

# Clarence Valley Council

GENERAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2018

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*"Discover the Clarence"*

# Clarence Valley Council

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

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### Overview

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

2 Prince Street  
GRAFTON NSW 2460

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

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

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

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

## Clarence Valley Council

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

### Statement by Councillors and Management

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

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

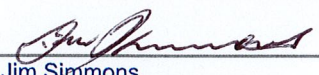
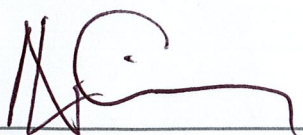
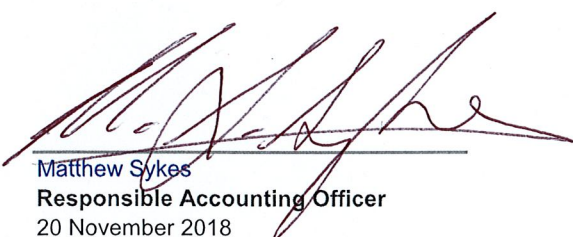
- the *Local Government Act 1993 (NSW)* (as amended) and the regulations made thereunder,
- the Australian Accounting Standards and other pronouncements of the Australian Accounting Standards Board
- the Local Government Code of Accounting Practice and Financial Reporting.

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

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

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

**Signed in accordance with a resolution of Council made on 20 November 2018.**

  
\_\_\_\_\_  
Jim Simmons  
Mayor  
20 November 2018  
\_\_\_\_\_  
Jason Kingseley  
Councillor  
20 November 2018  
\_\_\_\_\_  
Ashley Lindsay  
General Manager  
20 November 2018  
\_\_\_\_\_  
Matthew Sykes  
Responsible Accounting Officer  
20 November 2018

# Clarence Valley Council

## Income Statement

for the year ended 30 June 2018

Original unaudited budget 2018	\$ '000	Notes	Actual 2018	Actual 2017
<b>Income from continuing operations</b>				
<b>Revenue:</b>				
53,993	Rates and annual charges	3a	54,223	54,259
35,799	User charges and fees	3b	34,874	33,644
2,267	Interest and investment revenue	3c	3,194	3,127
2,204	Other revenues	3d	2,638	2,145
23,184	Grants and contributions provided for operating purposes	3e,f	29,230	34,197
5,651	Grants and contributions provided for capital purposes	3e,f	16,855	7,298
<b>123,098</b>	<b>Total income from continuing operations</b>		<b>141,014</b>	<b>134,670</b>
<b>Expenses from continuing operations</b>				
38,646	Employee benefits and on-costs	4a	38,561	39,437
8,217	Borrowing costs	4b	8,325	8,632
23,189	Materials and contracts	4c	30,849	29,326
35,463	Depreciation and amortisation	4d	40,990	41,949
13,030	Other expenses	4e	12,858	12,836
–	Net losses from the disposal of assets	5	4,106	13,809
–	Revaluation decrement / impairment of IPP&E	4d	–	340
–	Net share of interests in joint ventures and associates using the equity method	16	37	37
<b>118,545</b>	<b>Total expenses from continuing operations</b>		<b>135,726</b>	<b>146,366</b>
<b>4,553</b>	<b>Operating result from continuing operations</b>		<b>5,288</b>	<b>(11,696)</b>
<b>4,553</b>	<b>Net operating result for the year</b>		<b>5,288</b>	<b>(11,696)</b>
4,553	Net operating result attributable to Council		5,288	(11,696)
<b>Net operating result for the year before grants and contributions provided for capital purposes</b>				
<b>(1,098)</b>			<b>(11,567)</b>	<b>(18,994)</b>

## Clarence Valley Council

Statement of Comprehensive Income  
for the year ended 30 June 2018

\$ '000	Notes	2018	2017
<b>Net operating result for the year</b> (as per Income Statement)		<b>5,288</b>	<b>(11,696)</b>
<b>Other comprehensive income:</b>			
Amounts that will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of IPP&E	10	(19,338)	(43,677)
Impairment (loss) reversal relating to IPP&E	10	1,560	(1,750)
Other comprehensive income – joint ventures and associates	16	34	–
<b>Total items which will not be reclassified subsequently to the operating result</b>		<b>(17,744)</b>	<b>(45,427)</b>
Amounts that will be reclassified subsequently to the operating result when specific conditions are met			
Nil			
<b>Total other comprehensive income for the year</b>		<b>(17,744)</b>	<b>(45,427)</b>
<b>Total comprehensive income for the year</b>		<b>(12,456)</b>	<b>(57,123)</b>
Total comprehensive income attributable to Council		(12,456)	(57,123)

## Clarence Valley Council

Statement of Financial Position  
as at 30 June 2018

\$ '000	Notes	2018	2017
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	6a	16,756	12,770
Investments	6b	35,000	61,000
Receivables	7	18,606	15,555
Inventories	8	1,372	1,276
Other	8	263	320
Non-current assets classified as 'held for sale'	9	1,073	–
<b>Total current assets</b>		<b>73,070</b>	<b>90,921</b>
<b>Non-current assets</b>			
Investments	6b	60,006	28,015
Receivables	7	761	765
Inventories	8	156	156
Infrastructure, property, plant and equipment	10	1,978,745	2,009,896
Intangible assets	11	238	319
Investments accounted for using the equity method	16	39	42
<b>Total non-current assets</b>		<b>2,039,945</b>	<b>2,039,193</b>
<b>TOTAL ASSETS</b>		<b>2,113,015</b>	<b>2,130,114</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	12	11,571	11,427
Income received in advance	12	1,831	1,604
Borrowings	12	6,590	6,194
Provisions	13	11,792	12,088
<b>Total current liabilities</b>		<b>31,784</b>	<b>31,313</b>
<b>Non-current liabilities</b>			
Borrowings	12	111,169	117,745
Provisions	13	8,620	7,158
<b>Total non-current liabilities</b>		<b>119,789</b>	<b>124,903</b>
<b>TOTAL LIABILITIES</b>		<b>151,573</b>	<b>156,216</b>
<b>Net assets</b>		<b>1,961,442</b>	<b>1,973,898</b>
<b>EQUITY</b>			
Accumulated surplus		840,198	834,876
Revaluation reserves		1,121,244	1,139,022
<b>Total equity</b>		<b>1,961,442</b>	<b>1,973,898</b>

## Clarence Valley Council

## Statement of Changes in Equity

for the year ended 30 June 2018

\$ '000	Notes	2018	IPP&E	Total equity	2017	IPP&E	Total equity
		Accumulated surplus	revaluation reserve		Accumulated surplus	revaluation reserve	
<b>Opening balance</b>		834,876	1,139,022	<b>1,973,898</b>	846,572	1,184,449	<b>2,031,021</b>
<b>Restated opening balance</b>		<b>834,876</b>	<b>1,139,022</b>	<b>1,973,898</b>	<b>846,572</b>	<b>1,184,449</b>	<b>2,031,021</b>
Net operating result for the year prior to correction of errors and changes in accounting policies		<b>5,288</b>	–	<b>5,288</b>	(11,696)	–	<b>(11,696)</b>
Correction of prior period errors	14 (b)			–	–	–	–
<b>Net operating result for the year</b>		<b>5,288</b>	–	<b>5,288</b>	<b>(11,696)</b>	–	<b>(11,696)</b>
<b>Other comprehensive income</b>							
– Gain (loss) on revaluation of IPP&E	10	–	(19,338)	<b>(19,338)</b>	–	(43,677)	<b>(43,677)</b>
– Impairment (loss) reversal relating to IPP&E	10	–	1,560	<b>1,560</b>	–	(1,750)	<b>(1,750)</b>
– Joint ventures and associates	16	34	–	<b>34</b>	–	–	–
<b>Other comprehensive income</b>		<b>34</b>	<b>(17,778)</b>	<b>(17,744)</b>	–	<b>(45,427)</b>	<b>(45,427)</b>
<b>Total comprehensive income</b>		<b>5,322</b>	<b>(17,778)</b>	<b>(12,456)</b>	<b>(11,696)</b>	<b>(45,427)</b>	<b>(57,123)</b>
<b>Equity – balance at end of the reporting period</b>		<b>840,198</b>	<b>1,121,244</b>	<b>1,961,442</b>	<b>834,876</b>	<b>1,139,022</b>	<b>1,973,898</b>

## Clarence Valley Council

Statement of Cash Flows  
for the year ended 30 June 2018

Original unaudited budget 2018	\$ '000	Notes	Actual 2018	Actual 2017
<b>Cash flows from operating activities</b>				
<u>Receipts:</u>				
54,000	Rates and annual charges		54,312	54,027
34,962	User charges and fees		36,494	34,831
2,304	Investment and interest revenue received		3,157	2,857
30,492	Grants and contributions		41,340	40,767
–	Bonds, deposits and retention amounts received		1	–
1,632	Other		5,347	5,978
<u>Payments:</u>				
(42,355)	Employee benefits and on-costs		(38,986)	(39,521)
(24,438)	Materials and contracts		(33,913)	(31,579)
(8,153)	Borrowing costs		(8,108)	(9,781)
–	Bonds, deposits and retention amounts refunded		–	(6)
(13,029)	Other		(11,535)	(13,316)
<b>35,415</b>	<b>Net cash provided (or used in) operating activities</b>	15b	<b>48,109</b>	<b>44,257</b>
<b>Cash flows from investing activities</b>				
<u>Receipts:</u>				
1,671	Sale of investment securities		66,010	69,006
–	Sale of real estate assets		76	385
5,389	Sale of infrastructure, property, plant and equipment		4,873	4,291
38	Deferred debtors receipts		37	–
<u>Payments:</u>				
–	Purchase of investment securities		(71,998)	(83,997)
(30,504)	Purchase of infrastructure, property, plant and equipment		(36,927)	(26,423)
–	Deferred debtors and advances made		–	(112)
–	Contributions paid to joint ventures and associates		–	(32)
<b>(23,406)</b>	<b>Net cash provided (or used in) investing activities</b>		<b>(37,929)</b>	<b>(36,882)</b>
<b>Cash flows from financing activities</b>				
<u>Receipts:</u>				
Nil				
<u>Payments:</u>				
(6,194)	Repayment of borrowings and advances		(6,194)	(5,810)
<b>(6,194)</b>	<b>Net cash flow provided (used in) financing activities</b>		<b>(6,194)</b>	<b>(5,810)</b>
<b>5,815</b>	<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>3,986</b>	<b>1,565</b>
9,300	Plus: cash and cash equivalents – beginning of year	15a	12,770	11,205
<b>15,115</b>	<b>Cash and cash equivalents – end of the year</b>	15a	<b>16,756</b>	<b>12,770</b>
Additional Information:				
plus:	<b>Investments on hand – end of year</b>	6b	95,006	89,015
<b>Total cash, cash equivalents and investments</b>			<b>111,762</b>	<b>101,785</b>

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

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# Clarence Valley Council

## Notes to the Financial Statements

for the year ended 30 June 2018

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## Clarence Valley Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 1. Basis of preparation

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These financial statements were authorised for issue by Council on 20/11/2018.

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

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

##### **Basis of preparation**

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

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

Full dollars have been used in Note 22 Related party disclosures in relation to the disclosure of specific related party transactions.

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

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

- Income statement
- Statement of cash flows
- Note 20 – Material budget variations

and are clearly marked .

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

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

##### **(b) Historical cost convention**

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

##### **(c) Significant accounting estimates and judgements**

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

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

##### **Critical accounting estimates and assumptions**

Council makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk

## Clarence Valley Council

### Notes to the Financial Statements

for the year ended 30 June 2018

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

of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year include:

- (i) estimated fair values of infrastructure, property, plant and equipment – refer Note 10,
- (ii) estimated tip remediation provisions – refer Note 13,
- (iii) employee benefit provisions – refer Note 13.

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

- (iv) Impairment of receivables

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

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

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

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

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

- General purpose operations
- Water Supply
- Sewerage Services
- Clarence Care & Support
- Clarence Regional Library
- Clarence Coast Reserve Trust

##### **(b) The Trust Fund**

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

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

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

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

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

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

## Clarence Valley Council

### Notes to the Financial Statements

for the year ended 30 June 2018

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

##### **New accounting standards and interpretations issued not yet effective**

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

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

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

- *AASB 9 Financial Instruments*

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

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

Council expects a small increase to impairment losses however the standard is not expected to have a material impact overall.

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

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

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

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

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

- *AASB 16 Leases*

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

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

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

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

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

## Clarence Valley Council

## Notes to the Financial Statements

for the year ended 30 June 2018

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

Functions/activities	Income, expenses and assets have been directly attributed to the following functions/activities. Details of these functions/activities are provided in Note 2(b).									
	Income from continuing operations		Expenses from continuing operations		Operating result from continuing operations		Grants included in income from continuing operations		Total assets held (current and non-current)	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Our Leadership	1,711	1,848	18,179	24,750	(16,468)	(22,902)	23	20	177,253	249,808
Our Infrastructure	58,163	52,890	74,025	77,751	(15,862)	(24,861)	8,592	7,179	1,735,687	1,837,866
Our Society	17,243	14,568	23,283	24,300	(6,040)	(9,732)	11,452	8,584	141,548	37,602
Our Environment	13,967	13,368	13,923	13,195	44	173	618	837	19,391	2,578
Our Economy	9,877	6,616	6,279	6,333	3,598	283	168	126	28,533	2,218
Share of losses in JV (using the equity method)	–	–	37	37	(37)	(37)	–	–	38	42
General purpose income <sup>1</sup>	40,053	45,380	–	–	40,053	45,380	11,505	16,104	10,565	–
<b>Total functions and activities</b>	<b>141,014</b>	<b>134,670</b>	<b>135,726</b>	<b>146,366</b>	<b>5,288</b>	<b>(11,696)</b>	<b>32,358</b>	<b>32,850</b>	<b>2,113,015</b>	<b>2,130,114</b>

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 2018

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

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

##### **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 2018

### Note 3. Income from continuing operations

\$ '000	2018	2017
<b>(a) Rates and annual charges</b>		
<b>Ordinary rates</b>		
Residential	21,832	22,292
Farmland	2,923	2,983
Business	3,520	3,627
Less: pensioner rebates (mandatory)	(1,116)	(1,159)
<b>Total ordinary rates</b>	<b>27,159</b>	<b>27,743</b>
<b>Annual charges</b> (pursuant to s.496, s.496A, s.496B, s.501 & s.611)		
Domestic waste management services	6,393	6,321
Water supply services	2,775	2,697
Sewerage services	17,240	16,780
Waste management services (non-domestic)	1,795	1,890
Less: pensioner rebates (mandatory)	(1,139)	(1,172)
<b>Total annual charges</b>	<b>27,064</b>	<b>26,516</b>
<b>TOTAL RATES AND ANNUAL CHARGES</b>	<b>54,223</b>	<b>54,259</b>

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

#### Accounting policy for rates and annual charges

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

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

<b>(b) User charges and fees</b>	<b>2018</b>	<b>2017</b>
<b>Specific user charges</b> (per s.502 – specific 'actual use' charges)		
Water supply services	11,979	11,709
Sewerage services	1,781	1,722
On-site septic management services	296	274
<b>Total specific user charges</b>	<b>14,056</b>	<b>13,705</b>
<b>Other user charges and fees</b>		
<b>(i) Fees and charges – statutory and regulatory functions (per s.608)</b>		
Private works – section 67	238	338
Regulatory/ statutory fees	1,733	1,814
Section 149 certificates (EPA Act)	145	146
Section 603 certificates	135	133
<b>Total fees and charges – statutory/regulatory</b>	<b>2,251</b>	<b>2,431</b>

# Clarence Valley Council

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

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

\$ '000	2018	2017
<b>(b) User charges and fees (continued)</b>		
<b>(ii) Fees and charges – other (incl. general user charges (per s.608))</b>		
Aerodrome	198	129
Art gallery	103	62
Caravan park	5,878	5,493
Cemeteries	595	564
Community centres	39	180
Community services	589	744
Leaseback fees – Council vehicles	355	402
Other sewer fees	448	557
Other water fees	353	497
Other waste management	270	260
Regional landfill	4,474	3,780
Quarry revenues	333	329
RMS (formerly RTA) charges (state roads not controlled by Council)	3,715	2,897
Saleyards	259	335
Swimming centres	318	330
Water tapping fees	262	356
Other	378	593
<b>Total fees and charges – other</b>	<b>18,567</b>	<b>17,508</b>
<b>TOTAL USER CHARGES AND FEES</b>	<b>34,874</b>	<b>33,644</b>

#### Accounting policy for user charges and fees

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



# Clarence Valley Council

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

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

\$ '000	2018	2017
<b>(c) Interest and investment revenue (including losses)</b>		
<b>Interest</b>		
– Overdue rates and annual charges (incl. special purpose rates)	254	335
– Cash and investments	2,941	2,777
<b>Fair value adjustments</b>		
– Fair valuation movements in investments (at fair value or held for trading)	(7)	9
<b>Amortisation of premiums and discounts</b>		
– Interest free (and interest reduced) loans provided	6	6
<b><u>TOTAL INTEREST AND INVESTMENT REVENUE</u></b>	<b><u>3,194</u></b>	<b><u>3,127</u></b>
<b>Interest revenue is attributable to:</b>		
<b>Unrestricted investments/financial assets:</b>		
Overdue rates and annual charges (general fund)	83	107
General Council cash and investments	827	763
<b>Restricted investments/funds – external:</b>		
Development contributions		
– Section 7.11	182	123
– Section 64	205	175
Water fund operations	710	645
Sewerage fund operations	185	222
Domestic waste management operations	69	75
Clarence Coast Reserve Trust	67	76
Clarence Regional Library	18	17
<b>Restricted investments/funds – internal:</b>		
Internally restricted assets	848	924
<b>Total interest and investment revenue recognised</b>	<b>3,194</b>	<b>3,127</b>

#### Accounting policy for interest and investment revenue

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

## Clarence Valley Council

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

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

\$ '000	Notes	2018	2017
<b>(d) Other revenues</b>			
Rental income – other council properties		940	887
Fines		107	81
Legal fees recovery – rates and charges (extra charges)		208	243
Legal fees recovery – other		72	2
Commissions and agency fees		69	45
Commonwealth emissions reduction fund		96	77
Diesel rebate		297	280
Insurance claim recoveries		441	117
Interest in associated entities (adjusted)		34	33
Sales – general		155	46
State waste rebate		89	142
Other		130	192
<b><u>TOTAL OTHER REVENUE</u></b>		<b><u>2,638</u></b>	<b><u>2,145</u></b>

#### Accounting policy for other revenue

Council recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Council and specific criteria have been met for each of the Council's activities as described below. Council bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

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

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

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

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

# Clarence Valley Council

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

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

\$ '000	2018 Operating	2017 Operating	2018 Capital	2017 Capital
<b>(e) Grants</b>				
<b>General purpose (untied)</b>				
<b>Current year allocation</b>				
Financial assistance – general component	7,651	10,832	–	–
Financial assistance – local roads component	3,240	4,635	–	–
<b>Other</b>				
Pensioners' rates subsidies – general component	614	637	–	–
<b>Total general purpose</b>	<b>11,505</b>	<b>16,104</b>	<b>–</b>	<b>–</b>
<b>Specific purpose</b>				
Pensioners' rates subsidies:				
– Water	247	257	–	–
– Sewerage	180	187	–	–
– Domestic waste management	199	201	–	–
Community care	5,498	6,987	–	–
Economic development	25	–	–	–
Employment and training programs	25	20	–	–
Environmental services	454	188	–	–
Floodplain management	106	137	89	497
Heritage and cultural	113	24	3,049	–
Library	222	205	–	–
LIRS subsidy	33	36	–	–
McLachlan park redevelopment	–	–	485	489
NSW rural fire services	642	703	742	207
Recreation and culture	–	–	165	–
Street lighting	102	100	–	–
Transport (airport upgrade funding)	–	–	–	19
Transport (roads to recovery)	3,015	3,252	–	–
Transport (other roads and bridges funding)	–	–	2,515	2,014
Storm/flood damage	1,365	275	–	–
Water transport	–	–	924	235
Other	99	381	559	332
<b>Total specific purpose</b>	<b>12,325</b>	<b>12,953</b>	<b>8,528</b>	<b>3,793</b>
<b>Total grants</b>	<b>23,830</b>	<b>29,057</b>	<b>8,528</b>	<b>3,793</b>
<b>Grant revenue is attributable to:</b>				
– Commonwealth funding	17,328	22,649	1,994	1,066
– State funding	6,502	6,408	6,534	2,727
	<b>23,830</b>	<b>29,057</b>	<b>8,528</b>	<b>3,793</b>

# Clarence Valley Council

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

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

\$ '000	Notes	2018 Operating	2017 Operating	2018 Capital	2017 Capital
<b>(f) Contributions</b>					
<b>Developer contributions:</b>					
<b>(s7.4, s7.11 &amp; s7.12 – EP&amp;A Act, s64 of the LGA):</b>					
<b>Cash contributions</b>					
S 7.11 – contributions towards amenities/services		–	–	644	517
S 7.12 – fixed development consent levies		–	–	3,053	183
S 64 – water supply contributions		–	–	665	703
S 64 – sewerage service contributions		–	–	1,081	724
<b>Total developer contributions – cash</b>		<b>–</b>	<b>–</b>	<b>5,443</b>	<b>2,127</b>
<b>Total developer contributions</b>	23	<b>–</b>	<b>–</b>	<b>5,443</b>	<b>2,127</b>
<b>Other contributions:</b>					
<b>Cash contributions</b>					
Clarence regional library		261	245	–	–
Community services		125	169	2	3
Regional assessment service program		258	245	–	–
Roads and bridges		–	–	1	–
RMS contributions (regional roads, block grant)		3,905	3,701	827	576
Water supplies (excl. section 64 contributions)		426	448	253	–
Work health and safety		205	208	–	–
Other		220	124	118	30
<b>Total other contributions – cash</b>		<b>5,400</b>	<b>5,140</b>	<b>1,201</b>	<b>609</b>
<b>Non-cash contributions</b>					
Dedications – subdivisions (other than by s7.11)		–	–	1,550	555
Sewerage (excl. section 64 contributions)		–	–	66	98
Water supplies (excl. section 64 contributions)		–	–	67	116
<b>Total other contributions – non-cash</b>		<b>–</b>	<b>–</b>	<b>1,683</b>	<b>769</b>
<b>Total other contributions</b>		<b>5,400</b>	<b>5,140</b>	<b>2,884</b>	<b>1,378</b>
<b>Total contributions</b>		<b>5,400</b>	<b>5,140</b>	<b>8,327</b>	<b>3,505</b>
<b>TOTAL GRANTS AND CONTRIBUTIONS</b>		<b>29,230</b>	<b>34,197</b>	<b>16,855</b>	<b>7,298</b>

#### Accounting policy for contributions

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

Where grants or contributions recognised as revenues during the financial year were obtained on condition that they be expended in a particular manner or used over a particular period and those conditions were un-discharged at reporting date, the unused grant or contribution is disclosed above.

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

# Clarence Valley Council

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

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

\$ '000	2018	2017
<b>(g) Unspent grants and contributions</b>		
<b>Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner:</b>		
<b>Operating grants</b>		
Unexpended at the close of the previous reporting period	5,898	4,995
<b>Add:</b> operating grants recognised in the current period but not yet spent	2,532	2,281
<b>Less:</b> operating grants recognised in a previous reporting period now spent	(6,693)	(1,378)
<b>Unexpended and held as restricted assets (operating grants)</b>	<b>1,737</b>	<b>5,898</b>
<b>Capital grants</b>		
Unexpended at the close of the previous reporting period	719	1,521
<b>Add:</b> capital grants recognised in the current period but not yet spent	3,974	101
<b>Less:</b> capital grants recognised in a previous reporting period now spent	(328)	(903)
<b>Unexpended and held as restricted assets (capital grants)</b>	<b>4,365</b>	<b>719</b>
<b>Contributions</b>		
Unexpended at the close of the previous reporting period	11,888	10,037
<b>Add:</b> contributions recognised in the current period but not yet spent	5,562	2,424
<b>Less:</b> contributions recognised in a previous reporting period now spent	(96)	(573)
<b>Unexpended and held as restricted assets (contributions)</b>	<b>17,354</b>	<b>11,888</b>

# Clarence Valley Council

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

### Note 4. Expenses from continuing operations

\$ '000	2018	2017
<b>(a) Employee benefits and on-costs</b>		
Salaries and wages	29,823	29,846
Travel expenses	–	4
Employee leave entitlements (ELE)	5,887	6,211
Superannuation	3,780	3,862
Workers' compensation insurance	741	1,337
Fringe benefit tax (FBT)	24	36
Payroll tax	317	317
Training costs (other than salaries and wages)	461	411
Other	233	180
<b>Total employee costs</b>	<b>41,266</b>	<b>42,204</b>
Less: capitalised costs	(2,705)	(2,767)
<b>TOTAL EMPLOYEE COSTS EXPENSED</b>	<b>38,561</b>	<b>39,437</b>
Number of 'full-time equivalent' employees (FTE) at year end	512	538

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

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

#### Retirement benefit obligations

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

#### Superannuation plans

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

Council participates in a Defined Benefit Plan under the Local Government Superannuation Scheme, however, sufficient information to account for the plan as a defined benefit is not available and therefore Council accounts for its obligations to defined benefit plans on the same basis as its obligations to defined contribution plans, i.e. as an expense when it becomes payable – refer to Note 18 for more information.

<b>(b) Borrowing costs</b>	<b>2018</b>	<b>2017</b>
<b>(i) Interest bearing liability costs</b>		
Interest on loans	8,060	8,461
Other debts	6	(57)
<b>Total interest bearing liability costs expensed</b>	<b>8,066</b>	<b>8,404</b>
<b>(ii) Other borrowing costs</b>		
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	245	185
Interest applicable on interest free (and favourable) loans to Council	14	20
<b>Total other borrowing costs</b>	<b>259</b>	<b>228</b>
<b>TOTAL BORROWING COSTS EXPENSED</b>	<b>8,325</b>	<b>8,632</b>

#### Accounting policy for borrowing costs

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

# Clarence Valley Council

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

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

\$ '000	2018	2017
<b>(c) Materials and contracts</b>		
Raw materials and consumables	9,913	9,130
Contractor and consultancy costs	20,046	19,405
Auditors remuneration <sup>(2)</sup>	95	88
Legal expenses:		
– Legal expenses: planning and development	14	4
– Legal expenses: debt recovery	267	310
– Legal expenses: other	112	89
Operating leases:		
– Operating lease rentals: minimum lease payments <sup>(1)</sup>	402	300
<b>TOTAL MATERIALS AND CONTRACTS</b>	<b>30,849</b>	<b>29,326</b>

#### Operating leases

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

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

Buildings	401	296
Computers	–	3
Other	1	1
	<b>402</b>	<b>300</b>

#### 2. Auditor remuneration

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

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

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

Audit and review of financial statements	86	80
<b>Remuneration for audit and other assurance services</b>	<b>86</b>	<b>80</b>
<b>Total Auditor-General remuneration</b>	<b>86</b>	<b>80</b>

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

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

Audit and review of financial statements	–	7
Other audit and assurance services	9	1
<b>Remuneration for audit and other assurance services</b>	<b>9</b>	<b>8</b>
<b>Total remuneration of non NSW Auditor-General audit firms</b>	<b>9</b>	<b>8</b>
<b>Total Auditor remuneration</b>	<b>95</b>	<b>88</b>

## Clarence Valley Council

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

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

\$ '000	Notes	2018	2017
<b>(d) Depreciation, amortisation and impairment</b>			
<b>Depreciation and amortisation</b>			
Plant and equipment		2,637	3,720
Office equipment		357	402
Furniture and fittings		143	144
<b>Infrastructure:</b>			
– Buildings – non-specialised		634	584
– Buildings – specialised		1,078	974
– Other structures		532	458
– Roads		14,012	13,934
– Bridges		1,374	1,452
– Footpaths		613	607
– Other road assets		594	579
– Stormwater drainage		2,743	2,677
– Water supply network		6,077	5,771
– Sewerage network		7,239	7,829
– Swimming pools		273	170
– Other open space/recreational assets		1,420	1,426
– Other infrastructure		1,491	1,459
<b>Other assets:</b>			
– Library books		120	65
<b>Reinstatement, rehabilitation and restoration assets:</b>			
– Tip assets	10 & 13	137	104
– Quarry assets	10 & 13	17	15
Intangible assets	11	174	542
<b>Total gross depreciation and amortisation costs</b>		<b>41,665</b>	<b>42,912</b>
Less: capitalised costs		(675)	(963)
<b>Total depreciation and amortisation costs</b>		<b>40,990</b>	<b>41,949</b>



# Clarence Valley Council

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

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

\$ '000	Notes	2018	2017
(d) Depreciation, amortisation and impairment (continued)			
<b>Impairment / revaluation decrement of IPP&amp;E</b>			
Infrastructure		–	340
<b>Total IPP&amp;E impairment / revaluation decrement costs / (reversals)</b>		<b>–</b>	<b>340</b>
<b>TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT / REVALUATION DECREMENT COSTS EXPENSED</b>			
		<b>40,990</b>	<b>42,289</b>

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

##### Depreciation and amortisation

Depreciation and amortisation are calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives. Useful lives are included in Note 10 for IPPE assets and Note 11 for intangible assets.

##### Impairment of non-financial assets

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

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

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

##### Impairment of financial assets

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.

## Clarence Valley Council

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

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

\$ '000	2018	2017
<b>(e) Other expenses</b>		
Advertising	477	561
Bad and doubtful debts	14	32
Bank charges	232	230
Caravan park levies	301	279
Computer maintenance	715	829
Contributions/levies to other levels of government		
– Department of planning levy	63	67
– Emergency services levy (includes FRNSW, SES, and RFS levies)	993	978
– Waste levy	3,457	2,885
– Other contributions/levies	4	5
Councillor expenses – mayoral fee	38	38
Councillor expenses – councillors' fees	157	154
Councillors' expenses (incl. mayor) – other (excluding fees above)	24	21
Donations, contributions and assistance to other organisations (Section 356)	90	105
Election expenses	–	272
Electricity and heating	1,750	1,823
Insurance	1,733	2,111
Postage	213	265
Printing and stationery	297	325
Quarry expenses	184	258
Street lighting	584	537
Subscriptions and publications	354	358
Telephone and communications	361	365
Valuation fees	195	183
GST margin scheme refund to ATO	145	–
Flood prone land acquisition program (FPLAP) return of sale proceeds	230	–
Other	247	155
<b><u>TOTAL OTHER EXPENSES</u></b>	<b><u>12,858</u></b>	<b><u>12,836</u></b>

#### Accounting policy for other expenses

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

## Clarence Valley Council

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

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

\$ '000	Notes	2018	2017
<b>Property</b> (excl. investment property)	10		
Proceeds from disposal – property		2,400	76
Less: carrying amount of property assets sold/written off		(1,376)	(355)
<b>Net gain/(loss) on disposal</b>		<b>1,024</b>	<b>(279)</b>
<b>Plant and equipment</b>	10		
Proceeds from disposal – plant and equipment		1,567	595
Less: carrying amount of plant and equipment assets sold/written off		(1,174)	(629)
<b>Net gain/(loss) on disposal</b>		<b>393</b>	<b>(34)</b>
<b>Infrastructure</b>	10		
Proceeds from disposal – infrastructure		906	–
Less: carrying amount of infrastructure assets sold/written off		(6,438)	(9,745)
<b>Net gain/(loss) on disposal</b>		<b>(5,532)</b>	<b>(9,745)</b>
<b>Real estate assets held for sale</b>	8		
Proceeds from disposal – real estate assets		76	385
Less: carrying amount of real estate assets sold/written off		(77)	(170)
<b>Net gain/(loss) on disposal</b>		<b>(1)</b>	<b>215</b>
<b>Financial assets</b> <sup>(1)</sup>	6		
Proceeds from disposal/redemptions/maturities – financial assets		66,010	69,006
Less: carrying amount of financial assets sold/redeemed/matured		(66,000)	(69,000)
<b>Net gain/(loss) on disposal</b>		<b>10</b>	<b>6</b>
<b>Non-current assets classified as ‘held for sale’</b>	9		
Proceeds from disposal – non-current assets ‘held for sale’		–	3,620
Less: carrying amount of ‘held for sale’ assets sold/written off		–	(7,592)
<b>Net gain/(loss) on disposal</b>		<b>–</b>	<b>(3,972)</b>
<b>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</b>		<b>(4,106)</b>	<b>(13,809)</b>
<b>1. Financial assets disposals/redemptions include:</b>			
– Net gain/(loss) from financial instruments ‘at fair value through profit and loss’		10	6
<b>Net gain/(loss) on disposal of financial instruments</b>		<b>10</b>	<b>6</b>

**Accounting policy for disposal of assets**

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

## Clarence Valley Council

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

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

\$ '000	2018	2017
<b>Cash and cash equivalents</b>		
Cash on hand and at bank	7,547	446
Cash-equivalent assets		
– Deposits at call	8,260	11,887
– Managed funds	917	405
– Short-term deposits	32	32
<b>Total cash and cash equivalents</b>	<b>16,756</b>	<b>12,770</b>

#### Accounting policy for cash and cash equivalents

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

## Clarence Valley Council

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

#### Note 6(b). Investments

\$ '000	2018	2018	2017	2017
	Current	Non-current	Current	Non-current
<b>Investments</b>				
a. 'At fair value through the profit and loss'				
– 'Designated at fair value on initial recognition'	–	3,006	–	2,015
b. 'Held to maturity'	35,000	57,000	61,000	26,000
<b>Total investments</b>	<b>35,000</b>	<b>60,006</b>	<b>61,000</b>	<b>28,015</b>
<b>TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS</b>	<b>51,756</b>	<b>60,006</b>	<b>73,770</b>	<b>28,015</b>
<b>Financial assets at fair value through the profit and loss</b>				
NCD's, FRN's (with maturities > 3 months)	–	3,006	–	2,015
<b>Total</b>	<b>–</b>	<b>3,006</b>	<b>–</b>	<b>2,015</b>
<b>Held to maturity investments</b>				
Long term deposits	35,000	57,000	61,000	26,000
<b>Total</b>	<b>35,000</b>	<b>57,000</b>	<b>61,000</b>	<b>26,000</b>

#### Accounting policy for investments

##### Classification

Council classifies its financial assets in the following categories: financial assets at fair value through profit or loss; loans and receivables; held-to-maturity investments; and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at each reporting date.

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

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

##### (b) 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. Assets in this category are measured at amortised cost.

##### Recognition and de-recognition

Regular purchases and sales of financial assets are recognised on trade-date: the date on which Council commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement. Investments are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and Council has transferred substantially all the risks and rewards of ownership.

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.

##### Impairment of available for sale investments

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.

## Clarence Valley Council

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

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

\$ '000	2018	2018	2017	2017
	Current	Non-current	Current	Non-current
Total cash, cash equivalents and investments	51,756	60,006	73,770	28,015
attributable to:				
External restrictions (refer below)	12,377	48,476	23,770	25,727
Internal restrictions (refer below)	38,002	11,530	44,940	2,288
Unrestricted	1,377	–	5,060	–
	51,756	60,006	73,770	28,015

\$ '000	2018	2017
---------	------	------

## Details of restrictions

## External restrictions – included in liabilities

Deposits, bonds and retentions	1,623	1,622
Easements payable – water	12	11
Held as custodian	787	388
Clarence Care & Support (CCS) - grants	1,304	–
External restrictions – included in liabilities	3,726	2,021

## External restrictions – other

Developer contributions – general	8,762	4,956
Developer contributions – water fund	3,411	2,928
Developer contributions – sewer fund	5,181	4,004
Specific purpose unexpended grants	5,460	1,732
Specific purpose unexpended grants – CCRT	21	34
Specific purpose unexpended grants – CCS	621	4,851
Water supplies	23,803	20,318
Sewerage services	4,385	3,496
Domestic waste management	1,265	1,427
Clarence coast reserve trust (CCRT)	3,151	2,773
Clarence regional library	780	653
Other	287	304
External restrictions – other	57,127	47,476
Total external restrictions	60,853	49,497

# Clarence Valley Council

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

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

\$ '000	2018	2017
<b>Internal restrictions</b>		
Building Asset renewals	1,010	1,110
Cemetery reserves	94	86
Community cultural and heritage programs	12	8
Community development reserves	20	–
Clarence Care & Support reserves	3,806	637
Council s7.11 development funds	51	59
Election cost reserve	75	–
Emergency services reserves	440	413
Employee leave entitlements	2,711	2,887
Environmental and noxious weeds projects	377	405
Fleet plant reserve	13,246	12,858
Floodplain management reserves	569	532
Hargraves villas reserves	84	83
Infrastructure assets renewals reserve	5,338	6,500
Insurance reserves	804	589
Maclean and district improvements	586	1,448
Miscellaneous administrative reserves	52	42
Mobile and public library projects	77	24
Other parks improvements	504	586
Public pool improvements	317	45
Public toilet refurbishment program	116	39
Quarries operations and rehabilitation	609	492
Regional airport infrastructure	65	17
Regional development and tourism projects	47	36
Regional landfill reserves	8,210	7,587
Roads reserves	1,247	1,005
Saleyards asset replacement	260	279
Software implementation reserves	362	242
Sporting facilities improvements	416	400
Strategic building reserve	1,335	2,147
Strategic development programs	87	109
Unspent financial assistance grant	5,519	5,263
Unspent general loans	262	285
Waste management reserves	824	1,015
<b>Total internal restrictions</b>	<b>49,532</b>	<b>47,228</b>
<b>TOTAL RESTRICTIONS</b>	<b>110,385</b>	<b>96,725</b>

## Clarence Valley Council

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

## Note 7. Receivables

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
<b>Purpose</b>				
Rates and annual charges	2,512	632	2,622	610
Interest and extra charges	380	–	431	–
User charges and fees	5,945	–	5,781	–
Accrued revenues				
– Interest on investments	1,274	–	1,185	–
Amounts due from other councils	168	–	153	–
Deferred debtors	33	129	38	155
Government grants and subsidies	7,519	–	3,633	–
Net GST receivable	145	–	663	–
Government departments (other than grants)	200	–	471	–
Other debtors	464	–	601	–
<b>Total</b>	<b>18,640</b>	<b>761</b>	<b>15,578</b>	<b>765</b>
<b>Less: provision for impairment</b>				
Rates and annual charges	(4)	–	(3)	–
Other debtors	(30)	–	(20)	–
<b>Total provision for impairment – receivables</b>	<b>(34)</b>	<b>–</b>	<b>(23)</b>	<b>–</b>
<b>TOTAL NET RECEIVABLES</b>	<b>18,606</b>	<b>761</b>	<b>15,555</b>	<b>765</b>
<b>Externally restricted receivables</b>				
<b>Water supply</b>				
– Rates and availability charges	105	27	112	26
– Other	4,128	–	3,844	–
<b>Sewerage services</b>				
– Rates and availability charges	676	170	654	152
– Other	835	–	1,024	–
<b>Domestic waste management</b>	379	84	406	80
<b>Other</b>				
Clarence Coast Reserve Trust	271	–	96	–
Clarence Care & Support	376	–	382	–
Clarence Regional Library	86	–	1	–
<b>Total external restrictions</b>	<b>6,856</b>	<b>281</b>	<b>6,519</b>	<b>258</b>
<b>Internally restricted receivables</b>				
– Waste management reserve	154	–	261	–
– Road reserves	850	–	1,023	–
– Regional landfill	959	–	799	–
– Fleet plant reserve	428	–	86	–
– Clarence Care & Support reserves	93	–	–	–
– Cemetery reserves	–	–	49	–
<b>Internally restricted receivables</b>	<b>2,484</b>	<b>–</b>	<b>2,218</b>	<b>–</b>
<b>Unrestricted receivables</b>	<b>9,266</b>	<b>480</b>	<b>6,818</b>	<b>507</b>
<b>TOTAL NET RECEIVABLES</b>	<b>18,606</b>	<b>761</b>	<b>15,555</b>	<b>765</b>



## Clarence Valley Council

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

#### Note 7. Receivables (continued)

\$ '000

	2018	2017
<b>Movement in provision for impairment of receivables</b>		
Balance at the beginning of the year	23	25
+ new provisions recognised during the year	24	15
– amounts already provided for and written off this year	(2)	(17)
– amounts provided for but recovered during the year	(11)	–
<b>Balance at the end of the year</b>	<b>34</b>	<b>23</b>

#### Accounting policy for receivables

##### Recognition and measurement

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets. Loans and receivables are included in other receivables (Note 8) and receivables (Note 7) in the Statement of Financial Position. Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Receivables are generally due for settlement within 30 days.

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

##### Impairment

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

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

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the receivable is impaired. When a receivable for which an impairment allowance had been recognised becomes uncollectable in a subsequent period it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the Income statement.

## Clarence Valley Council

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

## Note 8. Inventories and other assets

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
<b>(a) Inventories</b>				
<b>(i) Inventories at cost</b>				
Real estate for resale (refer below)	135	156	212	156
Stores and materials	1,237	–	1,064	–
<b>Total inventories at cost</b>	<b>1,372</b>	<b>156</b>	<b>1,276</b>	<b>156</b>
<b><u>TOTAL INVENTORIES</u></b>	<b><u>1,372</u></b>	<b><u>156</u></b>	<b><u>1,276</u></b>	<b><u>156</u></b>
<b>(b) Other assets</b>				
Prepayments	263	–	320	–
<b><u>TOTAL OTHER ASSETS</u></b>	<b><u>263</u></b>	<b><u>–</u></b>	<b><u>320</u></b>	<b><u>–</u></b>
<b>Externally restricted assets</b>				
<b>Water</b>				
Prepayments	2	3	2	3
<b>Total water</b>	<b>2</b>	<b>3</b>	<b>2</b>	<b>3</b>
<b>Sewerage</b>				
Prepayments	2	–	2	–
<b>Total sewerage</b>	<b>2</b>	<b>–</b>	<b>2</b>	<b>–</b>
<b>Other</b>				
Prepayments	–	–	15	–
<b>Total other</b>	<b>–</b>	<b>–</b>	<b>15</b>	<b>–</b>
<b>Total externally restricted assets</b>	<b>4</b>	<b>3</b>	<b>19</b>	<b>3</b>
<b>Total unrestricted assets</b>	<b>1,631</b>	<b>153</b>	<b>1,577</b>	<b>153</b>
<b>TOTAL INVENTORIES AND OTHER ASSETS</b>	<b><u>1,635</u></b>	<b><u>156</u></b>	<b><u>1,596</u></b>	<b><u>156</u></b>

# Clarence Valley Council

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

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

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

(i) Other disclosures

(a) Details for real estate development

Residential		135	156	212	156
<b>Total real estate for resale</b>		<b>135</b>	<b>156</b>	<b>212</b>	<b>156</b>

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

Represented by:

Acquisition costs		135	156	212	156
<b>Total costs</b>		<b>135</b>	<b>156</b>	<b>212</b>	<b>156</b>
<b>Total real estate for resale</b>		<b>135</b>	<b>156</b>	<b>212</b>	<b>156</b>

Movements:

Real estate assets at beginning of the year		212	156	329	209
– WDV of sales (expense)	5	(77)	–	(117)	(53)
<b>Total real estate for resale</b>		<b>135</b>	<b>156</b>	<b>212</b>	<b>156</b>

### (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;

	2018	2017
Real estate for resale	90	135
	<b>90</b>	<b>135</b>

### Accounting policy

#### Raw materials and stores, work in progress and finished goods

Raw materials and stores, work in progress and finished goods are stated at the lower of cost and net realisable value. Costs are assigned to individual items of inventory on basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

#### Inventory held for distribution

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

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

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

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

# Clarence Valley Council

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

### Note 9. Non-current assets classified as held for sale (and disposal groups)

\$ '000	2018	2018	2017	2017
	Current	Non-current	Current	Non-current
(i) Non-current assets and disposal group assets				
<b>Non-current assets 'held for sale'</b>				
Land	485	—	—	—
Buildings	588	—	—	—
<b>Total non-current assets 'held for sale'</b>	<b>1,073</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>TOTAL NON-CURRENT ASSETS CLASSIFIED AS 'HELD FOR SALE'</b>	<b>1,073</b>	<b>—</b>	<b>—</b>	<b>—</b>

#### (ii) Details of assets and disposal groups

Council has resolved to sell the following parcels of land & building assets as part of its property rationalisation strategy:

- Previous Clarence Valley Tourist Information Centre, Spring Street, South Grafton
- 121 Ryan Street, South Grafton

Council has engaged the services of a licenced real estate agent.

\$ '000	Assets 'held for sale'	
	2018	2017
(iii) Reconciliation of non-current assets 'held for sale'		
<b>Opening balance</b>	—	7,592
<b>Less:</b> carrying value of assets/operations sold	—	(7,592)
<b>Plus new transfers in:</b>		
— Assets 'held for sale'	1,073	—
<b>Closing balance of 'held for sale' non-current assets and operations</b>	<b>1,073</b>	<b>—</b>

#### Accounting policy for non-current assets classified as held for sale

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. They 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 property that are carried at fair value.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to 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.

## Clarence Valley Council

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

## Note 10. Infrastructure, property, plant and equipment

Asset class  \$ '000	as at 30/6/2017			Asset movements during the reporting period										as at 30/6/2018		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals	Additions new assets	Carrying value of disposals	Depreciation expense	Impairment reversal (recognised in equity)	WIP transfers	Adjustments and transfers	Tfrs from/(to) 'held for sale' category	Revaluation decrements to equity (ARR)	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
Capital work in progress	18,271	–	18,271	6,987	3,106	–	–	–	(14,847)	(1,155)	–	–	–	12,362	–	12,362
Plant and equipment	38,451	20,838	17,613	5,779	–	(1,167)	(2,637)	–	–	–	–	–	–	40,434	20,846	19,588
Office equipment	3,433	2,571	862	274	35	–	(357)	–	–	–	–	–	–	3,699	2,885	814
Furniture and fittings	3,491	2,428	1,063	56	421	(3)	(143)	–	–	–	–	–	–	3,946	2,552	1,394
<b>Land:</b>																
– Operational land	40,547	–	40,547	–	–	(1,348)	–	–	10,440	–	(485)	(7,565)	–	41,589	–	41,589
– Community land	26,248	–	26,248	–	–	(28)	–	–	–	–	–	–	–	26,220	–	26,220
– Land under roads (post 30/6/08)	20	–	20	–	–	–	–	–	–	–	–	–	–	20	–	20
<b>Infrastructure:</b>																
– Buildings – non-specialised	55,810	10,074	45,736	359	3,023	(928)	(634)	–	60	–	(588)	(7,524)	–	58,200	18,696	39,504
– Buildings – specialised	107,160	17,262	89,898	37	1,660	(931)	(1,078)	–	2,100	–	–	(11,197)	–	112,680	32,191	80,489
– Other structures	18,450	6,235	12,215	203	5,235	(240)	(532)	–	179	–	–	–	997	24,526	6,469	18,057
– Roads	588,511	127,649	460,862	3,468	1,346	(2,930)	(14,012)	1,428	638	–	–	(20,929)	–	599,261	169,390	429,871
– Bridges	146,675	41,433	105,242	313	–	(201)	(1,374)	132	–	–	–	–	3,407	148,965	41,446	107,519
– Footpaths	30,247	9,015	21,232	24	201	(9)	(613)	–	–	–	–	(313)	–	30,012	9,490	20,522
– Other road assets	29,565	4,819	24,746	904	28	–	(594)	–	–	–	–	–	1,474	32,680	6,122	26,558
– Bulk earthworks (non-depreciable)	185,910	–	185,910	775	9	–	–	–	–	–	–	–	1,864	188,558	–	188,558
– Stormwater drainage	209,990	58,996	150,994	430	611	(29)	(2,743)	–	161	–	–	–	2,450	216,314	64,440	151,874
– Water supply network	480,699	122,560	358,139	1,115	331	(890)	(6,077)	–	42	–	–	–	10,525	494,520	131,335	363,185
– Sewerage network	349,876	91,909	257,967	115	131	(115)	(7,239)	–	784	–	–	–	7,905	361,914	102,366	259,548
– Swimming pools	9,429	4,404	5,025	–	–	–	(273)	–	17	–	–	–	918	9,712	4,025	5,687
– Other open space/recreational assets	46,597	13,950	32,647	353	396	(148)	(1,420)	–	126	–	–	(434)	–	49,715	18,195	31,520
– Other infrastructure	177,170	27,627	149,543	13	114	(17)	(1,491)	–	300	–	–	(2,514)	–	183,566	37,618	145,948
<b>Other assets:</b>																
– Library books	5,563	5,046	517	224	–	(4)	(120)	–	–	–	–	–	–	5,782	5,165	617
– Other	2,172	–	2,172	–	45	–	–	–	–	–	–	–	1,598	3,815	–	3,815
<b>Reinstatement, rehabilitation and restoration assets</b> (refer Note 13):																
– Tip assets	4,391	2,592	1,799	–	1,435	–	(137)	–	–	–	–	–	–	5,827	2,730	3,097
– Quarry assets	715	87	628	–	(222)	–	(17)	–	–	–	–	–	–	493	104	389
<b>TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIP.</b>	<b>2,579,391</b>	<b>569,495</b>	<b>2,009,896</b>	<b>21,429</b>	<b>17,905</b>	<b>(8,988)</b>	<b>(41,491)</b>	<b>1,560</b>	<b>–</b>	<b>(1,155)</b>	<b>(1,073)</b>	<b>(50,476)</b>	<b>31,138</b>	<b>2,654,810</b>	<b>676,065</b>	<b>1,978,745</b>

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

## Clarence Valley Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 10. Infrastructure, property, plant and equipment (continued)

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

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

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

Increases in the carrying amounts arising on revaluation are credited to the asset revaluation reserve. To the extent that the increase reverses a decrease previously recognising profit or loss relating to that asset class, the increase is first recognised as profit or loss. Decreases that reverse previous increases of assets in the same class are first charged against revaluation reserves directly in equity to the extent of the remaining reserve attributable to the class; all other decreases are charged to the Income Statement.

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

Land is not depreciated. Depreciation on other assets is calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives (for short and long life components) as follows:

<b>Plant and equipment</b>	<b>Years</b>	<b>Buildings</b>	<b>Years</b>
Office equipment	5 to 10	Buildings: specialised	37 to 284
Office furniture	10 to 30	Buildings: non specialised	59 to 158
Computer equipment	5		
Vehicles	5yrs/150,000km	<b>Other infrastructure assets</b>	
Heavy plant/road making equipment	5 to 15	Bulk earthworks	Infinite
Other plant and equipment	5 to 15	Floodplain assets	19 to 174
<b>Transportation assets</b>		<b>Stormwater assets</b>	
Sealed roads: surface	12 to 135	Pits	63 to 90
Sealed roads: structure	84 to 200	Culverts	62 to 90
Unsealed roads	22 to 85	Pipes	63 to 88
Bridge: concrete	107 to 165		
Bridge: other	53 to 78	<b>Water and sewer assets</b>	
Footpaths	16 to 65	Dams and reservoirs	10 to 200
Kerb and gutter	72 to 110	Water reticulation pipes: PVC	74 to 120
Traffic facilities	20 to 134	Water reticulation pipes: other	20 to 160
Guard rail	59 to 75	Water pumps and telemetry	5 to 30
Roadside Furniture	16 to 27	Regional water supply pipes: other	30 to 200
Bus shelters	34 to 63	Sewerage treatment plant	11 to 200
Street lights	35 to 42	Sewer reticulation pipes: PVC	70 to 210
Car parks	70 to 133	Sewer reticulation pipes: other	50 to 210
		Sewer pumps and telemetry	5 to 30
		Sewer pressure units	5 to 50

## Clarence Valley Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 10. Infrastructure, property, plant and equipment (continued)

##### Accounting policy for infrastructure, property, plant and equipment (continued)

<b>Swimming pools</b>	<b>Years</b>	<b>Other Structures</b>	<b>Years</b>
Chlorination plant	17	Lighting	19 to 28
Surfaces	100 to 128	Fences	11 to 42
Facilities	77 to 109	Airport structures	21 to 45
Structures (pool & shade)	11 to 118	Saleyards	23 to 92
<b>Other open space/recreational assets</b>	<b>Years</b>		
Barbecues	16 to 26		
Playground equipment	16 to 26		
Shelters	26 to 52		

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

##### Land under roads

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

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

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

##### Crown reserves

Crown Reserves under Council's care and control are recognised as assets of the Council. While ownership of the reserves remains with the Crown, Council retains operational control of the reserves and is responsible for their maintenance and use in accordance with the specific purposes to which the reserves are dedicated. Improvements on Crown Reserves are also recorded as assets, while maintenance costs incurred by Council and revenues relating to the reserves are recognised within Council's Income Statement.

##### Rural Fire Service assets

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

Until such time as discussions on this matter have concluded and the legislation changed, Council will not recognise rural fire service assets including plant and vehicles.

## Clarence Valley Council

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

#### Note 11. Intangible assets

\$ '000	2018	2017
Intangible assets represent identifiable non-monetary assets without physical substance.		
Intangible assets are as follows:		
<b>Opening values:</b>		
Gross book value (1/7)	2,910	2,677
Accumulated amortisation (1/7)	(2,591)	(2,049)
<b>Net book value – opening balance</b>	<b>319</b>	<b>628</b>
<b>Movements for the year</b>		
– Purchases	93	233
– Amortisation charges	(174)	(542)
<b>Closing values:</b>		
Gross book value (30/6)	3,003	2,910
Accumulated amortisation (30/6)	(2,765)	(2,591)
<b><u>TOTAL INTANGIBLE ASSETS – NET BOOK VALUE</u></b> <sup>1</sup>	<b><u>238</u></b>	<b><u>319</u></b>
<sup>1</sup> <b>The net book value of intangible assets represent:</b>		
– Software	238	319
	<b>238</b>	<b>319</b>

#### Accounting policy for 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. 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 three to five 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.



## Clarence Valley Council

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

## Note 12. Payables and borrowings

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
<b>Payables</b>				
Goods and services – operating expenditure	4,338	–	4,233	–
Goods and services – capital expenditure	718	–	1,731	–
Accrued expenses:				
– Borrowings	570	–	612	–
– Salaries and wages	1	–	–	–
Security bonds, deposits and retentions	1,623	–	1,622	–
Government departments	3,532	–	2,631	–
Employee time in lieu and RDO	464	–	550	–
Other	325	–	48	–
<b>Total payables</b>	<b>11,571</b>	<b>–</b>	<b>11,427</b>	<b>–</b>
<b>Income received in advance</b>				
Payments received in advance	1,831	–	1,604	–
<b>Total income received in advance</b>	<b>1,831</b>	<b>–</b>	<b>1,604</b>	<b>–</b>
<b>Borrowings</b>				
Loans – secured <sup>1</sup>	6,590	111,169	6,194	117,745
<b>Total borrowings</b>	<b>6,590</b>	<b>111,169</b>	<b>6,194</b>	<b>117,745</b>
<b>TOTAL PAYABLES AND BORROWINGS</b>	<b>19,992</b>	<b>111,169</b>	<b>19,225</b>	<b>117,745</b>

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

	2018		2017	
	Current	Non-current	Current	Non-current
<b>Externally restricted assets</b>				
Water	1,415	22,446	1,231	23,385
Sewer	3,777	68,252	3,557	71,524
Domestic waste management	902	5,953	805	6,430
Clarence Care & Support	1,376	–	153	–
Security bonds, deposits and retentions	1,623	–	1,622	–
Clarence Regional Library	3	–	13	–
Clarence Coast Reserve Trust	552	–	554	–
<b>Payables and borrowings relating to externally restricted assets</b>	<b>9,648</b>	<b>96,651</b>	<b>7,935</b>	<b>101,339</b>
<b>Total payables and borrowings relating to restricted assets</b>	<b>9,648</b>	<b>96,651</b>	<b>7,935</b>	<b>101,339</b>
<b>Total payables and borrowings relating to unrestricted assets</b>	<b>10,344</b>	<b>14,518</b>	<b>11,290</b>	<b>16,406</b>
<b>TOTAL PAYABLES AND BORROWINGS</b>	<b>19,992</b>	<b>111,169</b>	<b>19,225</b>	<b>117,745</b>

<sup>1</sup>. Loans are secured over the general rating income of Council

Disclosures on liability interest rate risk exposures, fair value disclosures and security can be found in Note 19.

# Clarence Valley Council

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

### Note 12. Payables and borrowings (continued)

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

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

Payables – security bonds, deposits and retentions	1,600	1,600
	<b>1,600</b>	<b>1,600</b>

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

Class of borrowings	2017	Non-cash changes				2018
	Opening balance as at 1/7/17	Cash flows	Acquisition	Fair value changes	Other non-cash movements	Closing balance as at 30/6/18
Loans – secured	123,939	(6,180)	–	–	–	117,759
<b>TOTAL</b>	<b>123,939</b>	<b>(6,180)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>117,759</b>

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

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

Bank overdraft facilities <sup>(1)</sup>	500	500
Credit cards/purchase cards	150	150
<b>Total financing arrangements</b>	<b>650</b>	<b>650</b>

##### Undrawn facilities as at balance date:

– Bank overdraft facilities	500	500
– Credit cards/purchase cards	150	150
<b>Total undrawn financing arrangements</b>	<b>650</b>	<b>650</b>

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

## Clarence Valley Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 12. Payables and borrowings (continued)

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##### Accounting policy for payables and borrowings

###### Payables

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

###### Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

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

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

###### 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 in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

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

## Clarence Valley Council

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

## Note 13. Provisions

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
<b>Provisions</b>				
<b>Employee benefits:</b>				
Annual leave	3,157	–	3,093	–
Long service leave	8,635	407	8,995	404
<b>Asset remediation/restoration:</b>				
Asset remediation/restoration (future works)	–	8,213	–	6,754
<b>Sub-total – asset remediation/restoration</b>	<b>–</b>	<b>8,213</b>	<b>–</b>	<b>6,754</b>
<b><u>TOTAL PROVISIONS</u></b>	<b><u>11,792</u></b>	<b><u>8,620</u></b>	<b><u>12,088</u></b>	<b><u>7,158</u></b>

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

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

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

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

Provisions – employees benefits	8,011	9,612
	<b><u>8,011</u></b>	<b><u>9,612</u></b>

# Clarence Valley Council

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

### Note 13. Provisions (continued)

\$ '000

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

	Other provisions	
	Asset remediation	Total
<b>2018</b>		
At beginning of year	6,754	6,754
<b>Changes to provision:</b>		
Additional provisions	2,632	2,632
Remeasurement effects	(1,418)	(1,418)
Unwinding of discount	245	245
<b>Total other provisions at end of year</b>	<b>8,213</b>	<b>8,213</b>
	Other provisions	
	Asset remediation	Total
<b>2017</b>		
At beginning of year	7,898	7,898
<b>Changes to provision:</b>		
Additional provisions	21	21
Remeasurement effects	(1,350)	(1,350)
Unwinding of discount	185	185
<b>Total other provisions at end of year</b>	<b>6,754</b>	<b>6,754</b>

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

##### Asset remediation

Council has a legal/public obligation to make, restore, rehabilitate and reinstate the council tip and quarry.

##### Accounting policy for provisions

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

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

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

## Clarence Valley Council

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

#### Note 13. Provisions (continued)

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##### **Employee benefits**

###### **Short-term obligations**

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

###### **Other long-term employee benefit obligations**

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

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

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

## Clarence Valley Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 13. Provisions (continued)

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##### Provisions for close-down and restoration, and 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, e.g. updated cost estimates and revisions to the estimated lives of operations, and are subject to formal review at regular intervals.

###### **Rehabilitation**

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

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

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

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

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

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

## Clarence Valley Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 14. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors

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\$ '000

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##### (a) Nature and purpose of reserves

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

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

##### (b) Correction of errors relating to a previous reporting period

Council had no prior period errors for this year.

##### (c) Voluntary changes in accounting policies

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

##### (d) Changes in accounting estimates

Council made no changes in accounting estimates during the year.



# Clarence Valley Council

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

### Note 15. Statement of cash flows – additional information

\$ '000	Notes	2018	2017
<b>(a) Reconciliation of cash assets</b>			
Total cash and cash equivalent assets	6a	16,756	12,770
Less bank overdraft	13	–	–
<b>Balance as per the Statement of Cash Flows</b>		<b>16,756</b>	<b>12,770</b>
<b>(b) Reconciliation of net operating result to cash provided from operating activities</b>			
<b>Net operating result from Income Statement</b>		<b>5,288</b>	<b>(11,696)</b>
<b>Adjust for non-cash items:</b>			
Depreciation and amortisation		40,990	41,949
Net losses/(gains) on disposal of assets		4,106	13,809
Non-cash capital grants and contributions		(1,683)	(1,511)
<b>Losses/(gains) recognised on fair value re-measurements through the P&amp;L:</b>			
– Investments classified as 'at fair value' or 'held for trading'		7	(9)
– Interest-free advances made by Council (deferred debtors)		–	23
– Revaluation decrements / impairments of IPP&E direct to P&L		–	340
– Other (cumulative rounding adjustment)		–	18
<b>Amortisation of premiums, discounts and prior period fair valuations</b>			
– Interest on all fair value adjusted interest free advances made by Council		(6)	(6)
– Interest exp. on interest-free loans received by Council (previously fair valued)		14	20
Unwinding of discount rates on reinstatement provisions		245	(1,165)
Share of net (profits) or losses of associates/joint ventures		37	37
<b>+/- Movement in operating assets and liabilities and other cash items:</b>			
Decrease/(increase) in receivables		(3,089)	1,587
Increase/(decrease) in provision for doubtful debts		11	(2)
Decrease/(increase) in inventories		(173)	183
Decrease/(increase) in other assets		57	(24)
Increase/(decrease) in payables		105	418
Increase/(decrease) in accrued interest payable		(42)	(27)
Increase/(decrease) in other accrued expenses payable		1	(1)
Increase/(decrease) in other liabilities		1,320	243
Increase/(decrease) in employee leave entitlements		(293)	50
Increase/(decrease) in other provisions		1,214	21
<b>Net cash provided from/(used in) operating activities from the Statement of Cash Flows</b>		<b>48,109</b>	<b>44,257</b>
<b>(c) Non-cash investing and financing activities</b>			
Other non-cash items		1,683	1,511
<b>Total non-cash investing and financing activities</b>		<b>1,683</b>	<b>1,511</b>

# Clarence Valley Council

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

### Note 16. Interests in other entities

\$ '000

	Council's share of net income		Council's share of net assets	
	2018	2017	2018	2017
Joint ventures	(37)	(37)	39	42
<b>Total</b>	<b>(37)</b>	<b>(37)</b>	<b>39</b>	<b>42</b>

#### Joint arrangements

##### (i) Joint ventures

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

##### (a) Net carrying amounts – Council's share

Name of entity	Nature of relationship	Measurement method	2018	2017
NEWLOG	Joint venture	Equity	39	42
<b>Total carrying amounts – material joint ventures</b>			<b>39</b>	<b>42</b>

##### (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	Interest in outputs		Interest in ownership		Proportion of voting power	
	2018	2017	2018	2017	2018	2017
NEWLOG	25%	25%	25%	25%	25%	25%

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

	NEWLOG	
	2018	2017
<b>Statement of financial position</b>		
<b>Current assets</b>		
Cash and cash equivalents	207	202
Other current assets	60	53
<b>Non-current assets</b>	<b>90</b>	<b>113</b>
<b>Current liabilities</b>		
Other current liabilities	228	218
<b>Net assets</b>	<b>129</b>	<b>150</b>
<b>Reconciliation of the carrying amount</b>		
Opening net assets (1 July)	150	181
Profit/(loss) for the period	(256)	(259)
Contributions	235	231
Other adjustments to equity	–	(3)
<b>Closing net assets</b>	<b>129</b>	<b>150</b>
<b>Council's share of net assets (%)</b>	<b>30.0%</b>	<b>28.0%</b>
<b>Council's share of net assets (\$)</b>	<b>39</b>	<b>42</b>

# Clarence Valley Council

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

### Note 16. Interests in other entities (continued)

\$ '000

#### Joint arrangements (continued)

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

	NEWLOG	
	2018	2017
<b>Statement of comprehensive income</b>		
Income	249	226
Interest income	6	8
Depreciation and amortisation	(23)	(19)
Other expenses	(488)	(474)
<b>Profit/(loss) for period</b>	<b>(256)</b>	<b>(259)</b>
<b>Total comprehensive income</b>	<b>(256)</b>	<b>(259)</b>
<b>Share of income – Council (%)</b>	<b>14.5%</b>	<b>14.2%</b>
<b>Profit/(loss) – Council (\$)</b>	<b>(37)</b>	<b>(37)</b>
<b>Total comprehensive income – Council (\$)</b>	<b>(37)</b>	<b>(37)</b>
<b>Summarised Statement of cash flows</b>		
Cash flows from operating activities	(230)	(225)
Cash flows from investing activities	–	(104)
Cash flows from financing activities	234	231
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>4</b>	<b>(98)</b>

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

Member Councils have delegated (under s377 of the Local Government Act 1993 (NSW)) the relevant functions to NEWLOG officers, who are employees of Ballina Shire Council (the "Administrative" Council).

#### Accounting policy for joint arrangements

The Council has determined that it has only joint ventures

#### Joint ventures

Interests in joint ventures are accounted for using the equity method in accordance with AASB128 Investments in *Associates and Joint Ventures*. Under this method, the investment is initially recognised as a cost and the carrying amount is increased or decreased to recognise the Council's share of the profit or loss and other comprehensive income of the joint venture after the date of acquisition.

If the Council's share of losses of a joint venture equals or exceeds its interest in the joint venture, the Council discontinues recognising its share of further losses.

The Council's share in the joint venture's gains or losses arising from transactions between itself and its joint venture are eliminated.

Adjustments are made to the joint venture's accounting policies where they are different from those of the Council for the purpose of the consolidated financial statements.

# Clarence Valley Council

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

### Note 17. Commitments for expenditure

\$ '000	2018	2017
<b>(a) Capital commitments (exclusive of GST)</b>		
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:		
<b>Property, plant and equipment</b>		
Buildings	492	5,731
Plant and equipment	1,083	2,457
Sewerage services infrastructure	1,741	1,637
Water supply infrastructure	1,612	2,097
Road infrastructure	1,485	2,944
Water transport	6	565
Other	287	–
<b>Total commitments</b>	<b>6,706</b>	<b>15,431</b>
<b>These expenditures are payable as follows:</b>		
Within the next year	6,706	14,764
Later than one year and not later than 5 years	–	667
<b>Total payable</b>	<b>6,706</b>	<b>15,431</b>
<b>Sources for funding of capital commitments:</b>		
Future grants and contributions	1,655	3,510
Externally restricted reserves	3,589	3,733
Internally restricted reserves	1,462	8,188
<b>Total sources of funding</b>	<b>6,706</b>	<b>15,431</b>
<b>(b) Operating lease commitments (non-cancellable)</b>		
<b>a. Commitments under non-cancellable operating leases at the reporting date, but not recognised as liabilities are payable:</b>		
Within the next year	338	349
Later than one year and not later than 5 years	530	943
<b>Total non-cancellable operating lease commitments</b>	<b>868</b>	<b>1,292</b>

#### **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 2018

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

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

##### **LIABILITIES NOT RECOGNISED:**

##### **1. 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 for the following reasons:

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

Given the factors set out above, each sponsoring employer is exposed to the actuarial risks associated with current and former employees of other sponsoring employers and hence shares in the associated gains and losses (to the extent that they are not borne by members). As such, sufficient information is not available to allow each sponsoring employer to account for its proportionate share of the defined benefit obligation, sub-group assets and costs associated with the sub-group in the same way as it would for a single employer sponsored defined benefit plan.

The amount of employer contributions to the defined benefit section of the Scheme and recognised as an expense for the year ending 30 June 2018 was \$984,826.08. The last valuation of the Scheme was performed by the Actuary, Mr Richard Boyfield, FIAA on 12 December 2017, relating to the period ending 30 June 2017.

However, the position is monitored annually and the actuary has estimated that, as at 30 June 2018, 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 \$484,000.00. Council's expected contribution to the plan for the next annual reporting period is \$937,799.48.

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.

Pooled Employers are required to pay standard employer contributions and additional lump sum contributions to the Fund. The standard employer contributions were determined using the new entrant rate method under which a contribution rate sufficient to fund the total benefits over the working life-time of a typical new entrant is calculated.

## Clarence Valley Council

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

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

##### LIABILITIES NOT RECOGNISED (continued):

The current standard employer contribution rates are:

Division B	1.9 times employee
Division C	2.5% salaries
Division D	1.64 times employee

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

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

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

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

There are no specific provisions under the Fund's trust deed dealing with deficits or surplus on wind-up.

There is no provision for allocation of any surplus which may be present at the date of withdrawal of an employer.

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

Employer reserves only*	\$millions	Asset Coverage
Assets	1,817.8	
Past Service Liabilities	1,787.5	101.7%
Vested Benefits	1,778.0	102.2%

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

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

Investment Return	6.0% per annum
Salary Inflation*	3.5% per annum
Increase in CPI	2.5% per annum

\* plus promotional increase

## Clarence Valley Council

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

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

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##### **LIABILITIES NOT RECOGNISED (continued):**

The contribution requirements may vary from the current rates if the overall sub-group experience is not in line with the actuarial assumptions in determining the funding program; however, any adjustment to the funding program would be the same for all sponsoring employers in the Pooled Employers group. Please note that the estimated employer reserves financial position above is a preliminary calculation, and once all the relevant information has been received by the Funds Actuary, the 2018 triennial review will be completed around December 2018.

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

##### **(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 30/6 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.

##### **(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.

## Clarence Valley Council

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

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

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##### **LIABILITIES NOT RECOGNISED (continued):**

##### **1. Guarantees (continued)**

##### **(iii) StateCover Limited (continued)**

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) 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 2018

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

##### LIABILITIES NOT RECOGNISED (continued):

##### 2. Other liabilities (continued)

##### (iii) 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.

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 \$1,960,000. 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.

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 23.5km of road has been sealed as a result, with a further 20.5 km remaining to be sealed. Further funding is available in 2018/19 for the continuation of this program.

## Clarence Valley Council

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

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

##### **LIABILITIES NOT RECOGNISED (continued):**

##### **2. Other liabilities (continued)**

##### **(iv) Removal of Aboriginal Scar tree**

In 2013 and 2016, Council undertook unauthorised works on a culturally modified tree, commonly referred to as an Aboriginal scar tree. These works have been investigated by the Office of Environment and Heritage and as a result, Council has been prosecuted for a breach of section 86(1) of the National Parks and Wildlife Act 1974 (NSW) arising out of the 2016 incident.

Council, on advice from its legal representatives, entered a plea of guilty to the offence alleged. This plea was made when the matter was before the Land and Environment Court (the Court) on 25 May 2018. A Sentencing Hearing before the Court was held on 24 October 2018. The outcome was that the Sentencing Hearing be held over until 10 December 2018 to enable a Restorative Justice Conference to be held between the local aboriginal community members and Council.

It is likely that Council will receive a substantial financial penalty. The maximum penalty for a corporation is 10,000 penalty units (\$1,100,000). The matter is considered by Council to be very serious and as such Council has, and will continue to fully cooperate with the OEHL in their pursuit of the matter.

##### **(v) FNC Innovative Care Program**

Council has externally restricted a cash amount of \$495,943 for unspent grant monies associated with this program which is now completed. A methodology to calculate potential amounts refundable (if at all) is yet to be determined by the funding body. As such a liability has not been recorded as it is not reasonably ascertainable.

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

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

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

##### **(ii) 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 2018

### Note 19. Financial risk management

\$ '000

#### Risk management

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

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

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

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

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

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

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

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

The risks associated with the investments held are:

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

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

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

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

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

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

	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
<b>2018</b>				
Possible impact of a 10% movement in market values	392	392	(392)	(392)
Possible impact of a 1% movement in interest rates	1,108	1,108	(1,108)	(1,108)
<b>2017</b>				
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)

# Clarence Valley Council

## Notes to the Financial Statements

for the year ended 30 June 2018

### Note 19. Financial risk management (continued)

\$ '000

#### (b) Credit risk

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

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

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

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

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

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

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

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

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

	2018 Rates and annual charges	2018 Other receivables	2017 Rates and annual charges	2017 Other receivables
<b>(i) Ageing of receivables – %</b>				
Current (not yet overdue)	8%	97%	7%	94%
Overdue	92%	3%	93%	6%
	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
<b>(ii) Ageing of receivables – value</b>				
<b>Rates and annual charges</b>			<b>2018</b>	<b>2017</b>
Current			238	217
< 1 year overdue			2,043	1,989
1 – 2 years overdue			304	354
2 – 5 years overdue			512	605
> 5 years overdue			47	67
			<b>3,144</b>	<b>3,232</b>
<b>Other receivables</b>				
Current			15,657	11,662
0 – 30 days overdue			87	430
31 – 60 days overdue			184	168
61 – 90 days overdue			13	13
> 91 days overdue			172	175
			<b>16,113</b>	<b>12,448</b>

# Clarence Valley Council

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

### Note 19. Financial risk management (continued)

\$ '000

#### (c) Liquidity risk

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

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

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

Borrowings are also subject to interest rate risk – the risk that movements in interest rates could adversely affect funding costs and debt servicing requirements. Council manages this risk by borrowing long term and fixing the interest rate.

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

\$ '000	Weighted average interest rate	Subject to no maturity	payable in:			Total cash outflows	Actual carrying values
			≤ 1 Year	1 – 5 Years	> 5 Years		
2018							
Trade/other payables	0.00%	1,623	9,897	-	-	11,520	11,520
Loans and advances	6.64%	-	14,244	56,588	107,367	178,199	117,759
Total financial liabilities		1,623	24,141	56,588	107,367	189,719	129,279
2017							
Trade/other payables	0.00%	1,622	9,764	-	-	11,386	11,386
Loans and advances	6.64%	-	14,296	57,110	121,090	192,496	123,939
Total financial liabilities		1,622	24,060	57,110	121,090	203,882	135,325

# Clarence Valley Council

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

### Note 20. Material budget variations

\$ '000

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

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

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

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

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

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

\$ '000	2018 Budget	2018 Actual	2018 ----- Variance* -----	
<b>REVENUES</b>				
<b>Rates and annual charges</b>	<b>53,993</b>	<b>54,223</b>	<b>230</b>	<b>0%</b> <b>F</b>
<b>User charges and fees</b>	<b>35,799</b>	<b>34,874</b>	<b>(925)</b>	<b>(3%)</b> <b>U</b>
<b>Interest and investment revenue</b>	<b>2,267</b>	<b>3,194</b>	<b>927</b>	<b>41%</b> <b>F</b>
Interest & Investment income greater than budgeted due to surplus funds for investment being greater than anticipated.				
Section 94 Developer Contributions - Externally Restricted Investments \$75K (F)				
Interest - Overdue Rates & Charges \$123K (F)				
Section 64 Developer Contributions - Externally Restricted Investments \$62K (F)				
Sewer Fund Investments \$250K (U)				
Water Fund Investments \$281K (F)				
Other External Investments \$11K (F)				
Internal Restrictions Investments \$155K (F)				
Amortisation of Discounts - Interest Free Loans Provided \$6K (F)				
Unrestricted Investments \$464K (F)				
<b>Other revenues</b>	<b>2,204</b>	<b>2,638</b>	<b>434</b>	<b>20%</b> <b>F</b>
Insurance Claims \$442K (F)				
State Waste Rebate \$89K (F)				
Fuel Tax Credits \$84K (F)				
Rent & Hire of Council Property \$7K (U)				
Fines \$52K (F)				
Legal Costs Recovered (excluding rates) \$47K (F)				
Other Revenues \$270K (U)				

## Clarence Valley Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 20. Material budget variations (continued)

\$ '000	2018 Budget	2018 Actual	2018 ----- Variance* -----	
<b>Operating grants and contributions</b>	<b>23,184</b>	<b>29,230</b>	<b>6,046</b>	<b>26% F</b>
Financial Assistance Grant (Federal) \$432K (F)				
Pensioner Rate Subsidy (State) \$34K (U)				
Clarence Care & Support (Federal) \$343 (F)				
Clarence Care & Support (State) \$110K (F)				
Employment & Training Programs (State) \$25K (F)				
Environmental Services (State) \$388K (F)				
Flood Mitigation (State) \$106K (F)				
Heritage & Cultural Services (State) \$103K (F)				
Rural Fire Service (State) \$249K (U)				
Storm/Flood Damage (State) \$1,365K (F)				
Other Special Purpose Grants (State & Federal) \$25K (F)				
Transport (Roads to Recovery) \$3,015 (F) - Budgeted as a capital grant but reported as an operating grant. Actual variance was \$108K (F).				
RMS Contributions (Regional/Local, Block) \$1,486K (F)				
Community Services and Education \$204K (F)				
Water Supplies \$192K (U)				
Other Operating Contributions \$41K (U)				
<b>Capital grants and contributions</b>	<b>5,651</b>	<b>16,855</b>	<b>11,204</b>	<b>198% F</b>
Flood Mitigation (State) \$89K (F)				
Art Gallery Grant (State) \$3,049K (F)				
Transport (Roads to Recovery) \$2,907 (U) - Budgeted as a capital grant but reported as an operating grant. Actual variance was \$108K (F).				
Public Reserves (State) \$165K (F)				
Rural Fire Service (State) \$742K (F)				
Other Special Purpose Grants (Federal) \$1,993K (F)				
Other Special Purpose Grants (State) \$2,464K (F)				
Developer Contributions - Section 94 \$383K (F)				
Developer Contributions - S94A Levies \$3,003K (F)				
RMS Contributions (Regional/Local Roads, Block Grant) \$1,144K (U)				
Section 64 Developer Contributions - Water \$666K (F)				
Section 64 Developer Contributions - Sewer \$644K (F)				
Dedications \$1,551K (F)				
Sewerage Services Non-Cash \$66K (F)				
Water Supplies Non-Cash \$67K (F)				
Other Capital Contributions \$373K (F)				

## Clarence Valley Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 20. Material budget variations (continued)

\$ '000	2018 Budget	2018 Actual	2018 ----- Variance* -----	
<b>EXPENSES</b>				
<b>Employee benefits and on-costs</b>	<b>38,646</b>	<b>38,561</b>	<b>85</b>	<b>0%</b> <b>F</b>
<b>Borrowing costs</b>	<b>8,217</b>	<b>8,325</b>	<b>(108)</b>	<b>(1%)</b> <b>U</b>
<b>Materials and contracts</b>	<b>23,189</b>	<b>30,849</b>	<b>(7,660)</b>	<b>(33%)</b> <b>U</b>
Council's budget is based on a "normal" mix of self-constructed and contract works. The process of calling and accepting tenders during the year, along with fluctuations in grant funding can result in substantial changes in this mix, resulting in significant budget variations in this item.				
Sub Services mainly contributing to the variances were:				
Roads \$1,853K (U)				
Domestic Waste Management \$901K (U)				
Waste Transfer Stations and Other Waste Facilities \$151K (U)				
Parks and Open Spaces \$164K (U)				
Community Support Services \$229K (U)				
Aquatic Facilities \$208K (U)				
Caravan Parks \$588K (U)				
Regional Landfill \$276K (U)				
Urban Vegetation Management \$228K (U)				
Water Operation Maintenance and Renewals \$418K (U)				
Sewer Operation Maintenance and Renewals \$720K (U)				
Natural Disaster Response & Management \$1,736K (U)				
<b>Depreciation and amortisation</b>	<b>35,463</b>	<b>40,990</b>	<b>(5,527)</b>	<b>(16%)</b> <b>U</b>
Water Supply Network \$970K (U)				
Sewerage Network \$3,098K (U)				
Roads, Bridges, Footpaths, Other Transport assets \$1,554K (U)				
Plant & Equipment \$462K (F)				
Intangibles \$339K (F)				
Buildings Specialised \$944K (U)				
Various Classes of Assets \$238K (F)				
<b>Other expenses</b>	<b>13,030</b>	<b>12,858</b>	<b>172</b>	<b>1%</b> <b>F</b>
<b>Net losses from disposal of assets</b>	<b>—</b>	<b>4,106</b>	<b>(4,106)</b>	<b>0%</b> <b>U</b>
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.				
<b>Joint ventures and associates – net losses</b>	<b>—</b>	<b>37</b>	<b>(37)</b>	<b>0%</b> <b>U</b>
Council budget does not predict any profit or loss from Joint Ventures.				



## Clarence Valley Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 20. Material budget variations (continued)

\$ '000	2018 Budget	2018 Actual	2018 ----- Variance* -----	
<b>Budget variations relating to Council's Cash Flow Statement include:</b>				
<b>Cash flows from operating activities</b>	<b>35,415</b>	<b>48,109</b>	<b>12,694</b>	<b>35.8% F</b>
Rates & Annual Charges \$312K (F)				
User Charges & Fees \$1,532K (F)				
Investment & Interest Income \$853K (F)				
Grants & Contributions \$11,368K (F)				
Other Income \$3,715K (F)				
Employee Benefits & Costs \$3,369K (F)				
Materials & Contracts \$9,475K (U)				
Borrowing Costs \$45K (F)				
Other Expenses \$974 (F)				
<b>Cash flows from investing activities</b>	<b>(23,406)</b>	<b>(37,929)</b>	<b>(14,523)</b>	<b>62.0% U</b>
Sale of Investments \$64,339K (F) - Reflects the movement out of reserves.				
Purchase of Investments \$71,999K (U) - Reflects the movement into reserves.				
Capital Expenditure \$8,106K (U)				
Sale of Real Estate assets \$76K (F)				
Sale of IPP&E \$516K (U)				
<b>Cash flows from financing activities</b>	<b>(6,194)</b>	<b>(6,194)</b>	<b>—</b>	<b>0.0% F</b>

## Clarence Valley Council

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

#### Note 21. 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 resolved to sell some parcels of land and building assets as part of its property rationalisation strategy. 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:**

2018	Fair value measurement hierarchy			Total
	Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
<b>Recurring fair value measurements</b>				
<b>Financial assets</b>				
Investments				
– 'Designated at fair value on initial recognition'	–	3,006	–	3,006
<b>Total financial assets</b>	<b>–</b>	<b>3,006</b>	<b>–</b>	<b>3,006</b>

## Clarence Valley Council

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

## Note 21. Fair value measurement (continued)

\$ '000

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

2018	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	—	41,589	—	41,589
Community land	—	26,220	—	26,220
Land under roads (post 30/6/08)	—	—	20	20
Buildings – non-specialised	—	850	38,654	39,504
Buildings – specialised	—	—	80,489	80,489
Other structures	—	—	18,057	18,057
Roads	—	—	429,871	429,871
Bridges	—	—	107,519	107,519
Footpaths	—	—	20,522	20,522
Other road assets	—	—	26,558	26,558
Bulk earthworks (non-depreciable)	—	—	188,558	188,558
Stormwater drainage	—	—	151,874	151,874
Water supply network	—	—	363,185	363,185
Sewerage network	—	—	259,548	259,548
Swimming pools	—	—	5,687	5,687
Other open space/recreational assets	—	—	31,520	31,520
Floodplain	—	—	145,948	145,948
Library books	—	—	617	617
Artwork	—	—	3,815	3,815
Tip remediation	—	—	3,097	3,097
Quarry remediation	—	—	389	389
Total infrastructure, property, plant and equipment	—	68,659	1,875,928	1,944,587
Non-recurring fair value measurements				
Non-current assets classified as ‘held for sale’				
Land	—	143	342	485
Buildings	—	588	—	588
Total NCA’s classified as ‘held for sale’	—	731	342	1,073

## Clarence Valley Council

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

## Note 21. 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	
<b>Recurring fair value measurements</b>				
<b>Financial assets</b>				
Investments				
– ‘Designated at fair value on initial recognition’	–	2,015	–	2,015
<b>Total financial assets</b>	<b>–</b>	<b>2,015</b>	<b>–</b>	<b>2,015</b>
<b>Infrastructure, property, plant and equipment</b>				
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
<b>Total infrastructure, property, plant and equipment</b>	<b>–</b>	<b>67,306</b>	<b>1,904,781</b>	<b>1,972,087</b>

**(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 2018

#### Note 21. Fair value measurement (continued)

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

Where Council is unable to derive Fair Valuations using quoted market prices of identical assets (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 31 March 2018 and was performed by APV.

Level 2 valuation inputs were used to determine the fair value of a range of properties. This included 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.

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##### **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 2018

#### Note 21. 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 31 March 2018 and was performed by APV.

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 APV who are 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 31 March 2018 and was performed by APV.

Specialised assets such as all of the Other Structures were valued using the cost approach using APV who are 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 31 March 2018 and was performed by APV.

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. APV also conducted a desktop valuation as at 31 March 2018.

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

## Clarence Valley Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 21. Fair value measurement (continued)

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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 Water Supply and Sewerage Networks Infrastructure 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 17 March 2018 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 2018

## Note 21. 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.

	Land under roads	Buildings non specialised	Buildings specialised	Total
<b>Opening balance – 1/7/16</b>	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
<b>Closing balance – 30/6/17</b>	<b>20</b>	<b>45,225</b>	<b>89,898</b>	<b>135,143</b>
Transfers from/(to) level 2 FV hierarchy	–	(290)	–	(290)
Transfers from/(to) another asset class	–	(588)	–	(588)
Purchases (GBV)	–	3,393	3,797	7,190
Disposals (WDV)	–	(928)	(931)	(1,859)
Depreciation and impairment	–	(634)	(1,078)	(1,712)
Revaluation decrements via equity (ARR)	–	(7,524)	(11,197)	(18,721)
<b>Closing balance – 30/6/18</b>	<b>20</b>	<b>38,654</b>	<b>80,489</b>	<b>119,163</b>

	Other structures	Roads	Bridges	Footpaths	Total
<b>Opening balance – 1/7/16</b>	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
<b>Closing balance – 30/6/17</b>	<b>12,215</b>	<b>460,862</b>	<b>105,242</b>	<b>21,232</b>	<b>599,551</b>
Purchases (GBV)	5,617	5,452	313	225	11,607
Disposals (WDV)	(240)	(2,930)	(201)	(9)	(3,380)
Depreciation and impairment	(532)	(14,012)	(1,374)	(613)	(16,531)
Revaluation increments to equity (ARR)	997	–	3,407	–	4,404
Revaluation decrements via equity (ARR)	–	(20,929)	–	(313)	(21,242)
Impairment reversal (via equity)	–	1,428	132	–	1,560
<b>Closing balance – 30/6/18</b>	<b>18,057</b>	<b>429,871</b>	<b>107,519</b>	<b>20,522</b>	<b>575,969</b>



## Clarence Valley Council

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

## Note 21. 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 Road Assets	Bulk earthworks	Stormwater drainage	Water supply network	Total
<b>Opening balance – 1/7/16</b>	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)
<b>Closing balance – 30/6/17</b>	<b>24,746</b>	<b>185,910</b>	<b>150,994</b>	<b>358,139</b>	<b>719,789</b>
Purchases (GBV)	932	784	1,202	1,488	4,406
Disposals (WDV)	–	–	(29)	(890)	(919)
Depreciation and impairment	(594)	–	(2,743)	(6,077)	(9,414)
Revaluation increments to equity (ARR)	1,474	1,864	2,450	10,525	16,313
<b>Closing balance – 30/6/18</b>	<b>26,558</b>	<b>188,558</b>	<b>151,874</b>	<b>363,185</b>	<b>730,175</b>

	Sewerage network	Swimming pools	Other open spaces/rec assets	Floodplain assets	Total
<b>Opening balance – 1/7/16</b>	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)
<b>Closing balance – 30/6/17</b>	<b>257,967</b>	<b>5,025</b>	<b>32,647</b>	<b>149,543</b>	<b>445,182</b>
Purchases (GBV)	1,030	17	875	427	2,349
Disposals (WDV)	(115)	–	(148)	(17)	(280)
Depreciation and impairment	(7,239)	(273)	(1,420)	(1,491)	(10,423)
Revaluation increments to equity (ARR)	7,905	918	–	–	8,823
Revaluation decrements via equity (ARR)	–	–	(434)	(2,514)	(2,948)
<b>Closing balance – 30/6/18</b>	<b>259,548</b>	<b>5,687</b>	<b>31,520</b>	<b>145,948</b>	<b>442,703</b>

## Clarence Valley Council

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

## Note 21. Fair value measurement (continued)

\$ '000

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

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

	Library books	Artwork	Tip remediat'n	Quarry remediat'n	Total
<b>Opening balance – 1/7/16</b>	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)
<b>Closing balance – 30/6/17</b>	<b>517</b>	<b>2,172</b>	<b>1,799</b>	<b>628</b>	<b>5,116</b>
Purchases (GBV)	224	45	1,435	(222)	1,482
Disposals (WDV)	(4)	–	–	–	(4)
Depreciation and impairment	(120)	–	(137)	(17)	(274)
Revaluation increments to equity (ARR)	–	1,598	–	–	1,598
<b>Closing balance – 30/6/18</b>	<b>617</b>	<b>3,815</b>	<b>3,097</b>	<b>389</b>	<b>7,918</b>

	Held for Sale Land	Held for Sale Buildings	Total
<b>Opening balance – 1/7/16</b>	–	5,678	5,678
Disposals (WDV)	–	(5,678)	(5,678)
<b>Closing balance – 30/6/17</b>	<b>–</b>	<b>–</b>	<b>–</b>
Transfers from/(to) another asset class	342	–	342
<b>Closing balance – 30/6/18</b>	<b>342</b>	<b>–</b>	<b>342</b>

## Clarence Valley Council

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

#### Note 21. 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 31 March 2018 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.

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 professional 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.

##### **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 assessment is undertaken to determine whether the carrying amount of the assets is materially different from

## Clarence Valley Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 21. Fair value measurement (continued)

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 31 March 2018 a comprehensive revaluation was undertaken for the other structures, swimming pools and other open space/recreational assets classes subject to revaluation by APV.

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 professional 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 31 March 2018, a comprehensive revaluation was undertaken for Road (including Bridges, Footpaths, Bulk Earthworks), and Stormwater 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 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.

For assets valued using the cost approach (except for lateral assets) all were physically inspected. This included validation of physical dimensions and characteristics.

## Clarence Valley Council

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

#### Note 21. Fair value measurement (continued)

A sampling approach was used for lateral assets (such as roads, footpaths, pipes, etc.). For assets not inspected reliance on condition for the valuers was placed on information provided by council staff and reliance was placed on the GIS and other asset management systems in relation to key attributes.

Where such data was not readily available the valuers developed a range of assumptions based on the expected physical condition and attributes given the age of the asset and typical design characteristics. These assumptions were reviewed and confirmed as reasonable by council staff.

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 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 professional 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. APV also provided a desktop valuation as at 31 March 2018 for Water Supply and Sewerage Network Infrastructure.

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%

## Clarence Valley Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 21. Fair value measurement (continued)

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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 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 professional 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. The last valuation was undertaken as at 17 March 2018 and was performed by Dwyer Fine Art.

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 2018

## Note 22. Related party transactions

\$ '000

## 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:	2018	2017
Short-term benefits	1,068	1,387
Post-employment benefits	73	89
Other long-term benefits	102	64
Termination benefits	131	–
<b>Total</b>	<b>1,374</b>	<b>1,540</b>

## 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
2018	Ref	Actual \$	Actual \$		Actual \$	Actual \$
Earthmoving services and plant hire	1	288,694	6,540	14 days	-	-
Holiday Park management fees	2	338,310	-	14 days	-	-

## Clarence Valley Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 22. Related party transactions (continued)

## b. Other transactions with KMP and their related parties (continued)

Nature of the transaction		Value of transactions during year	Outstanding balance (incl. loans and commitments)	Terms and conditions	Provisions for doubtful debts outstanding Actual \$	Doubtful debts expense recognised Actual \$
<b>2017</b>	Ref	Actual \$	Actual \$			
Earthmoving services and plant hire	1	357,000	2,000	14 days	-	-
Holiday Park management fees	2	447,000	-	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 2018

## Note 23. Statement of developer contributions

\$ '000

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

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

## SUMMARY OF CONTRIBUTIONS AND LEVIES

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Drainage	489	19	–	13	–	–	521	–
Roads	2,583	163	–	71	–	–	2,817	–
Open space	(79)	230	–	1	(2)	–	150	–
Community facilities	1,092	207	–	32	–	–	1,331	–
Other	242	23	–	7	(65)	–	207	–
<b>S7.11 contributions – under a plan</b>	<b>4,327</b>	<b>642</b>	<b>–</b>	<b>124</b>	<b>(67)</b>	<b>–</b>	<b>5,026</b>	<b>–</b>
<b>S7.12 levies – under a plan</b>	<b>312</b>	<b>3,053</b>	<b>–</b>	<b>49</b>	<b>(8)</b>	<b>–</b>	<b>3,406</b>	<b>–</b>
<b>Total S7.11 and S7.12 revenue under plans</b>	<b>4,639</b>	<b>3,695</b>	<b>–</b>	<b>173</b>	<b>(75)</b>	<b>–</b>	<b>8,432</b>	<b>–</b>
S7.11 not under plans	219	1	–	6	–	–	226	–
S7.4 planning agreements	99	1	–	3	–	–	103	–
S64 contributions	6,931	1,746	–	205	(289)	–	8,593	–
<b>Total contributions</b>	<b>11,888</b>	<b>5,443</b>	<b>–</b>	<b>387</b>	<b>(364)</b>	<b>–</b>	<b>17,354</b>	<b>–</b>

## Clarence Valley Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 23. Statement of developer contributions (continued)

\$ '000

## S7.11 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	(79)	230	–	1	(2)	–	150	–
Community facilities	1,092	207	–	32	–	–	1,331	–
<b>Total</b>	<b>1,013</b>	<b>437</b>	<b>–</b>	<b>33</b>	<b>(2)</b>	<b>–</b>	<b>1,481</b>	<b>–</b>

## CONTRIBUTION PLAN - Access Roads &amp; 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	684	104	–	20	–	–	808	–
<b>Total</b>	<b>684</b>	<b>104</b>	<b>–</b>	<b>20</b>	<b>–</b>	<b>–</b>	<b>808</b>	<b>–</b>

## 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	132	–	–	4	–	–	136	–
<b>Total</b>	<b>132</b>	<b>–</b>	<b>–</b>	<b>4</b>	<b>–</b>	<b>–</b>	<b>136</b>	<b>–</b>

## Clarence Valley Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 23. Statement of developer contributions (continued)

\$ '000

## S7.11 CONTRIBUTIONS – UNDER A PLAN

## 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	20	–	–	1	–	–	21	–
<b>Total</b>	<b>20</b>	<b>–</b>	<b>–</b>	<b>1</b>	<b>–</b>	<b>–</b>	<b>21</b>	<b>–</b>

## 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	489	19	–	13	–	–	521	–
<b>Total</b>	<b>489</b>	<b>19</b>	<b>–</b>	<b>13</b>	<b>–</b>	<b>–</b>	<b>521</b>	<b>–</b>

## 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	(116)	36	–	(2)	–	–	(82)	–
<b>Total</b>	<b>(116)</b>	<b>36</b>	<b>–</b>	<b>(2)</b>	<b>–</b>	<b>–</b>	<b>(82)</b>	<b>–</b>

## Clarence Valley Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 23. Statement of developer contributions (continued)

\$ '000

## S7.11 CONTRIBUTIONS – UNDER A PLAN

## CONTRIBUTION PLAN - Kerb &amp; 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	36	–	–	1	–	–	37	–
<b>Total</b>	<b>36</b>	<b>–</b>	<b>–</b>	<b>1</b>	<b>–</b>	<b>–</b>	<b>37</b>	<b>–</b>

## 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	52	4	–	2	–	–	58	–
<b>Total</b>	<b>52</b>	<b>4</b>	<b>–</b>	<b>2</b>	<b>–</b>	<b>–</b>	<b>58</b>	<b>–</b>

## 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	165	19	–	4	(65)	–	123	–
<b>Total</b>	<b>165</b>	<b>19</b>	<b>–</b>	<b>4</b>	<b>(65)</b>	<b>–</b>	<b>123</b>	<b>–</b>

## Clarence Valley Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 23. Statement of developer contributions (continued)

\$ '000

## S7.11 CONTRIBUTIONS – UNDER A PLAN

## 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	–
<b>Total</b>	<b>5</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>5</b>	<b>–</b>

## 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	218	–	–	6	–	–	224	–
<b>Total</b>	<b>218</b>	<b>–</b>	<b>–</b>	<b>6</b>	<b>–</b>	<b>–</b>	<b>224</b>	<b>–</b>

## 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	50	–	–	1	–	–	51	–
<b>Total</b>	<b>50</b>	<b>–</b>	<b>–</b>	<b>1</b>	<b>–</b>	<b>–</b>	<b>51</b>	<b>–</b>

## Clarence Valley Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 23. Statement of developer contributions (continued)

\$ '000

## S7.11 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	–
<b>Total</b>	<b>11</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>11</b>	<b>–</b>

## 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	127	–	–	4	–	–	131	–
<b>Total</b>	<b>127</b>	<b>–</b>	<b>–</b>	<b>4</b>	<b>–</b>	<b>–</b>	<b>131</b>	<b>–</b>

## Clarence Valley Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 23. Statement of developer contributions (continued)

\$ '000

## S7.11 CONTRIBUTIONS – UNDER A PLAN

## 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	31	–	–	–	–	–	31	–
<b>Total</b>	<b>31</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>31</b>	<b>–</b>

## 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	–
<b>Total</b>	<b>17</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>17</b>	<b>–</b>

## Clarence Valley Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 23. Statement of developer contributions (continued)

\$ '000

## S7.11 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	19	–	–	–	–	–	19	–
<b>Total</b>	<b>19</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>19</b>	<b>–</b>

## 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	1,374	23	–	37	–	–	1,434	–
<b>Total</b>	<b>1,374</b>	<b>23</b>	<b>–</b>	<b>37</b>	<b>–</b>	<b>–</b>	<b>1,434</b>	<b>–</b>

## S7.12 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	312	3,053	–	49	(8)	–	3,406	–
<b>Total</b>	<b>312</b>	<b>3,053</b>	<b>–</b>	<b>49</b>	<b>(8)</b>	<b>–</b>	<b>3,406</b>	<b>–</b>



## Clarence Valley Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 23. Statement of developer contributions (continued)

\$ '000

## S7.11 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	94	1	–	2	–	–	97	–
Parking	1	–	–	–	–	–	1	–
Other	64	–	–	2	–	–	66	–
<b>Total</b>	<b>159</b>	<b>1</b>	<b>–</b>	<b>4</b>	<b>–</b>	<b>–</b>	<b>164</b>	<b>–</b>

## 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	34	–	–	1	–	–	35	–
<b>Total</b>	<b>34</b>	<b>–</b>	<b>–</b>	<b>1</b>	<b>–</b>	<b>–</b>	<b>35</b>	<b>–</b>

## 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	–	–	1	–	–	27	–
<b>Total</b>	<b>26</b>	<b>–</b>	<b>–</b>	<b>1</b>	<b>–</b>	<b>–</b>	<b>27</b>	<b>–</b>

# Clarence Valley Council

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

### Note 24. Financial result and financial position by fund

Income Statement by fund			
\$ '000	2018	2018	2018
<b>Continuing operations</b>	<b>Water</b>	<b>Sewer</b>	<b>General<sup>1</sup></b>
<b>Income from continuing operations</b>			
Rates and annual charges	2,396	17,016	35,246
User charges and fees	13,358	2,655	19,744
Interest and investment revenue	794	306	2,094
Other revenues	339	107	12,984
Grants and contributions provided for operating purposes	673	180	28,377
Grants and contributions provided for capital purposes	984	1,147	14,724
<b>Total income from continuing operations</b>	<b>18,544</b>	<b>21,411</b>	<b>113,169</b>
<b>Expenses from continuing operations</b>			
Employee benefits and on-costs	1,746	1,700	35,115
Borrowing costs	1,777	4,723	1,825
Materials and contracts	2,123	2,207	26,717
Depreciation and amortisation	6,342	7,440	27,208
Other expenses	4,730	7,270	12,770
Net losses from the disposal of assets	1,432	346	2,328
Share of interests in joint ventures and associates using the equity method	–	–	37
<b>Total expenses from continuing operations</b>	<b>18,150</b>	<b>23,686</b>	<b>106,000</b>
<b>Operating result from continuing operations</b>	<b>394</b>	<b>(2,275)</b>	<b>7,169</b>
<b>Net operating result attributable to each council fund</b>	<b>394</b>	<b>(2,275)</b>	<b>7,169</b>
<b>Net operating result for the year before grants and contributions provided for capital purposes</b>	<b>(590)</b>	<b>(3,422)</b>	<b>(7,555)</b>

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

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

## Clarence Valley Council

Notes to the Financial Statements  
as at 30 June 2018

## Note 24. Financial result and financial position by fund (continued)

Statement of Financial Position by fund			
\$ '000	2018	2018	2018
<b>ASSETS</b>	<b>Water</b>	<b>Sewer</b>	<b>General<sup>1</sup></b>
<b>Current assets</b>			
Cash and cash equivalents	280	519	15,957
Investments	5,023	5,708	24,269
Receivables	4,233	1,511	12,862
Inventories	–	–	1,372
Other	2	2	259
Non-current assets classified as 'held for sale'	–	–	1,073
<b>Total current assets</b>	<b>9,538</b>	<b>7,740</b>	<b>55,792</b>
<b>Non-current assets</b>			
Investments	21,911	3,339	34,756
Receivables	27	170	564
Inventories	–	–	156
Infrastructure, property, plant and equipment	375,434	269,987	1,333,324
Investments accounted for using the equity method	–	–	39
Intangible assets	3	–	235
<b>Total non-current assets</b>	<b>397,375</b>	<b>273,496</b>	<b>1,369,074</b>
<b>TOTAL ASSETS</b>	<b>406,913</b>	<b>281,236</b>	<b>1,424,866</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	464	505	10,602
Income received in advance	–	–	1,831
Borrowings	939	3,272	2,379
Provisions	12	–	11,780
<b>Total current liabilities</b>	<b>1,415</b>	<b>3,777</b>	<b>26,592</b>
<b>Non-current liabilities</b>			
Borrowings	22,446	68,252	20,471
Provisions	–	–	8,620
<b>Total non-current liabilities</b>	<b>22,446</b>	<b>68,252</b>	<b>29,091</b>
<b>TOTAL LIABILITIES</b>	<b>23,861</b>	<b>72,029</b>	<b>55,683</b>
<b>Net assets</b>	<b>383,052</b>	<b>209,207</b>	<b>1,369,183</b>
<b>EQUITY</b>			
Accumulated surplus	221,536	115,620	503,042
Revaluation reserves	161,516	93,587	866,141
<b>Total equity</b>	<b>383,052</b>	<b>209,207</b>	<b>1,369,183</b>

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

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

# Clarence Valley Council

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

### Note 25(a). Statement of performance measures – consolidated results

\$ '000	Amounts 2018	Indicator 2018	Prior periods		Benchmark
			2017	2016	
<b>Local government industry indicators – consolidated</b>					
<b>1. Operating performance ratio</b>					
Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions less operating expenses	<b>(7,417)</b>	<b>-5.97%</b>	-3.78%	-4.67%	> 0.00%
Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions	<b>124,166</b>				
<b>Note</b> , excluding the prepaid Financial Assistance Grant:			<b>-8.26%</b>		
<b>2. Own source operating revenue ratio</b>					
Total continuing operating revenue <sup>(1)</sup> excluding all grants and contributions	<b>94,936</b>	<b>67.32%</b>	69.19%	67.95%	> 60.00%
Total continuing operating revenue <sup>(1)</sup>	<b>141,021</b>				
<b>Note</b> , excluding the prepaid Financial Assistance Grant:			<b>72.00%</b>		
<b>3. Unrestricted current ratio</b>					
Current assets less all external restrictions <sup>(2)</sup>	<b>53,743</b>	<b>4.29x</b>	4.97x	5.23x	> 1.5x
Current liabilities less specific purpose liabilities <sup>(3, 4)</sup>	<b>12,525</b>				
<b>Note</b> , excluding the prepaid Financial Assistance Grant:			<b>4.01x</b>		
<b>4. Debt service cover ratio</b>					
Operating result <sup>(1)</sup> before capital excluding interest and depreciation/impairment/amortisation	<b>41,898</b>	<b>2.89x</b>	3.17x	2.59x	> 2x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	<b>14,519</b>				
<b>Note</b> , excluding the prepaid Financial Assistance Grant:			<b>2.80x</b>		
<b>5. Rates, annual charges, interest and extra charges outstanding percentage</b>					
Rates, annual and extra charges outstanding	<b>3,520</b>	<b>6.03%</b>	6.29%	5.99%	10%
Rates, annual and extra charges collectible	<b>58,345</b>				
<b>6. Cash expense cover ratio</b>					
Current year's cash and cash equivalents plus all term deposits	<b>108,756</b>	<b>13.22 mths</b>	12.0 mths	10.3 mths	> 3 mths
Payments from cash flow of operating and financing activities	<b>8,228</b>				
<b>Note</b> , excluding the prepaid Financial Assistance Grant:			<b>11.34 mths</b>		

#### Notes

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

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

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

<sup>(3)</sup> Refer to Notes 12 and 13.

<sup>(4)</sup> Refer to Note 12(b) and 13(b) – 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 2018

## Note 25(b). Statement of performance measures – by fund

\$ '000	General indicators <sup>5</sup>		Water indicators		Sewer indicators		Benchmark
	2018	2017	2018	2017	2018	2017	
Local government industry indicators – by fund							
1. Operating performance ratio							
Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions less operating expenses	-5.88%	-0.85%	4.40%	12.94%	-15.37%	-31.89%	> 0.00%
Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions							
Note, excluding the prepaid Financial Assistance Grant:		-7.10%					
2. Own source operating revenue ratio							
Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions	56.93%	58.88%	93.35%	94.10%	93.84%	95.10%	> 60.00%
Total continuing operating revenue <sup>(1)</sup>							
Note, excluding the prepaid Financial Assistance Grant:		62.30%					
3. Unrestricted current ratio							
Current assets less all external restrictions <sup>(2)</sup>	4.29x	4.97x	4.33x	13.94x	0.68x	1.06x	> 1.5x
Current liabilities less specific purpose liabilities <sup>(3, 4)</sup>							
Note, excluding the prepaid Financial Assistance Grant:		4.01x					

## Notes

(1) - (4) Refer to Notes at Note 25a 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 2018

## Note 25(b). Statement of performance measures – by fund (continued)

\$ '000	General indicators <sup>5</sup>		Water indicators		Sewer indicators		Benchmark
	2018	2017	2018	2017	2018	2017	
Local government industry indicators – by fund (continued)							
4. Debt service cover ratio							
Operating result <sup>(1)</sup> before capital excluding interest and depreciation/impairment/amortisation	6.08x	7.48x	3.27x	3.73x	1.07x	0.76x	> 2x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)							
Note, excluding the prepaid Financial Assistance Grant:		6.17x					
5. Rates, annual charges, interest and extra charges outstanding percentage							
Rates, annual and extra charges outstanding	6.31%	6.74%	8.05%	7.84%	5.14%	5.06%	< 10% regional & rural
Rates, annual and extra charges collectible							
6. Cash expense cover ratio							
Current year's cash and cash equivalents plus all term deposits	12.62	11.98	28.86	28.07	6.04	4.30	> 3 months
Payments from cash flow of operating and financing activities	months	months	months	months	months	months	
Note, excluding the prepaid Financial Assistance Grant:		11.06 mths					

## Notes

(1) Refer to Notes at Note 25a above.

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

END OF AUDITED FINANCIAL STATEMENTS

# Clarence Valley Council

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

### Note 26. Council information and contact details

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**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](http://www.clarence.nsw.gov.au)

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

**Officers**
**GENERAL MANAGER**

Ashley Lindsay

**RESPONSIBLE ACCOUNTING OFFICER**

Matthew Sykes

**PUBLIC OFFICER**

Laura Black

**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 report**

#### **Clarence Valley Council**

To the Councillors of the Clarence Valley Council

### **Opinion**

I have audited the accompanying financial report of Clarence Valley Council (the Council), which comprise the Income Statement and Statement of Comprehensive Income for the year ended 30 June 2018, the Statement of Financial Position as at 30 June 2018, the Statement of Changes in Equity and Statement of Cash Flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the Statement by Councillors and Management.

In my opinion,

- the Council's accounting records have been kept in accordance with the requirements of the *Local Government Act 1993*, Chapter 13, Part 3, Division 2 (the Division)
- the financial report:
  - has been presented, in all material respects, in accordance with the requirements of this Division
  - is consistent with the Council's accounting records
  - presents fairly, in all material respects, the financial position of the Council as at 30 June 2018, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- all information relevant to the conduct of the audit has been obtained
- no material deficiencies in the accounting records or financial report have come to light during the audit.

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

### **Basis for Opinion**

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

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

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

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



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

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

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

## **Other Information**

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

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

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

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

I have nothing to report in this regard.

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

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

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

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

My objectives are to:

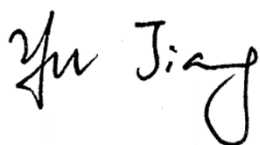
- obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

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

A description of my responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: [www.auasb.gov.au/auditors\\_responsibilities/ar4.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf). The description forms part of my auditor's report.

My opinion does *not* provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- on the Original Budget information included in the Income Statement, Statement of Cash Flows, and Note 20 Material budget variations
- on the Special Schedules. A separate opinion has been provided on Special Schedule 2 - Permissible income for general rates
- about the security and controls over the electronic publication of the audited financial report on any website where it may be presented
- about any other information which may have been hyperlinked to/from the financial report.

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

Reiky Jiang  
Director, Financial Audit Services

19 December 2018  
SYDNEY

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

Contact: Reiky Jiang  
Phone no: 02 9275 7281  
Our ref: D1830881/ 1713

19 December 2018

Dear Mayor

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

I have audited the general purpose financial statements of the Clarence Valley Council (the Council) for the year ended 30 June 2018 as required by section 415 of the *Local Government Act 1993* (the Act).

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

This Report on the Conduct of the Audit (the Report) for the Council for the year ended 30 June 2018 is issued in accordance with section 417 of the Act. This Report should be read in conjunction with my audit opinion on the general purpose financial statements issued under section 417(2) of the Act.

### INCOME STATEMENT

#### Operating result

	2018 \$m	2017 \$m	Variance %
Rates and annual charges revenue	54.2	54.3	0.2
Grants and contributions revenue	46.1	41.5	11.1
Operating result for the year	5.3	(11.7)	145
Net operating result before capital amounts	(11.6)	(19.0)	38.9

Council's operating result (\$5.3 million including the effect of depreciation and amortisation expense of \$41.0 million) was \$17 million higher than the 2016–17 result. This increase is largely attributable to the following:

- grants and contributions provided for capital purposes increased by \$9.6 million which included approximately \$3 million in grant funding for the Grafton Regional Gallery and \$3 million in developer contributions for the Clarence Correctional Centre
- net losses from disposal of assets decreased by \$9.7 million.

## STATEMENT OF CASH FLOWS

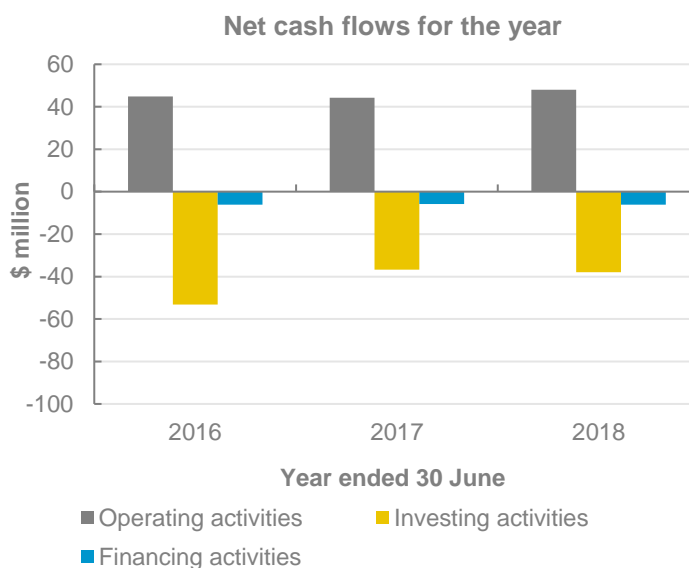
The adjacent graph shows the movement in cash flows from operating, investing and financing activities.

Overall, Council's cash and cash equivalents increased by \$4.0 million during the financial year.

Net cash provided in operating activities increased by \$3.9 million from an increase in user fees and charges and a decrease in other payments.

A larger capital works program was undertaken in 2017–18, which resulted in an overall additional \$1 million being used in investing activities.

Cash flow from financing activities remained relatively consistent with prior year.



## FINANCIAL POSITION

### Cash and Investments

Cash and Investments	2018	2017	Commentary
	\$m	\$m	
External restrictions	60.8	49.5	Externally restricted balances include unexpended specific grants, developer contributions and water supply, sewerage services and domestic waste management charges. The increase in externally restricted cash and investments is predominantly due to a \$5.5 million increase in developer contributions, a \$3.5 million increase in water supplies and \$3.7 million in specific purpose unexpended grants (excluding Clarence Coast Reserve Trust and Clarence Care and Support).
Internal restrictions	49.5	47.2	Balances are internally restricted due to Council policy or decisions for forward plans including works programs. Internally restricted cash and investments have only slightly increased with the restriction splits staying relatively consistent, except for Clarence Care and Support reserve which has increased by \$3.2 million.
Unrestricted	1.4	5.1	Unrestricted balances provide liquidity for day-to-day operations.
<b>Cash and investments</b>	<b>111.7</b>	<b>101.8</b>	

## Debt

Council has total borrowings of \$117.8 million at 30 June 2018 (\$123.9 million at 30 June 2017). Council made loan repayments of \$6.2 million in 2017–18. Refer to the commentary below on Council's debt service cover ratio.

## PERFORMANCE RATIOS

The definition of each ratio analysed below (except for the 'building and infrastructure renewals ratio') is included in Note 25 of the Council's audited general purpose financial statements. The 'building and infrastructure renewals ratio' is defined in Council's Special Schedule 7 which has not been audited.

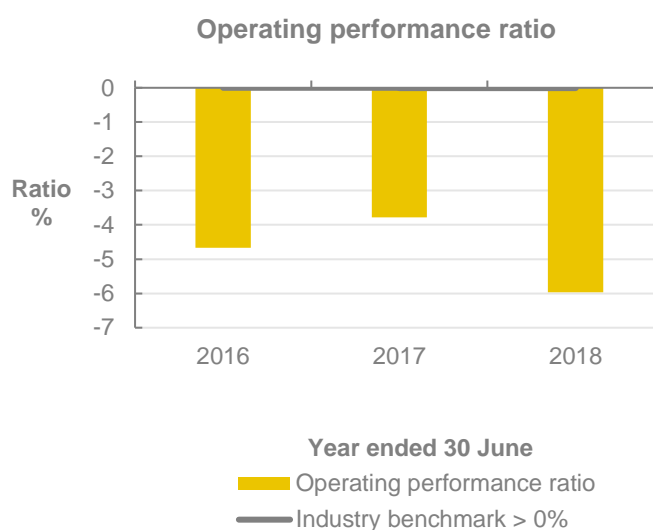
### Operating performance ratio

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

Council's operating performance ratio has decreased and continues to not meet the industry benchmark.

The water fund did achieve above industry benchmark; however, the general and sewer fund did not achieve positive operating performance ratios.

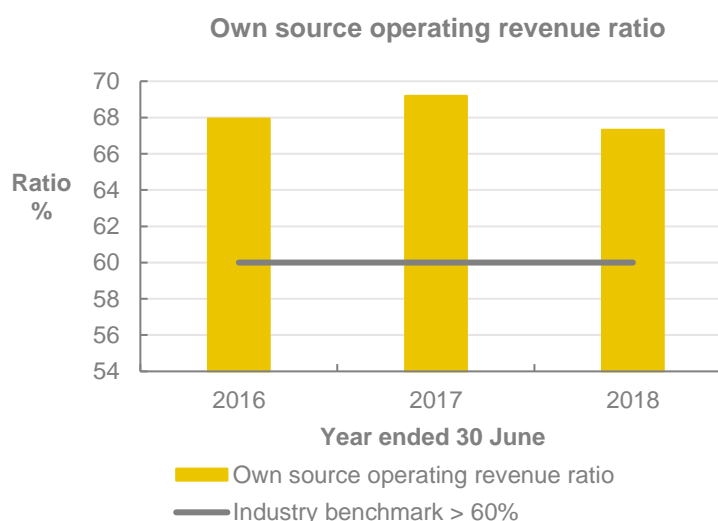
The 2017 ratio includes an advanced payment of the Financial Assistance Grant of \$5.3 million.



### Own source operating revenue ratio

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.

Council met the industry benchmark for the own source operating revenue ratio. This ratio has been consistently met over the past three years.

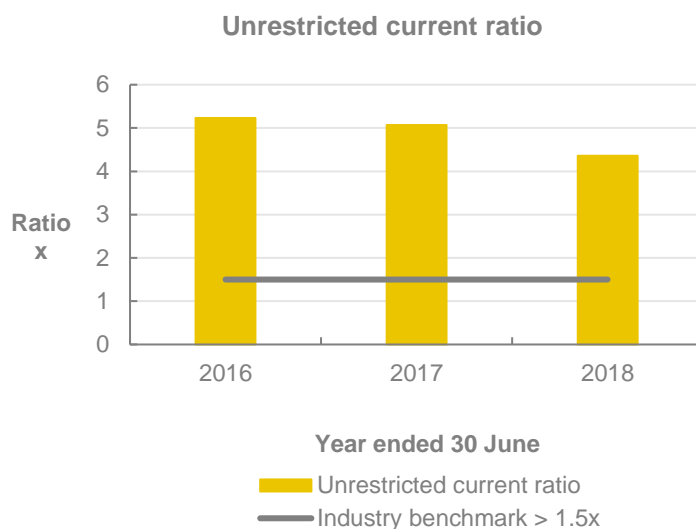


## Unrestricted current ratio

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.

Council's unrestricted current ratio continues to be well above the industry benchmark. Council has \$4.29 in liquid current assets for every \$1 of current liabilities as at 30 June 2018.

Council's sewer fund did not meet the industry benchmark.



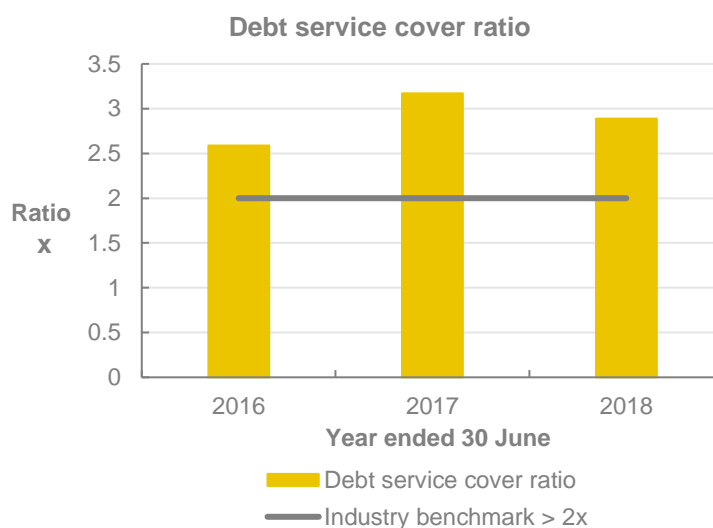
## Debt service cover ratio

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.

Council's consolidated debt service cover ratio continues to be above the industry benchmark.

For the sewer fund, the debt service cover ratio is below the benchmark at 1.07 times its debt repayment obligations.

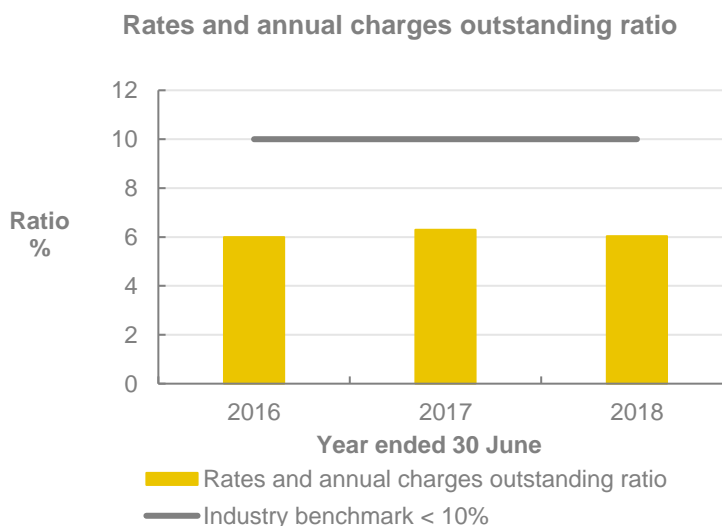
Council should continue to monitor the sewer fund position to ensure cash flow over the short to medium term is sufficient.



## Rates and annual charges outstanding ratio

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

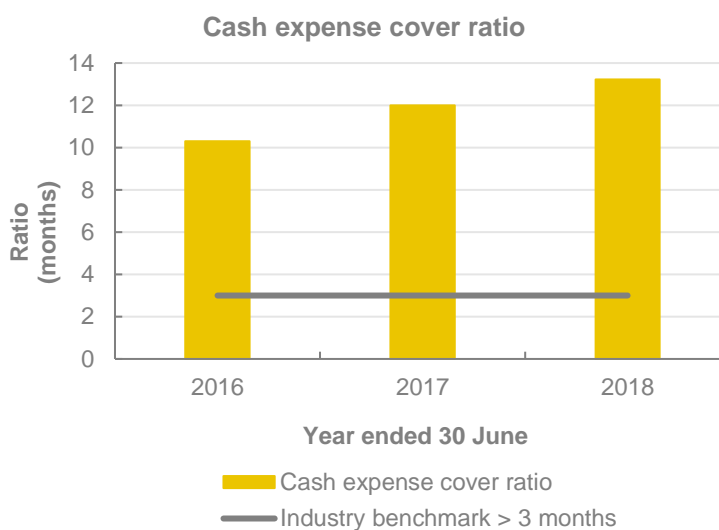
Council has continued to meet the industry benchmark for the rates and annual charges outstanding ratio as at 30 June 2018.



## Cash expense cover ratio

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.

Council continues to maintain its cash expense cover ratio well above the industry benchmark.

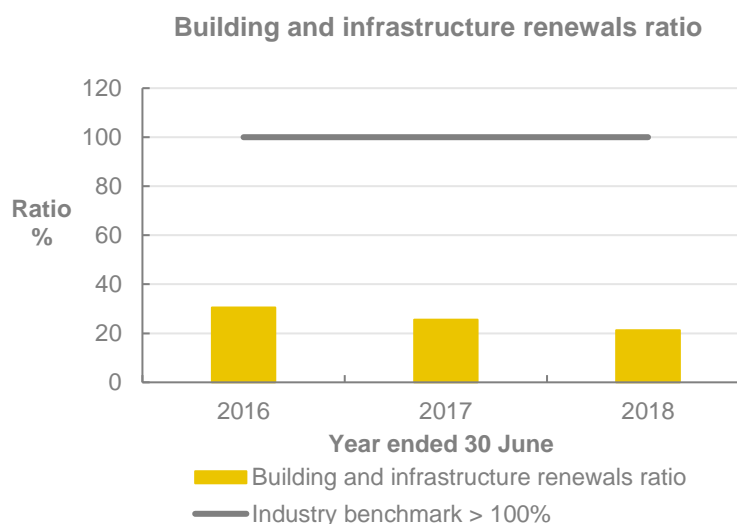


## Building and infrastructure renewals ratio (unaudited)

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.

Council's asset renewal expenditure is not keeping pace with the rate at which these assets are depreciating, and has continued to not meet the industry benchmark for the past 3 years.



## OTHER MATTERS

### New accounting standards implemented

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

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


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

Council's disclosure of the changes in their liabilities arising from financing activities is disclosed in Note 12.

## Legislative compliance

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

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



Reiky Jiang  
Director, Financial Services

cc: Mr Ashley Lindsay, General Manager  
Mr Ross Bryant, Chair of the Audit Committee



# Clarence Valley Council

SPECIAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2018

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*"Discover the Clarence"*

# Clarence Valley Council

## Special Purpose Financial Statements

for the year ended 30 June 2018

Contents	Page
<b>1. Statement by Councillors and Management</b>	<b>2</b>
<b>2. Special Purpose Financial Statements:</b>	
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Statement of Financial Position – Water Supply Business Activity	6
Statement of Financial Position – Sewerage Business Activity	7
Statement of Financial Position – Other Business Activities	8
Prior period error – Other Business Activities	9
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<b>4. Auditor's Report</b>	<b>21</b>

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### Background

- (i) These Special Purpose Financial Statements have been prepared for the use by both Council and the Office of Local Government in fulfilling their requirements under National Competition Policy.
  - (ii) The principle of competitive neutrality is based on the concept of a 'level playing field' between persons/entities competing in a market place, particularly between private and public sector competitors.  
  
Essentially, the principle is that government businesses, whether Commonwealth, state or local, should operate without net competitive advantages over other businesses as a result of their public ownership.
  - (iii) For Council, the principle of competitive neutrality and public reporting applies only to declared business activities.  
  
These include **(a)** those activities classified by the Australian Bureau of Statistics as business activities being water supply, sewerage services, abattoirs, gas production and reticulation, and **(b)** those activities with a turnover of more than \$2 million that Council has formally declared as a business activity (defined as Category 1 activities).
  - (iv) In preparing these financial statements for Council's self-classified Category 1 businesses and ABS-defined activities, councils must **(a)** adopt a corporatisation model and **(b)** apply full cost attribution including tax-equivalent regime payments and debt guarantee fees (where the business benefits from Council's borrowing position by comparison with commercial rates).
-

## Clarence Valley Council

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

### Statement by Councillors and Management

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

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




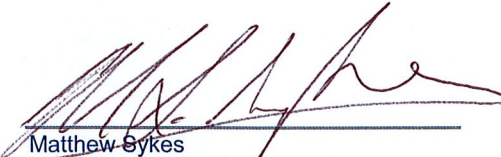
- the NSW Government Policy Statement 'Application of National Competition Policy to Local Government',
- the Division of Local Government Guidelines 'Pricing and Costing for Council Businesses – A Guide to Competitive Neutrality',
- the Local Government Code of Accounting Practice and Financial Reporting,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

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

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

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

**Signed in accordance with a resolution of Council made on 20 November 2018.**

  
\_\_\_\_\_  
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 2018

\$ '000	2018	2017
<b>Income from continuing operations</b>		
Access charges	2,396	2,305
User charges	12,535	12,287
Fees	823	1,131
Interest	794	721
Grants and contributions provided for non-capital purposes	673	705
Other income	339	266
<b>Total income from continuing operations</b>	<b>17,560</b>	<b>17,415</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	1,746	1,750
Borrowing costs	1,777	1,839
Materials and contracts	2,123	1,986
Depreciation, amortisation and impairment	6,342	6,035
Loss on sale of assets	1,432	1,145
Calculated taxation equivalents	67	66
Debt guarantee fee (if applicable)	234	243
Other expenses	4,730	3,484
<b>Total expenses from continuing operations</b>	<b>18,451</b>	<b>16,548</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>(891)</b>	<b>867</b>
Grants and contributions provided for capital purposes	984	818
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>93</b>	<b>1,685</b>
<b>Surplus (deficit) from all operations before tax</b>	<b>93</b>	<b>1,685</b>
Less: corporate taxation equivalent (30%) [based on result before capital]	–	(260)
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>93</b>	<b>1,425</b>
Plus opening retained profits	372,311	414,437
Plus/less: increase in asset revaluation reserve	10,414	(44,054)
Plus adjustments for amounts unpaid:		
– Debt guarantee fees	234	243
– Corporate taxation equivalent	–	260
<b>Closing retained profits</b>	<b>383,052</b>	<b>372,311</b>
<b>Return on capital %</b>	<b>0.2%</b>	<b>0.7%</b>
<b>Subsidy from Council</b>	<b>8,988</b>	<b>6,906</b>
<b>Calculation of dividend payable:</b>		
Surplus (deficit) after tax	93	1,425
Less: capital grants and contributions (excluding developer contributions)	(319)	(115)
<b>Surplus for dividend calculation purposes</b>	<b>–</b>	<b>1,310</b>
<b>Potential dividend calculated from surplus</b>	<b>–</b>	<b>655</b>

## Clarence Valley Council

# Income Statement of Council's Sewerage Business Activity

for the year ended 30 June 2018

\$ '000	2018	2017
<b>Income from continuing operations</b>		
Access charges	17,016	16,561
User charges	2,108	2,062
Liquid trade waste charges	2	2
Fees	545	603
Interest	306	321
Grants and contributions provided for non-capital purposes	180	187
Other income	107	27
<b>Total income from continuing operations</b>	<b>20,264</b>	<b>19,763</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	1,700	1,803
Borrowing costs	4,723	4,925
Materials and contracts	2,207	2,281
Depreciation, amortisation and impairment	7,440	8,004
Loss on sale of assets	346	2,396
Calculated taxation equivalents	48	47
Debt guarantee fee (if applicable)	715	746
Other expenses	7,270	9,005
<b>Total expenses from continuing operations</b>	<b>24,449</b>	<b>29,207</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>(4,185)</b>	<b>(9,444)</b>
Grants and contributions provided for capital purposes	1,147	821
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>(3,038)</b>	<b>(8,623)</b>
<b>Surplus (deficit) from all operations before tax</b>	<b>(3,038)</b>	<b>(8,623)</b>
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>(3,038)</b>	<b>(8,623)</b>
Plus opening retained profits	202,803	240,325
Plus/less: increase in asset revaluation reserve	8,727	(29,645)
Plus adjustments for amounts unpaid:		
– Debt guarantee fees	715	746
<b>Closing retained profits</b>	<b>209,207</b>	<b>202,803</b>
<b>Return on capital %</b>	<b>0.2%</b>	<b>-1.7%</b>
<b>Subsidy from Council</b>	<b>6,563</b>	<b>11,501</b>
<b>Calculation of dividend payable:</b>		
Surplus (deficit) after tax	(3,038)	(8,623)
Less: capital grants and contributions (excluding developer contributions)	(66)	(97)
<b>Surplus for dividend calculation purposes</b>	<b>–</b>	<b>–</b>
<b>Potential dividend calculated from surplus</b>	<b>–</b>	<b>–</b>

## Clarence Valley Council

## Income Statement of Council's Other Business Activities

for the year ended 30 June 2018

	Clarence Coast Reserve Trust Category 1		Clarence Care & Support Category 1	
	Restated		Restated	
\$ '000	2018	2017	2018	2017
<b>Income from continuing operations</b>				
User charges	5,882	5,514	589	744
Interest	67	76	29	19
Grants and contributions provided for non-capital purposes	27	31	6,280	6,954
Other income	158	140	2,587	3,485
<b>Total income from continuing operations</b>	<b>6,134</b>	<b>5,761</b>	<b>9,485</b>	<b>11,202</b>
<b>Expenses from continuing operations</b>				
Employee benefits and on-costs	260	270	4,411	4,102
Materials and contracts	2,408	2,268	1,601	2,078
Depreciation, amortisation and impairment	523	684	23	23
Loss on sale of assets	47	4	–	1
Other expenses	2,608	2,164	3,970	4,234
<b>Total expenses from continuing operations</b>	<b>5,846</b>	<b>5,390</b>	<b>10,005</b>	<b>10,438</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>288</b>	<b>371</b>	<b>(520)</b>	<b>764</b>
Grants and contributions provided for capital purposes	130	306	2	3
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>418</b>	<b>677</b>	<b>(518)</b>	<b>767</b>
<b>Surplus (deficit) from all operations before tax</b>	<b>418</b>	<b>677</b>	<b>(518)</b>	<b>767</b>
Less: corporate taxation equivalent (30%) [based on result before capital]	(86)	(111)	–	(229)
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>332</b>	<b>566</b>	<b>(518)</b>	<b>538</b>
Plus opening retained profits	33,386	39,359	5,673	5,039
Plus/less: prior period adjustments	–	(1,149)	–	(191)
Plus/less: increase in asset revaluation reserve	(2,377)	(5,501)	178	58
Plus adjustments for amounts unpaid:				
– Corporate taxation equivalent	86	111	–	229
<b>Closing retained profits</b>	<b>31,427</b>	<b>33,386</b>	<b>5,333</b>	<b>5,673</b>
Return on capital %	1.0%	1.2%	-110.2%	163.6%
Subsidy from Council	462	45	532	–

## Clarence Valley Council

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

\$ '000	2018	2017
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	280	213
Investments	5,023	15,921
Receivables	4,233	3,956
Other	2	2
<b>Total current assets</b>	<b>9,538</b>	<b>20,092</b>
<b>Non-current assets</b>		
Investments	21,911	7,112
Receivables	27	26
Infrastructure, property, plant and equipment	375,434	369,694
Intangible assets	3	3
<b>Total non-current assets</b>	<b>397,375</b>	<b>376,835</b>
<b>TOTAL ASSETS</b>	<b>406,913</b>	<b>396,927</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Payables	464	348
Borrowings	939	872
Provisions	12	11
<b>Total current liabilities</b>	<b>1,415</b>	<b>1,231</b>
<b>Non-current liabilities</b>		
Borrowings	22,446	23,385
<b>Total non-current liabilities</b>	<b>22,446</b>	<b>23,385</b>
<b>TOTAL LIABILITIES</b>	<b>23,861</b>	<b>24,616</b>
<b>NET ASSETS</b>	<b>383,052</b>	<b>372,311</b>
<b>EQUITY</b>		
Accumulated surplus	221,536	221,209
Revaluation reserves	161,516	151,102
<b>TOTAL EQUITY</b>	<b>383,052</b>	<b>372,311</b>

## Clarence Valley Council

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

\$ '000	2018	2017
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	519	396
Investments	5,708	5,705
Receivables	1,511	1,678
Other	2	2
<b>Total current Assets</b>	<b>7,740</b>	<b>7,781</b>
<b>Non-current assets</b>		
Investments	3,339	1,399
Receivables	170	152
Infrastructure, property, plant and equipment	269,987	268,552
<b>Total non-current assets</b>	<b>273,496</b>	<b>270,103</b>
<b>TOTAL ASSETS</b>	<b>281,236</b>	<b>277,884</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Payables	505	507
Borrowings	3,272	3,050
<b>Total current liabilities</b>	<b>3,777</b>	<b>3,557</b>
<b>Non-current liabilities</b>		
Borrowings	68,252	71,524
<b>Total non-current liabilities</b>	<b>68,252</b>	<b>71,524</b>
<b>TOTAL LIABILITIES</b>	<b>72,029</b>	<b>75,081</b>
<b>NET ASSETS</b>	<b>209,207</b>	<b>202,803</b>
<b>EQUITY</b>		
Accumulated surplus	115,620	117,943
Revaluation reserves	93,587	84,860
<b>TOTAL EQUITY</b>	<b>209,207</b>	<b>202,803</b>



## Clarence Valley Council

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

as at 30 June 2018

	Clarence Coast Reserve Trust		Clarence Care & Support	
	Category 1		Category 1	
\$ '000	2018	Restated 2017	2018	Restated 2017
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalents	41	36	1	1
Investments	3,131	2,770	5,730	5,487
Receivables	271	96	469	382
Other	6	5	–	–
<b>Total Current Assets</b>	<b>3,449</b>	<b>2,907</b>	<b>6,200</b>	<b>5,870</b>
<b>Non-current assets</b>				
Infrastructure, property, plant and equipment	28,530	31,033	472	467
Intangible assets	–	–	37	9
<b>Total non-current assets</b>	<b>28,530</b>	<b>31,033</b>	<b>509</b>	<b>476</b>
<b>TOTAL ASSETS</b>	<b>31,979</b>	<b>33,940</b>	<b>6,709</b>	<b>6,346</b>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Payables	552	554	1,376	673
<b>Total current liabilities</b>	<b>552</b>	<b>554</b>	<b>1,376</b>	<b>673</b>
<b>Total non-current liabilities</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>TOTAL LIABILITIES</b>	<b>552</b>	<b>554</b>	<b>1,376</b>	<b>673</b>
<b>NET ASSETS</b>	<b>31,427</b>	<b>33,386</b>	<b>5,333</b>	<b>5,673</b>
<b>EQUITY</b>				
Accumulated surplus	22,351	21,933	5,269	5,635
Revaluation reserves	9,076	11,453	64	38
<b>TOTAL EQUITY</b>	<b>31,427</b>	<b>33,386</b>	<b>5,333</b>	<b>5,673</b>

# Clarence Valley Council

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

### Prior period error - Other Business Activities

\$ '000

#### Correction of errors relating to a previous reporting period

##### (a) Clarence Coast Reserve Trust

##### Nature of prior-period error

Council's General Fund paid for Clarence Coast Reserve Trust assets which had not been reimbursed out of the Trust's cash reserves. The amount attributable to the above is \$1.149M which is reflected as a decrease to investments.

Council has brought to account depreciation not previously recorded in prior years relating to the Trust's depreciation on assets that was recorded in the Council's General Fund depreciation expense. The corresponding effect was to reduce the Trust's cash and investments as the General Fund had notionally funded the depreciation expense. The amount attributable to the above is \$0.391M.

The prior-period errors described above has no impact on the General Purpose Statement of Financial Position and Income Statement.

Comparatives have been changed to reflect the correction of errors. The impact on each line item is shown in the tables below. Council does not deem it necessary to disclose a third Statement of Financial Position.

#### Adjustments to the comparative figures for the year ended 30 June 2017

	Original Balance 30 June, 2017	Impact Increase/ (decrease)	Restated Balance 30 June, 2017
<b>Statement of Financial Position</b>			
Investments	4,310	(1,540)	2,770
<b>Total assets</b>	<b>35,480</b>	<b>(1,540)</b>	<b>33,940</b>
<b>Total liabilities</b>	<b>554</b>	<b>–</b>	<b>554</b>
Accumulated surplus	23,473	(1,540)	21,933
<b>Total equity</b>	<b>34,926</b>	<b>(1,540)</b>	<b>33,386</b>
<b>Income Statement</b>			
<b>Total income from continuing operations</b>	<b>5,761</b>	<b>–</b>	<b>5,761</b>
Depreciation, amortisation and impairment	293	391	684
<b>Total expenses from continuing operations</b>	<b>4,999</b>	<b>391</b>	<b>5,390</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>762</b>	<b>(391)</b>	<b>371</b>

# Clarence Valley Council

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

### Prior period error - Other Business Activities (continued)

\$ '000

#### Correction of errors relating to a previous reporting period (continued)

#### (b) Clarence Care & Support

##### Nature of prior-period error

In 2017-18, a liability was raised for \$1.304M in unspent grant funds relating to Council's Clarence Care & Support business activity. The Special Purpose Financial Statements were corrected by recognising a liability of \$0.520M as at 30 June 2017 for the unspent grant funds. Of the \$0.520M, \$0.329M was corrected by reducing grants and contributions revenue in 2016-17.

Clarence Care & Support's restricted cash and investment reserves previously disclosed in the General Purpose Financial Statements had not been updated to reflect transactions that had occurred in the business activity. The amount attributable to the above is \$0.463M.

Comparatives have been changed to reflect the correction of errors. The impact on each line item is shown in the tables below. Council does not deem it necessary to disclose a third Statement of Financial Position.

#### Adjustments to the comparative figures for the year ended 30 June 2017

	Original Balance 30 June, 2017	Impact Increase/ (decrease)	Restated Balance 30 June, 2017
<b>Statement of Financial Position</b>			
Investments	5,024	463	5,487
<b>Total assets</b>	<b>5,883</b>	<b>463</b>	<b>6,346</b>
Payables	153	520	673
<b>Total liabilities</b>	<b>153</b>	<b>520</b>	<b>673</b>
Accumulated surplus	5,692	(57)	5,635
Revaluation Reserves	38	—	38
<b>Total equity</b>	<b>5,730</b>	<b>(57)</b>	<b>5,673</b>
<b>Income Statement</b>			
	Original Balance 30 June, 2017	Impact Increase/ (decrease)	Restated Balance 30 June, 2017
Grants and contributions provided for non-capital purposes	7,283	(329)	6,954
Other income	3,022	463	3,485
<b>Total income from continuing operations</b>	<b>11,068</b>	<b>134</b>	<b>11,202</b>
<b>Total expenses from continuing operations</b>	<b>10,438</b>	<b>—</b>	<b>10,438</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>630</b>	<b>134</b>	<b>764</b>

## Clarence Valley Council

### Special Purpose Financial Statements

for the year ended 30 June 2018

#### Contents of the notes accompanying the financial statements

Note	Details	Page
1	Summary of significant accounting policies	12
2	Water Supply Business Best-Practice Management disclosure requirements	16
3	Sewerage Business Best-Practice Management disclosure requirements	18

## Clarence Valley Council

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

#### Note 1. Significant accounting policies

---

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

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

The figures presented in these Special Purpose Financial Statements have been prepared in accordance with the recognition and measurement criteria of relevant Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and Australian Accounting Interpretations.

The disclosures in these Special Purpose Financial Statements have been prepared in accordance with the Local Government Act 1993 (NSW), the Local Government (General) Regulation, and the Local Government Code of Accounting Practice and Financial Reporting.

The statements are prepared on an accruals basis. They are based on historic costs and do not take into account changing money values or, except where specifically stated, current values of non-current assets. Certain taxes and other costs, appropriately described, have been imputed for the purposes of the National Competition Policy.

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

#### National Competition Policy

Council has adopted the principle of 'competitive neutrality' in its business activities as part of the National Competition Policy which is being applied throughout Australia at all levels of government.

The framework for its application is set out in the June 1996 NSW government policy statement titled 'Application of National Competition Policy to Local Government'.

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

The pricing and costing guidelines outline the process for identifying and allocating costs to activities and provide a standard for disclosure requirements.

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

#### Declared business activities

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

#### Category 1

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

##### a. **Clarence Valley Council Water Supply Fund**

*Provision of Water Supply Services*

## Clarence Valley Council

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

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

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**b. 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*
- *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 Crown Lands and Water (CLAW), the amounts shown in Note 2 and Note 3 are disclosed in whole dollars.

#### *(i) Taxation-equivalent charges*

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

However, where Council does not pay some taxes which are generally paid by private sector businesses, such as income tax, these equivalent tax payments have been applied to all Council-nominated business activities and are reflected in Special Purpose Financial Statements.

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

## Clarence Valley Council

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

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

---

##### Notional rate applied (%)

##### Corporate income tax rate – 30%

Land tax – the first \$629,000 of combined land values attracts **0%**. For the combined land values in excess of \$629,001 up to \$3,846,000 the rate is **1.6% + \$100**. For the remaining combined land value that exceeds \$3,846,000 a premium marginal rate of **2.0%** applies.

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

In accordance with Crown Lands and Water (CLAW), a payment for the amount calculated as the annual tax equivalent charges (excluding income tax) must be paid from water supply and sewerage business activities.

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

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

##### **Income tax**

An income tax equivalent has been applied on the profits of the business activities.

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

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

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

Since the taxation equivalent is notional – that is, it is payable to Council as the 'owner' of business operations - it represents an internal payment and has no effect on the operations of the Council. Accordingly, there is no need for disclosure of internal charges in the SPFS.

The rate applied of 30% is the equivalent company tax rate prevalent at reporting date. No adjustments have been made for variations that have occurred during the year.

##### **Local government rates and charges**

A calculation of the equivalent rates and charges payable on all category 1 businesses has been applied to all land assets owned or exclusively used by the business activity.

##### **Loan and debt guarantee fees**

The debt guarantee fee is designed to ensure that council business activities face 'true' commercial borrowing costs in line with private sector competitors.

In order to calculate a debt guarantee fee, Council has determined what the differential borrowing rate would have been between the commercial rate and Council's borrowing rate for its business activities.

## Clarence Valley Council

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

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

---

##### (ii) Subsidies

Government policy requires that subsidies provided to customers, and the funding of those subsidies, must be explicitly disclosed.

Subsidies occur when Council provides services on a less-than-cost-recovery basis. This option is exercised on a range of services in order for Council to meet its community service obligations.

Accordingly, 'subsidies disclosed' (in relation to National Competition Policy) represents the difference between revenue generated from 'rate of return' pricing and revenue generated from prices set by Council in any given financial year.

The overall effect of subsidies is contained within the Income Statement of each reported business activity.

##### (iii) Return on investments (rate of return)

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

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

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

The rate of return is calculated as follows:

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

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 2.63% at 30/6/18.

##### (iv) Dividends

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

Local government water supply and sewerage businesses are permitted to pay an annual dividend from its water supply or sewerage business surplus.

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

- (i) 50% of this surplus in any one year, or
- (ii) the number of water supply or sewerage assessments at 30 June 2018 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

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

**END OF AUDITED SPECIAL PURPOSE FINANCIAL STATEMENTS**



# Clarence Valley Council

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

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

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

2018

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

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

(i)	Calculated tax equivalents	301,000
(ii)	Number of assessments multiplied by \$3/assessment	66,729
(iii)	Amounts payable for tax equivalents [lesser of (i) and (ii)]	66,729
(iv)	Amounts actually paid for tax equivalents	66,729

#### 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 multiplied by \$30/assessment, less tax equivalent charges/assessment	600,561
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2018, less the cumulative dividends paid for the 2 years to 30 June 2017 and 30 June 2016	1,665,900

2018 Surplus	(226,000)	2017 Surplus	1,309,900	2016 Surplus	582,000
		2017 Dividend	—	2016 Dividend	—

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

#### 3. Required outcomes for 6 criteria

[to be eligible for the payment of a 'dividend from surplus', all the criteria below need a 'YES']

(i)	Completion of strategic business plan (including financial plan)	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 2018

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

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

2018

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

<b>NWI F1</b>	Total revenue (water) Total income (w13) – grants for the acquisition of assets (w11a) – interest income (w9) – Aboriginal Communities W&S Program income (w10a)	\$'000	17,315
<b>NWI F4</b>	Revenue from residential usage charges (water) Income from residential usage charges (w6b) x 100 divided by the sum of [income from residential usage charges (w6a) + income from residential access charges (w6b)]	%	79.48%
<b>NWI F9</b>	Written down replacement cost of fixed assets (water) Written down current cost of system assets (w47)	\$'000	365,630
<b>NWI F11</b>	Operating cost (OMA) (water) Management expenses (w1) + operational and maintenance expenses (w2)	\$'000	8,325
<b>NWI F14</b>	Capital expenditure (water) Acquisition of fixed assets (w16)	\$'000	2,742
<b>NWI F17</b>	Economic real rate of return (water) [total income (w13) – interest income (w9) – grants for acquisition of assets (w11a) – operating costs (NWI F11) – current cost depreciation (w3)] x 100 divided by [written down current cost of system assets (w47) + plant and equipment (w33b)]	%	0.77%
<b>NWI F26</b>	Capital works grants (water) Grants for the acquisition of assets (w11a)	\$'000	253

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

# Clarence Valley Council

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

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

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

2018

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

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

(i)	Calculated tax equivalents	763,000
(ii)	Number of assessments multiplied by \$3/assessment	47,661
(iii)	Amounts payable for tax equivalents [lesser of (i) and (ii)]	47,661
(iv)	Amounts actually paid for tax equivalents	47,661

#### 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)	428,949
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2018, less the cumulative dividends paid for the 2 years to 30 June 2017 and 30 June 2016	(9,845,000)

2018 Surplus	(3,104,000)	2017 Surplus	(8,720,000)	2016 Surplus	1,979,000
		2017 Dividend	—	2016 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? <sup>a</sup>	YES

#### 3. Required outcomes for 4 criteria

[to be eligible for the payment of a 'dividend from surplus', all the criteria below need a 'YES']

(i)	Completion of strategic business plan (including financial plan)	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 2018Note 3. Sewerage business  
best-practice management disclosure requirements (continued)

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

2018

## National Water Initiative (NWI) financial performance indicators

NWI F2	Total revenue (sewerage) Total income (s14) – grants for acquisition of assets (s12a) – interest income (s10) – Aboriginal Communities W&S Program income (w10a)	\$'000	20,930
NWI F10	Written down replacement cost of fixed assets (sewerage) Written down current cost of system assets (s48)	\$'000	260,317
NWI F12	Operating cost (sewerage) Management expenses (s1) + operational and maintenance expenses (s2)	\$'000	6,371
NWI F15	Capital expenditure (sewerage) Acquisition of fixed assets (s17)	\$'000	1,560
NWI F18	Economic real rate of return (sewerage) [total income (s14) – interest income (s10) – grants for acquisition of assets (s12a) – operating cost (NWI F12) – current cost depreciation (s3)] x 100 divided by [written down current cost (i.e. WDCC) of system assets (s48) + plant and equipment (s34b)]	%	2.73%
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	36,963
NWI F8	Revenue from community service obligations (water and sewerage) Community service obligations (NWI F25) x 100 divided by total income (NWI F3)	%	1.16%
NWI F16	Capital expenditure (water and sewerage) Acquisition of fixed assets (w16 + s17)	\$'000	4,302
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)]	%	1.59%
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 2018Note 3. Sewerage business  
best-practice management disclosure requirements (continued)

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

2018

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

<b>NWI F22</b>	Net debt to equity (water and sewerage)	%	9.81%
	Overdraft (w36 + s37) + borrowings (w38 + s39) – cash and investments (w30 + s31) x 100 divided by [total assets (w35 + s36) – total liabilities (w40 + s41)]		
<b>NWI F23</b>	Interest cover (water and sewerage)		2
	Earnings before interest and tax (EBIT) divided by net interest		
	Earnings before interest and tax (EBIT):		9,711
	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:		5,537
	Interest expense (w4a + s4a) – interest income (w9 + s10)		
<b>NWI F24</b>	Net profit after tax (water and sewerage)	\$'000	(2,363)
	Surplus before dividends (w15a + s16a) – tax equivalents paid (Note 2-1 (iv) + Note 3-1 (iv))		
<b>NWI F25</b>	Community service obligations (water and sewerage)	\$'000	427
	Grants for pensioner rebates (w11b + s12b)		

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



## **INDEPENDENT AUDITOR'S REPORT**

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

#### **Clarence Valley Council**

To the Councillors of the Clarence Valley Council

### **Opinion**

I have audited the accompanying special purpose financial report (the financial report) of Clarence Valley Council's (the Council) Declared Business Activities, which comprise the Income Statement of each Declared Business Activity for the year ended 30 June 2018, the Statement of Financial Position of each Declared Business Activity as at 30 June 2018, notes comprising a summary of Significant accounting policies and other explanatory information for the Business Activities declared by Council, and the Statement by Councillors and Management.

The Declared Business Activities of the Council are:

- Water Supply Services
- Sewerage Services
- Clarence Coast Reserve Trust
- Clarence Care and Support Services.

In my opinion, the financial report presents fairly, in all material respects, the financial position of the Council's declared Business Activities as at 30 June 2018, and its financial performance for the year then ended, in accordance with the Australian Accounting Standards described in Note 1 and the Local Government Code of Accounting Practice and Financial Reporting (LG Code).

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

### **Basis for Opinion**

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

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

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

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

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

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

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

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

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

### **Other Information**

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

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

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

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

I have nothing to report in this regard.

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

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

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

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

My objectives are to:

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

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

A description of my responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: [www.auasb.gov.au/auditors\\_responsibilities/ar4.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf). The description forms part of my auditor's report.

My opinion does not provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- on the best practice management disclosures in Notes 2 and 3 of the financial report
- about the security and controls over the electronic publication of the audited financial report on any website where it may be presented
- about any other information which may have been hyperlinked to/from the financial report.

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

Reiky Jiang  
Director, Financial Audit Services

19 December 2018  
SYDNEY



# Clarence Valley Council

SPECIAL SCHEDULES

for the year ended 30 June 2018

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*"Discover the Clarence"*

# Clarence Valley Council

## Special Schedules for the year ended 30 June 2018

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<b>Special Schedule 2</b>	<b>Permissible income for general rates</b>
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<b>Special Schedule 2</b>	<b>Independent Auditors Report</b>
	5
<b>Special Schedule 3</b>	<b>Water Supply Operations – incl. Income Statement</b>
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<b>Special Schedule 4</b>	<b>Water Supply – Statement of Financial Position</b>
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<sup>1</sup> Special Schedules are not audited (with the exception of Special Schedule 2).

### Background

- (i) These Special Schedules have been designed to meet the requirements of special purpose users such as;
- the NSW Grants Commission
  - the Australian Bureau of Statistics (ABS),
  - the NSW Office of Water (NOW), and
  - the Office of Local Government (OLG).
- (ii) The financial data is collected for various uses including;
- the allocation of Financial Assistance Grants,
  - the incorporation of Local Government financial figures in national statistics,
  - the monitoring of loan approvals,
  - the allocation of borrowing rights, and
  - the monitoring of the financial activities of specific services.

## Clarence Valley Council

# Special Schedule 1 – Net Cost of Services

for the year ended 30 June 2018

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
<b>Governance</b>	<b>2,868</b>	<b>93</b>	<b>–</b>	<b>(2,775)</b>
<b>Administration</b>	<b>20,344</b>	<b>1,703</b>	<b>–</b>	<b>(18,641)</b>
<b>Public order and safety</b>				
Fire service levy, fire protection, emergency services	1,666	607	731	(328)
Beach control	339	14	–	(325)
Enforcement of local government regulations	501	86	–	(415)
Animal control	207	101	–	(106)
Other	–	–	–	–
<b>Total public order and safety</b>	<b>2,713</b>	<b>808</b>	<b>731</b>	<b>(1,174)</b>
<b>Health</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Environment</b>				
Noxious plants and insect/vermin control	579	262	–	(317)
Other environmental protection	3,178	436	102	(2,640)
Solid waste management	10,836	13,110	–	2,274
Street cleaning	306	–	–	(306)
Drainage	–	–	–	–
Stormwater management	–	–	–	–
<b>Total environment</b>	<b>14,899</b>	<b>13,808</b>	<b>102</b>	<b>(989)</b>
<b>Community services and education</b>				
Administration and education	4,115	3,967	209	61
Social protection (welfare)	320	60	–	(260)
Aged persons and disabled	2,652	2,420	–	(232)
Children's services	173	135	–	(38)
<b>Total community services and education</b>	<b>7,260</b>	<b>6,582</b>	<b>209</b>	<b>(469)</b>
<b>Housing and community amenities</b>				
Public cemeteries	527	596	–	69
Public conveniences	281	–	(8)	(289)
Street lighting	587	102	–	(485)
Town planning	2,094	1,231	3,053	2,190
Other community amenities	–	–	–	–
<b>Total housing and community amenities</b>	<b>3,489</b>	<b>1,929</b>	<b>3,045</b>	<b>1,485</b>
<b>Water supplies</b>	<b>13,791</b>	<b>16,776</b>	<b>984</b>	<b>3,969</b>
<b>Sewerage services</b>	<b>17,400</b>	<b>19,746</b>	<b>1,147</b>	<b>3,493</b>

## Clarence Valley Council

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

for the year ended 30 June 2018

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
<b>Recreation and culture</b>				
Public libraries	1,692	524	–	(1,168)
Museums	–	–	–	–
Art galleries	701	275	3,108	2,682
Community centres and halls	574	93	35	(446)
Performing arts venues	–	–	–	–
Other performing arts	–	–	–	–
Other cultural services	–	–	–	–
Sporting grounds and venues	2,455	397	346	(1,712)
Swimming pools	1,725	330	–	(1,395)
Parks and gardens (lakes)	3,312	95	1,083	(2,134)
Other sport and recreation	–	–	–	–
<b>Total recreation and culture</b>	<b>10,459</b>	<b>1,714</b>	<b>4,572</b>	<b>(4,173)</b>
<b>Fuel and energy</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Agriculture</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Mining, manufacturing and construction</b>				
Building control	1,313	1,167	–	(146)
Other mining, manufacturing and construction	232	333	17	118
<b>Total mining, manufacturing and const.</b>	<b>1,545</b>	<b>1,500</b>	<b>17</b>	<b>(28)</b>
<b>Transport and communication</b>				
Urban roads (UR) – local	15,383	146	1,528	(13,709)
Urban roads – regional	–	–	–	–
Sealed rural roads (SRR) – local	9,405	661	137	(8,607)
Sealed rural roads (SRR) – regional	5,163	4,960	1,487	1,284
Unsealed rural roads (URR) – local	–	–	–	–
Unsealed rural roads (URR) – regional	–	–	–	–
Bridges on UR – local	1,923	1,099	1,742	918
Bridges on SRR – local	–	–	–	–
Bridges on URR – local	–	–	–	–
Bridges on regional roads	–	–	–	–
Parking areas	–	–	–	–
Footpaths	749	–	265	(484)
Aerodromes	513	181	–	(332)
Other transport and communication	5,203	5,329	889	1,015
<b>Total transport and communication</b>	<b>38,339</b>	<b>12,376</b>	<b>6,048</b>	<b>(19,915)</b>
<b>Economic affairs</b>				
Camping areas and caravan parks	3,449	5,921	–	2,472
Other economic affairs	(867)	781	–	1,648
<b>Total economic affairs</b>	<b>2,582</b>	<b>6,702</b>	<b>–</b>	<b>4,120</b>
<b>Totals – functions</b>	<b>135,689</b>	<b>83,737</b>	<b>16,855</b>	<b>(35,097)</b>
<b>General purpose revenues <sup>(1)</sup></b>		<b>40,422</b>		<b>40,422</b>
<b>Share of interests – joint ventures and associates using the equity method</b>	<b>37</b>	<b>–</b>		<b>(37)</b>
<b>NET OPERATING RESULT <sup>(2)</sup></b>	<b>135,726</b>	<b>124,159</b>	<b>16,855</b>	<b>5,288</b>

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

## Clarence Valley Council

## Special Schedule 2 – Permissible income for general rates

for the year ended 30 June 2019

\$'000		Calculation 2018/19	Calculation 2017/18
<b>Notional general income calculation <sup>(1)</sup></b>			
Last year notional general income yield	a	28,622	29,246
Plus or minus adjustments <sup>(2)</sup>	b	97	244
<b>Notional general income</b>	c = (a + b)	<b>28,719</b>	<b>29,490</b>
<b>Permissible income calculation</b>			
Special variation percentage <sup>(3)</sup>	d	8.00%	0.00%
Or rate peg percentage	e	0.00%	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)	2,298	—
Or plus rate peg amount	i = c x e	—	423
Or plus Crown land adjustment and rate peg amount	j = c x f	—	—
<b>Sub-total</b>	k = (c + g + h + i + j)	<b>31,017</b>	<b>28,623</b>
Plus (or minus) last year's carry forward total	l	1	(0)
Less valuation objections claimed in the previous year	m	—	—
<b>Sub-total</b>	n = (l + m)	<b>1</b>	<b>(0)</b>
<b>Total permissible income</b>	o = k + n	<b>31,017</b>	<b>28,623</b>
Less notional general income yield	p	31,015	28,622
<b>Catch-up or (excess) result</b>	q = o – p	<b>2</b>	<b>1</b>
Plus income lost due to valuation objections claimed <sup>(4)</sup>	r	—	—
Less unused catch-up <sup>(5)</sup>	s	—	—
<b>Carry forward to next year</b>	t = q + r – s	<b>2</b>	<b>1</b>

### Notes

- (1) The notional general income will not reconcile with rate income in the financial statements in the corresponding year. The statements are reported on an accrual accounting basis which include amounts that relate to prior years' rates income.
- (2) Adjustments account for changes in the number of assessments and any increase or decrease in land value occurring during the year. The adjustments are called 'supplementary valuations' as defined in the *Valuation of Land Act 1916*.
- (3) The 'special variation percentage' is inclusive of the rate peg percentage and where applicable Crown land adjustment.
- (4) Valuation objections are unexpected changes in land values as a result of land owners successfully objecting to the land value issued by the Valuer-General. Councils can claim the value of the income lost due to valuation objections in any single year.
- (5) Unused catch-up amounts will be deducted if they are not caught up within 2 years. Usually councils will have a nominal carry forward figure. These amounts can be adjusted for in setting the rates in a future year.
- (6) Carry forward amounts which are in excess (an amount that exceeds the permissible income) require ministerial approval by order published in the *NSW Government Gazette* in accordance with section 512 of the *Local Government Act 1993*. The OLG will extract these amounts from Council's Special Schedule 2 in the financial data return (FDR) to administer this process.



## **INDEPENDENT AUDITOR'S REPORT**

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

#### **Clarence Valley Council**

To the Councillors of Clarence Valley Council

### **Opinion**

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

In my opinion, the Schedule of the Council for the year ending 30 June 2019 is prepared, in all material respects in accordance with the requirements of the Local Government Code of Accounting Practice and Financial Reporting (LG Code) issued by the Office of Local Government (OLG), and is in accordance with the books and records of the Council.

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

### **Basis for Opinion**

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

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

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

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

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

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

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

### **Emphasis of Matter – Basis of Accounting**

Without modifying my opinion, I draw attention to the special purpose framework used to prepare the Schedule. The Schedule had been prepared for the purpose of fulfilling the Council's reporting obligations under the LG Code. As a result, the Schedule may not be suitable for another purpose.

## Other Information

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

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

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

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

I have nothing to report in this regard.

## The Councillors' Responsibilities for the Schedule

The Councillors are responsible for the preparation of the Schedule in accordance with the LG Code. The Councillors' responsibility also includes such internal control as the Councillors determine is necessary to enable the preparation of the Schedule that is free from material misstatement, whether due to fraud or error.

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

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

My objectives are to:

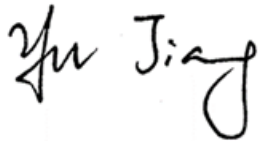
- obtain reasonable assurance whether the Schedule as a whole is free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

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

A description of my responsibilities for the audit of the Schedule is located at the Auditing and Assurance Standards Board website at: [www.auasb.gov.au/auditors\\_responsibilities/ar8.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar8.pdf). The description forms part of my auditor's report.

My opinion does *not* provide assurance:

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

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

Reiky Jiang  
Director, Financial Audit Services

19 December 2018  
SYDNEY



## 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 2018

\$'000	2018	2017
<b>A Expenses and income</b>		
<b>Expenses</b>		
<b>1. Management expenses</b>		
a. Administration	3,664	2,280
b. Engineering and supervision	927	1,016
<b>2. Operation and maintenance expenses</b>		
– dams and weirs		
a. Operation expenses	37	242
b. Maintenance expenses	283	215
– Mains		
c. Operation expenses	27	20
d. Maintenance expenses	1,418	1,331
– Reservoirs		
e. Operation expenses	83	78
f. Maintenance expenses	198	133
– Pumping stations		
g. Operation expenses (excluding energy costs)	20	20
h. Energy costs	82	102
i. Maintenance expenses	37	50
– Treatment		
j. Operation expenses (excluding chemical costs)	395	416
k. Chemical costs	360	321
l. Maintenance expenses	97	69
– Other		
m. Operation expenses	694	635
n. Maintenance expenses	–	–
o. Purchase of water	3	4
<b>3. Depreciation expenses</b>		
a. System assets	6,101	5,803
b. Plant and equipment	240	231
<b>4. Miscellaneous expenses</b>		
a. Interest expenses	1,777	1,839
b. Revaluation decrements	–	–
c. Other expenses	–	–
d. Impairment – system assets	–	–
e. Impairment – plant and equipment	–	–
f. Aboriginal Communities Water and Sewerage Program	275	288
g. Tax equivalents dividends (actually paid)	67	66
<b>5. Total expenses</b>	<b>16,785</b>	<b>15,159</b>

## 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 2018

\$'000	2018	2017
<b>Income</b>		
<b>6. Residential charges</b>		
a. Access (including rates)	1,949	1,866
b. Usage charges	7,551	7,525
<b>7. Non-residential charges</b>		
a. Access (including rates)	447	438
b. Usage charges	5,025	4,841
<b>8. Extra charges</b>	66	127
<b>9. Interest income</b>	728	594
<b>10. Other income</b>	1,297	1,371
<b>10a. Aboriginal Communities Water and Sewerage Program</b>	248	394
<b>11. Grants</b>		
a. Grants for acquisition of assets	253	—
b. Grants for pensioner rebates	247	257
c. Other grants	—	—
<b>12. Contributions</b>		
a. Developer charges	666	703
b. Developer provided assets	67	116
c. Other contributions	—	—
<b>13. Total income</b>	<b>18,544</b>	<b>18,232</b>
<b>14. Gain (or loss) on disposal of assets</b>	(1,432)	(1,145)
<b>15. Operating result</b>	<b>327</b>	<b>1,928</b>
<b>15a. Operating result (less grants for acquisition of assets)</b>	74	1,928

## 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 2018

\$'000	2018	2017
<b>B Capital transactions</b>		
<b>Non-operating expenditures</b>		
<b>16. Acquisition of fixed assets</b>		
a. New assets for improved standards	72	7
b. New assets for growth	244	734
c. Renewals	1,927	992
d. Plant and equipment	499	266
<b>17. Repayment of debt</b>	872	811
<b>18. Totals</b>	<b>3,614</b>	<b>2,810</b>
<b>Non-operating funds employed</b>		
<b>19. Proceeds from disposal of assets</b>	–	–
<b>20. Borrowing utilised</b>	–	–
<b>21. Totals</b>	<b>–</b>	<b>–</b>
<b>C Rates and charges</b>		
<b>22. Number of assessments</b>		
a. Residential (occupied)	19,055	18,687
b. Residential (unoccupied, ie. vacant lot)	692	893
c. Non-residential (occupied)	2,396	2,376
d. Non-residential (unoccupied, ie. vacant lot)	100	165
<b>23. Number of ETs for which developer charges were received</b>	141 ET	132 ET
<b>24. Total amount of pensioner rebates (actual dollars)</b>	\$ 449,603	\$ 466,762

## 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 2018

\$'000	Current	Non-current	Total
<b>ASSETS</b>			
<b>25. Cash and investments</b>			
a. Developer charges	3,411	–	3,411
b. Special purpose grants	–	–	–
c. Accrued leave	–	–	–
d. Unexpended loans	–	–	–
e. Sinking fund	–	–	–
f. Other	1,892	21,911	23,803
<b>26. Receivables</b>			
a. Specific purpose grants	–	–	–
b. Rates and availability charges	105	27	132
c. User charges	4,128	–	4,128
d. Other	–	–	–
<b>27. Inventories</b>	–	–	–
<b>28. Property, plant and equipment</b>			
a. System assets	–	365,630	365,630
b. Plant and equipment	–	9,804	9,804
<b>29. Other assets</b>	2	3	5
<b>30. Total assets</b>	<b>9,538</b>	<b>397,375</b>	<b>406,913</b>
<b>LIABILITIES</b>			
<b>31. Bank overdraft</b>	–	–	–
<b>32. Creditors</b>	476	–	476
<b>33. Borrowings</b>	939	22,446	23,385
<b>34. Provisions</b>			
a. Tax equivalents	–	–	–
b. Dividend	–	–	–
c. Other	–	–	–
<b>35. Total liabilities</b>	<b>1,415</b>	<b>22,446</b>	<b>23,861</b>
<b>36. NET ASSETS COMMITTED</b>	<b>8,123</b>	<b>374,929</b>	<b>383,052</b>
<b>EQUITY</b>			
<b>37. Accumulated surplus</b>			221,536
<b>38. Asset revaluation reserve</b>			161,516
<b>39. Other reserves</b>			–
<b>40. TOTAL EQUITY</b>			<b>383,052</b>
<b>Note to system assets:</b>			
<b>41. Current replacement cost</b> of system assets			496,965
<b>42. Accumulated current cost</b> depreciation of system assets			(131,335)
<b>43. Written down current cost</b> of system assets			<b>365,630</b>

## 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 2018

\$'000	2018	2017
<b>A Expenses and income</b>		
<b>Expenses</b>		
<b>1. Management expenses</b>		
a. Administration	1,108	1,505
b. Engineering and supervision	779	843
<b>2. Operation and maintenance expenses</b>		
– mains		
a. Operation expenses	48	66
b. Maintenance expenses	416	382
– Pumping stations		
c. Operation expenses (excluding energy costs)	190	166
d. Energy costs	264	266
e. Maintenance expenses	499	484
– Treatment		
f. Operation expenses (excl. chemical, energy, effluent and biosolids management costs)	879	854
g. Chemical costs	612	606
h. Energy costs	396	365
i. Effluent management	187	177
j. Biosolids management	215	218
k. Maintenance expenses	698	755
– Other		
l. Operation expenses	80	293
m. Maintenance expenses	–	–
<b>3. Depreciation expenses</b>		
a. System assets	7,312	7,900
b. Plant and equipment	127	104
<b>4. Miscellaneous expenses</b>		
a. Interest expenses	4,723	4,925
b. Revaluation decrements	–	–
c. Other expenses	4,530	5,824
d. Impairment – system assets	–	–
e. Impairment – plant and equipment	–	–
f. Aboriginal Communities Water and Sewerage Program	279	286
g. Tax equivalents dividends (actually paid)	48	47
<b>5. Total expenses</b>	<b>23,390</b>	<b>26,066</b>

## 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 2018

\$'000	2018	2017
<b>Income</b>		
<b>6. Residential charges</b> (including rates)	15,638	15,210
<b>7. Non-residential charges</b>		
a. Access (including rates)	1,218	1,197
b. Usage charges	2,108	2,062
<b>8. Trade waste charges</b>		
a. Annual fees	161	155
b. Usage charges	54	55
c. Excess mass charges	–	–
d. Re-inspection fees	–	–
<b>9. Extra charges</b>	71	67
<b>10. Interest income</b>	235	254
<b>11. Other income</b>	362	182
<b>11a. Aboriginal Communities Water and Sewerage Program</b>	248	394
<b>12. Grants</b>		
a. Grants for acquisition of assets	–	–
b. Grants for pensioner rebates	180	187
c. Other grants	–	–
<b>13. Contributions</b>		
a. Developer charges	1,072	724
b. Developer provided assets	66	98
c. Other contributions	–	–
<b>14. Total income</b>	<b>21,413</b>	<b>20,585</b>
<b>15. Gain (or loss) on disposal of assets</b>	(346)	(2,396)
<b>16. Operating result</b>	<b>(2,323)</b>	<b>(7,877)</b>
<b>16a. Operating result (less grants for acquisition of assets)</b>	(2,323)	(7,877)

## 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 2018

\$'000	2018	2017
<b>B Capital transactions</b>		
<b>Non-operating expenditures</b>		
<b>17. Acquisition of fixed assets</b>		
a. New assets for improved standards	16	784
b. New assets for growth	138	170
c. Renewals	1,265	471
d. Plant and equipment	141	21
<b>18. Repayment of debt</b>	3,050	2,856
<b>19. Totals</b>	<b>4,610</b>	<b>4,302</b>
<b>Non-operating funds employed</b>		
<b>20. Proceeds from disposal of assets</b>	—	—
<b>21. Borrowing utilised</b>	—	—
<b>22. Totals</b>	<b>—</b>	<b>—</b>
<b>C Rates and charges</b>		
<b>23. Number of assessments</b>		
a. Residential (occupied)	14,080	13,986
b. Residential (unoccupied, ie. vacant lot)	678	696
c. Non-residential (occupied)	1,017	1,006
d. Non-residential (unoccupied, ie. vacant lot)	112	117
<b>24. Number of ETs for which developer charges were received</b>	104 ET	104 ET
<b>25. Total amount of pensioner rebates (actual dollars)</b>	\$ 327,780	\$ 339,775

## 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 2018

\$'000	Current	Non-current	Total
<b>ASSETS</b>			
<b>26. Cash and investments</b>			
a. Developer charges	5,181	—	5,181
b. Special purpose grants	—	—	—
c. Accrued leave	—	—	—
d. Unexpended loans	—	—	—
e. Sinking fund	—	—	—
f. Other	1,046	3,339	4,385
<b>27. Receivables</b>			
a. Specific purpose grants	—	—	—
b. Rates and availability charges	676	170	846
c. User charges	611	—	611
d. Other	224	—	224
<b>28. Inventories</b>	—	—	—
<b>29. Property, plant and equipment</b>			
a. System assets	—	260,317	260,317
b. Plant and equipment	—	9,670	9,670
<b>30. Other assets</b>	2	—	2
<b>31. Total assets</b>	<b>7,740</b>	<b>273,496</b>	<b>281,236</b>
<b>LIABILITIES</b>			
<b>32. Bank overdraft</b>	—	—	—
<b>33. Creditors</b>	505	—	505
<b>34. Borrowings</b>	3,272	68,252	71,524
<b>35. Provisions</b>			
a. Tax equivalents	—	—	—
b. Dividend	—	—	—
c. Other	—	—	—
<b>36. Total liabilities</b>	<b>3,777</b>	<b>68,252</b>	<b>72,029</b>
<b>37. NET ASSETS COMMITTED</b>	<b>3,963</b>	<b>205,244</b>	<b>209,207</b>
<b>EQUITY</b>			
<b>38. Accumulated surplus</b>			115,620
<b>39. Asset revaluation reserve</b>			93,587
<b>40. Other reserves</b>			—
<b>41. TOTAL EQUITY</b>			<b>209,207</b>
<b>Note to system assets:</b>			
<b>42. Current replacement cost</b> of system assets			362,683
<b>43. Accumulated current cost</b> depreciation of system assets			(102,366)
<b>44. Written down current cost</b> of system assets			<b>260,317</b>



# Clarence Valley Council

## Notes to Special Schedules 3 and 5

for the year ended 30 June 2018

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

(item 1a of Special Schedules 3 and 5) comprises the following:

- Administration staff:
  - Salaries and allowance
  - Travelling expenses
  - Accrual of leave entitlements
  - Employment overheads.
- Meter reading
- Bad and doubtful debts
- Other administrative/corporate support services

### Engineering and supervision <sup>(1)</sup>

(item 1b of Special Schedules 3 and 5) comprises the following:

- Engineering staff:
  - Salaries and allowance
  - Travelling expenses
  - Accrual of leave entitlements
  - Employment overheads.
- Other technical and supervision staff:
  - Salaries and allowance
  - Travelling expenses
  - Accrual of leave entitlements
  - Employment overheads.

**Operational expenses** (item 2 of Special Schedules 3 and 5) comprise the day to day operational expenses excluding maintenance expenses.

**Maintenance expenses** (item 2 of Special Schedules 3 and 5) comprise the day to day repair and maintenance expenses. (Refer to Section 5 of the Local Government Asset Accounting Manual regarding capitalisation principles and the distinction between capital and maintenance expenditure).

**Other expenses** (item 4c of Special Schedules 3 and 5) includes all expenses not recorded elsewhere.

**Revaluation decrements** (item 4b of Special Schedules 3 and 5) is to be used when I,PP&E decreases in FV.

**Impairment losses** (item 4d and 4e of Special Schedules 3 and 5) are to be used when the carrying amount of an asset exceeds its recoverable amount (refer to page D-31).

**Aboriginal Communities Water and Sewerage Program** (item 4f of Special Schedules 3 and 5) is to be used when operation and maintenance work has been undertaken on behalf of the Aboriginal Communities Water and Sewerage Program. Similarly, income for item 11a of Special Schedule 3 and item 12a of Special Schedule 5 are for services provided to the Aboriginal Communities Water and Sewerage Program and is not part of Council's water supply and sewerage revenue.

**Residential charges** <sup>(2)</sup> (items 6a, 6b and item 6 of Special Schedules 3 and 5 respectively) include all income from residential charges. Item 6 of Schedule 3 should be separated into 6a access charges (including rates if applicable) and 6b usage charges.

**Non-residential charges** <sup>(2)</sup> (items 7a, 7b of Special Schedules 3 and 5) include all income from non-residential charges separated into 7a access charges (including rates if applicable) and 7b usage charges.

**Trade waste charges** (item 8 of Special Schedule 5) include all income from trade waste charges separated into 8a annual fees, 8b usage charges and 8c excess mass charges and 8d re-inspection fees.

**Other income** (items 10 and 11 of Special Schedules 3 and 5 respectively) include all income not recorded elsewhere.

**Other contributions** (items 12c and 13c of Special Schedules 3 and 5 respectively) including capital contributions for water supply or sewerage services received by Council under Section 565 of the *Local Government Act*.

### Notes:

<sup>(1)</sup> Administration and engineering costs for the development of capital works projects should be reported as part of the capital cost of the project and not as part of the recurrent expenditure (ie. in item 16 for water supply and item 17 for sewerage, and **not** in items 1a and 1b).

<sup>(2)</sup> To enable accurate reporting of **residential revenue from usage charges**, it is essential for councils to accurately separate their residential (item 6) charges and non-residential (item 7) charges.

## Clarence Valley Council

## Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2018

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2017/18 Required maintenance <sup>a</sup>	2017/18 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Buildings												
	Council Offices / Administration Centres	–	–	140	79	10,642	16,762	11%	55%	34%	0%	0%
	Council Works Depot	197	197	45	28	11,673	13,196	75%	11%	12%	2%	0%
	Council Public Halls	–	–	101	52	7,831	13,142	30%	43%	27%	0%	0%
	Libraries	–	–	64	38	8,872	9,798	86%	13%	2%	0%	0%
	Council Houses	173	173	26	22	1,609	2,304	20%	57%	15%	6%	1%
	Museums	–	–	32	22	1,861	3,144	7%	72%	21%	0%	0%
	Childcare / Community Health	–	–	76	26	8,311	12,558	22%	76%	2%	0%	0%
	Art Gallery	–	–	38	23	2,274	3,300	31%	47%	23%	0%	0%
	Public Toilets	139	139	40	58	3,651	5,740	31%	47%	20%	2%	0%
	Parks & Reserves Buildings	–	–	54	47	1,862	3,274	14%	81%	5%	0%	0%
	Sports Buildings	1,280	1,280	140	48	26,621	37,041	41%	42%	14%	3%	1%
	Swimming Pool Buildings	95	95	61	18	3,962	5,973	34%	56%	9%	2%	0%
	Holiday Parks Buildings	1,787	1,787	193	56	6,112	11,561	14%	53%	18%	16%	0%
	Saleyard Buildings	–	–	3	4	196	307	2%	68%	30%	0%	0%
	Waste Facilities	–	–	–	9	7,305	8,854	58%	41%	1%	0%	0%
	Water & Sewer Buildings	588	588	10	37	5,505	6,862	74%	11%	7%	9%	0%
	Emergency Services	321	321	25	46	8,167	11,577	36%	45%	16%	3%	0%
	Other	–	–	6	20	3,539	5,487	51%	47%	3%	0%	0%
	<b>Sub-total</b>	<b>4,580</b>	<b>4,580</b>	<b>1,054</b>	<b>633</b>	<b>119,993</b>	<b>170,880</b>	<b>39.1%</b>	<b>43.8%</b>	<b>14.4%</b>	<b>2.5%</b>	<b>0.2%</b>

## Clarence Valley Council

## Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2018 (continued)

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2017/18 Required maintenance <sup>a</sup>	2017/18 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Other structures												
	Other structures	55	55	5	61	7,763	8,954	86%	7%	6%	1%	0%
	Airports	390	390	129	102	4,279	5,400	91%	1%	0%	7%	0%
	Saleyards	–	–	9	52	2,192	3,569	48%	38%	14%	0%	0%
	Cemeteries	32	32	57	1	930	1,792	2%	39%	57%	2%	0%
	Tips	–	–	9	2	2,893	4,811	38%	41%	21%	0%	0%
	<b>Sub-total</b>	<b>477</b>	<b>477</b>	<b>209</b>	<b>218</b>	<b>18,057</b>	<b>24,526</b>	<b>66.2%</b>	<b>19.3%</b>	<b>12.5%</b>	<b>1.9%</b>	<b>0.1%</b>
Roads												
	Sealed roads	29,345	29,345	7,306	3,134	575,092	696,223	43%	33%	20%	4%	0%
	Unsealed roads	–	–	3,624	2,966	43,908	92,166	3%	24%	74%	0%	0%
	Bridges	2,285	2,285	649	595	107,519	148,965	10%	18%	70%	2%	0%
	Footpaths & Cycleways	1,305	1,305	224	152	20,522	30,012	27%	30%	39%	2%	3%
	Road Furniture	39	39	188	278	17,273	21,264	35%	60%	5%	0%	0%
	Water Transport Facilities	281	281	71	89	5,502	7,030	47%	33%	16%	4%	0%
	Carparks	–	–	14	55	2,446	2,720	71%	30%	0%	0%	0%
	Bus Shelters	–	–	17	8	766	1,096	14%	74%	12%	0%	0%
	<b>Sub-total</b>	<b>33,255</b>	<b>33,255</b>	<b>12,093</b>	<b>7,277</b>	<b>773,028</b>	<b>999,476</b>	<b>33.6%</b>	<b>30.1%</b>	<b>32.9%</b>	<b>3.0%</b>	<b>0.4%</b>

## Clarence Valley Council

## Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2018 (continued)

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2017/18 Required maintenance <sup>a</sup>	2017/18 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Water supply network												
	Dams / Weirs	273	273	250	252	73,834	100,534	100%	0%	0%	0%	0%
	Mains	8,533	8,533	1,728	1,410	252,830	344,258	35%	59%	4%	3%	0%
	Reservoirs & Treatment	4,926	4,926	257	294	31,620	43,055	6%	55%	28%	11%	0%
	Pumping Station/s	361	361	45	35	4,901	6,673	46%	27%	21%	5%	0%
	<b>Sub-total</b>	<b>14,093</b>	<b>14,093</b>	<b>2,280</b>	<b>1,991</b>	<b>363,185</b>	<b>494,520</b>	<b>45.5%</b>	<b>46.4%</b>	<b>5.2%</b>	<b>2.9%</b>	<b>0.1%</b>
Sewerage network												
	Mains	404	404	384	386	139,349	194,309	51%	39%	9%	0%	0%
	Pumping Station/s	2,554	2,554	555	499	43,441	60,574	58%	30%	8%	4%	0%
	Treatment	709	709	835	696	76,758	107,031	72%	17%	10%	1%	0%
	<b>Sub-total</b>	<b>3,667</b>	<b>3,667</b>	<b>1,774</b>	<b>1,581</b>	<b>259,548</b>	<b>361,914</b>	<b>58.6%</b>	<b>31.0%</b>	<b>9.4%</b>	<b>1.0%</b>	<b>0.0%</b>

## Clarence Valley Council

## Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2018 (continued)

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2017/18 Required maintenance <sup>a</sup>	2017/18 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Stormwater drainage	Stormwater drainage	14,418	14,418	759	806	151,874	216,314	9%	58%	26%	4%	3%
	<b>Sub-total</b>	<b>14,418</b>	<b>14,418</b>	<b>759</b>	<b>806</b>	<b>151,874</b>	<b>216,314</b>	<b>9.4%</b>	<b>58.4%</b>	<b>25.5%</b>	<b>3.5%</b>	<b>3.2%</b>
Open space/recreational assets	Swimming pools	229	229	152	110	5,687	9,712	13%	31%	54%	1%	2%
	Holiday Parks	31	31	152	197	4,248	6,163	51%	44%	5%	0%	0%
	Parks	229	229	1,042	1,025	8,675	13,017	44%	41%	14%	2%	0%
	Reserves	66	66	304	623	5,170	8,567	61%	28%	10%	1%	0%
	Sports Facilities	1,049	1,049	662	747	13,427	21,968	25%	50%	20%	5%	0%
	<b>Sub-total</b>	<b>1,604</b>	<b>1,604</b>	<b>2,312</b>	<b>2,702</b>	<b>37,207</b>	<b>59,427</b>	<b>35.2%</b>	<b>41.1%</b>	<b>21.0%</b>	<b>2.3%</b>	<b>0.3%</b>
Other infrastructure assets	Floodplain	191	191	603	498	145,948	183,566	3%	66%	31%	0%	0%
	<b>Sub-total</b>	<b>191</b>	<b>191</b>	<b>603</b>	<b>498</b>	<b>145,948</b>	<b>183,566</b>	<b>3.0%</b>	<b>65.5%</b>	<b>31.4%</b>	<b>0.1%</b>	<b>0.0%</b>
	<b>TOTAL – ALL ASSETS</b>	<b>72,285</b>	<b>72,285</b>	<b>21,084</b>	<b>15,706</b>	<b>1,868,840</b>	<b>2,510,623</b>	<b>36.0%</b>	<b>39.6%</b>	<b>21.6%</b>	<b>2.5%</b>	<b>0.5%</b>

## Notes:

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

## Infrastructure asset condition assessment 'key'

1	Excellent/very good	No work required (normal maintenance)
2	Good	Only minor maintenance work required
3	Satisfactory	Maintenance work required
4	Poor	Renewal required
5	Very poor	Urgent renewal/upgrading required

## Clarence Valley Council

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

for the year ended 30 June 2018

	Amounts 2018	Indicator 2018	Prior periods		Benchmark
			2017	2016	
Infrastructure asset performance indicators * consolidated					
1. Buildings and infrastructure renewals ratio <sup>(1)</sup>					
Asset renewals <sup>(2)</sup>	8,109	21.29%	25.61%	30.51%	>= 100%
Depreciation, amortisation and impairment	38,080				
2. Infrastructure backlog ratio <sup>(1)</sup>					
Estimated cost to bring assets to a satisfactory standard	72,285	3.87%	4.31%	3.86%	< 2.00%
Net carrying amount of infrastructure assets	1,868,840				
3. Asset maintenance ratio					
Actual asset maintenance	15,706	74.49%	68.98%	64.89%	> 100%
Required asset maintenance	21,084				
4. Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	72,285	2.88%	3.03%	2.90%	
Gross replacement cost	2,510,623				

## Notes

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

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

<sup>(2)</sup> Asset renewals represent the replacement and/or refurbishment of existing assets to an equivalent capacity/performance as opposed to the acquisition of new assets (or the refurbishment of old assets) that increases capacity/performance.

## Clarence Valley Council

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

for the year ended 30 June 2018

	General indicators <sup>(1)</sup>		Water indicators		Sewer indicators		Benchmark
	2018	2017	2018	2017	2018	2017	
<b>Infrastructure asset performance indicators by fund</b>							
<b>1. Buildings and infrastructure renewals ratio <sup>(2)</sup></b>							
Asset renewals <sup>(3)</sup>							
Depreciation, amortisation and impairment	27.89%	33.99%	18.25%	16.91%	1.57%	4.42%	>= 100%
<b>2. Infrastructure backlog ratio <sup>(2)</sup></b>							
Estimated cost to bring assets to a satisfactory standard							
Net carrying amount of infrastructure assets	4.40%	5.20%	3.86%	3.76%	1.38%	1.35%	< 2.00%
<b>3. Asset maintenance ratio</b>							
Actual asset maintenance							
Required asset maintenance	71.25%	65.47%	87.32%	77.81%	89.12%	94.39%	> 100%
<b>4. Cost to bring assets to agreed service level</b>							
Estimated cost to bring assets to an agreed service level set by Council							
Gross replacement cost	3.31%	3.55%	2.83%	2.80%	1.00%	1.00%	

## Notes

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

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

<sup>(3)</sup> Asset renewals represent the replacement and/or refurbishment of existing assets to an equivalent capacity/performance as opposed to the acquisition of new assets (or the refurbishment of old assets) that increases capacity/performance.