

Richmond Valley Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2010

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



Richmond Valley Council

General Purpose Financial Statements for the financial year ended 30 June 2010

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Overview

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

Council's Statutory Charter is specified in Section 8 of the LGA and includes;

- i carrying out activities and providing goods, services & facilities appropriate to the current & future needs of the Local community and of the wider public
- i responsibility for administering regulatory requirements under the LGA and other applicable legislation, &
- i a role in the management, improvement and development of the resources of the local government area.

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

- (iii) All figures presented in these financial statements are presented in Australian Currency.
 - (iv) These financial statements were authorised for issue by the Council on 19/10/10.
Council has the power to amend and reissue the financial statements.
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Richmond Valley Council

General Purpose Financial Statements

for the financial year ended 30 June 2010

Statement by Councillors and Management

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

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

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

To the best of our knowledge and belief, these Financial Statements:

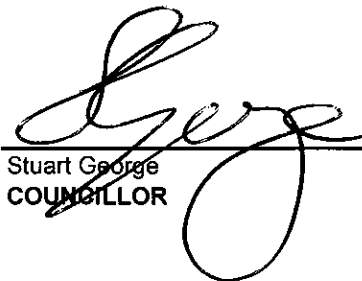
- present fairly the Council's operating result and financial position for the year, and
- accords with Council's accounting and other records.

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

Signed in accordance with a resolution of Council made on 19 October 2010.



Col Sullivan
MAYOR



Stuart George
COUNCILLOR



Brian Wilkinson
GENERAL MANAGER



Ryan Gaier
RESPONSIBLE ACCOUNTING OFFICER

Richmond Valley Council

Income Statement

for the financial year ended 30 June 2010

Budget ⁽¹⁾			Actual	Actual
2010	\$ '000	Notes	2010	2009
Income from Continuing Operations				
Revenue:				
15,485	Rates & Annual Charges	3a	15,730	14,557
14,617	User Charges & Fees	3b	16,701	20,868
1,004	Interest & Investment Revenue	3c	2,186	-
79	Other Revenues	3d	44	60
7,569	Grants & Contributions provided for Operating Purposes	3e,f	6,719	7,771
14,306	Grants & Contributions provided for Capital Purposes	3e,f	16,810	11,882
Other Income:				
-	Net gains from the disposal of assets	5	-	-
-	Net Share of interests in Joint Ventures & Associated Entities using the equity method	19	-	-
53,060	Total Income from Continuing Operations		58,190	55,138
Expenses from Continuing Operations				
15,018	Employee Benefits & On-Costs	4a	14,562	14,286
1,431	Borrowing Costs	4b	917	1,493
14,617	Materials & Contracts	4c	11,722	18,317
10,821	Depreciation & Amortisation	4d	13,406	12,944
4,416	Other Expenses	4e	4,380	3,948
-	Interest & Investment Losses	3c	-	720
-	Net Losses from the Disposal of Assets	5	1,037	3,018
46,303	Total Expenses from Continuing Operations		46,024	54,725
6,757	Operating Result from Continuing Operations		12,166	413
Discontinued Operations				
-	Net Profit/(Loss) from Discontinued Operations	24	-	-
6,757	Net Operating Result for the Year		12,166	413
6,757	Net Operating Result attributable to Council		12,166	413
-	Net Operating Result attributable to Minority Interests		-	-
(7,549)	Net Operating Result for the year before Grants and Contributions provided for Capital Purposes		(4,644)	(11,469)

(1) Original Budget as approved by Council - refer Note 16

Richmond Valley Council

Statement of Comprehensive Income
for the financial year ended 30 June 2010

\$ '000	Notes	Actual 2010	Actual 2009
Net Operating Result for the year (as per Income statement)		12,166	413
Other Comprehensive Income			
Gain (loss) on revaluation & impairment of I,PP&E	20b (ii)	13,336	57,854
Other Movements in Reserves (enter details here)	20b (ii)	-	(5,579)
De-recognition of land under roads		-	-
Adjustment to correct prior period depreciation errors		-	-
Total Other Comprehensive Income for the year		13,336	52,275
Total Comprehensive Income for the Year		25,502	52,688
Total Comprehensive Income attributable to Council		25,502	52,688
Total Comprehensive Income attributable to Minority Interests		-	-

Richmond Valley Council

Balance Sheet
as at 30 June 2010

\$ '000	Notes	Actual 2010	Actual 2009
ASSETS			
Current Assets			
Cash & Cash Equivalents	6a	18,786	16,200
Investments	6b	4,424	8,629
Receivables	7	7,400	8,190
Inventories	8	2,613	5,071
Other	8	2,384	265
Non-current assets classified as "held for sale"	22	-	-
Total Current Assets		35,607	38,356
Non-Current Assets			
Investments	6b	5,754	8,179
Receivables	7	1,465	1,080
Inventories	8	419	633
Infrastructure, Property, Plant & Equipment	9	486,240	461,609
Investments accounted for using the equity method	19	-	-
Investment Property	14	-	-
Intangible Assets	25	21	27
Non-current assets classified as "held for sale"	22	-	-
Other	8	-	-
Total Non-Current Assets		493,899	471,527
TOTAL ASSETS		529,506	509,883
LIABILITIES			
Current Liabilities			
Payables	10	7,618	5,508
Borrowings	10	785	6,726
Provisions	10	5,507	5,535
Liabilities associated with assets classified as "held for sale"	22	-	-
Total Current Liabilities		13,910	17,768
Non-Current Liabilities			
Payables	10	378	1,839
Borrowings	10	11,353	12,136
Provisions	10	2,073	1,849
Investments accounted for using the equity method	19	-	-
Liabilities associated with assets classified as "held for sale"	22	-	-
Total Non-Current Liabilities		13,804	15,823
TOTAL LIABILITIES		27,714	33,592
Net Assets		501,792	476,291
EQUITY			
Retained Earnings	20	340,703	328,537
Revaluation Reserves	20	161,090	147,754
Council Equity Interest		501,793	476,291
Minority Equity Interest		-	-
Total Equity		501,793	476,291

Richmond Valley Council

Statement of Changes in Equity
for the financial year ended 30 June 2010

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council Equity Interest	Minority Interest	Total Equity
2010						
Opening Balance (as per Last Year's Audited Account		328,537	147,754	476,291	-	476,291
a. Correction of Prior Period Errors	20 (c)	-	-	-	-	-
b. Changes in Accounting Policies (prior year effects	20 (d)	-	-	-	-	-
Revised Opening Balance (as at 1/7/09)		328,537	147,754	476,291	-	476,291
c. Net Operating Result for the Year		12,166		12,166	-	12,166
d. Other Comprehensive Income						
- Revaluations : IPP&E Asset Revaluation Reserv	20b (ii)		13,336	13,336		13,336
- Revaluations: Other Reserves	20b (ii)		-	-		-
- Transfers to Income Statement	20b (ii)		-	-		-
- Other Movements (enter details here)	20b (ii)		-	-		-
Other Comprehensive Income		-	13,336	13,336	-	13,336
Total Comprehensive Income (c&d)		12,166	13,336	25,502	-	25,502
e. Distributions to/(Contributions from) Minority Interests				-	-	-
f. Transfers between Equity		-	-	-	-	-
Equity - Balance at end of the reporting period		340,703	161,090	501,793	-	501,793

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council Equity Interest	Minority Interest	Total Equity
2009						
Opening Balance (as per Last Year's Audited Account		297,686	95,479	393,165	-	393,165
a. Correction of Prior Period Errors	20 (c)	31,279	-	31,279	-	31,279
b. Changes in Accounting Policies (prior year effects	20 (d)	(841)	-	(841)	-	(841)
Revised Opening Balance (as at 1/7/08)		328,124	95,479	423,603	-	423,603
c. Net Operating Result for the Year		413	-	413	-	413
d. Other Comprehensive Income						
- Revaluations : IPP&E Asset Revaluation Rsve	20b (ii)	-	52,275	52,275	-	52,275
- Revaluations: Other Reserves	20b (ii)	-	-	-	-	-
- Transfers to Income Statement	20b (ii)	-	-	-	-	-
- Other Movements (enter details here)	20b (ii)	-	-	-	-	-
Other Comprehensive Income		-	52,275	52,275	-	52,275
Total Comprehensive Income (c&d)		413	52,275	52,688	-	52,688
e. Distributions to/(Contributions from) Minority Interests		-	-	-	-	-
f. Transfers between Equity		-	-	-	-	-
Equity - Balance at end of the reporting period		328,537	147,754	476,291	-	476,291

Richmond Valley Council

Statement of Cash Flows

for the financial year ended 30 June 2010

Budget 2010	\$ '000	Notes	Actual 2010	Actual 2009
Cash Flows from Operating Activities				
Receipts:				
15,485		Rates & Annual Charges	15,475	14,514
14,617		User Charges & Fees	18,487	18,497
1,004		Investment & Interest Revenue Received	2,075	1,065
21,874		Grants & Contributions	23,598	17,778
79		Other	(767)	53
Payments:				
(15,018)		Employee Benefits & On-Costs	(14,440)	(13,637)
(14,071)		Materials & Contracts	(12,075)	(19,000)
(1,431)		Borrowing Costs	(917)	(1,051)
(4,416)		Other	(5,982)	(3,961)
18,124		Net Cash provided (or used in) Operating Activities	25,454	14,257
Cash Flows from Investing Activities				
Receipts:				
-		Sale of Investment Securities	7,160	16,064
2,075		Sale of Real Estate Assets	1,156	557
2,210		Sale of Infrastructure, Property, Plant & Equipment	396	258
3		Deferred Debtors Receipts	85	429
Payments:				
-		Purchase of Investment Securities	(0)	(4,433)
(38,271)		Purchase of Infrastructure, Property, Plant & Equipment	(24,331)	(16,996)
-		Purchase of Real Estate Assets	1,055	(1,442)
(33,983)		Net Cash provided (or used in) Investing Activities	(14,480)	(5,563)
Cash Flows from Financing Activities				
Receipts:				
14,900		Proceeds from Borrowings & Advances	-	-
-		Proceeds from Residents Village Contributions	756	1,089
Payments:				
(6,923)		Repayment of Borrowings & Advances	(6,724)	(765)
-		Repayment of Residents Village Contributions	(2,418)	(1,024)
7,977		Net Cash Flow provided (used in) Financing Activities	(8,386)	(700)
(7,882)		Net Increase/(Decrease) in Cash & Cash Equivalents	2,588	7,994
16,200		plus: Cash & Cash Equivalents - beginning of year	16,200	8,205
8,317		Cash & Cash Equivalents - end of the year	18,787	16,200
Additional Information:				
		plus: Investments on hand - end of year	10,178	16,808
Total Cash, Cash Equivalents & Investments			28,965	33,008

Please refer to Note 11 for information on the following:

- Non Cash Financing & Investing Activities.
- Financing Arrangements.
- Net cash flow disclosures relating to any Discontinued Operations

Richmond Valley Council

Notes to the Financial Statements for the financial year ended 30 June 2010

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Richmond Valley Council

Notes to the Financial Statements

for the financial year ended 30 June 2010

Note 1. Summary of Significant Accounting Policies (continued)

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

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

(a) Basis of preparation

(i) Background

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

- § Australian Accounting Standards,
- § Urgent Issues Group Interpretations,
- § the Local Government Act (1993) and Regulation, and
- § the Local Government Code of Accounting Practice and Financial Reporting.

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

Because Australian Accounting Standards (AASB's) are sector neutral, some standards either:

- (a) have local Australian content and prescription that is specific to the Not-For-Profit sector (including Local Government) which are not in compliance with IFRS's, or
- (b) specifically exclude application by Not for Profit entities.

Examples include;

- § excluding Local Government from applying AASB 120 (IAS 20) for Grant Accounting and AASB 118 (IAS 18) for Segment Reporting, &
- § different requirements on (a) Impairment of Assets relating to Not-For-Profit AASB 136 (IAS 36) and (b) AASB 116 (IAS 16) regarding accounting for the Revaluation of Assets.

Accordingly in preparing these financial statements and accompanying notes, Council has been unable to comply fully with International Accounting Standards, but it has complied fully with Australian Accounting Standards.

Under the Local Government Act, Regulations and Local Government Code of Accounting Practice & Financial Reporting, it should be noted that Councils in NSW only have a requirement to comply with Australian Accounting Standards.

(iii) Basis of Accounting

These financial statements have been prepared under the **historical cost convention** except for (i) financial assets and liabilities at fair value through profit or loss, available-for-sale financial assets and investment properties which are all valued at fair value, (ii) the write down of any Asset on the basis of Impairment (if warranted) and (iii) certain classes of Infrastructure, property, plant & equipment that are accounted for at fair valuation.

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

(iv) Changes in Accounting Policies

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

Unless otherwise stated, there have also been no changes in accounting policies when compared with previous financial statements.

(v) Critical Accounting Estimates

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

It also requires Council management to exercise their judgement in the process of applying Council's accounting policies.

(vi) Financial Statements Presentation

The Council has applied the revised **AASB 101, Presentation of Financial Statements** which became effective on 1 January 2009.

Richmond Valley Council

Notes to the Financial Statements

for the financial year ended 30 June 2010

Note 1. Summary of Significant Accounting Policies (continued)

The revised standard requires the separate presentation of a statement of comprehensive income and a statement of changes in equity.

All non-owner changes in equity must now be presented in the statement of comprehensive income.

As a consequence, the Council had to change the presentation of its financial statements.

Comparative information has been re-presented so that it is also in conformity with the revised standard.

(b) Revenue recognition

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

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

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

Revenue is measured on major income categories as follows:

Rates, Annual Charges, Grants and Contributions

Rates, annual charges, grants and contributions (including developer contributions) are recognised as revenues when the Council obtains control over the assets comprising these receipts.

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

A provision for the impairment on rates receivables has not been established as unpaid rates represent a charge against the rateable property that will be recovered when the property is next sold.

Control over granted assets is normally obtained upon their receipt (or acquittal) or upon earlier

notification that a grant has been secured, and is valued at their fair value at the date of transfer.

Income from Contributions is recognised when the Council either obtains control of the contribution or the right to receive it, **(i)** it is probable that the economic benefits comprising the contribution will flow to the Council and **(ii)** the amount of the contribution can be measured reliably.

Where grants or contributions recognised as revenues during the financial year were obtained on condition that they be expended in a particular manner or used over a particular period and those conditions were undischarged at balance date, the unused grant or contribution is disclosed in Note 3(g).

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

The Council has obligations to provide facilities from contribution revenues levied on developers under the provisions of S94 of the EPA Act 1979.

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

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

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

User Charges, Fees and Other Income

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

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

Richmond Valley Council

Notes to the Financial Statements

for the financial year ended 30 June 2010

Note 1. Summary of Significant Accounting Policies (continued)

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

Sale of Infrastructure, Property, Plant and Equipment

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

Interest and Rents

Rents are recognised as revenue on a proportional basis when the payment is due, the value of the payment is notified, or the payment is received, whichever first occurs.

Interest Income from Cash & Investments is accounted for using the Effective Interest method in accordance with AASB 139.

(c) Principles of Consolidation

These financial statements incorporate (i) the assets and liabilities of Council and any entities (or operations) that it **controls** (as at 30/6/10) and (ii) all the related operating results (for the financial year ended the 30th June 2010).

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

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

(i) The Consolidated Fund

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

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

The following entities have been included as part of the Consolidated Fund:

- § General Purpose Operations
- § Water Supply
- § Sewerage Service

(ii) The Trust Fund

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

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

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

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

(iii) Joint Venture Entities

Jointly Controlled Assets & Operations

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

Jointly Controlled Entities

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

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

(iv) Associated Entities

Where Council has the power to participate in the financial and operating decisions (of another entity),

Richmond Valley Council

Notes to the Financial Statements for the financial year ended 30 June 2010

Note 1. Summary of Significant Accounting Policies (continued)

ie. where Council is deemed to have “significant influence” over the other entities operations but neither controls nor jointly controls the entity, then Council accounts for such interests using the Equity Method of Accounting – in a similar fashion to Joint Venture Entities & Partnerships.

Such entities are usually termed Associates.

(v) County Councils

Council is a member of the following County Councils (which are bodies corporate under the Local Government Act);

§ Rous County Council (Rous Water)

Rous Water provides bulk water supply to the lower river area of Richmond Valley Council. This County Council contains four Constituent Councils.

§ Richmond River County Council

Richmond River County Council provides floodplain management services. This County Council contains three Constituent Councils.

§ Far North Coast County Council (Far North Coast Weeds)

Far North Coast Weeds provides administration of the Noxious Weeds Act 1993. This County Council contains six Constituent Councils.

The governing body of each County Council is responsible for managing its own affairs.

Council is of the opinion that it neither controls nor significantly influences the above County Councils and accordingly these entities have not been consolidated or otherwise included within these financial statements.

(vi) Additional Information

Note 19 provides more information in relation to Joint Venture Entities, Associated Entities and Joint Venture Operations where applicable.

(d) Leases

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

Finance Leases

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

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

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

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

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

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

Operating Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

Lease income from operating leases is recognised in income on a straight-line basis over the lease term.

(e) Cash and Cash Equivalents

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

Richmond Valley Council

Notes to the Financial Statements for the financial year ended 30 June 2010

Note 1. Summary of Significant Accounting Policies (continued)

§ bank overdrafts.

Bank overdrafts are shown within borrowings in current liabilities on the balance sheet but are incorporated into Cash & Cash Equivalents for presentation of the Cash Flow Statement.

(f) Investments and Other Financial Assets

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

§ **financial assets at fair value through profit or loss,**

§ **loans and receivables,**

§ **held-to-maturity investments,** and

§ **available-for-sale financial assets.**

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

Management determines each Investment classification at the time of initial recognition and re-evaluates this designation at each reporting date.

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

Financial assets at fair value through profit or loss include financial assets that are “held for trading”.

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

Derivatives are classified as held for trading unless they are designated as hedges.

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

(ii) Loans and receivables

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

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

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

(iii) Held-to-maturity investments

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

In contrast to the “Loans & Receivables” classification, these investments are generally quoted in an active market.

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

(iv) Available-for-sale financial assets

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

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

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

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

Financial Assets – Reclassification

Richmond Valley Council

Notes to the Financial Statements for the financial year ended 30 June 2010

Note 1. Summary of Significant Accounting Policies (continued)

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

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

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

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

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

General Accounting & Measurement of Financial Instruments:

(i) Initial Recognition

Investments are initially recognised (and measured) at fair value, plus in the case of investments not at "fair value through profit or loss", directly attributable transactions costs

Purchases and sales of investments are recognised on trade-date - the date on which the Council commits to purchase or sell the asset.

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

(ii) Subsequent Measurement

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

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

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

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

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

Impairment

Council assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired.

In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered in determining whether the security is impaired.

If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit and loss - is removed from equity and recognised in the income statement.

Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

(iii) Types of Investments

Council has an approved Investment Policy in order to undertake its investment of money in accordance with (and to comply with) Section 625 of the Local Government Act and S212 of the LG (General) Regulation 2005.

Richmond Valley Council

Notes to the Financial Statements for the financial year ended 30 June 2010

Note 1. Summary of Significant Accounting Policies (continued)

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

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

Council amended its policy following revisions to the Investment Order arising from the Cole Inquiry recommendations. Certain investments the Council holds are no longer prescribed (eg. managed funds, CDOs, and equity linked notes), however they have been retained under grandfathering provisions of the Order.

These will be disposed of when most financially advantageous to Council.

(g) Fair value estimation

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

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

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

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

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

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

These include reference to the fair values of recent arm's length transactions, involving the same instruments or other instruments that are substantially the same, discounted cash flow

analysis, and option pricing models refined to reflect the issuer's specific circumstances.

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

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

Refer to Note 15 for further details of fair value hierarchy.

(h) Receivables

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

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

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

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

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

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

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

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

Richmond Valley Council

Notes to the Financial Statements for the financial year ended 30 June 2010

Note 1. Summary of Significant Accounting Policies (continued)

(i) Inventories

Raw Materials and Stores, Work in Progress and Finished Goods

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

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

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

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

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

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.

(j) Infrastructure, Property, Plant and Equipment (I,PP&E)

Acquisition of assets

Council's non current assets have been progressively revalued to fair value in accordance with a staged implementation as advised by the Division of Local Government.

At balance date, the following classes of I,PP&E were stated at their Fair Value;

- **Investment Properties** – refer Note 1(p),
- **Water and Sewerage Networks** which are carried at Fair Value (generally based upon Depreciated Replacement Cost)
- **Operational Land, Community Land, Land Improvements and Other Structures** (External Valuation)
- **Buildings – Specialised/Non Specialised** (External Valuation)
- **Plant and Equipment** (as approximated by depreciated historical cost)
- **Roads, Bridges & Footpaths** (Internal Valuation)
- **Drainage Assets** (Internal Valuation)
- **Bulk Earthworks** (Internal Valuation)

All asset classes have now been revalued to fair value.

Initial Recognition

On initial recognition, an assets cost is measured at its fair value, plus all expenditure that is directly attributable to the acquisition.

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

The discount rate used is the Council's incremental borrowing rate, being the rate at which a similar

Richmond Valley Council

Notes to the Financial Statements for the financial year ended 30 June 2010

Note 1. Summary of Significant Accounting Policies (continued)

borrowing could be obtained from an independent financier under comparable terms and conditions.

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

Subsequent costs

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

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

Asset Revaluations (including Indexation)

In accounting for Asset Revaluations relating to Infrastructure, Property, Plant & Equipment:

- § 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 recognised via the profit or loss, then increase is first recognised in profit or loss.
- § Decreases that reverse previous increases of the same asset are first charged against revaluation reserves directly in equity to the extent of the remaining reserve attributable to the asset, with all other decreases charged to the Income statement.

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

For all other assets, Council assesses at each reporting date whether there is any indication that a revalued asset's carrying amount may differ

materially from that which would be determined if the asset were revalued at the reporting date.

If any such indication exists, Council determines the asset's fair value and revalues the asset to that amount.

Full revaluations are undertaken for all assets on a 5 year cycle.

Capitalisation Thresholds

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

Land	
- council land	100% Capitalised
- open space	100% Capitalised

Plant & Equipment	
Office Furniture	> \$1,000
Office Equipment	> \$1,000
Other Plant & Equipment	> \$1,000

Buildings & Land Improvements	
Park Furniture & Equipment	> \$2,000

Building	
- construction/extensions	100% Capitalised
- renovations	> \$10,000

Other Structures	> \$2,000
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Water & Sewer Assets	
Reticulation extensions	> \$5,000
Other	> \$5,000

Stormwater Assets	
Drains & Culverts	> \$5,000
Other	> \$5,000

Transport Assets	
Road construction & reconstruction	100% Capitalised
Reseal/Re-sheet & major repairs:	100% Capitalised
Bridge construction & reconstruction	100% Capitalised

Depreciation

Richmond Valley Council

Notes to the Financial Statements for the financial year ended 30 June 2010

Note 1. Summary of Significant Accounting Policies (continued)

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

Land is not depreciated.

Estimated useful lives for Council's I,PP&E include:

Plant & Equipment	
- Office Equipment	3 to 10 years
- Office furniture	5 to 20 years
- Computer Equipment	3 years
- Vehicles	5 to 20 years
- Heavy Plant/Road Making equip.	5 to 20 years
- Other plant and equipment	3 to 50 years
Other Equipment	
- Playground equipment	10 years
- Benches, seats etc	25 to 40 years
Buildings	
- Buildings	10 to 100 years
Stormwater Drainage	
- Drains	80 to 100 years
- Culverts	50 to 80 years
Transportation Assets	
- Sealed Roads : Surface	12 to 36 years
- Sealed Roads : Structure	36 to 60 years
- Unsealed roads	10 years
- Bridge : Concrete	120 years
- Bridge : Doolan Deck	100 years
- Bridge : Timber	50 years
- Kerb and Gutter	60 years
- Footpaths and Cycleways	15 to 60 years
- Minor and Major Culverts	60 years
Water & Sewer Assets	
- Dams and reservoirs	40 to 100 years
- Treatment Plant structure	15 to 70 years
- Treatment Plant mech & elect	15 to 35 years
- Pump Station structure	15 to 70 years
- Pump Station mech & elect	15 to 45 years
- Reticulation pipes : PVC	70 to 80 years
- Reticulation pipes : Other	70 to 80 years
Other Infrastructure Assets	
- Bulk earthworks	Infinite

All asset residual values and useful lives are reviewed and adjusted (where appropriate), at each balance sheet date.

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

Disposal and De-recognition

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

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

(k) Land

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

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

(l) Land under roads

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

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

Any land under roads that was recognised before 1 July 2008 had been derecognised at 1 July 2008 against the opening balance of retained earnings. As a result of this, Council derecognised land under road assets of \$841,360 during 2008/2009.

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

Council will review the recognition of all land under roads when the valuation methodology has been

Richmond Valley Council

Notes to the Financial Statements for the financial year ended 30 June 2010

Note 1. Summary of Significant Accounting Policies (continued)

determined by the industry and is, in the meantime, collecting the necessary physical data to undertake the valuation.

(m) Intangible Assets

Doolan Deck Patent

Council has purchased the right to manufacture bridge units for itself and sale to other entities using the 'Doolan Deck' modular system. This right will contribute to the future revenue generation of Councils bridges and pre-stressing business unit. Amortisation is calculated on a straight line basis over the remaining life of the right to manufacture bridge units utilising the 'Doolan Deck' modular system.

(n) Crown Reserves

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

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

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

Representations are currently being sought across State and Local Government to develop a consistent accounting treatment for Crown Reserves across both tiers of government.

(o) Rural Fire Service assets

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

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

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

(p) Investment property

The Council has deemed that it does not have any investment properties.

(q) Provisions for close down, restoration and for environmental clean up costs – including Tips and Quarries

Close down, Restoration and Remediation costs include the dismantling and demolition of infrastructure, the removal of residual materials and the remediation of disturbed areas.

Estimated close down and restoration costs are provided for in the accounting period when the obligation arising from the related disturbance occurs, whether this occurs during the development or during the operation phase, based on the net present value of estimated future costs.

Provisions for close down and restoration costs do not include any additional obligations which are expected to arise from future disturbance.

Costs are estimated on the basis of a closure plan.

The cost estimates are calculated annually during the life of the operation to reflect known developments, eg updated cost estimates and revisions to the estimated lives of operations, and are subject to formal review at regular intervals.

Close down, Restoration and Remediation costs are a normal consequence of tip and quarry operations, and the majority of close down and restoration expenditure is incurred at the end of the life of the operations.

Although the ultimate cost to be incurred is uncertain, Council estimates the respective costs based on feasibility and engineering studies using current restoration standards and techniques.

The amortisation or 'unwinding' of the discount applied in establishing the net present value of

Richmond Valley Council

Notes to the Financial Statements for the financial year ended 30 June 2010

Note 1. Summary of Significant Accounting Policies (continued)

provisions is charged to the income statement in each accounting period.

This amortisation of the disclosed as a borrowing cost in Note 4(b).

Other movements in the provisions for Close down, Restoration and Remediation costs including those resulting from new disturbance, updated cost estimates, changes to the estimated lives of operations and revisions to discount rates are capitalised within property, plant and equipment.

These costs are then depreciated over the lives of the assets to which they relate.

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

Provision is made for the estimated present value of the costs of environmental clean up obligations outstanding at the balance sheet date.

These costs are charged to the income statement.

Movements in the environmental clean up provisions are presented as an operating cost, except for the unwind of the discount which is shown as a borrowing cost.

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

As noted above, the ultimate cost of environmental remediation is uncertain and cost estimates can vary in response to many factors including changes to the relevant legal requirements, the emergence of new restoration techniques or experience at other locations.

The expected timing of expenditure can also change, for example in response to changes in quarry reserves or production rates.

As a result there could be significant adjustments to the provision for close down and restoration and environmental clean up, which would affect future financial results.

Specific Information relating to Council's provisions relating to Close down, Restoration and Remediation costs can be found at Note 26.

(r) Non-Current Assets (or Disposal Groups) "Held for Sale" & Discontinued Operations

Non-current assets (or disposal groups) are classified as held for sale and stated at the lower of either **(i)** their carrying amount and **(ii)** fair value less costs to sell, if their carrying amount will be recovered principally through a sale transaction rather than through continuing use.

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

For any assets or disposal groups classified as Non-Current Assets "held for sale", an impairment loss is recognised at any time when the assets carrying value is greater than its fair value less costs to sell.

Non-current assets "held for sale" are not depreciated or amortised while they are classified as "held for sale".

Non-current assets classified as "held for sale" are presented separately from the other assets in the balance sheet.

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

The results of discontinued operations are presented separately on the face of the income statement.

(s) Impairment of assets

All Council's I,PP&E is subject to an annual assessment of impairment.

Richmond Valley Council

Notes to the Financial Statements

for the financial year ended 30 June 2010

Note 1. Summary of Significant Accounting Policies (continued)

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

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

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

For non-cash generating assets of Council such as roads, drains, public buildings etc - value in use is represented by the "deprival value" of the asset which is approximated as it's written down replacement cost.

Council's road network sustained significant damage during the May 2009 floods. Consequently, this damage resulted in impairment of the road network in 2008/2009 by \$5.579 million which was the estimated cost to restore the damage. These restoration works were carried out in 2009/2010 and the impairment of the road network has subsequently been reversed.

Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Goodwill & other Intangible Assets that have an indefinite useful life and are not subject to amortisation are tested annually for impairment.

(t) Payables

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

The amounts for goods and services are unsecured and are usually paid within 30 days of recognition.

(u) Borrowings

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

Borrowings are subsequently measured at amortised cost.

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

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired.

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

(v) Borrowing costs

Borrowing costs are expensed except to the extent that they are incurred during the construction of qualifying assets.

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.

The capitalisation rate used to determine the amount of borrowing costs to be capitalised is the weighted average interest rate applicable to the Council's outstanding borrowings during the year.

(w) Provisions

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

- § Council has a present legal or constructive obligation as a result of past events;
- § it is more likely than not that an outflow of resources will be required to settle the obligation; and
- § the amount has been reliably estimated.

Provisions are not recognised for future operating losses.

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

Richmond Valley Council

Notes to the Financial Statements

for the financial year ended 30 June 2010

Note 1. Summary of Significant Accounting Policies (continued)

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

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

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

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

(x) Employee benefits

(i) Short Term Obligations

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

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

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

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

Wages & salaries, annual leave and vesting sick leave are all classified as Current Liabilities.

(ii) Other Long Term Obligations

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

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

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

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

Due to the nature of when and how Long Service Leave can be taken, all Long Service Leave for employees with 4 or more years of service has been classified as Current, as it has been deemed that Council does not have the unconditional right to defer settlement beyond 12 months – even though it is not anticipated that all employees with more than 4 years service (as at reporting date) will apply for and take their leave entitlements in the next 12 months.

(iii) Retirement benefit obligations

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

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

Defined Benefit Plans

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

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

Richmond Valley Council

Notes to the Financial Statements

for the financial year ended 30 June 2010

Note 1. Summary of Significant Accounting Policies (continued)

However, when this information is not reliably available, Council can account for its obligations to defined benefit plans on the same basis as its obligations to defined contribution plans – i.e. as an expense when they become payable.

Council is party to an Industry Defined Benefit Plan under the Local Government Superannuation Scheme, named the “Local Government Superannuation Scheme – Pool B”

This Scheme has been deemed to be a “multi employer fund” for the purposes of AASB 119.

Sufficient information is not available to account for the Scheme as a defined benefit plan (in accordance with AASB 119) because the assets to the scheme are pooled together for all Councils.

Accordingly, Council’s contributions to the scheme for the current reporting year have been recognised as an expense and disclosed as part of Superannuation Expenses at Note 4(a).

The Local Government Superannuation Scheme has advised member councils that, as a result of the global financial crisis, it has a significant deficiency of assets over liabilities amounting to around \$286 million at 30 June 2010.

As a result, they have asked for significant increases in future contributions to recover that deficiency.

Council’s share of that deficiency cannot be accurately calculated as the Scheme is a mutual arrangement where assets and liabilities are pooled together for all member councils.

For this reason, no liability for the deficiency has been recognised in these financial statements.

Council has, however, disclosed a contingent liability in note 18 to reflect the possible obligation that may arise should the Scheme require immediate payment to correct the deficiency.

Define Contribution Plans

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

(iv) Employee Benefit On-Costs

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

These amounts include Superannuation and Workers Compensation expenses which will be payable upon the future payment of certain Leave Liabilities accrued as at 30/6/10.

(y) Self insurance

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

Council maintains cash and investments to meet expected future claims and these are detailed in Note6(c).

No provision for future claims have been provided at Note 10. These claims are recognised when insurance claims events occur.

(z) Allocation between current and non-current assets & liabilities

In the determination of whether an asset or liability is classified as current or non-current, consideration is given to the time when each asset or liability is expected to be settled.

The asset or liability is classified as current if it is expected to be settled within the next 12 months, being the Council’s operational cycle.

Exceptions

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

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

(aa) Taxes

Richmond Valley Council

Notes to the Financial Statements for the financial year ended 30 June 2010

Note 1. Summary of Significant Accounting Policies (continued)

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

Council does however have to comply with both Fringe Benefits Tax and Goods and Services Tax (GST).

Goods & Services Tax (GST)

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

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

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

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

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

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

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

(ab) New accounting standards and UIG interpretations

Certain new (or amended) accounting standards and interpretations have been published that are not mandatory for reporting periods ending 30 June 2010.

Council has not adopted any of these standards early.

Council's assessment of the impact of these new standards and interpretations is set out below.

Applicable to Local Government with implications:

AASB 9 Financial Instruments and AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 (effective from 1 January 2013)

AASB 9 Financial Instruments addresses the classification and measurement of financial assets and is likely to affect Council's accounting for its financial assets.

The standard is not applicable until 1 January 2013 but is available for early adoption.

Council is yet to assess its full impact.

However, initial indications are that it may affect Council's accounting for its available-for-sale financial assets, since AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading.

Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognised directly in profit or loss.

Applicable to Local Government but no implications for Council;

AASB 2009-8 Amendments to Australian Accounting Standards – Group Cash-Settled Share-based Payment Transactions [AASB 2] (effective from 1 January 2010)

The amendments made by the AASB to AASB 2 confirm that an entity receiving goods or services in a group share-based payment arrangement must recognise an expense for those goods or services regardless of which entity in the group settles the transaction or whether the transaction is settled in shares or cash.

They also clarify how the group share-based payment arrangement should be measured, that is, whether it is measured as an equity- or a cash-settled transaction.

Richmond Valley Council

Notes to the Financial Statements for the financial year ended 30 June 2010

Note 1. Summary of Significant Accounting Policies (continued)

AASB 2009-10 Amendments to Australian Accounting Standards – Classification of Rights Issues [AASB 132] (effective from 1 February 2010)

In October 2009 the AASB issued an amendment to AASB 132 Financial Instruments: Presentation which addresses the accounting for rights issues that are denominated in a currency other than the functional currency of the issuer.

Provided certain conditions are met, such rights issues are now classified as equity regardless of the currency in which the exercise price is denominated. Previously, these issues had to be accounted for as derivative liabilities.

The amendment must be applied retrospectively in accordance with AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors.

AASB 2009-14 Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirement (effective from 1 January 2011)

In December 2009, the AASB made an amendment to Interpretation 14 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction.

The amendment removes an unintended consequence of the interpretation related to voluntary prepayments when there is a minimum funding requirement in regard to the entity's defined benefit scheme.

It permits entities to recognise an asset for a prepayment of contributions made to cover minimum funding requirements.

Council does not make any such prepayments. The amendment is therefore not expected to have any impact on Council.

AASB Interpretation 19 Extinguishing financial liabilities with equity instruments and AASB 2009-13 Amendments to Australian Accounting Standards arising from Interpretation 19 (effective from 1 July 2010)

AASB Interpretation 19 clarifies the accounting when an entity renegotiates the terms of its debt with the result that the liability is extinguished by the debtor

issuing its own equity instruments to the creditor (debt for equity swap).

It requires a gain or loss to be recognised in profit or loss which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued.

Applicable to Local Government but not relevant to Council at this stage;

None

Not applicable to Local Government per se;

Revised AASB 124 Related Party Disclosures and AASB 2009-12 Amendments to Australian Accounting Standards (effective from 1 January 2011)

In December 2009 the AASB issued a revised AASB 124 Related Party Disclosures. It is effective for accounting periods beginning on or after 1 January 2011 and must be applied retrospectively.

The amendment removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities and clarifies and simplifies the definition of a related party.

(ac) Rounding of amounts

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

(ad) Comparative Figures

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

(ae) Disclaimer

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

Richmond Valley Council

Notes to the Financial Statements for the financial year ended 30 June 2010

Note 2(a). Council Functions / Activities - Financial Information

\$ '000 Functions/Activities	Income, Expenses and Assets have been directly attributed to the following Functions / Activities. Details of these Functions/Activities are provided in Note 2(b).												
	Income from Continuing Operations			Expenses from Continuing Operations			Operating Result from Continuing Operations			Grants included in Income from Continuing Operations		Total Assets held (Current & Non-current)	
	Original Budget 2010	Actual 2010	Actual 2009	Original Budget 2010	Actual 2010	Actual 2009	Original Budget 2010	Actual 2010	Actual 2009	Actual 2010	Actual 2009	Actual 2010	Actual 2009
	Administration	301	949	901	826	1,280	2,829	(525)	(331)	(1,928)	9	13	45,992
Public Order & Safety	380	543	640	1,105	1,109	946	(724)	(566)	(306)	458	540	3,194	3,133
Health	211	187	136	755	772	697	(544)	(585)	(561)	-	-	531	549
Environment	3,700	4,037	2,791	4,279	3,979	2,238	(579)	58	553	212	21	27,978	16,888
Community Services & Education	2,283	2,600	2,162	2,327	2,639	2,173	(44)	(39)	(11)	1,725	1,432	8,239	6,829
Housing & Community Amenities	1,129	1,649	1,492	2,963	2,732	4,338	(1,834)	(1,083)	(2,846)	157	277	1,314	1,327
Water Supplies	4,705	4,985	3,886	5,069	5,351	5,595	(365)	(366)	(1,709)	79	220	53,151	51,821
Sewerage Services	8,285	7,645	6,644	6,331	5,454	7,113	1,954	2,191	(469)	545	245	70,736	75,563
Recreation & Culture	6,977	3,368	2,594	3,096	2,858	3,027	3,881	510	(433)	2,913	2,496	40,122	35,037
Fuel & Energy	-	-	-	-	-	-	-	-	-	-	-	-	-
Agriculture	-	-	-	-	-	-	-	-	-	-	-	-	-
Mining, Manufacturing & Construction	141	722	738	66	-	(0)	75	722	738	3	-	3,679	4,100
Transport & Communication	5,907	11,457	10,967	11,953	12,957	14,999	(6,046)	(1,500)	(4,032)	8,637	5,970	253,352	249,351
Economic Affairs	6,874	7,841	10,735	7,534	7,537	12,384	(660)	304	(1,648)	29	-	21,221	23,482
Total Functions & Activities	40,893	45,983	43,686	46,303	46,668	56,338	(5,411)	(685)	(12,652)	14,766	11,214	529,506	509,883
Share of gains/(losses) in Associates & Joint Ventures (using the Equity Method)	-	-	-	-	-	-	-	-	-	-	-	-	-
General Purpose Income ¹	12,167	12,851	13,065	-	-	-	12,167	12,851	13,065	4,466	5,443	-	-
Operating Result from Continuing Operations	53,060	58,834	56,751	46,303	46,668	56,338	6,756	12,166	413	19,232	16,656	529,506	509,883

1. Includes: Rates & Annual Charges (incl. Ex-Gratia), Untied General Purpose Grants & Unrestricted Interest & Investment Income.

Richmond Valley Council

Notes to the Financial Statements for the financial year ended 30 June 2010

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:

ADMINISTRATION

Costs relating to the Council's role as a component of democratic government, including elections, members fees and expenses, subscriptions to local authority associations, meetings of council and policy making committees, area representation and public disclosure and compliance, together with related administration costs not otherwise attributed to other functions/activities

PUBLIC ORDER & SAFETY

Fire protection, animal control, beach control, enforcement of local government regulations, emergency services, other.

HEALTH

Administration and inspection, immunisations, food control, health centres, other.

ENVIRONMENT

Noxious plants, insect/vermin control, environmental protection, solid waste management (including domestic and other waste management services), street cleaning, urban stormwater drainage.

COMMUNITY SERVICES & EDUCATION

Administration, youth services, other family and children, aged and disabled, migrant services, Aboriginal services, other community services, education.

HOUSING & COMMUNITY AMENITIES

Public cemeteries, public conveniences, street lighting, town planning, other community amenities.

WATER SUPPLIES

SEWERAGE SERVICES

RECREATION & CULTURE

Public libraries, museums, art galleries, community centres, public halls, other cultural services, swimming pools, sporting grounds, parks and gardens (lakes), other sport and recreation.

MINING, MANUFACTURING & CONSTRUCTION

Quarries and pits

TRANSPORT & COMMUNICATION

Urban roads, sealed rural roads, unsealed rural roads, bridges, footpaths, aerodromes, parking areas, bus shelters and services, RTA works, other.

ECONOMIC AFFAIRS

Camping areas, caravan parks, tourism and area promotion, industrial development promotion, saleyards & markets, real estate development, other business undertakings.

Richmond Valley Council

Notes to the Financial Statements for the financial year ended 30 June 2010

Note 3. Income from Continuing Operations

\$ '000	Notes	Actual 2010	Actual 2009
(a). Rates & Annual Charges			
Ordinary Rates			
Residential		4,639	4,410
Farmland		1,476	1,414
Business		1,024	1,007
Total Ordinary Rates		7,139	6,831
Special Rates			
Nil			
Annual Charges (pursuant to s.496 & s.501)			
Domestic Waste Management Services		2,221	1,587
Stormwater Management Services		191	190
Water Supply Services		664	951
Sewerage Services		5,166	4,727
Waste Management Services (non-domestic)		349	271
Total Annual Charges		8,591	7,726
TOTAL RATES & ANNUAL CHARGES		15,730	14,557

Council has used 2008 year valuations provided by the NSW Valuer General in calculating its rates.

Richmond Valley Council

Notes to the Financial Statements
for the financial year ended 30 June 2010

Note 3. Income from Continuing Operations (continued)

\$ '000	Notes	Actual 2010	Actual 2009
(b). User Charges & Fees			
Specific User Charges (per s.502 - Specific "actual use" charges)			
Water Supply Services		3,295	2,360
Sewerage Services		566	521
Waste Management Services (non-domestic)		7	8
Total User Charges		3,868	2,889
Other User Charges & Fees			
(i) Fees & Charges - Statutory & Regulatory Functions (per s608, 610A & 611)			
Planning & Building Regulation		627	544
Private Works - Section 67		4,580	9,099
Regulatory/ Statutory Fees		81	83
Registration Fees		134	78
Total Fees & Charges - Statutory/Regulatory		5,422	9,804
(ii) Fees & Charges - Other (incl. General User Charges (per s.610C))			
Aerodrome		16	22
Aged Care - Mid Richmond Residents Village		611	524
Caravan Park - Silver Sands Holiday Park		2,362	1,910
Cemeteries		263	208
RTA Charges (State Roads not controlled by Council)		1,397	2,858
Saleyards		876	751
Waste Disposal Tipping Fees		790	816
Casino Showground		19	19
Sports Grounds		28	30
Rent / Hire of Council Property		129	130
Plant Hire (External)		670	687
Other		250	219
Total Fees & Charges - Other		7,411	8,175
TOTAL USER CHARGES & FEES		16,701	20,868

Richmond Valley Council

Notes to the Financial Statements
for the financial year ended 30 June 2010

Note 3. Income from Continuing Operations (continued)

\$ '000	Notes	Actual 2010	Actual 2009
(c). Interest & Investment Revenue (incl. losses)			
Interest & Dividends			
- Interest on Overdue Rates & Annual Charges		127	109
- Interest earned on Investments (interest & coupon payment income)		1,369	1,295
Fair Value Adjustments			
- Fair Valuation movements in Investments (at FV or Held for Trading)		530	(2,237)
Other		160	114
<u>TOTAL INTEREST & INVESTMENT REVENUE</u>		<u>2,186</u>	<u>(720)</u>
Interest Revenue is attributable to:			
Unrestricted Investments/Financial Assets:			
Overdue Rates & Annual Charges		66	57
General Council Cash & Investments		690	(1,377)
Restricted Investments/Funds - External:			
Development Contributions			
- Section 94		105	-
- Section 64		186	-
Water Fund Operations		90	27
Sewerage Fund Operations		365	573
Domestic Waste Management operations		153	-
Other Externally Restricted Assets		106	-
Restricted Investments/Funds - Internal:			
Internally Restricted Assets		425	-
<u>Total Interest & Investment Revenue Recognised</u>		<u>2,186</u>	<u>(720)</u>
(d). Other Revenues			
Fines		44	60
<u>TOTAL OTHER REVENUE</u>		<u>44</u>	<u>60</u>

Richmond Valley Council

Notes to the Financial Statements
for the financial year ended 30 June 2010

Note 3. Income from Continuing Operations (continued)

\$ '000	2010 Operating	2009 Operating	2010 Capital	2009 Capital
(e). Grants				
General Purpose (Untied)				
Financial Assistance - General Component	3,012	3,706	-	-
Financial Assistance - Local Roads Component	-	-	1,248	1,514
Pensioners' Rates Subsidies - General Component	206	222	-	-
Total General Purpose	3,218	3,928	1,248	1,514
Specific Purpose				
Pensioners' Rates Subsidies:				
- Water	79	86	-	-
- Sewerage	81	87	-	-
- Domestic Waste Management	89	78	-	-
Water Supplies	-	-	-	134
Sewerage Services	-	-	463	157
Aged Care - Mid Richmond Residents Village	1,660	1,351	65	79
Bushfire & Emergency Services	265	256	175	284
Community Centres	-	-	522	29
Employment & Training Programs	12	16	-	-
Economic Development	29	-	-	-
Flood Emergency Management	-	67	-	-
Library - Richmond Upper Clarence Regional	85	118	350	-
Public Halls	-	-	51	-
Street Lighting	82	80	-	-
Transport (Roads to Recovery)	-	-	693	644
Transport (Other Roads & Bridges Funding)	-	-	2,043	181
Natural Disaster Funding	296	818	5,610	4,292
Environmental Trust	-	14	-	-
Coastal Reserve Management	22	5	-	-
Parks & Gardens	-	-	4	75
Waste and Sustainability Improvements	42	-	-	-
Strategic Planning	41	8	-	-
Swimming Pools	-	-	1,804	2,028
Sporting Grounds	-	-	43	137
Casino Showground	-	-	-	20
Footpaths	-	-	-	131
Evans Head Memorial Aerodrome Heritage	-	-	47	-
Other	47	40	66	-
Total Specific Purpose	2,830	3,023	11,936	8,190
Total Grants	6,048	6,952	13,184	9,705
Grant Revenue is attributable to:				
- Commonwealth Funding	4,679	5,070	6,832	4,739
- State Funding	1,369	1,881	6,352	4,966
- Other Funding	0	-	(0)	-
	6,048	6,952	13,184	9,705

Richmond Valley Council

Notes to the Financial Statements
for the financial year ended 30 June 2010

Note 3. Income from Continuing Operations (continued)

\$ '000	2010 Operating	2009 Operating	2010 Capital	2009 Capital
(f). Contributions				
Developer Contributions:				
(s93 & s94 - EP&A Act, s64 of the NSW LG Act):				
S 94 - Contributions towards amenities/services	-	-	566	255
S 64 - Water Supply Contributions	-	-	331	152
S 64 - Sewerage Service Contributions	-	-	485	165
Total Developer Contributions	17	-	1,382	571
Other Contributions:				
Dedications (other than by S94)	-	-	1,480	1,351
Roads & Bridges	2	2	-	128
RTA Contributions (Regional/Local, Block Grant)	459	649	245	-
Mid Richmond Residents Village	14	7	90	83
Legal Expense	-	51	-	-
Swimming Pools	-	-	330	-
Other	196	111	99	44
Total Other Contributions	671	819	2,244	1,606
Total Contributions	671	819	3,626	2,177
TOTAL GRANTS & CONTRIBUTIONS	6,719	7,771	16,810	11,882
(g). Restrictions relating to Grants and Contributions				
Certain grants & contributions are obtained by Council on condition that they be spent in a specified manner:				
Unexpended at the Close of the Previous Reporting Period			10,932	10,864
add: Grants and contributions recognised in the current period which have not been spent:			3,435	4,802
less: Grants and contributions recognised in a previous reporting period which have been spent in the current reporting period:			(6,079)	(4,734)
Net Increase (Decrease) in Restricted Assets during the Current Reporting Period			(2,644)	68
Unexpended at the Close of this Reporting Period and held as Restricted Assets			8,288	10,932
Comprising:				
- Specific Purpose Unexpended Grants			2,005	3,607
- Developer Contributions			5,873	5,190
- Other Contributions			410	2,135
			8,288	10,932

Richmond Valley Council

Notes to the Financial Statements
for the financial year ended 30 June 2010

Note 4. Expenses from Continuing Operations

\$ '000	Notes	Actual 2010	Actual 2009
(a) Employee Benefits & On-Costs			
Salaries and Wages		11,026	10,095
Employee Leave Entitlements (ELE)		1,938	2,552
Superannuation		1,722	1,241
Workers' Compensation Insurance		973	723
Fringe Benefit Tax (FBT)		7	8
Payroll Tax		104	100
Training Costs (other than Salaries & Wages)		245	285
Other		64	64
Total Employee Costs		16,079	15,068
less: Capitalised Costs		(1,517)	(782)
TOTAL EMPLOYEE COSTS EXPENSED		14,562	14,286
Number of "Equivalent Full Time" Employees at year end		220	229
(b) Borrowing Costs			
(i) Interest Bearing Liability Costs			
Interest on Loans		820	1,351
Interest on Advances		-	0
Total Interest Bearing Liability Costs		820	1,352
less: Capitalised Costs		-	-
Total Interest Bearing Liability Costs Expensed		820	1,352
(ii) Other Borrowing Costs			
Discount adjustments relating to movements in Provisions (other than ELE)			
- Remediation Liabilities	26	97	142
Total Other Borrowing Costs		97	142
TOTAL BORROWING COSTS EXPENSED		917	1,493

Richmond Valley Council

Notes to the Financial Statements
for the financial year ended 30 June 2010

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Actual 2010	Actual 2009
(c) Materials & Contracts			
Raw Materials & Consumables		10,998	17,157
Auditors Remuneration			
i. Audit Services - Council's Auditor		89	51
Legal Expenses:			
- Legal Expenses - Planning & Development		29	601
- Legal Expenses - Other		166	137
Operating Leases:			
Operating Lease Rentals - Minimum Lease Payments ⁽¹⁾		440	371
Total Materials & Contracts		11,722	18,317
less: Capitalised Costs		-	-
TOTAL MATERIALS & CONTRACTS		11,722	18,317
1. Operating Lease Payments are attributable to:			
- Buildings		15	17
- Computers		290	223
- Motor Vehicles		124	124
- Other		11	6
		440	371

Richmond Valley Council

Notes to the Financial Statements
for the financial year ended 30 June 2010

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Impairment Costs		Depreciation/Amortisation	
		Actual 2010	Actual 2009	Actual 2010	Actual 2009
(d) Depreciation, Amortisation & Impairment					
Plant and Equipment		-	-	1,668	1,389
Office Equipment		-	-	52	53
Furniture & Fittings		-	-	67	61
Land Improvements (depreciable)		-	-	217	206
Buildings - Specialised		-	-	1,243	1,219
Other Structures		-	-	523	507
Infrastructure:					
- Roads, Bridges & Footpaths		-	-	6,873	6,832
- Stormwater Drainage		-	-	324	309
- Water Supply Network		-	-	1,232	1,191
- Sewerage Network		-	-	1,601	1,538
Other Assets					
Asset Reinstatement Costs	9 & 26	-	-	100	76
Intangible Assets	25	-	-	6	6
Total Depreciation & Impairment Costs		-	-	13,906	13,387
less: Capitalised Costs		-	-	(500)	(443)
TOTAL DEPRECIATION & IMPAIRMENT COSTS EXPENSED		-	-	13,406	12,944

Richmond Valley Council

Notes to the Financial Statements
for the financial year ended 30 June 2010

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Actual 2010	Actual 2009
(e) Other Expenses			
Other Expenses for the year include the following:			
Advertising		299	288
Bank Charges		37	32
- Bushfire Fighting Fund		234	217
- Emergency Services Levy		87	-
- Waste Levy		298	-
- Richmond Upper Clarence Regional Library		536	510
- Other Contributions/Levies		30	-
Councillor Expenses - Mayoral Fee		19	20
Councillor Expenses - Councillors' Fees		93	90
Councillors' Expenses (incl. Mayor) - Other (excluding fees above)		20	39
Donations, Contributions & Assistance to other organisations (Section 35)		501	503
Election Expenses		-	163
Electricity & Heating		799	622
Insurance		815	819
Street Lighting		289	333
Subscriptions & Publications		79	77
Telephone & Communications		183	183
Valuation Fees		55	46
Other		6	6
Total Other Expenses		4,380	3,948
less: Capitalised Costs		-	-
TOTAL OTHER EXPENSES		4,380	3,948

Richmond Valley Council

Notes to the Financial Statements
for the financial year ended 30 June 2010

Note 5. Gains or Losses from the Disposal of Assets

\$ '000	Notes	Actual 2010	Actual 2009
Property (excl. Investment Property)			
Proceeds from Disposal		-	10
less: Carrying Amount of Property Assets Sold		(16)	(278)
Net Gain/(Loss) on Disposal		(16)	(268)
Plant & Equipment			
Proceeds from Disposal		396	248
less: Carrying Amount of P&E Assets Sold		(408)	(257)
Net Gain/(Loss) on Disposal		(12)	(8)
Infrastructure			
Proceeds from Disposal		-	-
less: Carrying Amount of Infrastructure Assets Sold		(1,649)	(2,834)
Net Gain/(Loss) on Disposal		(1,649)	(2,834)
Real Estate Assets Held For Sale			
Proceeds from Disposal		1,490	193
less: Carrying Amount of Real Estate Assets Sold		(850)	(100)
Net Gain/(Loss) on Disposal		640	92
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		(1,037)	(3,018)

Richmond Valley Council

Notes to the Financial Statements
for the financial year ended 30 June 2010

Note 6a. - Cash Assets and Note 6b. - Investment Securities

\$ '000	Notes	2010	2010	2009	2009
		Actual Current	Actual Non Current	Actual Current	Actual Non Current
Cash & Cash Equivalents (Note 6a)					
Cash on Hand and at Bank		3,396	-	3,577	-
Cash-Equivalent Assets ¹					
- Deposits at Call		15,390	-	12,623	-
Total Cash & Cash Equivalents		18,786	-	16,200	-
Investment Securities (Note 6b)					
- Managed Funds		1,983	-	2,688	-
- NCD's, FRN's (with Maturities > 3 months)		-	481	-	432
- CDO's		987	1,884	-	3,307
- Listed Equity Securities		-	2,966	-	2,565
- Other Long Term Maturity Financial Instruments		1,454	423	5,941	1,876
Total Investment Securities		4,424	5,754	8,629	8,179
TOTAL CASH ASSETS, CASH EQUIVALENTS & INVESTMENTS		23,210	5,754	24,829	8,179

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

**Cash, Cash Equivalents & Investments were
classified at year end in accordance with
AASB 139 as follows:**

Cash & Cash Equivalents

a. "At Fair Value through the Profit & Loss"		18,786	-	16,200	-
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Investments

a. "At Fair Value through the Profit & Loss"					
- "Held for Trading"	6(b-i)	4,424	5,754	8,629	8,179
b. "Held to Maturity"	6(b-ii)	(0)	0	-	-
Investments		4,424	5,754	8,629	8,179

Richmond Valley Council

Notes to the Financial Statements
for the financial year ended 30 June 2010

Note 6b. Investments (continued)

\$ '000	2010	2010	2009	2009
	Actual Current	Actual Non Current	Actual Current	Actual Non Current
Note 6(b-i)				
Reconciliation of Investments classified as "At Fair Value through the Profit & Loss"				
Balance at the Beginning of the Year	8,629	8,179	14,238	16,438
Revaluations (through the Income Statement)	338	192	(1,076)	(1,161)
Additions	(0)	-	3,557	876
Disposals (sales & redemptions)	(6,770)	(390)	(14,032)	(2,033)
Transfers between Current/Non Current	2,228	(2,228)	5,941	(5,941)
Balance at End of Year	4,424	5,754	8,629	8,179
Comprising:				
- Managed Funds	1,983	-	2,688	-
- NCD's, FRN's (with Maturities > 3 months)	-	481	-	432
- CDO's	987	1,884	-	3,307
- Listed Equity Securities	-	2,966	-	2,565
- Other Long Term Maturity Financial Assets	1,454	422	5,941	1,876
Total	4,424	5,754	8,629	8,179

Note 6(b-ii)**Reconciliation of Investments
classified as "Held to Maturity"**

Nil

Note 6(b-iii)**Reconciliation of Investments
classified as "Loans & Receivables"**

Nil

Note 6(b-iv)**Reconciliation of Investments
classified as "Available for Sale"**

Nil

Richmond Valley Council

Notes to the Financial Statements
for the financial year ended 30 June 2010

Note 6c. Restricted Cash, Cash Equivalents & Investments

\$ '000	2010	2010	2009	2009
	Actual Current	Actual Non Current	Actual Current	Actual Non Current
Total Cash, Cash Equivalents and Investment Securities	23,210	5,754	24,829	8,179
attributable to:				
External Restrictions (refer below)	16,276	5,754	22,840	5,943
Internal Restrictions (refer below)	6,934	-	1,989	2,236
Unrestricted	0	-	(0)	-
	23,210	5,754	24,829	8,179

2010	Opening	Transfers to	Transfers from	Closing
\$ '000	Balance	Restrictions	Restrictions	Balance

Details of Restrictions

External Restrictions - Included in Liabilities

Specific Purpose Unexpended Loans-Sewer (A)	5,941	-	(5,941)	-
Bonds & Deposits	357	-	(46)	311
External Restrictions - Included in Liabilities	6,298	-	(5,987)	311

External Restrictions - Other

Developer Contributions - General (D)	1,412	673	(554)	1,530
Developer Contributions - Water Fund (D)	2,288	491	(500)	2,279
Developer Contributions - Sewer Fund (D)	1,491	573	-	2,064
RTA Contributions (E)	98	-	(98)	-
Specific Purpose Unexpended Grants (F)	3,606	-	(1,601)	2,005
Water Supplies (G)	1,840	-	(231)	1,609
Sewerage Services (G)	6,482	1,386	-	7,868
Domestic Waste Management (G)	1,471	1,333	(590)	2,214
Stormwater Management (G)	129	200	(221)	108
Silver Sands Holiday Park	1,516	2,496	(2,485)	1,527
Residents Village Entry Contributions	1,683	-	(1,683)	-
Residents Village Bequests	13	-	-	13
Other	458	220	(177)	501
External Restrictions - Other	22,485	7,373	(8,140)	21,719
Total External Restrictions	28,783	7,373	(14,127)	22,030

Richmond Valley Council

Notes to the Financial Statements
for the financial year ended 30 June 2010

Note 6c. Restricted Cash, Cash Equivalents & Investments (continued)

2010 \$ '000	Opening Balance	Transfers to Restrictions	Transfers from Restrictions	Closing Balance
Internal Restrictions				
Plant & Vehicle Replacement	947	5,620	(5,570)	997
Real Estate & Infrastructure Replacement	-	1,491	(1,204)	287
Employees Leave Entitlement	182	164	-	346
Carry Over Works	223	272	(223)	272
Office Equipment	15	1	(0)	16
Petersons Quarry	-	807	(591)	216
Woodview Quarry	-	1,602	(700)	902
Quarry Rehabilitation	-	50	(22)	28
Insurance	11	309	-	320
Other Waste Management	819	1,337	(445)	1,711
Casino Saleyards	254	903	(769)	387
Rural Road Safety	-	44	(28)	16
Unexpended Rates Variations	630	698	(796)	532
Public Cemeteries Perpetual Maintenance	218	73	(6)	284
Workers Compensation Incentive Works	50	2	(27)	25
RTA State Roads Maintenance Contract	876	1,424	(1,829)	471
Mid Richmond Residents Village	-	39	-	39
Community Facilities & Public Halls Maintenance Fund	-	83	-	83
Total Internal Restrictions	4,225	14,919	(12,210)	6,934
TOTAL RESTRICTIONS	33,008	22,292	(26,337)	28,964

- A** Loan moneys which must be applied for the purposes for which the loans were raised.
- B** Advances by the Roads and Traffic Authority for works on the State's classified roads.
- C** Self Insurance liability resulting from reported claims or incurred claims not yet reported.
- D** Development contributions which are not yet expended for the provision of services and amenities in accordance with contributions plans (refer Note 17).
- E** RTA Contributions which are not yet expended for the provision of services and amenities in accordance with those contributions.
- F** Grants which are not yet expended for the purposes for which the grants were obtained. (refer Note 1)
- G** Water, Sewerage, Domestic Waste Management (DWM) & other Special Rates/Levies/Charges are externally restricted assets and must be applied for the purposes for which they were raised.

Richmond Valley Council

Notes to the Financial Statements
for the financial year ended 30 June 2010

Note 7. Receivables

\$ '000	Notes	2010		2009	
		Current	Non Current	Current	Non Current
Purpose					
Rates & Annual Charges		91	663	35	464
Interest & Extra Charges		56	151	45	122
User Charges & Fees		4,953	-	5,563	-
Capital Debtors (being sale of assets)					
- Sale of Land		304	-	-	-
Accrued Revenues					
- Interest on Investments		180	-	614	24
Government Grants & Subsidies		1,197	-	1,120	-
Deferred Debtors		8	30	90	33
Net GST Receivable		76	-	-	-
Bank Guarantees		310	164	350	142
Bridge Construction		212	457	475	294
Other Debtors		137	-	22	-
Total		7,524	1,465	8,314	1,080
less: Provision for Impairment					
Rates & Annual Charges		(84)	-	(84)	-
User Charges & Fees		(40)	-	(40)	-
Total Provision for Impairment - Receivables		(124)	-	(124)	-
TOTAL NET RECEIVABLES		7,400	1,465	8,190	1,080
Externally Restricted Receivables					
Water Supply					
- Specific Purpose Grants		92	-	95	-
- Rates & Availability Charges		1	3	2	5
- Other		1,383	1	1,373	1
Sewerage Services					
- Specific Purpose Grants		79	-	81	-
- Rates & Availability Charges		2	4	2	5
- Other		2,003	1	2,299	26
Domestic Waste Management		49	133	28	77
Stormwater Management		5	12	3	9
Other					
- Bank Guarantees		310	164	350	142
Total External Restrictions		3,924	318	4,234	264
Internally Restricted Receivables					
Nil					
Unrestricted Receivables		3,476	1,147	3,956	815
TOTAL NET RECEIVABLES		7,400	1,465	8,190	1,080

Notes on Debtors above:

- (i) Rates & Annual Charges Outstanding are secured against the property.
- (ii) Doubtful Rates Debtors are provided for where the value of the property is less than the debt outstanding.
An allowance for other doubtful debts is made when there is objective evidence that a receivable is impaired.
- (iii) Interest is charged on overdue rates & charges at 9.00% (2009 10.00%).
Generally all other receivables are non interest bearing.
- (iv) Please refer to Note 15 for issues concerning Credit Risk and Fair Value disclosures.

Richmond Valley Council

Notes to the Financial Statements
for the financial year ended 30 June 2010

Note 8. Inventories & Other Assets

\$ '000	Notes	2010		2009	
		Current	Non Current	Current	Non Current
Inventories					
Real Estate for resale (refer below)		420	419	210	633
Work in Progress - Real Estate		-	-	1,901	-
Work in Progress - Doolan Deck		-	-	161	-
Stores & Materials		2,193	-	2,799	-
Total Inventories		2,613	419	5,071	633
Other Assets					
Prepayments		317	-	265	-
MRRV Accomodation Bonds @ 30/6/10		1,861	-	-	-
MRRV Employee Leave Entitlements 90%		206	-	-	-
Total Other Assets		2,384	-	265	-
TOTAL INVENTORIES & OTHER ASSETS		4,997	419	5,337	633
Details for Real Estate Development					
Residential		239	394	166	608
Industrial/Commercial		181	25	44	25
Total Real Estate for Resale		420	419	210	633
(Valued at the lower of cost and net realisable value)					
Represented by:					
Acquisition Costs		239	394	166	608
Development Costs		181	25	44	25
Total Costs		420	419	210	633
less: Provision for Under Recovery		-	-	-	-
Total Real Estate for Resale		420	419	210	633
(i) Externally Restricted Assets					
Water					
Nil					
Sewerage					
Nil					
Domestic Waste Management					
Nil					
Other					
Nil					
Total Unrestricted Assets		4,997	419	5,337	633
TOTAL INVENTORIES & OTHER ASSETS		4,997	419	5,337	633

Notes to the Financial Statements
for the financial year ended 30 June 2010

Note 9a. Infrastructure, Property, Plant & Equipment

\$ '000	as at 30/6/2009					Asset Movements during the Reporting Period							as at 30/6/2010					
	At	At	Accumulated		Carrying	Asset Additions	WDV of Asset Disposals	Depreciation Expense	Impairment Reversal	Adjustments & Transfers	Tfrs from/(to) Real Estate Assets (Note 8)	Revaluation Increments to Equity (ARR)	At	At	Accumulated		Carrying	
	Cost	Fair Value	Deprec.	Impairment	Value								Cost	Fair Value	Dep'n	Impairment	Value	
Capital Work in Progress	4,861	-	-	-	4,861	10,102	(24)	-	-	(1,566)	-	-	13,373	-	-	-	-	13,373
Plant & Equipment	-	18,481	8,482	-	9,999	1,931	(408)	(1,668)	-	-	-	-	-	19,309	9,455	-	-	9,854
Office Equipment	-	835	679	-	156	28	(2)	(52)	-	-	-	-	-	849	720	-	-	129
Furniture & Fittings	-	950	566	-	384	106	(2)	(67)	-	-	-	-	-	1,044	622	-	-	422
Plant & Equipment (under Finance Lease)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Land:																		
- Operational Land	-	20,561	-	-	20,561	160	-	-	-	-	69	-	-	20,790	-	-	-	20,790
- Community Land	-	20,028	-	-	20,028	-	-	-	-	-	-	-	-	20,028	-	-	-	20,028
- Land under Roads (pre 1/7/08)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Land under Roads (post 30/6/08)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Land Improvements - non depreciable	-	1,183	-	-	1,183	395	-	-	-	-	-	-	-	1,579	-	-	-	1,579
Land Improvements - depreciable	-	7,177	2,857	-	4,320	311	-	(217)	-	45	-	-	-	7,441	2,983	-	-	4,458
Buildings - Non Specialised	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Buildings - Specialised	-	57,302	27,245	-	30,056	1,419	-	(1,243)	-	844	-	-	-	58,972	27,895	-	-	31,077
Other Structures	-	16,818	9,093	-	7,725	431	(13)	(523)	-	110	-	-	-	17,252	9,522	-	-	7,730
Infrastructure:																		
- Roads, Bridges, Footpaths	-	282,281	95,717	5,579	180,985	4,048	(926)	(6,873)	5,579	(282)	-	-	-	282,333	99,801	-	-	182,532
- Bulk Earthworks (non-depreciable)	-	58,877	-	-	58,877	220	(0)	-	-	-	-	-	-	59,097	-	-	-	59,097
- Stormwater Drainage	22,395	(0)	9,695	-	12,700	679	-	(324)	-	178	-	10,077	-	40,476	17,167	-	-	23,309
- Water Supply Network	-	77,172	30,386	-	46,787	1,242	(583)	(1,232)	-	52	-	1,404	-	79,493	31,824	-	-	47,669
- Sewerage Network	-	112,699	50,842	-	61,857	686	(140)	(1,601)	-	327	-	1,856	-	116,877	53,893	-	-	62,984
Reinstatement, Rehabilitation & Restoration Assets (refer Note 26)																		
- Tip Asset	1,578	-	823	-	755	147	-	(68)	-	-	-	-	1,724	-	891	-	-	833
- Quarry Asset	457	-	81	-	376	33	-	(33)	-	-	-	-	490	-	114	-	-	376
TOTAL INFRASTRUCTURE, PROPERTY, PLANT & EQUIP.	29,290	674,363	236,466	5,579	461,609	21,937	(2,097)	(13,900)	5,579	(292)	69	13,336	15,587	725,539	254,887	-	-	486,240

Richmond Valley Council

Notes to the Financial Statements

for the financial year ended 30 June 2010

Note 9b. Externally Restricted Infrastructure, Property, Plant & Equipment

\$ '000 Class of Asset	Actual 2010				Actual 2009			
	At Cost	At Fair Value	A/Dep & Impairm't	Carrying Value	At Cost	At Fair Value	A/Dep & Impairm't	Carrying Value
Water Supply								
WIP	1,134	-	-	1,134	487	-	-	487
Plant & Equipment	-	122	111	11	-	122	109	13
Office Equipment	-	3	2	0	-	3	2	0
Furniture & Fittings	-	27	4	22	-	15	3	12
Land								
- Operational Land	-	1,405	-	1,405	-	1,405	-	1,405
Infrastructure	-	79,493	31,824	47,669	-	77,172	30,386	46,787
Total Water Supply	1,134	81,049	31,942	50,241	487	78,716	30,500	48,704
Sewerage Services								
WIP	3,564	-	-	3,564	2,752	-	-	2,752
Plant & Equipment	-	519	369	150	-	506	339	166
Office Equipment	-	23	13	11	-	14	10	5
Furniture & Fittings	-	8	3	5	-	7	3	4
Land								
- Operational Land	-	1,378	-	1,378	-	1,378	-	1,378
Infrastructure	-	116,878	53,893	62,984	-	112,699	50,842	61,857
Total Sewerage Services	3,564	118,807	54,279	68,093	2,752	114,604	51,194	66,163
Domestic Waste Management								
Total DWM	-	-	-	-	-	-	-	-
Caravan Park								
Plant & Equipment	-	3	2	1	-	3	2	1
Office Equipment	-	12	5	6	-	12	5	7
Furniture & Fittings	-	196	147	49	-	184	138	46
Land								
- Community Land	-	2,875	-	2,875	-	2,875	-	2,875
- Improvements - depreciable	-	841	323	518	-	841	299	541
Buildings	-	6,623	2,307	4,315	-	6,614	2,223	4,391
Other Structures	-	1,129	371	758	-	877	349	528
Total Caravan Park	-	11,677	3,155	8,522	-	11,406	3,016	8,390
TOTAL RESTRICTED I,PP&E	4,698	211,533	89,376	126,856	3,240	204,726	84,709	123,257

Richmond Valley Council

Notes to the Financial Statements
for the financial year ended 30 June 2010

Note 10a. Payables, Borrowings & Provisions

\$ '000	Notes	2010		2009	
		Current	Non Current	Current	Non Current
Payables					
Goods & Services - operating expenditure		1,371	-	2,109	-
Goods & Services - capital expenditure		1,718	-	975	-
Payments Received In Advance		1,026	-	620	-
Accrued Expenses:					
- Salaries & Wages		202	-	-	-
- Other Expenditure Accruals		847	214	888	214
Security Bonds, Deposits & Retentions		282	-	355	-
ATO - Net GST Payable		-	-	10	-
Retirement Home Contributions		1,861	-	200	1,483
Bank Guarantees		311	164	350	142
Other		-	-	0	-
Total Payables		7,618	378	5,508	1,839
Borrowings					
Loans - Secured ¹		783	11,351	6,724	12,132
Government Advances		2	2	2	4
Total Borrowings		785	11,353	6,726	12,136
Provisions					
Employee Benefits;					
Annual Leave		1,490	-	1,461	-
Long Service Leave		3,069	57	3,119	109
Other Leave		109	-	116	-
Sub Total - Aggregate Employee Benefits		4,668	57	4,695	109
Asset Remediation/Restoration (Future Works) ²⁶		839	2,016	839	1,739
Total Provisions		5,507	2,073	5,535	1,849
Total Payables, Borrowings & Provisions		13,910	13,804	17,768	15,823

(i) Liabilities relating to Restricted Assets

	2010		2009	
	Current	Non Current	Current	Non Current
Water	19	-	15	-
Sewer	597	11,204	6,751	11,607
Residents Village Entry Contributions	-	-	200	1,483
Silver Sands Holiday Park Advances	258	-	254	-
Other	282	-	357	142
Total Liabilities relating to restricted assets	1,156	11,204	7,577	13,231

¹. Loans are secured over the General Rating Income of Council

Disclosures on Liability Interest Rate Risk Exposures, Fair Value Disclosures & Security can be found in Note 15.

Richmond Valley Council

Notes to the Financial Statements for the financial year ended 30 June 2010

Note 10a. Payables, Borrowings & Provisions (continued)

\$ '000	2010	2009
(ii) Current Liabilities not anticipated to be settled within the next 12 months		
The following Liabilities, even though classified as current, are not expected to be settled in the next 12 months.		
Provisions - Employees Benefits	2,768	2,852
	<u>2,768</u>	<u>2,852</u>

Note 10b. Description of and movements in Provisions

Class of Provision	2009		2010			Closing Balance as at 30/6/10
	Opening Balance as at 1/7/09	Additional Provisions	Decrease due to Payments	Remeasurement effects due to Discounting	Unused amounts reversed	
Annual Leave	1,461	924	(902)	7	-	1,490
Long Service Leave	3,228	358	(220)	(240)	-	3,126
Other Leave	116	(3)	(5)	1	-	109
Asset Remediation	2,579	(0)	-	276	-	2,855
TOTAL	7,384	1,279	(1,127)	45	-	7,580

- a. Employees Leave Entitlements & On-Costs represents those benefits accrued and payable and an estimate of those that will become payable in the future as a result of past service.
- b. Self Insurance Provisions represent both (i) Claims Incurred but Not reported and (ii) Claims Reported & Estimated as a result of Council's being a self insurer up to certain levels of Excess.
- c. Asset Remediation, Reinstatement & Restoration Provisions represent the Present Value estimate of future costs Council will incur in order to remove, restore & remediate assets &/or activities as a result of past operations.

Richmond Valley Council

Notes to the Financial Statements
for the financial year ended 30 June 2010

Note 11. Statement of Cash Flows - Additional Information

\$ '000	Notes	Actual 2010	Actual 2009
(a) Reconciliation of Cash Assets			
Total Cash & Cash Equivalent Assets	6a	18,786	16,200
Less Bank Overdraft	10	-	-
BALANCE as per the STATEMENT of CASH FLOWS		18,786	16,200
(b) Reconciliation of Net Operating Result to Cash provided from Operating Activities			
Net Operating Result from Income Statement		12,166	413
Adjust for non cash items:			
Depreciation & Amortisation		13,406	12,944
Net Losses/(Gains) on Disposal of Assets		1,037	3,018
Non Cash Capital Grants and Contributions		(1,694)	(1,721)
Losses/(Gains) recognised on Fair Value Re-measurements through the P&L:			
- Investments classified as "@ Fair Value" or "Held for Trading"		(530)	2,237
Amortisation of Premiums, Discounts & Prior Period Fair Valuations			
Unwinding of Discount Rates on Reinstatement Provisions		-	442
+/- Movement in Operating Assets and Liabilities & Other Cash Items:			
Decrease/(Increase) in Receivables		2,317	(3,454)
Increase/(Decrease) in Provision for Doubtful Debts		0	-
Decrease/(Increase) in Inventories		767	(1,486)
Decrease/(Increase) in Other Current Assets		(2,119)	(87)
Increase/(Decrease) in Payables		(738)	538
Increase/(Decrease) in other accrued Expenses Payable		161	231
Increase/(Decrease) in Other Current Liabilities		306	693
Increase/(Decrease) in Employee Leave Entitlements		(80)	649
Increase/(Decrease) in Other Provisions		455	(157)
NET CASH PROVIDED FROM/(USED IN) OPERATING ACTIVITIES from the STATEMENT of CASH FLOWS		25,454	14,257

Richmond Valley Council

Notes to the Financial Statements for the financial year ended 30 June 2010

Note 11. Statement of Cash Flows - Additional Information (continued)

\$ '000	Notes	Actual 2010	Actual 2009
(c) Non-Cash Investing & Financing Activities			
Bushfire Grants		118	206
Subdivider Dedications		1,480	1,351
Estimated Future Reinstatement Costs		97	143
Other Non Cash Items		-	21
Total Non-Cash Investing & Financing Activities		1,694	1,721
(d) Financing Arrangements			
(i) Unrestricted access was available at balance date to the following lines of credit:			
Bank Overdraft Facilities ⁽¹⁾		500	500
Credit Cards / Purchase Cards		15	15
Other		-	-
Total Financing Arrangements		515	515
Amounts utilised as at Balance Date:			
- Bank Overdraft Facilities		-	-
- Credit Cards / Purchase Cards		4	-
- Other		-	-
Total Financing Arrangements Utilised		4	-

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

Interest rates on overdrafts are Interest Rates on Loans & Other Payables are disclosed in Note 15.

(ii) Secured Loan Liabilities

Loans are secured by a mortgage over future years Rate Revenue only.

(e) Net Cash Flows Attributable to Discontinued Operations

Please refer to Note 24 for details of Cash Flows that relate to Discontinued Operations

Richmond Valley Council

Notes to the Financial Statements for the financial year ended 30 June 2010

Note 12. Commitments for Expenditure

\$ '000	Notes	Actual 2010	Actual 2009
(a) Capital Commitments (exclusive of GST)			
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:			
Property, Plant & Equipment			
Buildings - Mid Richmond Residents Village		-	46
Infrastructure - Design & Documentation of E/Hd Sewerage Augmentat		-	154
Infrastructure - Sewerage Salty Lagoon Monitoring		38	188
Infrastructure - Sewer Main Relining at Coraki, Casino & Woodburn		-	104
Infrastructure - E/Hd, Woodburn, Broadwater Sewer & Dry Weather Re-l		-	112
Infrastructure - Design & Construct New Roof for 2 reservoirs E/Hd		92	144
Building/Other Structures - E/Hd Works Depot		-	1,056
Building/Other Structures - Silver Sands Holiday Park (Upgrade Ameniti		-	182
Building - Evans Head Aquatic Centre		238	-
Total Commitments		367	1,985
These expenditures are payable as follows:			
Within the next year		367	1,985
Total Payable		367	1,985
(b) Other Expenditure Commitments (exclusive of GST)			
Other Non Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:			
Cleaning Services		231	314
Audit Services		47	92
Economic Development Strategy		-	42
Flood Emergency Management Project		100	137
Assess Environmental Impact of Sewer T/Plant Discharge to Evans Riv		62	-
Pool Management Contracts		1,574	-
Total Commitments		2,013	586
These expenditures are payable as follows:			
Within the next year		606	324
Later than one year and not later than 5 years		1,407	263
Total Payable		2,013	586

Richmond Valley Council

Notes to the Financial Statements for the financial year ended 30 June 2010

Note 12. Commitments for Expenditure (continued)

\$ '000	Notes	Actual 2010	Actual 2009
(c) Finance Lease Commitments			
Nil			
(d) Operating Lease Commitments (Non Cancellable)			
a. Commitments under Non Cancellable Operating Leases at the Reporting date, but not recognised as Liabilities are payable:			
Within the next year		404	413
Later than one year and not later than 5 years		369	784
Total Non Cancellable Operating Lease Commitments		774	1,197

b. Non Cancellable Operating Leases include the following assets:

Computer and other plant and equipment.

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

Conditions relating to Finance & Operating Leases:

- All Finance & Operating Lease Agreement are secured only against the Leased Asset.
- No Lease Agreements impose any financial restrictions on Council regarding future debt etc.

(e) Investment Property Commitments

Nil

(f) Remuneration Commitments

Commitments for the payment of salaries & other remuneration under long-term employment contracts in existence at reporting date but not recognised as liabilities are payable:

Within the next year		469	427
Later than one year and not later than 5 years		320	718
Total Payable		789	1,145

(g) Investment in Associates / Joint Ventures - Commitments

For Capital Commitments and Other Commitments relating to Investments in Associates & Joint Ventures, refer to Note 19 (b)

Richmond Valley Council

Notes to the Financial Statements
for the financial year ended 30 June 2010

Note 13a. Statement of Performance Measurement - Indicators (Consolidated)

\$ '000	Amounts 2010	Indicator 2010	Prior Periods 2009 2008	
1. Unrestricted Current Ratio				
Current Assets less all External Restrictions ⁽¹⁾	<u>15,408</u>	1.54 : 1	1.54	2.31
Current Liabilities less Specific Purpose Liabilities ^(2,3)	<u>9,986</u>			
2. Debt Service Ratio				
Debt Service Cost	<u>7,546</u>	19.29% ⁽⁴⁾	5.37%	5.39%
Revenue from Continuing Operations excluding Capital Items & Specific Purpose Grants/Contributions	<u>39,127</u>			
3. Rates & Annual Charges Coverage Ratio				
Rates & Annual Charges	<u>15,730</u>	27.03%	26.40%	33.14%
Revenue from Continuing Operations	<u>58,190</u>			
4. Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage				
Rates, Annual & Extra Charges Outstanding	<u>877</u>	5.33%	3.84%	3.63%
Rates, Annual & Extra Charges Collectible	<u>16,440</u>			
5. Building & Infrastructure Renewals Ratio				
Asset Renewals ⁽⁵⁾ [Buildings & Infrastructure]	<u>4,482</u>	39.76%	79.05%	75.29% ⁽⁶⁾
Depreciation, Amortisation & Impairment (Building & Infrastructure Assets)	<u>11,273</u>			

Notes

⁽¹⁾ Refer Notes 6-8 inclusive.

Also excludes any Real Estate & Land for resale not expected to be sold in the next 12 months

⁽²⁾ Refer to Note 10(a).

⁽³⁾ Refer to Note 10(c) - excludes all payables & provisions not expected to be paid in the next 12 months (incl. ELE).

⁽⁴⁾ Debt Service Ratio for 2009/10 includes a lump sum repayment of a \$5.941m loan, otherwise the ratio would have been 4.07%

⁽⁵⁾ Asset Renewals represent the replacement &/or refurbishment of existing assets to an equivalent capacity or performance as opposed to the acquisition of new assets (or the refurbishment of old assets) that increases capacity/performance.

⁽⁶⁾ The 2007/2008 Building & Infrastructure Renewals Ratio has been restated for consistency purposes, from 86.14% to 75.29% (to adjust for new assets acquired in 2007/2008).

Richmond Valley Council

Notes to the Financial Statements
for the financial year ended 30 June 2010

Note 13a. Statement of Performance Measurement - Graphs (Consolidated)

\$ '000

<p>1. Unrestricted Current Ratio</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio</th> </tr> </thead> <tbody> <tr> <td>2007</td> <td>3.48</td> </tr> <tr> <td>2008</td> <td>2.31</td> </tr> <tr> <td>2009</td> <td>1.54</td> </tr> <tr> <td>2010</td> <td>1.54</td> </tr> </tbody> </table>	Year	Ratio	2007	3.48	2008	2.31	2009	1.54	2010	1.54	<p>Purpose of Unrestricted Current Ratio</p> <p>To assess the adequacy of working capital and its ability to satisfy obligations in the short term for the unrestricted activities of Council.</p>	<p>Commentary on 2009/10 Result</p> <p>2009/10 Ratio 1.54 : 1</p> <p>Despite movements in both current assets and current liabilities, this ratio has remained consistent with the previous years result.</p>
Year	Ratio											
2007	3.48											
2008	2.31											
2009	1.54											
2010	1.54											
<p>2. Debt Service Ratio</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio</th> </tr> </thead> <tbody> <tr> <td>2007</td> <td>4.00%</td> </tr> <tr> <td>2008</td> <td>5.39%</td> </tr> <tr> <td>2009</td> <td>5.37%</td> </tr> <tr> <td>2010</td> <td>19.29%</td> </tr> </tbody> </table>	Year	Ratio	2007	4.00%	2008	5.39%	2009	5.37%	2010	19.29%	<p>Purpose of Debt Service Ratio</p> <p>To assess the impact of loan principal & interest repayments on the discretionary revenue of council.</p>	<p>Commentary on 2009/10 Result</p> <p>2009/10 Ratio 19.29%</p> <p>This ratio has been significantly impacted by the repayment of a loan (\$5.9m) under Sewer fund during the 2009/10 financial year. If this transaction is excluded from the calculation the Debt Service Ratio would be shown as 4.07%.</p>
Year	Ratio											
2007	4.00%											
2008	5.39%											
2009	5.37%											
2010	19.29%											
<p>3. Rates & Annual Charges Coverage Ratio</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Ratio</th> </tr> </thead> <tbody> <tr> <td>2007</td> <td>33.00%</td> </tr> <tr> <td>2008</td> <td>33.14%</td> </tr> <tr> <td>2009</td> <td>26.40%</td> </tr> <tr> <td>2010</td> <td>27.03%</td> </tr> </tbody> </table>	Year	Ratio	2007	33.00%	2008	33.14%	2009	26.40%	2010	27.03%	<p>Purpose of Rates & Annual Charges Coverage Ratio</p> <p>To assess the degree of Council's dependence upon revenue from rates and annual charges and to assess the security of Council's income.</p>	<p>Commentary on 2009/10 Result</p> <p>2009/10 Ratio 27.03%</p> <p>Income from Rates and Annual Charges on its own increased 8.06% between financial years, however increases in other income sources such as disclosed interest revenue and Grants & Contributions for Capital purposes, kept the increase in the Ratio to 0.63%.</p>
Year	Ratio											
2007	33.00%											
2008	33.14%											
2009	26.40%											
2010	27.03%											
<p>4. Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>2007</td> <td>3.82%</td> </tr> <tr> <td>2008</td> <td>3.63%</td> </tr> <tr> <td>2009</td> <td>3.84%</td> </tr> <tr> <td>2010</td> <td>5.33%</td> </tr> </tbody> </table>	Year	Percentage	2007	3.82%	2008	3.63%	2009	3.84%	2010	5.33%	<p>Purpose of Rates & Annual Charges Outstanding Ratio</p> <p>To assess the impact of uncollected rates and annual charges on Council's liquidity and the adequacy of recovery efforts.</p>	<p>Commentary on 2009/10 Result</p> <p>2009/10 Ratio 5.33%</p> <p>This ratio has increased over the last financial year, partially due to the rate peg increase and increases in other charges. The timing of debt collection runs this year has resulted in a run being processed early in the 2010/11 financial year.</p>
Year	Percentage											
2007	3.82%											
2008	3.63%											
2009	3.84%											
2010	5.33%											

Richmond Valley Council

Notes to the Financial Statements
for the financial year ended 30 June 2010

Note 14. Investment Properties

\$ '000	Notes	Actual 2010	Actual 2009
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Council has not classified any Land or Buildings as "Investment Properties"

Richmond Valley Council

Notes to the Financial Statements for the financial year ended 30 June 2010

Note 15. Financial Risk Management

\$ '000

Risk Management

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

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

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

Financial risk management is carried out by Council's Finance Section under policies approved by the Council.

A comparison by category of the carrying amounts and fair values of Council's Financial Assets & Financial Liabilities recognised in the financial statements is presented below.

	Carrying Value		Fair Value	
	2010	2009	2010	2009
Financial Assets				
Cash and Cash Equivalents	18,786	16,200	18,786	16,200
Investments				
- "Held for Trading"	10,178	16,808	10,178	16,808
- "Held to Maturity"	0	-	0	-
Receivables	8,865	9,270	8,865	9,270
Total Financial Assets	37,829	42,278	37,829	42,278
Financial Liabilities				
Payables	6,970	6,727	6,970	6,727
Loans / Advances	12,138	18,862	11,582	16,950
Total Financial Liabilities	19,108	25,588	18,552	23,677

Fair Value is determined as follows:

- **Cash & Cash Equivalents, Receivables, Payables** - are estimated to be the carrying value which approximates mkt value.
- **Borrowings & Held to Maturity** Investments - are based upon estimated future cash flows discounted by the current market interest rates applicable to assets & liabilities with similar risk profiles, unless quoted market prices are available.
- Financial Assets classified (i) "**at fair value through profit & loss**" or (ii) **Available for Sale** - are based upon quoted market prices (in active markets for identical investments) at the reporting date or independent valuation.

Financial Instruments Measured at Fair Value

The financial instruments recognised at fair value in the balance sheet have been analysed and classified using a fair value hierarchy reflecting the significance of the inputs used in making the measurements. The fair value hierarchy consists of the following levels:

- **Level 1** Quoted prices in active markets for identical assets or liabilities. The fair values of these financial assets have been based on the closing quoted bid prices at reporting date, excluding transaction costs. Included within Level 1 of the hierarchy is Council's Listed CDO Nexus 4.

Richmond Valley Council

Notes to the Financial Statements

for the financial year ended 30 June 2010

Note 15. Financial Risk Management (continued)

\$ '000

- Level 2 Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices). In valuing unlisted investments, included in Level 2 of the hierarchy, valuation techniques such as those using comparisons to similar investments for which market observable prices are available have been adopted to determine the fair values of these investments. These ordinarily include some of Council's CDO's, CPPI Funds, Capital Protected Notes, Commodity Linked Note, FRN, and Managed Funds.

- Level 3 Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

2010	Level 1 \$000	Level 2 \$000	Level 3 \$000	TOTAL \$000
Financial Assets:				
Financial assets at fair value through profit or loss				
- "Held for Trading"	624	9,554	-	10,178
Held-to-Maturity investments:				
- Fixed interest securities	-	-	-	-
Available-for-sale financial assets:				
- Listed investments	-	-	-	-
- Unlisted investments	-	-	-	-

Richmond Valley Council

Notes to the Financial Statements for the financial year ended 30 June 2010

Note 15. Financial Risk Management (continued)

\$ '000

(a) Cash & Cash Equivalents, Financial assets "at fair value through the profit & Loss", "Available-for-sale" financial assets & "Held-to-maturity" Investments

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

Council's Finance Section manages its Cash & Investments portfolio with the assistance of independent advisors.

Council has an Investment Policy which complies with the Local Government Act & Minister's Investment Order. This Policy is regularly reviewed by Council and its staff and an Investment Report is tabled before Council on a monthly basis setting out the portfolio breakup and its performance.

The major risk associated with Investments is price risk - the risk that the capital value of Investments may fluctuate due to changes in market prices, whether these 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.

Cash & Investments are also subject to interest rate risk - the risk that movements in interest rates could affect returns and income.

A further risk associated with Cash & Investments is credit risk - the risk that the counterparty (to an investment) 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 & Investments.

The following represents a summary of the sensitivity of Council's Income Statement and Accumulated Surplus (during 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
2010				
Possible impact of a 10% movement in Market Values	1,018	-	(1,018)	-
Possible impact of a 1% movement in Interest Rates	290	-	(290)	-
2009				
Possible impact of a 10% movement in Market Values	1,681	-	(1,681)	-
Possible impact of a 1% movement in Interest Rates	330	-	(330)	-

Richmond Valley Council

Notes to the Financial Statements for the financial year ended 30 June 2010

Note 15. Financial Risk Management (continued)

\$ '000

(b) Receivables

Council's major receivables comprise **(i) Rates & Annual charges** and **(ii) User Charges & 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 & annual charges at higher than market rates which further encourages the payment of debt.

The level of outstanding receivables is reported to Council monthly.

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:

Percentage of Rates and Annual charges:	30-Jun-10	30-Jun-09
- Current (not yet overdue)	12.06%	7.03%
- Overdue	87.94%	92.97%
Percentage of Other Receivables:	30-Jun-10	30-Jun-09
- Current (not yet overdue)	90.25%	94.87%
- Overdue	9.75%	5.13%

Richmond Valley Council

Notes to the Financial Statements for the financial year ended 30 June 2010

Note 15. Financial Risk Management (continued)

\$ '000

(c) Payables & Borrowings

Payables & 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.

As well, payment terms can (in extenuating circumstances) be extended & overdraft facilities can be drawn down

The contractual undiscounted cash outflows (ie. principal and interest) of Council's Payables & Borrowings are set out in the Liquidity Table below:

\$ '000	Subject to no maturity	payable in:						Total Cash Outflows	Actual Carrying Values
		≤ 1 Year	1-2 Yrs	2-3 Yrs	3-4 Yrs	4-5 Yrs	> 5 Yrs		
2010									
Bank Overdraft	-	-	-	-	-	-	-	-	-
Trade/Other Payables	282	-	-	-	-	-	-	282	6,970
Loans & Advances	-	1,553	1,364	1,290	1,134	1,134	13,085	19,558	12,138
Lease Liabilities	-	-	-	-	-	-	-	-	-
Total Financial Liabilities	282	1,553	1,364	1,290	1,134	1,134	13,085	19,840	19,108
2009									
Bank Overdraft	-	-	-	-	-	-	-	-	-
Trade/Other Payables	355	-	-	-	-	-	-	355	6,727
Loans & Advances	-	7,857	1,625	1,432	1,361	1,204	13,868	27,346	18,862
Lease Liabilities	-	-	-	-	-	-	-	-	-
Total Financial Liabilities	355	7,857	1,625	1,432	1,361	1,204	13,868	27,701	25,588

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

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

	2010		2009	
	Carrying Value	Average Interest Rate	Carrying Value	Average Interest Rate
Bank Overdraft	-	0.0%	-	0.0%
Trade/Other Payables	6,970	0.0%	6,727	0.0%
Loans & Advances - Fixed Interest Rate	12,138	6.4%	18,862	7.0%
Loans & Advances - Variable Interest Rate	-	0.0%	-	0.0%
Lease Liabilities	-	0.0%	-	0.0%
	19,108		25,588	

Richmond Valley Council

Notes to the Financial Statements

for the financial year ended 30 June 2010

Note 16. Material Budget Variations

\$ '000

Council's Original Budget for 2009/2010 was incorporated as part of the Management Plan and was adopted by the Council on 16 June 2009.

While the Income Statement included in this General Purpose Financial Report must disclose the Original Budget adopted by Council, the Local Government Act 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 result for the year as per the Income Statement - even though such variations may have been adjusted for during each Quarterly Budget Review.

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

Note that for Variations: F = Favourable Budget Variation, **U** = Unfavourable Budget Variation

\$ '000	2010 Budget	2010 Actual	2010 Variance*	-----	-----
REVENUES					
User Charges & Fees	14,617	16,701	2,084	14%	F
User Charges and Fees were over budget by \$2,084,000 (14%). This was due to an increase in quarry sales of \$579,700 and external plant hire of \$484,600 due to natural disaster restoration works being undertaken which were not known at the time of setting the original budget. In addition to this, there was an increase in the level of works performed for the Roads and Traffic Authority of \$517,300 on the maintenance of State Roads and an increase of \$367,100 in income from the Silver Sands Holiday Park.					
Interest & Investment Revenue	1,004	2,186	1,182	118%	F
Interest and Investment Revenue was over budget by \$1,182,000 (118%). This was due to the fair value gain on investments of \$529,800 as well as higher than anticipated interest revenue of \$652,200, of which Council had set a conservative estimate in the original budget.					
Other Revenues	79	44	(35)	(44%)	U
Other Revenues were under budget by \$35,000 (44%). This was due to lower than anticipated fines from regulatory enforcement activities.					
Operating Grants & Contributions	7,569	6,719	(850)	(11%)	U
Operating Grants and Contributions were under budget by \$850,000 (11%). In many instances, the actual amount of grants received depends upon decisions made by State and Federal Governments after the original budget was adopted. The original budget included \$1,475,200 in funding associated with contamination remediation works at the Evans Head Memorial Aerodrome, however due to works not commencing during 2009/2010, no funding was received. This decrease was offset by increases of \$296,000 in Natural Disaster funding (un-budgeted), increased subsidy of \$159,900 at the Mid Richmond Residents Village and various other grants effected by decisions made by State and Federal Governments.					
Capital Grants & Contributions	14,306	16,810	2,504	18%	F
Capital Grants and Contributions were over budget by \$2,504,000 (18%). Major increases include Natural Disaster funding of \$5,610,300 (unknown at time of setting the original budget) and Subdivider Dedications of \$1,479,800 (non-cash and un-budgeted). These increases were offset by decreases of \$2,477,700 in amounts claimed for the Casino Community and Cultural Centre (with the remaining works to be completed in 2010/2011) and a reduction of \$1,713,100 in grant funding for the Evans Head Aquatic Centre (this component was received in June 2009), after the original budget was adopted.					

Richmond Valley Council

Notes to the Financial Statements
for the financial year ended 30 June 2010

Note 16. Material Budget Variations (continued)

\$ '000	2010 Budget	2010 Actual	2010 Variance* -----		
EXPENSES					
Borrowing Costs	1,431	917	514	36%	F
Borrowing Costs were under budget by \$514,000 (36%). The original budget included provision to borrow \$14.9 million for various sewerage infrastructure projects. Due to delays with projects for various reasons, these funds were not borrowed in 2009/2010, significantly reducing borrowing costs.					
Materials & Contracts	14,617	11,722	2,895	20%	F
Materials and Contracts were under budget by \$2,895,000 (20%). The original budget included \$3,509,400 for contamination remediation works at the Evans Head Memorial Aerodrome. Actual expenditure was only \$76,400 reducing Materials and Contracts by \$3,433,000. Additionally, 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 can result in substantial changes in the mix, resulting in significant budget variations in this item.					
Depreciation & Amortisation	10,821	13,406	(2,585)	(24%)	U
Depreciation and Amortisation was over budget by \$2,585,000 (24%). At the time of setting the original budget the full effect of revaluing Roads, Bridges and Footpaths to fair value during 2008/2009 was not known and which resulted in a significant increase in depreciation expense. Depreciation budgets were adjusted during the Quarterly Budget Review process.					
Net Losses from Disposal of Assets	-	1,037	(1,037)	0%	U
The net profit or loss from the disposal of assets is unknown at the time of setting the original budget. Asset purchases and sales are therefore budgeted for on a gross basis. The net loss from the disposal of assets is \$1,037,000, details of which are included in Note 5.					

Notes to the Financial Statements
for the financial year ended 30 June 2010

Note 17. Statement of Developer Contributions

\$ '000

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

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

SUMMARY OF CONTRIBUTIONS & LEVIES

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Roads	293	-	-	14	(102)	-	205	75	(4,585)	(4,304)	-
Parking	199	460	-	26	(312)	-	372	-	(372)	-	-
Open Space	58	30	-	7	-	-	95	-	(486)	(391)	-
Community Facilities	20	-	-	0	(17)	-	3	-	(102)	(99)	-
Infrastructure	229	13	-	17	(12)	-	247	29	(65)	211	-
Community Services	298	30	-	23	(17)	-	334	31	(578)	(213)	-
Recreation & Civil Facilities	75	33	-	4	(56)	-	56	35	(746)	(655)	-
Emergency Safety	5	0	-	0	-	-	6	3	(152)	(143)	-
Environmental Protection	37	2	-	3	-	-	41	3	(47)	(3)	-
Quarry Roads	121	2	-	6	(39)	-	90	114	-	204	-
Rural Heavy Haulage	59	-	-	4	-	-	64	-	-	64	-
Bushfire	6	-	-	0	-	-	6	-	(6)	-	-
S94 Contributions - under a Plan	1,400	568	-	105	(555)	-	1,518	290	(7,138)	(5,330)	-
S94A Levies - under a Plan	-	-	-	-	-	-	-				-
Total S94 Revenue Under Plans	1,400	568	-	105	(555)	-	1,518				-
S94 not under Plans	12	-	-	-	-	-	12	-	-	12	-
S64 Deferred Debtors	(81)	81	-	-	-	-	-				
S64 Contributions	3,860	797	-	186	(500)	-	4,343				
Total Contributions	5,190	1,447	-	291	(1,055)	-	5,873	290	(7,138)	(5,317)	-

Notes to the Financial Statements
for the financial year ended 30 June 2010

Note 17. Statement of Developer Contributions (continued)

\$ '000

S94 CONTRIBUTIONS - UNDER A PLAN

CONTRIBUTION PLAN NUMBER 1 - Ex RRSC

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Parking	199	157	-	26	(9)	-	372		(372)	-	-
Total	199	157	-	26	(9)	-	372	-	(372)	0	-

CONTRIBUTION PLAN NUMBER 2 - Ex RRSC

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Roads	142	-	-	11	-	-	153	75	(4,532)	(4,304)	-
Infrastructure	229	13	-	17	(12)	-	247	29	(65)	211	-
Community Services	298	30	-	23	(17)	-	334	31	(578)	(213)	-
Recreation & Civil Facilities	75	33	-	4	(56)	-	56	35	(746)	(655)	-
Emergency Safety	5	0	-	0	-	-	6	3	(152)	(143)	-
Environmental Protection	37	2	-	3	-	-	41	3	(47)	(3)	-
Quarry Roads	121	2	-	6	(39)	-	90	114	-	204	-
Rural Heavy Haulage	59	-	-	4	-	-	64	-	-	64	-
Total	967	78	-	68	(123)	-	990	290	(6,119)	(4,839)	-

Notes to the Financial Statements
for the financial year ended 30 June 2010

Note 17. Statement of Developer Contributions (continued)

\$ '000

S94 CONTRIBUTIONS - UNDER A PLAN

CONTRIBUTION PLAN NUMBER 1 - Ex Casino

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Roads	102	-	-	-	(102)	-	-	-	-	-	-
Parking	-	303	-	-	(303)	-	-	-	-	-	-
Open Space	58	30	-	7	-	-	95	-	(486)	(391)	-
Community Facilities	17	-	-	-	(17)	-	-	-	(99)	(99)	-
Total	177	333	-	7	(422)	-	95	-	(586)	(491)	-

CONTRIBUTION PLAN NUMBER - Ex Copmanhurst

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Roads	49	-	-	4	-	-	53	-	(53)	-	-
Community Facilities	3	-	-	0	-	-	3	-	(3)	-	-
Bushfire	6	-	-	0	-	-	6	-	(6)	-	-
Total	57	-	-	4	-	-	61	-	(61)	-	-

S94 CONTRIBUTIONS - NOT UNDER A PLAN

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Parking	12	-	-	-	-	-	12	-	-	12	-
Total	12	-	-	-	-	-	12	-	-	12	-

Richmond Valley Council

Notes to the Financial Statements for the financial year ended 30 June 2010

Note 18. Contingencies & Other Assets/Liabilities Not Recognised

\$ '000

The following assets and liabilities do not qualify for recognition in the Balance Sheet, but their knowledge & disclosure is considered relevant to the users of Council's Financial Report.

LIABILITIES NOT RECOGNISED:

1. Defined Benefit Superannuation Contribution Plans

The Local Government Superannuation Scheme - Pool B (the Scheme) is a defined benefit plan that has been deemed to be a "multi-employer fund" for purposes of AASB119. Sufficient information under AASB119 is not available to account for the Scheme as a defined benefit plan, because the assets to the Scheme are pooled together for all employers.

The amount of employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense for the year ending 30 June 2010. The last valuation of the Scheme was performed by Mr Martin Stevenson BSc, FIA, FIAA on 16 February 2010 and covers the period ended 30 June 2009. However the position is monitored annually and the Actuary has estimated that as at 30 June 2010 a deficit still exists. Effective from 1 July 2009, employers are required to contribute at twice the "notional" or long term cost for a period of up to ten years in order to rectify this deficit. The share of this deficit that can be broadly attributable to the employer is estimated to be in the order of \$1,653,664 as at 30 June 2010.

2. Joint Library Service

Council, together with other Local Government Authorities, have entered into an agreement to operate a Regional Library known as the Richmond Upper Clarence Regional Library. Annually the Council contributes to the library, to fund its activities based on a prescribed formula. In the event that Council wished

to withdraw from the agreement the assets and liabilities of the Regional Library attributable to each Council will be determined by the Library Board of New South Wales.

2. Self-Insurance: NORPOOL

Council has previously entered into an agreement with a number of Local Government Authorities to jointly manage certain civil liabilities of these Councils which may arise as a result of the exercise of their powers, authorities, duties or functions.

The insurance pool known as NORPOOL was wound up during the 2005/2006 financial year with surplus funds distributed to former members. There are no outstanding claims associated with NORPOOL, however if future claims arise then these will be the responsibility of the Council to whom the claims relate.

3. Native Title Claims

The Richmond Valley Council area is currently subject to two (2) native title claims being NC 96/19 and NC 98/19.

As at balance date it is unknown what exposure to compensation, if any, Council may be subject to.

Council has met with the Native Claims Tribunal who are currently arranging mediation sessions with the associated groups to move towards establishing an agreement with the indigenous people.

4. Mid Richmond Residents Village - Grants

As of 1 July 2010, the Mid Richmond Residents Village will be transferred to Baptist Community Services, being the new approved provider for the facility. A possible consequence of this transfer, is the status of previously received Capital Grants from the Federal Government. Clauses in the Residential Care Grants agreements, used towards the

Richmond Valley Council

Notes to the Financial Statements for the financial year ended 30 June 2010

Note 18. Contingencies & Other Assets/Liabilities Not Recognised (continued)

\$ '000

LIABILITIES NOT RECOGNISED (continued):

construction of the Dementia Unit and the Upgrade of Fire Safety Systems, have been referred to the Director of the Capital Grants Section of the Federal Department of Health and Ageing for determination as to whether any repayment of Grant funds may be requested.

ASSETS NOT RECOGNISED:

1. Land Under Roads

Council has elected not to recognise land under roads acquired before 1 July 2008 in accordance with AASB1051. Any land under roads that was recognised before 1 July 2008 has been derecognised at 1 July 2008 against the opening balance of retained earnings.

Land under roads is land under roadways and road reserves including land under footpaths, nature strips and median strips. Council will recognise all land under roads when the valuation methodology has been determined by the industry and is, in the meantime, collecting the necessary physical data to undertake the valuation.

Richmond Valley Council

Notes to the Financial Statements for the financial year ended 30 June 2010

Note 19. Controlled Entities, Associated Entities & Interests in Joint Ventures

\$ '000

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

These operations and entities range from 100% ownership and control through to lower levels of ownership and control via co-operative arrangements with other Councils, Bodies and other Outside Organisations.

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

Subsidiaries

Note 19(a)

Operational Arrangements where Councils Control (but not necessarily Interest) exceeds 50%

Associated Entities & Joint Venture Entities

Note 19(b)(i)&(ii)

Arrangements in the form of a Separate Entity that deploys the resources of the operation itself. Under Associated Entities, Council significantly influences the operations (but does not control them, whilst for JV Entities, Council Jointly Controls the Operations with other parties.

Joint Venture Operations

Note 19(c)

Arrangements that do not comprise an actual individual entity which can deploy the resources of the individual participants. Under JV Operations, Council Jointly Controls the operations with the Other Parties involved.

Subsidiaries, Associated Entities and Joint Ventures Not Recognised

Note 19(d)

Richmond Valley Council

Notes to the Financial Statements for the financial year ended 30 June 2010

Note 19. Controlled Entities, Associated Entities & Interests in Joint Ventures

\$ '000

19(a) Subsidiaries (ie. Entities & Operations controlled by Council)

Council has no interest in any Subsidiaries.

19(b) Associated Entities & Joint Venture Entities

Council has no interest in any Associated Entities & Joint Venture Entities.

Richmond Valley Council

Notes to the Financial Statements
for the financial year ended 30 June 2010

Note 19. Controlled Entities, Associated Entities & Interests in Joint Ventures

\$ '000

19(c) Joint Venture Operations

(a) Council is involved in the following Joint Venture Operations

Name of Operation	Principal Activity	Councils Interests in Outputs of JV
North East Weight of Loads Group	Policing vehicle weight limits to	10%

The constitution of this group specifies the Council as having a part 'Ownership' of the group's net assets. The stated objectives include to generally promote the aim of reducing damage to Council and Classified Roads by the policing of vehicle weight limits. A new Memorandum of Understanding was issued during the financial year between the eight (8) Local Councils and the RTA, having a two (2) year term, from 1 July 2009 to 30 June 2011.

(b) Council Assets employed in the Joint Venture Operation

	2010	2009
Councils share of assets jointly owned with other partners		
Current Assets	52	51
Current Liabilities	(25)	(20)
Property, Plant & Equipment	25	22
Other Non Current Assets	-	-
Non Current Liabilities	-	-
Total Net Assets Employed - Council & Jointly Owned	52	52

(c) Share of Joint Venture Operations Expenditure Commitments

	2010	2009
Capital Commitments		
Payable Not Later than 1 Year	-	-
Payable Later than 1 Year but not later than 5 Years	-	-
Payable Later than 5 Years	-	-
Total Capital Commitments	-	-
Operating Expenditure Commitments		
Payable Not Later than 1 Year	-	-
Payable Later than 1 Year but not later than 5 Years	-	-
Payable Later than 5 Years	-	-
Total Operating Expenditure Commitments	-	-

(d) Contingent Liabilities of Joint Venture Operations

	2010	2009
Share of Contingent Liabilities incurred jointly with other Participants	-	-
Share of Contingent Liabilities for which Council is severally liable	-	-

19(d) Subsidiaries, Associated Entities & Joint Venture Operations Not Recognised

None.

Richmond Valley Council

Notes to the Financial Statements
for the financial year ended 30 June 2010

Note 20. Equity - Retained Earnings and Revaluation Reserves

\$ '000	Notes	Actual 2010	Actual 2009
a. Retained Earnings			
Movements in Retained Earnings were as follows:			
Balance at beginning of Year (from previous years audited accounts)		328,537	297,686
a. Correction of Prior Period Errors	20 (c)	-	31,279
b. Changes in Accounting Policies (Prior Period Effects)	20 (d)	-	(841)
c. Other Comprehensive Income (excl. direct to Reserves transactions)		-	-
d. Net Operating Result for the Year		12,166	413
Balance at End of the Reporting Period		340,703	328,537
b. Reserves			
(i) Reserves are represented by:			
- Infrastructure, Property, Plant & Equipment Revaluation Reserve		161,090	147,754
Total		161,090	147,754
(ii). Reconciliation of movements in Reserves:			
Infrastructure, Property, Plant & Equipment Revaluation Reserve			
- Opening Balance		147,754	95,479
- Revaluations for the year	9(a)	13,336	57,854
- Impairment of revalued assets (incl. impairment reversals)	9(a)	-	(5,579)
- Balance at End of Year		161,090	147,754
TOTAL VALUE OF RESERVES		161,090	147,754

(iii). Nature & Purpose of Reserves**Infrastructure, Property, Plant & Equipment Revaluation Reserve**

- The Infrastructure, Property, Plant & Equipment Revaluation Reserve is used to record increments/decrements of Non Current Asset values due to their revaluation.

Richmond Valley Council

Notes to the Financial Statements for the financial year ended 30 June 2010

Note 20. Equity - Retained Earnings and Revaluation Reserves (continued)

\$ '000	Notes	Actual 2010	Actual 2009
c. Correction of Error/s relating to a Previous Reporting Period			
<p>As part of Council's transition to measuring all its I,PP&E at Fair Value, Council last year reviewed and brought to account Fair Values for Roads, Bridges and Footpaths.</p> <p>As part of that evaluation & measurement process, the remaining useful life of each asset was reassessed to actual.</p> <p>This reassessment resulted in a material difference as to where some assets actually sit in relation to their asset life cycle relative to what the value of accumulated depreciation in Council's Financial Reports had previously indicated. This was mainly due to a revised useful life on sealed pavement assets from 30 years to 36 years, along with the introduction of a 27.5% residual value on sealed pavement assets to reflect the difference in the gross replacement cost of those assets as opposed to the stabilisation method Council utilises.</p> <p>Council did not have sufficient and reliable information that would have allowed the restatement of information prior to 30/6/08 (the closing date for the comparative figures in the report).</p> <p>As a result, Council adjusted the accumulated depreciation for Roads, Bridges and Footpaths as at 30/6/08 downwards by \$31,279,457 to reflect the correct value of accumulated depreciation.</p> <p>In accordance with AASB 108 - Accounting Policies, Changes in Accounting Estimates and Errors, the above Prior Period Errors have been recognised retrospectively.</p> <p>These amounted to the following Equity Adjustments:</p>			
- Adjustments to Opening Equity - 1/7/08 (relating to adjustments for the 30/6/08 reporting year end and prior periods)		-	31,279
Total Prior Period Adjustments - Prior Period Errors		-	31,279

Richmond Valley Council

Notes to the Financial Statements
for the financial year ended 30 June 2010

Note 20. Equity - Retained Earnings and Revaluation Reserves (continued)

\$ '000	Notes	Actual 2010	Actual 2009
d. Voluntary Changes in Accounting Policies			
<p>During 2008/2009, Council derecognised previously recognised Land Under Road Assets in accordance with the application of AASB 1051 - Land Under Roads.</p> <p>This is a result of Councils election to derecognise LUR owned by Council as at 30/6/08.</p> <p>This has had the effect of reducing I,PP&E by \$841,360.</p> <p>In accordance with AASB 108 - Accounting Policies, Changes in Accounting Estimates and Errors, the above changes in Accounting Policy have been recognised retrospectively.</p> <p>These amounted to the following Equity Adjustments:</p>			
- Adjustments to Opening Equity - 1/7/08 (relating to adjustments for the 30/6/08 reporting year end and prior periods)		-	(841)
Total Prior Period Adjustments - Accounting Policy Changes		-	(841)

Richmond Valley Council

Notes to the Financial Statements for the financial year ended 30 June 2010

Note 21. Financial Result & Financial Position by Fund

Income Statement by Fund	Actual	Actual	Actual	Actual
\$ '000	2010	2010	2010	2010

Council has elected to not complete this note as in accordance with the Local Government Code of Accounting Practice and Financial Reporting it is not mandatory for the 2009/2010 financial year.

Richmond Valley Council

Notes to the Financial Statements for the financial year ended 30 June 2010

Note 22. "Held for Sale" Non Current Assets & Disposal Groups

\$ '000	2010		2009	
	Current	Non Current	Current	Non Current

Council did not classify any Non Current Assets or Disposal Groups as "Held for Sale".

Richmond Valley Council

Notes to the Financial Statements for the financial year ended 30 June 2010

Note 23. Events occurring after Balance Sheet Date

\$ '000

Events that occur after the reporting date of 30 June 2010, up to and including the date when the financial statements are "authorised for issue" have been taken into account in preparing these statements.

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

Accordingly, the "authorised for issue" date is 19/10/10.

Events that occur after the Reporting Date represent one of two types:

(i) Events that have provided evidence of conditions that existed at the Reporting Date

These financial statements (and the figures therein) incorporate all "adjusting events" that provided evidence of conditions that existed at 30 June 2010.

(ii) Events that have provided evidence of conditions that arose after the Reporting Date

These financial statements (and figures therein) do not incorporate any "non adjusting events" that have occurred after 30 June 2010 and which are only indicative of conditions that arose after 30 June 2010.

Council is aware of the following "non adjusting events" that merit disclosure;

- Transfer of an Aged Care Facility (Mid Richmond Residents Village)

On 14th May 2010, an agreement to transfer the Mid Richmond Residents Village aged care facility was entered into with a completion date of 1st July 2010. The following were the parties to the agreement:

- Richmond Valley Council (RVC)
- Coraki Homes for the Aged (R96162) Reserve Trust (MRRV)
- Minister administering the Crown Lands Act 1989 for and on behalf of the State of NSW (State)
- Baptist Community Services - NSW & ACT (BCS)

Council has been the corporate manager of the Trust under the Crown Lands Act, and has operated the facility for numerous years. From 1st July 2010, BCS have been made the approved provider of aged care services for MRRV, with RVC to wind up the Trust and resign as Trust manager early in the 2010/2011 financial year. Any remaining funds in the Trust are to be transferred back to the State.

MRRV operations in the 2009/2010 financial year contributed a net loss from continuing operations of \$30,330.

The MRRV operations will be recorded as a discontinued operation in the 2010/2011 Financial Statements, with an estimated Net Loss from discontinued operations of approximately \$3.5m.

Richmond Valley Council

Notes to the Financial Statements for the financial year ended 30 June 2010

Note 24. Discontinued Operations

	Actual	Actual
\$ '000	2010	2009

Council has not classified any of its Operations as "Discontinued".

Richmond Valley Council

Notes to the Financial Statements for the financial year ended 30 June 2010

Note 25. Intangible Assets

\$ '000

Intangible Assets represent identifiable non-monetary asset without physical substance.

	Actual 2010 Carrying Amount	Actual 2009 Carrying Amount
Intangible Assets are as follows;		
Opening Values:		
Gross Book Value (1/7)	53	53
Accumulated Amortisation & Impairment	(26)	(19)
Net Book Value - Opening Balance	27	34
Movements for the year		
- Amortisation charges	(6)	(6)
Closing Values:		
Gross Book Value (30/6)	53	53
Accumulated Amortisation & Impairment	(32)	(26)
TOTAL INTANGIBLE ASSETS - NET BOOK VALUE ¹	21	27

¹ The Net Book Value of Intangible Assets represent:

- Doolan Deck Bridge Patent	21	27
	21	27

Richmond Valley Council

Notes to the Financial Statements for the financial year ended 30 June 2010

Note 26. Reinstatement, Rehabilitation & Restoration Liabilities

\$ '000

Landfill and Quarry Remediation

Council is required by law to restore landfill and quarry sites at the end of their useful life. Council has three (3) landfill and two (2) quarry sites that will require remediation in the future. The projected costs take into consideration expected inflation and have been discounted to today's dollars using the risk free borrowing rate of Council. Timing of remediation of these sites will be from 2010 to 2044. Provisions raised are disclosed at Note 10.

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

Asset/Operation	Estimated year of restoration	NPV of Provision	
		2010	2009
Landfills - Bora Ridge	2015	331	305
Landfills - Namoonna	2044	1,080	892
Landfills - Rosewood Ave	2010	839	839
Quarries - Petersons	2024	336	301
Quarries - Woodview	2024	269	241
Balance at End of the Reporting Period	10	<u>2,855</u>	<u>2,579</u>

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

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

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

Reconciliation of movement in Provision for year:

Balance at beginning of year	2,579	2,294
Amounts capitalised to new or existing assets:		
- Revised Costs	-	(157)
Effect of a change in discount rates used in PV calculations	179	300
Amortisation of discount (expensed to borrowing costs)	97	142
Total - Reinstatement, rehabilitation and restoration provision	<u>2,855</u>	<u>2,579</u>

Amount of Expected Reimbursements

Of the above Provisions for Reinstatement, Rehabilitation and Restoration works, those applicable to Garbage Services & Waste Management are able to be funded through future charges incorporated within Council's Annual Domestic Waste Management Charge.

**RICHMOND VALLEY COUNCIL
GENERAL PURPOSE FINANCIAL STATEMENTS
INDEPENDENT AUDIT REPORT**

Matters Relating to the Electronic Presentation of the Audited Financial Statements

This audit report relates to the general purpose financial statements of Richmond Valley Council (the Council), for the year ended 30 June 2010 included on Council's website. The Council is responsible for the integrity of its website. We have not been engaged to report on the integrity of the Council's website. The audit report refers only to the statements named below. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements.

If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial statements to confirm the information included in the audited financial statements presented on this website.

Report on the Financial Statements

We have audited the accompanying financial statements of the Council which comprises the balance sheet as at 30 June 2010, the income statement, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, a summary of significant accounting policies, other explanatory notes and the statement by Councillors' and Management.

Councils' Responsibility for the Financial Statements

The Council is responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Local Government Act 1993. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments the auditor considers internal control relevant to the Council's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Council, as well as evaluating the overall presentation of the financial statements.

Our audit responsibility does not extend to the original budget information included in the income statement, statement of cash flows, Note 2(a), Note 16 budget variation explanations and Note 17 forecast information, and accordingly, we do not express an opinion on such. In addition, our audit did not include an analysis of the prudence of business decisions made by Council or management.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Independence

In conducting our audit, we have complied with the independence requirements of the Australian professional accounting bodies.

Audit Opinion

In our opinion:

- (a) The Council's accounting records have been kept in accordance with the requirements of the Local Government Act 1993, Chapter 13 part 3 Division 2; and
- (b) The financial statements:
 - (i) Have been presented in accordance with the requirements of this Division;
 - (ii) Are consistent with the Council's accounting records;
 - (iii) Present fairly the Council's financial position as at 30 June 2010, the results of its operations and its cash flows for the year then ended; and
 - (iv) Are in accordance with applicable Accounting Standards, Interpretations and other mandatory professional reporting requirements in Australia;
- (c) All information relevant to the conduct of the audit has been obtained; and
- (d) There are no material deficiencies in the accounting records or financial statements that have come to light during the course of the audit.

**THOMAS NOBLE & RUSSELL
CHARTERED ACCOUNTANTS**

A handwritten signature in black ink, appearing to read 'D H Singh', is written over a horizontal dotted line.

D H SINGH (Partner)
Registered Company Auditor

Dated at Lismore this 19th day of October 2010.

Lismore, 19 October 2010

Mayor and Councillors
Richmond Valley Council
Council Chambers
Walker Street
CASINO NSW 2470

Dear Councillors

We advise that we have completed our audit of the Council's general purpose and special purpose financial statements for the year ended 30 June 2010.

In accordance with section 417 of the Local Government Act 1993, we now report on the conduct of the audit.

1. COUNCIL'S FINANCIAL REPORTING REQUIREMENTS

Council is required to prepare two financial reports ready for audit each year:

General Purpose Financial Report

This financial report presents the financial position and performance of the Council on a consolidated basis. The report includes all controlled Council operations such as general, water and sewer funds as well as domestic waste management activities. Council has prepared its general purpose financial report in accordance with the Division of Local Government Code of Accounting Practice Manual which adopts applicable Australian Accounting Standards as the framework for financial reporting.

Special Purpose Financial Report

This financial report provides an understanding of the financial position and performance of Council's declared business activities as required under National Competition Policy. Council's declared business activities for the 2010 financial year are:

- water fund operations
- sewer fund operations
- Petersons Quarry
- Woodview Quarry
- Silver Sands Holiday Park
- Bridge & Pre-stressing

Council is not required to adopt Australian Accounting Standards when preparing this financial report however the financial position and performance have been calculated by adopting applicable Accounting Standard requirements.

2. AUDITORS' RESPONSIBILITIES

In order that your Councillors may appreciate our responsibilities as auditors, we take this opportunity to briefly discuss the scope of our audit.

In accordance with our contractual arrangements with Council we have undertaken to perform an attest (risk based) audit. The definition of an attest audit is:

"the minimum audit work necessary to enable an opinion to be expressed as to whether the financial statements are presented fairly in accordance with the requirements of the Local Government Act 1993, Australian Accounting Standards and Accounting Concepts so as to present a view which is consistent with an understanding of the Council's financial position, the results of its operations and its cash flows."

Forming an opinion

Our function as auditors is to examine the general purpose and special purpose financial statements presented to us by the Council. Our audit responsibility does not extend to:

- The original budget information included in the statement of comprehensive income, statement of cash flows, Note 2(a) and Note 16 budget variation explanations in the general purpose financial statements;
- Information presented at Note 17 to the general purpose financial statements relating to projected future contributions, cost of works and over/(under) funding; and
- The best practice disclosures in Notes 2 & 3 to the special purpose financial statements.

Accordingly, we do not express an opinion on such. As auditors of the Council we are not responsible for the preparation of the financial statements or for the maintenance of proper and adequate accounting records and proper systems of internal control. These responsibilities, together with the requirement to present financial statements which give a **true and fair view of the state of the Council's affairs and of its results are imposed on the Councillors by the Local Government Act and Regulations 1993.**

3. CONSOLIDATED OPERATING RESULT

Council's result from ordinary activities for the year ended 30 June 2010 was \$12,166,000 surplus compared to the surplus in the previous financial year of \$413,000. Council's financial result can be summarised as follows:

	2007	2008	2009	2010
	\$'000	\$'000	\$'000	\$'000
Revenues from ordinary activities	33,634	36,175	43,256	41,380
Expenses from ordinary activities	<u>(25,865)</u>	<u>(29,506)</u>	<u>(38,763)</u>	<u>(31,581)</u>
Result from ordinary activities before depreciation	7,769	6,669	4,493	9,799
Depreciation	<u>(9,434)</u>	<u>(10,048)</u>	<u>(12,944)</u>	<u>(13,406)</u>
Result from ordinary activities before capital amounts	<u>(1,665)</u>	<u>(3,379)</u>	<u>(8,451)</u>	<u>(3,607)</u>
Capital grants and contributions	4,079	5,265	11,882	16,810
(Loss)/Gain on disposal of assets	<u>(401)</u>	<u>(2,569)</u>	<u>(3,018)</u>	<u>(1,037)</u>
Surplus/(Deficit) from all activities	<u>2,013</u>	<u>(683)</u>	413	12,166

3.1. Variations to 2010 by Income / Expenditure

The surplus from ordinary activities before depreciation and capital amounts has increased by \$3,514,000 from \$4,493,000 to \$9,799,000. Some of the major movements from the 2010 year included:

Revenue

- *Increase in rates and annual charges \$1,173,000;*
 - The \$308,000 increase in ordinary rates was primarily the result of the 3.5% rate pegged limit for the 2009/10 financial year.
 - Domestic Waste Management Charge revenue increased by \$634,000 as a result of an additional charge of \$83 per service effected from 1 July 2009 to contribute to the costs of the kerbside recycling service introduced late in the year and the State Government landfill levy.
 - Sewerage annual charges increased by \$439,000. Of this, \$151,000 relates to amounts charged to North Woodburn (Lismore City Council) residents for use of the Broadwater Sewerage Augmentation Scheme. This amount includes back-pay for previous years, with future annual charges of approximately \$42,000 p.a. thereafter.
 - Water Supply Services revenue decreased by \$287,000 as a result of a decrease in annual charges with a continued shift towards user charges.

- *Decrease in user charges and fees \$4,167,000;*
 - Revenue for works on RTA State Roads decreased by \$1,461,000 during the year due to decreased ordered work requests under the Road Maintenance Contract for maintenance of State roads. The most notable decline was in the area of the re-seal program which did not proceed in 2010 and had revenue of \$720,000 in 2009.
 - Private works revenue decreased by \$4,519,000 essentially due to reduced revenue from bridge and prestressing work, declining from \$7,654,000 in 2009 (due to a large Leighton's contract) to \$3,572,000 in 2010.
 - Water Supply Services revenue increased by \$935,000. This is due to a continued move towards user pays, with a shift from annual charges to consumption charges in line with Best Practice Guidelines.
 - Caravan park revenue increased by \$452,000 due to increased patronage and increased charges.

- *Increase in interest and investment income \$2,906,000;*
 - In 2010, Council recognised interest and investment revenue of \$2,186,000 compared to a loss of \$720,000 in 2009. The majority of Council's investments are recognised in the financial statements at their fair value. Any movements in the fair value of Council's investments are recognised as a revenue or expense in the income statement. During the 2010 financial year there was a \$530,000 fair value increase in investments, which was a \$2,767,000 improvement in the fair value decrement during the previous year of \$2,237,000. Refer to Section 5.1.1 of this report for further details.

- *Decrease in operating grants and contributions \$1,052,000;*
 - This decrease was principally due to the prior year including five quarters of Financial Assistance Grant funding with the September 2009 quarter received prior to the year end for the first time. The current year represents four quarters.
 - Natural Disaster funding is significantly lower in 2010, due to significant specific amounts received in 2009 for flooding events..
 - Funding for the Mid Richmond Residents Village increase \$309,000 primarily due to an increase in funding for the dementia unit.

Expenditure

- *Increased employee costs before capitalisation of wages \$1,011,000;*
 - Increased salaries and wages were as a result of a 3.2% wage increase effective from the first full pay period in November 2009 and overtime in relation to the Casino CBD upgrade project. Additionally contribution required for those employees on defined benefits superannuation plans increased by \$481,000. Expenditure relating to employee leave entitlements decreased by \$614,000, in part due to a slight change in the net present value discounting of the nominal amounts.
- *Decreased borrowing costs \$576,000*
 - Council borrowed an additional \$5,941,000 in June 2008 (for sewerage infrastructure) and repaid this in full in July 2009 (when determined that these funds were not required). The interest expense for this loan therefore impacted the whole 2008/2009 year, with minimal impact on the 2009/2010 year. The interest expense was off-set by interest income whilst the loan funds were not required.
- *Decreased materials and contracts \$6,595,000*
 - The majority of this is attributable to a reduction in bridge construction from \$7,047,000 to \$2,180,000 (including Ballina Bypass which was nearly completed at June 2009). There was significant impact also from reduced levels of works undertaken for the RTA Road Maintenance Council Contract on State Roads, with expenditure reduced from \$1,862,000 to \$866,000.
 - Additionally there was a decrease in legal expenses due to high costs incurred in the 2009 year for action by Iron Gates Pty Ltd and Mr Graeme Ingles against Council. This case was resolved in 2009 with no further right of appeal by the claimant. Legal expenses fell from \$738,000 to \$173,000.
 - Other contributing factors was a reduction in private works in the 2010 year (compared to the prior year) and a reduction in road expenditure in the 2010 year (as there were large amounts spent in the prior year as a result of flood damage).
- *Increased depreciation \$462,000*
 - Depreciation across the asset categories was relatively consistent with that of 2009. The largest movement was an increase of \$279,000 in Plant and Equipment depreciation, predominantly the result of a reassessment for useful life for bridge operation pile moulds.

- Council revalued its stormwater drainage infrastructure assets as at 30 June 2010. The impact of this revaluation on depreciation expense will occur in the 2010/2011 year.

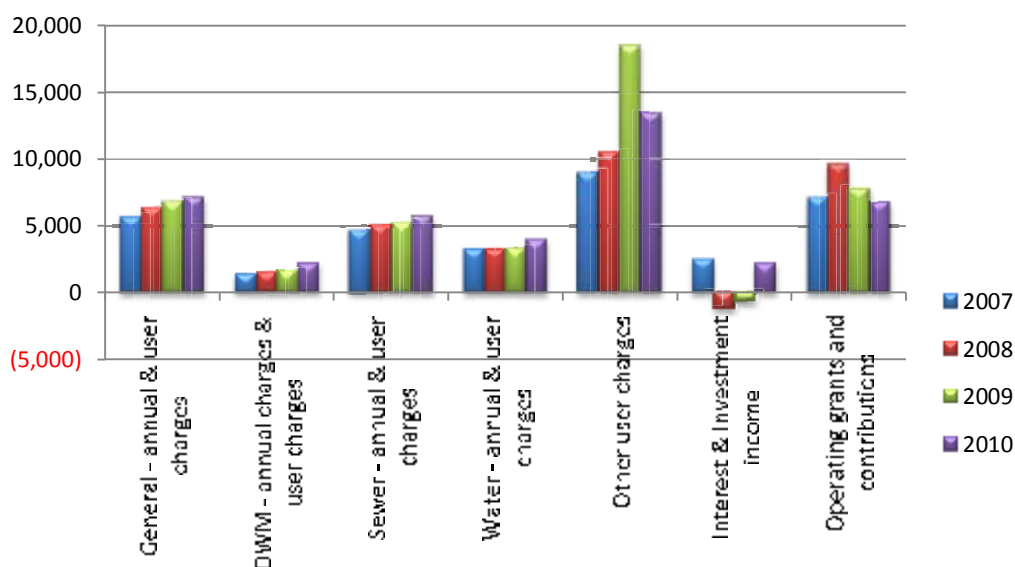
3.2. Transfer of MRRV to Baptist Community Services

On 1st July 2010 Richmond Valley Council transferred its retirement village operations at Coraki to Baptist Community Services and the land on which it operated on to NSW Government as the operations were conducted on land by the Council as Corporate manager under the Crown Lands Act 1989. These operations contributed a loss of \$30,330 for the 2009/10 year. Councils will record a loss of approximately \$3,500,000 in the 2010/11 year when the net assets are transferred to Baptists Community Services and NSW Government.

3.3. Analysis of income sources

	2007 \$'000	2008 \$'000	2009 \$'000	2010 \$'000
General - annual & user charges	5,652	6,342	6,831	7,139
DWM - annual charges & user charges	1,347	1,445	1,587	2,221
Sewer - annual & user charges	4,742	5,033	5,248	5,732
Water - annual & user charges	3,253	3,209	3,311	3,959
Sub - total	14,994	16,029	16,977	19,051
Other user charges	8,995	10,508	18,508	13,424
Interest & Investment income	2,483	(1,244)	(720)	2,186
Operating grants and contributions	7,162	9,638	7,771	6,719
Total ordinary income before profit on sale	33,634	34,931	42,536	41,380

Council Revenue Sources(\$'000s)



Council's relative reliance on various income streams as detailed has remained steady on a long term trending basis. Council has a large reliance on user charges, particularly private works such as bridge building and the Silver Sands Holiday Park. Relative to other Councils in the region, Council has a low general and annual user charges base.

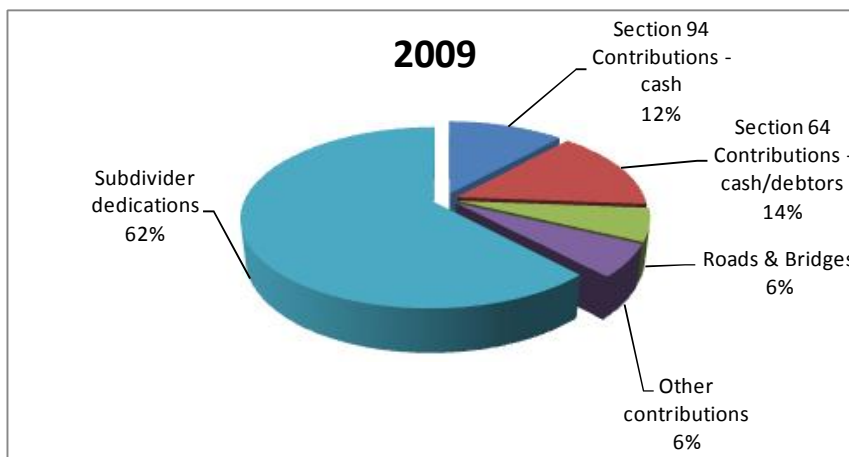
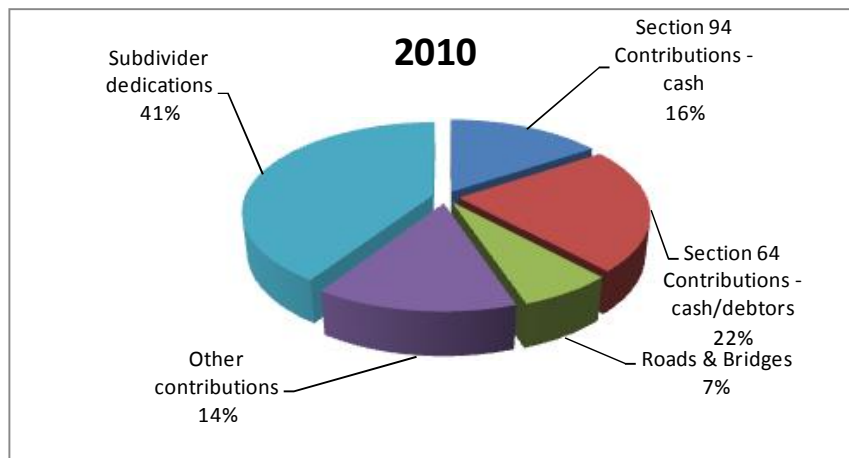
3.4. Capital Grants and Contributions

Council receives capital grants and contributions from various sources each financial year. The extent of revenue received each year is influenced by the nature and extent of Council's capital improvements programme and general economic activity.

Capital grants received during the year amounted to \$13,184,000 and largely consisted of grants for, roads and bridges as part of the Roads to Recovery grants scheme - \$693,000, grants natural disaster funding - \$5,610,000, grants for improvements to regional pools and construction of Evans Head Aquatic Centre - \$1,804,000, Financial Assistance for capital road projects - \$1,248,000, grant for Community Centre - \$522,000 and grant for Sewerage Services - \$463,000.

Capital contributions received during the year amounted to \$3,626,000. This can be broken down as follows:

	2007	2008	2009	2010
	\$'000	\$'000	\$'000	\$'000
Section 94 Contributions - cash	258	108	255	566
Section 64 Contributions - cash/debtors	1,790	419	316	816
Roads & Bridges	318	587	128	245
Other contributions	90	192	127	519
Subdivision dedications	396	703	1,351	1,480
	2,852	2,009	2,177	3,626



At 30 June 2010, Council held \$1,519,000 restricted cash assets for S94 contributions and \$4,343,000 as restricted cash and debtor assets for S64 contributions.

Unexpended S.94 and S.64 contributions comprised:

	2007	2008	2009	2010
	\$'000	\$'000	\$'000	\$'000
Roads	872	396	293	205
Parking	199	228	199	372
Open space	25	36	57	95
Community facilities	70	29	20	3
Infrastructure	194	214	229	247
Community services	245	270	298	334
Rec & Civil facilities	149	157	75	56
Quarry roads	133	121	121	90
Others	52	58	120	117
Restricted Assets S94	1,939	1,509	1,412	1,519
Sewer S64	4,296	4,781	1,491	2,064
Sewer S64 debtors	-	-	-	0
Water S64 debtors	814	475	82	0
Water S64	1,148	1,749	2,287	2,279
	8,197	8,514	5,272	5,862

3.5. Profit/(Loss) on Disposal of Assets

Council's profit / (loss) on disposal of assets comprise the following items:

	2007	2008	2009	2010
	\$'000	\$'000	\$'000	\$'000
Infrastructure assets replaced/scrapped				
- Transport & Drainage	(249)	(92)	(1,424)	(926)
- Water	(279)	(311)	(919)	(583)
- Sewer	(124)	(2,476)	(491)	(140)
- Casino workshop	-	-	-	0
- Other	-	-	-	0
Profit/(Loss) on sale of plant and equipment	334	245	(8)	(12)
Profit/(Loss) on sale of other real estate	(83)	(231)	(268)	(16)
Profit on sale of developed real estate	-	296	92	640
Net profit on disposal of assets	(401)	(2,569)	(3,018)	(1,037)

The loss on disposal of assets largely represents the written-down value of infrastructure assets that have been disposed or rehabilitated in the normal course of Council's budgeted asset replacement program. An additional contribution to the result for the year was the write off of sealed rural roads primarily due to flooding events.

4. DECLARED BUSINESS ACTIVITIES UNDER THE NATIONAL COMPETITION GUIDELINES

Under the National Competition guidelines Council is required to apply taxation equivalent principles to each business similar to those that would apply if they were operating in the commercial sector. Council declared business activities have been reported with operating details and assets disclosed on a gross basis in Council's special purpose financial statements.

Each activity has a required rate of return on its activities that is calculated as the operating result plus interest expense divided by the written down value of property, plant and equipment. Where the return on investment is below the required rate of return, the difference is disclosed as a notional subsidy from Council's General Fund activities. Dividends represent funds provided by the relevant business activity for other functions of Council.

A summary of the financial performance of Council's declared business activities is detailed below:

	Revenue from Ordinary Activities \$'000	Expenses from Ordinary Activities \$'000	Result prior to capital amounts \$'000	Return on capital %	Subsidy \$'000	Dividends Paid \$'000
2009/10						
Water	4,779	5,501	(722)	(1.40)	(722)	-
Sewer	6,562	5,575	987	2.60	-	-
Petersons Quarry	823	664	159	15.80	-	-
Woodview Quarry	1,627	1,028	599	68.60	-	-
Silver Sands Holiday Park	2,485	2,043	442	5.20	836	442
Bridges & Pre- stressing	4,690	5,153	(463)	1.40	627	-
2008/09						
Water	3,917	5,724	(1,807)	(3.71)	(1,807)	-
Sewer	6,451	7,193	(742)	0.81	(742)	-
Petersons Quarry	1,179	943	236	23.10	-	1,201
Woodview Quarry	1,159	797	362	42.04	-	638
Silver Sands Holiday Park	1,910	2,121	(211)	(2.49)	1,484	169
Bridges & Pre- stressing	8,059	9,201	(1,142)	(21.34)	1,509	-

Water and Sewer Services

Council's water and sewer operations have improved their financial performance when compared to 2009.

The more significant factors affecting the improvement in the sewer fund result were:

- Increase in availability and user charges revenue of \$518,000 from the previous year, increased from \$5,419,000 to \$5,937,000.

- A partial offsetting of revenue resulting from lower other income in the 2010 year, with other income decreased from \$401,000 to \$51,000. Other income in the previous year was high due to labour and plant hire charges for work on the Woodburn-Evans Head Golf Club and Evans River K-12 Community School effluent re-use projects.
- A reduction in interest expense of \$505,000 compared to the previous year (due to the repayment of a loan in July 2009).
- The previous year negative fair value adjustment for investments of \$730,000 which was not incurred in the 2010 year.

The more significant factors affecting the improvement in the water fund result were:

- Increase in user charges revenue of \$880,000 from the previous year, increased from \$2,715,000 to \$3,594,000.
- The previous year negative fair value adjustment for investments of \$346,000 which was not incurred in the 2010 year.
- The above positive movements offset partially by an increase in operating costs of \$192,000 and an increase in the purchase of water of \$133,000.

Water and sewer operations are recognised as monopolies under the National Competition Policy guidelines. As a provider of essential services water and sewer funds should generate enough profits to enable it to replace its infrastructure as required. For the 2010 year, Council did not determine a required rate of return for these funds.

In 2010 Council's water operations has achieved a negative rate of return. Under the current reporting framework Council is to recognise the difference between the actual rate of return and the required (zero) rate of return as a notional subsidy from General Fund operations. For 2010 the notional subsidy calculated is \$722,000 for the water fund. We highlight that an actual subsidy has not been paid and is not payable by general fund to the water or sewer funds as the calculated subsidy is notional in nature only.

Petersons Quarry and Woodview Quarry

Council's quarry operations and has returned a combined profit of \$758,000 for the 2010 financial year. Council has adopted a desired rate of return on assets for its quarry operations of 8% and the actual rate of return for the 2010 year has exceeded this benchmark.

Silver Sands Holiday Park

There has been a turnaround in profitability in the 2010 year, due to increased rates for sites and the resulting profit of \$442,000 being paid as a dividend.

Bridges and Pre-stressing

The operating losses incurred by the Bridges and Pre-stressing activities is due to a number of factors which have been previously reported to Council. It is our understanding that Council adopted a revised Business Plan in July 2010 to address the poor profitability of this operation.

5. BALANCE SHEET

5.1. Net Current Assets

5.1.1. Cash and Investments

Council has net current assets of \$21,698,000 as at 30 June 2010, however, this includes \$2,768,000 in leave entitlements which are not expected to be settled within twelve months. Net current assets, however, also contains \$22,030,000 of externally restricted cash in the form of special purpose grants, developer contributions and restricted water, sewer and domestic waste management funds. Developer contributions held under S.94 and S.64 are detailed in Section 3.4 of this report.

In addition, Council has allocated \$6,932,000 to internally restricted cash and investments to fund long term commitments. These internal reserves are detailed below.

	2009	2010
	\$'000	\$'000
Employee entitlements	182	346
Unexpended loans	-	0
Plant & Vehicles	947	997
Office equipment	15	16
Petersons quarry	-	216
Woodview quarry	-	902
Quarry Rehabilitation	-	28
Insurance	11	320
Real Estate & Infrastructure	-	287
Evans Head Airport	-	0
Other waste management	819	1,711
Casino saleyards	254	387
Retirement village	-	39
Rural Roads Maintenance	-	0
RTA roads contracts	876	471
Doolan Deck contingencies	-	0
Public cemeteries	218	284
Workers Compensation incentive	50	25
Unexpended rates variation	630	532
Uncompleted works & Other	223	371
	<u>4,225</u>	<u>6,932</u>

We note that there has been an increase in internal reserves of \$2,709,000. Most notable has been the increase in quarry reserves, other waste management reserves and insurance reserves. We remind Council to be mindful of utilising reserves for the purposes for which they were established.

After funding internal and external restrictions Council has no unrestricted cash.

A summary of Council's investment securities is as follows:

Investments analysis (current & non-current)	2009	2010
	\$'000	\$'000
Opening balance of investments at fair value	30,676	16,808
Investments purchased	4,433	0
Investments sold	(16,064)	(7,160)
Fair value adjustments	(2,237)	530
Closing balance of investments at fair value	<u>16,808</u>	<u>10,178</u>

Closing balance of investments at fair value comprises:

Equity Linked Notes	2,565	2,966
Managed funds	2,688	1,983
FRNs	431	481
CDOs	3,307	2,871
Other	7,817	1,877
	<u>16,808</u>	<u>10,178</u>
Deposits at call & TDs	<u>16,200</u>	<u>18,786</u>
	<u>33,008</u>	<u>28,964</u>

Security of Investments

It should be noted that a proportion of Council's investments are capital protected on their maturity. Capital protected means that the capital is protected to the extent that the financial institution has the capacity to repay the invested money. Capital is not always protected if the investment is sold before its maturity. Collateralised Debt Obligations (CDOs) are not capital protected and the return to Council on their maturity is largely dependent on the number of defaults occurring in the underlying "basket" of securities.

Liquidity

Based on information provided by Council management, which has not been subject to audit, the maturity profile of investments held at balance date should not materially impact Council's budgeted operations for the 2010/11 financial year from a liquidity perspective.

5.1.2. Receivables

Council's current receivables have decreased from \$8,190,000 as at 30 June 2009 to \$7,400,000 as at 30 June 2010. The major components of the balances at the end of the financial year were:

	2007	2008	2009	2010
	\$'000	\$'000	\$'000	\$'000
Rates, etc	94	95	80	147
User charges	4,041	3,532	5,563	4,953
Deposits & bonds	10	205	350	310
Govt grants & subsidies	382	992	1,120	1,197
S64 water and sewer	450	459	81	8
Land sales	-	385	-	304
Accrued Interest on Investments	-	206	614	180
Other	285	134	506	425
Provision for Doubtful Debts	(122)	(124)	(124)	(124)
	<u>5,140</u>	<u>5,884</u>	<u>8,190</u>	<u>7,400</u>

5.2. Non-Current Assets and Liabilities

Council has a net non-current asset position of \$480,095,000, which consists largely of Council controlled investments, property, plant and equipment, water, sewer, road and drainage infrastructure and loans.

5.2.1. Property, Plant and Equipment

During the year Council capitalised the following property, plant and equipment:

	2007	2008	2009	2010
	\$'000	\$'000	\$'000	\$'000
Non-cash Developer Contributions				
Roads and Drainage Network	268	306	1,336	946
Sewerage Network	101	152	11	265
Water Supplies	27	127	3	269
Non-cash Additions				
Bush Fire Grants	415	2	206	107
Stan Payne Oval Lighting	-	-	21	-
Council Constructed / Purchased Assets				
Office Equipment	49	29	34	28
Furniture & Fittings	96	84	67	106
Non- Depreciable land improvements	-	57	-	395
Depreciable land improvements	-	380	503	311
Land and Buildings	1,352	480	689	1,579
Other Structures	305	173	350	431
Tips & quarries	(52)	-	300	180
Plant and Equipment/Vehicles	2,101	2,151	2,046	1,824
Roads and Drainage Network	3,216	2,516	6,836	4,001
Water Supply Network	961	493	1,412	973
Sewerage Network	1,290	2,867	1,620	421
Capital Work In Progress	9,906	4,199	3,540	10,102
	<u>20,035</u>	<u>14,016</u>	<u>18,974</u>	<u>21,938</u>

Major additions to road assets occurred due to the remediation of various rural sealed roads - \$621,000, urban sealed roads - \$546,000, Mongogarrie Rd - \$250,000 and regional sealed roads - \$245,000.

Major project developments which were classified as capital work in progress at 30 June 2010 included the Evans Head Pool Upgrade - \$4,610,000 and the Casino CBD Upgrade - \$2,350,000.

Asset Revaluations 2010

The Division of Local Government has mandated that all infrastructure assets including land and buildings are to be recognised in Council's financial records at their fair value. Fair value represents the written-down replacement cost of each asset using modern day equivalent materials, design and capacity.

During the year Council performed a full revaluation of stormwater drainage infrastructure assets. The effect of the revaluation process was an increase the written-down replacement cost of stormwater drainage assets by \$10,077,000. As at 30 June 2010 Council controls plant, equipment, land, buildings and infrastructure with a written down replacement cost of \$486 million.

Where material, fair value adjustments are made each year to keep all infrastructure assets at fair value. As a result, a 2010 increment of \$1,404,000 for water infrastructure and \$1,856,000 for sewer infrastructure assets was credited to the Asset Revaluation Reserve.

Asset Management Systems

On 1 July 2005 Council changed to the fair value of reporting for all land, land improvements, buildings and other structures. Council recognised at fair value all water and sewer infrastructure assets on 1 July 2006 and all road, bridges and footpaths on 1 July 2008. Roads and drainage were changed to fair value in the 2009 year as at 1 July 2008. The revaluation of these assets were large and complex processes. Council needs to capture this information in a centralised and detailed asset management system that will ensure best practice processes for asset management are adopted and adhered to into the future. Most valuation data and asset data of prior year valuations is held in multiple systems and/or spreadsheets.

Future Asset Revaluations

As part of the process of maintaining infrastructure at fair value, the following asset classes will be revalued by Council in 2011:

<i>Asset Type</i>	<i>Date of Revaluation</i>
Buildings and Other Structures	30 June 2011
Operational Land and Community Land	30 June 2011
Land improvements	30 June 2011

As Council revalued its roads, bridges and footpaths assets in the 08/09 financial year, Council has made the assessment that the fair value of these assets has not materially changed. However, as construction costs increase, Council will need to evaluate the fair value adjustment of these assets from the date of the initial revaluation being 1 July 2008. Therefore, for the year ending 30 June 2011, a fair value adjustment encompassing 3 years indexation (1 July 2008 to 30 June 2011) may need to be recognised.

It is important that Council also regularly re-assess the remaining useful lives of assets and their condition in future revaluations. The depreciation charge should reflect the consumption of the asset over its useful life. Fair value reporting of assets will require adequate internal resources in order to ensure the information from asset management reporting systems is accurate, timely and reflects the consumption of the assets.

Integrated Planning and Reporting Framework and Asset Management

The Integrated Planning and Reporting Framework (IPAR) has been developed as part of the Local Government Reform Program and proposes changes to the Local Government Act 1993 to improve council's long term community, financial and asset planning.

The key drivers for changing the current planning and reporting framework include: increased expectations on local government, innovation of some councils with positive effects, recent findings from reviews of council strategic performance, and the need for improved asset management and long term financial planning.

Under the IPAR framework each Council is to prepare an Asset Management Strategy to provide a clear direction for asset management. The development of an Asset Management Strategy will enable council to illustrate how its asset portfolio supports the service delivery needs of its community into the future.

An Asset Management Policy must also be prepared which sets the framework for the preparation of Council's Asset Management Strategy and Asset Management Plan/s. An Asset Management Plan is a long term plan that outlines the asset activities for each service and outlines actions and resources to provide a defined level of service in the most cost efficient way.

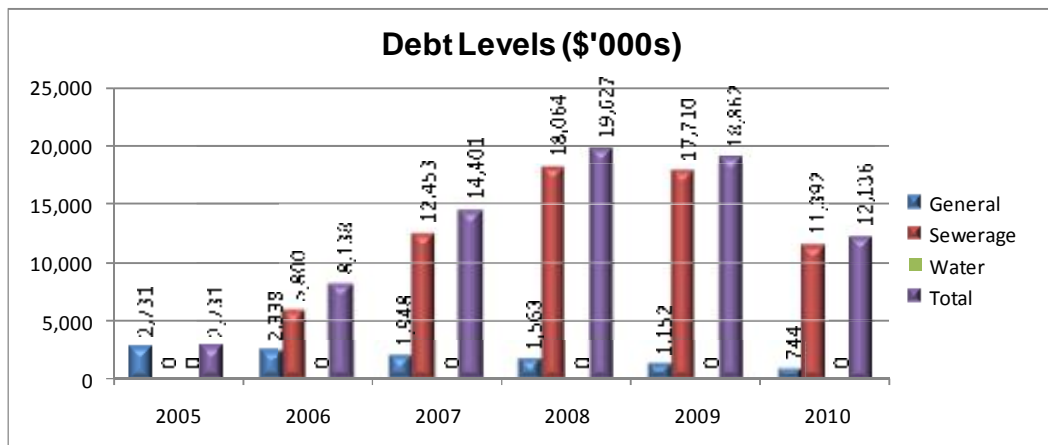
Richmond Valley Council are included in Group 2, requiring implementation of these requirements by 1 July 2011. Council are progressing well in its response to these requirements, with community consultation in progress, including a draft community strategic plan which is to be further reviewed in November 2010. It is believed that Council is on schedule to meet the required timeframe.

5.2.2 Loans

Council's overall debt position has decreased during the year by \$6,726,000. Council repaid a loan of \$5,941,000 in July 2009 as it was not required by Sewer activities. Council's general fund has loans totalling \$744,000, sewer fund has loans totalling \$11,392,000 and Council's water fund remains debt-free.

Council is projecting to repay a further \$783,000 of these loans in the forthcoming year.

A further \$5.5 million loan is expected to be drawn down around the end of October 2010, for the Woodburn/Evans Head Sewerage Augmentation.



6. KEY PERFORMANCE INDICATORS

Council's performance can be measured using selected financial indicators. The local government sector utilises certain key performance indicators to measure some aspects of its financial position and performance. Note 13 to the general purpose financial statements provides details of local government sector key performance indicators. We provide an analysis of some of these key performance indicators on a fund-by-fund basis.

When interpreting the ratios below it is important to recognise that they represent a measure of certain aspects of Council's operations at a particular point in time and do not provide a complete assessment of Council's financial performance or position nor do they consider the plans Council has in place to manage its operations into the future.

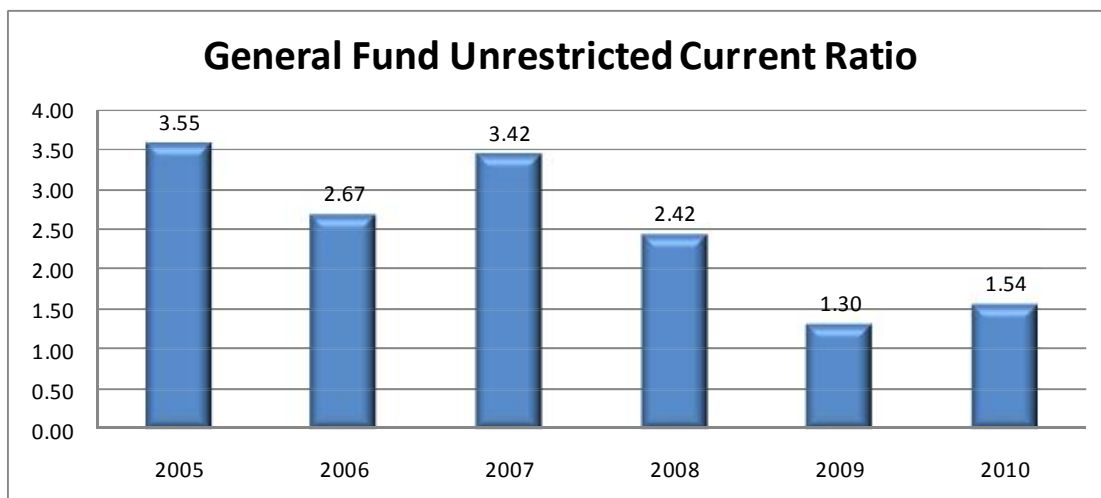
Unrestricted Current Ratio

The unrestricted current ratio represents Council's capacity to meet its commitments from current assets net of externally restricted cash, investments and receivables.

Factors influencing Council's unrestricted current assets ratio include:

- Planning and budgetary controls;
- Cash management and the timing of cash flows;
- The level of internally restricted assets; and
- Credit management policies and economic circumstances.

General Fund Unrestricted Current Ratio

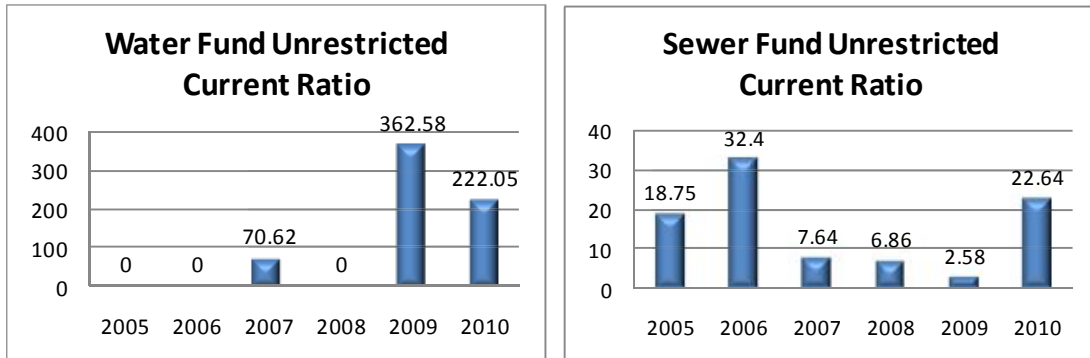


Council's general fund unrestricted current ratio has increased from 1.30 to 1.54 as a result of a \$5,229,000 increase in unrestricted assets offset by a lesser \$2,137,000 increase in liabilities to support these unrestricted liabilities. This means that Council has \$1.54 in unrestricted net assets for every \$1 of unrestricted current liabilities.

An unrestricted current ratio of at least 1.5 is considered to be an appropriate level to allow Council to satisfy its day to day commitments and absorb any unforeseen expenses or reductions in revenue.

It is important to note that the unrestricted current ratio does not reflect Council's capacity to fund long term infrastructure needs nor the state of the infrastructure itself. As part of its asset management processes, Council needs to assess its infrastructure requirements and develop strategies to ensure the long-term viability (ability to provide services) of its assets.

Sewer and Water Fund Unrestricted Current Ratio



We note that the unrestricted current ratio for water and sewer activities may fluctuate significantly. Yearly fluctuations may result from the accumulation of internal reserves and the impact of debt levels and will continue to fluctuate in the future as further funds are collected and expended on infrastructure improvements.

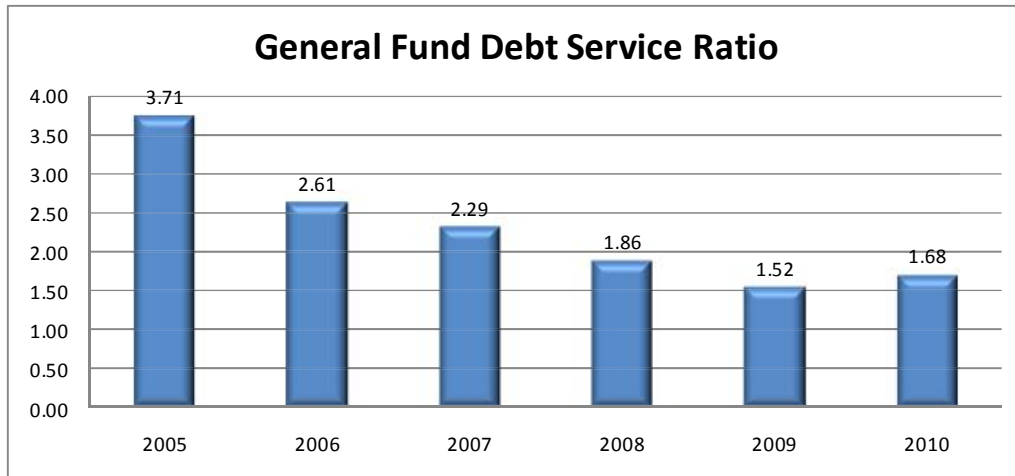
Sewer fund ratio has increased primarily due to a reduction in liabilities of \$5,721,000. Water fund ratio has decreased primarily due to an in decrease in unrestricted assets of \$1,378,000.

Debt Service Ratio

This indicator assesses the degree to which revenues from ordinary activities are committed to the repayment of debt. Factors influencing a council's debt service ratio include:

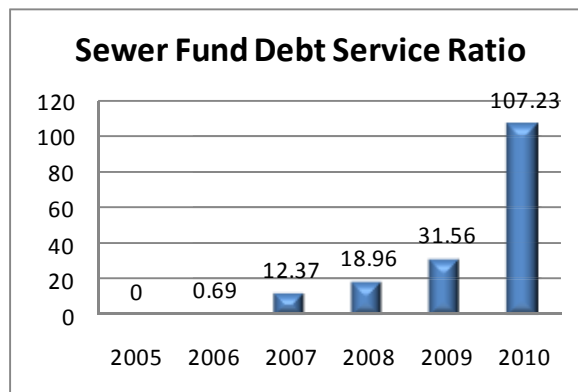
- The rate of new development in the Council area and the need to borrow to fund new infrastructure;
- Council's debt policy;
- Interest rate movements and loan terms;
- Capital investment strategies and capital contributions policies;
- The level of cash reserves available to reduce the level of borrowings; and
- The state of Council's infrastructure assets and the need to borrow to replace them.

General Fund Debt Service Ratio



Council's debt service ratio for general fund has remained stable, increasing only slightly.

Sewer Fund Debt Service Ratio



Sewer fund has an increased debt service ratio from 31.56 at 2009 to 107.23 at 2010. This is the result of a large increase in the debt service costs for 2010 due to the repayment of \$6,318,000 loans in July 2009.

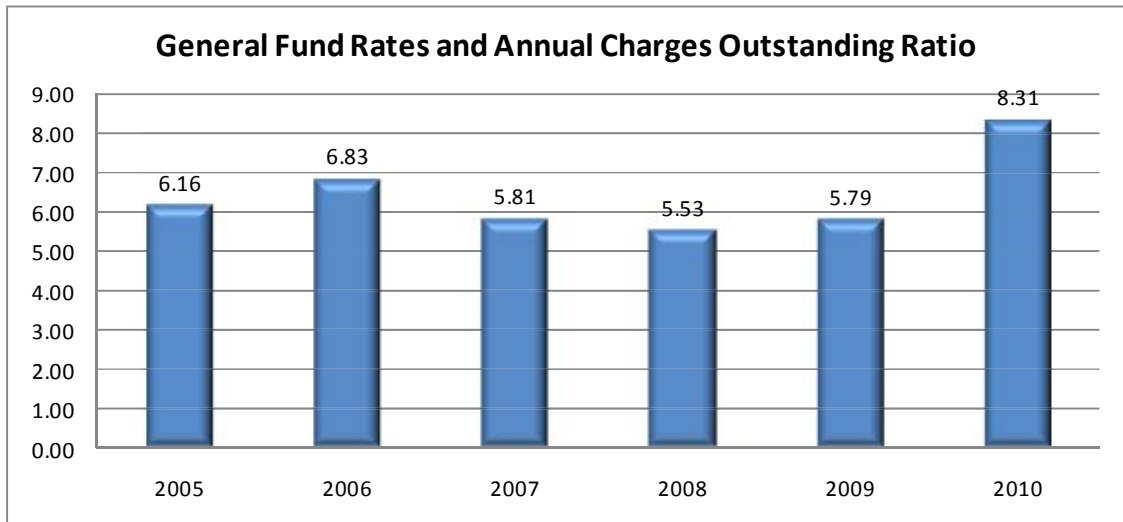
Water fund does not have any debt.

Rates and Annual Charges Outstanding

This indicator assesses the effectiveness of Council's revenue collection. Factors influencing Council's rates and annual charges outstanding ratio include:

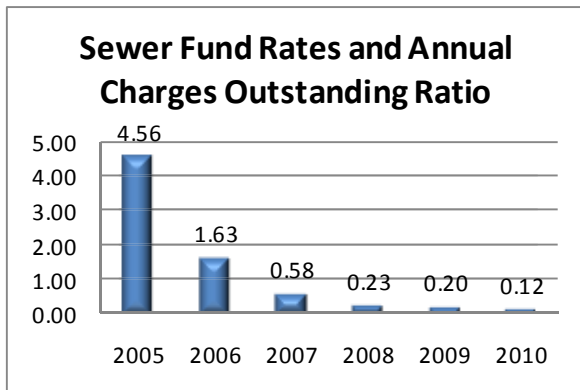
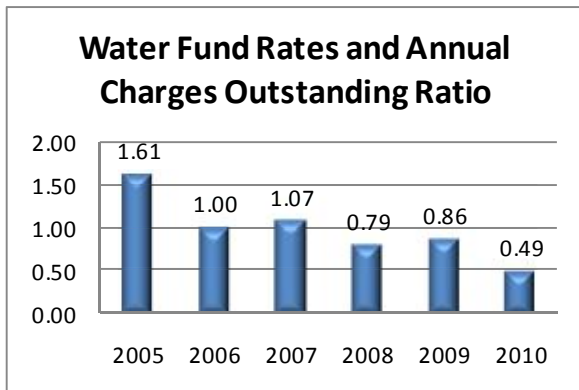
- Council's rating policy;
- Credit management policies;
- The socio-economic characteristics of the area; and
- Environmental factors influencing ratepayers' ability to satisfy their obligations.

General Fund Rates & Annual Charges Outstanding Ratio



Council's general fund rates and annual charges outstanding percentage is gradually trending upwards and exceeds 8% as at 30 June 2010. Whilst the ratio is still within acceptable industry parameters, we suggest that it would be prudent for Council to review its policies and procedures to determine the level of outstanding rates and annual charges it wishes to maintain.

Sewer and Water Funds Rates & Annual Charges Outstanding Ratio



The above graphs illustrate the rates and annual charges outstanding ratio for water and sewer funds, which have remained relatively stable.

7. INTERNAL CONTROL ENVIRONMENT

No significant breakdowns of internal control were encountered during the course of our audit nor did we become aware of the existence of items comprising material error, sufficient to cause us to issue a qualified audit opinion.

Subject to the foregoing comments the books of account and records of the Council were maintained in good order and condition and the information and explanations required during the course of our work were readily supplied by the General Manager and his staff.

Yours faithfully

THOMAS NOBLE & RUSSELL

Per:



D H SINGH (Partner)
Registered Company Auditor

Richmond Valley Council

SPECIAL SCHEDULES
for the year ended 30 June 2010

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



Richmond Valley Council

Special Schedules

for the financial year ended 30 June 2010

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- Special Schedule No. 2(b)	Statement of Internal Loans (Sect. 410(3) LGA 1993)	4
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¹ Special Purpose Schedules are not audited.

Background

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

Richmond Valley Council

Special Schedule No. 1 - Net Cost of Services
for the financial year ended 30 June 2010

\$'000

Function or Activity	Expenses from continuing operations	Income from continuing operations		Net Cost of Services
		Non Capital	Capital	
Administration	1,280	949	-	(331)
Public Order and Safety				
Fire Service Levy, Fire Protection, Emergency Services	840	288	175	(377)
Beach Control	26	-	-	(26)
Enforcement of Local Govt Regs	-	-	-	-
Animal Control	243	80	-	(163)
Other	-	-	-	-
Total Public Order & Safety	1,109	368	175	(566)
Health	772	187	-	(585)
Environment				
Noxious Plants and Insect/Vermin Control	120	-	-	(120)
Other Environmental Protection	537	36	-	(501)
Solid Waste Management	2,536	3,512	14	990
Street Cleaning	189	-	-	(189)
Drainage	597	224	251	(122)
Stormwater Management	-	-	-	-
Total Environment	3,979	3,772	265	58
Community Services and Education				
Administration & Education	-	-	-	-
Social Protection (Welfare)	-	-	-	-
Aged Persons and Disabled	2,639	2,445	155	(39)
Childrens Services	-	-	-	-
Total Community Services & Education	2,639	2,445	155	(39)
Housing and Community Amenities				
Public Cemeteries	242	263	-	21
Public Conveniences	196	-	-	(196)
Street Lighting	313	82	-	(231)
Town Planning	1,981	738	566	(677)
Other Community Amenities	-	-	-	-
Total Housing and Community Amenities	2,732	1,083	566	(1,083)
Water Supplies	5,351	4,385	600	(366)
Sewerage Services	5,454	6,392	1,253	2,191

Richmond Valley Council

Special Schedule No. 1 - Net Cost of Services (continued)
for the financial year ended 30 June 2010

\$'000

Function or Activity	Expenses from continuing operations	Income from continuing operations		Net Cost of Services
		Non Capital	Capital	
Recreation and Culture				
Public Libraries	648	88	350	(210)
Museums	-	-	-	-
Art Galleries	-	-	-	-
Community Centres and Halls	301	-	574	273
Performing Arts Venues	-	-	-	-
Other Performing Arts	-	-	-	-
Other Cultural Services	-	-	-	-
Sporting Grounds and Venues	606	30	70	(506)
Swimming Pools	307	-	2,134	1,827
Parks & Gardens (Lakes)	611	11	31	(569)
Other Sport and Recreation	385	28	52	(305)
Total Recreation and Culture	2,858	157	3,211	510
Fuel & Energy	-	-	-	-
Agriculture	-	-	-	-
Mining, Manufacturing and Construction				
Building Control	-	-	-	-
Other Mining, Manufacturing & Construction	-	722	-	722
Total Mining, Manufacturing and Const.	-	722	-	722
Transport and Communication				
Urban Roads (UR) - Local	2,610	-	2,429	(181)
Urban Roads - Regional	-	-	-	-
Sealed Rural Roads (SRR) - Local	4,060	231	2,284	(1,545)
Sealed Rural Roads - Regional	1,110	466	742	98
Unsealed Rural Roads (URR) - Local	3,029	7	3,704	682
Unsealed Rural Roads (URR) - Regional	-	-	-	-
Bridges on UR - Local	88	-	-	(88)
Bridges on SRR - Local	13	-	-	(13)
Bridges on URR - Local	14	-	-	(14)
Bridges on Regional Roads	-	-	-	-
Parking Areas	-	-	-	-
Footpaths	317	2	131	(184)
Aerodromes	275	16	47	(212)
Other Transport & Communication	1,441	1,398	-	(43)
Total Transport and Communication	12,957	2,120	9,337	(1,500)
Economic Affairs				
Camping Areas & Caravan Parks	1,805	2,379	-	574
Other Economic Affairs	5,732	5,462	-	(270)
Total Economic Affairs	7,537	7,841	-	304
Totals – Functions	46,668	30,421	15,562	(685)
General Purpose Revenues⁽¹⁾		11,603	1,248	12,851
Share of interests - joint ventures & associates using the equity method	-	-	-	-
NET OPERATING RESULT FOR YEAR	46,668	42,024	16,810	12,166

(1) Includes: Rates & Annual Charges (incl. Ex Gratia), Untied General Purpose Grants & Interest on Investments (excl. Restricted Assets)

Richmond Valley Council

Special Schedule No. 2(a) - Statement of Long Term Debt (all purpose)

for the financial year ended 30 June 2010

\$'000

Classification of Debt	Principal outstanding at beginning of the year			New Loans raised during the year	Debt redemption during the year		Transfers to Sinking Funds	Interest applicable for Year	Principal outstanding at the end of the year		
	Current	Non Current	Total		From Revenue	Sinking Funds			Current	Non Current	Total
Loans (by Source)											
Commonwealth Government	-	-	-	-	-	-	-	-	-	-	-
Treasury Corporation	-	-	-	-	-	-	-	-	-	-	-
Other State Government	-	-	-	-	-	-	-	-	-	-	-
Public Subscription	-	-	-	-	-	-	-	-	-	-	-
Financial Institutions	6,724	12,132	18,856	-	6,724	-	-	820	781	11,351	12,132
Other	-	-	-	-	-	-	-	-	-	-	-
Total Loans	6,724	12,132	18,856	-	6,724	-	-	820	781	11,351	12,132
Other Long Term Debt											
Ratepayers Advances	-	-	-	-	-	-	-	-	-	-	-
Government Advances	2	4	5	-	2	-	-	0	2	2	4
Finance Leases	-	-	-	-	-	-	-	-	-	-	-
Deferred Payments	-	-	-	-	-	-	-	-	-	-	-
Total Long Term Debt	2	4	5	-	2	-	-	0	2	2	4
Total Debt	6,726	12,136	18,862	-	6,726	-	-	820	783	11,353	12,136

Notes: Excludes (i) Internal Loans & (ii) Principal Inflows/Outflows relating to Loan Re-Financing.

This Schedule is prepared using the Face Value of debt obligations, rather than Fair Value (as per the GPFS's).

Richmond Valley Council

Special Schedule No. 2(b) - Statement of Internal Loans [Section 410(3) LGA 1993] for the financial year ended 30 June 2010

\$'000

Summary of Internal Loans

Borrower (by purpose)	Amount originally raised	Total repaid during the year (Principal & Interest)	Principal Outstanding at end of year
General	0	0	0
Water	0	0	0
Sewer	0	0	0
Domestic Waste Management	0	0	0
Gas	0	0	0
Other	0	0	0
	0	0	0
Totals	-	-	-

Note: The summary of Internal Loans (above) represents the total of Council's Internal Loans categorised according to the borrower.

Details of Individual Internal Loans

Borrower (by purpose)	Lender (by purpose)	Date of Minister's Approval	Date Raised	Term (years)	Dates of Maturity	Rate of Interest	Amount Originally raised	Total repaid during year (Princ. & Int.)	Principal Outstanding at end of year
Totals							-	-	-

Richmond Valley Council

Special Schedule No. 3 - Water Supply Income Statement

Includes ALL INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.
for the financial year ended 30 June 2010

\$'000	Actuals 2010	Actuals 2009
A Expenses and Income		
Expenses		
1. Management expenses		
a. Administration	929	844
b. Engineering and Supervision	705	695
2. Operation and Maintenance expenses		
- Dams & Weirs		
a. Operation expenses	-	-
b. Maintenance expenses	1	0
- Mains		
c. Operation expenses	93	103
d. Maintenance expenses	258	210
- Reservoirs		
e. Operation expenses	1	-
f. Maintenance expenses	18	33
- Pumping Stations		
g. Operation expenses (excluding energy costs)	1	1
h. Energy costs	97	70
i. Maintenance expenses	7	10
- Treatment		
j. Operation expenses (excluding chemical costs)	371	259
k. Chemical costs	259	242
l. Maintenance expenses	69	52
- Other		
m. Operation expenses	111	114
n. Maintenance expenses	-	-
o. Purchase of water	742	612
3. Depreciation expenses		
a. System assets	1,235	1,193
b. Plant and equipment	5	5
4. Miscellaneous expenses		
a. Interest expenses	-	-
b. Revaluation Decrements	-	-
c. Other expenses	2	346
d. Tax Equivalents Dividends (actually paid)	-	-
5. Total expenses	4,904	4,788

Richmond Valley Council

Special Schedule No. 3 - Water Supply Income Statement (continued)

Includes ALL INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.
for the financial year ended 30 June 2010

\$'000	Actuals 2010	Actuals 2009
Income		
6. Residential charges		
a. Access (including rates)	544	668
b. Usage charges	1,996	1,385
7. Non-residential charges		
a. Access (including rates)	242	283
b. Usage charges	1,573	1,310
8. Extra charges	25	20
9. Interest income	212	8
10. Other income	113	164
11. Grants		
a. Grants for acquisition of assets	-	134
b. Grants for pensioner rebates	77	83
c. Other grants	-	-
12. Contributions		
a. Developer charges	331	202
b. Developer provided assets	269	3
c. Other contributions	-	16
13. Total income	<u>5,382</u>	<u>4,275</u>
14. Gain or loss on disposal of assets	(583)	(922)
15. Operating Result	<u>(105)</u>	<u>(1,435)</u>
15a. Operating Result (less grants for acquisition of assets)	(105)	(1,569)

Richmond Valley Council

Special Schedule No. 3 - Water Supply Income Statement (continued)

Includes ALL INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.
for the financial year ended 30 June 2010

\$'000	Actuals 2010	Actuals 2009
B Capital transactions		
Non-operating expenditures		
16. Acquisition of Fixed Assets		
a. Subsidised scheme	-	-
b. Other new system assets	582	530
c. Renewals	1,025	1,256
d. Plant and equipment	21	68
17. Repayment of debt		
a. Loans	-	-
b. Advances	-	-
c. Finance leases	-	-
18. Transfer to sinking fund	-	-
19. Totals	1,628	1,854
Non-operating funds employed		
20. Proceeds from disposal of assets	-	3
21. Borrowing utilised		
a. Loans	-	-
b. Advances	-	-
c. Finance leases	-	-
22. Transfer from sinking fund	-	-
23. Totals	-	3
C Rates and charges		
24. Number of assessments		
a. Residential (occupied)	6,141	6,089
b. Residential (unoccupied, ie. vacant lot)	224	239
c. Non-residential (occupied)	767	763
d. Non-residential (unoccupied, ie. vacant lot)	99	89
25. Number of ETs for which developer charges were received	102 ET	64 ET
26. Total amount of pensioner rebates (actual dollars)	\$ 139,671	\$ 146,822

Richmond Valley Council

Special Schedule No. 3 - Water Supply Cross Subsidies
for the financial year ended 30 June 2010

\$'000	Yes	No	Amount
D Best practice annual charges and developer charges*			
27. Annual charges			
a. Does Council have best-practice water supply annual charges and usage charges*?	<input type="checkbox"/>	<input type="checkbox"/>	
If Yes, go to 28a.			
If No, please report if council has removed land value from access charges (ie rates)?			
<p>NB. Such charges for both residential customers and non-residential customers comply with section 3.2 of Water Supply, Sewerage and Trade Waste Pricing Guidelines, NSW Office of Water, December, 2002. Such charges do not involve significant cross subsidies.</p>			
b. Cross-subsidy from residential customers using less than allowance (page 25 of Guidelines)			<input type="text"/>
c. Cross-subsidy to non-residential customers (page 24 of Guidelines)			<input type="text"/>
d. Cross-subsidy to large connections in unmetered supplies (page 26 of Guidelines)			<input type="text"/>
28. Developer charges			
a. Has council completed a water supply Development Servicing** Plan?	<input type="checkbox"/>	<input type="checkbox"/>	
b. Total cross-subsidy in water supply developer charges for 2009/10 (page 47 of Guidelines)			<input type="text" value="-"/>
** In accordance with page 9 of Developer Charges Guidelines for Water Supply, Sewerage and Stormwater, NSW Office of Water, December, 2002.			
29. Disclosure of cross-subsidies			
Total of cross-subsidies (27b +27c + 27d + 28b)			<input type="text" value="-"/>
* Councils which have not yet implemented best practice water supply pricing should disclose cross-subsidies in items 27b, 27c and 27d above.			
However, disclosure of cross-subsidies is not required where a Council has implemented best practice pricing and is phasing in such pricing over a period of 3 years. Council has implemented best practice pricing for all charges with the exception of food producers. The intention was to implement within 3 years, but has taken longer, the cross subsidy amount for Food Producers (27c) would show as \$1,020,482			

Richmond Valley Council

Special Schedule No. 4 - Water Supply Balance Sheet

Includes INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.
as at 30 June 2010

\$'000	Actuals Current	Actuals Non Current	Actuals Total
ASSETS			
30. Cash and investments			
a. Developer charges	2,279	-	2,279
b. Special purpose grants	-	-	-
c. Accrued leave	-	-	-
d. Unexpended loans	-	-	-
e. Sinking fund	-	-	-
f. Other	1,609	-	1,609
31. Receivables			
a. Specific purpose grants	92	-	92
b. Rates and charges	1	3	4
c. Other	1,383	1	1,384
32. Inventories	-	-	-
33. Property, plant and equipment			
a. System assets	1,134	49,096	50,230
b. Plant and equipment	-	11	11
34. Other assets	-	-	-
35. Total assets	<u>6,498</u>	<u>49,111</u>	<u>55,609</u>
LIABILITIES			
36. Bank overdraft	-	-	-
37. Creditors	-	-	-
38. Borrowings			
a. Loans	-	-	-
b. Advances	-	-	-
c. Finance leases	-	-	-
39. Provisions			
a. Tax equivalents	-	-	-
b. Dividend	-	-	-
c. Other	19	-	19
40. Total liabilities	<u>19</u>	<u>-</u>	<u>19</u>
41. NET ASSETS COMMITTED	<u>6,479</u>	<u>49,111</u>	<u>55,590</u>
EQUITY			
42. Accumulated surplus			26,004
43. Asset revaluation reserve			<u>29,586</u>
44. TOTAL EQUITY			<u>55,590</u>
Note to system assets:			
45. Current replacement cost of system assets			82,061
46. Accumulated current cost depreciation of system assets			<u>(31,831)</u>
47. Written down current cost of system assets			<u>50,230</u>

Richmond Valley Council

Special Schedule No. 5 - Sewerage Income Statement

Includes ALL INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.
for the financial year ended 30 June 2010

\$'000	Actuals 2010	Actuals 2009
A Expenses and Income		
Expenses		
1. Management expenses		
a. Administration	903	815
b. Engineering and Supervision	547	460
2. Operation and Maintenance expenses		
- Mains		
a. Operation expenses	168	122
b. Maintenance expenses	42	62
- Pumping Stations		
c. Operation expenses (excluding energy costs)	109	129
d. Energy costs	72	62
e. Maintenance expenses	200	151
- Treatment		
f. Operation expenses (excl. chemical, energy, effluent & biosolids management costs)	404	498
g. Chemical costs	44	75
h. Energy costs	100	78
i. Effluent Management	-	-
j. Biosolids Management	150	57
k. Maintenance expenses	146	123
- Other		
l. Operation expenses	16	11
m. Maintenance expenses	52	462
3. Depreciation expenses		
a. System assets	1,619	1,552
b. Plant and equipment	17	17
4. Miscellaneous expenses		
a. Interest expenses	762	1,267
b. Revaluation Decrements	-	-
c. Other expenses	-	730
d. Tax Equivalent Dividends (actually paid)	-	-
5. Total expenses	5,351	6,673

Richmond Valley Council

Special Schedule No. 5 - Sewerage Income Statement (continued)

Includes ALL INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.
for the financial year ended 30 June 2010

\$'000	Actuals 2010	Actuals 2009
Income		
6. Residential charges (including rates)	5,166	4,727
7. Non-residential charges		
a. Access (including rates)	168	192
b. Usage charges	534	469
8. Trade Waste Charges		
a. Annual Fees	-	-
b. Usage charges	-	-
c. Excess mass charges	33	-
d. Re-inspection fees	-	-
9. Extra charges	36	31
10. Interest income	492	542
11. Other income	51	402
12. Grants		
a. Grants for acquisition of assets	463	157
b. Grants for pensioner rebates	78	83
c. Other grants	3	5
13. Contributions		
a. Developer charges	485	210
b. Developer provided assets	265	11
c. Other contributions	40	-
14. Total income	<u>7,814</u>	<u>6,828</u>
15. Gain or loss on disposal of assets	(141)	(493)
16. Operating Result	<u>2,322</u>	<u>(338)</u>
16a. Operating Result (less grants for acquisition of assets)	1,859	(494)

Richmond Valley Council

Special Schedule No. 5 - Sewerage Income Statement (continued)

Includes ALL INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.
for the financial year ended 30 June 2010

\$'000	Actuals 2010	Actuals 2009
B Capital transactions		
Non-operating expenditures		
17. Acquisition of Fixed Assets		
a. Subsidised scheme	-	-
b. Other new system assets	607	965
c. Renewals	829	2,318
d. Plant and equipment	26	29
18. Repayment of debt		
a. Loans	-	-
b. Advances	-	-
c. Finance leases	-	-
19. Transfer to sinking fund	-	-
20. Totals	1,462	3,313
Non-operating funds employed		
21. Proceeds from disposal of assets	-	-
22. Borrowing utilised		
a. Loans	-	-
b. Advances	-	-
c. Finance leases	-	-
23. Transfer from sinking fund	-	-
24. Totals	-	-
C Rates and charges		
25. Number of assessments		
a. Residential (occupied)	5,936	5,885
b. Residential (unoccupied, ie. vacant lot)	207	221
c. Non-residential (occupied)	601	597
d. Non-residential (unoccupied, ie. vacant lot)	87	76
26. Number of ETs for which developer charges were received	51 ET	23 ET
27. Total amount of pensioner rebates (actual dollars)	\$ 141,898	\$ 146,870

Richmond Valley Council

Special Schedule No. 5 - Sewerage Cross Subsidies
for the financial year ended 30 June 2010

\$'000	Yes	No	Amount
D Best practice annual charges and developer charges*			
28. Annual charges			
a. Does Council have best-practice sewerage annual charges, usage charges and trade waste fees & charges*?	<input type="checkbox"/> Yes	<input type="checkbox"/>	
If Yes, go to 29a.			
If No, please report if council has removed land value from access charges (ie rates)?	<input type="checkbox"/>	<input type="checkbox"/>	
NB. Such charges for both residential customers and non-residential customers comply with section 4.2 & 4.3 of the Water Supply, Sewerage and Trade Waste Pricing Guidelines, NSW Office of Water, December, 2002. Such charges do not involve significant cross subsidies.			
b. Cross-subsidy to non-residential customers (page 45 of Guidelines)			<input type="text"/>
c. Cross-subsidy to trade waste discharges (page 46 of Guidelines)			<input type="text"/>
29. Developer charges			
a. Has council completed a sewerage Development Servicing** Plan?	<input type="checkbox"/> Yes	<input type="checkbox"/>	
b. Total cross-subsidy in sewerage developer charges for 2009/10 (page 47 of Guidelines)			<input type="text"/> -
** In accordance with page 9 of Developer Charges Guidelines for Water Supply, Sewerage and Stormwater, NSW Office of Water, December, 2002.			
30. Disclosure of cross-subsidies			
Total of cross-subsidies (28b + 28c + 29b)			<input type="text"/> -
* Councils which have not yet implemented best practice sewer pricing & liquid waste pricing should disclose cross-subsidies in items 28b and 28c above.			
However, disclosure of cross-subsidies is not required where a Council has implemented best practice sewerage and liquid waste pricing and is phasing in such pricing over a period of 3 years.			

Richmond Valley Council

Special Schedule No. 6 - Sewerage Balance Sheet

Includes INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.
as at 30 June 2010

\$'000	Actuals Current	Actuals Non Current	Actuals Total
ASSETS			
31. Cash and investments			
a. Developer charges	2,064	-	2,064
b. Special purpose grants	-	-	-
c. Accrued leave	-	-	-
d. Unexpended loans	-	-	-
e. Sinking fund	-	-	-
f. Other	7,868	-	7,868
32. Receivables			
a. Specific purpose grants	79	-	79
b. Rates and charges	2	4	6
c. Other	2,003	1	2,004
33. Inventories	-	-	-
34. Property, plant and equipment			
a. System assets	3,564	64,378	67,942
b. Plant and equipment	-	150	150
35. Other assets	-	-	-
36. Total Assets	15,580	64,533	80,113
LIABILITIES			
37. Bank overdraft	-	-	-
38. Creditors	196	214	410
39. Borrowings			
a. Loans	401	10,990	11,391
b. Advances	-	-	-
c. Finance leases	-	-	-
40. Provisions			
a. Tax equivalents	-	-	-
b. Dividend	-	-	-
c. Other	-	-	-
41. Total Liabilities	597	11,204	11,801
42. NET ASSETS COMMITTED	14,983	53,329	68,312
EQUITY			
42. Accumulated surplus			36,179
44. Asset revaluation reserve			32,133
45. TOTAL EQUITY			68,312
Note to system assets:			
46. Current replacement cost of system assets			118,287
47. Accumulated current cost depreciation of system assets			(53,909)
48. Written down current cost of system assets			64,378

Richmond Valley Council

Notes to Special Schedule No.'s 3 & 5 for the financial year ended 30 June 2010

Administration⁽¹⁾

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

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

Engineering and supervision⁽¹⁾

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

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

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

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

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

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

Residential charges⁽²⁾ (items 6a, 6b and item 6 of Special Schedules 3 and 5 respectively) include all income from residential charges. Item 6 of Schedule 3 should be separated into 6a Access Charges (including rates if applicable) and 6b Usage Charges.

Non-residential charges⁽²⁾ (items 7a, 7b of Special Schedules 3 and 5) include all income from non-resident 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) include capital contributions for water supply or sewerage services received by Council under Section 565 of the Local Government Act.

Notes:

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

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

Richmond Valley Council

Special Schedule No. 8 - Financial Projections

as at 30 June 2010

\$'000	Actual ⁽¹⁾ 09/10	Forecast 10/11	Forecast 11/12	Forecast ⁽³⁾ 12/13
(i) RECURRENT BUDGET				
Income from continuing operations	58,190	45,170	43,021	44,413
Expenses from continuing operations	46,024	48,475	45,151	47,316
Operating Result from Continuing Operations	<u>12,166</u>	<u>(3,305)</u>	<u>(2,130)</u>	<u>(2,903)</u>
(ii) CAPITAL BUDGET				
New Capital Works ⁽²⁾	8,222	13,246	8,536	13,685
Replacement/Refurbishment of Existing Assets	<u>13,715</u>	<u>14,063</u>	<u>13,328</u>	<u>12,049</u>
Total Capital Budget	<u>21,937</u>	<u>27,309</u>	<u>21,864</u>	<u>25,734</u>
Funded by:				
– Loans	-	6,880	3,164	9,560
– Asset sales	1,244	3,213	4,611	3,090
– Reserves	2,214	4,685	2,578	2,077
– Grants/Contributions	17,724	8,201	4,781	4,854
– Recurrent revenue	755	4,330	6,730	6,153
– Other	-	-	-	-
	<u>21,937</u>	<u>27,309</u>	<u>21,864</u>	<u>25,734</u>

Notes:

(1) From 09/10 Income Statement.

(2) New Capital Works are major non-recurrent projects.

(3) Council has only adopted 3 years of projections.

Richmond Valley Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2010

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



Richmond Valley Council

Special Purpose Financial Statements for the financial year ended 30 June 2010

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Background

- (i) These Special Purpose Financial Statements have been prepared for the use by both Council and the Division 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 & 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 over \$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 & debt guarantee fees (where the business benefits from councils borrowing position by comparison with commercial rates).
-

Richmond Valley Council

Special Purpose Financial Statements

for the financial year ended 30 June 2010

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 & Costing for Council Businesses - A Guide to Competitive Neutrality"
- The Local Government Code of Accounting Practice and Financial Reporting.
- The NSW Office of Water (Department of Environment, Climate Change and Water) Guidelines - "Best Practice Management of Water and Sewerage".

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 19 October 2010.



Col Sullivan
MAYOR



Stuart George
COUNCILLOR



Brian Wilkinson
GENERAL MANAGER



Ryan Gaiter
RESPONSIBLE ACCOUNTING OFFICER

Richmond Valley Council

Income Statement of Council's Water Supply Business Activity

for the financial year ended 30 June 2010

\$ '000	Actual 2010	Actual 2009	Actual 2008
Income from continuing operations			
Access charges	786	951	937
User charges	3,632	2,796	2,645
Fees	45	54	69
Interest	237	28	351
Grants and contributions provided for non capital purposes	79	86	182
Profit from the sale of assets	-	-	-
Other income	-	-	-
Total income from continuing operations	4,779	3,914	4,184
Expenses from continuing operations			
Employee benefits and on-costs	719	682	719
Borrowing costs	-	-	-
Materials and contracts	1,938	1,780	1,606
Depreciation and impairment	1,240	1,198	1,158
Water purchase charges	714	602	488
Loss on sale of assets	582	913	310
Calculated taxation equivalents	17	17	17
Debt guarantee fee (if applicable)	-	-	-
Other expenses	291	530	365
Total expenses from continuing operations	5,501	5,721	4,663
Surplus (deficit) from Continuing Operations before capital amount	(722)	(1,807)	(479)
Grants and contributions provided for capital purposes	599	355	424
Surplus (deficit) from Continuing Operations after capital amounts	(123)	(1,452)	(55)
Surplus (deficit) from Discontinued Operations	-	-	-
Surplus (deficit) from ALL Operations before tax	(123)	(1,452)	(55)
less: Corporate Taxation Equivalent (30%) [based on result before capital]	-	-	-
SURPLUS (DEFICIT) AFTER TAX	(123)	(1,452)	(55)
plus Opening Retained Profits	26,110	27,545	27,583
plus/less: Prior Period Adjustments	-	-	-
plus Adjustments for amounts unpaid:			
- Taxation equivalent payments	17	17	17
- Debt guarantee fees	-	-	-
- Corporate taxation equivalent	-	-	-
less:			
- Tax Equivalent Dividend paid	-	-	-
- Surplus dividend paid	-	-	-
Closing Retained Profits	26,004	26,110	27,545
Return on Capital %	-1.4%	-3.7%	-1.0%
Subsidy from Council	722	1,807	3,545
Calculation of dividend payable:			
Surplus (deficit) after tax	(123)	(1,452)	(55)
less: Capital grants and contributions (excluding developer contributions)	(268)	(355)	(6)
Surplus for dividend calculation purposes	-	-	-
Potential Dividend calculated from surplus	-	-	-

Richmond Valley Council

Income Statement of Council's Sewerage Business Activity
for the financial year ended 30 June 2010

\$ '000	Actual 2010	Actual 2009	Actual 2008
Income from continuing operations			
Access charges	5,166	4,727	4,555
User charges	782	1,058	826
Liquid Trade Waste Charges	-	-	-
Fees	5	4	10
Interest	528	573	706
Grants and contributions provided for non capital purposes	81	88	94
Profit from the sale of assets	-	-	-
Other income	-	-	-
Total income from continuing operations	6,562	6,451	6,193
Expenses from continuing operations			
Employee benefits and on-costs	967	871	865
Borrowing costs	762	1,276	826
Materials and contracts	1,781	2,114	1,714
Depreciation and impairment	1,635	1,569	1,539
Loss on sale of assets	141	493	2,480
Calculated taxation equivalents	16	16	16
Debt guarantee fee (if applicable)	67	11	487
Other expenses	206	842	561
Total expenses from continuing operations	5,575	7,193	8,488
Surplus (deficit) from Continuing Operations before capital amount	987	(742)	(2,295)
Grants and contributions provided for capital purposes	1,253	378	2,324
Surplus (deficit) from Continuing Operations after capital amounts	2,240	(364)	29
Surplus (deficit) from discontinued operations	-	-	-
Surplus (deficit) from ALL Operations before tax	2,240	(364)	29
less: Corporate Taxation Equivalent (30%) [based on result before capital]	(296)	-	-
SURPLUS (DEFICIT) AFTER TAX	1,944	(364)	29
plus Opening Retained Profits	33,856	34,193	33,661
plus/less: Prior Period Adjustments	-	-	-
plus Adjustments for amounts unpaid:			
- Taxation equivalent payments	16	16	16
- Debt guarantee fees	67	11	487
- Corporate taxation equivalent	296	-	-
less:			
- Tax Equivalent Dividend paid	-	-	-
- Surplus dividend paid	-	-	-
Closing Retained Profits	36,179	33,856	34,193
Return on Capital %	2.6%	0.8%	-2.3%
Subsidy from Council	-	742	5,540
Calculation of dividend payable:			
Surplus (deficit) after tax	1,944	(364)	29
less: Capital grants and contributions (excluding developer contributions)	(768)	(378)	(2,000)
Surplus for dividend calculation purposes	1,176	-	-
Potential Dividend calculated from surplus	588	-	-

Richmond Valley Council

Income Statement of Council's Other Business Activities

for the financial year ended 30 June 2010

\$ '000	Petersons Quarry		Woodview Quarry	
	Actual 2010	Actual 2009	Actual 2010	Actual 2009
Income from continuing operations				
Access charges	-	-	-	-
User charges	805	1,179	1,565	1,159
Fees	-	-	-	-
Interest	15	-	62	-
Grants and contributions provided for non capital purposes	3	-	-	-
Profit from the sale of assets	-	-	-	-
Other income	-	-	-	-
Total income from continuing operations	823	1,179	1,627	1,159
Expenses from continuing operations				
Employee benefits and on-costs	64	89	53	62
Borrowing costs	17	16	14	13
Materials and contracts	538	795	938	702
Depreciation and impairment	34	30	16	13
Loss on sale of assets	-	-	-	-
Calculated taxation equivalents	2	4	5	4
Debt guarantee fee (if applicable)	-	-	-	-
Other expenses	9	9	2	2
Total expenses from continuing operations	664	943	1,028	797
Surplus (deficit) from Continuing Operations before capital amount	159	236	599	362
Grants and contributions provided for capital purposes	-	-	-	-
Surplus (deficit) from Continuing Operations after capital amount:	159	236	599	362
Surplus (deficit) from discontinued operations	-	-	-	-
Surplus (deficit) from ALL Operations before tax	159	236	599	362
less: Corporate Taxation Equivalent (30%) [based on result before capital]	(48)	(71)	(180)	(109)
SURPLUS (DEFICIT) AFTER TAX	111	165	419	253
plus Opening Retained Profits	667	1,628	520	792
plus/less: Prior Period Adjustments	-	-	-	-
plus Adjustments for amounts unpaid:				
- Taxation equivalent payments	2	4	5	4
- Debt guarantee fees	-	-	-	-
- Corporate taxation equivalent	48	71	180	109
add:				
- Subsidy Paid/Contribution To Operations	41	-	272	-
less:				
- TER dividend paid	-	-	-	-
- Dividend paid	-	(1,201)	-	(638)
Closing Retained Profits	869	667	1,396	520
Return on Capital %	15.8%	23.1%	68.6%	42.0%
Subsidy from Council	-	-	-	-

Richmond Valley Council

Income Statement of Council's Other Business Activities

for the financial year ended 30 June 2010

\$ '000	Silver Sands Holiday Park		Bridge & Prestressing	
	Actual 2010	Actual 2009	Actual 2010	Actual 2009
Income from continuing operations				
Access charges	-	-	-	-
User charges	2,361	1,910	4,690	8,059
Fees	-	-	-	-
Interest	106	-	-	-
Grants and contributions provided for non capital purposes	18	-	-	-
Profit from the sale of assets	-	-	-	-
Other income	-	-	-	-
Total income from continuing operations	2,485	1,910	4,690	8,059
Expenses from continuing operations				
Employee benefits and on-costs	70	129	708	933
Borrowing costs	-	-	511	363
Materials and contracts	1,309	1,255	3,482	7,741
Depreciation and impairment	305	313	414	126
Loss on sale of assets	9	119	1	1
Calculated taxation equivalents	40	40	6	6
Debt guarantee fee (if applicable)	-	-	-	-
Other expenses	310	265	31	31
Total expenses from continuing operations	2,043	2,121	5,153	9,201
Surplus (deficit) from Continuing Operations before capital amount	442	(211)	(463)	(1,142)
Grants and contributions provided for capital purposes	-	-	-	-
Surplus (deficit) from Continuing Operations after capital amount:	442	(211)	(463)	(1,142)
Surplus (deficit) from discontinued operations	-	-	-	-
Surplus (deficit) from ALL Operations before tax	442	(211)	(463)	(1,142)
less: Corporate Taxation Equivalent (30%) [based on result before capital]	(133)	-	-	-
SURPLUS (DEFICIT) AFTER TAX	309	(211)	(463)	(1,142)
plus Opening Retained Profits	6,430	6,770	814	1,588
plus/less: Prior Period Adjustments	-	-	-	-
plus Adjustments for amounts unpaid:				
- Taxation equivalent payments	40	40	6	6
- Debt guarantee fees	-	-	-	-
- Corporate taxation equivalent	133	-	-	-
add:				
- Subsidy Paid/Contribution To Operations	-	-	511	362
less:				
- TER dividend paid	-	-	-	-
- Dividend paid	(442)	(169)	-	-
Closing Retained Profits	6,470	6,430	868	814
Return on Capital %	5.2%	-2.5%	1.4%	-21.4%
Subsidy from Council	836	1,484	627	1,509

Richmond Valley Council

Balance Sheet of Council's Water Supply Business Activity

as at 30 June 2009

\$ '000	Actual 2010	Actual 2009
ASSETS		
Current Assets		
Cash and cash equivalents	-	-
Investments	3,888	4,127
Receivables	1,475	1,468
Inventories	-	-
Other	1	1
Non-current assets classified as held for sale	-	-
Total Current Assets	5,364	5,597
Non-Current Assets		
Investments	-	-
Receivables	4	6
Inventories	-	-
Infrastructure, property, plant and equipment	50,241	48,704
Investments accounted for using equity method	-	-
Investment property	-	-
Other	-	-
Total non-Current Assets	50,245	48,710
TOTAL ASSETS	55,609	54,307
LIABILITIES		
Current Liabilities		
Bank Overdraft	-	-
Payables	19	15
Interest bearing liabilities	-	-
Provisions	-	-
Total Current Liabilities	19	15
Non-Current Liabilities		
Payables	-	-
Interest bearing liabilities	-	-
Provisions	-	-
Total Non-Current Liabilities	-	-
TOTAL LIABILITIES	19	15
NET ASSETS	55,590	54,292
EQUITY		
Retained earnings	26,004	26,109
Revaluation reserves	29,586	28,183
Council equity interest	55,590	54,292
Minority equity interest	-	-
TOTAL EQUITY	55,590	54,292

Richmond Valley Council

Balance Sheet of Council's Sewerage Business Activity

as at 30 June 2009

\$ '000	Actual 2010	Actual 2009
ASSETS		
Current Assets		
Cash and cash equivalents	-	-
Investments	9,932	13,913
Receivables	2,083	2,372
Inventories	-	-
Other	1	10
Non-current assets classified as held for sale	-	-
Total Current Assets	12,016	16,295
Non-Current Assets		
Investments	-	-
Receivables	5	31
Inventories	-	-
Infrastructure, property, plant and equipment	68,092	66,163
Investments accounted for using equity method	-	-
Investment property	-	-
Other	-	-
Total non-Current Assets	68,097	66,194
TOTAL ASSETS	80,113	82,489
LIABILITIES		
Current Liabilities		
Bank Overdraft	-	-
Payables	196	433
Interest bearing liabilities	401	6,318
Provisions	-	-
Total Current Liabilities	597	6,751
Non-Current Liabilities		
Payables	214	214
Interest bearing liabilities	10,990	11,392
Provisions	-	-
Total Non-Current Liabilities	11,204	11,606
TOTAL LIABILITIES	11,801	18,357
NET ASSETS	68,312	64,132
EQUITY		
Retained earnings	36,179	33,856
Revaluation reserves	32,133	30,277
Council equity interest	68,312	64,132
Minority equity interest	-	-
TOTAL EQUITY	68,312	64,132

Richmond Valley Council

Balance Sheet of Council's Other Business Activities

as at 30 June 2009

\$ '000	Petersons Quarry		Woodview Quarry	
	Category 2		Category 2	
	Actual 2010	Actual 2009	Actual 2010	Actual 2009
ASSETS				
Current Assets				
Cash and cash equivalents	-	-	-	-
Investments	216	-	902	-
Receivables	-	-	-	-
Inventories	-	-	-	-
Other	-	-	-	-
Non-current assets classified as held for sale	-	-	-	-
Total Current Assets	216	-	902	-
Non-Current Assets				
Investments	-	-	-	-
Receivables	-	-	-	-
Inventories	-	-	-	-
Infrastructure, property, plant and equipment	1,117	1,096	894	892
Investments accounted for using equity method	-	-	-	-
Investment property	-	-	-	-
Other	-	-	-	-
Total Non-Current Assets	1,117	1,096	894	892
TOTAL ASSETS	1,333	1,096	1,796	892
LIABILITIES				
Current Liabilities				
Payables	-	-	-	-
Interest bearing liabilities	-	-	-	-
Provisions	-	-	-	-
Total Current Liabilities	-	-	-	-
Non-Current Liabilities				
Payables	-	-	-	-
Interest bearing liabilities	-	-	-	-
Provisions	336	301	269	241
Other Liabilities	-	-	-	-
Total Non-Current Liabilities	336	301	269	241
TOTAL LIABILITIES	336	301	269	241
NET ASSETS	997	795	1,527	651
EQUITY				
Retained earnings	869	667	1,396	521
Revaluation reserves	128	128	131	131
Council equity interest	997	795	1,527	651
Minority equity interest	-	-	-	-
TOTAL EQUITY	997	795	1,527	651

Richmond Valley Council

Balance Sheet of Council's Other Business Activities

as at 30 June 2009

	Silver Sands Holiday Park		Bridge & Prestressing	
	Category 2		Category 2	
\$ '000	Actual 2010	Actual 2009	Actual 2010	Actual 2009
ASSETS				
Current Assets				
Cash and cash equivalents	-	-	-	-
Investments	1,527	1,516	-	-
Receivables	-	-	1,020	1,978
Inventories	-	-	-	161
Other	-	-	-	-
Non-current assets classified as held for sale	-	-	-	-
Total Current Assets	1,527	1,516	1,020	2,139
Non-Current Assets				
Investments	-	-	-	-
Receivables	-	-	-	-
Inventories	-	-	-	-
Infrastructure, property, plant and equipment	8,522	8,490	3,377	3,649
Investments accounted for using equity method	-	-	-	-
Investment property	-	-	-	-
Other	-	-	-	-
Total Non-Current Assets	8,522	8,490	3,377	3,649
TOTAL ASSETS	10,049	10,007	4,397	5,788
LIABILITIES				
Current Liabilities				
Payables	258	254	3,074	4,519
Interest bearing liabilities	-	-	-	-
Provisions	-	-	-	-
Total Current Liabilities	258	254	3,074	4,519
Non-Current Liabilities				
Payables	-	-	-	-
Interest bearing liabilities	-	-	-	-
Provisions	-	-	-	-
Other Liabilities	-	-	-	-
Total Non-Current Liabilities	-	-	-	-
TOTAL LIABILITIES	258	254	3,074	4,519
NET ASSETS	9,791	9,753	1,323	1,269
EQUITY				
Retained earnings	6,470	6,432	868	814
Revaluation reserves	3,321	3,321	455	455
Council equity interest	9,791	9,753	1,323	1,269
Minority equity interest	-	-	-	-
TOTAL EQUITY	9,791	9,753	1,323	1,269

Richmond Valley Council

Special Purpose Financial Statements

for the financial year ended 30 June 2010

Contents of the Notes accompanying the Financial Statements

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1	Summary of Significant Accounting Policies	10
2	Water Supply Business Best Practice Management disclosure requirements	13
3	Sewerage Business Best Practice Management disclosure requirements	15

Richmond Valley Council

Notes to the Special Purpose Financial Statements

for the financial year ended 30 June 2010

Note 1. Significant Accounting Policies

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

For the purposes of these statements, the Council's business activities (reported herein) are not reporting entities.

These special purpose financial statements, unless otherwise stated, have been prepared in accordance with;

- § applicable Australian Accounting Standards,
- § other authoritative pronouncements of the Australian Accounting Standards Board,
- § Australian Accounting Interpretations,
- § the Local Government Act and Regulation, and
- § the Local Government Code of Accounting Practice and Financial Reporting.

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

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

National Competition Policy

Council has adopted the principle of 'competitive neutrality' to its business activities as part of the national competition policy which is being applied throughout Australia at all levels of government.

The framework for its application is set out in the June 1996 Government Policy statement on the "Application of National Competition Policy to Local Government".

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

The pricing & costing guidelines outline the process for identifying and allocating costs to activities and provide a standard of 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 & Costing for Council Businesses - A Guide to Competitive Neutrality*, Council has declared that the following are to be considered as business activities:

Category 1

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

a. Water Supplies

Comprising the whole of the operations and assets of the water supply systems, which service the towns of Broadwater, Casino, Coraki, Evans Head and Woodburn.

b. Sewerage Services

Comprising the whole of the operations and assets of the sewerage reticulation and treatment systems, which service the towns of Casino, Coraki, Evans Head, Rileys Hill and Woodburn.

Category 2

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

a. Petersons Quarry

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

b. Woodview Quarry

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

c. Bridge Construction and Pre-Stressing Works

Providing bridge construction and prestressed concrete products for Council's construction and external sale that provides Council with an alternative source of income.

d. Silver Sands Holiday Park (SSHP)

Situated at Evans Head, SSHP provides tourists and long-term residents with a well maintained, quality caravan park and camping area. Situated on Crown Land, Council as the Reserve Trust manager, is charged with the care, control and

Richmond Valley Council

Notes to the Special Purpose Financial Statements

for the financial year ended 30 June 2010

Note 1. Significant Accounting Policies (continued)

management of the Reserve and Caravan Park. It is a separate legal entity constituted under Section 92 of the Crown Lands Act. Income and assets are those of the Reserve Trust, not Council. These are disclosed as restricted assets in the notes to the General Purpose Financial Statements.

Monetary Amounts

Amounts shown in the financial statements are in Australian currency and rounded to the nearest one thousand dollars, with the exception of some figures disclosed in Note 2 (Water Supply Best Practice Management Disclosures) and Note 3 (Sewerage Best Practice Management Disclosures).

As required by the NSW Office of Water (Department of Environment, Climate Change and Water) some amounts shown in Notes 2 and Note 3 are disclosed in whole dollars.

(i) Taxation Equivalent Charges

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

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

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

Notional Rate Applied %

Corporate Income Tax Rate – 30%

Land Tax – The first **\$376,000** of combined land values attracts **0%**. From \$376,001 to \$2,299,000 the rate is **1.6% + \$100**. For the remaining combined land value that exceeds \$2,299,000, a premium marginal rate of **2.0%** applies.

Payroll Tax – **5.65%** on the value of taxable salaries and wages in excess of \$638,000.

In accordance with the guidelines for Best Practice Management of Water Supply and Sewerage, a payment for the amount calculated as the annual tax equivalent charges (excluding income tax) must be paid from Water Supply and Sewerage Business activities.

The payment of taxation equivalent charges, referred in the Best Practice Management of Water Supply and Sewerage Guides to as a "Dividend for Taxation equivalent", may be applied for any purpose allowed under the Local Government Act, 1993.

Achievement of substantial compliance against the guidelines for Best Practice Management of Water Supply and Sewerage 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.

Whilst income tax is not a specific cost for the purpose of pricing a good or service, it needs to be taken into account of 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 positive gain/(loss) from ordinary activities before capital amounts has been achieved.

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

The rate applied of 30% is the equivalent company tax rate prevalent as at balance date. No adjustments

Richmond Valley Council

Notes to the Special Purpose Financial Statements

for the financial year ended 30 June 2010

Note 1. Significant Accounting Policies (continued)

have been made for variations that have occurred during the year.

Local Government Rates & 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 & 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 the council's borrowing rate for its business activities.

(ii) Subsidies

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

Subsidies occur where 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 the council in any given financial year.

The overall effect of subsidies is contained within the Income Statement of Business Activities.

(iii) Return on Investments (Rate of Return)

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

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

(iv) Dividends

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

Local Government Water Supply and Sewerage Businesses are permitted to pay an annual dividend from its water supply or sewerage business surplus.

The dividend, calculated and approved in accordance with the Best Practice Management Guidelines, must not exceed either (i) 50% of this surplus in any one year, or (ii) the number of water supply or sewerage assessments at 30 June 2010 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

In accordance with the guidelines for Best Practice Management of Water Supply and Sewerage, a Dividend Payment form, Statement of Compliance, Unqualified Independent Financial Audit Report and Compliance Audit Report are required to be submitted to the NSW Office of Water prior to making the dividend and only after it has approved its payment.

Richmond Valley Council

Notes to the Special Purpose Financial Statements for the financial year ended 30 June 2010

Note 2. Water Supply Business Best Practice Management disclosure requirements

Dollars Amounts shown below are in WHOLE DOLLARS (unless otherwise indicated)

2010

1. Calculation and Payment of Tax-Equivalents

[All Local Government Local Water Utilities must pay this dividend for tax-equivalents]

(i) Calculated Tax Equivalents	17,000
(ii) No of assessments multiplied by \$3/assessment	21,693
(iii) Amounts payable for Tax Equivalents [lesser of (i) and (ii)]	17,000
(iv) Amounts actually paid for Tax Equivalents	

2. Dividend from Surplus

(i) 50% of Surplus before Dividends [Calculated in accordance with Best Practice Management for Water Supply and Sewerage Guidelines]	-
(ii) No. of assessments multiplied by \$30/assessment, less tax equivalent charges/assessment	199,930
(iii) Cumulative surplus before Dividends for the 3 years to 30 June 2010, less the cumulative dividends paid for the 2 years to 30 June 2008	(2,259,775)

2010 Surplus	(391,331)	2009 Surplus	(1,807,102)	2008 Surplus	(61,342)
		2009 Dividend	-	2008 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]	

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]	
(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)	NO
(vi) a. Integrated Water Cycle Management Evaluation	YES
b. Complete and implement Integrated Water Cycle Management Strategy	YES

Richmond Valley Council

Notes to the Special Purpose Financial Statements for the financial year ended 30 June 2010

Note 2. Water Supply Business Best Practice Management disclosure requirements (continued)

Dollars Amounts shown below are in WHOLE DOLLARS (unless otherwise indicated) 2010

National Water Initiative (NWI) Financial Performance Indicators

NWI F1	Total Revenue (Water) Total Income (w13) - Grants for the Acquisition of Assets (w11a) - Interest Income (w9)	\$'000	5,170
NWI F4	Revenue from Residential Usage Charges (Water) Income from Residential Usage Charges (w6b) x 100 divided by the sum of [Income from Residential Usage Charges (w6a) + Income from Residential Access Charges (w6b)]	%	78.58%
NWI F9	Written Down Replacement Cost of Fixed Assets (Water) Written down current cost of system assets (w47)	\$'000	50,230
NWI F11	Operating Cost (OMA) (Water) Management Expenses (w1) + Operational & Maintenance Expenses (w2)	\$'000	3,662
NWI F14	Capital Expenditure (Water) Acquisition of fixed assets (w16)	\$'000	1,628
NWI F17	Economic Real Rate of Return (Water) [Total Income (w13) - Interest Income (w9) - Grants for acquisition of assets (w11a) - Operating Costs (NWI F11) - Current Cost Depreciation (w3)] x 100 divided by [Written Down Current Cost of System Assets (w47) + Plant & Equipment (w33b)]	%	0.53%
NWI F26	Capital Works Grants (Water) Grants for the Acquisition of Assets (w11a)	\$'000	-

- Notes:
1. References to w (eg. w12) refer to item numbers within Special Schedules No. 3 & 4 of Council's Annual Financial Statements.
 2. The NWI Performance Indicators are based upon the National Performance Framework Handbook for Urban Performance Reporting Indicators & Definitions.

Richmond Valley Council

Notes to the Special Purpose Financial Statements for the financial year ended 30 June 2010

Note 3. Sewerage Business Best Practice Management disclosure requirements

Dollars Amounts shown below are in WHOLE DOLLARS (unless otherwise indicated)

2010

1. Calculation and Payment of Tax-Equivalents

[All Local Government Local Water Utilities must pay this dividend for tax-equivalents]

(i) Calculated Tax Equivalents	83,000
(ii) No of assessments multiplied by \$3/assessment	20,493
(iii) Amounts payable for Tax Equivalents [lesser of (i) and (ii)]	20,493
(iv) Amounts actually paid for Tax Equivalents	

2. Dividend from Surplus

(i) 50% of Surplus before Dividends [Calculated in accordance with Best Practice Management for Water Supply and Sewerage Guidelines]	587,913
(ii) No. of assessments x (\$30 less tax equivalent charges per assessment)	184,437
(iii) Cumulative surplus before dividends for the 3 years to 30 June 2010, less the cumulative dividends paid for the 2 years to 30 June 2008	(1,537,999)

2010 Surplus	1,175,827	2009 Surplus	(742,404)	2008 Surplus	(1,971,422)
		2009 Dividend	-	2008 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]	

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 & Policy [Item 2(f) in Table 1]	YES
(iii) Complete Performance Reporting Form (by 15 September each year)	NO
(iv) a. Integrated Water Cycle Management Evaluation	YES
b. Complete and implement Integrated Water Cycle Management Strategy	YES

Richmond Valley Council

Notes to the Special Purpose Financial Statements for the financial year ended 30 June 2010

Note 3. Sewerage Business Best Practice Management disclosure requirements (continued)

Dollars Amounts shown below are in WHOLE DOLLARS (unless otherwise indicated) 2010

National Water Initiative (NWI) Financial Performance Indicators

NWI F2	Total Revenue (Sewerage) Total Income (s14) - Grants for Acquisition of Assets (s12a) - Interest Income (s10)	\$'000	6,859
NWI F10	Written Down Replacement Cost of Fixed Assets (Sewerage) Written down current cost of system assets (s48)	\$'000	64,378
NWI F12	Operating Cost (Sewerage) Management Expenses (s1) + Operational & Maintenance Expenses (s2)	\$'000	2,953
NWI F15	Capital Expenditure (Sewerage) Acquisition of Fixed Assets (s17)	\$'000	1,462
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 (ie. WDC) of System Assets (s48) + Plant & Equipment (s34b)]	%	3.52%
NWI F27	Capital Works Grants (Sewerage) Grants for the Acquisition of Assets (12a)	\$'000	463

National Water Initiative (NWI) Financial Performance Indicators Water & Sewer (combined)

NWI F3	Total Income (Water & 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	11,305
NWI F8	Revenue from Community Service Obligations (Water & Sewerage) Community Service Obligations (NWI F25) x 100 divided by Total Income (NWI F3)	%	1.37%
NWI F16	Capital Expenditure (Water & Sewerage) Acquisition of Fixed Assets (w16 + s17)	\$'000	3,090
NWI F19	Economic Real Rate of Return (Water & 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 & equipment (w33b + s34b)]	%	2.21%
NWI F20	Dividend (Water & Sewerage) Dividend paid from surplus (2(v) of Note 2 + 2(v) of Note 3)	\$'000	-
NWI F21	Dividend Payout Ratio (Water & Sewerage) Dividend (NWI F20) x 100 divided by Net Profit after tax (NWI F24)	%	0.00%

Richmond Valley Council

Notes to the Special Purpose Financial Statements for the financial year ended 30 June 2010

Note 3. Sewerage Business Best Practice Management disclosure requirements (continued)

Dollars Amounts shown below are in WHOLE DOLLARS (unless otherwise indicated) 2010

National Water Initiative (NWI) Financial Performance Indicators Water & Sewer (combined)

NWI F22	Net Debt to Equity (Water & Sewerage) Overdraft (w36 + s37) + Borrowings (w38 + s39) - Cash & Investments (w30 + s31) x 100 divided by [Total Assets (w35 + s36) - Total Liabilities (w40 + s41)]	%	-1.96%
NWI F23	Interest Cover (Water & Sewerage) Earnings before Interest & Tax (EBIT) divided by Net Interest Earnings before Interest & Tax (EBIT): 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: Interest Expense (w4a + s4a) - Interest Income (w9 + s10)		44
NWI F24	Net Profit After Tax (Water & Sewerage) Surplus before dividends (w15a + s16a) - Tax equivalents paid (Note 2-1(iv) + Note 3-1(iv))	\$'000	1,754
NWI F25	Community Service Obligations (Water & Sewerage) Grants for Pensioner Rebates (w11b + s12b)	\$'000	155

- Notes:
- References to w (eg. s12) refer to item numbers within Special Schedules No. 5 & 6 of Council's Annual Financial Statements.
 - The NWI Performance Indicators are based upon the National Performance Framework Handbook for Urban Performance Reporting Indicators & Definitions.

**RICHMOND VALLEY COUNCIL
SPECIAL PURPOSE FINANCIAL STATEMENTS
INDEPENDENT AUDIT REPORT**

Matters Relating to the Electronic Presentation of the Audited Financial Statements

This audit report relates to the special purpose financial statements of Richmond Valley Council (the Council), for the year ended 30 June 2010 included on Council's website. The Council is responsible for the integrity of its website. We have not been engaged to report on the integrity of the Council's website. The audit report refers only to the statements named below. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements.

If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial statements to confirm the information included in the audited financial statements presented on this website.

Report on the Financial Statements

We have audited the accompanying special purpose financial statements of the Council, which comprises the balance sheet as at 30 June 2010, the income statement for the year then ended, a summary of significant accounting policies, other explanatory notes and the statement by Councillors' and Management.

Councils' Responsibility for the Financial Statements

The Council is responsible for the preparation and fair presentation of the financial statements in accordance with the Local Government Act 1993 and has determined that the accounting policies described in note 1 to the financial statements, which form part of the financial statements, are appropriate to meet the financial reporting requirements of Division of Local Government. The Council's responsibility also includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. No opinion is expressed as to whether the accounting policies used, as described in Note 1, are appropriate to meet the Council's financial reporting obligations. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement. Our audit responsibility does not extend to the best practice management disclosures in note 2 and note 3, and accordingly, we do not express an opinion on such.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Council's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Council, as well as evaluating the overall presentation of the financial statements.



The financial statements have been prepared for distribution to the Council and the Division of Local Government for the purpose of fulfilling the requirements of National Competition Policy reporting. We disclaim any assumption of responsibility for any reliance on this report or on the financial statements to which it relates to any person other than the Council or the Division of Local Government, or for any purpose other than that for which it was prepared.

Our audit did not include an analysis of the prudence of business decisions made by Council or management.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the Australian professional accounting bodies.

Audit Opinion

In our opinion, the special purpose financial statements of Richmond Valley Council:

- (a) Have been prepared in accordance with the requirements of those applicable Accounting Standards detailed in note 1 and the Local Government Code of Accounting Practice and Financial Reporting;
- (b) Are consistent with the Council's accounting records; and
- (c) Present fairly, in all material respects, the financial position of Council's nominated Business Activities as at 30 June 2010 and the results of their operations for the year then ended.

**THOMAS NOBLE & RUSSELL
CHARTERED ACCOUNTANTS**

A handwritten signature in black ink, appearing to read 'D H SINGH', written over a horizontal dotted line.

D H SINGH (Partner)
Registered Company Auditor

Dated at Lismore this 19th day of October 2010.