

Clarence Valley Council

GENERAL PURPOSE FINANCIAL STATEMENTS

for the year ended 30 June 2017



"Discover the Clarence"

Clarence Valley Council

General Purpose Financial Statements

for the year ended 30 June 2017

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Overview

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

Council's guiding principles are detailed in Chapter 3 of the LGA and includes:

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

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

- (iii) All figures presented in these financial statements are presented in Australian currency.
- (iv) These financial statements were authorised for issue by the Council on 6 November 2017. Council has the power to amend and reissue these financial statements.

Clarence Valley Council

General Purpose Financial Statements

for the year ended 30 June 2017

Statement by Councillors and Management

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

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

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

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

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

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

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



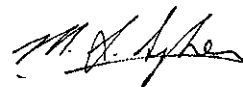
Jim Simmons
Mayor



Jason Kingsley
Councillor



Ashley Lindsay
General manager



Matthew Sykes
Responsible accounting officer

Clarence Valley Council

Income Statement

for the year ended 30 June 2017

Budget ¹ 2017	\$ '000	Notes	Actual 2017	Actual 2016
Income from continuing operations				
Revenue:				
53,967	Rates and annual charges	3a	54,259	53,108
31,852	User charges and fees	3b	33,644	29,505
2,333	Interest and investment revenue	3c	3,127	2,925
1,583	Other revenues	3d	2,145	2,222
23,896	Grants and contributions provided for operating purposes	3e,f	34,197	30,018
10,403	Grants and contributions provided for capital purposes	3e,f	7,298	11,376
124,034	Total income from continuing operations		134,670	129,154
Expenses from continuing operations				
38,956	Employee benefits and on-costs	4a	39,437	39,135
8,487	Borrowing costs	4b	8,632	8,980
29,636	Materials and contracts	4c	29,326	27,921
35,137	Depreciation and amortisation	4d	41,949	35,805
12,912	Other expenses	4e	13,176	11,447
–	Net losses from the disposal of assets	5	13,809	11,217
–	Net share of interests in joint ventures and associates using the equity method	19	37	60
125,128	Total expenses from continuing operations		146,366	134,565
(1,094)	Operating result from continuing operations		(11,696)	(5,411)
Discontinued operations				
–	Net profit/(loss) from discontinued operations	24	–	–
(1,094)	Net operating result for the year		(11,696)	(5,411)
(1,094)	Net operating result attributable to Council		(11,696)	(5,411)
–	Net operating result attributable to non-controlling interests		–	–
(11,497)	Net operating result for the year before grants and contributions provided for capital purposes		(18,994)	(16,787)

¹ Original budget as approved by Council – refer Note 16

Clarence Valley Council

Statement of Comprehensive Income

for the year ended 30 June 2017

\$ '000	Notes	Actual 2017	Actual 2016
Net operating result for the year (as per Income Statement)		(11,696)	(5,411)
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of I,PP&E	20b (ii)	(43,677)	19,665
Impairment (loss)/reversal relating to I,PP&E	20b (ii)	(1,750)	1,583
Total items which will not be reclassified subsequently to the operating result		(45,427)	21,248
Amounts which will be reclassified subsequently to the operating result when specific conditions are met			
Nil			
Total comprehensive income for the year		(57,123)	15,837
Total comprehensive income attributable to Council		(57,123)	15,837
Total comprehensive income attributable to non-controlling interests		—	—

Clarence Valley Council

Statement of Financial Position
as at 30 June 2017

\$ '000	Notes	Actual 2017	Actual 2016
ASSETS			
Current assets			
Cash and cash equivalents	6a	12,770	11,205
Investments	6b	61,000	58,005
Receivables	7	15,555	17,178
Inventories	8	1,276	1,576
Other	8	320	296
Non-current assets classified as 'held for sale'	22	–	7,592
Total current assets		90,921	95,852
Non-current assets			
Investments	6b	28,015	16,004
Receivables	7	765	632
Inventories	8	156	209
Infrastructure, property, plant and equipment	9	2,009,896	2,078,710
Investments accounted for using the equity method	19	42	47
Intangible assets	25	319	628
Total non-current assets		2,039,193	2,096,230
TOTAL ASSETS		2,130,114	2,192,082
LIABILITIES			
Current liabilities			
Payables	10	11,427	9,452
Income received in advance	10	1,604	1,540
Borrowings	10	6,194	5,810
Provisions	10	12,088	12,019
Total current liabilities		31,313	28,821
Non-current liabilities			
Borrowings	10	117,745	123,919
Provisions	10	7,158	8,321
Total non-current liabilities		124,903	132,240
TOTAL LIABILITIES		156,216	161,061
Net assets		1,973,898	2,031,021
EQUITY			
Retained earnings	20	834,876	846,572
Revaluation reserves	20	1,139,022	1,184,449
Council equity interest		1,973,898	2,031,021
Non-controlling equity interests		–	–
Total equity		1,973,898	2,031,021

Clarence Valley Council

Statement of Changes in Equity
for the year ended 30 June 2017

\$ '000	Notes	2017				2016					
		Retained earnings	Asset revaluation reserve (Refer 20b)	Council interest	Non-controlling interest	Total equity	Retained earnings	Asset revaluation reserve (Refer 20b)	Council interest	Non-controlling interest	Total equity
Opening balance (as per last year's audited accounts)		846,572	1,184,449	2,031,021	–	2,031,021	851,983	1,163,201	2,015,184	–	2,015,184
a. Correction of prior period errors	20 (c)	–	–	–	–	–	–	–	–	–	–
b. Changes in accounting policies (prior year effects)	20 (d)	–	–	–	–	–	–	–	–	–	–
Revised opening balance		846,572	1,184,449	2,031,021	–	2,031,021	851,983	1,163,201	2,015,184	–	2,015,184
c. Net operating result for the year		(11,696)	–	(11,696)	–	(11,696)	(5,411)	–	(5,411)	–	(5,411)
d. Other comprehensive income											
– Revaluations: IPP&E asset revaluation rsve	20b (ii)	–	(43,677)	(43,677)	–	(43,677)	–	19,665	19,665	–	19,665
– Impairment (loss)/reversal relating to I,PP&E	20b (ii)	–	(1,750)	(1,750)	–	(1,750)	–	1,583	1,583	–	1,583
Other comprehensive income		–	(45,427)	(45,427)	–	(45,427)	–	21,248	21,248	–	21,248
Total comprehensive income (c&d)		(11,696)	(45,427)	(57,123)	–	(57,123)	(5,411)	21,248	15,837	–	15,837
e. Distributions to/(contributions from) non-controlling interests		–	–	–	–	–	–	–	–	–	–
f. Transfers between equity		–	–	–	–	–	–	–	–	–	–
Equity – balance at end of the reporting period		834,876	1,139,022	1,973,898	–	1,973,898	846,572	1,184,449	2,031,021	–	2,031,021

Clarence Valley Council

Statement of Cash Flows

for the year ended 30 June 2017

Budget 2017	\$ '000	Notes	Actual 2017	Actual 2016
Cash flows from operating activities				
Receipts:				
53,861	Rates and annual charges		54,027	52,873
31,262	User charges and fees		34,831	30,610
2,504	Investment and interest revenue received		2,857	3,101
35,377	Grants and contributions		40,767	46,471
–	Bonds, deposits and retention amounts received		–	107
2,116	Other		5,978	784
Payments:				
(38,935)	Employee benefits and on-costs		(39,521)	(39,411)
(29,895)	Materials and contracts		(31,579)	(32,515)
(8,534)	Borrowing costs		(9,781)	(8,645)
–	Bonds, deposits and retention amounts refunded		(6)	–
(12,912)	Other		(13,316)	(8,571)
34,844	Net cash provided (or used in) operating activities	11b	44,257	44,804
Cash flows from investing activities				
Receipts:				
732	Sale of investment securities		69,006	56,000
–	Sale of real estate assets		385	248
6,610	Sale of infrastructure, property, plant and equipment		4,291	964
31	Deferred debtors receipts		–	30
Payments:				
–	Purchase of investment securities		(83,997)	(71,014)
(40,973)	Purchase of infrastructure, property, plant and equipment		(26,423)	(39,406)
–	Deferred debtors and advances made		(112)	–
–	Contributions paid to joint ventures and associates		(32)	(59)
(33,600)	Net cash provided (or used in) investing activities		(36,882)	(53,237)
Cash flows from financing activities				
Receipts:				
Nil				
Payments:				
(6,625)	Repayment of borrowings and advances		(5,810)	(6,181)
(6,625)	Net cash flow provided (used in) financing activities		(5,810)	(6,181)
(5,381)	Net increase/(decrease) in cash and cash equivalents		1,565	(14,614)
18,378	Plus: cash and cash equivalents – beginning of year	11a	11,205	25,819
12,997	Cash and cash equivalents – end of the year	11a	12,770	11,205
Additional Information:				
	plus: Investments on hand – end of year	6b	89,015	74,009
Total cash, cash equivalents and investments			101,785	85,214

Please refer to Note 11 for additional cash flow information.

Clarence Valley Council

Notes to the Financial Statements

for the year ended 30 June 2017

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Clarence Valley Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies

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

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

(a) Basis of preparation

(i) Background

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

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

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

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

Because AASBs are sector neutral, some standards either:

- (a) have local Australian content and prescription that is specific to the not-for-profit sector (including local government) which are not in compliance with IFRSs, or
- (b) specifically exclude application by not-for-profit entities.

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

Standards, but has complied fully with Australian Accounting Standards.

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

(iii) New and amended standards adopted by Council

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

AASB 2014-3 Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations [AASB 1 and AASB 11] was adopted during the year, the impact of this standard had no impact on reporting financial position or performance.

(iv) Early adoption of standards

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

(v) Basis of accounting

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

- (i) certain financial assets and liabilities at fair value through profit or loss, which are all valued at fair value,
- (ii) the write down of any asset on the basis of impairment (if warranted), and
- (iii) certain classes of non-current assets (e.g. infrastructure, property, plant and equipment) that are accounted for at fair valuation.

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

(vi) Changes in accounting policies

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

Clarence Valley Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

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

(vii) Critical accounting estimates and judgements

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

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

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

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future.

The resulting accounting estimates will, by definition, seldom equal the related actual results.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year include:

(i) Estimated fair values of infrastructure, property, plant and equipment,

(ii) Estimated remediation provisions.

Critical judgements in applying the Council's accounting policies

(i) Impairment of Receivables - Council has made a significant judgement about the impairment of a number of its receivables in Note 7.

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

(b) Revenue recognition

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

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

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

Revenue is measured on major income categories as follows:

(i) Rates, annual charges, grants and contributions

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

A provision for the impairment on rates receivables has not been established as unpaid rates represent a charge against the rateable property that will be recovered when the property is next sold. However, a provision was made for unpaid rates over leases on crown land, which cannot be sold.

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

Where grants or contributions recognised as revenues during the financial year were obtained on condition that they be expended in a particular

Clarence Valley Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

manner or used over a particular period and those conditions were un-discharged at reporting date, the unused grant or contribution is disclosed in Note 3(g).

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

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

The Council has obligations to provide facilities from contribution revenues levied on developers under the provisions of s94 of the *EPA Act 1979*.

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

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

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

(ii) User charges, fees and other income.

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

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

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

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

(iv) Interest

Interest income from cash and investments is accounted for using the effective interest rate at the date that interest is earned.

(v) Rent

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

(c) Principles of consolidation

These financial statements incorporate (i) the assets and liabilities of Council and any entities (or operations) that it controls (as at 30 June 2017) and (ii) all the related operating results (for the financial year ended the 30th June 2017).

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

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

(i) The Consolidated Fund

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

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

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

- **Clarence Valley Council**
 - General Purpose Operations
 - Water Supply
 - Sewerage Services
 - Care & Support Services
 - Clarence Regional Library
 - Clarence Coast Reserve Trust

Clarence Valley Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

Due to their immaterial value and nature, the following Committees, Entities & Operations have been excluded from consolidation:

- Calliope Community Reserve and Hall Management Committee
- Caramana Park Management Committee
- Clarence Valley Cultural Committee
- Coaldale/Barretts Creek Community Centre Committee
- Dundurrabin Community Centre Management Committee
- Ewingar Hall Committee
- Jackadgery Hall Management Committee
- Nymboida Hall Management Committee
- Sandon to Wooli Community Nursery Management Committee
- Southgate Community Hall Management Committee
- Tucabia Community Hall Management Committee
- Tullymorgan Reserve Management Committee
- Wooloweyah Parks and Reserves Management Committee

The (i) total income and expenditure from continuing operations and (ii) net assets held by these excluded committees and operations is as follows:

**Total income
from continuing operations \$127,469**

**Total expenditure
from continuing operations \$123,234**

Total net assets held (i.e. equity) \$67,974

Note:

Where actual figures are not known, best estimates have been applied

(ii) The Trust Fund

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

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

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

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

(iii) County Councils

Council is not a member of any County Councils

(iv) Joint ventures

Jointly Controlled Assets & Operations

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

Jointly Controlled Entities

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

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

Detailed information relating to Council's Joint Ventures can be found at Note 19 (b)

(v) Associates

Where Council has the power to participate in the financial and operating decisions of another entity (i.e. where Council is deemed to have "significant influence" over another entities operations but neither controls nor jointly controls the entity), then Council accounts for such interests using the equity method of accounting and are carried at cost.

Such entities are usually termed Associates.

Detailed information relating to Council's interest in Associates can be found at Note 19 (b).

Clarence Valley Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

(d) Leases

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

(i) Finance leases

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

Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments.

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

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

The interest element of the finance charge is costed to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

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

(ii) 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.

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

(e) Impairment of assets

All Council's IPPE is subject to an annual assessment of impairment.

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

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

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

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

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

(f) Cash and cash equivalents

For Statement of Cash Flow presentation purposes, cash and cash equivalents includes;

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

Bank overdrafts are shown within borrowings in current liabilities on the Statement of Financial Position but are incorporated into Cash and Cash Equivalents for presentation of the Cash Flow Statement.

Clarence Valley Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

(g) Inventories

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

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

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

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

Costs of purchased inventory are determined after deducting rebates and discounts.

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

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

(ii) Inventory held for distribution

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

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

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

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

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

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

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

(h) Non-current assets (or disposal groups) held for sale and discontinued operations

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use.

The exception to this is plant and motor vehicles, which are turned over on a regular basis. Plant and motor vehicles are retained in Non Current Assets under the classification of Infrastructure, Property, Plant and Equipment – unless the assets are to be traded in after 30 June and the replacement assets were already purchased and accounted for as at 30 June.

Non-current assets held for sale (or disposal group) are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets; assets arising from employee benefits; financial assets; and investment properties that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) when the carrying value is greater than the fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of de-recognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Clarence Valley Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

Non Current Assets classified as “held for sale” are presented separately from the other assets in the Statement of Financial Position.

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

(i) Investments and other financial assets

Classification

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

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

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

Management determines each Investment classification at the time of initial recognition and in the case of assets classified as held-to-maturity, re-evaluates this designation at each reporting date.

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

Financial assets at fair value through profit or loss are financial assets ‘held for trading’.

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

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

(ii) Loans and receivables

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

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

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

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

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

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

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

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

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

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

Subsequent recoveries of amounts previously written off are credited against other expenses in the Income Statement.

Clarence Valley Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

(iii) Held-to-maturity investments

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

If Council were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale.

In contrast to the 'loans and receivables' classification, these investments are generally quoted in an active market.

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

(iv) Available-for-sale financial assets

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

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

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

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

Recognition and de-recognition

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

Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss, are initially

recognised at fair value and transaction costs are expensed in the income statement.

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

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

Financial assets – reclassification

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

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

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

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

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

Subsequent measurement

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

Clarence Valley Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

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

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

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

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

Impairment

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

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

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

Investment Policy

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

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

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

(j) Fair value estimation – financial instruments

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

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

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

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

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

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

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

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

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

Clarence Valley Council

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

Note 1. Summary of significant accounting policies (continued)

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

Acquisition of assets

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

At reporting date, the following classes of IPPE were stated at their fair value:

Externally valued:

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

As approximated by depreciated historical cost:

- Plant and equipment
- Office Equipment
- Furniture & Fittings

Initial Recognition

On initial recognition, an asset's cost (excluding Non-specialised assets with short useful lives) is measured at its fair value, plus all expenditure that is directly attributable to the acquisition. Non-specialised assets with short useful lives are measured at depreciated historical cost as an approximation of fair value. Council has assessed that any difference between fair value and depreciated historical cost is unlikely to be material.

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

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

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

Subsequent Costs

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

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

Asset Revaluations (including indexation)

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

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

In the 2016-17 financial year, a desk top valuation of Roads Assets, Stormwater Drainage Assets, Bulk Earthworks, Other Structures, Buildings, Swimming Pool, Other Infrastructure (Floodplain), Other Open Space/Recreational Assets, and Other Assets were undertaken.

Clarence Valley Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

Full revaluations are undertaken for all assets within a 5-year cycle. In the 2016-17 financial year, a full revaluation was undertaken on Water and Sewer Assets (valuation date 1/7/2016), Community Land (valuation date 1/7/2016), and Operational Land (valuation date 31/3/2017).

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

Capitalisation thresholds

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

Land

- Council Land	100% Capitalised
- Open Space	100% Capitalised
- Land Under Roads (purchases after 30/6/08)	100% Capitalised

Plant and Equipment

- Office Furniture	> \$500
- Office Equipment	> \$500
- Other Plant and Equipment	> \$500

Buildings

- Park Furniture and Equipment Building	> \$1,000
- construction/extensions	100% Capitalised
- renovations	> \$2,000
- Other Structures	> \$1,000

Water and Sewer Assets

Reticulation Extensions	> \$2,000
Other	> \$2,000

Stormwater Drainage Assets

Drains and Culverts	> \$2,000
Other	> \$2,000

Transport Assets

Road Construction and Reconstruction	> \$2,000
Reseal/Re-sheet and Major Repairs	> \$2,000
Bridge Construction and Reconstruction	> \$2,000

Other Infrastructure Assets

Swimming Pools	> \$1,000
Other Open Space/Recreational Assets	> \$1,000

Floodplain	> \$1,000
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Depreciation

Land is not depreciated.

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

Plant and Equipment

- Office Equipment	5 to 10 years
- Office Furniture	10 to 30 years
- Computer Equipment	5 years

- Vehicles	5 years/150,000 km's (whichever occurs first and subject to a risk assessment at 150,000 km and 200,000 km extending up to 250,000km for specialised vehicles)
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- Heavy Plant/Road Making equip.	5 to 15 years
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- Other Plant and Equipment	5 to 15 years
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Buildings

- Buildings: Specialised	37 to 284 years
- Buildings: Non Specialised	59 to 158 years

Stormwater Drainage

- Pits	63 to 90 years
- Culverts	62 to 90 years
- Pipes	63 to 88 years

Transportation Assets

- Sealed Roads: Surface	12 to 135 years
- Sealed Roads: Structure	84 to 200 years
- Unsealed Roads	22 to 85 years

- Bridge: Concrete	107 to 165 years
- Bridge: Other	53 to 78 years

- Foot Paths	16 to 65 years
- Kerb and Gutter	72 to 110 years
- Traffic Facilities	20 to 134 years
- Guard Rail	59 to 75 years
- Roadside Furniture	16 to 27 years
- Bus Shelters	34 to 63 years
- Street Lights	35 to 42 years
- Car Parks	70 to 133 years

Clarence Valley Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

Water and Sewer Assets	
- Dams and Reservoirs	10 to 200 years
- Water Reticulation Pipes: PVC	74 to 120 years
- Water Reticulation Pipes: Other	20 to 160 years
- Water Pumps and Telemetry	5 to 30 years
- Regional Water Supply Pipes; other	30 to 200 years
- Sewerage Treatment Plant	11 to 200 years
- Sewerage Pumps and Telemetry	5 to 30 years
- Sewer Pressure Units	5 to 50 years
- Sewer Reticulation Pipes: PVC	70 to 210 years
- Sewer Reticulation Pipes: Other	50 to 210 years

Floodplain Assets	19 to 174 years
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Other Infrastructure Assets	
- Bulk Earthworks	Infinite

Swimming Pools	
- Chlorination Plant	17 years
- Surfaces	100 to 128 years
- Facilities	77 to 109 years
- Structures (pool & shade)	11 to 118 years

Other Structures	
- Lighting	19 to 28 years
- Fences	11 to 42 years
- Airport Structures	21 to 45 years
- Saleyards	23 to 92 years

Other Open Space/Recreational Assets	
- Barbecues	16 to 26 years
- Playground Equipment	16 to 26 years
- Shelters	26 to 52 years

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

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

Disposal and De-recognition

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

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

(l) 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.

(m) Borrowings

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

Borrowings are subsequently measured at amortised cost.

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

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.

Clarence Valley Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

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.

(n) Borrowing costs

Borrowing costs are expensed.

(o) Provisions

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

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

Provisions are not recognised for future operating losses.

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

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

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

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

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

(p) Employee benefits

(i) Short-term obligations

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

Leave liabilities are recognised in the provision for employee benefits in respect of employees' services up to the reporting date with other short term employee benefit obligations disclosed under payables.

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

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

Wages and salaries and annual leave are all classified as current liabilities.

(ii) Other long-term employee benefit obligations

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

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

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

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

Due to the nature of when and how long service leave can be taken, all long service leave for employees with 5 or more years of service has been classified as current, as it has been deemed that

Clarence Valley Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

Council does not have the unconditional right to defer settlement beyond 12 months – even though it is not anticipated that all employees with more than 5 years service (as at reporting date) will apply for and take their leave entitlements in the next 12 months.

(iii) Retirement benefit obligations

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

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

Defined Benefit Plans

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

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

However, when this information is not reliably available, Council accounts for its obligations to defined benefit plans on the same basis as its obligations to defined contribution plans, i.e. as an expense when it becomes payable.

Defined Contribution Plans

Contributions to defined contribution plans are recognised as an expense as they become payable.

Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(iv) Employee benefit on-costs

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

These amounts include superannuation and workers compensation expenses which will be payable upon the future payment of certain leave liabilities accrued as at 30/06/17.

(q) Land

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

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

(r) Land Under Roads

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

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

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

(s) Self-insurance

Council does not self-insure.

(t) Intangible assets

IT development and software

Costs incurred in developing products or systems and costs incurred in acquiring software and licenses that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to software and systems.

Clarence Valley Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

Costs capitalised include external direct costs of materials and service, direct payroll, and payroll related costs of employees' time spent on the project.

Amortisation is calculated on a straight line basis over periods generally ranging from 3 to 5 years. IT development costs include only those costs directly attributable to the development phase and are only recognised following completion of technical feasibility, and where Council has an intention and ability to use the asset.

(u) Crown reserves

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

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

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

(v) Rural fire service assets

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

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

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

(w) Taxes

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

Council does, however, have to comply with both Fringe Benefits Tax and Goods and Services Tax.

Goods and Services Tax (GST)

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

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

Receivables and payables within the Statement of Financial Position are stated inclusive of the amount of GST receivable or payable.

The net amount of GST recoverable from, or payable to the ATO is included as a current asset or current liability in the in the Statement of Financial Position.

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

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

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

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

Certain new (or amended) accounting standards and interpretations have been published that are not mandatory for the current reporting period ended 30 June 2017.

Council has not adopted any of these standards early.

Clarence Valley Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

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

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

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

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

The effective date of this standard is annual reporting periods beginning on or after 1 January 2017, i.e. 30 June 2018 financial statements.

There will be no impact on reported financial position or performance, however councils will have to show the changes in liabilities arising from financing activities.

AASB 9 – Financial Instruments

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

The overriding impact of AASB 9 is to change the requirements for the classification, measurement and disclosures associated with financial assets and financial liabilities. These requirements are designed to improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139.

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

- fair value, and

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

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

AASB 15 Revenue from Contracts with Customers

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

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

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

The effective date of this standard is for annual reporting periods beginning on or after 1 January 2019, i.e. councils' financial statements for year ended 30 June 2020.

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

AASB 1058 Income of NFP Entities

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

AASB 1058 applies when a council receives volunteer services or enters into other transactions in which the consideration to acquire an asset is significantly less than the fair value of the asset, and where the council's objective is principally to enable

Clarence Valley Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

the asset to further the council's objectives. In cases where the council enters into other transactions, the council recognises and measures the asset at fair value in accordance with the applicable Australian Accounting Standard (e.g. AASB 116 *Property, Plant and Equipment*).

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

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

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

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

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

The effective date of this standard is for annual reporting periods beginning on or after 1 January 2019; i.e. councils' financial statements for year ended 30 June 2020.

The changes in revenue recognition requirements in AASB15 may cause changes to the timing and amount of revenue recorded in the financial

statements, as well as additional disclosures. All revenue streams, including grant agreements, are yet to be reviewed to determine the impact of AASB 1058.

Prepaid rates received prior to the beginning of a rating period will now be recognised as a financial liability until the commencement of the rating period.

AASB16 – Leases

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

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

The effective date of this standard is for annual reporting periods beginning on or after 1 January 2019, i.e. councils' financial statements for year ended 30 June 2020.

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

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

Not applicable to Local Government per se;

None

Clarence Valley Council

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

Note 1. Summary of significant accounting policies (continued)

(y) Allocation between current and non-current assets and liabilities.

In the determination of whether an asset or liability is classified as current or non-current, consideration is given to the time when each asset or liability is expected to be settled. The asset or liability is classified as current if it is expected to be settled within the next 12 months, being the Council's operational cycle.

Exceptions

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

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

(z) Rounding of amounts

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

(aa) Comparative figures

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

(ab) Disclaimer

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

Clarence Valley Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 2(a). Council functions/activities – financial information

Functions/activities	Income, expenses and assets have been directly attributed to the following functions/activities. Details of these functions/activities are provided in Note 2(b).												
	Income from continuing operations			Expenses from continuing operations			Operating result from continuing operations			Grants included in income from continuing operations		Total assets held (current and non-current)	
	Original budget 2017	Actual 2017	Actual 2016	Original budget 2017	Actual 2017	Actual 2016	Original budget 2017	Actual 2017	Actual 2016	Actual 2017	Actual 2016	Actual 2017	Actual 2016
Our Leadership	1,620	1,848	2,063	15,588	24,750	21,196	(13,968)	(22,902)	(19,133)	20	17	249,808	258,111
Our Infrastructure	53,232	52,890	53,869	64,559	77,751	71,035	(11,327)	(24,861)	(17,166)	7,179	9,143	1,837,866	1,890,316
Our Society	11,734	14,568	15,601	24,189	24,300	23,165	(12,455)	(9,732)	(7,564)	8,584	10,087	37,602	38,675
Our Environment	12,730	13,368	12,391	14,380	13,195	12,560	(1,650)	173	(169)	837	756	2,578	2,652
Our Economy	6,056	6,616	7,058	6,412	6,333	6,549	(356)	283	509	126	832	2,218	2,281
Total functions and activities	85,372	89,290	90,982	125,128	146,329	134,505	(39,756)	(57,039)	(43,523)	16,746	20,835	2,130,072	2,192,035
Share of gains/(losses) in associates and joint ventures (using the equity method)	–	–	–	–	37	60	–	(37)	(60)	–	–	42	47
General purpose income ¹	38,662	45,380	38,172	–	–	–	38,662	45,380	38,172	16,104	10,778	–	–
Operating result from continuing operations	124,034	134,670	129,154	125,128	146,366	134,565	(1,094)	(11,696)	(5,411)	32,850	31,613	2,130,114	2,192,082

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

Clarence Valley Council

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

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

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

OUR LEADERSHIP

- Continuous Improvement
- Accountability and Compliance
- Participation and Communication
- Resourcing and Support

OUR INFRASTRUCTURE

- Quality Built Environment and Places
- Efficient Transport and Access
- Effective Essential Services

OUR SOCIETY

- Community Health and Welbeing
- Creative Culture and Recreation
- Good Community Relations
- Community Resilience

OUR ENVIRONMENT

- Protecting the Land
- Maintaining Healthy Waterways
- Protecting Biodiversity

OUR ECONOMY

- Efficient and Careful Resource Use
- Healthy Economic Activity
- Meaningful Work and Employment

Clarence Valley Council

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

Note 3. Income from continuing operations

\$ '000	Notes	Actual 2017	Actual 2016
(a) Rates and annual charges			
Ordinary rates			
Residential		22,292	20,744
Farmland		2,983	2,787
Business		3,627	3,405
Less: pensioner rebates		(1,159)	(1,148)
Total ordinary rates		27,743	25,788
Special rates			
Nil			
Annual charges (pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Domestic waste management services		6,321	6,206
Water supply services		2,697	4,028
Sewerage services		16,780	16,461
Waste management services (non-domestic)		1,890	1,818
Less: pensioner rebates		(1,172)	(1,193)
Total annual charges		26,516	27,320
TOTAL RATES AND ANNUAL CHARGES		54,259	53,108

Council has used 2013 year valuations provided by the NSW Valuer General in calculating its rates.

Clarence Valley Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 3. Income from continuing operations (continued)

\$ '000	Notes	Actual 2017	Actual 2016
(b) User charges and fees			
Specific user charges (per s.502 – specific 'actual use' charges)			
Water supply services		11,709	9,026
Sewerage services		1,722	1,550
On-site septic management services		274	254
Total user charges		13,705	10,830
Other user charges and fees			
(i) Fees and charges – statutory and regulatory functions (per s.608)			
Private works – section 67		338	230
Regulatory/ statutory fees		1,814	1,741
Section 149 certificates (EPA Act)		146	129
Section 603 certificates		133	120
Total fees and charges – statutory/regulatory		2,431	2,220
(ii) Fees and charges – other (incl. general user charges (per s.608))			
Aerodrome		129	154
Art gallery		62	51
Caravan park		5,493	5,368
Cemeteries		564	501
Community centres		180	165
Community services		744	661
Leaseback fees – Council vehicles		402	416
Other sewer fees		557	410
Other waste management		260	238
Other water fees		497	347
Quarry revenues		329	416
Regional landfill		3,780	3,195
RMS (formerly RTA) charges (state roads not controlled by Council)		2,897	3,322
Saleyards		335	328
Swimming centres		330	266
Water tapping fees		356	258
Other		593	359
Total fees and charges – other		17,508	16,455
TOTAL USER CHARGES AND FEES		33,644	29,505

Clarence Valley Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 3. Income from continuing operations (continued)

\$ '000	Notes	Actual 2017	Actual 2016
(c) Interest and investment revenue (including losses)			
Interest			
– Interest on overdue rates and annual charges (incl. special purpose rates)		335	258
– Interest earned on investments (interest and coupon payment income)		2,777	2,672
Fair value adjustments			
– Fair valuation movements in investments (at fair value or held for trading)		9	(10)
Amortisation of premiums and discounts			
– Interest free (and interest reduced) loans provided		6	5
<u>TOTAL INTEREST AND INVESTMENT REVENUE</u>		<u>3,127</u>	<u>2,925</u>
Interest revenue is attributable to:			
Unrestricted investments/financial assets:			
Overdue rates and annual charges (general fund)		107	89
General Council cash and investments		763	500
Restricted investments/funds – external:			
Development contributions			
– Section 94		123	104
– Section 64		175	160
Water fund operations		645	489
Sewerage fund operations		222	397
Domestic waste management operations		75	77
Clarence Coast Reserve Trust		76	72
Clarence Regional Library		17	20
Restricted investments/funds – internal:			
Internally restricted assets		924	1,017
<u>Total interest and investment revenue recognised</u>		<u>3,127</u>	<u>2,925</u>
(d) Other revenues			
Rental income – other council properties		887	912
Fines		81	39
Legal fees recovery – rates and charges (extra charges)		243	198
Legal fees recovery – other		2	–
Commissions and agency fees		45	67
Diesel rebate		280	298
Commonwealth emissions reduction fund		77	30
Insurance claim recoveries		117	307
Interest in associated entities (adjusted)		33	58
Sales – general		46	24
State waste rebate		142	144
Other		192	145
<u>TOTAL OTHER REVENUE</u>		<u>2,145</u>	<u>2,222</u>

Clarence Valley Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 3. Income from continuing operations (continued)

\$ '000	2017 Operating	2016 Operating	2017 Capital	2016 Capital
(e) Grants				
General purpose (untied)				
Financial assistance – general component ¹	10,832	7,089	–	–
Financial assistance – local roads component ¹	4,635	3,057	–	–
Pensioners' rates subsidies – general component	637	632	–	–
Total general purpose	16,104	10,778	–	–
¹ \$5.263M of the 2017-18 Financial Assistance Grant was advanced to Council in June 2017 and hence is reported as 2016-17 income.				
Specific purpose				
Pensioners' rates subsidies:				
– Water	257	260	–	–
– Sewerage	187	189	–	–
– Domestic waste management	201	208	–	–
Sewerage services	–	–	–	1,113
Community care	6,987	7,311	–	–
Community energy efficiency program	–	–	–	7
Employment and training programs	20	10	–	–
Environmental services	188	98	–	–
Floodplain management	137	423	497	72
Heritage and cultural	24	23	–	–
Library	205	201	–	132
LIRS subsidy	36	40	–	–
NSW rural fire services	703	550	207	736
Recreation and culture	–	–	–	1,050
Storm/flood damage	275	1,304	–	–
Street lighting	100	98	–	–
Transport (roads to recovery)	3,252	4,121	–	–
Transport (other roads and bridges funding)	–	–	2,014	1,448
Transport (airport upgrade funding)	–	–	19	780
Water transport	–	–	235	–
McLachlan Park redevelopment	–	–	489	–
Other	381	443	332	218
Total specific purpose	12,953	15,279	3,793	5,556
Total grants	29,057	26,057	3,793	5,556
Grant revenue is attributable to:				
– Commonwealth funding	22,649	18,355	1,066	1,734
– State funding	6,408	7,702	2,727	3,822
	29,057	26,057	3,793	5,556

Clarence Valley Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 3. Income from continuing operations (continued)

\$ '000	2017 Operating	2016 Operating	2017 Capital	2016 Capital
(f) Contributions				
Developer contributions:				
(s93 & s94 – EP&A Act, s64 of the LGA):				
S 94 – contributions towards amenities/services	–	–	517	807
S 94A – fixed development consent levies	–	–	183	40
S 64 – water supply contributions	–	–	703	838
S 64 – sewerage service contributions	–	–	724	831
Total developer contributions	–	–	2,127	2,516
Other contributions:				
Clarence regional library	245	218	–	–
Community services	169	226	3	–
Dedications (other than by S94)	–	–	555	1,034
Regional assessment service program	245	217	–	–
RMS contributions (regional roads, block grant)	3,701	2,526	576	1,742
Sewerage (excl. section 64 contributions)	–	–	98	376
Water supplies (excl. section 64 contributions)	448	484	116	134
Work Health and Safety	208	100	–	–
Other	124	190	30	18
Total other contributions	5,140	3,961	1,378	3,304
Total contributions	5,140	3,961	3,505	5,820
TOTAL GRANTS AND CONTRIBUTIONS	34,197	30,018	7,298	11,376

\$ '000	Actual 2017	Actual 2016
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(g) Unspent grants and contributions**Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner:**

Unexpended at the close of the previous reporting period	16,553	11,735
Add: grants and contributions recognised in the current period but not yet spent	4,806	6,764
Less: grants and contributions recognised in a previous reporting period now spent	(2,854)	(1,946)
Net increase (decrease) in restricted assets during the period	1,952	4,818
Unexpended and held as restricted assets	18,505	16,553
Comprising:		
– Specific purpose unexpended grants	6,617	6,517
– Developer contributions	11,888	10,036
	18,505	16,553

Clarence Valley Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 4. Expenses from continuing operations

\$ '000	Notes	Actual 2017	Actual 2016
(a) Employee benefits and on-costs			
Salaries and wages		29,846	29,401
Travel expenses		4	2
Employee leave entitlements (ELE)		6,211	6,145
Superannuation		3,862	3,863
Workers' compensation insurance		1,337	1,233
Fringe benefit tax (FBT)		36	45
Payroll tax		317	345
Training costs (other than salaries and wages)		411	453
Other		180	245
Total employee costs		42,204	41,732
Less: capitalised costs		(2,767)	(2,597)
TOTAL EMPLOYEE COSTS EXPENSED		39,437	39,135
Number of 'full-time equivalent' employees (FTE) at year end		538	550
(b) Borrowing costs			
(i) Interest bearing liability costs			
Interest on loans		8,461	8,769
Other debts		(57)	5
Total interest bearing liability costs expensed		8,404	8,774
(ii) Other borrowing costs			
Fair value adjustments on recognition of advances and deferred debtors			
– Interest free (or favourable) loans and advances made by Council		23	–
Discount adjustments relating to movements in provisions (other than ELE)			
– Remediation liabilities	26	185	181
Interest applicable on interest free (and favourable) loans to Council		20	25
Total other borrowing costs		228	206
TOTAL BORROWING COSTS EXPENSED		8,632	8,980

Clarence Valley Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Actual 2017	Actual 2016
(c) Materials and contracts			
Raw materials and consumables		9,130	8,837
Contractor and consultancy costs		19,405	18,566
Auditors' remuneration ⁽¹⁾		88	80
Legal expenses:			
– Legal expenses: planning and development		4	18
– Legal expenses: debt recovery		310	236
– Legal expenses: other		89	127
Operating leases:			
– Operating lease rentals: minimum lease payments ⁽²⁾		300	57
TOTAL MATERIALS AND CONTRACTS		29,326	27,921
1. Auditors' remuneration			
a. During the year the following fees were paid or payable for services provided by the Auditor-General:			
(i) Audit and other assurance services			
– Audit and review of financial statements		80	–
Total remuneration for audit and other assurance services		80	–
Total fees paid or payable to the Auditor-General		80	–
b. During the year, the following fees were paid or payable for services provided by other audit firms:			
(i) Audit and other assurance services			
– Audit and review of financial statements		7	79
– Other audit and assurance services		1	1
Total remuneration for audit and other assurance services		8	80
Total fees paid or payable to other audit firms		8	80
Total remuneration of auditors		88	80
2. Operating lease payments are attributable to:			
Buildings		296	49
Computers		3	3
Other		1	5
		300	57

Clarence Valley Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Actual 2017	Actual 2016
(d) Depreciation, amortisation and impairment			
Plant and equipment		3,720	3,094
Office equipment		402	397
Furniture and fittings		144	136
Infrastructure:			
– Buildings – non-specialised		584	545
– Buildings – specialised		974	972
– Other structures		458	461
– Roads		13,934	12,390
– Bridges		1,452	1,446
– Footpaths		607	602
– Other road assets		579	575
– Stormwater drainage		2,677	2,665
– Water supply network		5,771	5,051
– Sewerage network		7,829	4,135
– Swimming pools		170	223
– Other open space/recreational assets		1,426	1,277
– Other infrastructure		1,459	1,451
Other assets			
– Library books		65	78
Asset reinstatement costs	9 & 26	119	634
Intangible assets	25	542	516
Total gross depreciation and amortisation costs		42,912	36,648
Less: capitalised costs		(963)	(843)
Total depreciation and amortisation costs		41,949	35,805
Impairment			
Infrastructure:			
– Roads		1,672	–
– Bridges		132	5
Total gross impairment costs		1,804	5
Less: IPP&E impairments (to)/from equity	9a	(1,804)	(5)
Total impairment costs		–	–
TOTAL DEPRECIATION AND IMPAIRMENT COSTS EXPENSED		41,949	35,805

Clarence Valley Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Actual 2017	Actual 2016
(e) Other expenses			
Advertising		561	454
Bad and doubtful debts		32	9
Bank charges		230	238
Caravan park levies		279	269
Computer maintenance		829	723
Contributions/levies to other levels of government			
– Department of planning levy		67	52
– Emergency services levy (includes FRNSW, SES, and RFS levies)		978	836
– Waste levy		2,885	2,591
– Other contributions/levies		5	5
Councillor expenses – mayoral fee		38	39
Councillor expenses – councillors' fees		154	157
Councillors' expenses (incl. mayor) – other (excluding fees above)		21	5
Donations, contributions and assistance to other organisations (Section 356)		105	74
Election expenses		272	–
Electricity and heating		1,823	1,727
Fair value decrements – I,PP&E	9(a)	340	–
Insurance		2,111	2,056
Postage		265	226
Printing and stationery		325	310
Quarry expenses		258	89
Street lighting		537	477
Subscriptions and publications		358	301
Telephone and communications		365	427
Valuation fees		183	171
Other		155	211
<u>TOTAL OTHER EXPENSES</u>		<u>13,176</u>	<u>11,447</u>

Clarence Valley Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 5. Gains or losses from the disposal of assets

\$ '000	Notes	Actual 2017	Actual 2016
Property (excl. investment property)			
Proceeds from disposal – property		76	52
Less: carrying amount of property assets sold/written off		(355)	(175)
Net gain/(loss) on disposal		(279)	(123)
Plant and equipment			
Proceeds from disposal – plant and equipment		595	912
Less: carrying amount of plant and equipment assets sold/written off		(629)	(841)
Net gain/(loss) on disposal		(34)	71
Infrastructure			
Less: carrying amount of infrastructure assets sold/written off		(9,745)	(11,319)
Net gain/(loss) on disposal		(9,745)	(11,319)
Real estate assets held for sale			
Proceeds from disposal – real estate assets		385	248
Less: carrying amount of real estate assets sold/written off		(170)	(94)
Net gain/(loss) on disposal		215	154
Financial assets *			
Proceeds from disposal/redemptions/maturities – financial assets		69,006	56,000
Less: carrying amount of financial assets sold/redeemed/matured		(69,000)	(56,000)
Net gain/(loss) on disposal		6	–
Non-current assets classified as ‘held for sale’			
Proceeds from disposal – non-current assets ‘held for sale’		3,620	–
Less: carrying amount of ‘held for sale’ assets sold/written off		(7,592)	–
Net gain/(loss) on disposal		(3,972)	–
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		(13,809)	(11,217)
* Financial assets disposals/redemptions include:			
– Net gain/(loss) from financial instruments ‘at fair value through profit and loss’		6	–
Net gain/(loss) on disposal of financial instruments		6	–

Clarence Valley Council

Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000	Notes	2017	2017	2016	2016
		Actual Current	Actual Non-current	Actual Current	Actual Non-current
Cash and cash equivalents (Note 6a)					
Cash on hand and at bank		446	–	1,859	–
Cash-equivalent assets ¹					
– Deposits at call		11,887	–	8,920	–
– Managed funds		405	–	395	–
– Short-term deposits		32	–	31	–
Total cash and cash equivalents		12,770	–	11,205	–
Investments (Note 6b)					
– Long term deposits		61,000	26,000	58,005	13,000
– NCD's, FRN's (with maturities > 3 months)		–	2,015	–	3,004
Total investments		61,000	28,015	58,005	16,004
TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS		73,770	28,015	69,210	16,004

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

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

Cash and cash equivalents	12,770	–	11,205	–
Investments				
a. 'At fair value through the profit and loss'				
– 'Designated at fair value on initial recognition'	–	2,015	–	3,004
b. 'Held to maturity'	61,000	26,000	58,005	13,000
Investments	61,000	28,015	58,005	16,004

Refer to Note 27. Fair value measurement for information regarding the fair value of investments held.

Clarence Valley Council

Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000	2017	2017	2016	2016
	Actual Current	Actual Non-current	Actual Current	Actual Non-current
Total cash, cash equivalents and investments	73,770	28,015	69,210	16,004
attributable to:				
External restrictions (refer below)	23,770	25,727	28,587	14,698
Internal restrictions (refer below)	44,940	2,288	37,709	1,306
Unrestricted	5,060	–	2,914	–
	73,770	28,015	69,210	16,004

2017 \$ '000	Opening balance	Transfers to restrictions	Transfers from restrictions	Closing balance
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Details of restrictions

External restrictions – included in liabilities

Deposits, bonds and retentions	1,628	412	(418)	1,622
Easements payable – water	11	–	–	11
Held as custodian	393	9	(14)	388
External restrictions – included in liabilities	2,032	421	(432)	2,021

External restrictions – other

Developer contributions – general (D)	4,134	823	(1)	4,956
Developer contributions – water fund (D)	2,682	780	(534)	2,928
Developer contributions – sewer fund (D)	3,220	822	(38)	4,004
Specific purpose unexpended grants (F)	2,529	243	(1,040)	1,732
Specific purpose unexpended grants – CSS (G)	3,967	2,688	(1,804)	4,851
Specific purpose unexpended grants – CCRT (G)	21	13	–	34
Water supplies (G)	14,754	10,846	(5,281)	20,318
Sewerage services (G)	5,420	7,092	(9,014)	3,496
Domestic waste management (G)	1,186	478	(237)	1,427
Clarence coast reserve trust (CCRT)	2,418	2,780	(2,425)	2,773
Clarence regional library	629	331	(307)	653
Other	293	28	(17)	304
External restrictions – other	41,253	26,924	(20,698)	47,476
Total external restrictions	43,285	27,345	(21,130)	49,497

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

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

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

Clarence Valley Council

Notes to the Financial Statements

for the year ended 30 June 2017

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

2017 \$ '000	Opening balance	Transfers to restrictions	Transfers from restrictions	Closing balance
Internal restrictions				
Aerodrome resealing and building	30	–	(13)	17
Cemetery reserves	143	39	(96)	86
Commercial property improvements	137	139	(11)	265
Community cultural and heritage programs	6	3	(1)	8
Community services reserves	617	1,023	(1,003)	637
Council s94 development funds	59	–	–	59
Election cost reserve	262	–	(262)	–
Emergency services reserves	222	252	(61)	413
Employee leave entitlements	2,516	445	(74)	2,887
Environmental and noxious weeds projects	444	22	(61)	405
Fleet plant reserve	17,007	5,480	(9,629)	12,858
Floodplain management reserves	717	9	(194)	532
Hargraves villas reserves	83	–	–	83
Insurance reserves	406	183	–	589
Infrastructure assets renewals reserve	–	6,500	–	6,500
Macleay and district improvements	1,407	81	(40)	1,448
Miscellaneous administrative reserves	1,071	–	(184)	887
Mobile and public library projects	24	–	–	24
Other parks improvements	381	402	(197)	586
Public pool improvements	79	11	(45)	45
Public toilet refurbishment program	27	19	(7)	39
Quarries operations and rehabilitation	678	306	(492)	492
Regional development and tourism projects	165	2	(131)	36
Regional landfill reserves	5,697	3,571	(1,681)	7,587
Roads reserves	478	2,943	(2,416)	1,005
Saleyards asset replacement	208	106	(35)	279
Software implementation reserves	163	82	(3)	242
Sporting facilities improvements	216	244	(60)	400
Strategic building reserve	4,245	3,947	(6,045)	2,147
Strategic development programs	121	45	(57)	109
Unspent general loans	324	1	(40)	285
Unspent financial assistance grant	–	5,263	–	5,263
Waste management reserves	1,082	480	(547)	1,015
Total internal restrictions	39,015	31,598	(23,385)	47,228
TOTAL RESTRICTIONS	82,300	58,943	(44,515)	96,725

Clarence Valley Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 7. Receivables

\$ '000	Notes	2017		2016	
		Current	Non-current	Current	Non-current
Purpose					
Rates and annual charges		2,622	610	2,432	565
Interest and extra charges		431	–	396	–
User charges and fees		5,781	–	5,201	–
Accrued revenues					
– Interest on investments		1,185	–	965	–
Amounts due from other councils		153	–	159	–
Deferred debtors		38	155	31	67
Government grants and subsidies		3,633	–	3,704	–
Net GST receivable		663	–	615	–
Government departments (other than grants)		471	–	3,204	–
Other debtors		601	–	496	–
Total		15,578	765	17,203	632
Less: provision for impairment					
Rates and annual charges		(3)	–	–	–
Other debtors		(20)	–	(25)	–
Total provision for impairment – receivables		(23)	–	(25)	–
TOTAL NET RECEIVABLES		15,555	765	17,178	632
Externally restricted receivables					
Water supply					
– Rates and availability charges		112	26	139	32
– Other		3,844	–	3,410	–
Sewerage services					
– Rates and availability charges		654	152	580	134
– Other		1,024	–	1,732	5
Domestic waste management		406	80	363	74
Clarence Coast Reserve Trust		96	–	18	–
Community support services		382	–	148	–
Government grants		–	–	174	–
Clarence Regional Library		1	–	20	–
Total external restrictions		6,519	258	6,584	245
Internally restricted receivables					
– Waste management reserve		261	–	281	–
– Road reserves		1,023	–	2,033	–
– Regional landfill		799	–	919	–
– Fleet plant reserve		86	–	709	–
– Saleyards asset replacement		–	–	6	–
– Strategic Building Reserve		–	–	91	–
– Cemetery reserves		49	–	39	–
Internally restricted receivables		2,218	–	4,078	–
Unrestricted receivables		6,818	507	6,516	387
TOTAL NET RECEIVABLES		15,555	765	17,178	632

Clarence Valley Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 7. Receivables (continued)

Notes on receivables from the previous page:

- (i) Rates and annual charges outstanding are secured against the property.
(ii) Doubtful rates receivables are provided for where the value of the property is less than the debt outstanding. An allowance for other doubtful debts is made when there is objective evidence that a receivable is impaired.
(iii) Interest was charged on overdue rates and charges at 8.00% (2016 8.50%).
Generally all other receivables are non-interest bearing.
(iv) Please refer to Note 15 for issues concerning credit risk and fair value disclosures.

Note 8. Inventories and other assets

\$ '000	Notes	2017		2016	
		Current	Non-current	Current	Non-current
(a) Inventories					
(i) Inventories at cost					
Real estate for resale (refer below)		212	156	329	209
Stores and materials		1,064	–	1,247	–
Total inventories at cost		1,276	156	1,576	209
(ii) Inventories at net realisable value (NRV)					
Nil					
TOTAL INVENTORIES		1,276	156	1,576	209
(b) Other assets					
Prepayments		320	–	296	–
TOTAL OTHER ASSETS		320	–	296	–
Externally restricted assets					
Water					
Prepayments		2	3	1	–
Total water		2	3	1	–
Sewerage					
Prepayments		2	–	1	–
Total sewerage		2	–	1	–
Other					
Prepayments		15	–	15	–
Total other		15	–	15	–
Total externally restricted assets		19	3	17	–
Total internally restricted assets		–	–	–	–
Total unrestricted assets		1,577	153	1,855	209
TOTAL INVENTORIES AND OTHER ASSETS		1,596	156	1,872	209

Clarence Valley Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 8. Inventories and other assets (continued)

\$ '000	2017		2016	
	Current	Non-current	Current	Non-current
Other disclosures				
(a) Details for real estate development				
Residential	212	156	329	156
Industrial/commercial	–	–	–	53
Total real estate for resale	212	156	329	209
(Valued at the lower of cost and net realisable value)				
Represented by:				
Acquisition costs	212	156	329	209
Total costs	212	156	329	209
Total real estate for resale	212	156	329	209
Movements:				
Real estate assets at beginning of the year	329	209	423	209
– WDV of sales (expense)	(117)	(53)	(94)	–
Total real estate for resale	212	156	329	209

(b) Current assets not anticipated to be settled within the next 12 months

The following inventories and other assets, even though classified as current are not expected to be recovered in the next 12 months;

	2017	2016
Real estate for resale	135	262
	135	262

(c) Inventory write downs

There were no amounts recognised as an expense relating to the write down of inventory balances held during the year.

Refer to Note 27. Fair value measurement for information regarding the fair value of other assets held.

Clarence Valley Council

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

Note 9a. Infrastructure, property, plant and equipment

Asset class	as at 30/6/2016			Asset movements during the reporting period									as at 30/6/2017		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals	Additions new assets	Carrying value of disposals	Depreciation expense	Impairment loss (recognised in equity)	Impairment reversal (via equity)	WIP transfers	Revaluation decrements to P&L	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
Capital work in progress	7,349	–	7,349	1,728	13,218	–	–	–	–	(4,024)	–	–	18,271	–	18,271
Plant and equipment	38,777	18,763	20,014	1,879	38	(598)	(3,720)	–	–	–	–	–	38,451	20,838	17,613
Office equipment	3,168	2,207	961	276	28	(1)	(402)	–	–	–	–	–	3,433	2,571	862
Furniture and fittings	3,473	2,351	1,122	–	111	(26)	(144)	–	–	–	–	–	3,491	2,428	1,063
Land:															
– Operational land	39,063	–	39,063	–	226	(273)	–	–	–	–	–	1,531	40,547	–	40,547
– Community land	36,498	–	36,498	–	–	(82)	–	–	–	–	(340)	(9,828)	26,248	–	26,248
– Land under roads (post 30/6/08)	20	–	20	–	–	–	–	–	–	–	–	–	20	–	20
Infrastructure:															
– Buildings – non-specialised	53,615	9,560	44,055	67	149	–	(584)	–	–	941	–	1,108	55,810	10,074	45,736
– Buildings – specialised	102,843	15,343	87,500	59	400	(361)	(974)	–	–	830	–	2,444	107,160	17,262	89,898
– Other structures	17,531	5,947	11,584	85	366	–	(458)	–	–	51	–	587	18,450	6,235	12,215
– Roads	587,451	125,111	462,340	3,513	502	(4,150)	(13,934)	(1,672)	36	318	–	13,909	588,511	127,649	460,862
– Bridges	143,753	41,223	102,530	1,322	202	(639)	(1,452)	(132)	–	1,073	–	2,338	146,675	41,433	105,242
– Footpaths	28,626	8,822	19,804	43	190	(660)	(607)	–	–	198	–	2,264	30,247	9,015	21,232
– Other road assets	28,367	4,606	23,761	360	346	(67)	(579)	–	–	–	–	925	29,565	4,819	24,746
– Bulk earthworks (non-depreciable)	181,008	–	181,008	144	1,166	–	–	–	–	–	–	3,592	185,910	–	185,910
– Stormwater drainage	203,962	56,833	147,129	512	298	(171)	(2,677)	–	–	–	–	5,903	209,990	58,996	150,994
– Water supply network	464,408	56,605	407,803	973	752	(1,144)	(5,771)	–	–	–	–	(44,474)	480,699	122,560	358,139
– Sewerage network	340,054	42,114	297,940	9	202	(2,395)	(7,829)	–	–	–	–	(29,960)	349,876	91,909	257,967
– Swimming pools	9,185	4,297	4,888	15	–	–	(170)	–	–	–	–	292	9,429	4,404	5,025
– Other open space/recreational assets	44,817	13,458	31,359	650	380	(158)	(1,426)	–	–	47	–	1,795	46,597	13,950	32,647
– Other infrastructure	172,402	26,723	145,679	695	165	–	(1,459)	–	–	566	–	3,897	177,170	27,627	149,543
Other assets:															
– Library books	5,295	4,981	314	272	–	(4)	(65)	–	–	–	–	–	5,563	5,046	517
– Other	2,114	–	2,114	–	58	–	–	–	–	–	–	–	2,172	–	2,172
Reinstatement, rehabilitation and restoration assets (refer Note 26):															
– Tip assets	5,527	2,488	3,039	–	(1,136)	–	(104)	–	–	–	–	–	4,391	2,592	1,799
– Quarry assets	908	72	836	–	(193)	–	(15)	–	–	–	–	–	715	87	628
TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIP.	2,520,214	441,504	2,078,710	12,602	17,468	(10,729)	(42,370)	(1,804)	36	–	(340)	(43,677)	2,579,391	569,495	2,009,896

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

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

Clarence Valley Council

Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000	Actual			Actual		
	2017			2016		
Class of asset	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount
Water supply						
WIP	404	–	404	214	–	214
Plant and equipment	3,381	1,657	1,724	3,342	1,397	1,945
Office equipment	43	20	23	42	15	27
Furniture and fittings	37	23	14	36	22	14
Land						
– Operational land	6,250	–	6,250	5,956	–	5,956
Buildings	3,742	614	3,128	3,598	581	3,017
Other structures	12	–	12	36	–	36
Infrastructure	480,699	122,560	358,139	464,408	56,605	407,803
Total water supply	494,568	124,874	369,694	477,632	58,620	419,012
Sewerage services						
WIP	1,553	–	1,553	404	–	404
Plant and equipment	2,992	1,578	1,414	2,984	1,468	1,516
Office equipment	33	20	13	24	16	8
Furniture and fittings	36	29	7	36	28	8
Land						
– Operational land	2,756	–	2,756	2,672	–	2,672
– Community land	5	–	5	5	–	5
Buildings	4,764	343	4,421	4,573	311	4,262
Other structures	399	17	382	357	10	347
Infrastructure	349,876	91,909	257,967	340,054	42,114	297,940
Other open space / recreation	34	–	34	–	–	–
Total sewerage services	362,448	93,896	268,552	351,109	43,947	307,162
Domestic waste management						
Plant and equipment	279	279	–	279	279	–
Buildings	8,712	560	8,152	8,434	527	7,907
Total DWM	8,991	839	8,152	8,713	806	7,907
Clarence Coast Reserve Trust						
WIP	273	–	273	137	–	137
Plant and equipment	17	14	3	15	13	2
Office equipment	16	16	–	16	16	–
Furniture and fittings	604	419	185	588	393	195
– Operational land	143	–	143	140	–	140
– Community land	9,962	–	9,962	15,553	–	15,553
Buildings	13,458	3,101	10,357	13,018	2,205	10,813
Other structures	225	13	212	192	8	184
Other open space / recreation	12,604	2,875	9,729	12,227	2,730	9,497
Roads, bridges and footpaths	181	12	169	181	6	175
Total CCRT	37,483	6,450	31,033	42,067	5,371	36,696
Community support services						
WIP	23	–	23	–	–	–
Office equipment	46	43	3	46	41	5
Furniture and fittings	191	114	77	190	108	82
– Operational land	205	–	205	190	–	190
Buildings	161	2	159	222	101	121
Total CSS	626	159	467	648	250	398
TOTAL RESTRICTED I,PP&E	904,116	226,218	677,898	880,169	108,994	771,175

Clarence Valley Council

Notes to the Financial Statements
for the year ended 30 June 2017Note 9c. Infrastructure, property, plant and equipment – current year
impairments

\$ '000	Notes	Actual 2017	Actual 2016
(i) Impairment losses recognised direct to equity (ARR):			
– Infrastructure (roads, bridges, footpaths) – flood damage		(1,804)	(5)
Total impairment losses		(1,804)	(5)
(ii) Reversals of impairment losses previously recognised direct to equity (ARR):			
– Infrastructure (roads, bridges, footpaths) – flood damage		36	355
– Other assets (other) – flood damage		–	1,246
Total impairment reversals		36	1,601
IMPAIRMENT OF ASSETS – DIRECT to EQUITY (ARR)	20 (ii)	(1,768)	1,596

Clarence Valley Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 10a. Payables, borrowings and provisions

\$ '000	Notes	2017		2016	
		Current	Non-current	Current	Non-current
Payables					
Goods and services – operating expenditure		4,233	–	3,815	–
Goods and services – capital expenditure		1,731	–	325	–
Accrued expenses:					
– Borrowings		612	–	639	–
– Salaries and wages		–	–	1	–
Employee time in lieu and RDO		550	–	402	–
Government departments		2,631	–	2,565	–
Security bonds, deposits and retentions		1,622	–	1,628	–
Other		48	–	77	–
Total payables		11,427	–	9,452	–
Income received in advance					
Payments received in advance		1,604	–	1,540	–
Total income received in advance		1,604	–	1,540	–
Borrowings					
Loans – secured ¹		6,194	117,745	5,810	123,919
Total borrowings		6,194	117,745	5,810	123,919
Provisions					
Employee benefits:					
Annual leave		3,093	–	3,016	–
Long service leave		8,995	404	9,003	423
Sub-total – aggregate employee benefits		12,088	404	12,019	423
Asset remediation/restoration (future works)	26	–	6,754	–	7,898
Total provisions		12,088	7,158	12,019	8,321
TOTAL PAYABLES, BORROWINGS AND PROVISIONS		31,313	124,903	28,821	132,240
(i) Liabilities relating to restricted assets					
		2017		2016	
		Current	Non-current	Current	Non-current
Externally restricted assets					
Water		1,231	23,385	1,336	24,257
Sewer		3,557	71,524	3,355	74,574
Domestic waste management		805	6,430	780	6,874
Community support services		153	–	162	–
Security bonds, deposits and retentions		1,622	–	1,628	–
Clarence Regional Library		13	–	25	–
Clarence Coast Reserve Trust		554	–	517	–
Total liabilities relating to restricted assets		7,935	101,339	7,803	105,705
Total liabilities relating to unrestricted assets		23,378	23,564	21,018	26,535
TOTAL PAYABLES, BORROWINGS AND PROVISIONS		31,313	124,903	28,821	132,240

¹ Loans are secured over the general rating income of Council

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

Clarence Valley Council

Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000	Actual 2017	Actual 2016
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(ii) Current liabilities not anticipated to be settled within the next twelve months

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

Provisions – employees benefits	9,612	9,468
	<u>9,612</u>	<u>9,468</u>

Note 10b. Description of and movements in provisions

Class of provision	2016		2017			
	Opening balance as at 1/7/16	Additional provisions	Decrease due to payments	Remeasurement effects due to discounting	Unused amounts reversed	Closing balance as at 30/6/17
Annual leave	3,016	1,896	(1,832)	13	–	3,093
Long service leave	9,426	981	(1,045)	37	–	9,399
Asset remediation	7,898	21	–	(1,165)	–	6,754
TOTAL	20,340	2,898	(2,877)	(1,115)	–	19,246

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

Clarence Valley Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 11. Statement of cash flows – additional information

\$ '000	Notes	Actual 2017	Actual 2016
(a) Reconciliation of cash assets			
Total cash and cash equivalent assets	6a	12,770	11,205
Less bank overdraft	10	–	–
Balance as per the Statement of Cash Flows		12,770	11,205
(b) Reconciliation of net operating result to cash provided from operating activities			
Net operating result from Income Statement		(11,696)	(5,411)
Adjust for non-cash items:			
Depreciation and amortisation		41,949	35,805
Net losses/(gains) on disposal of assets		13,809	11,217
Non-cash capital grants and contributions		(1,511)	(1,544)
Losses/(gains) recognised on fair value re-measurements through the P&L:			
– Investments classified as 'at fair value' or 'held for trading'		(9)	10
– Interest-free advances made by Council (deferred debtors)		23	–
– Write offs relating to the fair valuation of I,PP&E		340	–
– Other (cumulative rounding adjustment)		18	(13)
Amortisation of premiums, discounts and prior period fair valuations			
– Interest on all fair value adjusted interest free advances made by Council		(6)	(5)
– Interest exp. on interest-free loans received by Council (previously fair valued)		20	25
Unwinding of discount rates on reinstatement provisions		(1,165)	444
Share of net (profits) or losses of associates/joint ventures		37	60
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		1,587	2,596
Increase/(decrease) in provision for doubtful debts		(2)	5
Decrease/(increase) in inventories		183	(226)
Decrease/(increase) in other assets		(24)	193
Increase/(decrease) in payables		418	(1,576)
Increase/(decrease) in accrued interest payable		(27)	(134)
Increase/(decrease) in other accrued expenses payable		(1)	(244)
Increase/(decrease) in other liabilities		243	1,520
Increase/(decrease) in employee leave entitlements		50	65
Increase/(decrease) in other provisions		21	2,017
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		44,257	44,804

Clarence Valley Council

Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000	Notes	Actual 2017	Actual 2016
(c) Non-cash investing and financing activities			
Other non-cash items		1,511	1,544
Total non-cash investing and financing activities		1,511	1,544
(d) Financing arrangements			
(i) Unrestricted access was available at balance date to the following lines of credit:			
Bank overdraft facilities ⁽¹⁾		500	500
Credit cards/purchase cards		150	150
Total financing arrangements		650	650

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

Interest rates on overdrafts are interest rates on loans and other payables are disclosed in Note 15.

(ii) Secured loan liabilities

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

Clarence Valley Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 12. Commitments for expenditure

\$ '000	Notes	Actual 2017	Actual 2016
(a) Capital commitments (exclusive of GST)			
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:			
Property, plant and equipment			
Buildings		5,731	204
Plant and equipment		2,457	–
Sewerage services infrastructure		1,637	554
Water supply infrastructure		2,097	192
Road infrastructure		2,944	59
Water transport		565	–
Total commitments		15,431	1,009
These expenditures are payable as follows:			
Within the next year		14,764	1,009
Later than one year and not later than 5 years		667	–
Total payable		15,431	1,009
Sources for funding of capital commitments:			
Future grants and contributions		3,510	90
Externally restricted reserves		3,733	733
Internally restricted reserves		8,188	168
Unexpended loans		–	18
Total sources of funding		15,431	1,009

(b) Finance lease commitments

Nil

(c) Operating lease commitments (non-cancellable)**a. Commitments under non-cancellable operating leases at the reporting date, but not recognised as liabilities are payable:**

Within the next year	349	47
Later than one year and not later than 5 years	943	74
Later than 5 years	–	–
Total non-cancellable operating lease commitments	1,292	121

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

Buildings - 49 Queen Street, 42 Victoria Street and 28 Bruce Street, Grafton.

Lease terms are for three years, five years and three years respectively with lease payments reviewed annually.

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

Conditions relating to operating leases:

– All operating lease agreements are secured only against the leased asset.

– No lease agreements impose any financial restrictions on Council regarding future debt etc.

Clarence Valley Council

Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000	Amounts	Indicator	Prior periods		Benchmark
	2017	2017	2016	2015	
Local government industry indicators – consolidated					
1. Operating performance ratio					
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions less operating expenses	<u>(4,817)</u>	-3.78%	-4.67%	-7.27%	>0.00%
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	127,363				
Note , excluding the prepaid 2017-18 Financial Assistance Grant:		-8.26%			
2. Own source operating revenue ratio					
Total continuing operating revenue ⁽¹⁾ excluding all grants and contributions	<u>93,166</u>	69.19%	67.95%	67.33%	>60.00%
Total continuing operating revenue ⁽¹⁾ inclusive of all grants and contributions	134,661				
Note , excluding the prepaid 2017-18 Financial Assistance Grant:		72.00%			
3. Unrestricted current ratio					
Current assets less all external restrictions ⁽²⁾	<u>60,478</u>	4.39x	5.23x	4.41x	>1.5x
Current liabilities less specific purpose liabilities ^(3, 4)	13,766				
Note , excluding the prepaid 2017-18 Financial Assistance Grant:		4.01x			
4. Debt service cover ratio					
Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation	<u>45,764</u>	3.17x	2.59x	2.54x	>2x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	14,442				
Note , excluding the prepaid 2017-18 Financial Assistance Grant:		2.80x			
5. Rates and annual charges outstanding percentage					
Rates and annual charges outstanding	<u>3,660</u>	6.29%	5.99%	5.76%	< 5% Metro
Rates and annual charges collectible	58,230				<10% Rural
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	<u>99,770</u>	11.97 mths	10.3 mths	10.3 mths	> 3 mths
Payments from cash flow of operating and financing activities	8,334				
Note , excluding the prepaid 2017-18 Financial Assistance Grant:		11.34 mths			

Notes

- (1) Excludes fair value adjustments and reversal of revaluation decrements, net gain/(loss) on sale of assets and the net share of interests in joint ventures and associates.
- (2) Refer Notes 6-8 inclusive. Also excludes any real estate and land for resale not expected to be sold in the next 12 months.
- (3) Refer to Note 10(a).
- (4) Refer to Note 10(a)(ii) – excludes all payables and provisions not expected to be paid in the next 12 months (incl. ELE).

Clarence Valley Council

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

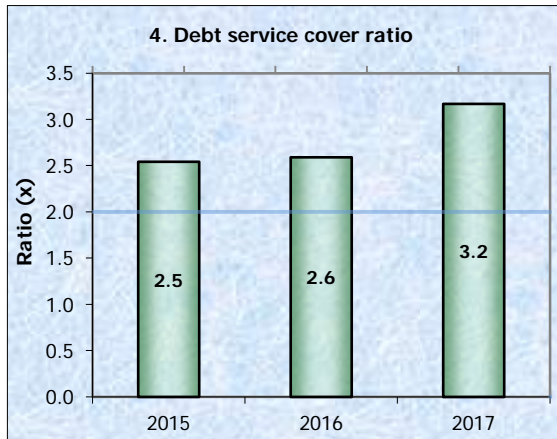
Note 13a(ii). Local government industry indicators – graphs (consolidated)

<p>1. Operating performance ratio</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio %</th> </tr> </thead> <tbody> <tr> <td>2015</td> <td>-7%</td> </tr> <tr> <td>2016</td> <td>-5%</td> </tr> <tr> <td>2017</td> <td>-4%</td> </tr> </tbody> </table> <p>Benchmark: — Minimum $\geq 0.00\%$ Source for benchmark: Code of Accounting Practice and Financial Reporting #25</p>	Year	Ratio %	2015	-7%	2016	-5%	2017	-4%	<p>Purpose of operating performance ratio</p> <p>This ratio measures Council's achievement of containing operating expenditure within operating revenue.</p>	<p>Commentary on 2016/17 result</p> <p>2016/17 ratio -3.78%</p> <p>This ratio measures whether Council is sustainable in terms of its operating result. Council's operating ratio whilst in the negative shows an improvement from 2014/15, which reflects Council's actions in implementing its Strategic Organisation Action Plan. However, excluding the Financial Assistance Grant prepayment, the ratio has deteriorated from 2015/16 which is chiefly attributable to the increased depreciation for Water and Sewer assets.</p>
Year	Ratio %									
2015	-7%									
2016	-5%									
2017	-4%									
<p>2. Own source operating revenue ratio</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio %</th> </tr> </thead> <tbody> <tr> <td>2015</td> <td>67%</td> </tr> <tr> <td>2016</td> <td>68%</td> </tr> <tr> <td>2017</td> <td>69%</td> </tr> </tbody> </table> <p>Benchmark: — Minimum $\geq 60.00\%$ Source for benchmark: Code of Accounting Practice and Financial Reporting #25</p>	Year	Ratio %	2015	67%	2016	68%	2017	69%	<p>Purpose of own source operating revenue ratio</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>Commentary on 2016/17 result</p> <p>2016/17 ratio 69.19%</p> <p>This ratio can fluctuate dramatically each year depending on the level of development and hence revenue received from Section 94 & Section 64 developer contributions as well as the level of general user fees raised. This result exceeds to Office of Local Government's benchmark of 60%.</p>
Year	Ratio %									
2015	67%									
2016	68%									
2017	69%									
<p>3. Unrestricted current ratio</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio (x)</th> </tr> </thead> <tbody> <tr> <td>2015</td> <td>4.4</td> </tr> <tr> <td>2016</td> <td>5.2</td> </tr> <tr> <td>2017</td> <td>4.4</td> </tr> </tbody> </table> <p>Benchmark: — Minimum ≥ 1.50 Source for benchmark: Code of Accounting Practice and Financial Reporting #25</p>	Year	Ratio (x)	2015	4.4	2016	5.2	2017	4.4	<p>Purpose of unrestricted current ratio</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>Commentary on 2016/17 result</p> <p>2016/17 ratio 4.39x</p> <p>Council's adopted benchmark policy aims to maintain a consolidated Unrestricted Current Ratio above 2.5:1. The result complies with Council's policy and indicates Council's sound short term financial position.</p>
Year	Ratio (x)									
2015	4.4									
2016	5.2									
2017	4.4									

Clarence Valley Council

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

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



Purpose of debt service cover ratio

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

Commentary on 2016/17 result

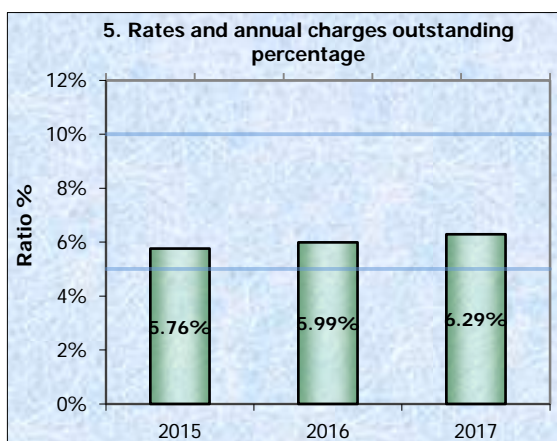
2016/17 ratio 3.17x

The debt service cover ratio has increased from 2015/16 due to an increase in the operating result before capital excluding interest and depreciation. The increase is largely attributable to an increase in user charges (water supply services) and an advance payment of the 2017-18 Financial Assistance Grant.

Benchmark: — Minimum ≥ 2.00

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

■ Ratio achieves benchmark
■ Ratio is outside benchmark



Purpose of rates and annual charges outstanding ratio

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

Commentary on 2016/17 result

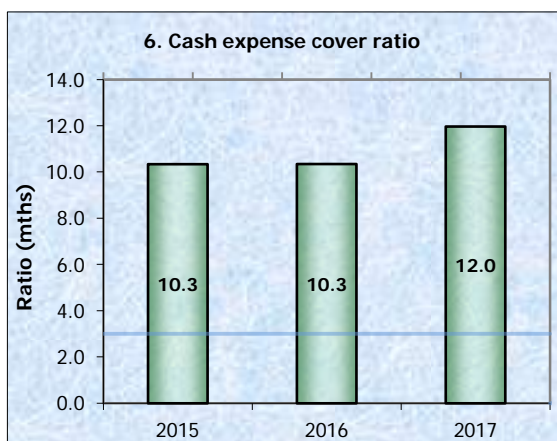
2016/17 ratio 6.29%

Council's benchmark is 5.0%. The ratio remains relatively unchanged as Council staff continue to pursue all outstanding debts. The benchmark for Rural Councils is 10%.

Benchmark: — Minimum $\geq 5.00\%$ Maximum $< 10.00\%$

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

■ Ratio is within Benchmark
■ Ratio is outside Benchmark



Purpose of cash expense cover ratio

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

Commentary on 2016/17 result

2016/17 ratio 11.97 mths

Council's Cash Expense Cover Ratio (at 12 months) is comfortably above the benchmark of "greater than 3 months".

Benchmark: — Minimum ≥ 3.00

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

■ Ratio achieves benchmark
■ Ratio is outside benchmark

Clarence Valley Council

Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000	General indicators ⁵		Water indicators		Sewer indicators		Benchmark
	2017	2016	2017	2016	2017	2016	
Local government industry indicators – by fund							
1. Operating performance ratio							
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions less operating expenses	-0.85%	-10.74%	12.94%	6.25%	-31.89%	12.68%	>0.00%
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions Note , excluding the prepaid 2017-18 Financial Assistance Grant:	-7.10%						
2. Own source operating revenue ratio							
Total continuing operating revenue ⁽¹⁾ excluding all grants and contributions	58.88%	58.66%	94.10%	92.51%	95.10%	88.37%	>60.00%
Total continuing operating revenue ⁽¹⁾ inclusive of all grants and contributions Note , excluding the prepaid 2017-18 Financial Assistance Grant:	62.30%						
3. Unrestricted current ratio							
Current assets less all external restrictions ⁽²⁾	4.39x	5.23x	13.94x	8.62x	1.06x	1.66x	>1.5x
Current liabilities less specific purpose liabilities ^(3, 4) Note , excluding the prepaid 2017-18 Financial Assistance Grant:	4.01x						

Notes

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

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

Clarence Valley Council

Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000	General indicators ⁵		Water indicators		Sewer indicators		Benchmark
	2017	2016	2017	2016	2017	2016	
Local government industry indicators – by fund (continued)							
4. Debt service cover ratio							
Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation	7.48x	4.28x	3.73x	3.00x	0.76x	1.43x	>2x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)							
Note , excluding the prepaid 2017-18 Financial Assistance Grant:	6.17x						
5. Rates and annual charges outstanding percentage							
Rates and annual charges outstanding	6.74%	6.67%	7.84%	5.97%	5.06%	4.56%	< 5% Metro <10% Rural
Rates and annual charges collectible							
6. Cash expense cover ratio							
Current year's cash and cash equivalents plus all term deposits	11.98	9.51	28.07	21.14	4.30	7.12	> 3 months
Payments from cash flow of operating and financing activities	months	months	months	months	months	months	
Note , excluding the prepaid 2017-18 Financial Assistance Grant:	11.06 mths						

Notes

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

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

Clarence Valley Council

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

Note 14. Investment properties

\$ '000

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

Note 15. Financial risk management

Risk management

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

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

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

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

The fair value of Council's financial assets and financial liabilities approximates their carrying amount.

Clarence Valley Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 15. Financial risk management (continued)

\$ '000

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

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

Council has an investment policy which complies with the *Local Government Act 1993* and Minister's investment order. This policy is regularly reviewed by Council and its staff and an investment report is tabled before Council on a monthly basis setting out the portfolio breakup and its performance.

The risks associated with the investments held are:

- **Price risk** – the risk that the capital value of investments may fluctuate due to changes in market prices, whether 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
2017				
Possible impact of a 10% movement in market values	242	242	(242)	(242)
Possible impact of a 1% movement in interest rates	1,014	1,014	(1,014)	(1,014)
2016				
Possible impact of a 10% movement in market values	340	340	(340)	(340)
Possible impact of a 1% movement in interest rates	848	848	(848)	(848)

Clarence Valley Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 15. Financial risk management (continued)

\$ '000

(b) Credit risk

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

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

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

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

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

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

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

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

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

		2017	2017	2016	2016
		Rates and annual charges	Other receivables	Rates and annual charges	Other receivables
(i) Ageing of receivables – %					
Current (not yet overdue)		7%	94%	8%	96%
Overdue		93%	6%	92%	4%
		100%	100%	100%	100%
(ii) Ageing of receivables – value					
		Rates and annual charges	Other receivables	Rates and annual charges	Other receivables
Rates and annual charges	Other receivables				
Current	Current	217	11,662	238	13,577
< 1 year overdue	0 – 30 days overdue	1,989	430	2,060	313
1 – 2 years overdue	31 – 60 days overdue	354	168	253	19
2 – 5 years overdue	61 – 90 days overdue	605	13	418	14
> 5 years overdue	> 91 days overdue	67	175	28	300
		3,232	12,448	2,997	14,223
(iii) Movement in provision for impairment of receivables					
				2017	2016
Balance at the beginning of the year				25	20
+ new provisions recognised during the year				15	6
– amounts already provided for and written off this year				(17)	(1)
Balance at the end of the year				23	25

Clarence Valley Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 15. Financial risk management (continued)

\$ '000

(c) Liquidity risk

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

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

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

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

\$ '000	Subject to no maturity	payable in:						Total cash outflows	Actual carrying values
		≤ 1 Year	1-2 Yrs	2-3 Yrs	3-4 Yrs	4-5 Yrs	> 5 Yrs		
2017									
Trade/other payables	1,622	9,764	–	–	–	–	–	11,386	11,386
Loans and advances	–	14,296	14,244	14,244	14,900	13,722	121,090	192,496	123,939
Total financial liabilities	1,622	24,060	14,244	14,244	14,900	13,722	121,090	203,882	135,325
2016									
Trade/other payables	1,628	7,787	–	–	–	–	–	9,415	9,415
Loans and advances	–	14,298	14,296	14,244	14,244	14,900	134,812	206,794	129,729
Total financial liabilities	1,628	22,085	14,296	14,244	14,244	14,900	134,812	216,209	139,144

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

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

	2017		2016	
	Carrying value	Average interest rate	Carrying value	Average interest rate
Bank overdraft	–	8.21%	–	8.21%
Trade/other payables	11,386	0.00%	9,415	0.00%
Loans and advances – fixed interest rate	123,939	6.64%	129,729	6.65%
	<u>135,325</u>		<u>139,144</u>	

Clarence Valley Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 16. Material budget variations

\$ '000

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

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

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

Note that for variations* of budget to actual :

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

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

\$ '000	2017 Budget	2017 Actual	2017 ----- Variance* -----		
REVENUES					
Rates and annual charges	53,967	54,259	292	1%	F
User charges and fees	31,852	33,644	1,792	6%	F
Interest and investment revenue	2,333	3,127	794	34%	F
Interest & Investment income greater than budgeted due to surplus funds for investment being greater than anticipated.					
Section 94 Developer Contributions - Externally Restricted Investments \$20K (F)					
Interest - Overdue Rates & Charges \$218K (F)					
Section 64 Developer Contributions - Externally Restricted Investments \$36K (F)					
Sewer Fund Investments \$199K (U)					
Water Fund Investments \$163K (F)					
Other External Investments \$27K (F)					
Internal Restrictions Investments \$136K (F)					
Amortisation of Discounts - Interest Free Loans Provided \$6K (F)					
Unrestricted Investments \$384K (F)					
Other revenues	1,583	2,145	562	36%	F
Insurance Claims \$117K (F)					
State Waste Rebate \$142K (F)					
Fuel Tax Credits \$71K (F)					
Interest in Associated Entity - North East Weight of Loads Group \$68K (F)					
Other Charges for Overdue Rates & Charges \$43K (F)					
Rent & Hire of Council Property \$20K (F)					
Fines \$31K (F)					
Miscellaneous Sales \$35K (F)					
Legal Costs Recovered (excluding rates) \$24K (U)					
Other Revenues \$94K (F)					

Clarence Valley Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 16. Material budget variations (continued)

\$ '000	2017 Budget	2017 Actual	2017 ----- Variance* -----	
REVENUES (continued)				
Operating grants and contributions	23,896	34,197	10,301	43% F
Financial Assistance Grant (Federal) \$5,321K (F). 50% of 2017-18 allocation received in June 2017.				
Pensioner Rate Subsidy (State) \$30K (F)				
Community Care Services (Federal) \$1,139K (F)				
Community Care Services (State) \$138K (U)				
Employment & Training Programs (State & Federal) \$21K (F)				
Environmental Services (State) \$563K (U)				
Flood Mitigation (State) \$45K (F)				
Heritage & Cultural Services (State) \$48K (U)				
Rural Fire Service (State) \$118K (U)				
Storm/Flood Damage (State) \$275K (F)				
Other Special Purpose Grants (State & Federal) \$152K (F)				
Transport (Roads to Recovery) \$3,252 (F) - Budgeted as a capital grant but reported as an operating grant. Actual variance was \$740K (U).				
RMS Contributions (Regional/Local, Block) \$1,017K (F)				
Community Services and Education \$133K (U)				
Water Supplies \$155K (U)				
Other Operating Contributions \$204K (F)				
Capital grants and contributions	10,403	7,298	(3,105)	(30%) U
Flood Mitigation (State) \$497K (F)				
Library Grants (State) \$132K (U)				
Transport (Roads to Recovery) \$3,992 (U) - Budgeted as a capital grant but reported as an operating grant. Actual variance was \$740K (U).				
Rural Fire Service (State) \$207K (F)				
Other Special Purpose Grants (Federal) \$924K (U)				
Other Special Purpose Grants (State) \$867K (F)				
Developer Contributions - Section 94 \$1K (U)				
Developer Contributions - S94A Levies \$142K (F)				
RMS Contributions (Regional/Local Roads, Block Grant) \$262K (U)				
Section 64 Developer Contributions - Water \$176K (U)				
Section 64 Developer Contributions - Sewer \$133K (U)				
Dedications \$1,298K (F)				
Sewerage Services Non-Cash \$98K (F)				
Water Supplies Non-Cash \$116K (F)				
Other Capital Contributions \$33K (F)				

Clarence Valley Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 16. Material budget variations (continued)

\$ '000	2017 Budget	2017 Actual	2017 ----- Variance* -----	
EXPENSES				
Employee benefits and on-costs	38,956	39,437	(481)	(1%) U
Borrowing costs	8,487	8,632	(145)	(2%) U
Materials and contracts	29,636	29,326	310	1% F
Depreciation and amortisation	35,137	41,949	(6,812)	(19%) U
Movement mainly attributable to the revaluation of Water & Sewer Infrastructure in 2016-17 with changes to the useful lives estimates impacting on depreciation expense.				
Water Supply Network \$2,080K (U)				
Sewerage Network \$4,497K (U)				
Roads, Bridges, Footpaths, Other Transport assets \$812K (U)				
Stormwater Drainage \$491K (F)				
Other Infrastructure - Floodplain \$369K (F)				
Various Classes of Assets \$283K (U)				
Other expenses	12,912	13,176	(264)	(2%) U
Net losses from disposal of assets	–	13,809	(13,809)	0% U
At this stage council's budget only allows for proceeds from sale of assets and does not attempt to predict any book profit or loss from disposals.				
Joint ventures and associates – net losses	–	37	(37)	0% U
Council budget does not predict any profit or loss from Joint Ventures.				

Budget variations relating to Council's Cash Flow Statement include:

Cash flows from operating activities	34,844	44,257	9,413	27.0% F
Rates & Annual Charges \$166K (F)				
User Charges & Fees \$3,569 (F)				
Investment & Interest Income \$353K (F)				
Grants & Contributions \$5,390K (F) - Mainly related to Financial Assistance Grants prepayment of 50% of 2017-18 allocation.				
Other Income \$3,862 (F)				
Employee Benefits & Costs \$586 (U)				
Materials & Contracts \$1,684K (U)				
Borrowing Costs \$1,247K (U)				
Bonds, Deposits & Retentions \$6K (U) - Not budgeted for.				
Other Expenses \$404 (U)				
Cash flows from investing activities	(33,600)	(36,882)	(3,282)	9.8% U
Cash flows from financing activities	(6,625)	(5,810)	815	(12.3%) F
Repayment of Borrowings \$815 (F)				

Clarence Valley Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 17. Statement of developer contributions

\$ '000

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

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

SUMMARY OF CONTRIBUTIONS AND LEVIES

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Drainage	471	5	–	13	–	–	489	–
Roads	2,431	83	–	69	–	–	2,583	–
Open space	(290)	216	–	(5)	–	–	(79)	–
Community facilities	860	205	–	27	–	–	1,092	–
Other	235	1	–	6	–	–	242	–
S94 contributions – under a plan	3,707	510	–	110	–	–	4,327	–
S94A levies – under a plan	123	183	–	6	–	–	312	–
Total S94 revenue under plans	3,830	693	–	116	–	–	4,639	–
S94 not under plans	207	7	–	5	–	–	219	–
S93F planning agreements	97	–	–	2	–	–	99	–
S64 contributions	5,902	1,427	–	175	(573)	–	6,931	–
Total contributions	10,036	2,127	–	298	(573)	–	11,888	–

Clarence Valley Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 17. Statement of developer contributions (continued)

\$ '000

S94 CONTRIBUTIONS – UNDER A PLAN

CONTRIBUTION PLAN - Clarence Valley Contributions Plan 2011

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					
Open space	(290)	216	–	(5)	–	–	(79)	–
Community facilities	860	205	–	27	–	–	1,092	–
Total	570	421	–	22	–	–	1,013	–

CONTRIBUTION PLAN - Access Roads & Bridges (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	626	40	–	18	–	–	684	–
Total	626	40	–	18	–	–	684	–

CONTRIBUTION PLAN - Roads (Grafton)

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	129	–	–	3	–	–	132	–
Total	129	–	–	3	–	–	132	–

CONTRIBUTION PLAN - Street Trees (Grafton)

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					
Other	19	–	–	1	–	–	20	–
Total	19	–	–	1	–	–	20	–

Clarence Valley Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 17. Statement of developer contributions (continued)

\$ '000

S94 CONTRIBUTIONS – UNDER A PLAN

CONTRIBUTION PLAN - Drainage (Gulmarrad)

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					
Drainage	471	5	–	13	–	–	489	–
Total	471	5	–	13	–	–	489	–

CONTRIBUTION PLAN - Roads (Maclean)

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	(119)	6	–	(3)	–	–	(116)	–
Total	(119)	6	–	(3)	–	–	(116)	–

CONTRIBUTION PLAN - Kerb & Gutter (Maclean)

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	35	–	–	1	–	–	36	–
Total	35	–	–	1	–	–	36	–

CONTRIBUTION PLAN - Tree Planting (Maclean)

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					
Other	50	1	–	1	–	–	52	–
Total	50	1	–	1	–	–	52	–

Clarence Valley Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 17. Statement of developer contributions (continued)

\$ '000

S94 CONTRIBUTIONS – UNDER A PLAN

CONTRIBUTION PLAN - Extractive Industries (Copmanhurst, Maclean and Pristine Waters)

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					
Other	161	–	–	4	–	–	165	–
Total	161	–	–	4	–	–	165	–

CONTRIBUTION PLAN - Tree Planting (Pristine Waters)

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					
Other	5	–	–	–	–	–	5	–
Total	5	–	–	–	–	–	5	–

CONTRIBUTION PLAN - Coutts Crossing (Pristine Waters)

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	212	–	–	6	–	–	218	–
Total	212	–	–	6	–	–	218	–

CONTRIBUTION PLAN - Southampton (Superseded) (Pristine Waters)

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	48	–	–	2	–	–	50	–
Total	48	–	–	2	–	–	50	–

Clarence Valley Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 17. Statement of developer contributions (continued)

\$ '000

S94 CONTRIBUTIONS – UNDER A PLAN

CONTRIBUTION PLAN - Nymboida (Superseded) (Pristine Waters)

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	11	–	–	–	–	–	11	–
Total	11	–	–	–	–	–	11	–

CONTRIBUTION PLAN - Tyringham (Superseded) (Pristine Waters)

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	124	–	–	3	–	–	127	–
Total	124	–	–	3	–	–	127	–

CONTRIBUTION PLAN - Kangaroo Creek (Superseded) (Pristine Waters)

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	30	–	–	1	–	–	31	–
Total	30	–	–	1	–	–	31	–

CONTRIBUTION PLAN - Ramornie/Jackadgery (Superseded) (Pristine Waters)

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	17	–	–	–	–	–	17	–
Total	17	–	–	–	–	–	17	–

Clarence Valley Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 17. Statement of developer contributions (continued)

\$ '000

S94 CONTRIBUTIONS – UNDER A PLAN

CONTRIBUTION PLAN - Old Glenn Innes Rd District (Superseded) (Pristine Waters)

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	11	7	–	1	–	–	19	–
Total	11	7	–	1	–	–	19	–

CONTRIBUTION PLAN - Ulmarra (Pristine Waters)

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	1,307	30	–	37	–	–	1,374	–
Total	1,307	30	–	37	–	–	1,374	–

S94A LEVIES – UNDER A PLAN

CONTRIBUTION PLAN - Non Residential (Clarence Valley)

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					
Other	123	183	–	6	–	–	312	–
Total	123	183	–	6	–	–	312	–

Clarence Valley Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 17. Statement of developer contributions (continued)

\$ '000

S94 CONTRIBUTIONS – NOT UNDER A PLAN

Clarence Valley

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					
Drainage	85	7	–	2	–	–	94	–
Parking	1	–	–	–	–	–	1	–
Other	62	–	–	2	–	–	64	–
Total	148	7	–	4	–	–	159	–

Nymboida (Pristine Waters)

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	33	–	–	1	–	–	34	–
Total	33	–	–	1	–	–	34	–

Maclean

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	26	–	–	–	–	–	26	–
Total	26	–	–	–	–	–	26	–

Clarence Valley Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 18. Contingencies and other assets/liabilities not recognised

\$ '000

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

LIABILITIES NOT RECOGNISED:

1. Guarantees

(i) Defined benefit superannuation contribution plans

Council is party to an Industry Defined Benefit Plan under the Local Government Superannuation Scheme, named "The Local Government Superannuation Scheme – Pool B" (the Scheme) which is a defined benefit plan that has been deemed to be a "multi-employer fund" for purposes of AASB119 Employee Benefits.

Sufficient information is not available to account for the Scheme as a defined benefit plan in accordance with AASB119 because the assets to the Scheme are pooled together for all councils.

The amount of employer contributions to the defined benefit section of the Scheme and recognised as an expense for the year ending 30 June 2017 was \$1,082,860.58.

The last valuation of the Scheme was performed by Mr Richard Boyfield, FIAA, on 2 December 2016, and covers the year ended 30 June 2016.

However, the position is monitored annually and the actuary has estimated that, as at 30 June 2017, a deficit still exists. Effective from 1 July 2009, employers are required to make additional contributions to assist in extinguishing this deficit. The amount of additional contributions included in the total employer contribution advised above is \$482,100.04.

(i) Defined benefit superannuation contribution plans (continued)

Councils expected contributions to the plan for the next annual reporting period is \$1,010,683.96.

The share of this deficit that is broadly attributed to Council is estimated to be in the order of \$255,850 as at 30 June 2017.

Council's share of that deficiency cannot be accurately calculated as the Scheme is a mutual arrangement where assets and liabilities are pooled together for all member councils. For this reason, no liability for the deficiency has been recognised in Council's accounts.

Council has a possible obligation that may arise should the Scheme require immediate payment to correct the deficiency.

(ii) Statewide Limited

Council is a member of Statewide Mutual, a mutual pool scheme providing liability insurance to local government.

Membership includes the potential to share in either the net assets or liabilities of the fund depending on its past performance. Council's share of the net assets or liabilities reflects Council's contributions to the pool and the result of insurance claims within each of the Fund Years.

The future realisation and finalisation of claims incurred but not reported to 30 June this year may result in future liabilities or benefits as a result of past events that Council will be required to fund or share in respectively.

Clarence Valley Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 18. Contingencies and other assets/liabilities not recognised (continued)

\$ '000

LIABILITIES NOT RECOGNISED (continued):

1. Guarantees (continued)

(iii) 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.

(iv) Other guarantees

Council has provided no other guarantees other than those listed above.

2. Other Liabilities

(i) Third Party Claims

The Council is involved from time to time in various claims incidental to the ordinary course of business including claims for damages relating to its services.

Council believes that it is appropriately covered for all claims through its Insurance Coverage and does not expect any material liabilities to eventuate.

(ii) S94 Plans

Council levies section 94/94A contributions upon various development across the Council area through the required Contributions Plans.

As part of these Plans, Council has received funds for which it will be required to expend the monies in accordance with those Plans.

As well, these Plans indicate proposed future expenditure to be undertaken by Council, which will be funded by making levies and receipting funds in future years or where a shortfall exists by the use of Council's General Funds.

These future expenses do not yet qualify as liabilities as of the Reporting Date, but represent Council's intention to spend funds in the manner and timing set out in those Plans.

(iii) Potential Land Acquisitions Due to Planning Restrictions Imposed by Council

Council has classified a number of privately owned land parcels as Local Open Space or Bushland.

As a result, where notified in writing by the various owners, Council will be required to purchase these land parcels.

At reporting date, reliable estimates as to the value of any potential liability (and subsequent land asset) from such potential acquisitions has not been possible.

Clarence Valley Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 18. Contingencies and other assets/liabilities not recognised (continued)

\$ '000

LIABILITIES NOT RECOGNISED (continued):

2. Other Liabilities (continued)

(iv) Roads with Possible Asbestos Contaminated Gravel

In late 2009 Council became aware that gravel from Taylors Quarry (Council owned) was contaminated with asbestos. This material had been used on Council roads in the Ewingar area, primarily for gravel re-sheeting works. In December 2009 Council, based on the information available at the time sealed (with a bituminous seal) those roads where Council had used the gravel in the prior 12 month period based on the belief that this gravel held the highest concentration of serpentine material.

The National Occupational Health and Safety Commission (NOHSC) have set the exposure standards for occupational and non-occupational airborne asbestos fibre levels. These levels are set at 0.1 fibres/ml as the occupational level and 0.01 fibres/ml as the non-occupational level.

Council tested five sites where contaminated gravel was known to exist. These sites were selected as Council wished to assess the level of airborne asbestos that would be generated from sites where the gravel had been typically used. The results from this testing indicated four sites had airborne asbestos levels at less than 0.01 fibres/ml while one result was at 0.01 fibres/ml.

Under certain provisions of the Work Health and Safety Act 2011, relevant Council staff who have received training in working with naturally occurring asbestos are allowed to work with the asbestos contaminated gravel. Council is required to and maintains an asbestos management plan.

(iv) Roads with Possible Asbestos Contaminated Gravel (continued)

Council has 38km of unsealed rural roads which may contain asbestos.

Council has undertaken modelling of the impacts of dust generated from the roads which indicates minimal potential impact to public health.

This modelling and subsequent report has been reviewed and accepted by the Office of Environment and Heritage and NSW Health. The recommendation of the report however is to take a fully conservative approach and seal the roads concerned.

Council has completed estimates to seal the roads containing asbestos contaminated gravel.

In preparing the estimate Council has allowed for the importation of gravel on a number of roads prior to sealing to allow sealing to be undertaken on an adequately prepared base to achieve some longevity from the sealing works.

Council has also allowed to seal uncontaminated road segments between contaminated areas where these road lengths are relatively small. This is being completed for long-term maintenance purposes.

The initial estimated cost for these works was \$1,491,160 incorporating gravel and sealing works. The estimated cost of remaining sealing works is \$1,850,000. Costs for material supply have increased over time as has the amount of pre-sealing works as road conditions have deteriorated since the initial assessment of the roads. The modelling report recommends sealing works to be conducted over an extended (10 year) period although Council has undertaken to complete these works over 5 years, subject to budget considerations.

Clarence Valley Council

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

Note 18. Contingencies and other assets/liabilities not recognised (continued)

\$ '000

LIABILITIES NOT RECOGNISED (continued):

(iv) Roads with Possible Asbestos Contaminated Gravel (continued)

In total, 44km of road will be sealed (so not as to leave relatively small sections of unsealed roads between sealed sections). Council commenced sealing works in 2011/12. To date 24.9km of road has been sealed as a result. Further funding is available in 2017/18 for the continuation of this program.

(v) GST Margin Scheme

In March 2012 the Australian Tax Office (ATO) made amendments to GST Ruling GSTR 2006/5 Goods & Services Tax" meaning of 'Commonwealth, a State or a Territory'. As a result of these changes the Council applied for and received a refund of \$251,158 for overpayment of GST on land sales at Bailey's Estate, Junction Hill.

Subsequently, the ATO reviewed Council's claim, along with many other claimants, and have rejected the claim on the basis of "improvements" made to the land prior to 1 July 2000. The Council appealed the ATO's decision and the matter is currently being addressed through an Alternative Disputes Resolution process of which the final outcome is yet to be concluded. The maximum potential liability Council could face is limited to the amount of the original refund.

ASSETS NOT RECOGNISED:

(i) Infringement notices/fines

Fines and penalty income, the result of Council issuing infringement notices is followed up and collected by the Infringement Processing Bureau.

Council's revenue recognition policy for such income is to account for it as revenue on receipt.

Accordingly, at Year End, there is a potential asset due to Council representing issued but unpaid Infringement Notices.

Due to the limited information available on the status, value and duration of outstanding Notices, Council is unable to determine the value of outstanding income.

Clarence Valley Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 19. Interests in other entities

\$ '000

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

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

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

Controlled entities (subsidiaries)

Note 19(a)

Operational arrangements where Council's control (but not necessarily interest) exceeds 50%.

Joint ventures and associates

Note 19(b)

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

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

Joint operations

Note 19(c)

Operational arrangements where the parties that have joint control have rights to specific assets and obligations for specific liabilities relating to the arrangement rather than a right to the net assets of the arrangement.

Unconsolidated structured entities

Note 19(d)

Unconsolidated structured entities represent "special vehicles" that Council has an interest in but which are not controlled by Council and therefore not consolidated as a subsidiary, joint arrangement or associate. Attributes of structured entities include restricted activities, a narrow and well-defined objective and insufficient equity to finance its activities without financial support.

Subsidiaries, joint arrangements and associates not recognised

Note 19(e)

Accounting recognition:

(i) Subsidiaries disclosed under Note 19(a) and joint operations disclosed at Note 19(c) are accounted for on a 'line by line' consolidation basis within the Income Statement and Statement of Financial Position.

(ii) Joint ventures and associates as per Note 19(b) are accounted for using the equity accounting method and are disclosed as a 1 line entry in both the Income Statement and Statement of Financial Position.

	Council's share of net income		Council's share of net assets	
	Actual 2017	Actual 2016	Actual 2017	Actual 2016
Joint ventures	(37)	(60)	42	47
Associates	—	—	—	—
Total	(37)	(60)	42	47

Clarence Valley Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 19. Interests in other entities (continued)

\$ '000

(a) Controlled entities (subsidiaries) – being entities and operations controlled by Council

Council has no interest in any controlled entities (subsidiaries).

(b) Joint ventures and associates

Council has incorporated the following joint ventures and associates into its consolidated financial statements.

(a) Net carrying amounts – Council's share

Name of entity	Nature of relationship	Measurement method	2017	2016
NEWLOG	Joint venture	Equity	42	47
Total carrying amounts – material joint ventures and associates			42	47

(b) Details

Name of entity	Principal activity	Place of business
NEWLOG	Monitor and weigh heavy vehicles	Ballina

(c) Relevant interests and fair values

Name of entity	Quoted fair value		Interest in outputs		Interest in ownership		Proportion of voting power	
	2017	2016	2017	2016	2017	2016	2017	2016
NEWLOG	n/a	n/a	25%	25%	25%	25%	25%	25%

(d) Summarised financial information for joint ventures and associates

	NEWLOG	
	2017	2016
Statement of financial position		
Current assets		
Cash and cash equivalents	202	300
Other current assets	53	49
Non-current assets	113	27
Current liabilities		
Other current liabilities	218	195
Net assets	150	181
Reconciliation of the carrying amount		
Opening net assets (1 July)	181	190
Profit/(loss) for the period	(259)	(232)
Contributions	231	223
Other adjustments to equity	(3)	–
Closing net assets	150	181
Council's share of net assets (%)	25.0%	25.0%
Council's share of net assets (\$)	42	47

Clarence Valley Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 19. Interests in other entities (continued)

\$ '000

(b) Joint ventures and associates (continued)

(d) Summarised financial information for joint ventures and associates (cont'd)

	NEWLOG	
	2017	2016
Statement of comprehensive income		
Income	226	235
Interest income	8	8
Depreciation and amortisation	(19)	(19)
Other expenses	(474)	(456)
Profit/(loss) for period	(259)	(232)
Total comprehensive income	(259)	(232)
Share of income – Council (%)	25.0%	25.0%
Profit/(loss) – Council (\$)	(37)	(60)
Total comprehensive income – Council (\$)	(37)	(60)

(e) The nature and extent of significant restrictions relating to joint ventures and associates

Member Councils have delegated (under s377 of the LGA) the relevant functions to NEWLOG officers, who are employees of Ballina Shire Council (the "Administrative" Council).

(c) Joint operations

Council has no interest in any joint operations.

(d) Unconsolidated structured entities

Council has no unconsolidated structured entities

(e) Subsidiaries, joint arrangements and associates not recognised

None.

Clarence Valley Council

Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000	Notes	Actual 2017	Actual 2016
(a) Retained earnings			
Movements in retained earnings were as follows:			
Balance at beginning of year (from previous years audited accounts)		846,572	851,983
a. Net operating result for the year		<u>(11,696)</u>	<u>(5,411)</u>
Balance at end of the reporting period		<u>834,876</u>	<u>846,572</u>
(b) Revaluation reserves			
(i) Reserves are represented by:			
– Infrastructure, property, plant and equipment revaluation reserve		<u>1,139,022</u>	<u>1,184,449</u>
Total		<u>1,139,022</u>	<u>1,184,449</u>
(ii) Reconciliation of movements in reserves:			
Infrastructure, property, plant and equipment revaluation reserve			
– Opening balance		1,184,449	1,163,201
– Revaluations for the year	9(a)	(43,677)	19,665
– (Impairment of revalued assets)/impairment reversals	9(a),(c)	<u>(1,750)</u>	<u>1,583</u>
– Balance at end of year		<u>1,139,022</u>	<u>1,184,449</u>
TOTAL VALUE OF RESERVES		<u>1,139,022</u>	<u>1,184,449</u>

(iii) Nature and purpose of reserves**Infrastructure, property, plant and equipment revaluation reserve**

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

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

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

(d) Voluntary changes in accounting policies

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

Clarence Valley Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 21. Financial result and financial position by fund

Income Statement by fund \$ '000	Actual 2017	Actual 2017	Actual 2017
Continuing operations	Water	Sewer	General¹
Income from continuing operations			
Rates and annual charges	2,305	16,561	35,793
User charges and fees	13,418	2,667	18,477
Interest and investment revenue	721	321	2,085
Other revenues	266	27	13,179
Grants and contributions provided for operating purposes	705	187	33,305
Grants and contributions provided for capital purposes	818	821	5,659
Total income from continuing operations	18,233	20,584	108,498
Expenses from continuing operations			
Employee benefits and on-costs	1,750	1,803	35,884
Borrowing costs	1,839	4,925	1,868
Materials and contracts	1,986	2,281	25,282
Depreciation and amortisation	6,035	8,004	27,910
Impairment	–	–	–
Other expenses	3,484	9,005	13,109
Net losses from the disposal of assets	1,145	2,396	10,268
Share of interests in joint ventures and associates using the equity method	–	–	37
Total expenses from continuing operations	16,239	28,414	114,358
Operating result from continuing operations	1,994	(7,830)	(5,860)
Discontinued operations			
Net profit/(loss) from discontinued operations	–	–	–
Net operating result for the year	1,994	(7,830)	(5,860)
Net operating result attributable to each council fund	1,994	(7,830)	(5,860)
Net operating result attributable to non-controlling interests	–	–	–
Net operating result for the year before grants and contributions provided for capital purposes	1,176	(8,651)	(11,519)

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

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

Clarence Valley Council

Notes to the Financial Statements

as at 30 June 2017

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

Statement of Financial Position by fund \$ '000	Actual 2017	Actual 2017	Actual 2017
ASSETS	Water	Sewer	General¹
Current assets			
Cash and cash equivalents	213	396	12,161
Investments	15,921	5,705	39,374
Receivables	3,956	1,678	9,921
Inventories	–	–	1,276
Other	2	2	316
Total current assets	20,092	7,781	63,048
Non-current assets			
Investments	7,112	1,399	19,504
Receivables	26	152	587
Inventories	–	–	156
Infrastructure, property, plant and equipment	369,694	268,552	1,371,650
Investments accounted for using the equity method	–	–	42
Investment property	–	–	–
Intangible assets	3	–	316
Total non-current assets	376,835	270,103	1,392,255
TOTAL ASSETS	396,927	277,884	1,455,303
LIABILITIES			
Current liabilities			
Payables	348	507	10,572
Income received in advance	–	–	1,604
Borrowings	872	3,050	2,272
Provisions	11	–	12,077
Total current liabilities	1,231	3,557	26,525
Non-current liabilities			
Payables	–	–	–
Borrowings	23,385	71,524	22,836
Provisions	–	–	7,158
Total non-current liabilities	23,385	71,524	29,994
TOTAL LIABILITIES	24,616	75,081	56,519
Net assets	372,311	202,803	1,398,784
EQUITY			
Retained earnings	221,209	117,943	495,724
Revaluation reserves	151,102	84,860	903,060
Total equity	372,311	202,803	1,398,784

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

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

Clarence Valley Council

Notes to the Financial Statements

for the year ended 30 June 2017

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

\$ '000	2017		2016	
	Current	Non-current	Current	Non-current
(i) Non-current assets and disposal group assets				
Non-current assets 'held for sale'				
Land	–	–	1,560	–
Buildings	–	–	6,032	–
Total non-current assets 'held for sale'	–	–	7,592	–
Disposal group assets 'held for sale'				
None				
TOTAL NON-CURRENT ASSETS CLASSIFIED AS 'HELD FOR SALE'	–	–	7,592	–

(ii) Details of assets and disposal groups

Council, at its meeting of 17 November 2015 (minute 12.058/15), resolved to sell the following parcels of land & building assets as part of its property rationalisation strategy:

- 110 Spring Street, South Grafton - 70 Pound Street, Grafton - 28 Bruce Street, Grafton
- 33 Brickworks Lane, South Grafton - 42 Victoria Street, Grafton

Council engaged the services of a licenced real estate agent and the above properties were sold in 2016/17.

\$ '000	Assets 'held for sale'	
	2017	2016
(iii) Reconciliation of non-current assets 'held for sale'		
Opening balance	7,592	–
Less: carrying value of assets/operations sold	(7,592)	–
Plus new transfers in:		
– Assets 'held for sale'	–	7,592
Closing balance of 'held for sale' non-current assets and operations	–	7,592

Clarence Valley Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 23. Events occurring after the reporting date

\$ '000

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

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

Accordingly, the 'authorised for issue' date is 06/11/17.

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

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

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

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

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

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

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

Note 24. Discontinued operations

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

Clarence Valley Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 25. Intangible assets

\$ '000	Actual 2017	Actual 2016
Intangible assets represent identifiable non-monetary assets without physical substance.		
Intangible assets are as follows:		
Opening values:		
Gross book value (1/7)	2,677	2,628
Accumulated amortisation (1/7)	(2,049)	(1,558)
Accumulated impairment (1/7)	–	–
Net book value – opening balance	628	1,070
Movements for the year		
– Purchases	233	74
– Amortisation charges	(542)	(516)
– Gross book value written off	–	(25)
– Accumulated amortisation charges written off	–	25
Closing values:		
Gross book value (30/6)	2,910	2,677
Accumulated amortisation (30/6)	(2,591)	(2,049)
Accumulated impairment (30/6)	–	–
TOTAL INTANGIBLE ASSETS – NET BOOK VALUE ¹	319	628

¹ The net book value of intangible assets represent:

– Software	319	628
	319	628

Clarence Valley Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 26. Reinstatement, rehabilitation and restoration liabilities

\$ '000

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

Asset/operation	Estimated year of restoration	NPV of provision	
		2017	2016
Tip site	2027 & 2074	5,817	6,794
Quarry site	2035	937	1,104
Balance at end of the reporting period	10(a)	6,754	7,898

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

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

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

Reconciliation of movement in provision for year:

Balance at beginning of year	7,898	5,437
Amounts capitalised to new or existing assets:		
Effect of a change in discount rates used in PV calculations	(1,350)	263
Effect of a change in other calculation estimates used	21	2,017
Amortisation of discount (expensed to borrowing costs)	185	181
Total – reinstatement, rehabilitation and restoration provision	6,754	7,898

Amount of expected reimbursements

Of the above provisions for reinstatement, rehabilitation and restoration works, those applicable to garbage services and waste management are able to be funded through future charges incorporated within Council's annual domestic waste management charge.

Clarence Valley Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 26. Reinstatement, rehabilitation and restoration liabilities (continued)

\$ '000

Provisions for close down and restoration and for environmental clean up costs – tips and quarries

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

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.

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.

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.

Clarence Valley Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 27. Fair value measurement

\$ '000

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

- Infrastructure, property, plant and equipment
- Financial assets and liabilities

During the reporting period, Council has also fair value measured the following assets on a non-recurring basis:

- Non-current assets classified as 'held for sale'

Council, at its meeting of 17 November 2015 (minute 12.058/15), resolved to sell some parcels of land and building assets as part of its property rationalisation strategy. Those assets have subsequently been sold during 2016/17. The assets had previously been measured on a recurring basis.

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:

2017	Fair value measurement hierarchy			Total
	Level 1	Level 2	Level 3	
Recurring fair value measurements	Quoted prices in active mkts	Significant observable inputs	Significant unobservable inputs	
Financial assets				
Investments				
– 'Designated at fair value on initial recognition'	–	2,015	–	2,015
Total financial assets	–	2,015	–	2,015

Clarence Valley Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 27. Fair value measurement (continued)

\$ '000

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

2017	Fair value measurement hierarchy			Total
	Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Recurring fair value measurements				
Infrastructure, property, plant and equipment				
Operational land	–	40,547	–	40,547
Community land	–	26,248	–	26,248
Land under roads (post 30/6/08)	–	–	20	20
Buildings – non-specialised	–	511	45,225	45,736
Buildings – specialised	–	–	89,898	89,898
Other structures	–	–	12,215	12,215
Roads	–	–	460,862	460,862
Bridges	–	–	105,242	105,242
Footpaths	–	–	21,232	21,232
Other road assets	–	–	24,746	24,746
Bulk earthworks (non-depreciable)	–	–	185,910	185,910
Stormwater drainage	–	–	150,994	150,994
Water supply network	–	–	358,139	358,139
Sewerage network	–	–	257,967	257,967
Swimming pools	–	–	5,025	5,025
Other open space/recreational assets	–	–	32,647	32,647
Floodplain	–	–	149,543	149,543
Library books	–	–	517	517
Artwork	–	–	2,172	2,172
Tip remediation	–	–	1,799	1,799
Quarry remediation	–	–	628	628
Total infrastructure, property, plant and equipment	–	67,306	1,904,781	1,972,087
2016				
Recurring fair value measurements				
Financial assets				
Investments				
– ‘Designated at fair value on initial recognition’	–	3,004	–	3,004
Total financial assets	–	3,004	–	3,004

Clarence Valley Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 27. Fair value measurement (continued)

\$ '000

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

2016	Fair value measurement hierarchy			Total
	Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Recurring fair value measurements				
Infrastructure, property, plant and equipment				
Operational land	–	39,063	–	39,063
Community land	–	36,498	–	36,498
Land under roads (post 30/6/08)	–	–	20	20
Buildings – non-specialised	–	471	43,584	44,055
Buildings – specialised	–	–	87,500	87,500
Other structures	–	–	11,584	11,584
Roads	–	–	462,340	462,340
Bridges	–	–	102,530	102,530
Footpaths	–	–	19,804	19,804
Other road assets	–	–	23,761	23,761
Bulk earthworks (non-depreciable)	–	–	181,008	181,008
Stormwater drainage	–	–	147,129	147,129
Water supply network	–	–	407,803	407,803
Sewerage network	–	–	297,940	297,940
Swimming pools	–	–	4,888	4,888
Other open space/recreational assets	–	–	31,359	31,359
Floodplain	–	–	145,679	145,679
Library books	–	–	314	314
Artwork	–	–	2,114	2,114
Tip remediation	–	–	3,039	3,039
Quarry remediation	–	–	836	836
Total infrastructure, property, plant and equipment	–	76,032	1,973,232	2,049,264
Non-recurring fair value measurements				
Non-current assets classified as 'held for sale'				
Land	–	1,560	–	1,560
Buildings	–	354	5,678	6,032
Total NCA's classified as 'held for sale'	–	1,914	5,678	7,592

(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.

Clarence Valley Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 27. 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 (i.e. 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

Infrastructure, Property, Plant & Equipment

Operational and Community Land

This asset class comprises all of Council's land classified as Operational and Community Land under the NSW Local Government Act 1993. The key observable input to the valuation is the price per square metre. The last valuation for Operational Land was undertaken at 31 March 2017 and was performed by APV Valuers and Asset Management (APV), Registered Valuer. The last valuation for Community Land was undertaken at 1 July 2016 and was performed by the Valuer General of New South Wales.

Level 2 valuation inputs were used to value land held in freehold title (investment and noninvestment) as well as land used for special purposes which is restricted in use under current zoning rules. Sales prices of comparable land sites in close proximity are adjusted for differences in key attributes such as property size. For Operational and Community Land the most significant inputs into this valuation approach are price per square metre.

Buildings Non-Specialised

The last valuation was undertaken as at 1 July 2012 and was performed by APV. APV also conducted a desktop valuation as at 31 March 2017.

Level 2 valuation inputs were used to determine the fair value of a range of properties. This included the bulk of residential and commercial properties. The residential properties fair value has been derived from sales prices of comparable properties after adjusting for differences in key attributes such as property size. The most significant inputs into this valuation approach are price per square metre.

Commercial buildings have been generally derived using a combination of sales direct comparison approach and capitalisation of income approach. Fair value has been derived from sales prices of comparable properties after adjusting for differences in key attributes such as property size. The most significant inputs into this valuation approach are rental yields and price per square metre.

LEVEL 3

Infrastructure, Property, Plant & Equipment

Land Under Roads

Council has elected to recognise Land Under Roads where the road was acquired on or after 1 July 2008. Land under roads acquired after 1 July 2008 has been recognised in accordance with AASB 116 – Property, Plant and Equipment. There has been no change to the valuation process during the reporting period.

Clarence Valley Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 27. Fair value measurement (continued)

Buildings Specialised and Non-Specialised (including Swimming Pools and Other Open Space/Recreational Assets)

The last valuation was undertaken as at 1 July 2012 and was performed by APV. APV also conducted a desktop valuation as at 31 March 2017.

The level of evidence used to support the critical assumptions of some commercial buildings was considered to be highly variable due to high levels of variability in the market for rental yields and future demand. As such the level of valuation input for these properties was considered level 3.

Specialised buildings were valued using the cost approach using professionally qualified Registered Valuers. The approach estimated the replacement cost for each building by componentising the buildings into significant parts with different useful lives and taking into account a range of factors. While the unit rates based on square metres could be supported from market evidence (level 2) other inputs (such as estimates of useful life, pattern of consumption and asset condition) required extensive professional judgement and impacted significantly on the final determination of fair value. As such these assets were classified as having been valued using level 3 valuation inputs.

Other Structures (including Swimming Pools and Other Open Space/Recreational Assets)

The last valuation was undertaken as at 1 July 2013 and was performed by APV. APV also conducted a desktop valuation as at 31 March 2017.

Specialised assets such as all of the Other Structures were valued using the cost approach using professionally qualified Registered Valuers. The approach estimated the replacement cost for each asset by componentising the asset into significant parts with different useful lives and taking into account a range of factors. While the unit rates based on price per asset could be supported from market evidence (level 2) other inputs (such as estimates of useful life, pattern of consumption and asset condition) required extensive professional judgement and impacted significantly on the final determination of fair value. As such these assets were classified as having been valued using level 3 valuation inputs.

Road (including Bridges, Footpaths, Bulk Earthworks), Stormwater, and Floodplain Assets.

The last valuation was undertaken as at 1 July 2012 and was performed by APV. APV also conducted a desktop valuation as at 31 March 2017.

All road, stormwater and floodplain assets were valued using level 3 valuation inputs using the cost approach.

The approach estimated the replacement cost for each asset by componentising the assets into significant parts with different useful lives and taking into account a range of factors. While the unit rates based on square metres or similar capacity could be supported from market evidence (level 2) other inputs (such as estimates of useful life, pattern of consumption and asset condition) required extensive professional judgement and impacted significantly on the final determination of fair value. As such these assets were classified as having been valued using level 3 valuation inputs.

During the year there were a number of new projects completed where the actual cost was recorded and the impact of depreciation at year end was negligible. While these could be classified as valued at level 2 given the low proportion of the total portfolio that these represented and the likelihood that in future valuations they would most likely be valued at level 3 we have adopted a policy that all road, stormwater and floodplain assets are deemed to be valued at level 3.

Water Supply and Sewerage Networks Infrastructure

The last valuation was undertaken as at 1 July 2016 and was performed by APV.

Clarence Valley Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 27. Fair value measurement (continued)

All Water Supply and Sewerage Networks Infrastructure assets were valued using level 3 valuation inputs using the cost approach.

The approach estimated the replacement cost for each asset by componentising the assets into significant parts with different useful lives and taking into account a range of factors. While the unit rates based on square metres or similar capacity could be supported from market evidence (level 2) other inputs (such as estimates of useful life, pattern of consumption and asset condition) required extensive professional judgement and impacted significantly on the final determination of fair value. As such these assets were classified as having been valued using level 3 valuation inputs.

During the year there were a number of new projects completed where the actual cost was recorded and the impact of depreciation at year end was negligible. While these could be classified as valued at level 2 given the low proportion of the total portfolio that these represented and the likelihood that in future valuations they would most likely be valued at level 3 we have adopted a policy that all road, stormwater and floodplain assets are deemed to be valued at level 3.

Library Books

Library Books are valued at cost but are disclosed at fair value in the notes. The carrying amount of these assets is assumed to approximate fair value due to the nature of the items.

Council reviews the value of these assets against quoted prices for the gross current replacement cost of similar assets and by taking account of the pattern of consumption, estimated remaining useful life and the residual value. There has been no change to the valuation process during the reporting period.

Artwork

The last valuation was undertaken as at 1 July 2013 and was performed by Dwyer Fine Art.

The valuation of artworks was based upon current primary and secondary art market conditions, by which the replacement value for artworks was determined by the price at which comparable items could be purchased from a reputable dealer, gallery or retail outlet. The valuation took into consideration the historical importance, quality, provenance, condition, size, execution date and subject matter of the artworks.

This asset class is categorised as Level 3 as some of the above mentioned inputs used in the valuation of these assets require significant professional judgement and are therefore unobservable. There has been no change to the valuation process during the reporting period.

Tips and Quarries remediation Assets

It has been recognised that there will be significant costs associated with the closure and post closure management of Tips and Quarries sites.

Evaluation of costs for Tips and Quarries closure and post closure management is prepared internally. The key unobservable inputs are the discount rate, cost escalation rate, actual timing of costs and future environmental management requirements. There has been no change to the valuation process during the reporting period.

Clarence Valley Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 27. Fair value measurement (continued)

\$ '000

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

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

	Community land	Land under roads	Buildings non specialised	Buildings specialised	Total
Opening balance – 1/7/15	36,673	20	48,274	92,583	177,550
Transfers from/(to) level 2 FV hierarchy 274(b)	(36,498)	–	–	–	(36,498)
Transfers from/(to) another asset class	–	–	(4,158)	(1,874)	(6,032)
Purchases (GBV)	–	–	2,050	411	2,461
Disposals (WDV)	(175)	–	(709)	(324)	(1,208)
Depreciation and impairment	–	–	(545)	(972)	(1,517)
Revaluation decrements via equity (ARR)	–	–	(1,328)	(2,324)	(3,652)
Closing balance – 30/6/16	–	20	43,584	87,500	131,104
Purchases (GBV)	–	–	1,157	1,289	2,446
Disposals (WDV)	–	–	–	(974)	(974)
Depreciation and impairment	–	–	(584)	(361)	(945)
Revaluation increments to equity (ARR)	–	–	1,068	2,444	3,512
Closing balance – 30/6/17	–	20	45,225	89,898	135,143

Clarence Valley Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 27. Fair value measurement (continued)

\$ '000

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

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

	Other structures	Roads	Bridges	Footpaths	Total
Opening balance – 1/7/15	11,811	491,407	102,663	19,371	625,252
Transfers from/(to) another asset class	–	(23,347)	(179)	–	(23,526)
Purchases (GBV)	2,395	12,408	800	1,160	16,763
Disposals (WDV)	(580)	(8,386)	(269)	–	(9,235)
Depreciation and impairment	(461)	(12,390)	(1,446)	(602)	(14,899)
Revaluation increments to equity (ARR)	–	2,473	786	–	3,259
Revaluation decrements via equity (ARR)	(1,581)	–	–	(125)	(1,706)
Impairment reversal (via equity)	–	175	180	–	355
Impairment loss (recognised in equity)	–	–	(5)	–	(5)
Closing balance – 30/6/16	11,584	462,340	102,530	19,804	596,258
Purchases (GBV)	502	4,333	2,597	431	7,863
Disposals (WDV)	–	(4,150)	(639)	(660)	(5,449)
Depreciation and impairment	(458)	(15,570)	(1,584)	(607)	(18,219)
Revaluation increments to equity (ARR)	587	13,909	2,338	2,264	19,098
Closing balance – 30/6/17	12,215	460,862	105,242	21,232	599,551

	Other Road Assets	Bulk earthworks	Stormwater drainage	Water supply network	Total
Opening balance – 1/7/15	–	176,067	144,740	399,925	720,732
Transfers from/(to) another asset class	23,526	–	–	–	23,526
Purchases (GBV)	–	–	1,146	3,063	4,209
Disposals (WDV)	–	–	(2)	(993)	(995)
Depreciation and impairment	(575)	–	(2,665)	(5,051)	(8,291)
Revaluation increments to equity (ARR)	810	4,941	3,910	10,859	20,520
Closing balance – 30/6/16	23,761	181,008	147,129	407,803	759,701
Purchases (GBV)	706	1,310	810	1,725	4,551
Disposals (WDV)	(67)	–	(171)	(1,144)	(1,382)
Depreciation and impairment	(579)	–	(2,677)	(5,771)	(9,027)
Revaluation increments to equity (ARR)	925	3,592	5,903	–	10,420
Revaluation decrements via equity (ARR)	–	–	–	(44,474)	(44,474)
Closing balance – 30/6/17	24,746	185,910	150,994	358,139	719,789

Clarence Valley Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 27. Fair value measurement (continued)

\$ '000

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

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

	Sewerage network	Swimming pools	Other open spaces/rec assets	Floodplain assets	Total
Opening balance – 1/7/15	252,304	6,033	31,561	149,110	439,008
Purchases (GBV)	43,696	20	1,389	106	45,211
Disposals (WDV)	(30)	–	(26)	–	(56)
Depreciation and impairment	(4,135)	(223)	(1,277)	(1,451)	(7,086)
Revaluation increments to equity (ARR)	6,105	–	–	–	6,105
Revaluation decrements via equity (ARR)	–	(942)	(288)	(3,332)	(4,562)
Impairment reversal (via equity)	–	–	–	1,246	1,246
Closing balance – 30/6/16	297,940	4,888	31,359	145,679	479,866
Purchases (GBV)	211	15	1,077	1,426	2,729
Disposals (WDV)	(2,395)	–	(158)	–	(2,553)
Depreciation and impairment	(7,829)	(170)	(1,426)	(1,459)	(10,884)
Revaluation increments to equity (ARR)	–	292	1,795	3,897	5,984
Revaluation decrements via equity (ARR)	(29,960)	–	–	–	(29,960)
Closing balance – 30/6/17	257,967	5,025	32,647	149,543	445,182
	Library books	Artwork	Tip remediat'n	Quarry remediat'n	Total
Opening balance – 1/7/15	130	2,081	1,669	560	4,440
Purchases (GBV)	265	33	1,985	295	2,578
Disposals (WDV)	(3)	–	–	–	(3)
Depreciation and impairment	(78)	–	(615)	(19)	(712)
Closing balance – 30/6/16	314	2,114	3,039	836	6,303
Purchases (GBV)	272	58	(1,136)	(193)	(999)
Disposals (WDV)	(4)	–	–	–	(4)
Depreciation and impairment	(65)	–	(104)	(15)	(184)
Closing balance – 30/6/17	517	2,172	1,799	628	5,116
				Held for Sale Buildings	Total
Opening balance – 1/7/15				–	–
Transfers from/(to) another asset class				5,678	5,678
Closing balance – 30/6/16				5,678	5,678
Disposals (WDV)				(5,678)	(5,678)
Closing balance – 30/6/17				–	–

Clarence Valley Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 27. Fair value measurement (continued)

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

b. The valuation process for level 3 fair value measurements

Land and Buildings (including Swimming Pools and Other Open Space/Recreational Assets)

The council engages external, independent and qualified valuers to determine the fair value of its land and building assets on a regular basis. An annual assessment is undertaken to determine whether the carrying amount of the assets is materially different from the fair value. If any variation is considered material a revaluation is undertaken either by comprehensive revaluation or by applying an interim revaluation using appropriate indices.

Changes in level 2 and 3 fair values are analysed at the end of each reporting period and discussed between Council's finance team and the valuation team. As part of this process the team presents a report that explains the reasons for the fair value movements.

As at 1 July 2012 a comprehensive revaluation was undertaken for Buildings (including Swimming Pools and Other Open Space/Recreational Assets) subject to revaluation by APV Valuers and Asset Management. APV also provided a desktop valuation as at 31 March 2017 for Buildings (including Swimming Pools and Other Open Space/Recreational Assets).

As at 31 March 2017 a comprehensive revaluation was undertaken Operational Land subject to revaluation by APV Valuers and Asset Management, and for Community Land the Valuer General 1/7/16 values have been used which is supplied to councils to use in setting rates from 1/7/17. Councils receive new land values from the Valuer General for rating purposes every three years.

The main level 3 inputs used are derived and evaluated as follows:

- Cost for land restricted in use (non-saleable) – estimate cost to replace the existing land if council had to acquire it on the open market in competition with other market participants. Due to the restricted nature and unique characteristics of this land there was insufficient market evidence of directly comparable sales. Reference was made to sales of land with a limited level of comparability at distant locations and adjusted by the valuer using professional judgement to take account of the differing characteristics. These were evaluated for reasonableness against the price per area for other restricted in use land held by the council that had been valued as level 2.
- Relationship between asset consumption rating scale and the level of consumed service potential – Under the cost approach the estimated cost to replace the asset is calculated and then adjusted to take account of an accumulated depreciation. In order to achieve this, the valuer determines an asset consumption rating scale for each asset type based on the interrelationship between a range of factors. These factors and their relationship to the fair value require profession judgment and include asset condition, legal and commercial obsolescence and the determination of key depreciation related assumptions such as residual value, useful life and pattern of consumption of the future economic benefit.
- The consumption rating scales were based initially on the past experience of the valuation firm and industry guides and were then updated to take into account the experience and understanding of council's own engineers, asset management and finance staff. The results of the valuation were further evaluated by confirmation against council's own understanding of the assets and the level of remaining service potential.

Other Structures (including Swimming Pools and Other Open Space/Recreational Assets)

The council engages external, independent and qualified valuers to determine the fair value of its other structures, swimming pools and other open space/recreational assets on a regular basis. An annual

Clarence Valley Council

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

Note 27. Fair value measurement (continued)

assessment is undertaken to determine whether the carrying amount of the assets is materially different from the fair value. If any variation is considered material a revaluation is undertaken either by comprehensive revaluation or by applying an interim revaluation using appropriate indices.

Changes in level 2 and 3 fair values are analysed at the end of each reporting period and discussed between Council's finance team and the valuation team. As part of this process the team presents a report that explains the reasons for the fair value movements.

As at 1 July 2013 a comprehensive revaluation was undertaken for the other structures, swimming pools and other open space/recreational assets classes subject to revaluation by APV. APV also provided a desktop valuation as at 31 March 2017.

The main level 3 inputs used are derived and evaluated as follows:

- Relationship between asset consumption rating scale and the level of consumed service potential – Under the cost approach the estimated cost to replace the asset is calculated and then adjusted to take account of an accumulated depreciation. In order to achieve this, the valuer determines an asset consumption rating scale for each asset type based on the inter-relationship between a range of factors. These factors and their relationship to the fair value require profession judgment and include asset condition, legal and commercial obsolescence and the determination of key depreciation related assumptions such as useful life and pattern of consumption of the future economic benefit.

The consumption rating scales were based initially on the past experience of the valuation firm and industry guides and were then updated to take into account the experience and understanding of council's own engineers, asset management and finance staff. The results of the valuation were further evaluated by confirmation against council's own understanding of the assets and the level of remaining service potential.

Road (including Bridges, Footpaths, Bulk Earthworks), and Stormwater

The council engages external, independent and qualified valuers to determine the fair value of its infrastructure on a regular basis. An annual assessment is undertaken to determine whether the carrying amount of the assets is materially different from the fair value. If any variation is considered material a revaluation is undertaken either by comprehensive revaluation or by applying an interim revaluation using appropriate indices.

Changes in level 2 and 3 fair values are analysed at the end of each reporting period and discussed between Council's finance team and the valuation team. As part of this process the team presents a report that explains the reasons for the fair value movements.

As at 1 July 2013, a comprehensive revaluation was undertaken for Road (including Bridges, Footpaths, Bulk Earthworks), and Stormwater assets, subject to revaluation by APV Valuers and Asset Management. APV also provided a desktop valuation as at 31 March 2017.

The main level 3 inputs used are derived and evaluated as follows:

- Asset Condition – The nature of road infrastructure is that there are a very large number of assets which comprise the network and as a result it is not physically possible to inspect every asset for the purposes of completing a valuation. As a consequence reliance is placed on the accuracy of data held in the asset management system and its associated internal controls. This includes regular planned inspections and updates to the system following maintenance activities and renewal treatments. To provide assurance over the accuracy of this information and taking into account the cost benefit of undertaking physical inspections the comprehensive valuation relies upon a sampling approach (5% of each asset type) where the data held in the system is verified by a physical inspection. While the

Clarence Valley Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 27. Fair value measurement (continued)

sampling approach, combined with internal controls associated with the asset management system, provides a high level of comfort over the condition data held in the asset management system it does not provide a guarantee that all the data is correct and the condition as recorded is valid as at the date of valuation.

- Relationship between asset consumption rating scale and the level of consumed service potential – Under the cost approach the estimated cost to replace the asset is calculated and then adjusted to take account of an accumulated depreciation. In order to achieve this, the valuer determines an asset consumption rating scale for each asset type based on the inter-relationship between a range of factors. These factors and their relationship to the fair value require profession judgment and include asset condition, legal and commercial obsolescence and the determination of key depreciation related assumptions such as useful life and pattern of consumption of the future economic benefit.

The consumption rating scales were based initially on the past experience of the valuation firm and industry guides and were then updated to take into account the experience and understanding of council's own engineers, asset management and finance staff. The results of the valuation were further evaluated by confirmation against council's own understanding of the assets and the level of remaining service potential.

Water Supply and Sewerage Network Infrastructure

The council engages external, independent and qualified valuers to determine the fair value of its infrastructure on a regular basis. An annual assessment is undertaken to determine whether the carrying amount of the assets is materially different from the fair value. If any variation is considered material a revaluation is undertaken either by comprehensive revaluation or by applying an interim revaluation using appropriate indices.

Changes in level 2 and 3 fair values are analysed at the end of each reporting period and discussed between Council's finance team and the valuation team. As part of this process the team presents a report that explains the reasons for the fair value movements.

As at 1 July 2016, a comprehensive revaluation was undertaken for Water Supply and Sewerage Network Infrastructure assets, subject to revaluation by APV Valuers and Asset Management.

The main level 3 inputs used are derived and evaluated as follows:

- Asset Condition – The nature of water supply and sewerage network infrastructure is that there are a very large number of assets which comprise the network and as a result it is not physically possible to inspect every asset for the purposes of completing a valuation. As a consequence reliance is placed on the accuracy of data held in the asset management system and its associated internal controls. This includes regular planned inspections and updates to the system following maintenance activities and renewal treatments.

To provide assurance over the accuracy of this information and taking into account the cost benefit of undertaking physical inspections the comprehensive valuation relies upon a sampling approach (i.e. 25% of Councils Sewer Pump Stations and 50% of Water Pump Stations) where the data held in the system is verified by a physical inspection. While the sampling approach, combined with internal controls associated with the asset management system, provides a high level of comfort over the condition data held in the asset management system it does not provide a guarantee that all the data is correct and the condition as recorded is valid as at the date of valuation.

- Relationship between asset consumption rating scale and the level of consumed service potential – Under the cost approach the estimated cost to replace the asset is calculated and then adjusted to take account of an accumulated depreciation. In order to achieve this, the valuer determines an asset

Clarence Valley Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 27. Fair value measurement (continued)

consumption rating scale for each asset type based on the inter-relationship between a range of factors. These factors and their relationship to the fair value require profession judgment and include asset condition, legal and commercial obsolescence and the determination of key depreciation related assumptions such as useful life and pattern of consumption of the future economic benefit.

The consumption rating scales were based initially on the past experience of the valuation firm and industry guides and were then updated to take into account the experience and understanding of council's own engineers, asset management and finance staff. The results of the valuation were further evaluated by confirmation against council's own understanding of the assets and the level of remaining service potential.

Artwork

The council engages external, independent and qualified valuers to determine the fair value of its artwork. An annual assessment is undertaken to determine whether the carrying amount of the assets is materially different from the fair value. If any variation is considered material a revaluation is undertaken either by comprehensive revaluation or by applying an interim revaluation using appropriate indices.

(5). Highest and best use

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

Clarence Valley Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 28. Related party disclosures

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:

Compensation:	Actual 2017 \$'000
Short-term benefits	1,387
Post-employment benefits	89
Other long-term benefits	64
Total	<u>1,540</u>

Clarence Valley Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 28. Related party disclosures (continued)

\$ '000

b. Other transactions with KMP and their related parties

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

Nature of the transaction	Value of transactions during year	Outstanding balance (incl. loans and commitments)	Terms and conditions	Provisions for doubtful debts outstanding	Doubtful debts expense recognised
	\$'000	\$'000		\$'000	\$'000
Earthmoving services and plant hire	1	357	2	14 days	—
Holiday Park management fees	2	447	—	14 days	—

- 1 Council purchased earthmoving services and plant hire during the year from a company which has a close family member of Council's KMP as a major shareholder. Amounts were billed based on normal rates for such supplies and were due and payable under normal payment terms following the Council's procurement processes.
- 2 Council has a contract for Holiday Park Management with a company which has a member of Council's KMP as a director. The original contract was awarded through a competitive tender process based on market rates for these services. Amounts are payable on a monthly basis for the duration of the contract.

Clarence Valley Council

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

Note 29. Council information and contact details

Principal place of business:

2 Prince Street
GRAFTON NSW 2460

Contact details

Mailing address:

Locked Bag 23
GRAFTON NSW 2460

Opening hours:

Monday to Friday (excl. Public Holidays)
8:30am to 4:30pm

Telephone: 02 6643 0200

Facsimile: 02 6642 7647

Internet: www.clarence.nsw.gov.au

Email: council@clarence.nsw.gov.au

Officers

GENERAL MANAGER

Ashley Lindsay

RESPONSIBLE ACCOUNTING OFFICER

Matthew Sykes

PUBLIC OFFICER

Kristian Enevoldson

AUDITORS

Audit Office of New South Wales
Level 15, 1 Margaret Street
SYDNEY NSW 2000

Telephone 02 9275 7100

Elected members

MAYOR

Jim Simmons

COUNCILLORS

Andrew Baker
Greg Clancy
Peter Ellem
Jason Kingsley
Arthur Lysaught
Debrah Novak
Karen Toms
Richie Williamson

Other information

ABN: 85 864 095 684



INDEPENDENT AUDITOR'S REPORT
Report on the general purpose financial statements
Clarence Valley Council

To the Councillors of the Clarence Valley Council

Opinion

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

In my opinion,

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

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

Basis for Opinion

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

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

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

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

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

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

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

The Councillors' Responsibility for the Financial Statements

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

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

Auditor's Responsibility for the Audit of the Financial Statements

My objectives are to:

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

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

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

My opinion does *not* provide assurance:

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



Reiky Jiang
Director, Financial Audit Services

6 November 2017
SYDNEY

Mr Jim Simmons
Mayor
Clarence Valley Council
Locked Bag 23
GRAFTON NSW 2460

Contact: Reiky Jiang
Phone no: (02) 9275 7100
Our ref: D1729304/1713

6 November 2017

Dear Mr Simmons

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

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

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

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

SIGNIFICANT AUDIT ISSUES AND OBSERVATIONS

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

INCOME STATEMENT

Operating result

	2017	2016	Variance
	\$m	\$m	%
Rates and annual charges revenue	54.3	53.1	2.3 ↑
Grants and contributions revenue	41.5	41.4	0.2 ↑
Operating result for the year	(11.7)	(5.4)	116.7 ↓
Net operating result before capital amounts	(18.9)	(16.8)	12.5 ↓

The worsened operating result was due to the following movements:

Total income from continuing operations increased by \$5.5 million due to:

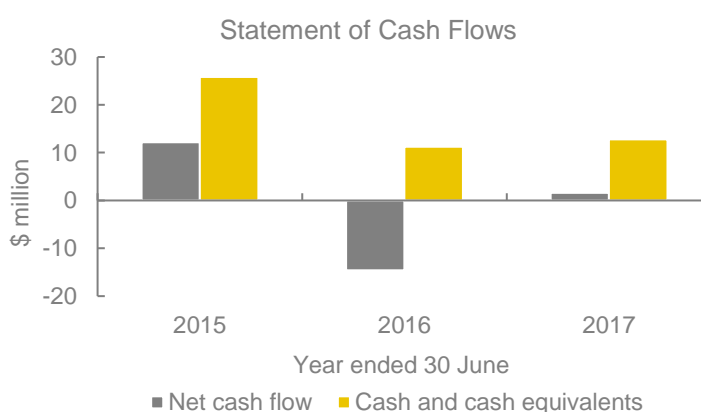
- ordinary rates and annual charges increased by \$1.3 million. Council had an approved special general rate increase of 6.5 per cent for the 2016/17 year
- user charges and fees increased by \$4.1 million. The increase was mainly attributable to increased water supply charges of \$2.7 million due to increased consumption charges and increased consumption. There was an additional \$1.1 million increase in other fees and charges, mainly driven by increased regional landfill income due to higher volumes of waste received
- the financial assistance grant increased by \$5.3 million as the Federal Government brought forward 50 per cent of the 2017/2018 financial assistance grant which was paid in June 2017
- capital grants and contributions decreased by \$4.1 million. The decrease was attributable to the following grants which were received in the prior year and not in the current year:
 - \$1.1 million of sewerage services grants for the Yamba Sewage Treatment Plant
 - \$1.1 million in recreation and culture grants for the Wherret Park Sporting Facility upgrade
 - \$0.8 million for the airport upgrade
 - a reduction in Roads and Maritime Services contributions of \$1.2 million

Expenses from continuing operations increased by \$11.8 million due to:

- depreciation and amortisation increased by \$6.1 million. The increase was attributable to changes in useful lives and asset condition ratings as a result of the comprehensive revaluation performed for Council's water supply and sewerage network assets, and the desktop revaluation performed for road infrastructure assets
- materials and contracts costs increased by \$1.4 million
- other expenses increased by \$1.7 million
- an increase in the net loss on disposal of assets of \$2.6 million from the disposal of council's infrastructure, property, plant and equipment assets.

STATEMENT OF CASH FLOWS

- Council's cash and cash equivalents increased by \$1.6 million during the current financial year
- Cash used in investing activities decreased by \$16.4 million due to less spending on infrastructure, property, plant and equipment.



FINANCIAL POSITION

Cash and Investments

Restricted Cash and Investments	2017	2016	Commentary
	\$m	\$m	
External restrictions	49.5	43.3	Externally restricted balances include unexpended specific grants, developer contributions, and restricted funds received from water supplies and sewerage services. The increase over the prior year is largely attributable to an increase in restricted water supply funds from higher revenues and less expenditure on capital items during the year Balances are Internally restricted due to Council policy or decisions for forward plans including works program. The increase during the year is a result of the receipt of 50 per cent of the 2017/18 financial assistance grant in June 2017. Unrestricted balances provide liquidity for day-to-day operations.
Internal restrictions	47.2	39.0	
Unrestricted	5.1	2.9	
Cash and investments	101.8	85.2	

Debt

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

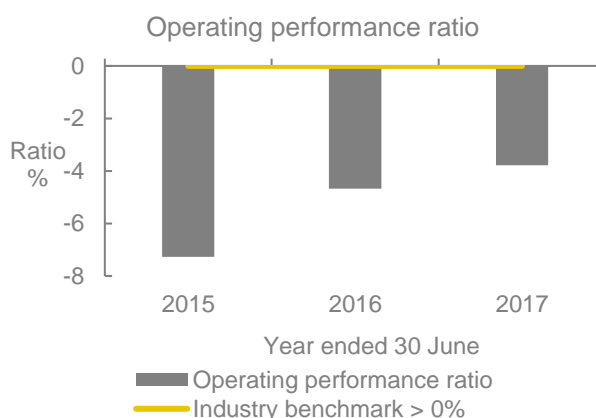
PERFORMANCE RATIOS

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

Operating performance ratio

- Council has not met the industry benchmark for the operating performance ratio for the last 3 years.
- The increase in the ratio for the 2016/17 financial year is largely attributable to the receipt of 50 per cent of the 2017/18 financial assistance grant in June 2017.
- Council’s water fund achieved a ratio of 12.94 per cent for the year, which is above the industry benchmark.

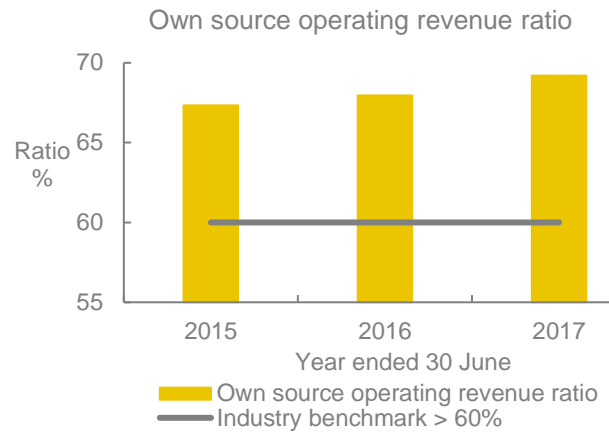
The ‘operating performances ratio’ measures how well council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by the Office of Local Government (OLG) is greater than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



Own source operating revenue ratio

- Council has continued to meet the industry benchmark for the own source operating revenue ratio, demonstrating it is not overly reliant on external funding sources.
- Council's general fund achieved a ratio of 58.88 per cent for the year. This ratio was impacted by the receipt of additional financial assistance grant mentioned earlier.

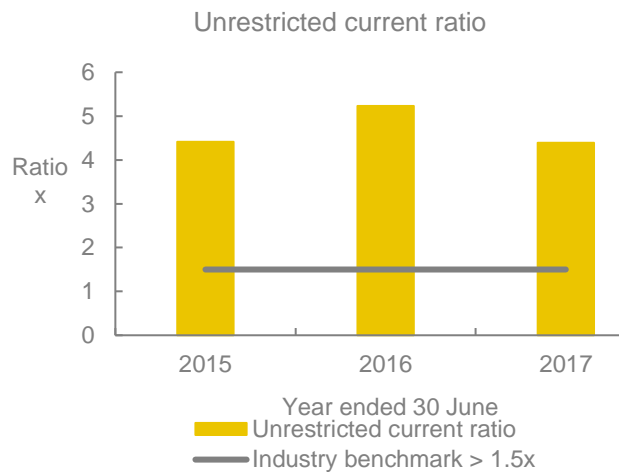
The 'own source operating revenue ratio' measures council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by OLG is greater than 60 per cent.



Unrestricted current ratio

- Council's unrestricted current ratio continues to be well above the industry benchmark.
- Council's sewer fund achieved a ratio of 1.06 for the year, which is below the industry benchmark. The fund's ratio is heavily impacted by its borrowings due within the next 12 months.

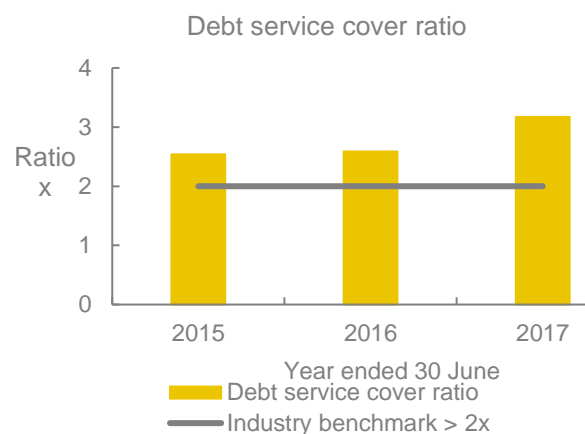
The 'unrestricted current ratio' is specific to local government and represents council's ability to meet its short-term obligations as they fall due. The benchmark set by OLG is greater than 1.5 times.



Debt service cover ratio

- Council's debt service cover ratio continues to be above the industry benchmark
- For the sewer fund, the debt service cover ratio remains below the benchmark at 0.76
- 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.

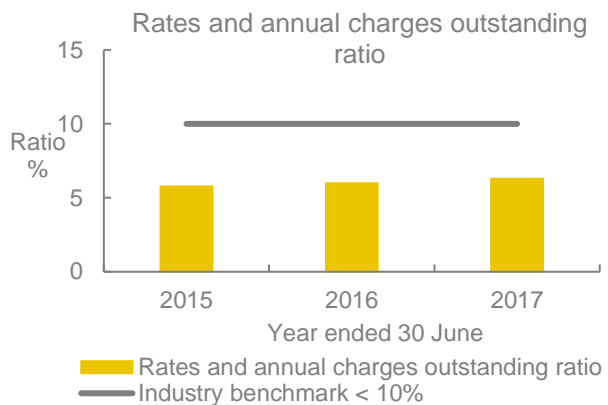
The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by OLG is greater than two times.



Rates and annual charges outstanding ratio

- Council's rates and annual charges outstanding ratio continues to be below the industry benchmark, which shows strong debt recovery practices
- All funds achieved a ratio below the benchmark for the year.

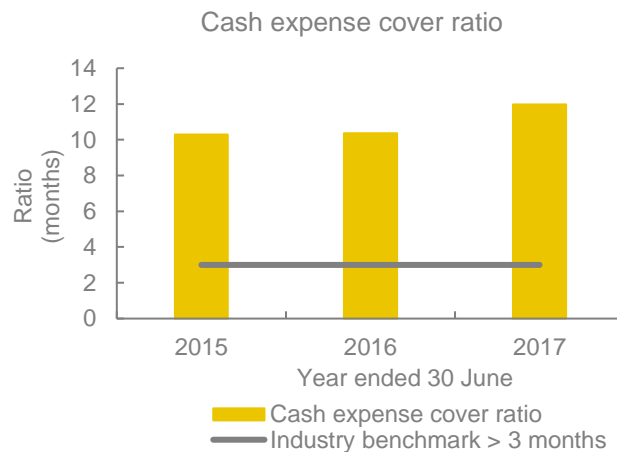
The 'rates and annual charges outstanding ratio' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by OLG is less than 10 per cent for rural councils.



Cash expense cover ratio

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

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

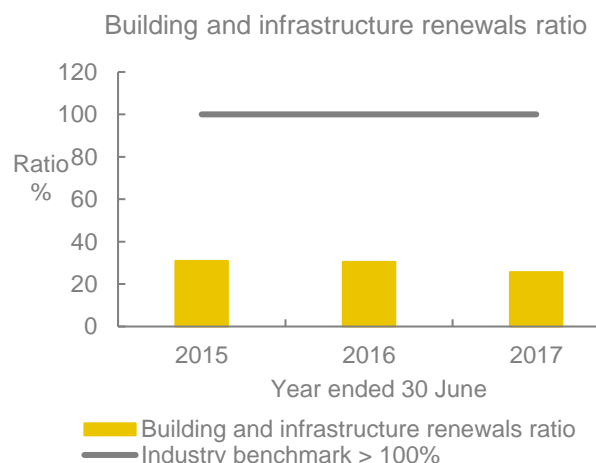


Building and infrastructure renewals ratio

- Council continues to fail to meet the industry benchmark, by a wide margin
- Council's asset renewal expenditure had not kept pace with the rate at which these assets were depreciating in the past three years
- No fund has achieved an asset renewal ratio above the industry benchmark.

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

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



OTHER MATTERS

New accounting standards implemented

AASB 124 'Related Party Disclosures'

Effective for annual reporting periods beginning on or 1 July 2016

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

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

Legislative compliance

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

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

Yours sincerely



Reiky Jiang
Director, Financial Audit Services

6 November 2017
SYDNEY

cc: Mr Ross Bryant, Audit Committee Chair
Mr Ashley Lindsay, General Manager
Tim Hurst, Acting Chief Executive of the Office of Local Government

Clarence Valley Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2017



"Discover the Clarence"

Clarence Valley Council

Special Purpose Financial Statements

for the year ended 30 June 2017

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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).
-

Clarence Valley Council

Special Purpose Financial Statements for the year ended 30 June 2017

Statement by Councillors and Management made pursuant to the Local Government Code of Accounting Practice and Financial Reporting

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


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

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


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

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

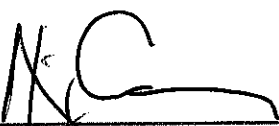
Signed in accordance with a resolution of Council made on 17 October 2017.



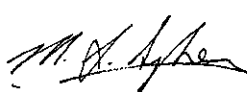
Jim Simmons
Mayor



Jason Kingsley
Councillor



Ashley Lindsay
General manager



Matthew Sykes
Responsible accounting officer

Clarence Valley Council

Income Statement of Council's Water Supply Business Activity

for the year ended 30 June 2017

\$ '000	Actual 2017	Actual 2016
Income from continuing operations		
Access charges	2,305	3,665
User charges	12,287	9,450
Fees	1,131	781
Interest	721	569
Grants and contributions provided for non-capital purposes	705	744
Profit from the sale of assets	–	–
Other income	266	347
Total income from continuing operations	17,415	15,556
Expenses from continuing operations		
Employee benefits and on-costs	1,750	1,711
Borrowing costs	1,839	1,892
Materials and contracts	1,986	1,974
Depreciation, amortisation and impairment	6,035	5,326
Loss on sale of assets	1,145	988
Calculated taxation equivalents	66	65
Debt guarantee fee (if applicable)	243	251
Other expenses	3,484	3,611
Total expenses from continuing operations	16,548	15,818
Surplus (deficit) from continuing operations before capital amounts	867	(262)
Grants and contributions provided for capital purposes	818	973
Surplus (deficit) from continuing operations after capital amounts	1,685	711
Surplus (deficit) from discontinued operations	–	–
Surplus (deficit) from all operations before tax	1,685	711
Less: corporate taxation equivalent (30%) [based on result before capital]	(260)	–
SURPLUS (DEFICIT) AFTER TAX	1,425	711
Plus opening retained profits	414,437	402,687
Plus/less: increase in asset revaluation reserve	(44,054)	10,788
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	–	–
– Debt guarantee fees	243	251
– Corporate taxation equivalent	260	–
Less:		
– Tax equivalent dividend paid	–	–
– Surplus dividend paid	–	–
Closing retained profits	372,311	414,437
Return on capital %	0.7%	0.4%
Subsidy from Council	6,906	7,463
Calculation of dividend payable:		
Surplus (deficit) after tax	1,425	711
Less: capital grants and contributions (excluding developer contributions)	(115)	(129)
Surplus for dividend calculation purposes	1,310	582
Potential dividend calculated from surplus	655	291

Clarence Valley Council

Income Statement of Council's Sewerage Business Activity

for the year ended 30 June 2017

\$ '000	Actual 2017	Actual 2016
Income from continuing operations		
Access charges	16,561	16,243
User charges	2,062	1,830
Liquid trade waste charges	2	2
Fees	603	490
Interest	321	477
Grants and contributions provided for non-capital purposes	187	189
Other income	27	26
Total income from continuing operations	19,763	19,257
Expenses from continuing operations		
Employee benefits and on-costs	1,803	1,768
Borrowing costs	4,925	5,113
Materials and contracts	2,281	2,099
Depreciation, amortisation and impairment	8,004	4,329
Loss on sale of assets	2,396	28
Calculated taxation equivalents	47	47
Debt guarantee fee (if applicable)	746	774
Other expenses*	9,005	3,459
Total expenses from continuing operations	29,207	17,617
Surplus (deficit) from continuing operations before capital amounts	(9,444)	1,640
* Includes \$5.824M for rehabilitation of new depot site.		
Grants and contributions provided for capital purposes	821	2,320
Surplus (deficit) from continuing operations after capital amounts	(8,623)	3,960
Surplus (deficit) from discontinued operations	–	–
Surplus (deficit) from all operations before tax	(8,623)	3,960
Less: corporate taxation equivalent (30%) [based on result before capital]	–	(492)
SURPLUS (DEFICIT) AFTER TAX	(8,623)	3,468
Plus opening retained profits	240,325	229,452
Plus/less: increase in asset revaluation reserve	(29,645)	6,139
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	–	–
– Debt guarantee fees	746	774
– Corporate taxation equivalent	–	492
Less:		
– Tax equivalent dividend paid	–	–
– Surplus dividend paid	–	–
Closing retained profits	202,803	240,325
Return on capital %	-1.7%	2.2%
Subsidy from Council	11,501	–
Calculation of dividend payable:		
Surplus (deficit) after tax	(8,623)	3,468
Less: capital grants and contributions (excluding developer contributions)	(97)	(1,489)
Surplus for dividend calculation purposes	–	1,979
Potential dividend calculated from surplus	–	990

Clarence Valley Council

Income Statement of Council's Other Business Activities

for the year ended 30 June 2017

\$ '000	Clarence Coast Reserve Trust		Clarence Care & Support	
	Category 1		Category 1	
	Actual 2017	Actual 2016	Actual 2017	Actual 2016
Income from continuing operations				
Access charges	–	–	–	–
User charges	5,514	5,374	744	658
Fees	–	–	–	–
Interest	76	72	19	124
Grants and contributions provided for non-capital purposes	31	30	7,283	7,641
Share of profit from equity accounted investment	–	–	–	–
Other income	140	240	3,022	2,721
Total income from continuing operations	5,761	5,716	11,068	11,144
Expenses from continuing operations				
Employee benefits and on-costs	270	294	4,102	3,983
Borrowing costs	–	–	–	–
Materials and contracts	2,268	2,571	2,078	2,172
Depreciation, amortisation and impairment	293	302	23	19
Loss on sale of assets	4	1	1	(14)
Calculated taxation equivalents	–	–	–	–
Debt guarantee fee (if applicable)	–	–	–	–
Other expenses	2,164	2,055	4,234	3,860
Total expenses from continuing operations	4,999	5,223	10,438	10,020
Surplus (deficit) from continuing operations before capital amounts	762	493	630	1,124
Grants and contributions provided for capital purposes	306	68	3	1
Surplus (deficit) from continuing operations after capital amounts	1,068	561	633	1,125
Surplus (deficit) from discontinued operations	–	–	–	–
Surplus (deficit) from all operations before tax	1,068	561	633	1,125
Less: corporate taxation equivalent (30%) [based on result before capital]	(229)	(148)	(189)	(337)
SURPLUS (DEFICIT) AFTER TAX	839	413	444	788
Plus opening retained profits	39,359	39,640	5,039	3,914
Plus/less: prior period adjustments	–	–	–	–
Plus/less: increase in asset revaluation reserve	(5,501)	(842)	58	–
Plus adjustments for amounts unpaid:				
– Taxation equivalent payments	–	–	–	–
– Debt guarantee fees	–	–	–	–
– Corporate taxation equivalent	229	148	189	337
Add:				
– Subsidy paid/contribution to operations	–	–	–	–
Less:				
– TER dividend paid	–	–	–	–
– Dividend paid	–	–	–	–
Closing retained profits	34,926	39,359	5,730	5,039
Return on capital %	2.5%	1.3%	134.9%	282.4%
Subsidy from Council	45	303	–	–

Clarence Valley Council

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

\$ '000	Actual 2017	Actual 2016
ASSETS		
Current assets		
Cash and cash equivalents	213	187
Investments	15,921	12,085
Receivables	3,956	3,548
Inventories	–	–
Other	2	1
Non-current assets classified as held for sale	–	–
Total current assets	20,092	15,821
Non-current assets		
Investments	7,112	5,165
Receivables	26	32
Inventories	–	–
Infrastructure, property, plant and equipment	369,694	419,012
Investments accounted for using equity method	–	–
Investment property	–	–
Intangible assets	3	–
Total non-current assets	376,835	424,209
TOTAL ASSETS	396,927	440,030
LIABILITIES		
Current liabilities		
Bank overdraft	–	–
Payables	348	514
Income received in advance	–	–
Borrowings	872	811
Provisions	11	11
Total current liabilities	1,231	1,336
Non-current liabilities		
Payables	–	–
Borrowings	23,385	24,257
Provisions	–	–
Total non-current liabilities	23,385	24,257
TOTAL LIABILITIES	24,616	25,593
NET ASSETS	372,311	414,437
EQUITY		
Retained earnings	221,209	219,280
Revaluation reserves	151,102	195,157
Other reserves	–	–
Council equity interest	372,311	414,437
Non-controlling equity interest	–	–
TOTAL EQUITY	372,311	414,437

Clarence Valley Council

Statement of Financial Position – Council's Sewerage Business Activity

as at 30 June 2017

\$ '000	Actual 2017	Actual 2016
ASSETS		
Current assets		
Cash and cash equivalents	396	347
Investments	5,705	6,125
Receivables	1,678	2,311
Inventories	–	–
Other	2	1
Non-current assets classified as held for sale	–	–
Total current Assets	7,781	8,784
Non-current assets		
Investments	1,399	2,168
Receivables	152	140
Inventories	–	–
Infrastructure, property, plant and equipment	268,552	307,162
Investments accounted for using equity method	–	–
Investment property	–	–
Intangible assets	–	–
Total non-current assets	270,103	309,470
TOTAL ASSETS	277,884	318,254
LIABILITIES		
Current liabilities		
Bank overdraft	–	–
Payables	507	499
Income received in advance	–	–
Borrowings	3,050	2,856
Provisions	–	–
Total current liabilities	3,557	3,355
Non-current liabilities		
Payables	–	–
Borrowings	71,524	74,574
Provisions	–	–
Total non-current liabilities	71,524	74,574
TOTAL LIABILITIES	75,081	77,929
NET ASSETS	202,803	240,325
EQUITY		
Retained earnings	117,943	125,820
Revaluation reserves	84,860	114,505
Other reserves	–	–
Council equity interest	202,803	240,325
Non-controlling equity interest	–	–
TOTAL EQUITY	202,803	240,325

Clarence Valley Council

Statement of Financial Position – Council's Other Business Activities

as at 30 June 2017

\$ '000	Clarence Coast Reserve Trust		Clarence Care & Support	
	Category 1		Category 1	
	Actual 2017	Actual 2016	Actual 2017	Actual 2016
ASSETS				
Current assets				
Cash and cash equivalents	36	35	1	1
Investments	4,310	3,123	5,024	4,573
Receivables	96	17	382	215
Inventories	–	–	–	–
Other	5	5	–	2
Total Current Assets	4,447	3,180	5,407	4,791
Non-current assets				
Investments	–	–	–	–
Receivables	–	–	–	–
Inventories	–	–	–	–
Infrastructure, property, plant and equipment	31,033	36,696	467	398
Investments accounted for using equity method	–	–	–	–
Investment property	–	–	–	–
Intangible assets	–	–	9	12
Total non-current assets	31,033	36,696	476	410
TOTAL ASSETS	35,480	39,876	5,883	5,201
LIABILITIES				
Current liabilities				
Bank overdraft	–	–	–	–
Payables	554	517	153	162
Income received in advance	–	–	–	–
Borrowings	–	–	–	–
Provisions	–	–	–	–
Total current liabilities	554	517	153	162
Non-current liabilities				
Payables	–	–	–	–
Borrowings	–	–	–	–
Provisions	–	–	–	–
Total non-current liabilities	–	–	–	–
TOTAL LIABILITIES	554	517	153	162
NET ASSETS	34,926	39,359	5,730	5,039
EQUITY				
Retained earnings	23,473	22,405	5,692	5,059
Revaluation reserves	11,453	16,954	38	(20)
Other reserves	–	–	–	–
Council equity interest	34,926	39,359	5,730	5,039
Non-controlling equity interest	–	–	–	–
TOTAL EQUITY	34,926	39,359	5,730	5,039

Clarence Valley Council

Special Purpose Financial Statements

for the year ended 30 June 2017

Contents of the notes accompanying the financial statements

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

Clarence Valley Council

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

Note 1. Significant accounting policies

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

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

The figures presented in the SPFS have been prepared in accordance with:

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

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

- the *Local Government Act 1993* (NSW),
- the *Local Government (General) Regulation 2005*, and
- the Local Government Code of Accounting Practice and Financial Reporting.

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

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

National Competition Policy

Council has adopted the principle of 'competitive neutrality' 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. **Clarence Valley Council Water Supply Fund**
Provision of Water Supply Services
- b. **Clarence Valley Council Sewerage Services**
Provision of Sewerage Augmentation, Reticulation & Treatment
- c. **Clarence Coast Reserve Trust**
Camping & Caravan Park Accommodation
- d. **Clarence Valley Council Care and Support Services**
Care and Support Services provided by Council, includes the:
 - *Home Care Packages Levels 2 and 4*
 - *Far North Coast Disability Aged Care Project*
 - *Co-ordination of respite services for people with a disability throughout the Far North Coast - Your Choice and Ready Together Packages*
 - *Home maintenance – gardening and lawn services*
 - *In-Home Domestic Services*
 - *Maclean/Yamba Meals on Wheels*
 - *Community Support Program*
 - *Life Choices*
 - *Community Participation*
 - *In Home Support*

Clarence Valley Council

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

Note 1. Significant accounting policies (continued)

- *Supported Living*
- *Active Aging & Community Support*
- *Regional Assessment Services*
- *Community Options Case management*
- *Social support program*
- *Private community services*

Category 2

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

Council has no business activities in this category.

Monetary amounts

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

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

(i) Taxation-equivalent charges

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

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

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

Notional rate applied (%)

Corporate income tax rate – 30%

Land tax – the first \$549,000 of combined land values attracts 0%. For the combined land values in excess of \$549,001 up to \$3,357,000 the rate

is 1.6% + \$100. For the remaining combined land value that exceeds \$3,357,000 a premium marginal rate of 2.0% applies.

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

In accordance with the Department of Primary Industries Water (DPIW), a payment for the amount calculated as the annual tax equivalent charges (excluding income tax) must be paid from water supply and sewerage business activities.

The payment of taxation equivalent charges, referred to in the NSW Office of Water Guidelines to as a 'dividend for taxation equivalent', may be applied for any purpose allowed under the *Local Government Act, 1993*.

Achievement of substantial compliance to the NSW Office of Water Guidelines is not a prerequisite for the payment of the tax equivalent charges, however the payment must not exceed \$3 per assessment.

Income tax

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

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

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

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

Since 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

Clarence Valley Council

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

Note 1. Significant accounting policies (continued)

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.

(iii) Return on investments (rate of return)

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

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

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

The rate of return is calculated as follows:

Operating result before capital income + interest expense

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

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 2.60% at 30/6/17.

(iv) Dividends

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

Local government water supply and sewerage businesses are permitted to pay an annual dividend from its water supply or sewerage business surplus.

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

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

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

Clarence Valley Council

Notes to the Special Purpose Financial Statements
for the year ended 30 June 2017Note 2. Water supply business
best-practice management disclosure requirements

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

2017

1. Calculation and payment of tax-equivalents

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

(i)	Calculated tax equivalents	309,000
(ii)	Number of assessments multiplied by \$3/assessment	66,363
(iii)	Amounts payable for tax equivalents [lesser of (i) and (ii)]	66,363
(iv)	Amounts actually paid for tax equivalents	66,363

2. Dividend from surplus

(i)	50% of surplus before dividends [calculated in accordance with Best-Practice Management for Water Supply and Sewerage Guidelines]	654,950
(ii)	Number of assessments multiplied by \$30/assessment, less tax equivalent charges/assessment	597,267
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2017, less the cumulative dividends paid for the 2 years to 30 June 2016 and 30 June 2015	162,900

2017 Surplus	1,309,900	2016 Surplus	582,000	2015 Surplus	(1,729,000)
		2016 Dividend	–	2015 Dividend	–

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	162,900
(v)	Dividend actually paid from surplus [refer below for required pre-dividend payment criteria]	–
(vi)	Are the overhead reallocation charges to the water business fair and reasonable? ^a	YES

3. Required outcomes for 6 criteria

[to be eligible for the payment of a 'dividend from surplus', all the criteria below need a 'YES']

(i)	Completion of strategic business plan (including financial plan)	YES
(ii)	Full cost recovery, without significant cross subsidies [refer item 2 (a) in table 1 on page 22 of the Best-Practice Guidelines]	YES
	– Complying charges [item 2 (b) in table 1]	YES
	– DSP with commercial developer charges [item 2 (e) in table 1]	YES
	– If dual water supplies, complying charges [item 2 (g) in table 1]	YES
(iii)	Sound water conservation and demand management implemented	YES
(iv)	Sound drought management implemented	YES
(v)	Complete performance reporting form (by 15 September each year)	YES
(vi)	a. Integrated water cycle management evaluation	YES
	b. Complete and implement integrated water cycle management strategy	YES

Clarence Valley Council

Notes to the Special Purpose Financial Statements
for the year ended 30 June 2017Note 2. Water supply business
best-practice management disclosure requirements (continued)

Dollars amounts shown below are in whole dollars (unless otherwise indicated) 2017

National Water Initiative (NWI) financial performance indicators

NWI F1	Total revenue (water) Total income (w13) – grants for the acquisition of assets (w11a) – interest income (w9) – Aboriginal Communities W&S Program income (w10a)	\$'000	17,244
NWI F4	Revenue from residential usage charges (water) Income from residential usage charges (w6b) x 100 divided by the sum of [income from residential usage charges (w6a) + income from residential access charges (w6b)]	%	80.13%
NWI F9	Written down replacement cost of fixed assets (water) Written down current cost of system assets (w47)	\$'000	358,544
NWI F11	Operating cost (OMA) (water) Management expenses (w1) + operational and maintenance expenses (w2)	\$'000	6,932
NWI F14	Capital expenditure (water) Acquisition of fixed assets (w16)	\$'000	1,999
NWI F17	Economic real rate of return (water) [total income (w13) – interest income (w9) – grants for acquisition of assets (w11a) – operating costs (NWI F11) – current cost depreciation (w3)] x 100 divided by [written down current cost of system assets (w47) + plant and equipment (w33b)]	%	1.26%
NWI F26	Capital works grants (water) Grants for the acquisition of assets (w11a)	\$'000	–

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

Clarence Valley Council

Notes to the Special Purpose Financial Statements
for the year ended 30 June 2017Note 3. Sewerage business
best-practice management disclosure requirements

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

2017

1. Calculation and payment of tax-equivalents

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

(i)	Calculated tax equivalents	793,000
(ii)	Number of assessments multiplied by \$3/assessment	47,415
(iii)	Amounts payable for tax equivalents [lesser of (i) and (ii)]	47,415
(iv)	Amounts actually paid for tax equivalents	47,415

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)	426,735
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2017, less the cumulative dividends paid for the 2 years to 30 June 2016 and 30 June 2015	(5,716,200)

2017 Surplus	(8,720,000)	2016 Surplus	1,979,000	2015 Surplus	1,024,800
		2016 Dividend	–	2015 Dividend	–

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

3. Required outcomes for 4 criteria

[to be eligible for the payment of a 'dividend from surplus', all the criteria below need a 'YES']

(i)	Completion of strategic business plan (including financial plan)	YES
(ii)	Pricing with full cost-recovery, without significant cross subsidies [refer item 2 (a) in table 1 on page 22 of the Best-Practice Guidelines]	YES
	Complying charges	
	(a) Residential [item 2 (c) in table 1]	YES
	(b) Non-residential [item 2 (c) in table 1]	YES
	(c) Trade waste [item 2 (d) in table 1]	YES
	DSP with commercial developer charges [item 2 (e) in table 1]	YES
	Liquid trade waste approvals and policy [item 2 (f) in table 1]	YES
(iii)	Complete performance reporting form (by 15 September each year)	YES
(iv)	a. Integrated water cycle management evaluation	YES
	b. Complete and implement integrated water cycle management strategy	YES

Clarence Valley Council

Notes to the Special Purpose Financial Statements
for the year ended 30 June 2017Note 3. Sewerage business
best-practice management disclosure requirements (continued)

Dollars amounts shown below are in whole dollars (unless otherwise indicated) 2017

National Water Initiative (NWI) financial performance indicators

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	19,937
NWI F10	Written down replacement cost of fixed assets (sewerage) Written down current cost of system assets (s48)	\$'000	259,520
NWI F12	Operating cost (sewerage) Management expenses (s1) + operational and maintenance expenses (s2)	\$'000	6,980
NWI F15	Capital expenditure (sewerage) Acquisition of fixed assets (s17)	\$'000	1,446
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)]	%	1.99%
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	34,428
NWI F8	Revenue from community service obligations (water and sewerage) Community service obligations (NWI F25) x 100 divided by total income (NWI F3)	%	1.29%
NWI F16	Capital expenditure (water and sewerage) Acquisition of fixed assets (w16 + s17)	\$'000	3,445
NWI F19	Economic real rate of return (water and sewerage) [total income (w13 + s14) – interest income (w9 + s10) – grants for acquisition of assets (w11a + s12a) – operating cost (NWI F11 + NWI F12) – current cost depreciation (w3 + s3)] x 100 divided by [written down replacement cost of fixed assets (NWI F9 + NWI F10) + plant and equipment (w33b + s34b)]	%	1.57%
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%

Clarence Valley Council

Notes to the Special Purpose Financial Statements
for the year ended 30 June 2017Note 3. Sewerage business
best-practice management disclosure requirements (continued)

Dollars amounts shown below are in whole dollars (unless otherwise indicated) 2017

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

NWI F22	Net debt to equity (water and sewerage) Overdraft (w36 + s37) + borrowings (w38 + s39) – cash and investments (w30 + s31) x 100 divided by [total assets (w35 + s36) – total liabilities (w40 + s41)]	%	11.84%
NWI F23	Interest cover (water and sewerage) Earnings before interest and tax (EBIT) divided by net interest Earnings before interest and tax (EBIT): 9,445 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: 5,916 Interest expense (w4a + s4a) – interest income (w9 + s10)		2
NWI F24	Net profit after tax (water and sewerage) Surplus before dividends (w15a + s16a) – tax equivalents paid (Note 2-1 (iv) + Note 3-1 (iv))	\$'000	(6,063)
NWI F25	Community service obligations (water and sewerage) Grants for pensioner rebates (w11b + s12b)	\$'000	444

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



INDEPENDENT AUDITOR'S REPORT
Report on the special purpose financial statement
Clarence Valley Council

To the Councillors of the Clarence Valley Council

Opinion

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

The Declared Business Activities of the Council are:

- Water Supply Services
- Sewerage Services
- Clarence Coast Reserve Trust
- Clarence Care and Support Services.

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

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

Basis for Opinion

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

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

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

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

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.

Emphasis of Matter - Basis of Accounting

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

The Councillors' Responsibility for the Financial Statements

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

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

Auditor's Responsibility for the Audit of the Financial Statements

My objectives are to:

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

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

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

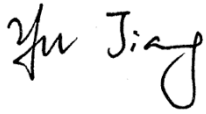
http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf.

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 statements

- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.

A handwritten signature in black ink, appearing to read "Yu Jiang". The signature is written in a cursive, flowing style.

Reiky Jiang
Director, Financial Audit Services

6 November 2017
SYDNEY

Clarence Valley Council

SPECIAL SCHEDULES
for the year ended 30 June 2017



"Discover the Clarence"

Clarence Valley Council

Special Schedules

for the year ended 30 June 2017

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

Background

- (i) These Special Schedules have been designed to meet the requirements of special purpose users such as;
- the NSW Grants Commission
 - the Australian Bureau of Statistics (ABS),
 - the NSW Office of Water (NOW), and
 - the Office of Local Government (OLG).
- (ii) The financial data is collected for various uses including;
- the allocation of Financial Assistance Grants,
 - the incorporation of Local Government financial figures in national statistics,
 - the monitoring of loan approvals,
 - the allocation of borrowing rights, and
 - the monitoring of the financial activities of specific services.

Clarence Valley Council

Special Schedule 1 – Net Cost of Services
for the year ended 30 June 2017

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
Governance	3,506	100	–	(3,406)
Administration	20,191	1,296	–	(18,895)
Public order and safety				
Fire service levy, fire protection, emergency services	1,799	651	420	(728)
Beach control	332	15	–	(317)
Enforcement of local government regulations	470	62	–	(408)
Animal control	214	81	–	(133)
Other	–	–	–	–
Total public order and safety	2,815	809	420	(1,586)
Health	195	–	–	(195)
Environment				
Noxious plants and insect/vermin control	454	347	–	(107)
Other environmental protection	3,067	582	497	(1,988)
Solid waste management	10,372	12,480	–	2,108
Street cleaning	288	–	–	(288)
Drainage	–	–	–	–
Stormwater management	–	–	–	–
Total environment	14,181	13,409	497	(275)
Community services and education				
Administration and education	4,065	3,669	206	(190)
Social protection (welfare)	313	–	–	(313)
Aged persons and disabled	2,927	4,377	–	1,450
Children's services	253	89	–	(164)
Total community services and education	7,558	8,135	206	783
Housing and community amenities				
Public cemeteries	521	569	–	48
Public conveniences	272	–	39	(233)
Street lighting	546	100	–	(446)
Town planning	2,221	1,066	177	(978)
Other community amenities	–	–	–	–
Total housing and community amenities	3,560	1,735	216	(1,609)
Water supplies	13,331	16,574	818	4,061
Sewerage services	20,217	19,299	821	(97)

Clarence Valley Council

Special Schedule 1 – Net Cost of Services (continued)
for the year ended 30 June 2017

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
Recreation and culture				
Public libraries	1,713	483	–	(1,230)
Museums	–	–	–	–
Art galleries	732	199	36	(497)
Community centres and halls	813	231	19	(563)
Performing arts venues	–	–	–	–
Other performing arts	–	–	–	–
Other cultural services	–	–	–	–
Sporting grounds and venues	2,350	386	11	(1,953)
Swimming pools	1,713	400	–	(1,313)
Parks and gardens (lakes)	3,618	131	459	(3,028)
Other sport and recreation	–	–	–	–
Total recreation and culture	10,939	1,830	525	(8,584)
Fuel and energy	–	–	–	–
Agriculture	–	–	–	–
Mining, manufacturing and construction				
Building control	1,096	1,257	–	161
Other mining, manufacturing and construction	241	342	12	113
Total mining, manufacturing and const.	1,337	1,599	12	274
Transport and communication				
Urban roads (UR) – local	15,762	628	891	(14,243)
Urban roads – regional	–	–	–	–
Sealed rural roads (SRR) – local	10,970	1,950	81	(8,939)
Sealed rural roads (SRR) – regional	4,657	4,046	1,263	652
Unsealed rural roads (URR) – local	–	–	–	–
Unsealed rural roads (URR) – regional	–	–	–	–
Bridges on UR – local	–	–	–	–
Bridges on SRR – local	2,463	342	1,139	(982)
Bridges on URR – local	–	–	–	–
Bridges on regional roads	162	–	–	(162)
Parking areas	–	–	–	–
Footpaths	1,464	–	90	(1,374)
Aerodromes	539	168	56	(315)
Other transport and communication	3,442	3,400	263	221
Total transport and communication	39,459	10,534	3,783	(25,142)
Economic affairs				
Camping areas and caravan parks	3,209	5,537	–	2,328
Other economic affairs	5,831	874	–	(4,957)
Total economic affairs	9,040	6,411	–	(2,629)
Totals – functions	146,329	81,731	7,298	(57,300)
General purpose revenues ⁽¹⁾		45,641		45,641
Share of interests – joint ventures and associates using the equity method	37	–		(37)
NET OPERATING RESULT ⁽²⁾	146,366	127,372	7,298	(11,696)

(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

Clarence Valley Council

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

for the year ended 30 June 2017

\$'000

Classification of debt	Principal outstanding at beginning of the year			New loans raised during the year	Debt redemption during the year		Transfers to sinking funds	Interest applicable for year	Principal outstanding at the end of the year		
	Current	Non-current	Total		From revenue	Sinking funds			Current	Non-current	Total
Loans (by source)											
Commonwealth Government	–	–	–	–	–	–	–	–	–	–	–
NSW Treasury Corporation	–	–	–	–	–	–	–	–	–	–	–
Other State Government	101	301	402	–	101	–	–	–	101	200	301
Public subscription	–	–	–	–	–	–	–	–	–	–	–
Financial institutions	5,709	123,658	129,367	–	5,709	–	–	8,461	6,093	117,565	123,658
Other	–	–	–	–	–	–	–	–	–	–	–
Total loans	5,810	123,959	129,769	–	5,810	–	–	8,461	6,194	117,765	123,959
Other long term debt											
Ratepayers advances	–	–	–	–	–	–	–	–	–	–	–
Government advances	–	–	–	–	–	–	–	–	–	–	–
Finance leases	–	–	–	–	–	–	–	–	–	–	–
Deferred payments	–	–	–	–	–	–	–	–	–	–	–
Total long term debt	–	–	–	–	–	–	–	–	–	–	–
Total debt	5,810	123,959	129,769	–	5,810	–	–	8,461	6,194	117,765	123,959

Notes: excludes (i) internal loans and (ii) principal inflows/outflows relating to loan re-financing.

This schedule is prepared using the **face value** of debt obligations, rather than **fair value** (which are reported in the GPFS).

Clarence Valley Council

Special Schedule 3 – Water Supply Income Statement

Includes all internal transactions, i.e. prepared on a gross basis
for the year ended 30 June 2017

\$'000	Actuals 2017	Actuals 2016
A Expenses and income		
Expenses		
1. Management expenses		
a. Administration	2,280	2,691
b. Engineering and supervision	1,016	930
2. Operation and maintenance expenses		
– dams and weirs		
a. Operation expenses	242	54
b. Maintenance expenses	215	222
– Mains		
c. Operation expenses	20	91
d. Maintenance expenses	1,331	1,512
– Reservoirs		
e. Operation expenses	78	93
f. Maintenance expenses	133	182
– Pumping stations		
g. Operation expenses (excluding energy costs)	20	13
h. Energy costs	102	81
i. Maintenance expenses	50	49
– Treatment		
j. Operation expenses (excluding chemical costs)	416	383
k. Chemical costs	321	346
l. Maintenance expenses	69	112
– Other		
m. Operation expenses	635	311
n. Maintenance expenses	–	–
o. Purchase of water	4	3
3. Depreciation expenses		
a. System assets	5,803	5,074
b. Plant and equipment	231	253
4. Miscellaneous expenses		
a. Interest expenses	1,839	1,892
b. Revaluation decrements	–	–
c. Other expenses	–	–
d. Impairment – system assets	–	–
e. Impairment – plant and equipment	–	–
f. Aboriginal Communities Water and Sewerage Program	288	223
g. Tax equivalents dividends (actually paid)	66	65
5. Total expenses	15,159	14,580

Clarence Valley Council

Special Schedule 3 – Water Supply Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis
for the year ended 30 June 2017

\$'000	Actuals 2017	Actuals 2016
Income		
6. Residential charges		
a. Access (including rates)	1,866	2,999
b. Usage charges	7,525	6,026
7. Non-residential charges		
a. Access (including rates)	438	666
b. Usage charges	4,841	3,487
8. Extra charges	127	83
9. Interest income	594	486
10. Other income	1,371	1,293
10a. Aboriginal Communities Water and Sewerage Program	394	252
11. Grants		
a. Grants for acquisition of assets	–	–
b. Grants for pensioner rebates	257	260
c. Other grants	–	–
12. Contributions		
a. Developer charges	703	844
b. Developer provided assets	116	134
c. Other contributions	–	–
13. Total income	18,232	16,530
14. Gain (or loss) on disposal of assets	(1,145)	(988)
15. Operating result	1,928	962
15a. Operating result (less grants for acquisition of assets)	1,928	962

Clarence Valley Council

Special Schedule 3 – Water Supply Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis
for the year ended 30 June 2017

\$'000	Actuals 2017	Actuals 2016
B Capital transactions		
Non-operating expenditures		
16. Acquisition of fixed assets		
a. New assets for improved standards	7	3
b. New assets for growth	734	354
c. Renewals	992	2,743
d. Plant and equipment	266	259
17. Repayment of debt	811	754
18. Totals	2,810	4,113
Non-operating funds employed		
19. Proceeds from disposal of assets	–	–
20. Borrowing utilised	–	–
21. Totals	–	–
C Rates and charges		
22. Number of assessments		
a. Residential (occupied)	18,687	18,384
b. Residential (unoccupied, ie. vacant lot)	893	899
c. Non-residential (occupied)	2,376	2,378
d. Non-residential (unoccupied, ie. vacant lot)	165	164
23. Number of ETs for which developer charges were received	132 ET	162 ET
24. Total amount of pensioner rebates (actual dollars)	\$ 466,762	\$ 472,060

Clarence Valley Council

Special Schedule 4 – Water Supply Statement of Financial Position

Includes internal transactions, i.e. prepared on a gross basis
as at 30 June 2017

\$'000	Actuals Current	Actuals Non-current	Actuals Total
ASSETS			
25. Cash and investments			
a. Developer charges	2,928	–	2,928
b. Special purpose grants	–	–	–
c. Accrued leave	–	–	–
d. Unexpended loans	–	–	–
e. Sinking fund	–	–	–
f. Other	13,206	7,112	20,318
26. Receivables			
a. Specific purpose grants	–	–	–
b. Rates and availability charges	112	26	138
c. User charges	3,844	–	3,844
d. Other	–	–	–
27. Inventories	–	–	–
28. Property, plant and equipment			
a. System assets	–	358,544	358,544
b. Plant and equipment	–	11,150	11,150
29. Other assets	2	3	5
30. Total assets	20,092	376,835	396,927
LIABILITIES			
31. Bank overdraft	–	–	–
32. Creditors	348	–	348
33. Borrowings	872	23,385	24,257
34. Provisions			
a. Tax equivalents	–	–	–
b. Dividend	–	–	–
c. Other	11	–	11
35. Total liabilities	1,231	23,385	24,616
36. NET ASSETS COMMITTED	18,861	353,450	372,311
EQUITY			
37. Accumulated surplus			221,209
38. Asset revaluation reserve			151,102
39. Other reserves			–
40. TOTAL EQUITY			372,311
Note to system assets:			
41. Current replacement cost of system assets			481,104
42. Accumulated current cost depreciation of system assets			(122,560)
43. Written down current cost of system assets			358,544

Clarence Valley Council

Special Schedule 5 – Sewerage Service Income Statement

Includes all internal transactions, i.e. prepared on a gross basis
for the year ended 30 June 2017

\$'000	Actuals 2017	Actuals 2016
A Expenses and income		
Expenses		
1. Management expenses		
a. Administration	1,505	1,507
b. Engineering and supervision	843	875
2. Operation and maintenance expenses		
– mains		
a. Operation expenses	66	33
b. Maintenance expenses	382	412
– Pumping stations		
c. Operation expenses (excluding energy costs)	166	157
d. Energy costs	266	269
e. Maintenance expenses	484	477
– Treatment		
f. Operation expenses (excl. chemical, energy, effluent and biosolids management costs)	854	940
g. Chemical costs	606	573
h. Energy costs	365	348
i. Effluent management	177	169
j. Biosolids management	218	203
k. Maintenance expenses	755	775
– Other		
l. Operation expenses	293	313
m. Maintenance expenses	–	–
3. Depreciation expenses		
a. System assets	7,900	4,151
b. Plant and equipment	104	178
4. Miscellaneous expenses		
a. Interest expenses	4,925	5,113
b. Revaluation decrements	–	–
c. Other expenses (Rehabilitation of new depot site)	5,824	–
d. Impairment – system assets	–	–
e. Impairment – plant and equipment	–	–
f. Aboriginal Communities Water and Sewerage Program	286	274
g. Tax equivalents dividends (actually paid)	47	47
5. Total expenses	26,066	16,814

Clarence Valley Council

Special Schedule 5 – Sewerage Service Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis
for the year ended 30 June 2017

\$'000	Actuals 2017	Actuals 2016
Income		
6. Residential charges (including rates)	15,210	14,923
7. Non-residential charges		
a. Access (including rates)	1,197	1,172
b. Usage charges	2,062	1,830
8. Trade waste charges		
a. Annual fees	155	149
b. Usage charges	55	53
c. Excess mass charges	–	–
d. Re-inspection fees	–	–
9. Extra charges	67	57
10. Interest income	254	420
11. Other income	182	211
11a. Aboriginal Communities Water and Sewerage Program	394	252
12. Grants		
a. Grants for acquisition of assets	–	1,113
b. Grants for pensioner rebates	187	189
c. Other grants	–	–
13. Contributions		
a. Developer charges	724	831
b. Developer provided assets	98	376
c. Other contributions	–	–
14. Total income	20,585	21,576
15. Gain (or loss) on disposal of assets	(2,396)	(28)
16. Operating result	(7,877)	4,734
16a. Operating result (less grants for acquisition of assets)	(7,877)	3,621

Clarence Valley Council

Special Schedule 5 – Sewerage Service Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis
for the year ended 30 June 2017

\$'000	Actuals 2017	Actuals 2016
B Capital transactions		
Non-operating expenditures		
17. Acquisition of fixed assets		
a. New assets for improved standards	784	13,572
b. New assets for growth	170	535
c. Renewals	471	815
d. Plant and equipment	21	179
18. Repayment of debt	2,856	2,673
19. Totals	4,302	17,774
Non-operating funds employed		
20. Proceeds from disposal of assets	–	–
21. Borrowing utilised	–	–
22. Totals	–	–
C Rates and charges		
23. Number of assessments		
a. Residential (occupied)	13,986	13,877
b. Residential (unoccupied, ie. vacant lot)	696	697
c. Non-residential (occupied)	1,006	994
d. Non-residential (unoccupied, ie. vacant lot)	117	126
24. Number of ETs for which developer charges were received	104 ET	107 ET
25. Total amount of pensioner rebates (actual dollars)	\$ 339,775	\$ 342,658

Clarence Valley Council

Special Schedule 6 – Sewerage Service Statement of Financial Position

Includes internal transactions, i.e. prepared on a gross basis
as at 30 June 2017

\$'000	Actuals Current	Actuals Non-current	Actuals Total
ASSETS			
26. Cash and investments			
a. Developer charges	4,004	–	4,004
b. Special purpose grants	–	–	–
c. Accrued leave	–	–	–
d. Unexpended loans	–	–	–
e. Sinking fund	–	–	–
f. Other	2,097	1,399	3,496
27. Receivables			
a. Specific purpose grants	–	–	–
b. Rates and availability charges	654	152	806
c. User charges	591	–	591
d. Other	433	–	433
28. Inventories	–	–	–
29. Property, plant and equipment			
a. System assets	–	259,520	259,520
b. Plant and equipment	–	9,032	9,032
30. Other assets	2	–	2
31. Total assets	7,781	270,103	277,884
LIABILITIES			
32. Bank overdraft	–	–	–
33. Creditors	507	–	507
34. Borrowings	3,050	71,524	74,574
35. Provisions			
a. Tax equivalents	–	–	–
b. Dividend	–	–	–
c. Other	–	–	–
36. Total liabilities	3,557	71,524	75,081
37. NET ASSETS COMMITTED	4,224	198,579	202,803
EQUITY			
38. Accumulated surplus			117,943
39. Asset revaluation reserve			84,860
40. Other reserves			–
41. TOTAL EQUITY			202,803
Note to system assets:			
42. Current replacement cost of system assets			351,429
43. Accumulated current cost depreciation of system assets			(91,909)
44. Written down current cost of system assets			259,520

Clarence Valley Council

Notes to Special Schedules 3 and 5 for the year ended 30 June 2017

Administration ⁽¹⁾

(item 1a of Special Schedules 3 and 5) comprises the following:

- Administration staff:
 - Salaries and allowance
 - Travelling expenses
 - Accrual of leave entitlements
 - Employment overheads.
- Meter reading
- Bad and doubtful debts
- Other administrative/corporate support services

Engineering and supervision ⁽¹⁾

(item 1b of Special Schedules 3 and 5) comprises the following:

- Engineering staff:
 - Salaries and allowance
 - Travelling expenses
 - Accrual of leave entitlements
 - Employment overheads.
- Other technical and supervision staff:
 - Salaries and allowance
 - Travelling expenses
 - Accrual of leave entitlements
 - Employment overheads.

Operational expenses (item 2 of Special Schedules 3 and 5) comprise the day to day operational expenses excluding maintenance expenses.

Maintenance expenses (item 2 of Special Schedules 3 and 5) comprise the day to day repair and maintenance expenses. (Refer to Section 5 of the Local Government Asset Accounting Manual regarding capitalisation principles and the distinction between capital and maintenance expenditure).

Other expenses (item 4c of Special Schedules 3 and 5) includes all expenses not recorded elsewhere.

Revaluation decrements (item 4b of Special Schedules 3 and 5) is to be used when I,PP&E decreases in FV.

Impairment losses (item 4d and 4e of Special Schedules 3 and 5) are to be used when the carrying amount of an asset exceeds its recoverable amount (refer to page D-31).

Aboriginal Communities Water and Sewerage Program (item 4f of Special Schedules 3 and 5) is to be used when operation and maintenance work has been undertaken on behalf of the Aboriginal Communities Water and Sewerage Program. Similarly, income for item 11a of Special Schedule 3 and item 12a of Special Schedule 5 are for services provided to the Aboriginal Communities Water and Sewerage Program and is not part of Council's water supply and sewerage revenue.

Residential charges ⁽²⁾ (items 6a, 6b and item 6 of Special Schedules 3 and 5 respectively) include all income from residential charges. Item 6 of Schedule 3 should be separated into 6a access charges (including rates if applicable) and 6b usage charges.

Non-residential charges ⁽²⁾ (items 7a, 7b of Special Schedules 3 and 5) include all income from non-residential charges separated into 7a access charges (including rates if applicable) and 7b usage charges.

Trade waste charges (item 8 of Special Schedule 5) include all income from trade waste charges separated into 8a annual fees, 8b usage charges and 8c excess mass charges and 8d re-inspection fees.

Other income (items 10 and 11 of Special Schedules 3 and 5 respectively) include all income not recorded elsewhere.

Other contributions (items 12c and 13c of Special Schedules 3 and 5 respectively) including capital contributions for water supply or sewerage services received by Council under Section 565 of the *Local Government Act*.

Notes:

⁽¹⁾ Administration and engineering costs for the development of capital works projects should be reported as part of the capital cost of the project and not as part of the recurrent expenditure (ie. in item 16 for water supply and item 17 for sewerage, and **not** in items 1a and 1b).

⁽²⁾ To enable accurate reporting of **residential revenue from usage charges**, it is essential for councils to accurately separate their residential (item 6) charges and non-residential (item 7) charges.

Clarence Valley Council

Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2017

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2016/17 Required maintenance ^a	2016/17 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Buildings	Council Offices / Administration Centres	–	–	110	108	14,212	17,418	21%	44%	35%	0%	0%
	Council Works Depot	253	253	35	74	7,197	9,489	33%	36%	28%	3%	0%
	Council Public Halls	23	23	79	79	9,528	12,868	27%	49%	24%	0%	0%
	Libraries	–	–	50	49	9,181	9,628	85%	14%	1%	0%	0%
	Council Houses	179	179	20	34	2,367	3,176	37%	47%	14%	1%	1%
	Museums	–	–	25	7	2,691	3,256	18%	75%	6%	0%	0%
	Childcare / Community Health	–	–	60	52	9,627	11,659	33%	52%	15%	0%	0%
	Art Gallery	–	–	30	19	2,628	3,351	8%	82%	10%	0%	0%
	Public Toilets	30	30	32	58	4,922	5,729	38%	51%	10%	1%	0%
	Parks & Reserves Buildings	–	–	54	37	812	945	5%	90%	5%	0%	0%
	Sports Buildings	198	198	110	75	29,899	34,694	48%	40%	12%	1%	0%
	Swimming Pool Buildings	92	92	80	57	4,730	5,836	6%	79%	13%	2%	0%
	Holiday Parks Buildings	57	57	185	56	8,424	11,361	25%	54%	22%	1%	0%
	Saleyard Buildings	–	–	7	1	272	310	58%	31%	11%	0%	0%
	Waste Facilities	–	–	10	5	9,200	9,844	70%	28%	2%	0%	0%
	Water & Sewer Buildings	248	248	10	26	5,263	5,955	68%	13%	16%	3%	0%
	Emergency Services	223	223	20	41	9,647	11,280	49%	34%	15%	2%	0%
	Other	–	–	15	26	5,034	6,171	27%	71%	2%	0%	0%
Sub-total		1,303	1,303	932	804	135,634	162,970	39.8%	43.9%	15.5%	0.8%	0.0%

Clarence Valley Council

Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2017 (continued)

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2016/17 Required maintenance ^a	2016/17 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Other structures	Other structures	60	60	5	27	2,940	3,845	17%	46%	32%	5%	0%
	Airports	379	379	230	74	3,018	5,183	37%	1%	54%	7%	0%
	Saleyards	–	–	61	51	2,162	3,378	22%	63%	16%	0%	0%
	Cemeteries	12	12	6	4	1,063	1,679	28%	66%	5%	1%	0%
	Tips	–	–	5	8	3,032	4,365	39%	57%	4%	0%	0%
	Sub-total		451	451	307	164	12,215	18,450	29.7%	41.1%	26.0%	3.2%
Roads	Sealed roads	30,676	30,676	6,743	4,204	591,932	683,076	22%	43%	27%	6%	1%
	Unsealed roads	3,100	3,100	5,932	2,688	54,840	91,346	1%	21%	75%	3%	0%
	Bridges	2,794	2,794	757	481	105,242	146,675	10%	13%	76%	2%	0%
	Footpaths & Cycleways	941	941	269	168	21,232	30,246	23%	25%	49%	3%	0%
	Road Furniture	32	32	578	437	17,186	20,295	25%	70%	5%	0%	0%
	Water Transport Facilities	427	427	98	51	4,391	5,630	34%	34%	25%	8%	0%
	Carparks	–	–	50	52	2,548	2,780	63%	37%	0%	0%	0%
	Bus Shelters	–	–	17	11	621	860	29%	60%	11%	0%	0%
	Sub-total		37,970	37,970	14,444	8,092	797,992	980,908	18.6%	36.6%	39.2%	5.1%

Clarence Valley Council

Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2017 (continued)

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2016/17 Required maintenance ^a	2016/17 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Water supply network	Dams / Weirs	261	261	246	188	72,808	97,717	100%	0%	0%	0%	0%
	Mains	8,234	8,234	1,733	1,331	249,317	334,647	36%	58%	4%	2%	0%
	Reservoirs & Treatment	4,715	4,715	253	202	31,181	41,849	8%	54%	27%	11%	0%
	Pumping Station/s	358	358	44	50	4,833	6,486	58%	22%	16%	4%	0%
	Sub-total	13,568	13,568	2,276	1,771	358,139	480,699	46.8%	45.4%	5.1%	2.7%	0.0%
Sewerage network	Mains	384	384	723	510	138,501	187,896	42%	47%	11%	0%	0%
	Pumping Station/s	2,503	2,503	592	618	43,176	58,541	55%	31%	9%	5%	0%
	Treatment	656	656	680	755	76,290	103,439	69%	19%	12%	1%	0%
	Sub-total	3,543	3,543	1,995	1,883	257,967	349,876	52.4%	35.7%	10.9%	1.0%	0.0%

Clarence Valley Council

Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2017 (continued)

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2016/17 Required maintenance ^a	2016/17 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Stormwater drainage	Stormwater drainage	13,740	13,740	1,899	953	150,994	209,990	9%	60%	24%	7%	0%
	Sub-total	13,740	13,740	1,899	953	150,994	209,990	8.9%	60.1%	24.4%	6.6%	0.0%
Open space/recreational assets	Swimming pools	1,066	1,066	160	159	5,025	9,429	19%	30%	40%	9%	2%
	Holiday Parks	30	30	170	197	4,295	5,564	60%	39%	1%	0%	1%
	Parks	425	425	700	928	8,462	11,931	49%	39%	8%	3%	1%
	Reserves	140	140	300	684	6,412	9,086	58%	32%	8%	2%	0%
	Sports Facilities	1,311	1,311	472	697	13,478	20,016	40%	38%	16%	5%	1%
	Sub-total	2,972	2,972	1,802	2,665	37,672	56,026	43.5%	36.1%	15.5%	3.9%	1.0%
Other infrastructure assets	Floodplain	304	304	811	544	149,543	177,170	2%	66%	31%	0%	0%
	Sub-total	304	304	811	544	149,543	177,170	2.4%	66.4%	31.1%	0.1%	0.0%
	TOTAL – ALL ASSETS	73,851	73,851	24,466	16,876	1,900,156	2,436,089	29.1%	42.9%	24.3%	3.5%	0.2%

Notes:

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

Infrastructure asset condition assessment 'key'

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

Clarence Valley Council

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

\$ '000	Amounts	Indicator	Benchmark	Prior periods	
	2017	2017		2016	2015
Infrastructure asset performance indicators * consolidated					
1. Infrastructure renewals ratio					
Asset renewals ⁽¹⁾	<u>10,175</u>	25.61%	>= 100%	30.51%	30.92%
Depreciation, amortisation and impairment	<u>39,724</u>				
2. Infrastructure backlog ratio					
Estimated cost to bring assets to a satisfactory standard	<u>73,851</u>	4.31%	< 2%	3.86%	3.77%
Net carrying amount of infrastructure assets	<u>1,714,246</u>				
3. Asset maintenance ratio					
Actual asset maintenance	<u>16,876</u>	0.69	> 1.00	0.65	0.76
Required asset maintenance	<u>24,466</u>				
4. Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	<u>73,851</u>	3.03%		2.90%	
Gross replacement cost	<u>2,436,089</u>				

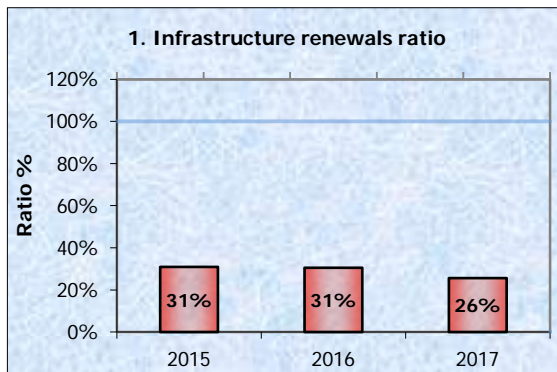
Notes

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

(1) Asset renewals represent the replacement and/or refurbishment of existing assets to an equivalent capacity/performance as opposed to the acquisition of new assets (or the refurbishment of old assets) that increases capacity/performance.

Clarence Valley Council

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



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.

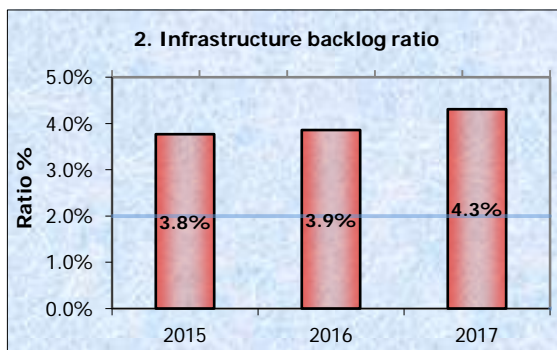
Commentary on 2016/17 result

2016/17 Ratio 25.61%

The reduction from 2015/16 is attributed to increased depreciation, in particular Sewer, as a result of a full revaluation in 2016/17. A key initiative of Council's adopted Strategic Organisation Action Plan is to develop strategies and actions to improve the long term management of Council's infrastructure assets. As actions are implemented the ratio should trend towards benchmark.

Benchmark: ——— Minimum $\geq 100.00\%$
Source for benchmark: Code of Accounting Practice and Financial Reporting #25

Ratio achieves benchmark
 Ratio is outside benchmark



Purpose of infrastructure backlog ratio

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

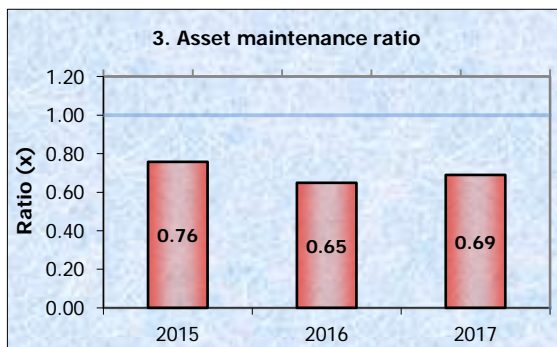
Commentary on 2016/17 result

2016/17 Ratio 4.31%

A key initiative of Council's adopted Strategic Organisation Action Plan is to develop strategies and actions to improve the long term management of Council's infrastructure assets. As actions are implemented the backlog ratio should trend towards benchmark.

Benchmark: ——— Maximum $< 2.00\%$
Source for benchmark: Code of Accounting Practice and Financial Reporting #25

Ratio achieves benchmark
 Ratio is outside benchmark



Purpose of asset maintenance ratio

Compares actual vs. required annual asset maintenance. A ratio above 1.0 indicates Council is investing enough funds to stop the infrastructure backlog growing.

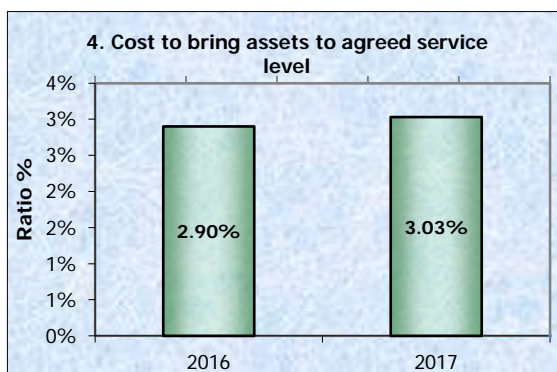
Commentary on 2016/17 result

2016/17 Ratio 0.69 x

A key initiative of Council's adopted Strategic Organisation Action Plan is to develop strategies and actions to improve the long term management of Council's infrastructure assets. Council continues to focus on increasing its expenditure on maintaining its assets in order to improve the Asset Maintenance Ratio.

Benchmark: ——— Minimum > 1.00
Source for benchmark: Code of Accounting Practice and Financial Reporting #25

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 2016/17 result

2016/17 Ratio 3.03%

A key initiative of Council's adopted Strategic Organisation Action Plan is to develop strategies and actions to improve the long term management of Council's infrastructure assets. There is no industry benchmark.

Clarence Valley Council

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

\$ '000	Benchmark	Water 2017	Sewer 2017	General ⁽¹⁾ 2017
Infrastructure asset performance indicators by fund				
1. Infrastructure renewals ratio				
Asset renewals ⁽²⁾		16.91%	4.42%	33.99%
Depreciation, amortisation and impairment	>= 100%			
	prior period:	52.46%	18.49%	27.78%
2. Infrastructure backlog ratio				
Estimated cost to bring assets to a satisfactory standard		3.76%	1.35%	5.20%
Net carrying amount of infrastructure assets	< 2%			
	prior period:	1.24%	0.98%	5.68%
3. Asset maintenance ratio				
Actual asset maintenance		0.78	0.94	0.65
Required asset maintenance	> 1.00			
	prior period:	0.91	0.83	0.60
4. Cost to bring assets to agreed service level				
Estimated cost to bring assets to an agreed service level set by Council		2.80%	1.00%	3.55%
Gross replacement cost				
	prior period:	1.08%	0.86%	3.90%

Notes

- (1) General fund refers to all of Council's activities except for its water and sewer activities which are listed separately.
- (2) Asset renewals represent the replacement and/or refurbishment of existing assets to an equivalent capacity/performance as opposed to the acquisition of new assets (or the refurbishment of old assets) that increases capacity/performance.

Clarence Valley Council

Special Schedule 8 – Permissible Income Calculation

for the year ended 30 June 2018

\$'000		Calculation 2016/17	Calculation 2017/18
Notional general income calculation ⁽¹⁾			
Last year notional general income yield	a	27,416	29,246
Plus or minus adjustments ⁽²⁾	b	41	244
Notional general income	c = (a + b)	27,457	29,490
Permissible income calculation			
Special variation percentage ⁽³⁾	d	6.50%	0.00%
Or rate peg percentage	e	1.80%	1.50%
Or crown land adjustment (incl. rate peg percentage)	f	0.00%	0.00%
Less expiring special variation amount	g	–	(1,290)
Plus special variation amount	h = d x (c – g)	1,785	–
Or plus rate peg amount	i = c x e	–	423
Or plus Crown land adjustment and rate peg amount	j = c x f	–	–
Sub-total	k = (c + g + h + i + j)	29,242	28,623
Plus (or minus) last year's carry forward total	l	4	(0)
Less valuation objections claimed in the previous year	m	–	–
Sub-total	n = (l + m)	4	(0)
Total permissible income	o = k + n	29,246	28,623
Less notional general income yield	p	29,246	28,622
Catch-up or (excess) result	q = o – p	(0)	1
Plus income lost due to valuation objections claimed ⁽⁴⁾	r	–	–
Less unused catch-up ⁽⁵⁾	s	–	–
Carry forward to next year	t = q + r – s	(0)	1

Notes

- (1) The notional general income will not reconcile with rate income in the financial statements in the corresponding year. The statements are reported on an accrual accounting basis which include amounts that relate to prior years' rates income.
- (2) Adjustments account for changes in the number of assessments and any increase or decrease in land value occurring during the year. The adjustments are called 'supplementary valuations' as defined in the *Valuation of Land Act 1916*.
- (3) The 'special variation percentage' is inclusive of the rate peg percentage and where applicable Crown land adjustment.
- (4) Valuation objections are unexpected changes in land values as a result of land owners successfully objecting to the land value issued by the Valuer-General. Councils can claim the value of the income lost due to valuation objections in any single year.
- (5) Unused catch-up amounts will be deducted if they are not caught up within 2 years. Usually councils will have a nominal carry forward figure. These amounts can be adjusted for in setting the rates in a future year.
- (6) Carry forward amounts which are in excess (an amount that exceeds the permissible income) require ministerial approval by order published in the *NSW Government Gazette* in accordance with section 512 of the *Local Government Act 1993*. The OLG will extract these amounts from Council's Special Schedule 8 in the financial data return (FDR) to administer this process.



INDEPENDENT AUDITOR'S REPORT

Special Schedule No. 8

Clarence Valley Council

To the Councillors of Clarence Valley Council

Opinion

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

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

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

Basis for Opinion

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

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

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

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

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

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

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

Emphasis of Matter - Basis of Accounting

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

Councillors' Responsibility for Special Schedule No. 8

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

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

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

My objectives are to:

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

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

A description of my responsibilities for the audit of Special Schedule No.8 is located at the Auditing and Assurance Standards Board website at http://www.auasb.gov.au/auditors_responsibilities/ar8.pdf.

The description forms part of my auditor's report.

My opinion does not provide assurance:

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



Reiky Jiang
Director, Financial Audit Services

6 November 2017
SYDNEY