

# Richmond Valley Council

GENERAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2018

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

Richmond  
Valley  
Council



# Richmond Valley Council

## General Purpose Financial Statements for the year ended 30 June 2018

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### Overview

Richmond Valley Council is constituted under the *Local Government Act 1993 (NSW)* and has its principal place of business at:

Cnr Walker Street & Graham Place  
Casino NSW 2470

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).

Through the use of the internet, we have ensured that our reporting is timely, complete and available at minimum cost. All press releases, financial statements and other information are publicly available on our website: [www.richmondvalley.nsw.gov.au](http://www.richmondvalley.nsw.gov.au).

# Richmond Valley Council

## General Purpose Financial Statements for the year ended 30 June 2018

### 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 other pronouncements of the Australian Accounting Standards Board,
- 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,
- 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 16 October 2018.**



Robert Mustow

**Mayor**

16 October 2018



Daniel Simpson

**Councillor**

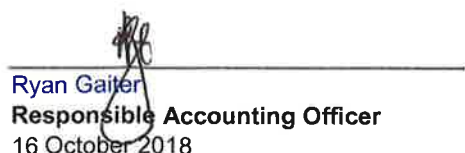
16 October 2018



Vaughan Macdonald

**General Manager**

16 October 2018



Ryan Gaiter

**Responsible Accounting Officer**

16 October 2018

# Richmond Valley Council

## Income Statement

for the year ended 30 June 2018

Original unaudited budget 2018	\$ '000	Notes	Actual 2018	Actual 2017
<b>Income from continuing operations</b>				
<b>Revenue:</b>				
22,928	Rates and annual charges	3a	22,830	21,723
14,354	User charges and fees	3b	14,488	15,615
971	Interest and investment revenue	3c	1,060	1,031
142	Other revenues	3d	166	226
9,617	Grants and contributions provided for operating purposes	3e,f	9,907	13,780
5,465	Grants and contributions provided for capital purposes	3e,f	11,557	4,083
<b>53,477</b>	<b>Total income from continuing operations</b>		<b>60,008</b>	<b>56,458</b>
<b>Expenses from continuing operations</b>				
18,411	Employee benefits and on-costs	4a	19,017	18,205
1,679	Borrowing costs	4b	2,940	1,684
10,650	Materials and contracts	4c	10,807	11,818
13,677	Depreciation and amortisation	4d	14,698	12,193
4,569	Other expenses	4e	4,189	4,177
–	Net losses from the disposal of assets	5	2,677	874
<b>48,986</b>	<b>Total expenses from continuing operations</b>		<b>54,328</b>	<b>48,951</b>
<b>4,491</b>	<b>Operating result from continuing operations</b>		<b>5,680</b>	<b>7,507</b>
<b>4,491</b>	<b>Net operating result for the year</b>		<b>5,680</b>	<b>7,507</b>
4,491	Net operating result attributable to Council		5,680	7,507
<b>Net operating result for the year before grants and contributions provided for capital purposes</b>				
(974)			(5,877)	3,424

# Richmond Valley Council

## Statement of Comprehensive Income for the year ended 30 June 2018

\$ '000	Notes	2018	2017
<b>Net operating result for the year</b> (as per Income Statement)		<b>5,680</b>	<b>7,507</b>
<b>Other comprehensive income:</b>			
Amounts that will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of IPP&E	9	67,960	20,179
Impairment (loss) reversal relating to IPP&E	9	2,859	(8,330)
<b>Total items which will not be reclassified subsequently to the operating result</b>		<b>70,819</b>	<b>11,849</b>
Amounts that will be reclassified subsequently to the operating result when specific conditions are met			
Nil			
<b>Total other comprehensive income for the year</b>		<b>70,819</b>	<b>11,849</b>
<b>Total comprehensive income for the year</b>		<b>76,499</b>	<b>19,356</b>
Total comprehensive income attributable to Council		76,499	19,356

# Richmond Valley Council

## Statement of Financial Position as at 30 June 2018

\$ '000	Notes	2018	2017
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	6a	5,988	12,934
Investments	6b	35,028	25,711
Receivables	7	9,066	9,867
Inventories	8	1,422	1,092
Other	8	248	369
<b>Total current assets</b>		<b>51,752</b>	<b>49,973</b>
<b>Non-current assets</b>			
Investments	6b	4,000	–
Receivables	7	2,098	2,208
Inventories	8	1,679	1,297
Infrastructure, property, plant and equipment	9	746,993	673,629
<b>Total non-current assets</b>		<b>754,770</b>	<b>677,134</b>
<b>TOTAL ASSETS</b>		<b>806,522</b>	<b>727,107</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	10	4,766	4,276
Income received in advance	10	31	30
Borrowings	10	2,289	1,986
Provisions	11	5,476	4,124
<b>Total current liabilities</b>		<b>12,562</b>	<b>10,416</b>
<b>Non-current liabilities</b>			
Payables	10	574	590
Borrowings	10	24,900	23,586
Provisions	11	2,043	2,571
<b>Total non-current liabilities</b>		<b>27,517</b>	<b>26,747</b>
<b>TOTAL LIABILITIES</b>		<b>40,079</b>	<b>37,163</b>
<b>Net assets</b>		<b>766,443</b>	<b>689,944</b>
<b>EQUITY</b>			
Accumulated surplus	12	343,332	337,652
Revaluation reserves	12	423,111	352,292
<b>Council equity interest</b>		<b>766,443</b>	<b>689,944</b>
<b>Total equity</b>		<b>766,443</b>	<b>689,944</b>

## Richmond Valley Council

## Statement of Changes in Equity

for the year ended 30 June 2018

\$ '000	Notes	2018	IPP&E	Total equity	2017	IPP&E	Total equity
		Accumulated surplus	revaluation reserve		Accumulated surplus	revaluation reserve	
<b>Opening balance</b>		337,652	352,292	<b>689,944</b>	330,145	340,443	<b>670,588</b>
<b>Net operating result for the year</b>		<b>5,680</b>	–	<b>5,680</b>	<b>7,507</b>	–	<b>7,507</b>
<b>Other comprehensive income</b>							
– Gain (loss) on revaluation of IPP&E	9	–	67,960	<b>67,960</b>	–	20,179	<b>20,179</b>
– Impairment (loss) reversal relating to IPP&E	9	–	2,859	<b>2,859</b>	–	(8,330)	<b>(8,330)</b>
<b>Other comprehensive income</b>		<b>–</b>	<b>70,819</b>	<b>70,819</b>	<b>–</b>	<b>11,849</b>	<b>11,849</b>
<b>Total comprehensive income</b>		<b>5,680</b>	<b>70,819</b>	<b>76,499</b>	<b>7,507</b>	<b>11,849</b>	<b>19,356</b>
<b>Equity – balance at end of the reporting period</b>		<b>343,332</b>	<b>423,111</b>	<b>766,443</b>	<b>337,652</b>	<b>352,292</b>	<b>689,944</b>

# Richmond Valley Council

## Statement of Cash Flows for the year ended 30 June 2018

Original unaudited budget 2018	\$ '000	Notes	Actual 2018	Actual 2017
<b>Cash flows from operating activities</b>				
<b>Receipts:</b>				
22,928	Rates and annual charges		23,130	21,994
14,354	User charges and fees		15,739	13,597
971	Investment and interest revenue received		665	622
15,082	Grants and contributions		19,560	16,186
–	Bonds, deposits and retention amounts received		115	–
142	Other		–	312
<b>Payments:</b>				
(17,145)	Employee benefits and on-costs		(18,725)	(18,087)
(11,638)	Materials and contracts		(11,016)	(12,249)
(1,593)	Borrowing costs		(2,900)	(1,628)
–	Bonds, deposits and retention amounts refunded		–	(29)
(4,569)	Other		(4,239)	(3,884)
<b>18,532</b>	<b>Net cash provided (or used in) operating activities</b>	13b	<b>22,329</b>	<b>16,834</b>
<b>Cash flows from investing activities</b>				
<b>Receipts:</b>				
305	Sale of real estate assets		381	1,707
2,796	Sale of infrastructure, property, plant and equipment		4,792	517
1	Deferred debtors receipts		2	–
<b>Payments:</b>				
–	Purchase of investment securities		(13,000)	(5,000)
(25,002)	Purchase of infrastructure, property, plant and equipment		(22,548)	(12,347)
–	Purchase of real estate assets		(519)	(301)
<b>(21,900)</b>	<b>Net cash provided (or used in) investing activities</b>		<b>(30,892)</b>	<b>(15,424)</b>
<b>Cash flows from financing activities</b>				
<b>Receipts:</b>				
1,982	Proceeds from borrowings and advances		13,855	1,260
<b>Payments:</b>				
(2,067)	Repayment of borrowings and advances		(12,238)	(1,802)
<b>(85)</b>	<b>Net cash flow provided (used in) financing activities</b>		<b>1,617</b>	<b>(542)</b>
<b>(3,453)</b>	<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(6,946)</b>	<b>868</b>
12,934	Plus: <b>Cash and cash equivalents – beginning of year</b>	13a	12,934	12,066
<b>9,481</b>	<b>Cash and cash equivalents – end of the year</b>	13a	<b>5,988</b>	<b>12,934</b>
Additional Information:				
	Plus: <b>Investments on hand – end of year</b>	6b	39,028	25,711
	<b>Total cash, cash equivalents and investments</b>		<b>45,016</b>	<b>38,645</b>



# Richmond Valley Council

## Notes to the Financial Statements

for the year ended 30 June 2018

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## Richmond Valley Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 1. Basis of preparation

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These financial statements were authorised for issue by Council on 16 October 2018.

Council has the power to amend and reissue these financial statements.

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.

#### 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.

The financial statements are presented in Australian dollars and are rounded to the nearest thousand dollars.

Full dollars have been used in Note 20 Related party disclosures in relation to the disclosure of specific related party transactions.

Unless otherwise indicated, all amounts disclosed in the financial statements are actual amounts.

Specific budgetary amounts have been included for comparative analysis (to actuals) in the following reports and notes:

- Income statement
- Statement of cash flows
- Note 18 – Material budget variations

and are clearly marked.

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

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

#### (b) 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 infrastructure, property, plant and equipment and investment property.

#### (c) 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

## Richmond Valley Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 1. Basis of preparation (continued)

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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 – refer Note 9,
- (ii) estimated asset remediation provisions – refer Note 11,
- (iii) employee benefit provisions – refer Note 11.

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

- (iv) Impairment of receivables

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

#### **Monies and other assets received by Council**

##### **(a) The Consolidated Fund**

In accordance with the provisions of Section 409(1) of the *Local Government Act 1993 (NSW)*, all money and other assets 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

##### **(b) 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 other assets 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 other assets subject to Council's control have been included in 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.

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

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

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

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

## Richmond Valley Council

### Notes to the Financial Statements for the year ended 30 June 2018

#### Note 1. Basis of preparation (continued)

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##### **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.

As at the date of authorisation of these financial statements, Council considers that the standards and interpretations listed below will have an impact upon future published financial statements ranging from additional and / or revised disclosures to actual changes as to how certain transactions and balances are accounted for.

##### **Effective for annual reporting periods beginning on or after 1 July 2018**

- *AASB 9 Financial Instruments*

This replaces AASB 139 *Financial Instruments: Recognition and Measurement*, and addresses the classification, measurement and disclosure of financial assets and liabilities.

The standard introduces a new impairment model that requires impairment provisions to be based on expected credit losses, rather than incurred credit losses.

Based on assessments to date, Council expects a small increase to impairment losses however the standard is not expected to have a material impact overall.

##### **Effective for annual reporting periods beginning on or after 1 July 2019**

- *AASB 15 Revenue from Contracts with Customers*, *AASB 1058 Income of Not-for-Profit Entities* and *AASB 2016-8 Amendments to Australian Accounting Standards - Australian Implementation Guidance for Not-for-Profit Entities*

AASB 15 will replace AASB 118 *Revenue*, AASB 111 *Construction Contracts* and a number of Interpretations. AASB 2016-8 provides Australian requirements and guidance for not-for-profit entities in applying AASB 9, AASB 15 and AASB 1058 will replace AASB 1004 *Contributions*.

Together they contain a comprehensive and robust framework for the recognition, measurement and disclosure of income including revenue from contracts with customers.

While Council is still reviewing the way that income is measured and recognised to identify whether there will be any material impact arising from these standards, these standards may affect the timing of the recognition of some grants and donations.

- *AASB 16 Leases*

Council is currently a party to leases that are not recognised in the Statement of Financial Position.

It is likely that some of these leases will need to be included in the Statement of Financial Position when this standard comes into effect.

A lease liability will initially be measured at the present value of the lease payments to be made over the lease term.

A corresponding right-of-use asset will also be recognised over the lease term.

## Richmond Valley Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 1. Basis of preparation (continued)

Council has not elected to apply any pronouncements before their operative date in these financial statements.

#### Defined Benefit Superannuation Contribution

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 the purpose 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 benefits section of the Scheme and recognised as an expense for the year ending 30 June 2018 was \$333,735.06. The last valuation of the Scheme was performed by Mr Richard Boyfield (FIAA) on 2 December 2016 and covers the year ended 30 June 2018.

As per AASB119.148, the following disclosures are required:

Pooled Employers are required to pay standard employer contributions and additional lump sum contributions to the Fund.

The standard employer contributions were determined using the new entrant rate method under which a contribution rate sufficient to fund the total benefits over the working life-time of a typical new entrant is calculated. The current standard employer contribution rates are:

Division B	1.9 times employer contributions
Division C	2.5% salaries
Division D	1.64 time employee contributions

The additional lump sum contribution for each Pooled Employer is a share of the total additional contributions of \$40.0 million per annum from 1 July 2017 for 4 years to 30 June 2021, apportioned according to each employer's share of the accrued liabilities as at 30 June 2017. These additional lump sum contributions are used to fund the deficit of assets to accrued liabilities as at 30 June 2017.

The adequacy of contributions is assessed at each triennial actuarial investigation and monitored annually between triennials.

As stated above, each sponsoring employer is exposed to the actuarial risks associated with current and former employees of other sponsoring employers and hence shares in the associated gains and losses.

However, there is no relief under the Fund's trust deed for employers to walk away from their defined benefit obligations. Under limited circumstances, an employer may withdraw from the plan when there are no active members, on full payment of outstanding additional contributions. There is no provision for allocation of any surplus which may be present at the date of withdrawal of the entity.

Agreed allocation of a surplus or deficit based on:

- (i) wind-up of the plan – there are no specific provisions under the Fund's trust deed dealing with deficits or surplus on wind-up.
- (ii) the entity's withdrawal from the plan – there is no provision for allocation of any surplus which may be present at the date of withdrawal of an employer.

We confirm that the plan is a defined benefit plan.

## Richmond Valley Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 1. Basis of preparation (continued)

The Pooled Employers' sub-group is considered a defined benefit multi-employer plan as:

- Assets are not segregated within the sub-group according to the employees of each sponsoring employer;
- The contribution rates have been the same for all sponsoring employers. That is, contribution rates have not varied for each sponsoring employer according to the experience relating to the employees of that sponsoring employer;
- Benefits for employees of all sponsoring employers are determined according to the same formulae and without regard to the sponsoring employer; and
- The same actuarial assumptions are currently used in respect of the employees of each sponsoring employer.

As such there isn't sufficient reliable information to allow each sponsoring employer to account for its proportionate share of the defined benefit obligation, sub-group assets and costs associated with the sub-group in the same way as it would for a single employer sponsored defined benefit plan.

The expected contributions for the next annual reporting period is \$361,003.92.

The estimated employer reserves financial position for the Pooled Employers at 30 June 2018 is:

Employer Reserves Only*	Millions (\$)	Asset Coverage
Assets	1,817.8	
Past Serviced Liabilities	1,787.5	101.7%
Vested Benefits	1,778.0	102.2%

\*excluding member accounts and reserves in both assets and liabilities

The key economic long term assumptions used to calculate the present value of accrued benefits are:

Investment return	6.0% per annum
Salary inflation*	3.5% per annum
Increase in CPI	2.5% per annum

\*plus promotional increases

The contribution requirements may vary from the current rates if the overall sub-group experience is not in line with the actuarial assumptions in determining the funding program; however, any adjustment to the funding program would be the same for all sponsoring employers in the Pooled Employers group. The last valuation of the Fund was performed by the Actuary, Mr Richard Boyfield, FIAA on 12 December 2017, relating to the period ending 30 June 2017. The funds next triennial review is scheduled for completion in December 2018.

An employer's additional lump sum contribution per annum as a percentage of the total additional lump sum contributions for all Pooled Employers (of \$40m each year from 1 July 2017 to 30 June 2021) provides an indication of the level of participation of that employer compared with other employers in the Pooled Employer sub-group.

# Richmond Valley Council

## Notes to the Financial Statements

for the year ended 30 June 2018

### 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 and non-current)	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Connecting People and Places	13,363	12,140	22,124	22,960	(8,761)	(10,820)	7,525	5,045	469,936	405,785
Growing our Economy	8,732	5,906	7,142	4,936	1,590	970	2,939	953	27,880	22,172
Looking after our Environment	20,641	20,484	22,587	20,104	(1,946)	380	347	345	251,183	246,501
Making Council Great	17,517	19,016	2,720	2,039	14,797	16,977	5,264	7,341	57,523	52,649
<b>Total functions and activities</b>	<b>60,253</b>	<b>57,546</b>	<b>54,573</b>	<b>50,039</b>	<b>5,680</b>	<b>7,507</b>	<b>16,075</b>	<b>13,684</b>	<b>806,522</b>	<b>727,107</b>

## Richmond Valley Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### 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:**

##### **Connecting People and Places**

Festivals and Events, Swimming Pools, Libraries, Emergency Management, Cemeteries, Sports Grounds, Parks and Facilities, Community Centres and Halls, Building and Maintaining Roads, Community Engagement, Consultation and Communication, Community Programs and Grants.

##### **Growing our Economy**

Economic Development, Tourism, Town Planning and Development Services, Quarries, Northern Rivers Livestock Exchange, Private Works, Real Estate Development.

##### **Looking after our Environment**

Waste Management, Stormwater Management, Water Supplies, Sewerage Services, Environmental Health, Environmental Management.

##### **Making Council Great**

Governance and Advocacy, Customer Service, Information Technology Services, Organisational Development, Work Health and Safety, Financial Services, Engineering Support and Asset Management, Fleet Management.



# Richmond Valley Council

## Notes to the Financial Statements for the year ended 30 June 2018

### Note 3. Income from continuing operations

\$ '000	2018	2017
<b>(a) Rates and annual charges</b>		
<b>Ordinary rates</b>		
Residential	7,208	6,915
Farmland	2,248	2,179
Business	1,521	1,432
<b>Total ordinary rates</b>	<b>10,977</b>	<b>10,526</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	3,243	3,044
Stormwater management services	200	198
Water supply services	1,153	1,073
Sewerage services	6,554	6,410
Waste management services (non-domestic)	703	472
<b>Total annual charges</b>	<b>11,853</b>	<b>11,197</b>
<b>TOTAL RATES AND ANNUAL CHARGES</b>	<b>22,830</b>	<b>21,723</b>

Council has used 2016 year valuations provided by the NSW Valuer General in calculating its rates.

#### Accounting policy for rates and annual charges

Rates, annual charges, grants and contributions (including developer contributions) are recognised as revenue when the Council obtains control over the assets comprising these receipts. Developer contributions may only be expended for the purposes for which the contributions were required, but the Council may apply contributions according to the priorities established in work schedules.

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

# Richmond Valley Council

## Notes to the Financial Statements for the year ended 30 June 2018

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

\$ '000	2018	2017
<b>(b) User charges and fees</b>		
<b>Specific user charges</b> (per s.502 – specific ‘actual use’ charges)		
Water supply services	4,410	4,325
Sewerage services	999	903
Waste management services (non-domestic)	27	23
<b>Total specific user charges</b>	<b>5,436</b>	<b>5,251</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	454	466
Private works – section 67	929	1,006
Regulatory/ statutory fees	145	137
Registration fees	169	194
<b>Total fees and charges – statutory/regulatory</b>	<b>1,697</b>	<b>1,803</b>
<b>(ii) Fees and charges – other (incl. general user charges (per s.608))</b>		
Aerodrome	6	4
Casino showground	17	13
Cemeteries	308	346
Quarries	1,701	1,437
Rent / hire of council property	294	278
Richmond Upper Clarence Regional Library	13	12
RMS (formerly RTA) charges (state roads not controlled by Council)	2,484	3,858
Northern Rivers Livestock Exchange	1,002	1,210
Sports grounds	44	22
Waste disposal tipping fees	1,242	1,148
Other	244	233
<b>Total fees and charges – other</b>	<b>7,355</b>	<b>8,561</b>
<b>TOTAL USER CHARGES AND FEES</b>	<b>14,488</b>	<b>15,615</b>

#### Accounting policy for user charges and fees

User charges and fees are recognised as revenue when the service has been provided.

# Richmond Valley Council

## Notes to the Financial Statements for the year ended 30 June 2018

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

\$ '000	2018	2017
<b>(c) Interest and investment revenue (including losses)</b>		
<b>Interest</b>		
– Overdue rates and annual charges (incl. special purpose rates)	191	230
– Cash and investments	552	400
<b>Fair value adjustments</b>		
– Fair valuation movements in investments (at fair value or held for trading)	317	401
<b><u>TOTAL INTEREST AND INVESTMENT REVENUE</u></b>	<b><u>1,060</u></b>	<b><u>1,031</u></b>

#### Interest revenue is attributable to:

##### Unrestricted investments/financial assets:

Overdue rates and annual charges (general fund)	102	119
General Council cash and investments	476	454

##### Restricted investments/funds – external:

Development contributions		
– Section 7.11	31	16
– Section 64	118	118
Water fund operations	119	112
Sewerage fund operations	214	212

<b>Total interest and investment revenue recognised</b>	<b><u>1,060</u></b>	<b><u>1,031</u></b>
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#### Accounting policy for interest and investment revenue

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

### (d) Other revenues

Fines	124	134
Insurance claim recoveries	27	81
Other	15	11
<b><u>TOTAL OTHER REVENUE</u></b>	<b><u>166</u></b>	<b><u>226</u></b>

#### Accounting policy for other revenue

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.

Parking fees and fines are recognised as revenue when the service has been provided, or when the penalty has been applied, whichever occurs first.

Miscellaneous sales are recognised when physical possession has transferred to the customer which is deemed to be the point of transfer of risks and rewards.

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

# Richmond Valley Council

## Notes to the Financial Statements for the year ended 30 June 2018

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

\$ '000	2018 Operating	2017 Operating	2018 Capital	2017 Capital
<b>(e) Grants</b>				
<b>General purpose (untied)</b>				
<b>Current year allocation</b>				
Financial assistance – general component	1,646	3,111	–	–
Financial assistance – local roads component	776	1,482	–	–
<b>Payment in advance – future year allocation</b>				
Financial assistance – general component	1,689	1,608	–	–
Financial assistance – local roads component	797	761	–	–
<b>Other</b>				
Pensioners' rates subsidies – general component	209	224	–	–
<b>Total general purpose</b>	<b>5,117</b>	<b>7,186</b>	<b>–</b>	<b>–</b>
<b>Specific purpose (tied)</b>				
Pensioners' rates subsidies:				
– Water	76	76	–	–
– Sewerage	76	81	–	–
– Domestic waste management	85	88	–	–
Bushfire and emergency services	747	601	382	742
Economic development	5	105	–	–
Library – Richmond Upper Clarence Regional	141	136	–	113
LIRS subsidy	3	3	–	–
Natural disaster funding	200	188	3,158	463
Northern Rivers Livestock Exchange	–	–	2,920	834
Sporting grounds	–	–	466	60
Strategic planning	11	11	–	–
Street lighting	90	88	–	–
Transport (roads to recovery)	697	2,314	–	–
Transport (other roads and bridges funding)	–	–	1,367	298
Waste and sustainability	67	91	18	–
Other	238	184	211	22
<b>Total specific purpose</b>	<b>2,436</b>	<b>3,966</b>	<b>8,522</b>	<b>2,532</b>
<b>Total grants</b>	<b>7,553</b>	<b>11,152</b>	<b>8,522</b>	<b>2,532</b>
<b>Grant revenue is attributable to:</b>				
– Commonwealth funding	5,742	9,403	3,121	834
– State funding	1,811	1,749	5,401	1,698
	<b>7,553</b>	<b>11,152</b>	<b>8,522</b>	<b>2,532</b>

# Richmond Valley Council

## Notes to the Financial Statements for the year ended 30 June 2018

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

\$ '000	Notes	2018 Operating	2017 Operating	2018 Capital	2017 Capital
<b>(f) Contributions</b>					
<b>Developer contributions:</b> (s7.4 & s7.11 – EP&A Act, s64 of the LGA):					
<b>Cash contributions</b>					
S 7.11 – contributions towards amenities/services		5	83	1,171	74
S 7.12 – fixed development consent levies		–	–	181	106
S 64 – water supply contributions		–	–	73	51
S 64 – sewerage service contributions		–	–	104	(12)
<b>Total developer contributions – cash</b>		<b>5</b>	<b>83</b>	<b>1,529</b>	<b>219</b>
<b>Total developer contributions</b>	21	<b>5</b>	<b>83</b>	<b>1,529</b>	<b>219</b>
<b>Other contributions:</b>					
<b>Cash contributions</b>					
Bushfire and emergency services		538	530	–	–
Energy saving certificate		–	81	–	–
Library – Richmond Upper Clarence Regional		294	292	–	–
Northern Rivers Livestock Exchange		–	–	157	119
Roads and bridges		1	41	–	–
RMS contributions (regional roads, block grant)		885	871	–	–
Sewerage (excl. section 64 contributions)		–	1	–	–
Sports grounds		72	70	2	489
Tourism		21	8	–	–
Water supplies (excl. section 64 contributions)		2	1	–	–
Other		536	650	20	42
<b>Total other contributions – cash</b>		<b>2,349</b>	<b>2,545</b>	<b>179</b>	<b>650</b>
<b>Non-cash contributions</b>					
Dedications – subdivisions (other than by s7.11)		–	–	1,278	682
Sports grounds		–	–	49	–
<b>Total other contributions – non-cash</b>		<b>–</b>	<b>–</b>	<b>1,327</b>	<b>682</b>
<b>Total other contributions</b>		<b>2,349</b>	<b>2,545</b>	<b>1,506</b>	<b>1,332</b>
<b>Total contributions</b>		<b>2,354</b>	<b>2,628</b>	<b>3,035</b>	<b>1,551</b>
<b>TOTAL GRANTS AND CONTRIBUTIONS</b>		<b>9,907</b>	<b>13,780</b>	<b>11,557</b>	<b>4,083</b>

#### Accounting policy for contributions

Control over grants and contributions is normally obtained upon their receipt (or acquittal) and is valued at the fair value of the granted or contributed asset 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 above.

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.

# Richmond Valley Council

## Notes to the Financial Statements for the year ended 30 June 2018

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

\$ '000	2018	2017
<b>(g) Unspent grants and contributions</b>		
<b>Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner:</b>		
<b>Operating grants</b>		
Unexpended at the close of the previous reporting period	3,344	496
<b>Add:</b> operating grants recognised in the current period but not yet spent	127	671
<b>Add:</b> operating grants received for the provision of goods and services in a future period	2,491	2,369
<b>Less:</b> operating grants recognised in a previous reporting period now spent	(3,001)	(192)
<b>Unexpended and held as restricted assets (operating grants)</b>	<b>2,961</b>	<b>3,344</b>
<b>Capital grants</b>		
Unexpended at the close of the previous reporting period	567	763
<b>Add:</b> capital grants recognised in the current period but not yet spent	494	22
<b>Add:</b> capital grants received for the provision of goods and services in a future period	–	113
<b>Less:</b> capital grants recognised in a previous reporting period now spent	(227)	(331)
<b>Unexpended and held as restricted assets (capital grants)</b>	<b>834</b>	<b>567</b>
<b>Contributions</b>		
Unexpended at the close of the previous reporting period	6,121	5,426
<b>Add:</b> contributions recognised in the current period but not yet spent	54	696
<b>Add:</b> contributions received for the provision of goods and services in a future period	1,685	164
<b>Less:</b> contributions recognised in a previous reporting period now spent	(564)	(165)
<b>Unexpended and held as restricted assets (contributions)</b>	<b>7,296</b>	<b>6,121</b>

# Richmond Valley Council

## Notes to the Financial Statements for the year ended 30 June 2018

### Note 4. Expenses from continuing operations

\$ '000	Notes	2018	2017
<b>(a) Employee benefits and on-costs</b>			
Salaries and wages		14,972	14,244
Employee leave entitlements (ELE)		3,058	2,730
Superannuation		1,820	1,735
Workers' compensation insurance		503	340
Fringe benefit tax (FBT)		71	75
Payroll tax		134	148
Training costs (other than salaries and wages)		195	243
Other		180	152
<b>Total employee costs</b>		<b>20,933</b>	<b>19,667</b>
Less: capitalised costs		(1,916)	(1,462)
<b>TOTAL EMPLOYEE COSTS EXPENSED</b>		<b>19,017</b>	<b>18,205</b>

#### Accounting policy for employee benefits and on-costs

Employee benefit expenses are recorded when the service has been provided by the employee.

#### 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.

#### Superannuation 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.

Council participates in a Defined Benefit Plan under the Local Government Superannuation Scheme, however, when sufficient information to account for the plan as a defined benefit is not available and therefore 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 – refer to Note 1 for more information.

### (b) Borrowing costs

#### (i) Interest bearing liability costs

Interest on loans	1,373	1,620
Loan refinancing costs	1,531	–
<b>Total interest bearing liability costs expensed</b>	<b>2,904</b>	<b>1,620</b>

#### (ii) Other borrowing costs

Discount adjustments relating to movements in provisions (other than ELE)		
– Remediation liabilities	11	36
<b>Total other borrowing costs</b>	<b>36</b>	<b>64</b>
<b>TOTAL BORROWING COSTS EXPENSED</b>	<b>2,940</b>	<b>1,684</b>

#### Accounting policy for 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.

# Richmond Valley Council

## Notes to the Financial Statements for the year ended 30 June 2018

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

\$ '000	2018	2017
<b>(c) Materials and contracts</b>		
Raw materials and consumables	10,047	11,303
Auditors remuneration <sup>(2)</sup>	73	66
Legal expenses:		
– Legal expenses: planning and development	8	21
– Legal expenses: other	240	121
Operating leases:		
– Operating lease rentals: minimum lease payments <sup>(1)</sup>	439	307
<b><u>TOTAL MATERIALS AND CONTRACTS</u></b>	<b><u>10,807</u></b>	<b><u>11,818</u></b>

#### Operating leases

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.

#### 1. Operating lease payments are attributable to:

Computers	324	192
Motor vehicles	94	94
Other	21	21
	<b><u>439</u></b>	<b><u>307</u></b>

#### 2. Auditor remuneration

During the year the following fees were paid or payable for services provided by the auditor of Council, related practices and non-related audit firms

##### Auditors of the Council – NSW Auditor-General:

##### (i) Audit and other assurance services

Audit and review of financial statements	71	65
<b>Remuneration for audit and other assurance services</b>	<b><u>71</u></b>	<b><u>65</u></b>
<b>Total Auditor-General remuneration</b>	<b><u>71</u></b>	<b><u>65</u></b>

##### Non NSW Auditor-General audit firms:

##### (i) Audit and other assurance services

Audit and review of financial statements	2	1
<b>Remuneration for audit and other assurance services</b>	<b><u>2</u></b>	<b><u>1</u></b>
<b>Total remuneration of non NSW Auditor-General audit firms</b>	<b><u>2</u></b>	<b><u>1</u></b>
<b>Total Auditor remuneration</b>	<b><u>73</u></b>	<b><u>66</u></b>



# Richmond Valley Council

## Notes to the Financial Statements for the year ended 30 June 2018

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

\$ '000	Notes	2018	2017
<b>(d) Depreciation, amortisation and impairment</b>			
<b>Depreciation and amortisation</b>			
Plant and equipment		1,543	1,475
Office equipment		78	43
Furniture and fittings		75	57
Land improvements (depreciable)		255	239
<b>Infrastructure:</b>			
– Buildings – specialised		1,070	995
– Other structures		178	163
– Roads		5,257	5,078
– Bridges		782	631
– Footpaths		289	283
– Stormwater drainage		564	555
– Water supply network		1,433	849
– Sewerage network		2,121	1,176
– Swimming pools		115	108
– Other open space/recreational assets		195	177
<b>Other assets:</b>			
– Library books		82	89
<b>Reinstatement, rehabilitation and restoration assets:</b>			
– Tip assets	9 & 11	631	241
– Quarry assets	9 & 11	30	34
<b>Total depreciation and amortisation costs</b>		<b>14,698</b>	<b>12,193</b>
<b>Impairment / revaluation decrement of IPP&amp;E</b>			
Nil			
<b>TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT / REVALUATION DECREMENT COSTS EXPENSED</b>		<b>14,698</b>	<b>12,193</b>

#### Accounting policy for depreciation, amortisation and impairment expenses

##### Depreciation and amortisation

Depreciation and amortisation are calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives. Useful lives are included in Note 9 for IPPE assets.

##### Impairment of non-financial assets

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

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

Impairment losses for revalued assets are firstly offset against the amount in the revaluation surplus for the class of asset, with only the excess to be recognised in the Income Statement.

## Richmond Valley Council

### Notes to the Financial Statements

for the year ended 30 June 2018

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

\$ '000	2018	2017
<b>(e) Other expenses</b>		
Advertising	86	63
Bad and doubtful debts	176	29
Bank charges	20	19
Contributions/levies to other levels of government		
– Emergency services levy (includes FRNSW, SES, and RFS levies)	38	43
– NSW fire brigade levy	105	101
– NSW rural fire service levy	823	802
– Waste levy	115	345
Councillor expenses – mayoral fee	42	24
Councillor expenses – councillors' fees	134	77
Councillors' expenses (incl. mayor) – other (excluding fees above)	21	19
Donations, contributions and assistance to other organisations (Section 356)	496	475
Electricity and heating	738	658
Insurance	548	815
Street lighting	349	284
Subscriptions and publications	94	61
Telephone and communications	288	259
Valuation fees	79	81
Other	37	22
<b><u>TOTAL OTHER EXPENSES</u></b>	<b><u>4,189</u></b>	<b><u>4,177</u></b>

#### Accounting policy for other expenses

Other expenses are recorded on an accruals basis as the Council receives the goods or services.

## Richmond Valley Council

### Notes to the Financial Statements for the year ended 30 June 2018

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

\$ '000	Notes	2018	2017
<b>Property</b> (excl. investment property)	9		
Proceeds from disposal – property		4,498	–
Less: carrying amount of property assets sold/written off		(4,591)	(139)
<b>Net gain/(loss) on disposal</b>		<b>(93)</b>	<b>(139)</b>
<b>Plant and equipment</b>	9		
Proceeds from disposal – plant and equipment		294	517
Less: carrying amount of plant and equipment assets sold/written off		(416)	(447)
<b>Net gain/(loss) on disposal</b>		<b>(122)</b>	<b>70</b>
<b>Infrastructure</b>	9		
Less: carrying amount of infrastructure assets sold/written off		(2,708)	(1,979)
<b>Net gain/(loss) on disposal</b>		<b>(2,708)</b>	<b>(1,979)</b>
<b>Real estate assets held for sale</b>	8		
Proceeds from disposal – real estate assets		381	1,707
Less: carrying amount of real estate assets sold/written off		(135)	(533)
<b>Net gain/(loss) on disposal</b>		<b>246</b>	<b>1,174</b>
<b>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</b>		<b>(2,677)</b>	<b>(874)</b>

#### Accounting policy for disposal of assets

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

#### Note 6(a). Cash and cash equivalent assets

\$ '000	2018	2017
<b>Cash and cash equivalents</b>		
Cash on hand and at bank	555	694
Cash-equivalent assets		
– Deposits at call	5,433	3,240
– Short-term deposits	–	9,000
<b>Total cash and cash equivalents</b>	<b>5,988</b>	<b>12,934</b>

#### Accounting policy for 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.

## Richmond Valley Council

### Notes to the Financial Statements for the year ended 30 June 2018

#### Note 6(b). Investments

\$ '000	2018	2018	2017	2017
	Current	Non-current	Current	Non-current
<b>Investments</b>				
'At fair value through the profit and loss'				
– 'Held for trading'	35,028	4,000	25,711	–
<b>Total investments</b>	<b>35,028</b>	<b>4,000</b>	<b>25,711</b>	<b>–</b>
<b><u>TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS</u></b>	<b><u>41,016</u></b>	<b><u>4,000</u></b>	<b><u>38,645</u></b>	<b><u>–</u></b>
<b>Financial assets at fair value through the profit and loss</b>				
Managed funds	13,028	–	16,711	–
Long term deposits	22,000	4,000	9,000	–
<b>Total</b>	<b>35,028</b>	<b>4,000</b>	<b>25,711</b>	<b>–</b>

#### Accounting policy for investments

##### 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.

##### 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 held at fair value with changes in value taken through profit or loss at each reporting period.

##### 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. Investments 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.

# Richmond Valley Council

## Notes to the Financial Statements for the year ended 30 June 2018

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

\$ '000	2018	2018	2017	2017
	Current	Non-current	Current	Non-current
Total cash, cash equivalents and investments	41,016	4,000	38,645	–
attributable to:				
External restrictions (refer below)	24,131	4,000	26,262	–
Internal restrictions (refer below)	16,885	–	12,383	–
	41,016	4,000	38,645	–

\$ '000	2018	2017
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#### Details of restrictions

##### External restrictions – included in liabilities

Specific purpose unexpended loans – general	338	2,980
Bonds and deposits	564	450

##### External restrictions – included in liabilities

	902	3,430
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##### External restrictions – other

Developer contributions – general	1,894	664
Developer contributions – water fund	1,697	1,583
Developer contributions – sewer fund	3,207	3,025
Specific purpose unexpended grants	3,795	3,910
Water supplies	3,672	2,428
Sewerage services	7,412	6,123
Domestic waste management	4,397	3,834
Stormwater management	485	300
Other	670	965

##### External restrictions – other

	27,229	22,832
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##### Total external restrictions

	28,131	26,262
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##### Internal restrictions

Plant and vehicle replacement	930	1,471
Real estate and infrastructure	4,831	1,363
Employees leave entitlement	1,125	1,041
Carry over works	360	247
Northern Rivers Livestock Exchange	555	622
Insurance	95	92
Other waste management	2,585	2,211
Petersons quarry	2,063	1,959
Public cemeteries perpetual maintenance	427	502
Quarry rehabilitation	152	123
Revolving energy and sustainability fund	8	8
Richmond Upper Clarence Regional Library	292	364
RMS state road maintenance contract	5	5
Road rehabilitation	458	490
Rural road safety program	112	65
Unexpended rates variations	1,633	821
Woodview quarry	1,254	999

##### Total internal restrictions

	16,885	12,383
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##### TOTAL RESTRICTIONS

	45,016	38,645
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# Richmond Valley Council

## Notes to the Financial Statements for the year ended 30 June 2018

### Note 7. Receivables

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
<b>Purpose</b>				
Rates and annual charges	2,807	669	3,032	744
Interest and extra charges	169	12	190	18
User charges and fees	4,416	638	5,605	578
Accrued revenues				
– Interest on investments	165	–	60	–
Bank guarantees	112	574	102	599
Deferred debtors	1	17	1	19
Government grants and subsidies	1,233	188	816	250
Net GST receivable	263	–	117	–
Other debtors	186	–	109	–
<b>Total</b>	<b>9,352</b>	<b>2,098</b>	<b>10,032</b>	<b>2,208</b>
<b>Less: provision for impairment</b>				
Rates and annual charges	(79)	–	(79)	–
User charges and fees	(191)	–	(70)	–
Other debtors	(16)	–	(16)	–
<b>Total provision for impairment – receivables</b>	<b>(286)</b>	<b>–</b>	<b>(165)</b>	<b>–</b>
<b>TOTAL NET RECEIVABLES</b>	<b>9,066</b>	<b>2,098</b>	<b>9,867</b>	<b>2,208</b>
<b>Externally restricted receivables</b>				
<b>Water supply</b>				
– Specific purpose grants	76	–	81	–
– Rates and availability charges	319	105	305	115
– Other	1,262	430	1,370	514
<b>Sewerage services</b>				
– Specific purpose grants	76	–	80	–
– Rates and availability charges	1,622	505	1,660	538
– Other	384	104	1,238	107
<b>Domestic waste management</b>	<b>282</b>	<b>22</b>	<b>–</b>	<b>–</b>
<b>Total external restrictions</b>	<b>4,021</b>	<b>1,166</b>	<b>4,734</b>	<b>1,274</b>
<b>Internally restricted receivables</b>				
Nil				
<b>Unrestricted receivables</b>	<b>5,045</b>	<b>932</b>	<b>5,133</b>	<b>934</b>
<b>TOTAL NET RECEIVABLES</b>	<b>9,066</b>	<b>2,098</b>	<b>9,867</b>	<b>2,208</b>

### Movement in provision for impairment of receivables

	2018	2017
Balance at the beginning of the year	165	137
+ new provisions recognised during the year	176	29
– amounts already provided for and written off this year	(55)	(1)
<b>Balance at the end of the year</b>	<b>286</b>	<b>165</b>

## Richmond Valley Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 7. Receivables (continued)

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##### Accounting policy for receivables

###### Recognition and measurement

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 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.

###### Impairment

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.

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. When a receivable for which an impairment allowance had been recognised becomes uncollectable 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.

## Richmond Valley Council

Notes to the Financial Statements  
for the year ended 30 June 2018

## Note 8. Inventories and other assets

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
<b>(a) Inventories</b>				
<b>(i) Inventories at cost</b>				
Real estate for resale (refer below)	215	1,679	213	1,297
Stores and materials	1,207	–	879	–
<b>Total inventories at cost</b>	<b>1,422</b>	<b>1,679</b>	<b>1,092</b>	<b>1,297</b>
<b>(ii) Inventories at net realisable value (NRV)</b>				
Nil				
<b><u>TOTAL INVENTORIES</u></b>	<b><u>1,422</u></b>	<b><u>1,679</u></b>	<b><u>1,092</u></b>	<b><u>1,297</u></b>
<b>(b) Other assets</b>				
Prepayments	203	–	324	–
Work in progress – real estate	45	–	45	–
<b><u>TOTAL OTHER ASSETS</u></b>	<b><u>248</u></b>	<b><u>–</u></b>	<b><u>369</u></b>	<b><u>–</u></b>
<b>Externally restricted assets</b>				
<b>Sewerage</b>				
Prepayments	–	–	3	–
<b>Total sewerage</b>	<b>–</b>	<b>–</b>	<b>3</b>	<b>–</b>
<b>Total externally restricted assets</b>	<b>–</b>	<b>–</b>	<b>3</b>	<b>–</b>
<b>Total unrestricted assets</b>	<b>1,670</b>	<b>1,679</b>	<b>1,458</b>	<b>1,297</b>
<b><u>TOTAL INVENTORIES AND OTHER ASSETS</u></b>	<b><u>1,670</u></b>	<b><u>1,679</u></b>	<b><u>1,461</u></b>	<b><u>1,297</u></b>



# Richmond Valley Council

## Notes to the Financial Statements for the year ended 30 June 2018

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

\$ '000	Notes	2018		2017	
		Current	Non-current	Current	Non-current

(i) Other disclosures

(a) Details for real estate development

Residential		127	383	125	–
Industrial/commercial		88	1,296	88	1,297
<b>Total real estate for resale</b>		<b>215</b>	<b>1,679</b>	<b>213</b>	<b>1,297</b>

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

Represented by:

Acquisition costs		127	1,658	48	1,276
Development costs		88	21	165	21
<b>Total costs</b>		<b>215</b>	<b>1,679</b>	<b>213</b>	<b>1,297</b>
<b>Total real estate for resale</b>		<b>215</b>	<b>1,679</b>	<b>213</b>	<b>1,297</b>

Movements:

Real estate assets at beginning of the year		213	1,297	199	1,543
– Purchases and other costs		137	382	300	1
– WDV of sales (expense)	5	(135)	–	(533)	–
– Transfer between current/non-current		–	–	247	(247)
<b>Total real estate for resale</b>		<b>215</b>	<b>1,679</b>	<b>213</b>	<b>1,297</b>

### Accounting policy

#### 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. 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.

#### Inventory held for distribution

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

#### Land held for resale/capitalisation of borrowing costs

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

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

## Richmond Valley Council

Notes to the Financial Statements  
for the year ended 30 June 2018

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

Asset class  \$ '000	as at 30/6/2017			Asset movements during the reporting period											as at 30/6/2018		
	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 (recognised in equity)	WIP transfers	Adjustments and transfers	Revaluation decrements to equity (ARR)	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
Capital work in progress	3,146	–	3,146	3,727	1,839	–	(66)	–	–	–	(2,707)	–	–	–	5,940	–	5,940
Plant and equipment	24,187	12,255	11,932	2,416	712	–	(392)	(1,543)	–	–	–	–	–	–	26,121	12,996	13,125
Office equipment	1,134	893	241	–	139	–	–	(78)	–	–	–	–	–	–	1,273	971	302
Furniture and fittings	1,226	767	459	–	36	–	–	(75)	–	–	–	–	–	–	1,263	842	421
<b>Land:</b>																	
– Operational land	27,038	–	27,038	–	–	–	(4,504)	–	–	–	–	–	–	795	23,329	–	23,329
– Community land	25,291	–	25,291	–	–	–	(25)	–	–	–	–	–	–	570	25,836	–	25,836
– Land under roads (post 30/6/08)	248	–	248	–	29	–	–	–	–	–	–	–	–	–	277	–	277
Land improvements – non-depreciable	4,373	–	4,373	440	–	–	–	–	–	–	–	–	–	131	4,944	–	4,944
Land improvements – depreciable	13,543	2,059	11,484	12	162	–	–	(255)	(98)	–	271	13	–	313	14,375	2,473	11,902
<b>Infrastructure:</b>																	
– Buildings – specialised	66,594	14,578	52,016	230	94	–	–	(1,070)	(92)	–	3	–	–	1,398	68,498	15,919	52,579
– Other structures	12,457	2,353	10,104	2,318	2,469	–	(1,116)	(178)	–	–	1,729	–	–	319	17,270	1,625	15,645
– Roads	219,107	66,115	152,992	3,011	839	2,936	(893)	(5,257)	–	4,734	628	–	–	60,098	304,245	85,157	219,088
– Bridges	75,457	16,931	58,526	409	–	134	(54)	(782)	(650)	–	26	–	–	10,677	96,383	28,097	68,286
– Footpaths	16,952	4,997	11,955	19	203	–	(204)	(289)	–	–	–	–	–	35	13,920	2,200	11,720
– Bulk earthworks (non-depreciable)	73,631	–	73,631	–	361	–	–	–	–	–	–	–	(11,630)	–	62,362	–	62,362
– Stormwater drainage	50,093	15,951	34,142	–	158	–	–	(564)	–	–	–	–	–	1,148	51,965	17,081	34,884
– Water supply network	87,605	16,570	71,035	560	210	–	(256)	(1,433)	–	–	5	–	–	1,456	89,657	18,080	71,577
– Sewerage network	136,601	26,711	109,890	311	360	–	(134)	(2,121)	–	–	1	–	–	2,266	139,886	29,313	110,573
– Swimming pools	7,803	1,049	6,754	14	–	–	(8)	(115)	(1,035)	–	–	–	–	181	8,016	2,225	5,791
– Other open space/recreational assets	9,580	1,948	7,632	99	82	–	(38)	(195)	–	–	44	(13)	–	203	9,975	2,159	7,816
<b>Other assets:</b>																	
– Library books	1,179	807	372	–	87	–	(24)	(82)	–	–	–	–	–	–	1,168	815	353
<b>Reinstatement, rehabilitation and restoration assets (refer Note 11):</b>																	
– Tip assets	1,674	1,486	188	–	535	–	–	(631)	–	–	–	–	–	–	2,209	2,117	92
– Quarry assets	482	302	180	–	1	–	–	(30)	–	–	–	–	–	–	483	332	151
<b>TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIP.</b>	<b>859,401</b>	<b>185,772</b>	<b>673,629</b>	<b>13,566</b>	<b>8,316</b>	<b>3,070</b>	<b>(7,714)</b>	<b>(14,698)</b>	<b>(1,875)</b>	<b>4,734</b>	<b>–</b>	<b>–</b>	<b>(11,630)</b>	<b>79,590</b>	<b>969,395</b>	<b>222,402</b>	<b>746,993</b>

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

## Richmond Valley Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 9. Infrastructure, property, plant and equipment (continued)

##### Accounting policy for infrastructure, property, plant and equipment

Infrastructure, property, plant and equipment are held at fair value. Independent valuations are performed at least every 5 years, however the carrying amount of assets is assessed at each reporting date to confirm that it is not materially different from current fair value.

Water and sewerage network assets are indexed at each reporting period in accordance with the Rates Reference Manual issued by Crown Lands and Water (CLAW).

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.

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:

<b>Plant and equipment</b>	<b>Years</b>	<b>Other equipment</b>	<b>Years</b>
Office equipment	3 to 10	Playground equipment	10 to 60
Office furniture	5 to 20	Benches, seats etc.	30 to 90
Computer equipment	3		
Vehicles	5 to 20	<b>Buildings</b>	
Heavy plant/road making equipment	5 to 20	Buildings	10 to 200
Other plant and equipment	3 to 50		
<b>Water and sewer assets</b>		<b>Stormwater assets</b>	
Dams and reservoirs	25 to 200	Drains	80
Treatment Plant structure	15 to 200	Culverts	80
Treatment Plant mech & elect	20 to 25		
Pump Station structure	15 to 200		
Pump Station mech & elect	20 to 25		
Reticulation pipes: PVC	70 to 160	<b>Transportation assets</b>	
Reticulation pipes: Other	70 to 160	Kerb and Gutter	70 to 150
		Footpaths	12 to 60
<b>Transportation assets</b>		Minor & Major Culverts	40 to 150
Sealed roads: surface	12 to 60		
Sealed roads: structure	35 to 150	<b>Other infrastructure assets</b>	
Unsealed roads	15 to 25	Bulk earthworks	Infinite
Bridge: concrete	100 to 200	Swimming pools	40 to 120
Bridge: timber	40 to 100	Other open space/recreational assets	10 to 200

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the Income statement.

## Richmond Valley Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 9. Infrastructure, property, plant and equipment (continued)

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##### **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.

##### **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.

##### **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 recognise rural fire service assets including land, buildings, plant and vehicles.

# Richmond Valley Council

## Notes to the Financial Statements for the year ended 30 June 2018

### Note 10. Payables and borrowings

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
<b>Payables</b>				
Goods and services – operating expenditure	1,088	–	969	–
Goods and services – capital expenditure	1,892	–	1,031	–
Accrued expenses:				
– Salaries and wages	355	–	314	–
– Other expenditure accruals	777	–	1,288	–
Security bonds, deposits and retentions	542	–	427	–
ATO – net GST payable	–	–	135	–
Bank guarantees	112	574	112	590
<b>Total payables</b>	<b>4,766</b>	<b>574</b>	<b>4,276</b>	<b>590</b>
<b>Income received in advance</b>				
Payments received in advance	31	–	30	–
<b>Total income received in advance</b>	<b>31</b>	<b>–</b>	<b>30</b>	<b>–</b>
<b>Borrowings</b>				
Loans – secured <sup>1</sup>	2,289	24,900	1,986	23,586
<b>Total borrowings</b>	<b>2,289</b>	<b>24,900</b>	<b>1,986</b>	<b>23,586</b>
<b>TOTAL PAYABLES AND BORROWINGS</b>	<b>7,086</b>	<b>25,474</b>	<b>6,292</b>	<b>24,176</b>

#### (a) Payables and borrowings relating to restricted assets

	2018		2017	
	Current	Non-current	Current	Non-current
<b>Externally restricted assets</b>				
Water	9	–	–	7
Sewer	1,382	15,039	1,309	14,998
Other	564	–	450	–
<b>Payables and borrowings relating to externally restricted assets</b>	<b>1,955</b>	<b>15,039</b>	<b>1,759</b>	<b>15,005</b>
<b>Internally restricted assets</b>				
Nil				
<b>Total payables and borrowings relating to restricted assets</b>	<b>1,955</b>	<b>15,039</b>	<b>1,759</b>	<b>15,005</b>
<b>Total payables and borrowings relating to unrestricted assets</b>	<b>5,131</b>	<b>10,435</b>	<b>4,533</b>	<b>9,171</b>
<b>TOTAL PAYABLES AND BORROWINGS</b>	<b>7,086</b>	<b>25,474</b>	<b>6,292</b>	<b>24,176</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 17.

# Richmond Valley Council

## Notes to the Financial Statements for the year ended 30 June 2018

### Note 10. Payables and borrowings (continued)

\$ '000	2018	2017
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#### (b) Current payables and borrowings not anticipated to be settled within the next twelve months

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

Payables – security bonds, deposits and retentions	542	427
	<b>542</b>	<b>427</b>

#### (c) Changes in liabilities arising from financing activities

Class of borrowings	2017	Non-cash changes				2018
	Opening balance as at 1/7/17	Cash flows	Acquisition	Fair value changes	Other non-cash movements	Closing balance as at 30/6/18
Loans – secured	25,572	1,617	–	–	–	27,189
<b>TOTAL</b>	<b>25,572</b>	<b>1,617</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>27,189</b>

\$ '000	2018	2017
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#### (d) Financing arrangements

##### (i) Unrestricted access was available at balance date to the following lines of credit:

Bank overdraft facilities <sup>(1)</sup>	500	500
Credit cards/purchase cards	56	56
<b>Total financing arrangements</b>	<b>556</b>	<b>556</b>
<b>Drawn facilities as at balance date:</b>		
– Credit cards/purchase cards	7	–
<b>Total drawn financing arrangements</b>	<b>7</b>	<b>–</b>
<b>Undrawn facilities as at balance date:</b>		
– Bank overdraft facilities	500	500
– Credit cards/purchase cards	49	56
<b>Total undrawn financing arrangements</b>	<b>549</b>	<b>556</b>

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

## Richmond Valley Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 10. Payables and borrowings (continued)

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##### **Accounting policy for payables and borrowings**

###### **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.

###### **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.

# Richmond Valley Council

## Notes to the Financial Statements for the year ended 30 June 2018

### Note 11. Provisions

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
<b>Provisions</b>				
<b>Employee benefits:</b>				
Annual leave	1,811	–	1,750	–
Long service leave	2,537	212	2,358	196
Other leave	11	–	16	–
<b>Sub-total – aggregate employee benefits</b>	<b>4,359</b>	<b>212</b>	<b>4,124</b>	<b>196</b>
<b>Asset remediation/restoration:</b>				
Asset remediation/restoration (future works)	1,117	1,831	–	2,375
<b>Sub-total – asset remediation/restoration</b>	<b>1,117</b>	<b>1,831</b>	<b>–</b>	<b>2,375</b>
<b><u>TOTAL PROVISIONS</u></b>	<b><u>5,476</u></b>	<b><u>2,043</u></b>	<b><u>4,124</u></b>	<b><u>2,571</u></b>

#### (a) Provisions relating to restricted assets

There are no restricted assets (external or internal) applicable to the above provisions

\$ '000	2018	2017
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#### (b) Current provisions not anticipated to be settled within the next twelve months

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

Provisions – employees benefits	2,392	2,772
	<b><u>2,392</u></b>	<b><u>2,772</u></b>



# Richmond Valley Council

## Notes to the Financial Statements for the year ended 30 June 2018

### Note 11. Provisions (continued)

\$ '000

#### (c) Description of and movements in provisions

	Other provisions	
	Asset remediation	Total
<b>2018</b>		
At beginning of year	2,375	2,375
<b>Changes to provision:</b>		
– Revised costs	533	533
– Revised discount rate	3	3
Unwinding of discount	37	37
<b>Total other provisions at end of year</b>	<b>2,948</b>	<b>2,948</b>
<b>2017</b>		
At beginning of year	2,772	2,772
<b>Changes to provision:</b>		
– Revised costs	(453)	(453)
Remeasurement effects	56	56
<b>Total other provisions at end of year</b>	<b>2,375</b>	<b>2,375</b>

#### Nature and purpose of non-employee benefit provisions

##### Asset remediation

Council has a legal/public obligation to make, restore, rehabilitate and reinstate the following tip and quarry assets:

Asset/Operation	Estimated year of restoration	NPV of provision	
		2018	2017
Landfills - Bora Ridge	2019	1,117	580
Landfills - Nammoona	2020	1,031	1,015
Quarries - Petersons	2025	444	433
Quarries - Woodview	2025	356	347
<b>Balance at end of the reporting period</b>		<b>2,948</b>	<b>2,375</b>

#### Accounting policy for 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.

## Richmond Valley Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 11. Provisions (continued)

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##### Employee benefits

###### Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be wholly settled within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liability for annual leave and accumulating sick leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

###### 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.

###### Restoration

Close down and restoration costs include the dismantling and demolition of infrastructure and the removal of residual materials and remediation of disturbed areas. Estimated close down and restoration costs are provided for in the accounting period when the obligation arising from the related disturbance occurs, whether this occurs during the development or during the operation phase, based on the net present value of estimated future costs.

Provisions for close down and restoration costs do not include any additional obligations which are expected to arise from future disturbance. The costs are estimated on the basis of a closure plan. The cost estimates are calculated annually during the life of the operation to reflect known developments, eg updated cost estimates and revisions to the estimated lives of operations, and are subject to formal review at regular intervals.

## Richmond Valley Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 11. Provisions (continued)

##### **Rehabilitation**

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

Provision is made for the estimated present value of the costs of environmental clean up obligations outstanding at the reporting date. These costs are charged to the Income Statement. Movements in the environmental clean up provisions are presented as an operating cost, except for the unwinding of the discount which is shown as a borrowing cost.

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

As noted above, the ultimate cost of environmental remediation is uncertain and cost estimates can vary in response to many factors including changes to the relevant legal requirements, the emergence of new restoration techniques or experience at other locations. The expected timing of expenditure can also change, for example in response to changes in quarry reserves or production rates. As a result there could be significant adjustments to the provision for close down and restoration and environmental clean up, which would affect future financial results.

Other movements in the provisions for close down and restoration costs, including those resulting from new disturbance, updated cost estimates, changes to the estimated lives of operations and revisions to discount rates are capitalised within property, plant and equipment. These costs are then depreciated over the lives of the assets to which they relate.

Close down and restoration costs are a normal consequence of tip and quarry operations, and the majority of close down and restoration expenditure is incurred at the end of the life of the operations. Although the ultimate cost to be incurred is uncertain, Council estimates the respective costs based on feasibility and engineering studies using current restoration standards and techniques.

#### Note 12. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors

##### (a) 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.

##### (b) Changes in accounting estimates

##### **Nature and effect of changes in accounting estimates on future years**

Council's Roads, bridges and footpaths, including bulk earthworks, were revalued as at 30 June 2018. Based upon revised unit rates, useful lives and the split between short and long life components, there will be a significant increase in depreciation 'expense' from 2018/2019 onwards, which is estimated below:

– YE 18/19 estimated impact

2,723,191

# Richmond Valley Council

## Notes to the Financial Statements for the year ended 30 June 2018

### Note 13. Statement of cash flows – additional information

\$ '000	Notes	2018	2017
<b>(a) Reconciliation of cash assets</b>			
Total cash and cash equivalent assets	6a	5,988	12,934
<b>Balance as per the Statement of Cash Flows</b>		<b>5,988</b>	<b>12,934</b>
<b>(b) Reconciliation of net operating result to cash provided from operating activities</b>			
<b>Net operating result from Income Statement</b>		<b>5,680</b>	<b>7,507</b>
Adjust for non-cash items:			
Depreciation and amortisation		14,698	11,917
Net losses/(gains) on disposal of assets		2,677	874
Non-cash capital grants and contributions		(1,549)	(1,373)
Losses/(gains) recognised on fair value re-measurements through the P&L:			–
– Investments classified as 'at fair value' or 'held for trading'		(317)	(401)
Unwinding of discount rates on reinstatement provisions		40	56
<b>+/- Movement in operating assets and liabilities and other cash items:</b>			
Decrease/(increase) in receivables		788	(2,001)
Increase/(decrease) in provision for doubtful debts		121	28
Decrease/(increase) in inventories		(328)	24
Decrease/(increase) in other assets		121	(3)
Increase/(decrease) in payables		119	(179)
Increase/(decrease) in other accrued expenses payable		(470)	490
Increase/(decrease) in other liabilities		(35)	266
Increase/(decrease) in employee leave entitlements		251	82
Increase/(decrease) in other provisions		533	(453)
<b>Net cash provided from/(used in) operating activities from the Statement of Cash Flows</b>		<b>22,329</b>	<b>16,834</b>
<b>(c) Non-cash investing and financing activities</b>			
Bushfire grants		235	627
Other dedications		1,278	682
Estimated future reinstatement costs		36	64
<b>Total non-cash investing and financing activities</b>		<b>1,549</b>	<b>1,373</b>

# Richmond Valley Council

## Notes to the Financial Statements for the year ended 30 June 2018

### Note 14. Interests in other entities

\$ '000

#### Joint arrangements

#### Joint ventures

#### Summarised financial information for individually immaterial joint ventures

Council has excluded the following Joint Venture from its consolidated financial statements as it is immaterial to the overall Financial Statements.

	2018	2017
<b>North East Weight of Loads Group</b>		
<i>Policing vehicle weight limits to reduce road damage</i>		
<b>Aggregate carrying amount of individually immaterial joint ventures</b>	<b>34</b>	<b>37</b>

#### (a) Details

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

#### (b) Relevant interests and fair values

Name of entity	Quoted fair value		Interest in outputs		Interest in ownership		Proportion of voting power	
	2018	2017	2018	2017	2018	2017	2018	2017
North East Weight of Loads Group	N/A	N/A	10%	10%	27%	25%	13%	13%

#### (c) Summarised financial information for joint ventures

	North East Weight of Loads Group	
	2018	2017
<b>Statement of financial position</b>		
<b>Current assets</b>		
Cash and cash equivalents	207	202
Other current assets	60	53
<b>Non-current assets</b>	<b>89</b>	<b>113</b>
<b>Current liabilities</b>		
Other current liabilities	228	218
<b>Net assets</b>	<b>128</b>	<b>150</b>
<b>Reconciliation of the carrying amount</b>		
Opening net assets (1 July)	150	181
Profit/(loss) for the period	(256)	(262)
Member contributions	234	231
<b>Closing net assets</b>	<b>128</b>	<b>150</b>
<b>Council's share of net assets (%)</b>	<b>26.8%</b>	<b>24.5%</b>
<b>Council's share of net assets (\$)</b>	<b>34</b>	<b>37</b>

# Richmond Valley Council

## Notes to the Financial Statements for the year ended 30 June 2018

### Note 14. Interests in other entities (continued)

\$ '000

(c) Summarised financial information for joint ventures (continued)	North East Weight of Loads Group	
	2018	2017
<b>Statement of comprehensive income</b>		
Income	250	226
Interest income	5	8
Depreciation and amortisation	(23)	(19)
Other expenses	(488)	(477)
<b>Profit/(loss) from continuing operations</b>	<b>(256)</b>	<b>(262)</b>
<b>Profit/(loss) for period</b>	<b>(256)</b>	<b>(262)</b>
<b>Total comprehensive income</b>	<b>(256)</b>	<b>(262)</b>
<b>Share of income – Council (%)</b>	<b>10.5%</b>	<b>10.5%</b>
<b>Profit/(loss) – Council (\$)</b>	<b>(27)</b>	<b>(27)</b>
<b>Total comprehensive income – Council (\$)</b>	<b>(27)</b>	<b>(27)</b>

# Richmond Valley Council

## Notes to the Financial Statements for the year ended 30 June 2018

### Note 15. Commitments for expenditure

\$ '000	2018	2017
<b>(a) Capital commitments (exclusive of GST)</b>		
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:		
<b>Property, plant and equipment</b>		
Plant and equipment	–	190
Infrastructure – other	6,943	5,493
<b>Total commitments</b>	<b>6,943</b>	<b>5,683</b>
<b>These expenditures are payable as follows:</b>		
Within the next year	6,943	5,683
<b>Total payable</b>	<b>6,943</b>	<b>5,683</b>
<b>Sources for funding of capital commitments:</b>		
Unrestricted general funds	760	191
Future grants and contributions	6,183	5,492
<b>Total sources of funding</b>	<b>6,943</b>	<b>5,683</b>
<b>Details of capital commitments</b>		
The capital commitments are comprised of (\$000's):-		
- Evans Head STP Dewatering Equipment \$350		
- Northern Rivers Livestock Exchange Stage 2 \$5,974		
- Casino Water Treatment Plant 100KW Solar Power Generation System \$207		
- Sewer Mains Rehabilitation \$203		
- Broadwater Shared Pathway \$209		
<b>(b) Operating lease commitments (non-cancellable)</b>		
<b><u>As a lessee</u></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	427	273
Later than one year and not later than 5 years	482	426
<b>Total non-cancellable operating lease commitments</b>	<b>909</b>	<b>699</b>
<b>b. Non-cancellable operating leases include the following assets:</b>		
Computer equipment		
Heavy plant - Komatsu graders		
Contingent rentals may be payable depending on the condition of items or usage during the lease term.		
<b><u>As a lessor</u></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	443	433
Later than one year and not later than 5 years	452	895
<b>Total non-cancellable operating lease commitments</b>	<b>895</b>	<b>1,328</b>
<b>b. Total Contingent rents recognised as income in the period</b>		
Contingent Rents recognised as income in the period	874	972

## Richmond Valley Council

### Notes to the Financial Statements for the year ended 30 June 2018

#### Note 15. Commitments for expenditure (continued)

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##### **c. Lessor's Leasing Arrangements include the following:**

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.

##### **Conditions relating to operating leases:**

- All operating lease agreements are secured only against the leased asset.
- No lease agreements impose any financial restrictions on Council regarding future debt etc.

#### Note 16. Contingencies and other liabilities/assets not recognised

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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. 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.

##### **2. 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 has now withdrawn as a Respondent in the matter.

##### **3. StateCover Limited**

Council is a member of StateCover Mutual Limited and holds a partly paid share in the entity.

StateCover is a company providing workers compensation insurance cover to the NSW local government industry and specifically Council.

Council has a contingent liability to contribute further equity in the event of the erosion of the company's capital base as a result of the company's past performance and/or claims experience or as a result of any increased prudential requirements from APRA.

These future equity contributions would be required to maintain the company's minimum level of net assets in accordance with its licence requirements.

##### **ASSETS NOT RECOGNISED:**

##### **(i) Land under roads**

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



# Richmond Valley Council

## Notes to the Financial Statements for the year ended 30 June 2018

### Note 17. Financial risk management

\$ '000

#### 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	
	2018	2017	2018	2017
<b>Financial assets</b>				
Cash and cash equivalents	5,988	12,934	5,968	12,934
Investments				
– 'Held for trading'	39,028	25,711	39,028	25,711
Receivables	11,164	12,075	11,164	12,075
<b>Total financial assets</b>	<b>56,180</b>	<b>50,720</b>	<b>56,160</b>	<b>50,720</b>
<b>Financial liabilities</b>				
Payables	5,340	4,866	5,340	4,866
Loans/advances	27,189	25,572	27,014	25,828
<b>Total financial liabilities</b>	<b>32,529</b>	<b>30,438</b>	<b>32,354</b>	<b>30,694</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.

## Richmond Valley Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 17. Financial risk management (continued)

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

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

Council has an investment policy which complies with the *Local Government Act 1993* and Ministerial Investment Order 625. This policy is regularly reviewed by Council and its staff and a monthly Investment report is provided to Council setting out the make-up and performance of the portfolio as required by Local Government regulations.

The risks associated with the investments held are:

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

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

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

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

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

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

	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
<b>2018</b>				
Possible impact of a 10% movement in market values	1,303	–	(1,303)	–
Possible impact of a 1% movement in interest rates	450	–	(450)	–
<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)	–

# Richmond Valley Council

## Notes to the Financial Statements

for the year ended 30 June 2018

### Note 17. 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:

	2018 Rates and annual charges	2018 Other receivables	2017 Rates and annual charges	2017 Other receivables
<b>(i) Ageing of receivables – %</b>				
Current (not yet overdue)	80%	84%	80%	83%
Overdue	20%	16%	20%	17%
	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
<b>(ii) Ageing of receivables – value</b>				
<b>Rates and annual charges</b>			<b>2018</b>	<b>2017</b>
Current			2,782	3,032
< 1 year overdue			694	744
			<b>3,476</b>	<b>3,776</b>
<b>Other receivables</b>				
Current			6,707	7,249
0 – 30 days overdue			1,267	1,215
			<b>7,974</b>	<b>8,464</b>

# Richmond Valley Council

## Notes to the Financial Statements for the year ended 30 June 2018

### Note 17. 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.

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 by borrowing long term and fixing the interest rate on a 4-year renewal basis. The Finance Section regularly reviews interest rate movements to determine if it would be advantageous to refinance or renegotiate part or all of the loan portfolio.

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

\$ '000	Weighted average interest rate	Subject to no maturity	≤ 1 Year	payable in:		Total cash outflows	Actual carrying values
				1 – 5 Years	> 5 Years		
2018							
Trade/other payables	0.00%	542	4,798	–	–	5,340	5,340
Loans and advances	4.64%	–	3,515	14,061	16,686	34,262	27,189
Total financial liabilities		542	8,313	14,061	16,686	39,602	32,529
2017							
Trade/other payables	0.00%	427	4,439	–	–	4,866	4,866
Loans and advances	6.21%	–	3,538	13,821	18,371	35,730	25,572
Total financial liabilities		427	7,977	13,821	18,371	40,596	30,438

# Richmond Valley Council

## Notes to the Financial Statements

for the year ended 30 June 2018

### Note 18. Material budget variations

\$ '000

Council's original financial budget for 17/18 was adopted by the Council on 27 June 2017 and is not required to be audited.

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	2018 Budget	2018 Actual	2018 Variance*	
<b>REVENUES</b>				
<b>Other revenues</b>	<b>142</b>	<b>166</b>	<b>24</b>	<b>17% F</b>
Other Revenues were over budget by \$24,000 (17%). This is mainly due to insurance claims and rebates being received which are unknown at the time of setting the original budget.				
<b>Capital grants and contributions</b>	<b>5,465</b>	<b>11,557</b>	<b>6,092</b>	<b>111% F</b>
Capital grants and contributions were over budget by \$6,092,000 (111%). In many instances, the actual amount of grants received depends upon decisions made by State and Federal Governments after the original budget was adopted and on the outcomes of various grant applications submitted throughout the year. The main reasons for the increase were \$3.157m in natural disaster funding and \$1.278m in subdivision dedications (unbudgeted) as well as additional section 7.11 rural heavy haulage contributions of \$1.131m than what was originally budgeted.				
<b>EXPENSES</b>				
<b>Borrowing costs</b>	<b>1,679</b>	<b>2,940</b>	<b>(1,261)</b>	<b>(75%) U</b>
Borrowing costs were over budget by \$1,261,000 (75%). Council refinanced three of its loans during 2018. The cost of refinancing included recognising loan break costs of \$1,531,000. Council will save over \$536,000 during the terms of the loans.				
<b>Net losses from disposal of assets</b>	<b>–</b>	<b>2,677</b>	<b>(2,677)</b>	<b>100% 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 profit or loss from the disposal of assets is \$2,677,000, 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 2018

### Note 19. 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			
2018		Level 1	Level 2	Level 3	Total
	Date	Quoted	Significant	Significant	
	of latest	prices in	observable	unobservable	
	valuation	active mkts	inputs	inputs	
Recurring fair value measurements					
Financial assets					
Investments					
– ‘Held for trading’	30/06/18	–	39,028	–	39,028
Total financial assets		–	39,028	–	39,028
Infrastructure, property, plant and equipment					
Plant & Equipment	30/06/18	–	–	13,125	13,125
Office Equipment	30/06/18	–	–	302	302
Furniture & Fittings	30/06/18	–	–	421	421
– Operational Land	30/06/17	–	–	23,329	23,329
– Community Land	30/06/17	–	–	25,836	25,836
– Land Under Roads (post 30/06/08)	30/06/17	–	–	277	277
Land Improvements – non depreciable	30/06/15	–	–	4,944	4,944
Land Improvements – depreciable	30/06/15	–	–	11,902	11,902
Buildings – Specialised	30/06/15	–	–	52,579	52,579
Other Structures	30/06/15	–	–	15,645	15,645
– Roads	30/06/18	–	–	219,088	219,088
– Bridges	30/06/18	–	–	68,286	68,286
– Footpaths	30/06/18	–	–	11,720	11,720
– Bulk Earthworks (non depreciable)	30/06/18	–	–	62,362	62,362
– Stormwater Drainage	30/06/14	–	–	34,884	34,884
– Water Supply Network	30/06/17	–	–	71,577	71,577
– Sewerage Network	30/06/17	–	–	110,573	110,573
– Swimming Pools	30/06/15	–	–	5,791	5,791
– Other Open Space/Recreational Assets	30/06/15	–	–	7,816	7,816
– Library Books	30/06/18	–	–	353	353
Total infrastructure, property, plant and equipment		–	–	740,810	740,810

# Richmond Valley Council

## Notes to the Financial Statements for the year ended 30 June 2018

### Note 19. Fair value measurement (continued)

\$ '000

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

		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
– 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
– 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

### (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 2018

#### Note 19. Fair value measurement (continued)

##### (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)	\$26,000,000
NSW Treasury Corporation - Cash Facility Trust	\$4,485,000
NSW Treasury Corporation - Strategic Cash Facility Trust	\$8,543,000

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

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

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

##### Plant & Equipment, Office Equipment and Furniture & Fittings

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

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

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

##### Land - Operational

This asset class comprises all of Council's land classified as Operational Land under the NSW Local Government Act 1993. Council obtains its fair values for operational land from an external valuer every 3 years. Generally, fair value is the most advantageous price reasonably obtainable by the seller and the most advantageous price reasonably obtained by the buyer. This is not necessarily the market selling price of the asset, rather, it is regarded as the maximum value that Council would rationally pay to acquire the asset if it did not hold it, taking into account quoted market price in an active and liquid market, the current market price of the same or similar asset, the cost of replacing the asset, if management intend to replace the asset 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 2018

#### Note 19. Fair value measurement (continued)

##### (3) Valuation techniques used to derive level 2 and level 3 fair values (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 2018

#### Note 19. Fair value measurement (continued)

##### (3) Valuation techniques used to derive level 2 and level 3 fair values (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 revaluation was performed as at 30 June 2018.

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.

###### **Swimming Pools**

These assets include all structures located within the facility. These assets are valued by an external valuer every 5 years using the cost approach and the last valuation was performed by an external valuer as at 30 June 2015. Unobservable inputs include patterns of consumption, residual values, asset conditions and remaining useful lives. These factors require extensive professional judgement, resulting in this asset class being classified as level 3. There has been no change to the valuation process during the reporting period.

## Richmond Valley Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 19. Fair value measurement (continued)

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

###### **Other Open Space/Recreational Assets**

These assets include all structures within Council's sports grounds, parks and reserves. This asset class is valued by an external valuer every 5 years using the cost approach and the last valuation was performed by an external valuer as at 30 June 2015. Unobservable inputs include patterns of consumption, residual values, asset conditions and remaining useful lives. These factors require extensive professional judgement, resulting in this asset class being classified as level 3. There has been no change to the valuation process during the reporting period.

###### **Other Assets (Library Books)**

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

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

# Richmond Valley Council

## Notes to the Financial Statements for the year ended 30 June 2018

### Note 19. 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 – 1/7/16</b>	11,283	149	282	24,715	36,429
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>
Purchases (GBV)	3,128	139	37	–	3,304
Disposals (WDV)	(392)	–	–	(4,504)	(4,896)
Depreciation and impairment	(1,543)	(78)	(75)	–	(1,696)
Revaluation increments to equity (ARR)	–	–	–	795	795
<b>Closing balance – 30/6/18</b>	<b>13,125</b>	<b>302</b>	<b>421</b>	<b>23,329</b>	<b>37,177</b>

	Community Land	Land Under Roads post 30/6/08	Land Improv Non-Deprec	Land Improv Depreciable	Total
<b>Opening balance – 1/7/16</b>	24,257	156	4,141	11,064	39,618
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>
Transfers from/(to) another asset class	–	–	–	13	13
Purchases (GBV)	–	29	440	174	643
Disposals (WDV)	(25)	–	–	–	(25)
Depreciation and impairment	–	–	–	(255)	(255)
Revaluation increments to equity (ARR)	570	–	131	313	1,014
Transfers from/(to) Capital Work in Progress	–	–	–	271	271
Impairment loss recognised in equity	–	–	–	(98)	(98)
<b>Closing balance – 30/6/18</b>	<b>25,836</b>	<b>277</b>	<b>4,944</b>	<b>11,902</b>	<b>42,959</b>

# Richmond Valley Council

## Notes to the Financial Statements for the year ended 30 June 2018

### Note 19. 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 – 1/7/16</b>	49,268	9,670	159,984	58,220	277,142
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>
Purchases (GBV)	324	4,787	3,850	409	9,370
Disposals (WDV)	–	(1,116)	(893)	(54)	(2,063)
Depreciation and impairment	(1,070)	(178)	(5,257)	(782)	(7,287)
Revaluation increments to equity (ARR)	1,398	319	60,098	10,677	72,492
Transfers from/(to) Capital Work in Progress	3	1,729	628	26	2,386
Reinstatement costs for impaired assets	–	–	2,936	134	3,070
Impairment reversal recognised in equity	–	–	4,734	(650)	4,084
Impairment loss recognised in equity	(92)	–	–	–	(92)
<b>Closing balance – 30/6/18</b>	<b>52,579</b>	<b>15,645</b>	<b>219,088</b>	<b>68,286</b>	<b>355,598</b>

	Footpaths	Bulk Earthworks Non-Deprec	Stormwater Drainage	Water Supply Network	Total
<b>Opening balance – 1/7/16</b>	11,930	72,436	34,006	71,197	189,569
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>
Purchases (GBV)	222	361	158	770	1,511
Disposals (WDV)	(204)	–	–	(256)	(460)
Depreciation and impairment	(289)	–	(564)	(1,433)	(2,286)
Revaluation increments to equity (ARR)	36	(11,630)	1,148	1,456	(8,990)
Transfers from/(to) Capital Work In Progress	–	–	–	5	5
<b>Closing balance – 30/6/18</b>	<b>11,720</b>	<b>62,362</b>	<b>34,884</b>	<b>71,577</b>	<b>180,543</b>

# Richmond Valley Council

## Notes to the Financial Statements for the year ended 30 June 2018

### Note 19. 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)

	Library Books	Sewerage Network	Swimming Pools	Other Open Space/ Recreation	Total
<b>Opening balance – 1/7/16</b>	414	102,823	6,482	7,224	116,943
Purchases (GBV)	81	1,329	106	221	1,737
Disposals (WDV)	(34)	(124)	(67)	(44)	(269)
Depreciation and impairment	(89)	(1,176)	(108)	(177)	(1,550)
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>372</b>	<b>109,890</b>	<b>6,754</b>	<b>7,632</b>	<b>124,648</b>
Transfers from/(to) another asset class	–	–	–	(13)	(13)
Purchases (GBV)	87	671	14	182	954
Disposals (WDV)	(24)	(134)	(8)	(38)	(204)
Depreciation and impairment	(82)	(2,121)	(115)	(195)	(2,513)
Revaluation increments to equity (ARR)	–	2,266	181	203	2,650
Transfers from/(to) Capital Work In Progress	–	1	–	44	45
Impairment loss recognised in equity	–	–	(1,035)	–	(1,035)
<b>Closing balance – 30/6/18</b>	<b>353</b>	<b>110,573</b>	<b>5,791</b>	<b>7,815</b>	<b>124,532</b>

## Richmond Valley Council

### Notes to the Financial Statements for the year ended 30 June 2018

#### Note 19. Fair value measurement (continued)

##### (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 2018

#### Note 20. Related party transactions

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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:

<b>Compensation:</b>	<b>2018</b>	<b>2017</b>
Short-term benefits	797	852
Post-employment benefits	58	67
Other long-term benefits	23	21
Termination benefits	52	–
<b>Total</b>	<b>930</b>	<b>940</b>



## Richmond Valley Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 20. Related party transactions (continued)

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

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
	Ref	Actual \$	Actual \$		Actual \$	Actual \$
<b>2018</b>						
Employee expenses relating to close family members of KMP	1	101,744	—	Council staff award - Local Government (State) Award 2017	—	—

1 One (1) close family member of Council's KMP are 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 2018

## Note 20. Related party transactions (continued)

## c. Other related party transactions (continued)

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
	Ref	Actual \$	Actual \$		Actual \$	Actual \$
<b>2018</b>						
Joint Venture - North East Weight of Loads Group	1	24,541	—	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 2018

### Note 21. Statement of developer contributions

\$ '000

Under the *Environmental Planning and Assessment Act 1979*, Council has significant obligations to provide Section 7.11 (contributions towards provision or improvement of amenities or services) infrastructure in new release areas.

It is possible that the funds contributed may be less than the cost of this infrastructure, requiring Council to borrow or use general revenue to fund the difference.

#### 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	195	–	–	5	–	–	200	–
Community facilities	5	–	–	–	–	–	5	–
Infrastructure	2	–	–	–	–	–	2	–
Community Services	52	–	–	1	–	–	53	–
Recreation & Civil Facilities	1	–	–	–	–	–	1	–
Quarry Roads	75	5	–	–	(9)	–	71	–
Rural Heavy Haulage	156	1,171	–	20	–	–	1,347	–
Bushfire	9	–	–	–	–	–	9	–
<b>S7.11 contributions – under a plan</b>	<b>495</b>	<b>1,176</b>	<b>–</b>	<b>26</b>	<b>(9)</b>	<b>–</b>	<b>1,688</b>	<b>–</b>
<b>S7.12 levies – under a plan</b>	<b>168</b>	<b>182</b>	<b>–</b>	<b>5</b>	<b>(149)</b>	<b>–</b>	<b>206</b>	<b>–</b>
<b>Total S7.11 and S7.12 revenue under plans</b>	<b>663</b>	<b>1,358</b>	<b>–</b>	<b>31</b>	<b>(158)</b>	<b>–</b>	<b>1,894</b>	<b>–</b>
S64 contributions	4,609	177	–	118	–	–	4,904	–
<b>Total contributions</b>	<b>5,272</b>	<b>1,535</b>	<b>–</b>	<b>149</b>	<b>(158)</b>	<b>–</b>	<b>6,798</b>	<b>–</b>

## Richmond Valley Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 21. Statement of developer contributions (continued)

\$ '000

**S7.11 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	114	–	–	3	–	–	117	–
Infrastructure	2	–	–	–	–	–	2	–
Community Services	52	–	–	1	–	–	53	–
Recreation & Civil Facilities	1	–	–	–	–	–	1	–
Quarry Roads	75	5	–	–	(9)	–	71	–
Rural Heavy Haulage	156	1,171	–	20	–	–	1,347	–
<b>Total</b>	<b>400</b>	<b>1,176</b>	<b>–</b>	<b>24</b>	<b>(9)</b>	<b>–</b>	<b>1,591</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	81	–	–	2	–	–	83	–
Community facilities	5	–	–	–	–	–	5	–
Bushfire	9	–	–	–	–	–	9	–
<b>Total</b>	<b>95</b>	<b>–</b>	<b>–</b>	<b>2</b>	<b>–</b>	<b>–</b>	<b>97</b>	<b>–</b>

**S7.12 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 7.12 Levies	168	182	–	5	(149)	–	206	–
<b>Total</b>	<b>168</b>	<b>182</b>	<b>–</b>	<b>5</b>	<b>(149)</b>	<b>–</b>	<b>206</b>	<b>–</b>

# Richmond Valley Council

## Notes to the Financial Statements

for the year ended 30 June 2018

### Note 22. Financial result and financial position by fund

<b>Income Statement by fund</b>			
<b>\$ '000</b>	<b>2018</b>	<b>2018</b>	<b>2018</b>
<b><u>Continuing operations</u></b>	<b>Water</b>	<b>Sewer</b>	<b>General<sup>1</sup></b>
<b>Income from continuing operations</b>			
Rates and annual charges	1,245	6,707	14,878
User charges and fees	4,788	1,189	8,511
Interest and investment revenue	160	292	608
Other revenues	–	–	166
Grants and contributions provided for operating purposes	78	76	9,753
Grants and contributions provided for capital purposes	110	339	11,108
<b>Total income from continuing operations</b>	<b>6,381</b>	<b>8,603</b>	<b>45,024</b>
<b>Expenses from continuing operations</b>			
Employee benefits and on-costs	913	1,661	16,443
Borrowing costs	–	2,154	786
Materials and contracts	2,170	2,572	6,065
Depreciation and amortisation	1,446	2,158	11,094
Other expenses	1,272	270	2,647
Net losses from the disposal of assets	256	138	2,283
<b>Total expenses from continuing operations</b>	<b>6,057</b>	<b>8,953</b>	<b>39,318</b>
<b>Operating result from continuing operations</b>	<b>324</b>	<b>(350)</b>	<b>5,706</b>
 <b>Net operating result attributable to each council fund</b>	 <b>324</b>	 <b>(350)</b>	 <b>5,706</b>
 <b>Net operating result for the year before grants and contributions provided for capital purposes</b>	 <b>214</b>	 <b>(689)</b>	 <b>(5,402)</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 2018

## Note 22. Financial result and financial position by fund (continued)

Statement of Financial Position by fund			
\$ '000	2018	2018	2018
<b>ASSETS</b>	<b>Water</b>	<b>Sewer</b>	<b>General<sup>1</sup></b>
<b>Current assets</b>			
Cash and cash equivalents	714	1,413	3,861
Investments	4,655	9,206	21,167
Receivables	1,656	2,082	5,328
Inventories	–	–	1,422
Other	–	–	248
<b>Total current assets</b>	<b>7,025</b>	<b>12,701</b>	<b>32,026</b>
<b>Non-current assets</b>			
Investments	–	–	4,000
Receivables	536	609	953
Inventories	–	–	1,679
Infrastructure, property, plant and equipment	73,855	113,392	559,746
<b>Total non-current assets</b>	<b>74,391</b>	<b>114,001</b>	<b>566,378</b>
<b>TOTAL ASSETS</b>	<b>81,416</b>	<b>126,702</b>	<b>598,404</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	9	173	4,584
Income received in advance	–	–	31
Borrowings	–	1,209	1,080
Provisions	–	–	5,476
<b>Total current liabilities</b>	<b>9</b>	<b>1,382</b>	<b>11,171</b>
<b>Non-current liabilities</b>			
Payables	–	–	574
Borrowings	–	15,039	9,861
Provisions	–	–	2,043
<b>Total non-current liabilities</b>	<b>–</b>	<b>15,039</b>	<b>12,478</b>
<b>TOTAL LIABILITIES</b>	<b>9</b>	<b>16,421</b>	<b>23,649</b>
<b>Net assets</b>	<b>81,407</b>	<b>110,281</b>	<b>574,755</b>
<b>EQUITY</b>			
Accumulated surplus	26,812	39,142	277,378
Revaluation reserves	54,595	71,139	297,377
<b>Total equity</b>	<b>81,407</b>	<b>110,281</b>	<b>574,755</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 2018

### Note 23(a). Statement of performance measures – consolidated results

\$ '000	Amounts 2018	Indicator 2018	Prior periods		Benchmark
			2017	2016	
<b>Local government industry indicators – consolidated</b>					
<b>1. Operating performance ratio</b>					
Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions less operating expenses	<b>(3,517)</b>	<b>-7.31%</b>	7.50%	0.00%	> 0.00%
Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions	<b>48,134</b>				
<b>2. Own source operating revenue ratio</b>					
Total continuing operating revenue <sup>(1)</sup> excluding all grants and contributions	<b>38,227</b>	<b>64.04%</b>	68.13%	69.65%	> 60.00%
Total continuing operating revenue <sup>(1)</sup>	<b>59,691</b>				
<b>3. Unrestricted current ratio</b>					
Current assets less all external restrictions <sup>(2)</sup>	<b>23,600</b>	<b>3.08x</b>	3.48x	2.70x	> 1.5x
Current liabilities less specific purpose liabilities <sup>(3, 4)</sup>	<b>7,673</b>				
<b>4. Debt service cover ratio</b>					
Operating result <sup>(1)</sup> before capital excluding interest and depreciation/impairment/amortisation	<b>14,121</b>	<b>0.93x</b>	5.02x	3.85x	> 2x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	<b>15,178</b>				
<b>5. Rates, annual charges, interest and extra charges outstanding percentage</b>					
Rates, annual and extra charges outstanding	<b>3,578</b>	<b>13.29%</b>	14.94%	17.00%	< 10% regional & rural
Rates, annual and extra charges collectible	<b>26,926</b>				
<b>6. Cash expense cover ratio</b>					
Current year's cash and cash equivalents plus all term deposits	<b>31,988</b>	<b>7.81 mths</b>	7.0 mths	5.4 mths	> 3 mths
Monthly payments from cash flow of operating and financing activities	<b>4,093</b>				

#### 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 Notes 10 and 11.

<sup>(4)</sup> Refer to Note 10(b) and 11(b) – 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 2018

#### Note 23(b). Statement of performance measures – by fund

\$ '000	General indicators <sup>5</sup>		Water indicators		Sewer indicators		Benchmark
	2018	2017	2018	2017	2018	2017	
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/>	-9.75%	5.12%	7.11%	14.78%	-8.29%	12.62%	> 0.00%
Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions							
2. Own source operating revenue ratio							
Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions							
<hr/>	53.45%	58.08%	97.05%	97.56%	95.12%	92.94%	> 60.00%
Total continuing operating revenue <sup>(1)</sup>							
3. Unrestricted current ratio							
Current assets less all external restrictions <sup>(2)</sup>							
<hr/>	3.08x	3.48x	592.11x	No liabilities	6.87x	6.95x	> 1.5x
Current liabilities less specific purpose liabilities <sup>(3, 4)</sup>							

#### Notes

(1) - (4) Refer to Notes at Note 23a 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 2018

## Note 23(b). Statement of performance measures – by fund (continued)

\$ '000	General indicators <sup>5</sup>		Water indicators		Sewer indicators		Benchmark
	2018	2017	2018	2017	2018	2017	
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	2.12x	10.02x	0.00x	0.00x	0.33x	1.55x	> 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	6.31%	8.25%	24.81%	25.56%	23.76%	24.72%	< 10% regional & rural
Rates, annual and extra charges collectible							
6. Cash expense cover ratio							
Current year's cash and cash equivalents plus all term deposits	8.67	6.36	14.80	11.20	4.30	6.75	> 3 months
Monthly payments from cash flow of operating and financing activities	months	months	months	months	months	months	

## Notes

(1) Refer to Notes at Note 23a 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 2018

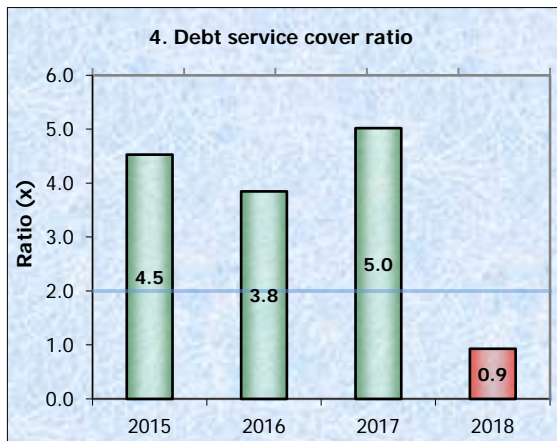
### Note 23(c). Statement of performance measures – consolidated results (graphs)

<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 #26</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 2017/18 result</b></p> <p><b>2017/18 ratio    -7.31%</b></p> <p>Council's operating performance ratio for 2017 was affected by the Federal Government bringing forward the first two instalments of the financial assistance grant, increasing income by \$2.369m. Council recognised loan break costs of \$1.5m during 2018, however will still achieve savings of over \$536,000 due to refinancing three loans.</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 #26</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 2017/18 result</b></p> <p><b>2017/18 ratio    64.04%</b></p> <p>Council's own source operating revenue ratio is above the benchmark of 60% and remains relatively consistent.</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 #26</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 2017/18 result</b></p> <p><b>2017/18 ratio    3.08x</b></p> <p>Council's unrestricted current ratio has decreased to 3.1, which is still well above the benchmark of 1.5. This was due to a proportionate increase in current liabilities over cash and receivables.</p>

# Richmond Valley Council

## Notes to the Financial Statements for the year ended 30 June 2018

### Note 23(c). Statement of performance measures – consolidated results (graphs)



Benchmark: — Minimum  $\geq 2.00$

Source for benchmark: Code of Accounting Practice and Financial Reporting #26

#### 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 2017/18 result

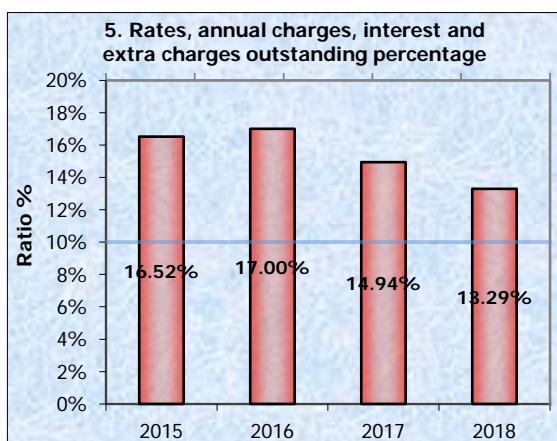
**2017/18 ratio 0.93x**

Council's debt service cover ratio for 2018 has been affected by the refinancing of three loans during the year which will lead to savings of over \$536,000 during the terms of the loans. Principal repayments of \$12.238m have been offset by new loans of \$13.855m.



Ratio achieves benchmark

Ratio is outside benchmark



Benchmark: — Maximum  $< 10.00\%$

Source for Benchmark: Code of Accounting Practice and Financial Reporting #26

#### 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 2017/18 result

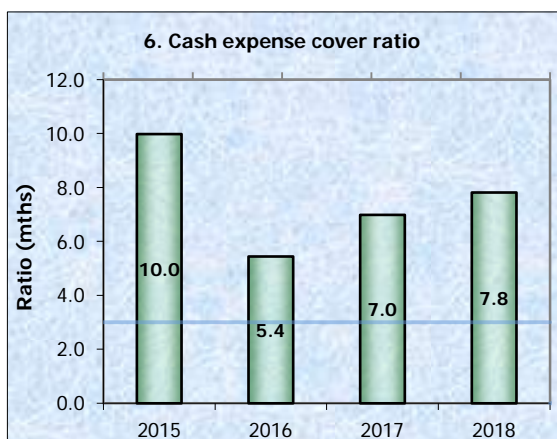
**2017/18 ratio 13.29%**

There has been a further improvement in Council's rates, annual charges, interest and extra charges outstanding ratio, reducing from 14.94% to 13.29%. In comparing this ratio to the benchmark, it is impacted by the fact that Council levies its water and sewerage annual charges in arrears. Council will continue to monitor and pursue outstanding balances through its debt recovery practices.



Ratio is within Benchmark

Ratio is outside Benchmark



Benchmark: — Minimum  $\geq 3.00$

Source for benchmark: Code of Accounting Practice and Financial Reporting #26

#### 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 2017/18 result

**2017/18 ratio 7.81 mths**

Council's cash expense cover ratio is well above the benchmark of 3.0 and has increased due to a higher level of term deposits than in 2017. 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 2018

### Note 24. Council information and contact details

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#### Principal place of business:

Cnr Walker Street & 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

#### 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 Humphys  
Jill Lyons  
Daniel Simpson

#### Other information

**ABN:** 54 145 907 009



## **INDEPENDENT AUDITOR'S REPORT**

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

#### **Richmond Valley Council**

To the Councillors of the Richmond Valley Council

### **Opinion**

I have audited the accompanying financial report of the Richmond Valley Council (the Council), which comprise the Income Statement and Statement of Comprehensive Income for the year ended 30 June 2018, the Statement of Financial Position as at 30 June 2018, the 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 report:
  - has been presented, in all material respects, in accordance with the requirements of this Division
  - is consistent with the Council's accounting records
  - presents fairly, in all material respects, the financial position of the Council as at 30 June 2018, 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 report 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 Report' 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 Information**

Other information comprises the information included in the Council's annual report for the year ended 30 June 2018, other than the financial report and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the special purpose financial statements and Special Schedules (the Schedules).

My opinion on the financial report does not cover the other information. Accordingly, I do not express any form of assurance conclusion on the other information. However, as required by the *Local Government Act 1993*, I have separately expressed an opinion on the special purpose financial statements and Special Schedule 2 - Permissible income for general rates.

In connection with my audit of the financial report, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude there is a material misstatement of the other information, I must report that fact.

I have nothing to report in this regard.

## **The Councillors' Responsibilities for the Financial Report**

The Councillors are responsible for the preparation and fair presentation of the financial report 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 report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Councillors are responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting except where the Council will be dissolved or amalgamated by an Act of Parliament, or otherwise cease operations.

## **Auditor's Responsibilities for the Audit of the Financial Report**

My objectives are to:

- obtain reasonable assurance about whether the financial report 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 the financial report.

A description of my responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: [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
- on the Original Budget information included in the Income Statement, Statement of Cash Flows, and Note 18 Material budget variations
- on the Special Schedules. A separate opinion has been provided on Special Schedule 2 - Permissible income for general rates
- about the security and controls over the electronic publication of the audited financial report on any website where it may be presented
- about any other information which may have been hyperlinked to/from the financial report.



Reiky Jiang  
Director, Financial Audit Services

17 October 2018  
SYDNEY

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

Contact: Reiky Jiang  
Phone no: 02 9275 7100  
Our ref: D1825307/1782

17 October 2018

Dear Mayor

## Report on the Conduct of the Audit for the year ended 30 June 2018 Richmond Valley Council

I have audited the general purpose financial statements of the Richmond Valley Council (the Council) for the year ended 30 June 2018 as required by section 415 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 2018 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 or observations during my audit of the Council's financial statements. INCOME STATEMENT

#### Operating result

	2018 \$m	2017 \$m	Variance %
Rates and annual charges revenue	22.8	21.7	 5
Grants and contributions revenue	21.5	17.9	 20
Operating result for the year	5.7	7.5	 24
Net operating result before capital amounts	(5.9)	3.4	 274



Council's operating result (\$5.7 million including the effect of depreciation and amortisation expense of \$14.7 million) was \$1.8 million lower than the 2016–17 result. This decrease is largely attributable to the following:

- ordinary rates income increased by \$0.5 million. Council had an approved special general rate increase of 5.5 per cent for the 2017–18 year
- annual charges for domestic and non-domestic waste management services increased by \$0.4 million
- Roads and Maritime Services NSW (RMS) charges decreased by \$1.4 million. These fluctuate year to year based on the needs of the RMS
- grants and contributions provided for operating purposes decreased by \$3.9 million. This was predominantly due to declines in the financial assistance grant (an advance payment was received for the first time in 2016–17) and roads to recovery funding
- grants and contributions provided for capital purposes increased by \$7.5 million. This was predominately due to additional natural disaster funding, funding for roads and bridges, developer contributions and funds received for the Northern Rivers Livestock Exchange
- employee costs increased by \$0.8 million
- borrowings costs increased by 1.3 million. Council incurred \$1.5 million break costs this year as part of refinancing some of its loans to achieve a better long term outcome
- materials and contracts expenses decreased by \$1 million
- depreciation and amortisation expense increased by \$2.5 million. Significant depreciation increases related to the water supply and sewerage network, both of which were subject to revaluation as at 30 June 2017
- net losses from disposal of assets increased by \$1.8 million.

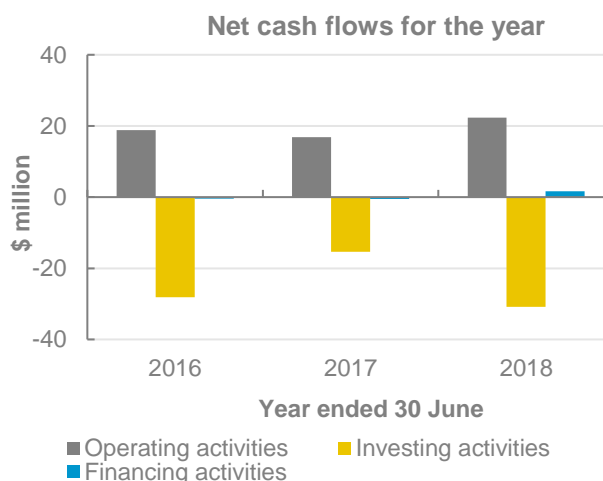
## STATEMENT OF CASH FLOWS

The adjacent graph shows the movement in cash flows from operating, investing and financing activities.

Council's cash and cash equivalents decreased by \$6.9 million during the financial year, however this represents a shift in its portfolio as investments increased by \$13.3 million (see table below).

Cash provided from operating activities increased by \$5.5 million predominantly due to higher grants and contributions received as outlined above.

Cash used in investing activities increased by \$15.5 million due to more purchases of investment securities, and higher capital expenditure.



## FINANCIAL POSITION

### Cash and Investments

	2018 \$m	2017 \$m	
Cash and cash equivalents	6.0	12.9	Cash on hand and at bank as well as term deposits with an original maturity period of less than 3 months
Investments	39.0	25.7	Term deposits with an original maturity period of more than 3 months, and managed funds
<b>Cash and investments</b>	<b>45.0</b>	<b>38.6</b>	

Restrictions on Funds	\$m	\$m	
External restrictions	28.1	26.2	Externally restricted balances include unexpended specific grants, developer contributions and water supply, sewerage services and domestic waste management charges. The increase in externally restricted cash and investments is predominantly due to a \$1.3 million increase in sewerage services.
Internal restrictions	16.9	12.4	Balances are internally restricted due to Council policy or decisions for forward plans including works programs. Internally restricted cash and investments have increased by \$4.5 million, with increases of \$3.4 million for real estate and infrastructure and \$0.8 million for unexpended rate variations being most significant.
<b>Cash and investments</b>	<b>45.0</b>	<b>38.6</b>	

### Debt

Council has total borrowings of \$27.2 million at 30 June 2018 (\$25.6 million at 30 June 2017). Council refinanced some loans in the current year, which resulted in proceeds from borrowings of \$13.9 million, loan repayments of \$12.2 million and loan refinancing costs of \$1.5 million. Refer to the commentary below on Council's debt service cover ratio.

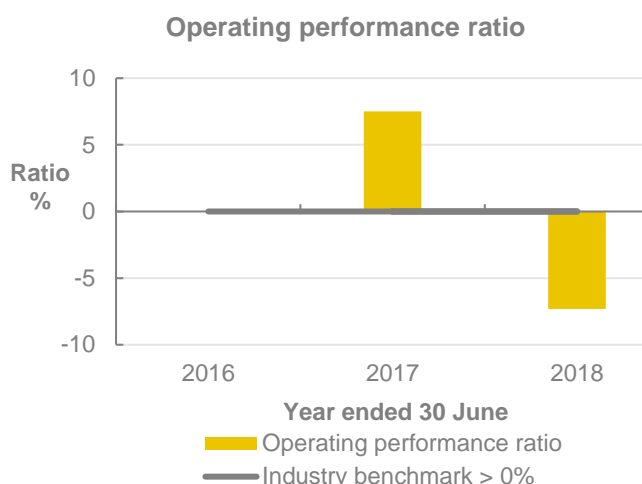
## PERFORMANCE RATIOS

The definition of each ratio analysed below (except for the 'building and infrastructure renewals ratio') is included in Note 23 of the Council's audited general purpose financial statements. The 'building and infrastructure renewals ratio' is defined in Council's Special Schedule 7 which has not been audited.

## Operating performance ratio

Council's operating performance ratio has deteriorated over the prior year and does not meet the industry benchmark. The decline is mainly attributable to a reduction in grants and contributions received for operating purposes, increased depreciation expense and loan refinancing costs.

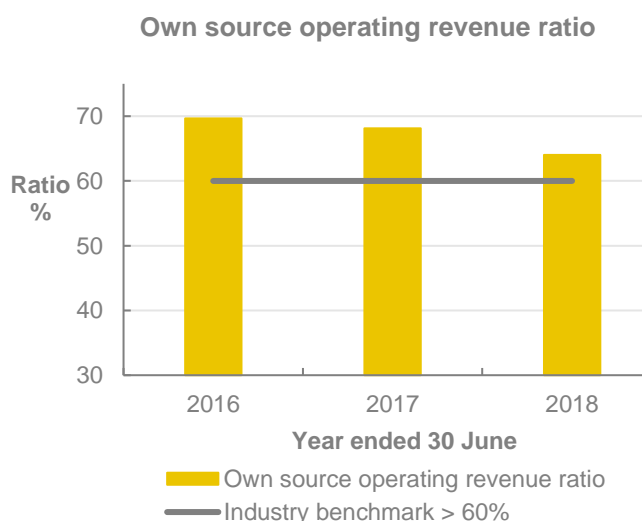
The 'operating performance ratio' measures how well council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by the Office of Local Government (OLG) is greater than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



## Own source operating revenue ratio

Council results are in line with the industry benchmark which illustrates that revenue streams, such as quarries, RMS charges, and the Northern Rivers Livestock Exchange, reduce the Council's reliance on government funding. The ratio has been negatively impacted in recent years due to higher levels of capital grants and contributions.

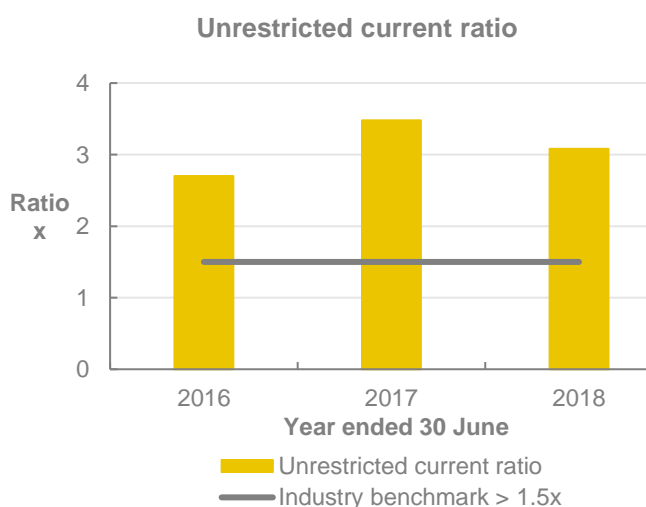
The 'own source operating revenue ratio' measures council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by OLG is greater than 60 per cent.



## Unrestricted current ratio

Council continues to exceed the industry benchmark, with results largely consistent to prior years. Council has \$3.08 in liquid current assets for every \$1 of current liabilities.

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.

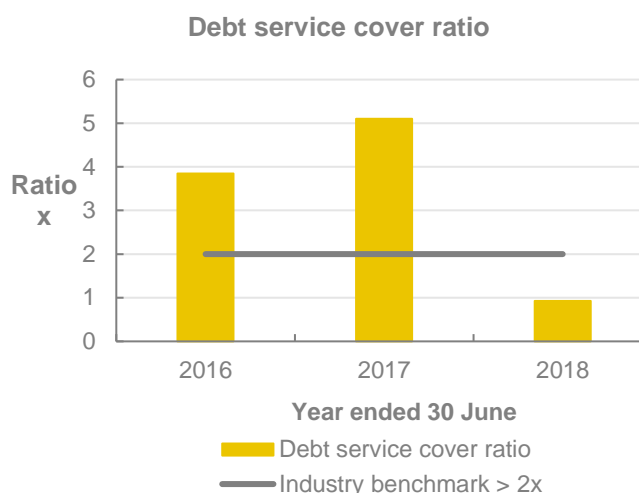


## Debt service cover ratio

Council's debt service cover ratio has declined over the prior year and did not meet the industry benchmark in 2018. The decline is due to the refinancing of loans in the current year, which saw a large increase in principal repayments (although these were offset by proceeds from the refinanced loans, which are excluded from this ratio). Council incurred loan refinancing fees of \$1.5 million as part of this process.

For the sewer fund, the debt service cover ratio is 0.33 and remains below the benchmark. 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.



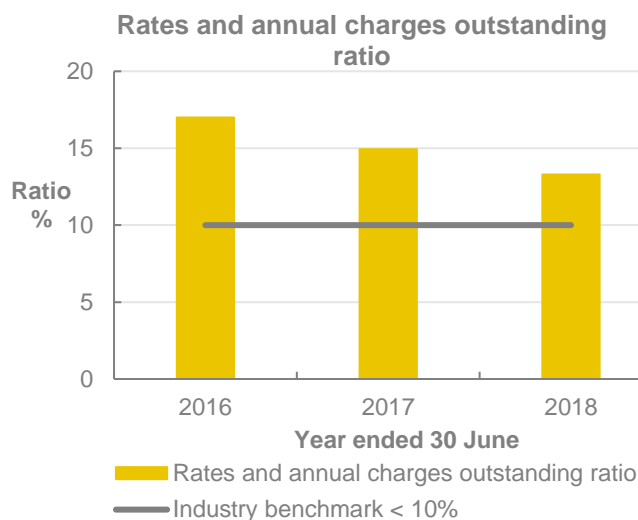
## Rates and annual charges outstanding ratio

Despite an improvement over the last two years, Council did not meet the industry benchmark for rates and annual charges outstanding ratio.

The water and sewer fund ratios are higher than the general fund ratio (and industry benchmark) as Council levies annual charges in arrears for these funds.

Council should monitor and pursue outstanding amounts through its debt recovery practices.

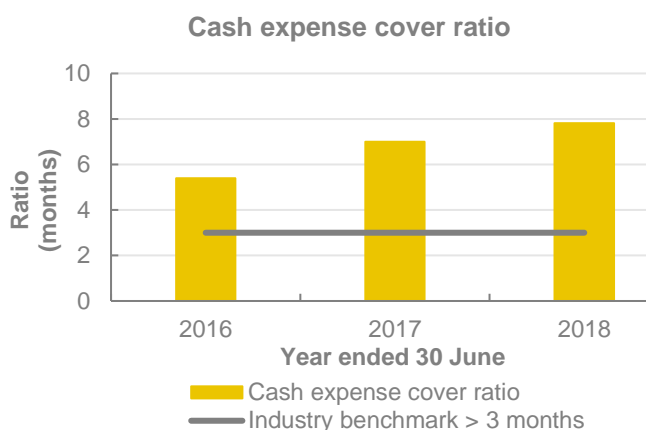
The 'rates and annual charges outstanding ratio' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by OLG is less than 10 per cent for regional and rural councils.



## Cash expense cover ratio

Council continues to improve its cash expense cover ratio and is well above the industry benchmark. Council has increased its cash reserves whilst maintaining expenditure levels.

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.

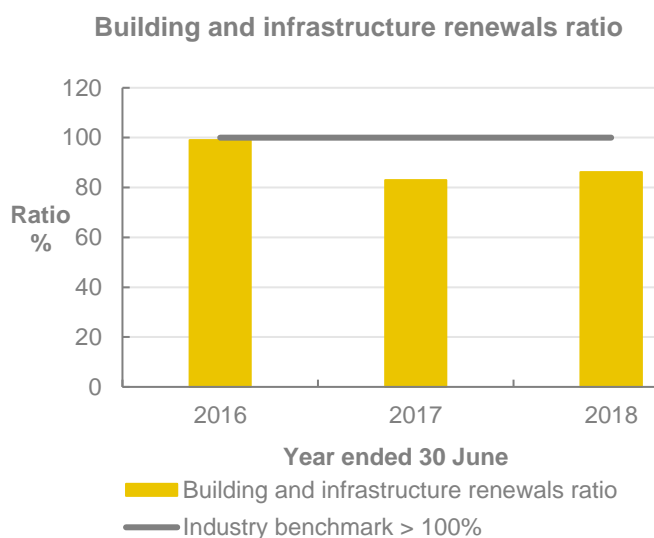


## Building and infrastructure renewals ratio (unaudited)

There has been an increase in the level of Council expenditure on building and infrastructure renewals in 2017–18, however it is still not keeping pace with the rate at which these assets are depreciating.

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 2016-2 'Disclosure Initiative – Amendments to AASB 107'

Effective for annual reporting periods beginning on or after 1 January 2017

This Standard requires entities to provide disclosures that enable users of financial statements to evaluate changes (both cash flows and non-cash changes) in liabilities arising from financing activities.

Council's disclosure of the changes in their liabilities arising from financing activities is disclosed in Note 10.

### 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.



Reiky Jiang  
Director, Financial Audit Services

# Richmond Valley Council

SPECIAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2018

---

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

Richmond  
Valley  
Council



# Richmond Valley Council

## Special Purpose Financial Statements

for the year ended 30 June 2018

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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 2018

### 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 16 October 2018.**



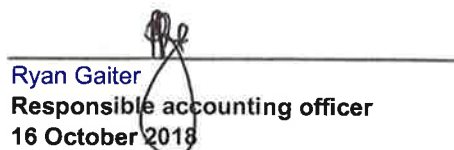
Robert Mustow  
Mayor  
16 October 2018



Daniel Simpson  
Councillor  
16 October 2018



Vaughan Macdonald  
General manager  
16 October 2018



Ryan Gaiter  
Responsible accounting officer  
16 October 2018

# Richmond Valley Council

## Income Statement of Council's Water Supply Business Activity for the year ended 30 June 2018

\$ '000	2018	2017
<b>Income from continuing operations</b>		
Access charges	1,245	1,157
User charges	4,689	4,596
Fees	99	101
Interest	160	152
Grants and contributions provided for non-capital purposes	78	78
<b>Total income from continuing operations</b>	<b>6,271</b>	<b>6,084</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	913	912
Materials and contracts	2,170	2,155
Depreciation, amortisation and impairment	1,446	862
Water purchase charges	1,032	1,016
Loss on sale of assets	256	243
Calculated taxation equivalents	24	27
Other expenses	240	213
<b>Total expenses from continuing operations</b>	<b>6,081</b>	<b>5,428</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>190</b>	<b>656</b>
Grants and contributions provided for capital purposes	110	72
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>300</b>	<b>728</b>
<b>Surplus (deficit) from all operations before tax</b>	<b>300</b>	<b>728</b>
Less: corporate taxation equivalent (30%) [based on result before capital]	(57)	(197)
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>243</b>	<b>531</b>
<b>Plus opening retained profits</b>	26,487	25,732
<b>Plus adjustments for amounts unpaid:</b>		
– Taxation equivalent payments	24	27
– Corporate taxation equivalent	57	197
<b>Closing retained profits</b>	<b>26,811</b>	<b>26,487</b>
<b>Return on capital %</b>	<b>0.3%</b>	<b>0.9%</b>
<b>Calculation of dividend payable:</b>		
Surplus (deficit) after tax	243	531
Less: capital grants and contributions (excluding developer contributions)	(37)	(21)
<b>Surplus for dividend calculation purposes</b>	<b>206</b>	<b>510</b>
<b>Potential dividend calculated from surplus</b>	<b>103</b>	<b>255</b>

## Richmond Valley Council

### Income Statement of Council's Sewerage Business Activity for the year ended 30 June 2018

\$ '000	2018	2017
<b>Income from continuing operations</b>		
Access charges	6,707	6,563
User charges	1,050	954
Fees	139	853
Interest	292	290
Grants and contributions provided for non-capital purposes	76	83
Other income	–	6
<b>Total income from continuing operations</b>	<b>8,264</b>	<b>8,749</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	1,661	1,807
Borrowing costs	2,154	1,174
Materials and contracts	2,572	3,096
Depreciation, amortisation and impairment	2,158	1,201
Loss on sale of assets	138	124
Calculated taxation equivalents	18	20
Other expenses	270	242
<b>Total expenses from continuing operations</b>	<b>8,971</b>	<b>7,664</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>(707)</b>	<b>1,085</b>
Grants and contributions provided for capital purposes	339	566
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>(368)</b>	<b>1,651</b>
<b>Surplus (deficit) from all operations before tax</b>	<b>(368)</b>	<b>1,651</b>
Less: corporate taxation equivalent (30%) [based on result before capital]	–	(326)
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>(368)</b>	<b>1,326</b>
Plus opening retained profits	39,492	37,821
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	18	20
– Corporate taxation equivalent	–	326
<b>Closing retained profits</b>	<b>39,142</b>	<b>39,492</b>
<b>Return on capital %</b>	<b>1.3%</b>	<b>2.0%</b>
<b>Calculation of dividend payable:</b>		
Surplus (deficit) after tax	(368)	1,326
Less: capital grants and contributions (excluding developer contributions)	(235)	(554)
<b>Surplus for dividend calculation purposes</b>	<b>–</b>	<b>772</b>
<b>Potential dividend calculated from surplus</b>	<b>–</b>	<b>386</b>

## Richmond Valley Council

## Income Statement of Council's Other Business Activities

for the year ended 30 June 2018

	Petersons Quarry		Woodview Quarry	
	Category 2		Category 2	
\$ '000	2018	2017	2018	2017
<b>Income from continuing operations</b>				
Fees	1,307	1,396	1,283	427
Interest	53	44	29	28
Grants and contributions provided for non-capital purposes	–	15	–	–
<b>Total income from continuing operations</b>	<b>1,360</b>	<b>1,455</b>	<b>1,312</b>	<b>455</b>
<b>Expenses from continuing operations</b>				
Employee benefits and on-costs	–	–	78	34
Borrowing costs	10	8	8	7
Materials and contracts	99	96	656	373
Depreciation, amortisation and impairment	31	33	16	18
Calculated taxation equivalents	–	–	4	6
Other expenses	5	4	–	–
<b>Total expenses from continuing operations</b>	<b>145</b>	<b>141</b>	<b>762</b>	<b>438</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>1,215</b>	<b>1,314</b>	<b>550</b>	<b>17</b>
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>1,215</b>	<b>1,314</b>	<b>550</b>	<b>17</b>
<b>Surplus (deficit) from all operations before tax</b>	<b>1,215</b>	<b>1,314</b>	<b>550</b>	<b>17</b>
Less: corporate taxation equivalent (30%) [based on result before capital]	(365)	(394)	(165)	(5)
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>851</b>	<b>920</b>	<b>385</b>	<b>12</b>
<b>Plus opening retained profits</b>	2,311	1,433	1,392	1,319
<b>Plus adjustments for amounts unpaid:</b>				
– Taxation equivalent payments	–	–	4	6
– Corporate taxation equivalent	365	394	165	5
<b>Add:</b>				
– Subsidy paid/contribution to operations	–	–	–	50
<b>Less:</b>				
– Dividend paid	(1,150)	(436)	(324)	–
<b>Closing retained profits</b>	<b>2,376</b>	<b>2,311</b>	<b>1,622</b>	<b>1,392</b>
<b>Return on capital %</b>	<b>108.8%</b>	<b>118.1%</b>	<b>50.0%</b>	<b>2.2%</b>
<b>Subsidy from Council</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>2</b>

## Richmond Valley Council

Statement of Financial Position – Council's Water Supply Business Activity  
as at 30 June 2018

\$ '000	2018	2017
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	714	4,011
Investments	4,655	–
Receivables	1,656	1,807
<b>Total current assets</b>	<b>7,025</b>	<b>5,818</b>
<b>Non-current assets</b>		
Receivables	536	578
Infrastructure, property, plant and equipment	73,855	73,220
<b>Total non-current assets</b>	<b>74,391</b>	<b>73,798</b>
<b>TOTAL ASSETS</b>	<b>81,416</b>	<b>79,616</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Payables	9	7
<b>Total current liabilities</b>	<b>9</b>	<b>7</b>
<b>Non-current liabilities</b>		
Nil		
<b>TOTAL LIABILITIES</b>	<b>9</b>	<b>7</b>
<b>NET ASSETS</b>	<b>81,407</b>	<b>79,609</b>
<b>EQUITY</b>		
Accumulated surplus	26,812	26,487
Revaluation reserves	54,595	53,122
Council equity interest	81,407	79,609
<b>TOTAL EQUITY</b>	<b>81,407</b>	<b>79,609</b>

## Richmond Valley Council

Statement of Financial Position – Council's Sewerage Business Activity  
as at 30 June 2018

\$ '000	2018	2017
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	1,413	4,148
Investments	9,206	5,000
Receivables	2,082	2,978
Other	–	3
<b>Total current Assets</b>	<b>12,701</b>	<b>12,129</b>
<b>Non-current assets</b>		
Receivables	609	645
Infrastructure, property, plant and equipment	113,392	111,888
<b>Total non-current assets</b>	<b>114,001</b>	<b>112,533</b>
<b>TOTAL ASSETS</b>	<b>126,702</b>	<b>124,662</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Payables	173	201
Borrowings	1,209	1,108
<b>Total current liabilities</b>	<b>1,382</b>	<b>1,309</b>
<b>Non-current liabilities</b>		
Borrowings	15,039	14,998
<b>Total non-current liabilities</b>	<b>15,039</b>	<b>14,998</b>
<b>TOTAL LIABILITIES</b>	<b>16,421</b>	<b>16,307</b>
<b>NET ASSETS</b>	<b>110,281</b>	<b>108,355</b>
<b>EQUITY</b>		
Accumulated surplus	39,142	39,492
Revaluation reserves	71,139	68,863
Council equity interest	110,281	108,355
<b>TOTAL EQUITY</b>	<b>110,281</b>	<b>108,355</b>

## Richmond Valley Council

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

as at 30 June 2018

	Petersons Quarry		Woodview Quarry	
	Category 2		Category 2	
\$ '000	2018	2017	2018	2017
<b>ASSETS</b>				
<b>Current assets</b>				
Investments	2,063	1,958	1,254	999
<b>Total Current Assets</b>	<b>2,063</b>	<b>1,958</b>	<b>1,254</b>	<b>999</b>
<b>Non-current assets</b>				
Infrastructure, property, plant and equipment	1,126	1,119	1,115	1,085
<b>Total non-current assets</b>	<b>1,126</b>	<b>1,119</b>	<b>1,115</b>	<b>1,085</b>
<b>TOTAL ASSETS</b>	<b>3,189</b>	<b>3,077</b>	<b>2,369</b>	<b>2,084</b>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Nil				
<b>Non-current liabilities</b>				
Provisions	444	433	356	347
<b>Total non-current liabilities</b>	<b>444</b>	<b>433</b>	<b>356</b>	<b>347</b>
<b>TOTAL LIABILITIES</b>	<b>444</b>	<b>433</b>	<b>356</b>	<b>347</b>
<b>NET ASSETS</b>	<b>2,745</b>	<b>2,644</b>	<b>2,013</b>	<b>1,737</b>
<b>EQUITY</b>				
Accumulated surplus	2,376	2,311	1,622	1,392
Revaluation reserves	369	333	391	345
Council equity interest	<b>2,745</b>	<b>2,644</b>	<b>2,013</b>	<b>1,737</b>
<b>TOTAL EQUITY</b>	<b>2,745</b>	<b>2,644</b>	<b>2,013</b>	<b>1,737</b>

## Richmond Valley Council

### Special Purpose Financial Statements

for the year ended 30 June 2018

#### 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	14
3	Sewerage Business Best-Practice Management disclosure requirements	16



## Richmond Valley Council

### Notes to the Special Purpose Financial Statements for the year ended 30 June 2018

#### 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.

The Statement of Financial Position includes notional assets/liabilities receivable from/payable to Council's general fund. These balances reflect a notional intra-entity funding arrangement with the declared business activities.

#### 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.*

## Richmond Valley Council

### Notes to the Special Purpose Financial Statements for the year ended 30 June 2018

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

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##### 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.*

##### a. Woodview Quarry

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

##### Monetary amounts

Amounts shown in the financial statements are in Australian currency and rounded to the nearest thousand dollars, except for Note 2 (Water Supply Best-Practice Management Disclosures) and Note 3 (Sewerage Best-Practice Management Disclosures).

As required by Crown Lands and Water (CLAW), 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 \$629,000 of combined land values attracts **0%**. For the combined land values in excess of \$629,001 up to \$3,846,000 the rate is **1.6% + \$100**. For the remaining combined land value that exceeds \$3,846,000 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 Crown Lands and Water (CLAW), 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.

## Richmond Valley Council

### Notes to the Special Purpose Financial Statements for the year ended 30 June 2018

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

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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 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.

## Richmond Valley Council

### Notes to the Special Purpose Financial Statements for the year ended 30 June 2018

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

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##### *(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:

$$\frac{\text{Operating result before capital income + interest expense}}{\text{Written down value of I,PP\&E as at 30 June}}$$

##### *(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 2018 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.

**END OF AUDITED SPECIAL PURPOSE FINANCIAL STATEMENTS**

# Richmond Valley Council

## Notes to the Special Purpose Financial Statements for the year ended 30 June 2018

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

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

2018

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

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

(i)	Calculated tax equivalents	24,000
(ii)	Number of assessments multiplied by \$3/assessment	22,599
(iii)	Amounts payable for tax equivalents [lesser of (i) and (ii)]	22,599
(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]	103,000
(ii)	Number of assessments multiplied by \$30/assessment, less tax equivalent charges/assessment	203,391
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2018, less the cumulative dividends paid for the 2 years to 30 June 2017 and 30 June 2016	982,100

2018 Surplus	206,000	2017 Surplus	510,200	2016 Surplus	265,900
		2017 Dividend	–	2016 Dividend	–

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	103,000
(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 2018

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

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

2018

#### 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	6,264
<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)]	%	74.11%
<b>NWI F9</b>	Written down replacement cost of fixed assets (water) Written down current cost of system assets (w47)	\$'000	73,832,250
<b>NWI F11</b>	Operating cost (OMA) (water) Management expenses (w1) + operational and maintenance expenses (w2)	\$'000	4,353
<b>NWI F14</b>	Capital expenditure (water) Acquisition of fixed assets (w16)	\$'000	828
<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)]	%	0.00%
<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 2018

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

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

2018

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

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

(i)	Calculated tax equivalents	18,000
(ii)	Number of assessments multiplied by \$3/assessment	20,988
(iii)	Amounts payable for tax equivalents [lesser of (i) and (ii)]	18,000
(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]	—
(ii)	Number of assessments x (\$30 less tax equivalent charges per assessment)	191,880
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2018, less the cumulative dividends paid for the 2 years to 30 June 2017 and 30 June 2016	475,400

2018 Surplus	(603,000)	2017 Surplus	771,500	2016 Surplus	306,900
		2017 Dividend	—	2016 Dividend	—

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	—
(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 2018

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

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

2018

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

NWI F2	Total revenue (sewerage) Total income (s14) – grants for acquisition of assets (s12a) – interest income (s10) – Aboriginal Communities W&S Program income (w10a)	\$'000	8,357
NWI F10	Written down replacement cost of fixed assets (sewerage) Written down current cost of system assets (s48)	\$'000	113,114,566
NWI F12	Operating cost (sewerage) Management expenses (s1) + operational and maintenance expenses (s2)	\$'000	4,503
NWI F15	Capital expenditure (sewerage) Acquisition of fixed assets (s17)	\$'000	1,290
NWI F18	Economic real rate of return (sewerage) [total income (s14) – interest income (s10) – grants for acquisition of assets (s12a) – operating cost (NWI F12) – current cost depreciation (s3)] x 100 divided by [written down current cost (i.e. WDCC) of system assets (s48) + plant and equipment (s34b)]	%	0.00%
NWI F27	Capital works grants (sewerage) Grants for the acquisition of assets (12a)	\$'000	–

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

NWI F3	Total income (water and sewerage) Total income (w13 + s14) + gain/loss on disposal of assets (w14 + s15) minus grants for acquisition of assets (w11a + s12a) – interest income (w9 + s10)	\$'000	14,227
NWI F8	Revenue from community service obligations (water and sewerage) Community service obligations (NWI F25) x 100 divided by total income (NWI F3)	%	1.07%
NWI F16	Capital expenditure (water and sewerage) Acquisition of fixed assets (w16 + s17)	\$'000	2,118
NWI F19	Economic real rate of return (water and sewerage) [total income (w13 + s14) – interest income (w9 + s10) – grants for acquisition of assets (w11a + s12a) – operating cost (NWI F11 + NWI F12) – current cost depreciation (w3 + s3)] x 100 divided by [written down replacement cost of fixed assets (NWI F9 + NWI F10) + plant and equipment (w33b + s34b)]	%	0.00%
NWI F20	Dividend (water and sewerage) Dividend paid from surplus (2 (v) of Note 2 + 2 (v) of Note 3)	\$'000	–
NWI F21	Dividend payout ratio (water and sewerage) Dividend (NWI F20) x 100 divided by net profit after tax (NWI F24)	%	0.00%



# Richmond Valley Council

## Notes to the Special Purpose Financial Statements for the year ended 30 June 2018

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

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

2018

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

<b>NWI F22</b>	Net debt to equity (water and sewerage)	%	0.14%
	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)		1
	Earnings before interest and tax (EBIT) divided by net interest		
	Earnings before interest and tax (EBIT):		2,160
	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:		1,791
	Interest expense (w4a + s4a) – interest income (w9 + s10)		
<b>NWI F24</b>	Net profit after tax (water and sewerage)	\$'000	(25)
	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	152
	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 report**

#### **Richmond Valley Council**

To the Councillors of the Richmond Valley Council

### **Opinion**

I have audited the accompanying special purpose financial report (the financial report) of the Richmond Valley Council's (the Council) Declared Business Activities, which comprise the Income Statement of each Declared Business Activity for the year ended 30 June 2018, the Statement of Financial Position of each Declared Business Activity as at 30 June 2018, 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
- Sewerage
- Peterson's Quarry
- Woodview Quarry.

In my opinion, the financial report presents fairly, in all material respects, the financial position of the Council's declared Business Activities as at 30 June 2018, and its 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.

### **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 Report' 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 the 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.

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

Without modifying my opinion, I draw attention to Note 1 to the financial report which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling the Council's financial reporting responsibilities under the LG Code. As a result, the financial report may not be suitable for another purpose.

## **Other Information**

Other information comprises the information included in the Council's annual report for the year ended 30 June 2018, other than the financial report and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the general purpose financial statements and Special Schedules (the Schedules).

My opinion on the financial report does not cover the other information. Accordingly, I do not express any form of assurance conclusion on the other information. However, as required by the *Local Government Act 1993*, I have separately expressed an opinion on the general purpose financial statements and Special Schedule 2 - Permissible income for general rates.

In connection with my audit of the financial report, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude there is a material misstatement of the other information, I must report that fact.

I have nothing to report in this regard.

## **The Councillors' Responsibilities for the Financial Report**

The Councillors are responsible for the preparation and fair presentation of the financial report and for determining that the accounting policies, described in Note 1 to the financial report, 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 report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Councillors are responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless it is not appropriate to do so.

## **Auditor's Responsibilities for the Audit of the Financial Report**

My objectives are to:

- obtain reasonable assurance about whether the financial report 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 the financial report.

A description of my responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: [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
- on the best practice management disclosures in Notes 2 and 3 of the financial report
- about the security and controls over the electronic publication of the audited financial report on any website where it may be presented
- about any other information which may have been hyperlinked to/from the financial report.

A handwritten signature in black ink, appearing to read 'Yu Jiang'.

Reiky Jiang  
Director, Financial Audit Services

17 October 2018  
SYDNEY

# Richmond Valley Council

SPECIAL SCHEDULES

for the year ended 30 June 2018

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

Richmond  
Valley  
Council



# Richmond Valley Council

## Special Schedules

for the year ended 30 June 2018

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<sup>1</sup> Special Schedules are not audited (with the exception of Special Schedule 2).

### 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 2018

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
<b>Governance</b>	<b>1,936</b>	–	–	<b>(1,936)</b>
<b>Administration</b>	<b>784</b>	<b>856</b>	–	<b>72</b>
<b>Public order and safety</b>				
Fire service levy, fire protection, emergency services	1,977	1,291	382	<b>(304)</b>
Beach control	68	10	–	<b>(58)</b>
Enforcement of local government regulations	–	–	–	–
Animal control	400	125	–	<b>(275)</b>
Other	–	–	–	–
<b>Total public order and safety</b>	<b>2,445</b>	<b>1,426</b>	<b>382</b>	<b>(637)</b>
<b>Health</b>	<b>587</b>	<b>253</b>	–	<b>(334)</b>
<b>Environment</b>				
Noxious plants and insect/vermin control	116	–	–	<b>(116)</b>
Other environmental protection	301	–	–	<b>(301)</b>
Solid waste management	5,471	5,476	17	<b>22</b>
Street cleaning	287	–	–	<b>(287)</b>
Drainage	884	201	150	<b>(533)</b>
Stormwater management	–	–	–	–
<b>Total environment</b>	<b>7,059</b>	<b>5,677</b>	<b>167</b>	<b>(1,215)</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	358	308	–	<b>(50)</b>
Public conveniences	211	–	–	<b>(211)</b>
Street lighting	369	90	–	<b>(279)</b>
Town planning	2,409	638	1,353	<b>(418)</b>
Other community amenities	–	–	–	–
<b>Total housing and community amenities</b>	<b>3,347</b>	<b>1,036</b>	<b>1,353</b>	<b>(958)</b>
<b>Water supplies</b>	<b>5,888</b>	<b>5,899</b>	<b>110</b>	<b>121</b>
<b>Sewerage services</b>	<b>8,872</b>	<b>8,061</b>	<b>339</b>	<b>(472)</b>

## Richmond Valley Council

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

for the year ended 30 June 2018

\$'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	1,289	457	16	(816)
Museums	—	—	—	—
Art galleries	—	—	—	—
Community centres and halls	576	83	113	(380)
Performing arts venues	—	—	—	—
Other performing arts	—	—	—	—
Other cultural services	—	—	—	—
Sporting grounds and venues	840	100	96	(644)
Swimming pools	649	—	—	(649)
Parks and gardens (lakes)	667	120	411	(136)
Other sport and recreation	387	42	111	(234)
<b>Total recreation and culture</b>	<b>4,408</b>	<b>802</b>	<b>747</b>	<b>(2,859)</b>
<b>Fuel and energy</b>	—	—	—	—
<b>Agriculture</b>	—	—	—	—
<b>Mining, manufacturing and construction</b>				
Building control	—	—	—	—
Other mining, manufacturing and construction	—	1,709	—	1,709
<b>Total mining, manufacturing and const.</b>	<b>—</b>	<b>1,709</b>	<b>—</b>	<b>1,709</b>
<b>Transport and communication</b>				
Urban roads (UR) – local	3,135	546	—	(2,589)
Urban roads – regional	—	—	—	—
Sealed rural roads (SRR) – local	3,296	360	945	(1,991)
Sealed rural roads (SRR) – regional	1,234	869	606	241
Unsealed rural roads (URR) – local	2,720	65	2,934	279
Unsealed rural roads (URR) – regional	—	—	—	—
Bridges on UR – local	126	—	—	(126)
Bridges on SRR – local	530	26	126	(378)
Bridges on URR – local	193	—	8	(185)
Bridges on regional roads	64	—	—	(64)
Parking areas	—	—	—	—
Footpaths	581	—	762	181
Aerodromes	199	11	—	(188)
Other transport and communication	2,436	2,484	—	48
<b>Total transport and communication</b>	<b>14,514</b>	<b>4,361</b>	<b>5,381</b>	<b>(4,772)</b>
<b>Economic affairs</b>				
Camping areas and caravan parks	—	—	—	—
Other economic affairs	4,733	1,955	3,077	299
<b>Total economic affairs</b>	<b>4,733</b>	<b>1,955</b>	<b>3,077</b>	<b>299</b>
<b>Totals – functions</b>	<b>54,573</b>	<b>32,035</b>	<b>11,556</b>	<b>(10,982)</b>
<b>General purpose revenues <sup>(1)</sup></b>		<b>16,662</b>		<b>16,662</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>54,573</b>	<b>48,697</b>	<b>11,556</b>	<b>5,680</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 – Permissible income for general rates

for the year ended 30 June 2019

\$'000		Calculation 2018/19	Calculation 2017/18
<b>Notional general income calculation <sup>(1)</sup></b>			
Last year notional general income yield	a	11,767	11,213
Plus or minus adjustments <sup>(2)</sup>	b	57	137
<b>Notional general income</b>	c = (a + b)	<b>11,824</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 x (c – g)	650	624
Or plus rate peg amount	i = c x e	—	—
Or plus Crown land adjustment and rate peg amount	j = c x f	—	—
<b>Sub-total</b>	k = (c + g + h + i + j)	<b>12,474</b>	<b>11,974</b>
Plus (or minus) last year's carry forward total	l	17	(190)
Less valuation objections claimed in the previous year	m	—	—
<b>Sub-total</b>	n = (l + m)	<b>17</b>	<b>(190)</b>
<b>Total permissible income</b>	o = k + n	<b>12,491</b>	<b>11,784</b>
Less notional general income yield	p	12,444	11,767
<b>Catch-up or (excess) result</b>	q = o – p	<b>47</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>	t = q + r – s	<b>47</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 2 in the financial data return (FDR) to administer this process.



## **INDEPENDENT AUDITOR'S REPORT**

### **Special Schedule 2 - Permissible Income for general rates**

#### **Richmond Valley Council**

To the Councillors of Richmond Valley Council

### **Opinion**

I have audited the accompanying Special Schedule 2 – Permissible Income for general rates (the Schedule) of the Richmond Valley Council (the Council) for the year ending 30 June 2019.

In my opinion, the Schedule of the Council for the year ending 30 June 2019 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.

### **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 Schedule' 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 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 special purpose framework used to prepare the Schedule. The Schedule had been prepared for the purpose of fulfilling the Council's reporting obligations under the LG Code. As a result, the Schedule may not be suitable for another purpose.

## **Other Information**

Other information comprises the information included in the Council's annual report for the year ended 30 June 2018, other than the Schedule and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the general purpose financial statements, special purpose financial statements and the Special Schedules excluding Special Schedule 2 (the other Schedules).

My opinion on the Schedule does not cover the other information. Accordingly, I do not express any form of assurance conclusion on the other information. However, as required by the *Local Government Act 1993*, I have separately expressed an opinion on the general purpose financial statements and the special purpose financial statements.

In connection with my audit of the Schedule, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Schedule or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude there is a material misstatement of the other information, I must report that fact.

I have nothing to report in this regard.

## **The Councillors' Responsibilities for the Schedule**

The Councillors are responsible for the preparation of the Schedule 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 the Schedule that is free from material misstatement, whether due to fraud or error.

In preparing the Schedule, the Councillors are responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless it is not appropriate to do so.

## **Auditor's Responsibilities for the Audit of the Schedule**

My objectives are to:

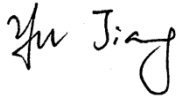
- obtain reasonable assurance whether the Schedule as a whole is free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

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 the Schedule.

A description of my responsibilities for the audit of the Schedule is located at the Auditing and Assurance Standards Board website at: [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 Schedule on any website where it may be presented
- about any other information which may have been hyperlinked to/from the Schedule.

A handwritten signature in black ink, appearing to read 'Yu Jiang'.

Reiky Jiang  
Director, Financial Audit Services

17 October 2018  
SYDNEY

# 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 2018

\$'000	2018	2017
<b>A Expenses and income</b>		
<b>Expenses</b>		
<b>1. Management expenses</b>		
a. Administration	1,320	1,299
b. Engineering and supervision	623	664
<b>2. Operation and maintenance expenses</b>		
– dams and weirs		
a. Operation expenses	–	–
b. Maintenance expenses	7	5
– Mains		
c. Operation expenses	73	44
d. Maintenance expenses	258	237
– Reservoirs		
e. Operation expenses	9	3
f. Maintenance expenses	27	59
– Pumping stations		
g. Operation expenses (excluding energy costs)	2	–
h. Energy costs	101	87
i. Maintenance expenses	37	28
– Treatment		
j. Operation expenses (excluding chemical costs)	474	475
k. Chemical costs	204	219
l. Maintenance expenses	85	80
– Other		
m. Operation expenses	89	72
n. Maintenance expenses	12	8
o. Purchase of water	1,032	1,016
<b>3. Depreciation expenses</b>		
a. System assets	1,433	849
b. Plant and equipment	14	13
<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>5,800</b>	<b>5,158</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 2018

\$'000	2018	2017
<b>Income</b>		
<b>6. Residential charges</b>		
a. Access (including rates)	906	842
b. Usage charges	2,593	2,600
<b>7. Non-residential charges</b>		
a. Access (including rates)	339	315
b. Usage charges	2,096	1,996
<b>8. Extra charges</b>	43	62
<b>9. Interest income</b>	117	90
<b>10. Other income</b>	99	101
<b>10a. Aboriginal Communities Water and Sewerage Program</b>	–	–
<b>11. Grants</b>		
a. Grants for acquisition of assets	–	–
b. Grants for pensioner rebates	76	77
c. Other grants	2	–
<b>12. Contributions</b>		
a. Developer charges	73	51
b. Developer provided assets	37	21
c. Other contributions	–	1
<b>13. Total income</b>	<b>6,381</b>	<b>6,156</b>
<b>14. Gain (or loss) on disposal of assets</b>	(256)	(243)
<b>15. Operating result</b>	<b>325</b>	<b>755</b>
<b>15a. Operating result (less grants for acquisition of assets)</b>	325	755

## 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 2018

\$'000	2018	2017
<b>B Capital transactions</b>		
<b>Non-operating expenditures</b>		
<b>16. Acquisition of fixed assets</b>		
a. New assets for improved standards	225	15
b. New assets for growth	–	21
c. Renewals	597	687
d. Plant and equipment	6	6
<b>17. Repayment of debt</b>	–	–
<b>18. Totals</b>	<b>828</b>	<b>729</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)	6,539	6,596
b. Residential (unoccupied, ie. vacant lot)	170	165
c. Non-residential (occupied)	668	675
d. Non-residential (unoccupied, ie. vacant lot)	156	85
<b>23. Number of ETs for which developer charges were received</b>	20 ET	14 ET
<b>24. Total amount of pensioner rebates (actual dollars)</b>	\$ 139,339	\$ 149,685

# 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 2018

\$'000	Current	Non-current	Total
<b>ASSETS</b>			
<b>25. Cash and investments</b>			
a. Developer charges	1,697	–	1,697
b. Special purpose grants	–	–	–
c. Accrued leave	–	–	–
d. Unexpended loans	–	–	–
e. Sinking fund	–	–	–
f. Other	3,672	–	3,672
<b>26. Receivables</b>			
a. Specific purpose grants	76	–	76
b. Rates and availability charges	319	105	424
c. User charges	1,262	430	1,692
d. Other	–	–	–
<b>27. Inventories</b>	–	–	–
<b>28. Property, plant and equipment</b>			
a. System assets	–	73,832	73,832
b. Plant and equipment	–	23	23
<b>29. Other assets</b>	–	–	–
<b>30. Total assets</b>	<b>7,026</b>	<b>74,390</b>	<b>81,416</b>
<b>LIABILITIES</b>			
<b>31. Bank overdraft</b>	–	–	–
<b>32. Creditors</b>	9	–	9
<b>33. Borrowings</b>	–	–	–
<b>34. Provisions</b>			
a. Tax equivalents	–	–	–
b. Dividend	–	–	–
c. Other	–	–	–
<b>35. Total liabilities</b>	<b>9</b>	<b>–</b>	<b>9</b>
<b>36. NET ASSETS COMMITTED</b>	<b>7,017</b>	<b>74,390</b>	<b>81,407</b>
<b>EQUITY</b>			
<b>37. Accumulated surplus</b>			26,812
<b>38. Asset revaluation reserve</b>			54,595
<b>39. Other reserves</b>			–
<b>40. TOTAL EQUITY</b>			<b>81,407</b>
<b>Note to system assets:</b>			
<b>41. Current replacement cost</b> of system assets			91,943,058
<b>42. Accumulated current cost</b> depreciation of system assets			(18,110,808)
<b>43. Written down current cost</b> of system assets			<b>73,832,250</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 2018

\$'000	2018	2017
<b>A Expenses and income</b>		
<b>Expenses</b>		
<b>1. Management expenses</b>		
a. Administration	1,571	1,477
b. Engineering and supervision	734	831
<b>2. Operation and maintenance expenses</b>		
– mains		
a. Operation expenses	307	348
b. Maintenance expenses	224	178
– Pumping stations		
c. Operation expenses (excluding energy costs)	174	170
d. Energy costs	89	71
e. Maintenance expenses	287	318
– Treatment		
f. Operation expenses (excl. chemical, energy, effluent and biosolids management costs)	486	551
g. Chemical costs	52	44
h. Energy costs	136	126
i. Effluent management	–	–
j. Biosolids management	90	82
k. Maintenance expenses	242	225
– Other		
l. Operation expenses	78	652
m. Maintenance expenses	33	72
<b>3. Depreciation expenses</b>		
a. System assets	2,121	1,176
b. Plant and equipment	37	25
<b>4. Miscellaneous expenses</b>		
a. Interest expenses	2,154	1,174
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>8,815</b>	<b>7,520</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 2018

\$'000	2018	2017
<b>Income</b>		
<b>6. Residential charges</b> (including rates)	6,395	6,266
<b>7. Non-residential charges</b>		
a. Access (including rates)	312	–
b. Usage charges	940	1,190
<b>8. Trade waste charges</b>		
a. Annual fees	–	–
b. Usage charges	68	–
c. Excess mass charges	–	61
d. Re-inspection fees	–	–
<b>9. Extra charges</b>	46	49
<b>10. Interest income</b>	246	241
<b>11. Other income</b>	181	859
<b>11a. Aboriginal Communities Water and Sewerage Program</b>	–	–
<b>12. Grants</b>		
a. Grants for acquisition of assets	–	–
b. Grants for pensioner rebates	76	82
c. Other grants	–	1
<b>13. Contributions</b>		
a. Developer charges	104	(12)
b. Developer provided assets	235	578
c. Other contributions	–	–
<b>14. Total income</b>	<b>8,603</b>	<b>9,315</b>
<b>15. Gain (or loss) on disposal of assets</b>	(138)	(124)
<b>16. Operating result</b>	<b>(350)</b>	<b>1,671</b>
<b>16a. Operating result (less grants for acquisition of assets)</b>	(350)	1,671

## 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 2018

\$'000	2018	2017
<b>B Capital transactions</b>		
<b>Non-operating expenditures</b>		
<b>17. Acquisition of fixed assets</b>		
a. New assets for improved standards	263	25
b. New assets for growth	–	47
c. Renewals	904	1,240
d. Plant and equipment	123	16
<b>18. Repayment of debt</b>	9,029	1,059
<b>19. Totals</b>	<b>10,319</b>	<b>2,387</b>
<b>Non-operating funds employed</b>		
<b>20. Proceeds from disposal of assets</b>	4	–
<b>21. Borrowing utilised</b>	–	–
<b>22. Totals</b>	<b>4</b>	<b>–</b>
<b>C Rates and charges</b>		
<b>23. Number of assessments</b>		
a. Residential (occupied)	6,201	6,187
b. Residential (unoccupied, ie. vacant lot)	156	151
c. Non-residential (occupied)	556	659
d. Non-residential (unoccupied, ie. vacant lot)	83	85
<b>24. Number of ETs for which developer charges were received</b>	13 ET	– ET
<b>25. Total amount of pensioner rebates (actual dollars)</b>	\$ 137,345	\$ 146,743

## 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 2018

\$'000	Current	Non-current	Total
<b>ASSETS</b>			
<b>26. Cash and investments</b>			
a. Developer charges	3,207	–	3,207
b. Special purpose grants	–	–	–
c. Accrued leave	–	–	–
d. Unexpended loans	–	–	–
e. Sinking fund	–	–	–
f. Other	7,412	–	7,412
<b>27. Receivables</b>			
a. Specific purpose grants	76	–	76
b. Rates and availability charges	1,622	505	2,127
c. User charges	–	–	–
d. Other	384	104	488
<b>28. Inventories</b>	–	–	–
<b>29. Property, plant and equipment</b>			
a. System assets	–	113,115	113,115
b. Plant and equipment	–	277	277
<b>30. Other assets</b>	–	–	–
<b>31. Total assets</b>	<b>12,701</b>	<b>114,001</b>	<b>126,702</b>
<b>LIABILITIES</b>			
<b>32. Bank overdraft</b>	–	–	–
<b>33. Creditors</b>	173	–	173
<b>34. Borrowings</b>	1,209	15,039	16,248
<b>35. Provisions</b>			
a. Tax equivalents	–	–	–
b. Dividend	–	–	–
c. Other	–	–	–
<b>36. Total liabilities</b>	<b>1,382</b>	<b>15,039</b>	<b>16,421</b>
<b>37. NET ASSETS COMMITTED</b>	<b>11,319</b>	<b>98,962</b>	<b>110,281</b>
<b>EQUITY</b>			
<b>38. Accumulated surplus</b>			39,142
<b>39. Asset revaluation reserve</b>			71,139
<b>40. Other reserves</b>			–
<b>41. TOTAL EQUITY</b>			<b>110,281</b>
<b>Note to system assets:</b>			
<b>42. Current replacement cost</b> of system assets			142,465,242
<b>43. Accumulated current cost</b> depreciation of system assets			(29,350,677)
<b>44. Written down current cost</b> of system assets			<b>113,114,566</b>

# Richmond Valley Council

## Notes to Special Schedules 3 and 5

for the year ended 30 June 2018

### 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 2018

\$'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	2017/18 Required maintenance <sup>a</sup>	2017/18 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	591	591	363	273	52,579	68,498	20%	26%	42%	11%	1%
	<b>Sub-total</b>	<b>591</b>	<b>591</b>	<b>363</b>	<b>273</b>	<b>52,579</b>	<b>68,498</b>	<b>20.0%</b>	<b>26.0%</b>	<b>42.0%</b>	<b>11.0%</b>	<b>1.0%</b>
Other structures	Other structures	9	9	103	140	15,645	17,270	82%	17%	1%	0%	0%
	<b>Sub-total</b>	<b>9</b>	<b>9</b>	<b>103</b>	<b>140</b>	<b>15,645</b>	<b>17,270</b>	<b>82.0%</b>	<b>17.0%</b>	<b>1.0%</b>	<b>0.0%</b>	<b>0.0%</b>
Roads	Sealed roads	5,135	5,135	1,558	2,051	198,805	275,278	22%	43%	27%	8%	0%
	Unsealed roads	294	294	813	1,101	20,283	28,967	25%	54%	16%	5%	0%
	Bridges	830	830	65	78	68,286	96,383	2%	51%	41%	6%	0%
	Footpaths	–	–	39	25	11,720	13,920	76%	24%	0%	0%	0%
	Bulk earthworks	–	–	–	–	62,362	62,362	100%	0%	0%	0%	0%
	<b>Sub-total</b>	<b>6,259</b>	<b>6,259</b>	<b>2,475</b>	<b>3,255</b>	<b>361,456</b>	<b>476,910</b>	<b>29.9%</b>	<b>39.1%</b>	<b>24.8%</b>	<b>6.1%</b>	<b>0.0%</b>
Water supply network	Water supply network	384	384	400	382	71,577	89,657	46%	49%	3%	2%	0%
	<b>Sub-total</b>	<b>384</b>	<b>384</b>	<b>400</b>	<b>382</b>	<b>71,577</b>	<b>89,657</b>	<b>46.0%</b>	<b>49.0%</b>	<b>3.0%</b>	<b>2.0%</b>	<b>0.0%</b>
Sewerage network	Sewerage network	2,682	2,682	882	1,027	110,573	139,886	42%	36%	13%	9%	0%
	<b>Sub-total</b>	<b>2,682</b>	<b>2,682</b>	<b>882</b>	<b>1,027</b>	<b>110,573</b>	<b>139,886</b>	<b>42.0%</b>	<b>36.0%</b>	<b>13.0%</b>	<b>9.0%</b>	<b>0.0%</b>

## Richmond Valley Council

## Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2018 (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	2017/18 Required maintenance <sup>a</sup>	2017/18 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	1,222	1,222	168	156	34,884	51,965	36%	40%	17%	7%	0%
	<b>Sub-total</b>	<b>1,222</b>	<b>1,222</b>	<b>168</b>	<b>156</b>	<b>34,884</b>	<b>51,965</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	1,479	1,479	11	2	5,791	8,016	32%	41%	19%	8%	0%
	Other Open Space/Recreation	74	74	99	128	7,816	9,975	63%	27%	4%	4%	2%
	<b>Sub-total</b>	<b>1,553</b>	<b>1,553</b>	<b>110</b>	<b>130</b>	<b>13,607</b>	<b>17,991</b>	<b>49.2%</b>	<b>33.2%</b>	<b>10.7%</b>	<b>5.8%</b>	<b>1.1%</b>
	<b>TOTAL – ALL ASSETS</b>	<b>12,700</b>	<b>12,700</b>	<b>4,501</b>	<b>5,363</b>	<b>660,321</b>	<b>862,177</b>	<b>34.6%</b>	<b>38.1%</b>	<b>20.8%</b>	<b>6.5%</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	Excellent/very good	No work required (normal maintenance)
2	Good	Only minor maintenance work required
3	Satisfactory	Maintenance work required
4	Poor	Renewal required
5	Very poor	Urgent renewal/upgrading required

## Richmond Valley Council

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

for the year ended 30 June 2018

	Amounts 2018	Indicator 2018	Prior periods		Benchmark
			2017	2016	
Infrastructure asset performance indicators * consolidated					
1. Buildings and infrastructure renewals ratio <sup>(1)</sup>					
Asset renewals <sup>(2)</sup>	10,345	86.18%	82.94%	98.97%	>= 100%
Depreciation, amortisation and impairment	12,004				
2. Infrastructure backlog ratio <sup>(1)</sup>					
Estimated cost to bring assets to a satisfactory standard	12,700	1.89%	3.80%	1.32%	< 2.00%
Net carrying amount of infrastructure assets	672,223				
3. Asset maintenance ratio					
Actual asset maintenance	5,363	119.15%	113.84%	109.37%	> 100%
Required asset maintenance	4,501				
4. Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	12,700	1.47%	2.65%	0.95%	
Gross replacement cost	862,177				

## Notes

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

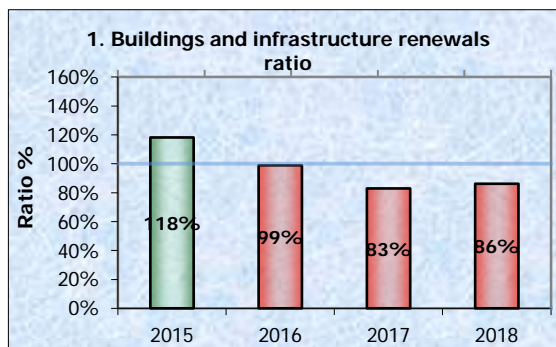
<sup>(1)</sup> Excludes Work In Progress (WIP)

<sup>(2)</sup> 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 2018



Benchmark: — Minimum  $\geq 100.00\%$

Source for benchmark: Code of Accounting Practice and Financial Reporting #26

### Purpose of asset renewals ratio

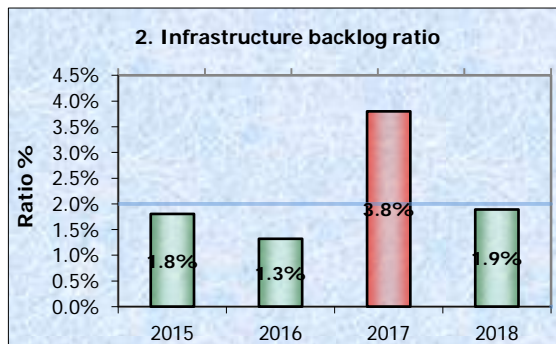
To assess the rate at which these assets are being renewed relative to the rate at which they are depreciating.

### Commentary on 2017/18 result

**2017/18 Ratio 86.18%**

Council's Buildings and infrastructure renewals ratio has improved to 86.18% in 2017/2018. Council's special rate variation has enabled a continued focus on asset renewals going forward.

Ratio achieves benchmark  
Ratio is outside benchmark



Benchmark: — Maximum  $< 2.00\%$

Source for benchmark: Code of Accounting Practice and Financial Reporting #26

### Purpose of infrastructure backlog ratio

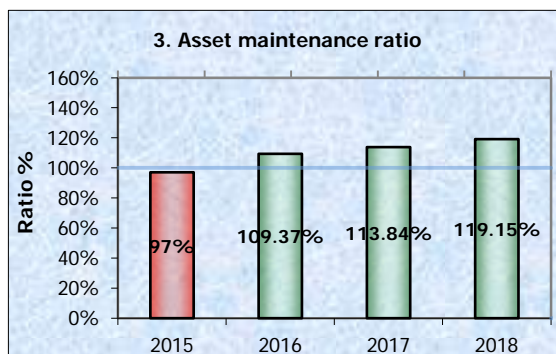
This ratio shows what proportion the backlog is against the total value of a Council's infrastructure.

### Commentary on 2017/18 result

**2017/18 Ratio 1.89%**

Council's Infrastructure backlog ratio has improved to 1.89%. Major works have been undertaken to restore damage to Council's road network as a result of flooding in March 2017.

Ratio achieves benchmark  
Ratio is outside benchmark



Benchmark: — Minimum  $> 100.00\%$

Source for benchmark: Code of Accounting Practice and Financial Reporting #26

### Purpose of asset maintenance ratio

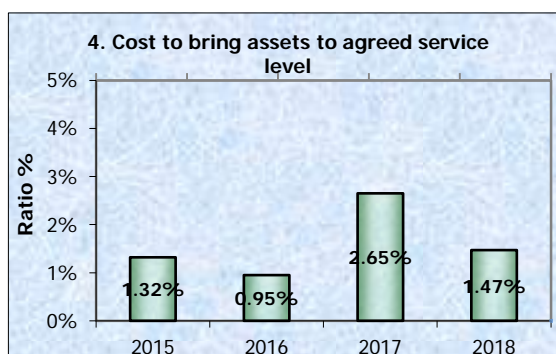
Compares actual vs. required annual asset maintenance. A ratio above 100% indicates Council is investing enough funds to stop the infrastructure backlog growing.

### Commentary on 2017/18 result

**2017/18 Ratio 119.15%**

Council's Asset maintenance ratio continues to be above the benchmark of 100% or higher.

Ratio achieves benchmark  
Ratio is outside benchmark



### Purpose of agreed service level ratio

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.

### Commentary on 2017/18 result

**2017/18 Ratio 1.47%**

Council's outstanding renewals remain relatively low at 1.47% of the total replacement cost of infrastructure assets.

## Richmond Valley Council

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

for the year ended 30 June 2018

	General indicators <sup>(1)</sup>		Water indicators		Sewer indicators		Benchmark
	2018	2017	2018	2017	2018	2017	
<b>Infrastructure asset performance indicators by fund</b>							
<b>1. Buildings and infrastructure renewals ratio <sup>(2)</sup></b>							
Asset renewals <sup>(3)</sup>	<b>101.07%</b>	79.15%	<b>49.34%</b>	82.21%	<b>51.77%</b>	109.18%	>= 100%
Depreciation, amortisation and impairment							
<b>2. Infrastructure backlog ratio <sup>(2)</sup></b>							
Estimated cost to bring assets to a satisfactory standard	<b>1.97%</b>	4.25%	<b>0.54%</b>	1.17%	<b>2.43%</b>	4.09%	< 2.00%
Net carrying amount of infrastructure assets							
<b>3. Asset maintenance ratio</b>							
Actual asset maintenance	<b>122.83%</b>	114.79%	<b>95.50%</b>	89.83%	<b>116.44%</b>	122.03%	> 100%
Required asset maintenance							
<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>1.52%</b>	2.76%	<b>0.43%</b>	0.95%	<b>1.92%</b>	3.29%	
Gross replacement cost							

**Notes**

<sup>(1)</sup> General fund refers to all of Council's activities except for its water and sewer activities which are listed separately.

<sup>(2)</sup> Includes Work In Progress (WIP)

<sup>(3)</sup> 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.