



## Extra-Ordinary Meeting

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An EXTRA-ORDINARY MEETING of LISMORE CITY COUNCIL will be held at the COUNCIL CHAMBERS, Oliver Avenue, GOONELLABAH on  
**October 30, 2007 at 6.00pm**  
and members of Council are requested to attend.

Paul G. O'Sullivan  
**General Manager**

October 24, 2007



# Agenda

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Opening of Meeting and Prayer (Mayor)

Apologies and Leave of Absence

Disclosure of Interest

Public Access Session

Public Question Time

Condolences

Reports

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# Strategic Plan Summary

## Lismore regional city

STRATEGIC PRIORITY	AIMS	INITIATIVES
<b>Economic Development</b>	To build Lismore's reputation as a regional city for residents, businesses, education providers, health services and government.	<ul style="list-style-type: none"> <li>▶ Champion education</li> <li>▶ Promote health facilities</li> <li>▶ Support regional agriculture</li> <li>▶ Promote cultural life</li> <li>▶ Promote Lismore as a legal centre</li> <li>▶ Support for sport</li> </ul>
	To increase regional economic development, tourism and job-creating investments.	<ul style="list-style-type: none"> <li>▶ Promote regional development</li> <li>▶ Develop tourism</li> <li>▶ Support businesses</li> <li>▶ Pursue CBD revitalisation</li> <li>▶ Assist in job creation</li> <li>▶ Assist in creating new income opportunities</li> </ul>
<b>Quality of Life</b>	To make Lismore a safe, healthy and caring community in which to live.	<ul style="list-style-type: none"> <li>▶ Increase social cohesion</li> <li>▶ Support villages</li> <li>▶ Provide community services</li> <li>▶ Encourage sustainable development</li> <li>▶ Promote recreation and leisure</li> </ul>
<b>Leadership by Innovation</b>	To lead the region by demonstrating innovative practices in governance, customer service, communication, consultation, virtual amalgamation and financial management.	<ul style="list-style-type: none"> <li>▶ Lead the region</li> <li>▶ Increase revenue from grants</li> <li>▶ Improve customer service</li> <li>▶ Consult the community</li> <li>▶ Update technology</li> <li>▶ Provide user pays services</li> <li>▶ Privatise selected services</li> <li>▶ Share assets and resources</li> </ul>
<b>Natural Environment</b>	To preserve and rehabilitate Lismore's natural environment.	<ul style="list-style-type: none"> <li>▶ Provide sustainable land use planning</li> <li>▶ Improve catchment management</li> <li>▶ Conserve and repair the environment</li> </ul>
<b>Infrastructure</b>	To further enhance Lismore's transportation, parking and pedestrian networks.	<ul style="list-style-type: none"> <li>▶ Improve transport systems</li> <li>▶ Improve roads, cycleways and footpaths</li> <li>▶ Assist with public transport</li> <li>▶ Assist airport operations</li> <li>▶ Support fleet operations</li> </ul>
<b>Water and Waste Cycle</b>	To educate our community and lead the state in water and waste-cycle management.	<ul style="list-style-type: none"> <li>▶ Manage stormwater drainage systems</li> <li>▶ Manage water and sewage</li> <li>▶ Manage the waste stream and reduce waste</li> </ul>

# Report

<b>Subject</b>	<b>2006/07 Reserves (Internally Restricted Assets)</b>
<b>File No</b>	S929
<b>Prepared by</b>	Principal Accountant
<b>Reason</b>	In accordance with Policy 1.5.10
<b>Objective</b>	To inform Council of reserve movements and balances for the financial year 2006/07
<b>Strategic Plan Link</b>	Leadership by Innovation
<b>Management Plan Activity</b>	Various

## Overview of Report

As at June 30, 2007, reserves total \$18,006,597, comprising \$14,855,697 held as cash reserves and \$3,150,900 as working capital reserves. The working capital portion represents amounts that were held as outstanding debtors as at the June 30, 2007 but which form part of the operating result for 2007. There has been an over all decrease in reserves from 2005/06 of \$2,038,533. The reserves are held in general and sewerage funds being \$11.079 million and \$6.928 million respectively.

After deducting restricted (Section 64) funds, there are no unrestricted cash reserves held in water fund. This situation is part attributable to water fund having approximately \$1.07 million in outstanding debtors at June 30. A concerted effort to recover all debts is in train and this will result in a large proportion of this amount and other working capital being converted to cash.

All reserves held at June 30, 2007 are deemed to be at an appropriate level given that they are either within a suitable range of the nominated funding level, are for a specific purpose or the variance is manageable.

As well as providing Council with the reserves information, the opportunity was taken to review and update the policy. The recommended changes are minor and have been highlighted.

## Background

Policy 1.5.10 - Reserves (Internally Restricted Assets) requires a separate annual report to be submitted to Council each year detailing all movements, appropriate levels and clarification as to needs, for reserves. This report has been prepared to meet that requirement for 2006/07.

As at June 30, 2007, reserves totalled \$18,006,597, comprising \$14,855,697 held as cash reserves and \$3,150,900 as working capital reserves. The working capital portion represents amounts that were held as outstanding debtors as at the June 30, 2007 but which form part of the operating result for 2007. The working capital amount is affected by both cash inflows and outflows and therefore fluctuates depending on when it is calculated. At June 30, 2007, the working capital was affected by a reduction in creditors at balance date by \$2.5 million and a \$1million increase in debtors compared to June 30, 2006. This means that more cash was utilised to reduce commitments or revenue was held in debtors.

There has been an overall net decrease in reserves from 2005/06 of \$2,038,533. The reserves are held in general and sewerage funds being \$11.079 million and \$6.928 million respectively.

For 2006/07, in accordance with the policy, interest was applied to the 'average' reserve balance held for the year unless the amount held is specific, or only created during 2006/07, or have specific holding requirements. The interest rate for water and sewer reserves is based on the average return on Council's investment portfolio, 6.39%, with CPI used as the base for all other reserves, the movement for 2006/07 was 1.75%. This equates to \$705,300 for general fund.

All reserves held at June 30, 2007 are deemed to be at an appropriate level given that they are either within a suitable range of the nominated funding level or are for a specific purpose or the variance is manageable.

In regards to the appropriate level of individual reserves, it is important to note that Council resolved to develop the Airport Industrial Estate and construct Krauss Avenue in 2005 using reserves as a funding source. At June 30, 2007, approximately \$5.1 million remains invested in the development and therefore equivalent funding has been deducted from the following reserves:-

Plant Operations	\$4,801,600
Other Waste Management	\$ 314,500

On the sale of the developed industrial land, the reserves will be reimbursed. Should at any time these reserves require unplanned access to their funds, other reserves will be used for this short term internal loan funding purpose.

Detailed below is a commentary on individual reserves with balances and this should be read in conjunction with the reserves summary, which shows the opening balance at July 1, 2006, movement for the year and closing balance at June 30, 2007, and the reserves policy, which states the objective, methodology and funding level for each reserve as well as some minor changes, both of which are attached.

## Corporate Support – Balance \$200,300

This reserve includes amounts of \$77,600 (\$25,000 reserved each year) for Election Expenses and \$122,700 for Risk Management funded from insurance premium refunds.

The risk management component is used to support initiatives which potentially reduce future insurance claims or costs and fund uninsured costs associated with a claim if required. For the 2007/08 Budget, funding from this reserve has been used for an external assessment of Councils buildings.

## Staff Development – Balance \$19,400

This reserve was carried forward from 2005/06 and represents rebates received from insurances and is used to support OH&S initiatives.

## Special Projects – Balance \$402,600

This reserve includes funding for specific projects with the major items being the Mayoral Scholarship \$25,000 and Southern Cross University market research \$23,600. An amount of \$313,900 has also been reserved from the 2006/07 operating result and has been applied to the 2007/08 Budget in accordance with the 2007/08 Management Plan.

## Legal Expenses – Balance \$49,900

The legal expenses component is used to offset actual legal costs in years that they exceed the provided budget. The suggested maximum amount held for legal expenses at any one time is equivalent to 100% of the recurrent budget which for 2007/08 is \$115,000.

### Employee Leave Entitlements – Balance \$750,300

The current value of employee leave entitlements in general fund as at June 30, 2007 is \$3.866 million. Based on the reserve balance of \$750,300, they are approximately 19% cash funded. This level of cash funding is below the policy level of 30% (\$1,159,800). This position is primarily attributed to the payment of an internal loan for the Administration Telephony System (\$198,100) in 2005/06 from this reserve. The shortfall is manageable given the internal loan component will be repaid in five years and the demands on this reserve are long term. Reviewing oncost rates and employee oncost related expenses will be targeted to increase this percentage to the 30% target over time.

### Flood Mitigation – Balance \$267,100

This reserve is used to part fund Council's contribution towards the Lismore Flood Levee Scheme. They will be matched with unexpended loans to meet Council's contribution.

### Other Waste Management – Balance \$498,700

This reserve comprises funds held for the Wyrallah Road Waste Facility \$304,000, Nimbin Transfer Station \$7,800 and the non domestic or 'commercial' waste collection service of \$186,900. The amount reported for the Wyrallah Road Waste Facility is reduced by short term internal funding of \$314,500 used to fund Council's Airport Industrial Estate development and extension of Krauss Avenue. If the internal funding was not required, the Wyrallah Road Waste Facility operating reserve would be \$618,500.

The Wyrallah Road Waste Facility funds will be used to construct the resource recovery facility during 2007/08.

### Domestic Waste Management – Balance \$173,300

This reserve represents the surplus funds held after all expenses associated with Domestic Waste Management are deducted. It can only be used for Domestic Waste Management purposes.

### Parks and Recreation – Balance \$628,800

The following is a list of the major components included in this reserve: -

Name and Description	Amount
<b>CBD Toilet Block</b> – This project is carried forward into the 2007/08 Budget.	67,400
<b>Rural Sportsground Development</b>	18,400
<b>Shearman Park</b> - Carried forward from 2004/05	28,800
<b>Tree Master Plan</b>	14,900
<b>Shade Strategy – Heritage Park</b>	16,300
<b>Urban Sportsground Development – Projects</b>	
Lighting Audit	11,000
Goonellabah Soccer Club - Fencing	10,500
Richmond Soccer Club - Lights	26,800
South Lismore Soccer Club – Lights	20,000
Lismore Athletics - Improvements	11,000
Lismore Basketball Stadium - Toilets	36,100
Goonellabah Soccer Club - Lights	20,000
Riverview Park - Lighting	65,200
Crozier Oval – Lights	63,200
<b>Section 94 Plan Contributions - Open Space</b> – The funds are to be used to match contributions received as part of the 2004 Recreation and Community Services Section 94 Plan with \$41,600 specifically held for Coronation Park.	205,900

### Waste Minimisation – Balance \$42,900

This reserve represents the surplus funds held after all expenses associated with waste minimisation initiatives are deducted from the waste minimisation charge.

### Plant Operations – Balance \$0

The amount reported is reduced by a short term internal loan of \$4,801,600 used to fund Council's Airport Industrial Estate development and extension of Krauss Avenue. If the internal funding was not required, the plant operating reserve would be \$4,801,600 represented by:-

Program	Amount
Bridge	553,600
Crematorium and Lawn Cemetery	80,900
Parks and Recreation	247,500
Quarry	679,500
Road	2,573,900
Waste	360,500
Workshop	305,700

The Plant reserve reflects the accumulated surplus from operations after purchases and sales of bridge, motor vehicle, crematorium, park, quarry, road, waste and workshop plant. These funds are used to meet plant replacement program funding requirements.

### Sporting Grounds – Balance \$36,400

The Nesbitt Park component of \$32,400 accounts for the majority of this reserve. These funds are for future development at this ground.

### Quarry Management – Balance \$33,200

The reserve in total is \$1,232,600 and includes a working capital portion of \$1,198,400, being amounts held as debtors as 30 June 2007 with the remaining \$33,200 being held as cash reserves. The amount held as debtors will be received in 2007/08 and will increase the cash portion of reserves held.

The reserve includes the accumulated surplus from operations and deductions for capital works for Northern Rivers Quarry and Asphalt \$1,199,400 and Cassons Quarry Rehabilitation \$33,200. These funds will be applied to the development, enhancement and rehabilitation of approved gravel quarries.

In regards to the Northern Rivers Quarry & Asphalt component, a contribution of \$855,000 for the replacement of the Corporate Information System (\$600,000) and air conditioning replacement and lift upgrade at the Corporate Centre (\$215,000), in 2006/07.

### Property Management – Balance \$470,500

The reserve comprises a number of components including industrial and residential land development, shops and offices, asset management and the Nimbin Pool. The balance as at June 30 is for the Nimbin Pool \$18,400, Asset Management \$442,800 and Commercial Properties \$9,300.

The Asset Management reserve includes funding for specific projects with the major items being:- the Nimbin Caravan Caretakers residence \$59,000, air conditioner upgrade and functional improvements for the Corporate Centre \$190,000 and Property Valuations \$134,000.

### Transportation Infrastructure – Balance \$773,200

The reserve in total is \$2,724,700 and includes a working capital portion of \$1,951,500, being amounts payable by the RTA June 30, 2007 for completed works. The amount owed by the RTA will be received in 2007/08 and will increase the cash portion of this reserve and will be applied as detailed below.

The following is a list of the major components of this reserve:-

Name and Description	Amount
<b>DA Contributions to Works</b> – This relates to contributions received from developers for Council to complete specific works associated with development consent.	185,500
<b>Contractors Reserve</b> – Council bids for specific RTA work on a contract basis with the view to generating a profit. The profit generated is transferred to this reserve for road related works. Due to the nature of contracting, at times a loss can be generated and this reserve is used to mitigate Council's exposure to these situations.	380,200
<b>Drainage</b> – drainage works	72,400
<b>Road Reconstruction</b> – As has been the case in previous years, funds predominantly for capital works were not spent by June 30, primarily due to the availability of RTA funds such as for flood repairs. The decision to complete RTA works first has resulted in Council projects being carried forward to 2007/08.	1,951,500
<b>Special Business Rate - Security</b> – Accumulated funds raised by the CBD special business rate and dedicated to the CitySafe program, not expended at June 30.	41,300
<b>Car Parking – Kerb Side Dining</b> – Fees collected from kerbside dining licenses that are to be expended on the provision of car parking spaces in the CBD.	49,100
<b>CBD Street Lighting</b> – Funds held for works associated with major developments in the CBD.	19,900

### Wastewater Services – Balance \$6,928,207

The balance reflects the net cash position of the fund to June 30 and will be used with all other revenues to operate, manage and maintain a high quality wastewater service.

Given the need and demand for significant capital works, such as Clunes Sewerage, it is likely that the majority of these funds will be utilised in the short to medium term

### Water Services – Balance \$0

After deducting restricted (Section 64) funds, there are no unrestricted cash reserves held in water fund. This situation is in part attributable to water fund having approximately \$1.07 million in outstanding debtors at June 30. A concerted effort to recover all debts is in train and this will result in a large proportion of this amount and other working capital being converted to cash.

### Planning Studies – Balance \$692,300

The main item included in this category is \$167,100 for Section 94 Plan Administration Charges. These are accumulated funds and represent the 2.5% administration charge on all developer levies collected. They are to be used to fund the administration and review of the Section 94 Plan.

Other amounts of significance include \$34,400 for Local and Regional Phosphorous Reduction, bushland management \$34,400, stormwater management services charge \$144,200, Environmental Health projects \$181,600 and \$118,300 for managing the bats in Rotary Park.

### Remediation Programs – Balance \$91,600

This reserve is for the remediation of the former gasworks site, which is anticipated to be completed during 2007/08.



## Record Management Systems – Balance \$47,300

These funds are collected as the archive fee charged on most development applications and used to archive files or store records.

## Information Services – Balance \$958,700

These funds are to be used for the future development and replacement of the corporate information system, software and hardware.

The majority of these funds will be used to implement an electronic document management system \$450,000.

## Community Services – Balance \$101,900

The following is a list of the major reserves included in this category: -

Name and Description	Amount
<b>Multicultural Access to Services</b> – Council matching grant.	9,000
<b>Youth Activities</b> – Funds carried forward from 2005/06	10,700
<b>Active Communities</b> – A three year project in Nimbin to be completed in 2007/08.	6,000
<b>Pedestrian Access Mobility Plan</b> – Unexpended 2006/07 contribution to works to be carried forward.	12,000
<b>Commuter Bus Study</b> – Study into the provision of public transport.	10,000
<b>Museum Advisor</b> – Council matching contribution	8,000

## Child Care – Balance \$5,800

The category includes \$2,100 for Gingerbread House, \$3,200 for the Koala Day Care Centre and \$500 for the After School Hours Service. These funds are the accumulated surplus results to be used to offset deficit results, replacement of equipment, building improvements, etc.

## Art Gallery – Balance \$74,490

This reserve comprises specific components for the art gallery foundation \$9,300, and building donations \$65,190.

The building donations component represent donations for a new art gallery made to the Lismore Regional Art Gallery in its capacity as an ATO registered tax deductible recipient.

## Economic Development – Balance \$504,800

The following is a list of the major components included in this reserve: -

Name and Description	Amount
<b>Economic Incentives Fund</b> – Policy 11.1.1 “Lismore Incentives for Investment” sets a maximum level for this fund at \$300,000.	287,000
<b>Wilson River Bank Development</b> – Represents works not completed in 2006/07 and carried forward to 2007/08.	48,600
<b>Lismore Promotion</b> – Unexpended funds collected from the Special Business Rate Variation Levy for promotion unexpended as at June 30.	86,000
<b>Events</b> – To be used during 2007/08 for seed funding events.	14,200
<b>Masters Games</b> – The event spans across two financial years with unexpended funds collected 06/07 being held to for use in 2007/08.	69,000

## Community Facilities – Balance \$926,300

A total of \$863,700 is held specifically for the Goonellabah Recreation Centre. These funds will be utilised during construction planned for 2007/08.

The balance is to be applied to concept and planning works required as part of the Cultural Precinct development \$62,600.

## Airport – Balance \$180,000

This reserve is predominately for uncompleted capital or future works at the Lismore Regional Airport.

## Other staff comments

Not required

## Public consultation

Not required

## Conclusion

The report and attachments detail Council's reserve movements and balances for 2006/07. As at June 30, 2007, reserves total \$18,006,597, comprising \$14,855,697 held as cash reserves and \$3,150,900 as working capital reserves. The working capital portion represents amounts that were held as outstanding debtors as at the 30 June 2007 but which form part of the operating result for 2007. There has been an overall decrease in reserves from 2005/06 of \$2,038,533. The reserves are held in general and sewerage funds being \$11.079 million, and \$6.928 million respectively.

All reserves held at June 30, 2007 are deemed to be at an appropriate level given that they are either within a suitable range of the nominated funding level, are for a specific purpose or the variance is manageable.

Councils' Policy on Internally Restricted Assets – Policy 1.5.10, has been reviewed and some minor amendments recommended.

## Recommendation

That Council note the reserve balances for June 30, 2007 of \$18,006,597 as detailed on the attached summary, and amend Policy 1.5.10 - Reserves (Internally Restricted Assets) to reflect that as attached.

# Report

<b>Subject</b>	<b>2006/07 Financial Reports</b>
<b>File No</b>	S929
<b>Prepared by</b>	Manager – Finance
<b>Reason</b>	Legislative requirement - Section 413, Local Government Act 1993
<b>Objective</b>	Adopt the 2006/07 Financial Reports
<b>Strategic Plan Link</b>	Leadership by Innovation
<b>Management Plan Activity</b>	Financial Services

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## Overview of Report

Council is required to 'form an opinion' on the financial reports and the auditor relies on this as part of the independent audit process. The purpose of this report is to provide Council with an overview of the reports and for Council to form its opinion.

A full copy of the 2006/07 Financial Reports is provided and the Auditor will present on the audit conduct and findings at this meeting.

The following is a summary of the key financial results with more information provided in the report:

- The Operating Result from Continuing Operations is a \$10.797 million surplus.
- Total Expenses from Continuing Operations increased by \$1.9 million to \$57.5 million and Total Revenues from Continuing Operations decreased by \$0.5 million to \$68.3 million.
- Cash, Cash Equivalents and Investments total \$33.73 million.
- Net Assets increased to \$606.7 million.
- Unrestricted Current Ratio 2.57%, Debt Service Ratio 4.54% and Outstanding Rates & Annual Charges 10.23%.

## Background

*(Due to the consolidated nature of information provided in the 2006/07 Financial Reports, Councillors may have questions which will require some research. If questions could be directed to the Manager – Finance prior to the meeting, they may be able to be answered at the meeting, if not before)*

The 2006/07 Financial Reports have been completed and in accordance with the *Local Government Act 1993 (Act)*, Council is required to 'form an opinion' on them. It is also important for Council to receive a presentation on the audit conduct and findings from the Auditor. The preferred approach is for both to occur at this meeting. This is seen to be the most efficient and effective way to meet the statutory requirements.

The Act relating to the preparation of Council's annual financial reports requires that:

- a) Section 413, 415 and 416 requires a council to prepare financial reports, including Financial Reports and 'Statement by Councillors and Management' for both the General Purpose Financial Reports and Special Purpose Financial Reports; for each year, and must refer them for audit and be audited by the 31 October each year.

- b) Section 413 states that the Financial Reports must be accompanied by a Statement of Council's opinion made pursuant to a resolution of Council and signed by the Mayor, at least one other Councillor, General Manager and the Responsible Accounting Officer. The content supporting Council's opinion is prescribed and both forms are attached to this report.
- c) Fix a meeting date to present the financial reports to the public; and
- d) Advertise, for a minimum period of seven days prior to the meeting, that the financial reports and the auditor's report are available for public inspection.

In order to comply with these requirements, Council will need to 'form an opinion' at this meeting. A copy of the 2006/07 Financial Reports and audit reports will be forwarded to the Department of Local Government by November 7, 2007 and their availability to the public advertised from November 1, 2007 for seven days, and finally the formal adoption after advertising at the November 13, 2007 Council meeting.

A copy of the 2006/07 Financial Reports is provided as an attachment to the business paper. In respect to the actual content of the financial reports, it is normal practice for a detailed analysis of the year's results, as part of the financial reports document, to be provided. This analysis is also an attachment to the business paper titled "2006/07 Financial Reports Review" with the following key financial data information reproduced:-

## Key Financial Data - Summary

### **Income Statement**

The net operating result for 2006/07 is a \$10.797 million surplus. The following table displays the summarised information from 2004/05 to 2006/07:-

Item	2006/07 (\$'000)	% Change	2005/06 (\$'000)	% Change	2004/05 (\$'000)
Revenues from continuing operations	68,297	(1%)	68,849	20%	57,614
Expenses from continuing operations	57,500	3%	55,602	15%	48,417
<b>Net operating result for the year</b>	<b>10,797</b>	<b>(18%)</b>	<b>13,247</b>	<b>44%</b>	<b>9,197</b>
<b>Net operating result before capital grants and contributions</b>	<b>6,053</b>	<b>84%</b>	<b>3,287</b>	<b>12%</b>	<b>2,935</b>

### **Balance Sheet**

The Balance Sheet is used to summarise the total net assets under Council's control. As at June 30, 2007, total net assets were \$606.7m. For 2006/07, net assets increased by \$157.2m with \$10.797 attributable to continuing operations and \$151.9m to the revaluation of water and sewerage network infrastructure to fair value. As part of the revaluation, a negative adjustment of \$5.5m was made to opening equity reflecting depreciation/useful life from previous years had been incorrectly calculated.

The results from the revaluation are summarised below:-

Infrastructure Assets	Replacement Cost (\$m)	Accumulated Depreciation (\$m)	Fair Value (\$m)	Total Net Asset Increment (\$m)

<b>Fair Value</b>				
- Water	127.0	57.9	69.1	43.1
- Sewerage	286.9	122.0	164.9	108.8
<b>Total Water &amp; Sewerage</b>	<b>413.9</b>	<b>179.9</b>	<b>234.0</b>	<b>151.9</b>
Total Water & Sewerage (Pre Fair Value)	145.3	63.2	82.1	NA
<b>Total Increases</b>	<b>268.6</b>	<b>116.7</b>	<b>151.9</b>	<b>NA</b>

### ***Income from continuing operations (Note 3)***

Income from continuing operations decreased by \$552k or 1% compared to 2005/06. A summary of the individual categories and comparisons for the last three years is provided below:

<b>Type</b>	<b>2006/07 (\$'000)</b>	<b>% Change</b>	<b>2005/06 (\$'000)</b>	<b>% Change</b>	<b>2004/05 (\$'000)</b>
Rates & Annual Charges	29,690	6	28,093	5	26,649
User Charges & Fees	19,656	23	15,974	17	13,697
Interest	2,634	5	2,510	2	2,467
Other revenues	850	-2	868	89	460
Grants & Contributions – Operating	10,076	-1	10,223	27	8,080
Grants & Contributions – Capital	4,744	-52	9,960	59	6,262
Gain on Disposal of Assets	647	-47	1,221	n/a	0
<b>Total</b>	<b>68,297</b>	<b>14.63</b>	<b>68,849</b>	<b>6.2</b>	<b>51,352</b>

### ***Expenses from continuing operations (Note 4)***

Expenses from continuing operations increased by \$1.8m or 3% from 2005/06 to 2006/07. A summary of the individual categories and comparisons for the last three years:

<b>Type</b>	<b>2006/07 (\$'000)</b>	<b>% Change</b>	<b>2005/06 (\$'000)</b>	<b>% Change</b>	<b>2004/05 (\$'000)</b>
Employee Costs	17,672	3	17,080	14	14,982
Borrowing Costs	1,507	15	1,309	21	1,081
Materials & Contracts	24,295	7	22,793	20	19,023
Depreciation	9,821	-2	10,072	8	9,351
Other	4,205	-3	4,348	11	3,907
Loss on Disposal of Assets	0	0	0	-100	73
<b>Total</b>	<b>57,500</b>	<b>3</b>	<b>55,602</b>	<b>15</b>	<b>48,417</b>

### ***Cash, Cash Equivalents and Investments (Note 6a, 6b & 6c)***

Council has total cash, cash equivalents and investments of \$33.73m as at June 30, 2007. Compared to 2005/06, this is a decrease of \$5.8m. Typically, Council's total cash, cash equivalents and investments are reasonably stable, but can fluctuate depending on the timing of cash flows and investment decisions.

The decrease in 2006/07 predominately relates to Council's use of funds to develop the Airport Industrial Estate with the total holding costs of \$5m at June 30, 2007. In addition, debtors have increased by \$1.4m and creditors decreased by \$1.9m resulting in less cash available at reporting date.

All funds are either restricted by external legislation (e.g. developer contributions - Section 94 and Section 64, Water Supply, Sewerage Services, Unexpended Grants and Domestic Waste Collection funds) or internal policy (unexpended loans and reserves). The amount for reserves includes \$313,900 being carried forward to the 2007/08 Budget from 2006/07.

## Statement of performance measures (Note 13)

To clarify the meaning and implication, a simple definition of each indicator is listed below:

- a) Unrestricted Current Ratio – the total cash or cash convertible assets available to meet liabilities within the next twelve months, or current period, expressed on a dollar for dollar basis excluding assets and liabilities.
- b) Debt Service Ratio – The amount used to repay borrowings as a percentage of total income from continuing operations excluding capital contributions and capital grants, and specific purpose contributions and grants.
- c) Rate Coverage Ratio – The amount received from rates and annual charges revenues as a percentage of total operating revenues.
- d) Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage – This percentage is based on the amount outstanding as a percentage of the amount to be collected for rates and annual charges for the current year and outstanding from previous years.

Performance Indicator	2006/07	2005/06	2004/05	2003/04
Unrestricted Current Ratio	2.55:1	3.20:1	3.30:1	3.52:1
Debt Service Ratio Percentage	4.54%	4.77%	5.14%	3.61%
Rate Coverage Ratio Percentage	43.47%	47.70%	46.25%	43.43%
Rates, Annual Charges, Interest and Extra Charges Outstanding Percentage	10.23%	9.75%	8.45%	8.47%

## Loan Indebtedness

Council's overall loan debt increased during 2006/07 by \$2.9m to \$25.1m, During the year, total borrowings of \$4.121m were made with approximately 75% of these funds for self funding activities such as Blakebrook Quarry (\$2m), Waste Service MGB's (\$900k) and expansion at Lismore Memorial Gardens (\$150k).

It is considered that the current level of debt is manageable, but this needs to be considered on an ongoing basis in light of all other expenditure commitments.

Movements in total loan indebtedness by fund for 2006/07 follow:

Fund	Balance 30/6/06	New Loans Raised	Principal Repaid	Balance 30/6/07	Movement - Increase / (Decrease)
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
General	22,069	4,121	1,106	25,083	3,014
Wastewater	103	0	67	35	(67)
Water	126	0	83	43	(43)
<b>Total</b>	<b>22,298</b>	<b>4,121</b>	<b>1,256</b>	<b>25,163</b>	<b>2,904</b>

Council remains in a sound financial position with cash, cash equivalents and investments remaining relatively stable and liabilities such as loans at a manageable level.

## Other staff comments

Not required

## Public consultation

The 2006/07 Financial Reports will be advertised calling for public submission for seven days from November 1, 2007 and will be further considered by Council at the November 13, 2007 meeting.

## Conclusion

In order to comply with the statutory requirements, Council must 'form an opinion' at this meeting on the 2006/07 Financial Reports. A copy of the 2006/07 Financial Reports and audit reports will then be forwarded to the Department of Local Government. Their availability to the public will be advertised from November 1, 2007 for seven days and finally they will need to be formal adoption by Council at the November 13, 2007 meeting.

Generally, Council remains in a sound financial position with cash, cash equivalents and investments remaining relatively stable and liabilities such as loans at a manageable level. To ensure long term financial viability, it remains essential for Council to continue to examine ways in which revenue can be increased, expenses decreased or a combination of both to meet anticipated asset management demands.

Following from the recent revaluation of water and sewerage network infrastructure assets to fair value, the conclusion can be drawn that when all Council's infrastructure assets are valued on a fair value basis by June 30, 2009, Council's net operating result after that time will deteriorate. The development and implementation of long term asset management and associated financial plans will be required to rationalise Council's forward outlook and strategies.

## Recommendation

That Council,

- a) In accordance with Section 413 (2) (c) of the Local Government Act 1993 and clause 215 of the Local Government (General) Regulation 2005, adopt the 2006/07 Financial Reports and form an opinion based on the attached 'Statement by Councillors and Management' for both the General Purpose Financial Reports and Special Purpose Financial Reports.
- b) Delegate the Mayor and Deputy Mayor to sign the 'Statement by Councillors and Management' in a) on behalf of Council.
- c) Submit the 2006/07 Financial Reports to the Department of Local Government and the Australian Bureau of Statistics.
- d) Advertise the presentation of the 2006/07 Financial Reports to the public from November 1, 2007 and invite both inspection and submission.
- e) Present the 2006/07 Financial Reports to the public at the November 13, 2007 Council meeting.