about the security and controls over the electronic publication of the audited Special Schedule No.8 on any website where they may be presented
- about any other information which may have been hyperlinked to/from Special Schedule No 8.



Reiky Jiang  
Director, Financial Audit Services

26 October 2017  
SYDNEY