



# LISMORE CITY COUNCIL FINANCIAL REPORTS

FOR THE YEAR ENDED

30 JUNE 2016

[www.lismore.nsw.gov.au](http://www.lismore.nsw.gov.au)

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*Lismore City Council acknowledges the people of the Bundjalung Nation, traditional custodians of the land on which we work.*



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# **GENERAL PURPOSE**

## **FINANCIAL STATEMENTS**

**For the year ended  
30 June 2016**

# Lismore City Council

## General Purpose Financial Statements for the year ended 30 June 2016

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### Overview

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

Council's Statutory Charter is detailed in Paragraph 8 of the LGA and includes giving Council;

- the ability to provide goods, services and facilities, and to carry out activities appropriate to the current and future needs of the local community and of the wider public,
- the responsibility for administering regulatory requirements under the LGA and
- a role in the management, improvement and development of the resources in the 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 October 2016. Council has the power to amend and reissue these financial statements.
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**LISMORE CITY COUNCIL  
GENERAL PURPOSE FINANCIAL STATEMENTS  
INDEPENDENT AUDITOR'S REPORT**

***Report on the Financial Statements***

We have audited the accompanying financial statements of Lismore City Council ("the Council"), which comprises the statement of financial position as at 30 June 2016, the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the statement by Councillors' and Management.

***Council's 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 and the *Local Government Act 1993* and for such internal control as the Council determines is necessary to enable the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

***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. Those 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 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.

Our audit responsibility does not extend to the original budget information included in the income statement, statement of cash flows, Note 2(a) and Note 16 budget variation explanations, 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.

## **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;
- b) The financial statements:
  - i. Have been prepared in accordance with the requirements of this Division;
  - ii. Are consistent with the Council's accounting records;
  - iii. Present fairly, in all material respects, the Council's financial position as at 30 June 2016, and of its performance and its cash flows for the year then ended; and
  - iv. Are in accordance with applicable Accounting Standards;
- 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 in the course of the audit.

## **Matters Relating to the Electronic Presentation of the Audited Financial Statements**

This auditor's report relates to the general purpose financial statements of Lismore City Council for the financial year ended 30 June 2016 published in the annual report and included on Council's website. The Council is responsible for the integrity of the Council's website. We have not been engaged to report on the integrity of this website. The auditor's report refers only to the financial statements identified above. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial statements. If users of the financial statements are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial statements to confirm the information contained in this website version of the financial statements.

Dated at Lismore this 19<sup>th</sup> day of October 2016.

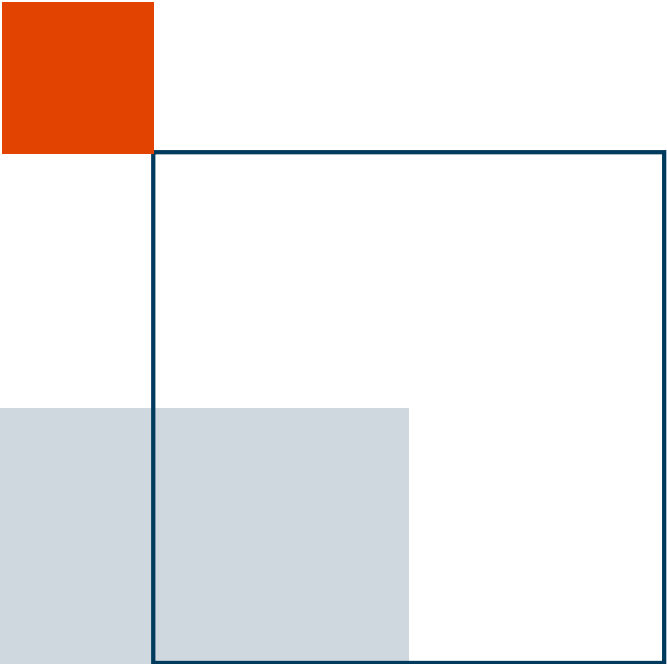
**THOMAS NOBLE & RUSSELL  
CHARTERED ACCOUNTANTS**

K R FRANEY (Partner)  
Registered Company Auditor

# Lismore City Council

Report to Council under s417 of the Local Government Act 1993

30 June 2016



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## Overview

We are pleased to advise that we have completed the audit of Council's financial reports for the year ended 30 June 2016, in accordance with Section 415 of the *Local Government Act 1993*. The financial reports that have been subject to independent audit are the:

- General purpose financial report; and
- Special purpose financial report.

Unmodified independent audit reports have been issued to the Council for the 2016 year and these are attached to each financial report. Further commentary as required by the *Local Government Act 1993* is provided in this report.

This report should be read in conjunction with our audit opinion on the general purpose financial report provided under Section 417(2) of the *Local Government Act 1993*. Section 417 (3) of the *Local Government Act 1993* requires us to consider and provide comment on the material items affecting the general purpose financial report and other matters pertinent to the audit. Arising from the audit, there are a number of observations we wish to raise concerning the trends in Council's finances.

## Income Statement

This section provides Council with an overview of your financial results and includes commentary on key elements of the financial statements.

### Consolidated result

Consolidated Operating Result	Current Year (\$'000)	Prior Year (\$'000)	Audit Comments
Revenues from continuing operations	101,363	96,366	<p>Council's consolidated surplus from all activities for 2016 was \$13,926,000. This compares to a surplus in 2015 of \$875,000.</p> <p>Refer to the 'Material Revenue and Expense Movements' section of this report for audit comments in relation to material movements in operating results.</p>
Expenses from continuing operations	(76,738)	(78,131)	
<b>Result from continuing operations before depreciation</b>	<b>24,625</b>	<b>18,235</b>	
Less: depreciation expense	(20,885)	(20,601)	
<b>Operating surplus/(deficit) after depreciation and before capital revenue and other significant items</b>	<b>3,740</b>	<b>(2,366)</b>	
<i>Significant items impacting the operating result:</i>			
Gain / (Loss) on disposal of assets	(1,003)	(3,166)	
Reassessment of waste facility remediation costs	-	2,302	
Net investment recovery as a result of class action proceedings	654	-	
<b>Operating result before capital revenue</b>	<b>3,391</b>	<b>(3,260)</b>	
Capital grants and contributions	10,535	4,135	
<b>Surplus from all activities</b>	<b>13,926</b>	<b>875</b>	

## Results by Fund

Operating Result by Fund	General		Water		Sewer	
	Current Year (\$'000)	Prior Year (\$'000)	Current Year (\$'000)	Prior Year (\$'000)	Current Year (\$'000)	Prior Year (\$'000)
Revenues from continuing operations	76,271	73,078	12,624	11,890	12,451	11,860
Expenses from continuing operations	(60,639)	(62,993)	(9,373)	(9,226)	(6,079)	(6,465)
<b>Result from continuing operations before depreciation</b>	<b>15,632</b>	<b>10,085</b>	<b>3,251</b>	<b>2,664</b>	<b>5,742</b>	<b>5,395</b>
Less: depreciation expense	(14,766)	(14,277)	(1,821)	(1,836)	(4,298)	(4,427)
<b>Operating result after depreciation and before capital items, gain / (loss) on disposal of assets and significant non-recurring items</b>	<b>866</b>	<b>(4,192)</b>	<b>1,430</b>	<b>828</b>	<b>1,444</b>	<b>968</b>
Gain / (Loss) on disposal of assets	(132)	(1,762)	(594)	(410)	(277)	(994)
Re-assessment of waste facility remediation costs	-	2,302	-	-	-	-
Net investment recovery as a result of class action	654	-	-	-	-	-
Capital grants and contributions	8,678	3,834	401	129	1,456	172
<b>Surplus from all activities</b>	<b>10,066</b>	<b>182</b>	<b>1,237</b>	<b>547</b>	<b>2,623</b>	<b>146</b>

The table above provides an understanding of Council's result before depreciation, capital revenues and significant non-recurring items by fund. The key observation from the above table is that General Fund generated a surplus of \$866,000 prior to capital items, gain / (loss) on sale and significant non-recurring items. This means that General Fund has funded its depreciation expense for the 2016 financial year. The above surplus has however been inflated by \$2.522m Roads to Recovery funding which is recorded as operating revenue but spent on asset renewal. The Office of Local Government requires Roads to Recovery funding to be classified as operating revenue even though it may be spent on capital projects.

## Material Revenue and Expense Movements

Revenue / Expense	Increase / (Decrease)	Audit Comment
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### Revenues

Rates & Annual Charges	1,900,000	↓	Rates revenue increased according to rate-pegging whilst annual charges are reviewed annually.
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Re-assessment of provisions for waste facility remediation	(2,302,000)	↑	In 2015, Council reassessed the estimated cost to rehabilitate its Wyrallah Road waste facility using the latest phytocapping methodology. This remediation methodology introduced significant cost savings and the reduction in the provision was recognised as revenue. No significant reassessments occurred in the current year.
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Class Action Recovery	1,110,000	↓	Council received a settlement distribution as a result of a class action taken to recover previously recognised investment losses.
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Transport (Roads to Recovery) - Operating	1,639,000	↓	Roads to Recovery grant revenue has increased in accordance with the Federal Government's funding commitment.
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Transport (Other Roads and Bridges Funding) - Capital	3,829,000	↓	More funding was received in 2015/16 to repair roads and bridges under the Black Spot Program, the Regional Roads Repair Program and other specific road and bridge programs.
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RMS Contributions (Regional Roads, block grant)	(927,000)	↑	In 2015, Council received funding under the Road Toll Response Package. The projects this funding related to were completed in 2015.
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Developer Asset Dedications	2,797,000	↓	The value of developer dedicated assets transferred to Council's control correlates with the finalisation of developments during the financial year.
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### Expenses

Employee benefits and on-costs	2,058,000	↓	Attributable to an increase in full time equivalent employees (up 15 to 432 - 3.6% increase) and local government state award increases.
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Raw materials and consumables	(4,104,000)	↑	In 2015, approximately \$4.3m of expenditure was incurred in the provision of significant contracted works relating to RMS owned roads.
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Class Action Expenses	456,000	↓	Expenses incurred by Council relating to the recovery of previously recognised investment losses.
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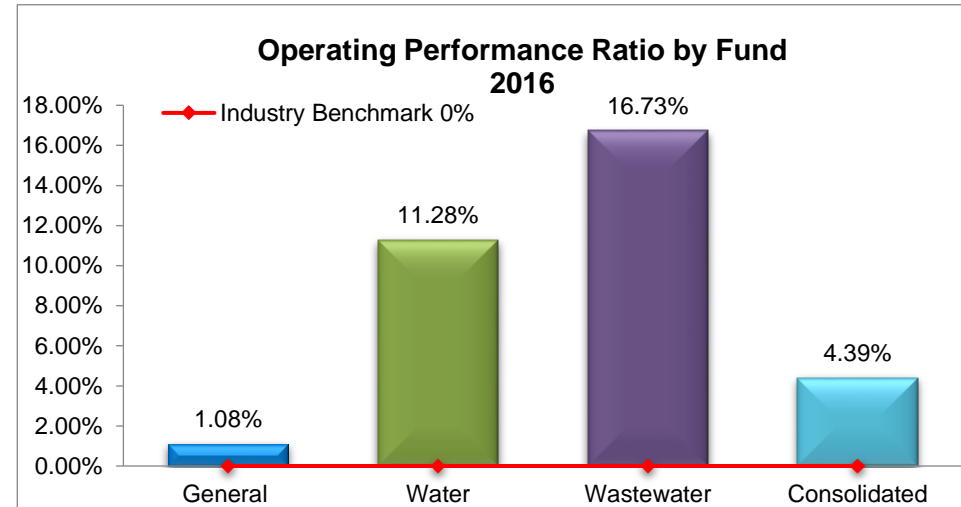
## Income Statement ratios

### Operating Performance Ratio

This ratio measures a Council's achievement of containing operating expenditure within operating revenue (achieving a surplus after depreciation but before capital items). The benchmark is greater than 0%.

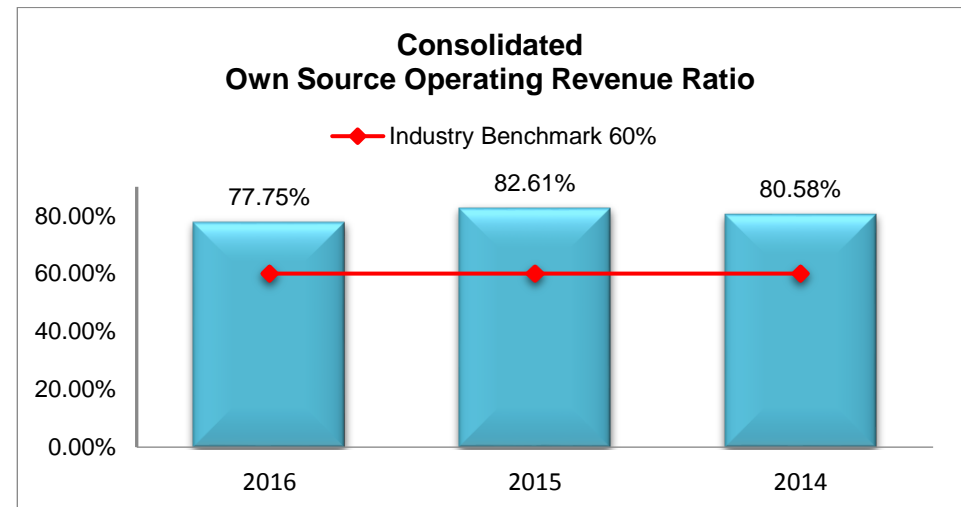
As illustrated, all Council's funds are generating a surplus before capital revenue sufficient to fund the depreciation expense on their controlled assets.

It is important to distinguish that this ratio is focusing on operating performance and hence capital grants and contributions and fair value adjustments are excluded.



### Own Source Operating Revenue Ratio

Local Government performance benchmarking analyses the ability of Council to generate its own revenue sources rather than over-reliance on grants and contributions (capital and operating) received from external sources. The graph illustrates that Council sources 77.75% of its consolidated revenue from rates, annual charges, user charges, interest etc. which exceeds the industry benchmark of 60%.



## Capital Grants & Contributions

Council receives capital grants and contributions from various sources each financial year to renew existing assets as well as construct new assets. Capital contributions include developer contributions as well as dedications received by Council on the finalisation of a development.

Capital grants received during the year amounted to \$4,692,000 and included grants for transport assets - \$4,162,000, grants for domestic waste management - \$356,000 and grants for recreation and culture - \$139,000.

Capital contributions received during the year amounted to \$3,923,000. The table below provides an understanding of the nature and quantum of contributions received during the financial year:

Capital Contribution Type	Current Year (\$'000)	Prior Year (\$'000)	Audit Comments
S 94 - Contributions towards amenities/services	1,126	669	Capital contributions has increased from 2015 by \$3,139,000 largely due to the receipt of infrastructure assets transferred to Council's control on the completion of a development.  The use of cash contributions received during each year is restricted and accordingly they are not available for use in Council's general operations.
S 64 - Water Supply Contributions	141	76	
S 64 - Wastewater Service Contributions	653	134	
<b>Total Developer Contributions</b>	<b>1,920</b>	<b>879</b>	
Non-cash Developer Dedications	2,889	92	
Other Contributions	1,034	692	
<b>Total</b>	<b>3,923</b>	<b>784</b>	

## Statement of Cashflows

Cash flow item	Current Year (\$'000)	Prior Year (\$'000)	Audit Comments
Operating & Capital receipts	115,552	107,197	The cash surplus from operations has improved from \$24,672,000 in 2015 to \$30,118,000 in 2016. These cash surpluses are then used to replace / build new infrastructure and other assets as well as make loan repayments.
Operating payments	(85,434)	(82,525)	
<b>Net cash result from operations</b>	<b>30,118</b>	<b>24,672</b>	
Net sale/(purchase) of investments	566	(4,792)	The sale/purchase of investments represents Council's treasury activities. The movement in cash can fluctuate year on year depending on the timing of investing and redeeming.
Net sale/(purchase) of IPPE	(28,809)	(19,873)	
Net sale/(purchase) of real estate assets	1,801	(6)	
Other investing activities	8	7	
New borrowings	-	2,250	Council did not draw down any new borrowings during the current year.
Repayment of borrowings	(3,451)	(3,327)	
<b>Net Movement in cash</b>	<b>233</b>	<b>(1,069)</b>	
Cash at the start of the year	16,016	17,085	
Closing cash position	16,249	16,016	
Plus Investments	22,000	22,566	
<b>Total cash and investments</b>	<b>38,249</b>	<b>38,582</b>	

## Statement of Financial Position

Line Item	Current Year (\$'000)	Prior Year (\$'000)	Audit Comments
Current Assets	53,366	53,849	<p>This table summarises Council's Statement of Financial Position and illustrates that Non-Current Assets, which largely comprises Infrastructure, Property, Plant &amp; Equipment is the most material aspect of Council's operations. Council is focusing on its asset management practices.</p> <p>We provide commentary on some of the material assets and liabilities appearing on Council's statement of financial position as at 30 June 2016 together with related Office of Local Government benchmark data below.</p>
Non-Current Assets	1,107,098	1,070,002	
<b>Total Assets</b>	<b>1,160,464</b>	<b>1,123,851</b>	
Current Liabilities	21,386	23,845	
Non-Current Liabilities	41,307	44,776	
<b>Total Liabilities</b>	<b>62,693</b>	<b>68,621</b>	
<b>Equity</b>	<b>1,097,771</b>	<b>1,055,230</b>	



## Unrestricted Net Current Assets

Line Item	Current Year (\$'000)	Prior Year (\$'000)	Audit Comments
<b>Current Assets</b>	<b>53,366</b>	<b>53,849</b>	<p>Council's unrestricted current asset position provides a measure of the Council's capacity / liquidity to meet its commitments from current assets net of externally restricted cash, investments and receivables.</p> <p>At 30 June 2016 Council held \$10,426,000 of unrestricted current net assets being \$2,162,000 less than 30 June 2015.</p> <p>Trends in the General Fund's unrestricted current ratio are shown later in this report which indicate that Council's liquidity position is satisfying industry benchmarks.</p>
Externally restricted cash & investments	(26,750)	(22,316)	
Externally restricted receivables	(4,188)	(3,742)	
Externally restricted other assets	(554)	(576)	
<b>Current Assets less all External restrictions</b>	<b>21,874</b>	<b>27,215</b>	
<b>Current Liabilities</b>	<b>21,386</b>	<b>23,845</b>	
Externally restricted liabilities	(3,034)	(2,189)	
Liabilities classified as current in the financial report but not expected to be paid in the next 12 months	(6,904)	(7,029)	
<b>Current Liabilities less Specific Purpose Liabilities</b>	<b>11,448</b>	<b>14,627</b>	
<b>Unrestricted Current Net Assets before Internal Reserves</b>	<b>10,426</b>	<b>12,588</b>	

## Cash & Investments

Cash & Investments	Current Year (\$'000)	Prior Year (\$'000)	Audit Comments
<b>Externally Restricted</b> <i>Monies can only be spent in accordance with legislation, grant agreement or developer contribution plan specifications</i>	31,750	29,316	Council is managing its investment portfolio in accordance with the Minister's Investment Order which is applicable to all local government authorities.
<b>Internally Restricted</b> <i>Money set aside for special projects via Council resolution</i>	6,499	9,266	Council has set aside additional internally restricted reserves at 30 June 2016 which are shown in the table below.
<b>Unrestricted</b> <i>Funds forming part of working capital used for day-to-day Council operations</i>	-	-	This table shows that all available funds are set aside in externally and internally restricted reserves which are not available to fund day-to-day activities.
<b>Total Cash &amp; Investments</b>	<b>38,249</b>	<b>38,582</b>	

## Cash & Investments (Cont'd)

Internally Restricted Cash	Current Year (\$'000)	Prior Year (\$'000)	Audit Comments
Annual Budget or LTFP Provision	2,058	-	Council has resolved to set aside funds for these special purposes / projects.
Held for Other Parties	910	-	
Special Rate Variation Related	140	-	
Carry Forward & Revote Works	598	-	
Specific Purpose Unexpended Loans	185	1,571	
Employees Leave Entitlement	2,205	1,278	
RTRL – Employee Leave Entitlements	403	395	
Art Gallery	-	38	
Aerodrome	-	64	
Administrative Purposes	-	302	
Asset Management	-	79	
Economic Development and Tourism	-	139	
Flood Mitigation	-	62	
NEWLOG	-	35	
Parks and Reserves	-	15	
Per lot subsidy development	-	4,000	
Property Management	-	74	
Richmond Tweed Regional Library	-	1,135	
Sporting Grounds	-	16	
Sustainable Development	-	63	
<b>Total Internal Restrictions</b>	<b>6,499</b>	<b>9,266</b>	

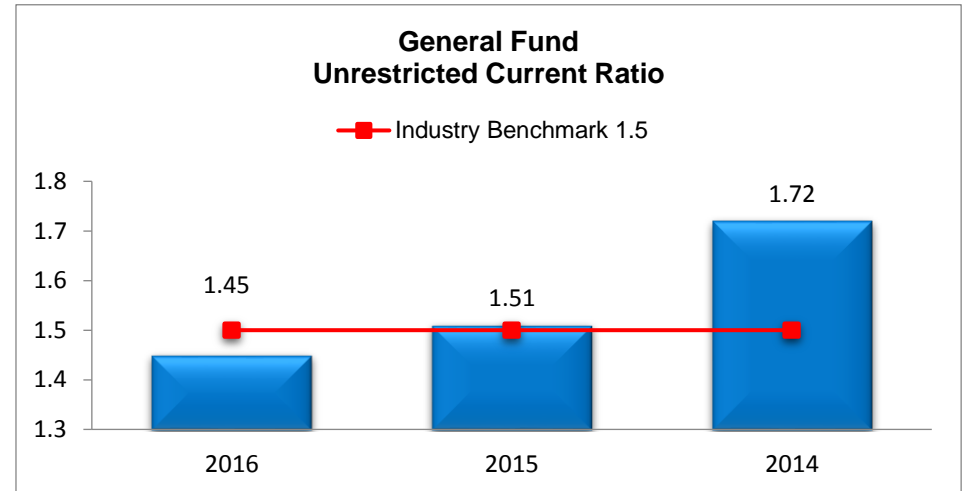
## Statement of Financial Position Ratios

### Unrestricted Current Ratio

The unrestricted current ratio provides a measure of Council's capacity / liquidity to meet its commitments from current assets net of externally restricted assets.

The Office of Local Government and NSW Treasury consider that this ratio should be at least 1.5.

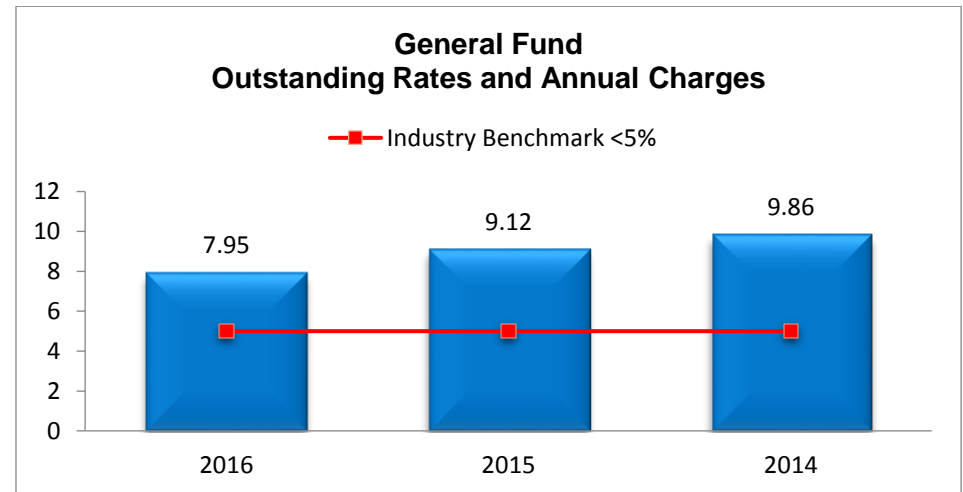
At 30 June 2016 Council's General Fund has \$1.45 in liquid current assets for every \$1 of current liabilities. The current ratio approximates the industry benchmark.



### Rates & Annual Charges Outstanding Ratio

This is a financial performance indicator that assesses the effectiveness of Council's revenue collection processes.

Council's General Fund rates and annual charges outstanding ratio has decreased from 9.12% in 2015 to 7.95% as at 30 June 2016. The NSW Office of Local Government benchmark is less than 5% for urban and Coastal Council's and less than 10% for rural Council's. Council should continue to monitor and improve this ratio.



## Infrastructure, Property, Plant & Equipment Matters

### Council Constructed / Purchased Additions

Each year Council budgets to renew or capitalise new assets. An illustration of Infrastructure, Property, Plant & Equipment capitalised over the past two years is provided below:

Asset Type	Current Year (\$'000)	Prior Year (\$'000)	Audit Comments
<b>Council Constructed / Purchased Assets:</b>			Council constructed / purchased additions have increased during the year. The majority of the increased expenditure related to transport assets which was funded from grants. The rate at which Council's assets are being renewed is measured by the Building and Infrastructure Renewal Ratio.
Land and Buildings	1,651	1,209	
Plant and Equipment	5,904	1,980	
Roads and Drainage Network	11,104	9,075	
Water & Wastewater Network	2,885	5,208	
Other Assets	1,012	963	
Work in Progress	8,120	3,117	
Developer Dedications	2,889	92	
<b>Total Asset Additions</b>	<b>33,565</b>	<b>21,644</b>	
<b>Asset additions – Renewals</b>	<b>13,503</b>	<b>15,199</b>	
<b>Asset additions – New</b>	<b>20,062</b>	<b>6,445</b>	

## Depreciation

Asset Class	Current Year		Prior Year		Audit Comments
	WDV \$'000	Depreciation Expense \$'000	WDV \$'000	Depreciation Expense \$'000	
Plant & Equipment	20,357	3,257	18,345	3,227	<p>The largest asset or liability appearing on Council's statement of financial position is Infrastructure, Property, Plant &amp; Equipment (IPP&amp;E).</p> <p>Note 9 to the general purpose financial statements provides an understanding of Council's IPP&amp;E and illustrates that Council is responsible for maintaining assets with a written down value of approximately \$1.1 billion.</p> <p>This table indicates that Council needs to generate over \$20m in surplus each year to fund the rate at which IPP&amp;E is being consumed.</p> <p>In 2016 Council has generated sufficient surpluses (before capital grants and contributions) to fund its depreciation on a consolidated basis as well as by Fund.</p>
Operational Land	77,915	-	78,215	-	
Community Land	27,357	-	27,357	-	
Land Under Roads	8,228	-	31	-	
Land Improvements	15,942	338	10,086	325	
Buildings	61,946	827	61,506	802	
Other Structures	8,971	169	6,636	274	
Roads, Bridges & Footpaths	235,139	8,349	224,035	8,291	
Bulk Earthworks	314,554	-	304,520	-	
Stormwater Drainage	50,614	782	50,050	529	
Water Supply Infrastructure	74,263	1,679	72,775	1,698	
Wastewater Supply Infrastructure	182,757	4,225	183,044	4,340	
Swimming Pools	3,865	238	4,435	64	
Other Open Space/Recreational Assets	1,039	151	9,618	153	
Work in Progress	10,467	-	6,028	-	
Other Assets	5,171	716	2,912	754	
	<b>1,098,585</b>	<b>20,731</b>	<b>1,059,593</b>	<b>20,457</b>	

## Asset Revaluations

Asset Class	WDV Prior to Revaluation \$'000	Revaluation Increase / (Decrease) \$'000	WDV Subsequent to Revaluation \$'000	Audit Comments
<b>Land - indexed:</b>	105,303	-	105,303	<p>In the current year, Council has revalued:</p> <ul style="list-style-type: none"> <li>■ land improvements,</li> <li>■ other structures,</li> <li>■ swimming pools,</li> <li>■ other open space/recreational assets, and</li> <li>■ heritage collections.</li> </ul> <p>In accordance with the requirement to maintain assets at fair value, the Council has applied indexation to all other land, buildings and infrastructure asset classes.</p> <p>As a result of the revaluation and indexation processes the written down value of Council's IPP&amp;E increased by \$28,615,000.</p>
<b>Land Improvements - revalued:</b>	19,969	4,170	24,139	
<b>Other Structures - revalued:</b>	6,664	2,307	8,971	
<b>Infrastructure - indexed:</b>				
- Buildings	61,946	-	61,946	
- Roads	168,090	5,106	173,196	
- Bridges	45,529	1,502	47,031	
- Footpaths	14,465	447	14,912	
- Bulk Earthworks (non-depreciable)	305,096	9,458	314,554	
- Stormwater Drainage	49,868	746	50,614	
- Water Supply Network	73,196	1,067	74,263	
- Sewerage Network	180,072	2,685	182,757	
<b>Other Assets - revalued:</b>	5,734	1,127	6,861	
<b>Plant &amp; Equipment - not revalued:</b>	34,038	-	34,038	
<b>Total</b>	<b>1,069,970</b>	<b>28,615</b>	<b>1,098,585</b>	

## Asset Management Performance Indicators

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The NSW Office of Local Government has introduced several performance indicators designed to provide Council with an understanding of how it is managing its assets.

### Audit of Asset Management Information

The Office of Local Government is planning to introduce an audit of special schedule 7. At this point in time it is unclear when the first audit will be undertaken as the framework to allow information to be prepared consistently across all NSW councils is yet to be finalised.

In early 2016, the Office of Local Government undertook a review of each council's preparedness for the audit of special schedule 7. The results of this review indicated that most local government authorities require greater investment in asset management practices. The review of Lismore City Council's asset management practices generally indicated that there is moderate compliance with most aspects of asset management best practice and further improvement is required.

To ensure Council's asset management practices and systems continue to mature and also prepare for a possible audit of special schedule 7 it will be important to:

- Review the information contained in special schedule 7 to ensure it is accurate;
- Continue to review and update asset management plans, policies and procedures so they reflect current practice;
- Ensure that asset management is appropriately resourced to maximise the effectiveness of infrastructure management; and
- Continue to collect and analyse asset data to inform the asset management process and inform decision-making on building new infrastructure or renewing or repairing existing assets.

### Linking Asset Management & Financial Performance

Creating financial capacity to fund asset maintenance, renewals and new capital projects is one of the most difficult issues facing the Local Government industry in Australia. The ability to satisfy the industry parameters for asset renewals is a key goal for any local government authority which will only be achieved by:

- Having asset management and financial systems that accurately identify and record expenditure (capital and maintenance) throughout each year by asset component;
- Ensuring that the depreciation expense disclosed in the financial report reflects the actual consumption of each asset;
- Ensuring policies and procedures are updated so that Council personnel have sound guidance on capital v maintenance and renewals v new capital works;
- Accurately recording renewals expenditure where projects include replacing an existing asset with greater capacity; and
- Constantly reviewing Council's operations so that the maximum available resources can be directed toward asset renewal and maintenance.



## Building & Infrastructure Renewals Ratio

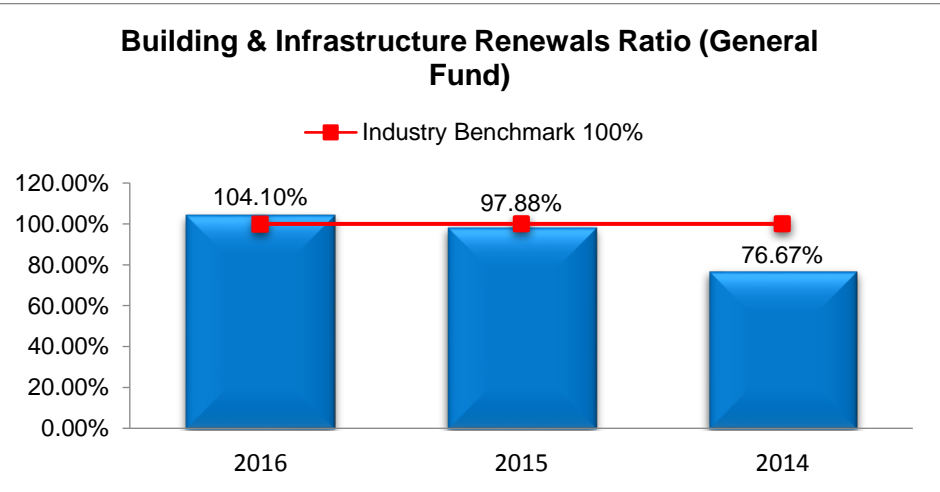
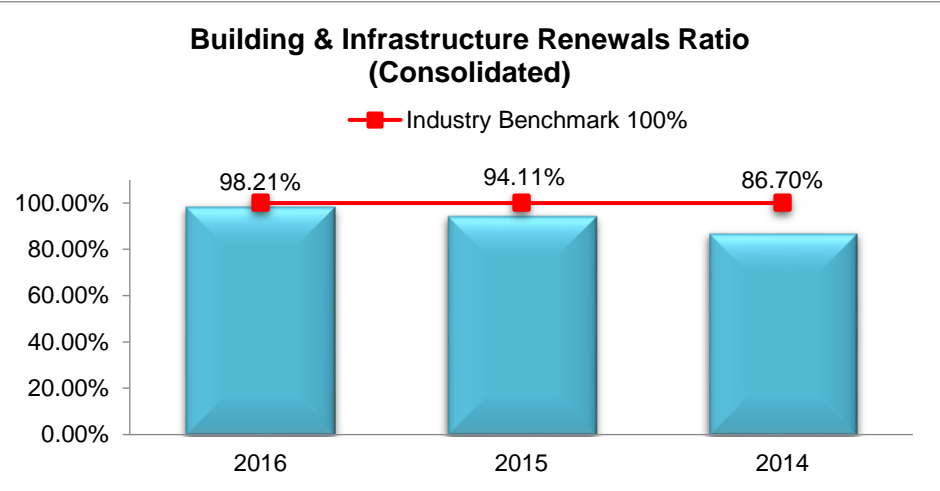
This ratio assesses the rate at which buildings and infrastructure assets are being renewed against the rate at which they are depreciating. The building and infrastructure renewals ratio is calculated based on replacement of existing assets with assets of equivalent capacity or performance as opposed to the acquisition of new assets. Expenditure incurred to add capacity to existing assets is excluded from this ratio.

Industry benchmarking recommends that asset renewals equate to 100% of the related depreciation expense.

For General Fund, Council has satisfied this benchmark in the current year which means Council has renewed assets equivalent to the rate at which they are depreciating.

The challenge facing all local government authorities is to maintain this ratio and consistently satisfy this industry benchmark, particularly in the General Fund, which is subject to rate pegging limits.

Note that this ratio is not subject to audit.



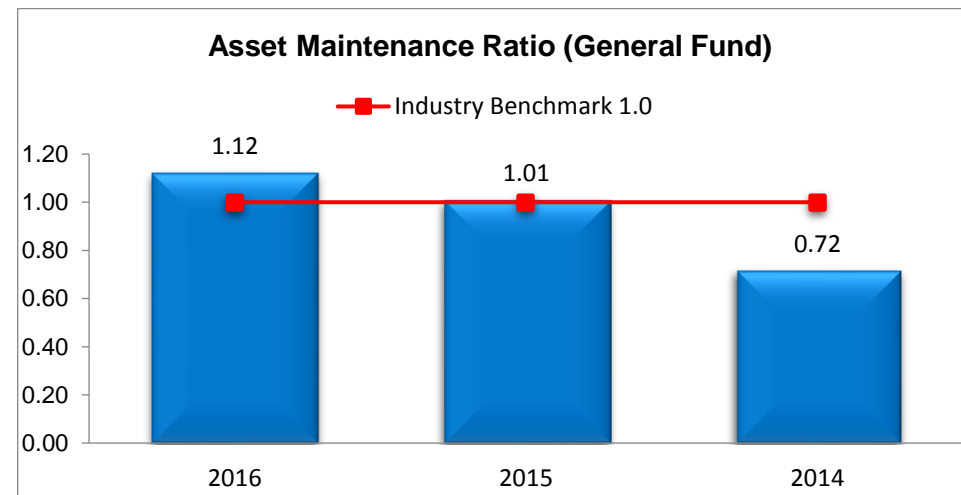
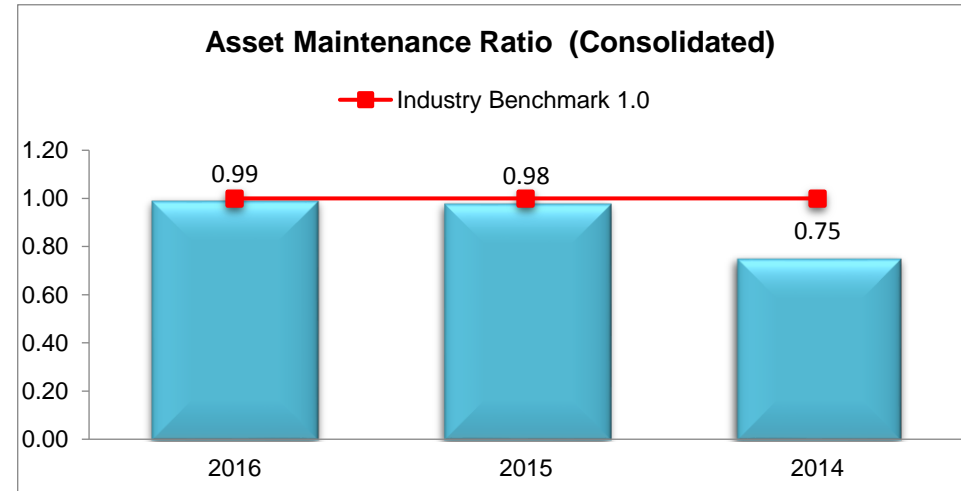
## Asset Maintenance Ratio

This ratio compares actual versus required (as estimated by Council staff) annual asset maintenance. A ratio of above 1.0 indicates that the Council is investing enough funds within the year to stop the Infrastructure Backlog from growing. This ratio is highly dependent on accurate and consistent required maintenance data and quantified infrastructure backlog calculations.

The benchmark for this ratio is greater than 1.0.

Council's ratio has improved and these graphs illustrate that Council is very close to spending sufficient funds on asset maintenance to ensure their condition does not deteriorate below a satisfactory standard.

Note that this ratio is not subject to audit.



## Debt Levels

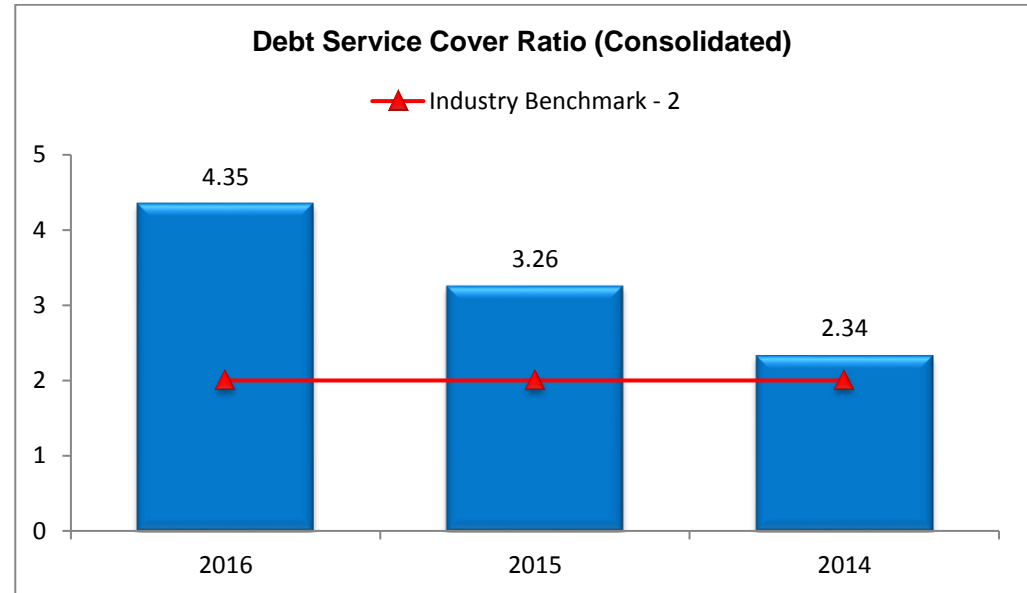
### Loan Liability

Line Item	Current Year (\$'000)	Prior Year (\$'000)	Audit Comments
Current Loan Liability	3,573	3,322	<p>In 2016 Council did not drawn down any new borrowings during the current year and repaid \$3.451m to reduce total borrowings to \$43.218m.</p> <p>The majority of the liability reduction occurred in General Fund.</p>
Non-Current Loan Liability	39,645	43,347	
<b>Total Loan Liability</b>	<b>43,218</b>	<b>46,669</b>	
<b>By Fund</b>			
General Fund (incl. Domestic Waste)	28,496	31,397	
Water Fund	6,605	6,863	
Wastewater Fund	8,117	8,409	
<b>Total</b>	<b>43,218</b>	<b>46,669</b>	

## Debt Service Cover Ratio

This ratio measures the availability of operating cash to service debt including interest, principal and lease payments. The benchmark for the ratio is greater than 2.

Council is generating sufficient cash to satisfy its debt repayment obligations.



## Other Matters

### Financial Report Planning

The 2017 and future financial years will be impacted by several Australian Accounting Standards:

AASB No.	Application Date	Impact
AASB 2015-6 <i>Amendments to Australian Accounting Standards – Extending Related Party Disclosures to Not-for-Profit Public Sector Entities</i>	1 July 2016	Introduces reporting of related party transactions to local government including disclosure of key management remuneration.
AASB 9 <i>Financial Instruments</i>	1 January 2018	Impacts recognition and reporting of certain financial instruments as well as the way in which calculates the provision for impairment relating to receivables.
AASB 15 <i>Revenue From Contracts With Customers</i>	1 January 2019	Introduces changes to the way in which certain revenue streams are recognised and reported. May have a significant influence on revenue recognition for grants and contributions.  The AASB have recently released a draft Accounting Standard with is applicable to not-for-profit entities which complements AASB 15. This Standard will provide not-for-profit entities with clearer and simpler requirements for recognition, measurement and disclosure of income.  This draft provides transitional relief to allow for comparatives not to be restated in the year of implementation.
AASB 16 <i>Leases</i>	1 January 2019	Requires financial statements to capitalise certain operating leases.

Council's finance team should assess the impact of new Accounting Standards well in advance of their implementation period to determine the likely impact on future financial reporting. The assessed impact of each Accounting Standard should be included in the notes to the financial statements.

## Local Government Act Amendment

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The NSW Parliament recently passed the Local Government Amendment (Governance & Planning) Bill 2016. There are a number of important amendments contained in this bill which are discussed below:

### ■ **Introduction of NSW Auditor-General as Auditor of Local Government in NSW**

The Bill appoints the Auditor-General as the auditor of all NSW Local Government Authorities. This appointment is effective 1 July 2016 and will result in most existing local government auditors being appointed as contractors to the Auditor-General. The Audit Office of NSW will release information on how the audit of local government in NSW will be conducted for the 2017 and future years.

### ■ **Audit, Risk & Improvement Committee**

Section 428A of the Local Government Amendment (Governance & Planning) Bill 2016 requires all Councils to establish an Audit, Risk & Improvement Committee.

Aside from the traditional responsibilities of a committee of this nature, the additional areas prescribed as being the responsibility of the Audit, Risk and Improvement Committee include review of:

- implementation of the strategic plan, delivery program and strategies;
- service reviews;
- collection of performance measurement data by the council; and
- providing information on how to improve the council's performance.

Council is not required to establish an Audit, Risk and Improvement Committee until 6 months after the ordinary election of councillors.

## Internal Control Environment

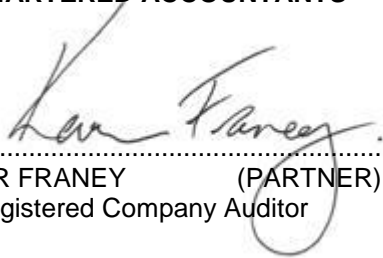
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No significant breakdowns of internal control were encountered during the course of our audit nor did we become aware of the existence of items comprising material error, sufficient to cause us to issue a modified audit opinion. We will issue a separate report to Council which identifies internal control weaknesses and other audit observations in due course.

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.

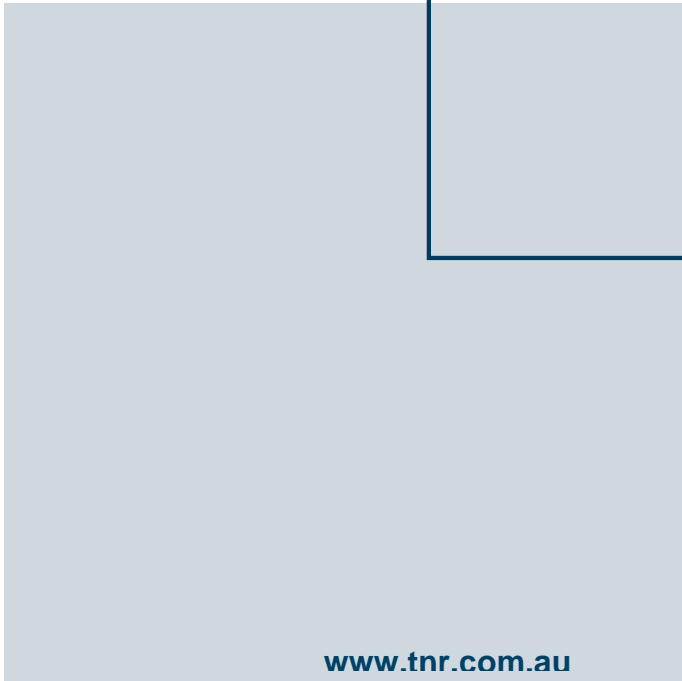
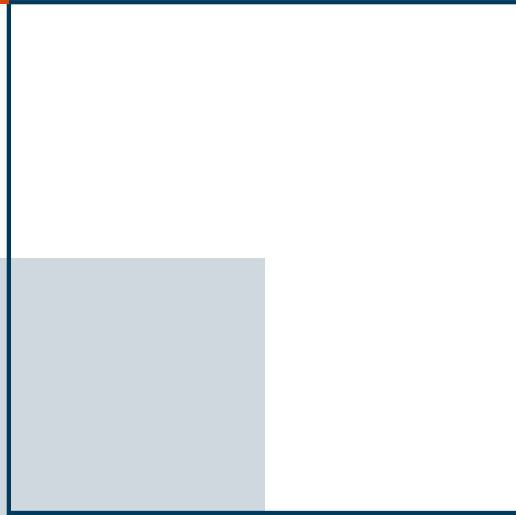
Yours faithfully

**THOMAS NOBLE & RUSSELL  
CHARTERED ACCOUNTANTS**



.....  
K R FRANEY (PARTNER)  
Registered Company Auditor

Dated at Lismore this 19th day of October 2016



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Thomas  
Noble &  
Russell

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Lismore City Council

General Purpose Financial Statements  
for the year ended 30 June 2016

Statement by Councillors and Management  
made pursuant to Section 413(2)(c) of the *Local Government Act 1993 (NSW)* (as amended)

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

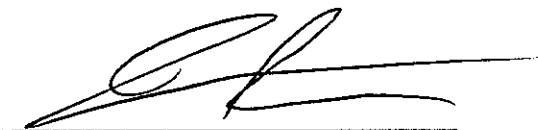
- the *Local Government Act 1993 (NSW)* (as amended) and the regulations made thereunder,
- the Australian Accounting Standards and professional pronouncements, and
- the Local Government Code of Accounting Practice and Financial Reporting.

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

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

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

Signed in accordance with a resolution of Council made on 19 October 2016.



Isaac Smith  
Mayor



Gianpiero Battista  
Councillor



Gary Murphy  
General Manager



Rino Santin  
Responsible Accounting Officer

## Lismore City Council

## Income Statement

for the year ended 30 June 2016

Budget <sup>1</sup> 2016	\$ '000	Notes	Actual 2016	Actual 2015
<b>Income from continuing operations</b>				
<i>Revenue:</i>				
46,886	Rates and annual charges	3a	47,343	45,443
33,966	User charges and fees	3b	32,558	31,875
1,488	Interest and investment revenue	3c	1,720	1,758
4,429	Other revenues	3d	5,464	6,265
8,972	Grants and contributions provided for operating purpose	3e,f	14,385	13,339
6,938	Grants and contributions provided for capital purposes	3e,f	10,535	4,135
<i>Other income:</i>				
–	Net gains from the disposal of assets	5	–	–
–	Net share of interests in joint ventures and associates using the equity method	19	–	–
<b>102,679</b>	<b>Total income from continuing operations</b>		<b>112,005</b>	<b>102,815</b>
<b>Expenses from continuing operations</b>				
34,374	Employee benefits and on-costs	4a	32,065	30,007
2,977	Borrowing costs	4b	3,074	3,278
29,721	Materials and contracts	4c	35,757	39,862
21,364	Depreciation and amortisation	4d	20,885	20,601
–	Impairment	4d	–	–
5,100	Other expenses	4e	5,233	4,984
	Interest and investment losses	3c	–	–
2,084	Net losses from the disposal of assets	5	1,003	3,166
	Net share of interests in joint ventures and associates using the equity method	19	62	42
<b>95,620</b>	<b>Total expenses from continuing operations</b>		<b>98,079</b>	<b>101,940</b>
<b>7,059</b>	<b>Operating result from continuing operations</b>		<b>13,926</b>	<b>875</b>
<b>Discontinued operations</b>				
–	Net profit/(loss) from discontinued operations	24	–	–
<b>7,059</b>	<b>Net operating result for the year</b>		<b>13,926</b>	<b>875</b>
7,059	Net operating result attributable to Council		13,926	875
–	Net operating result attributable to non-controlling interests		–	–
<b>121</b>	<b>Net operating result for the year before grants and contributions provided for capital purposes</b>		<b>3,391</b>	<b>(3,260)</b>

<sup>1</sup> Original budget as approved by Council – refer Note 16

## Lismore City Council

Statement of Comprehensive Income  
for the year ended 30 June 2016

\$ '000	Notes	Actual 2016	Actual 2015
<b>Net operating result for the year</b> (as per Income Statement)		<b>13,926</b>	<b>875</b>
<b>Other comprehensive income:</b>			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of I,PP&E	20b (ii)	28,615	(14,013)
<b>Total items which will not be reclassified subsequently to the operating result</b>		<b>28,615</b>	<b>(14,013)</b>
Amounts which will be reclassified subsequently to the operating result when specific conditions are met			
Nil			
<b>Total other comprehensive income for the year</b>		<b>28,615</b>	<b>(14,013)</b>
<b>Total comprehensive income for the year</b>		<b>42,541</b>	<b>(13,138)</b>
<b>Total comprehensive income attributable to Council</b>		<b>42,541</b>	<b>(13,138)</b>
<b>Total comprehensive income attributable to non-controlling interests</b>		<b>—</b>	<b>—</b>

## Lismore City Council

## Statement of Financial Position

as at 30 June 2016

\$ '000	Notes	Actual 2016	Actual 2015
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	6a	16,249	16,016
Investments	6b	17,000	15,566
Receivables	7	14,960	15,674
Inventories	8	5,042	6,429
Other	8	115	164
<b>Total current assets</b>		<b>53,366</b>	<b>53,849</b>
<b>Non-current assets</b>			
Investments	6b	5,000	7,000
Receivables	7	3,001	2,797
Inventories	8	183	163
Infrastructure, property, plant and equipment	9	1,098,585	1,059,593
Investments accounted for using the equity method	19	–	62
Intangible assets	25	329	387
<b>Total non-current assets</b>		<b>1,107,098</b>	<b>1,070,002</b>
<b>TOTAL ASSETS</b>		<b>1,160,464</b>	<b>1,123,851</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	10	9,576	12,332
Borrowings	10	3,573	3,322
Provisions	10	8,237	8,191
<b>Total current liabilities</b>		<b>21,386</b>	<b>23,845</b>
<b>Non-current liabilities</b>			
Borrowings	10	39,645	43,347
Provisions	10	1,662	1,429
<b>Total non-current liabilities</b>		<b>41,307</b>	<b>44,776</b>
<b>TOTAL LIABILITIES</b>		<b>62,693</b>	<b>68,621</b>
<b>Net assets</b>		<b>1,097,771</b>	<b>1,055,230</b>
<b>EQUITY</b>			
Retained earnings	20	464,232	450,306
Revaluation reserves	20	633,539	604,924
<b>Council equity interest</b>		<b>1,097,771</b>	<b>1,055,230</b>
<b>Non-controlling equity interests</b>		<b>–</b>	<b>–</b>
<b>Total equity</b>		<b>1,097,771</b>	<b>1,055,230</b>

## Lismore City Council

Statement of Changes in Equity  
for the year ended 30 June 2016

\$ '000	Notes	Retained earnings	Reserves (Refer 20b)	Council interest	Non- controlling Interest	Total equity
<b>2016</b>						
<b>Opening balance</b> (as per last year's audited accounts)		450,306	604,924	1,055,230	–	1,055,230
a. Correction of prior period errors	20 (c)	–	–	–		–
b. Changes in accounting policies (prior year effects)	20 (d)	–		–		–
<b>Revised opening balance</b> (as at 1/7/15)		<b>450,306</b>	<b>604,924</b>	<b>1,055,230</b>	<b>–</b>	<b>1,055,230</b>
<b>c. Net operating result for the year</b>		<b>13,926</b>		<b>13,926</b>	<b>–</b>	<b>13,926</b>
d. Other comprehensive income						
– Revaluations: IPP&E asset revaluation rsve	20b (ii)		28,615	28,615		28,615
– Revaluations: other reserves	20b (ii)		–	–		–
– Transfers to Income Statement	20b (ii)		–	–		–
– Impairment (loss) reversal relating to I,PP&E	20b (ii)		–	–		–
– Joint ventures and associates	19b	–		–		–
<b>Other comprehensive income</b>		<b>–</b>	<b>28,615</b>	<b>28,615</b>	<b>–</b>	<b>28,615</b>
<b>Total comprehensive income</b> (c&d)		<b>13,926</b>	<b>28,615</b>	<b>42,541</b>	<b>–</b>	<b>42,541</b>
e. Distributions to/(contributions from) non-controlling Interests				–	–	–
f. Transfers between equity		–	–	–		–
<b>Equity – balance at end of the reporting period</b>		<b>464,232</b>	<b>633,539</b>	<b>1,097,771</b>	<b>–</b>	<b>1,097,771</b>

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council Interest	Non- controlling Interest	Total Equity
<b>2015</b>						
<b>Opening balance</b> (as per last year's audited accounts)		621,797	534,616	1,156,413	–	1,156,413
a. Correction of prior period errors	20 (c)	(172,366)	84,321	(88,045)	–	(88,045)
b. Changes in accounting policies (prior year effects)	20 (d)	–	–	–	–	–
<b>Revised opening balance</b> (as at 1/7/14)		<b>449,431</b>	<b>618,937</b>	<b>1,068,368</b>	<b>–</b>	<b>1,068,368</b>
<b>c. Net operating result for the year</b>		<b>875</b>	<b>–</b>	<b>875</b>	<b>–</b>	<b>875</b>
d. Other comprehensive income						
– Revaluations: IPP&E asset revaluation rsve	20b (ii)	–	(14,013)	(14,013)	–	(14,013)
– Revaluations: other reserves	20b (ii)	–	–	–	–	–
– Transfers to Income Statement	20b (ii)	–	–	–	–	–
– Impairment (loss) reversal relating to I,PP&E	20b (ii)	–	–	–	–	–
– Joint ventures and associates	19b	–	–	–	–	–
<b>Other comprehensive income</b>		<b>–</b>	<b>(14,013)</b>	<b>(14,013)</b>	<b>–</b>	<b>(14,013)</b>
<b>Total comprehensive income</b> (c&d)		<b>875</b>	<b>(14,013)</b>	<b>(13,138)</b>	<b>–</b>	<b>(13,138)</b>
e. Distributions to/(contributions from) non-controlling Interests		–	–	–	–	–
f. Transfers between equity		–	–	–	–	–
<b>Equity – balance at end of the reporting period</b>		<b>450,306</b>	<b>604,924</b>	<b>1,055,230</b>	<b>–</b>	<b>1,055,230</b>

## Lismore City Council

## Statement of Cash Flows

for the year ended 30 June 2016

Budget 2016	\$ '000	Notes	Actual 2016	Actual 2015
<b>Cash flows from operating activities</b>				
<b>Receipts:</b>				
46,631	Rates and annual charges		47,339	45,210
36,272	User charges and fees		35,047	34,914
1,529	Investment and interest revenue received		1,809	1,667
15,923	Grants and contributions		22,031	17,382
–	Bonds, deposits and retention amounts received		–	443
2,049	Other		9,326	7,581
<b>Payments:</b>				
(34,374)	Employee benefits and on-costs		(32,062)	(29,622)
(29,647)	Materials and contracts		(44,458)	(41,942)
(2,977)	Borrowing costs		(2,305)	(3,016)
–	Bonds, deposits and retention amounts refunded		(24)	–
(5,100)	Other		(6,585)	(7,945)
<u>30,306</u>	<b>Net cash provided (or used in) operating activities</b>	11b	<u>30,118</u>	<u>24,672</u>
<b>Cash flows from investing activities</b>				
<b>Receipts:</b>				
1,774	Sale of investment securities		16,000	12,500
	Sale of real estate assets		1,815	–
1,068	Sale of infrastructure, property, plant and equipment		1,298	1,208
	Deferred debtors receipts		8	7
<b>Payments:</b>				
	Purchase of investment securities		(15,434)	(17,292)
(34,891)	Purchase of infrastructure, property, plant and equipment		(30,107)	(21,081)
	Purchase of real estate assets		(14)	(6)
<u>(32,049)</u>	<b>Net cash provided (or used in) investing activities</b>		<u>(26,434)</u>	<u>(24,664)</u>
<b>Cash flows from financing activities</b>				
<b>Receipts:</b>				
7,250	Proceeds from borrowings and advances		–	2,250
<b>Payments:</b>				
(3,459)	Repayment of borrowings and advances		(3,451)	(3,327)
<u>3,791</u>	<b>Net cash flow provided (used in) financing activities</b>		<u>(3,451)</u>	<u>(1,077)</u>
2,048	<b>Net increase/(decrease) in cash and cash equivalents</b>		233	(1,069)
16,536	Plus: cash and cash equivalents – beginning of year	11a	16,016	17,085
<u>18,584</u>	<b>Cash and cash equivalents – end of the year</b>	11a	<u>16,249</u>	<u>16,016</u>

## Lismore City Council

Statement of Cash Flows  
for the year ended 30 June 2016

Budget		Notes	Actual	Actual
le investments	\$ '000		-	-
Additional Information:				
plus: Investments on hand – end of year		6b	22,000	22,566
<b>Total cash, cash equivalents and investments</b>			<b>38,249</b>	<b>38,582</b>
<b>Please refer to Note 11 for information on the following:</b>				
– Non-cash financing and investing activities				
– Financing arrangements				
– Net cash flow disclosures relating to any discontinued operations				

## Lismore City Council

### Notes to the Financial Statements

for the year ended 30 June 2016

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## Lismore City Council

### Notes to the Financial Statements for the year ended 30 June 2016

#### Note 1. Summary of significant accounting policies

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

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

##### (a) Basis of preparation

###### (i) Background

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

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

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

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

Because AASBs are sector neutral, some standards either:

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

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

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

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

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

###### (iv) Early adoption of accounting standards

Council has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 1 July 2015, except for AASB2015-7 Amendments to Australian Accounting Standards – Fair Value Disclosures of Not-for-Profit Public Sector Entities, which has reduced the fair value disclosures for Level 3 assets.

For summary information relating to the effects of standards with future operative dates refer further to paragraph (aa).

###### (v) Basis of accounting

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

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

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

###### (vi) Changes in accounting policies

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

## Lismore City Council

### Notes to the Financial Statements for the year ended 30 June 2016

#### Note 1. Summary of significant accounting policies (continued)

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

##### **(vii) Critical accounting estimates**

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

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

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

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

Council makes estimates and assumptions concerning the future.

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

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

- (i) Estimated fair values of infrastructure, property, plant and equipment,
- (ii) Estimated remediation provisions.

Significant judgements in applying Council's accounting policies include the impairment of receivables – Council has made significant judgements about the impairment of a number of its receivables in Note 7.

##### **(b) Revenue recognition**

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

Council bases 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.

Revenue 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.

## Lismore City Council

### Notes to the Financial Statements

for the year ended 30 June 2016

#### Note 1. Summary of significant accounting policies (continued)

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.

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

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

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

#### Other Income

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

#### (c) Principles of consolidation

These consolidated financial statements include the financial position and performance of controlled entities from the date on which control is obtained until the date that control is lost.

#### (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 that 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.

## Lismore City Council

### Notes to the Financial Statements

for the year ended 30 June 2016

#### Note 1. Summary of significant accounting policies (continued)

##### (iii) Interests in other entities

###### Subsidiaries

Council has no interest in any subsidiaries.

###### Joint arrangements

###### Joint operations (controlled assets and operations)

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

The proportionate interests of Council in the assets, liabilities, income and expenses of all Joint Operation activities have been incorporated throughout the financial statements under the appropriate notes and line items.

Detailed information relating to Council's joint operations can be found at Note 19 (c).

###### Joint ventures

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

Any interests in joint ventures are accounted for using the equity method and are carried at cost.

Under the equity method, Council's share of the operation's profits/(losses) are recognised in the income statement, and its share of movements in retained earnings and reserves are recognised in the balance sheet.

Detailed information relating to Council's joint ventures can be found at Note 19 (b).

###### Associates

Where Council has the power to participate in the financial and operating decisions of another entity, (i.e. where Council is deemed to have 'significant influence' over another entities' operations but neither controls nor jointly controls the entity), then Council accounts for such interests using the equity method of accounting – in a similar fashion to joint ventures.

Such entities are usually termed associates.

Any interests in Associates are accounted for using the equity method and are carried at cost.

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

###### County councils

Council is a member of the following county councils (which are bodies incorporated under the *Local Government Act*):

- **Rous Water**

Provision of bulk water supplies, comprising 4 constituent Council members

- **Richmond River County Council**

Provision of flood mitigation services, comprising 3 constituent Council members

- **Far North Coast Weeds**

Provision of noxious weed eradication services, comprising 6 constituent Council members

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 council/s and accordingly these entities have not been consolidated or otherwise included within these financial statements.

###### Unconsolidated structured entities

Council has no interest in any unconsolidated structured entities.

###### (d) Leases

All leases entered into by Council are reviewed and classified on inception date as either a finance lease or an operating lease.

## Lismore City Council

### Notes to the Financial Statements

for the year ended 30 June 2016

#### Note 1. Summary of significant accounting policies (continued)

##### 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

For Statement of Cash Flows (and Statement of Financial Position) presentation purposes, cash and cash equivalents includes;

- cash on hand,
- deposits held at call with financial institutions,
- other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash

and that are subject to an insignificant risk of changes in value, and

- bank overdrafts.

Bank overdrafts are shown within borrowings in current liabilities on the balance sheet but are incorporated into cash and 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 or intention for which the investment was acquired and at the time it was acquired.

Management determines each investment classification at the time of initial recognition and 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.

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

##### (ii) Loans and receivables

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

## Lismore City Council

### Notes to the Financial Statements

for the year ended 30 June 2016

#### Note 1. Summary of significant accounting policies (continued)

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.

#### Financial assets – reclassification

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

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

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

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

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

#### General accounting and 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.

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

## Lismore City Council

### Notes to the Financial Statements

for the year ended 30 June 2016

#### Note 1. Summary of significant accounting policies (continued)

##### (iii) Types of investments

Council has an approved Investment Policy in order to invest in accordance with (and to comply with) section 625 of the *Local Government Act* and s212 of the LG (General) Regulation 2005.

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

##### (g) Fair value estimation – financial instruments

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

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

##### (h) Receivables

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

Receivables (excluding rates and 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 that are known to be uncollectible are written off in accordance with Council's policy.

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

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

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

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

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

## Lismore City Council

### Notes to the Financial Statements

for the year ended 30 June 2016

#### Note 1. Summary of significant accounting policies (continued)

##### (i) Inventories

###### (i) 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.

###### (ii) 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 are continually revalued (over a 5-year period) in accordance with the fair valuation policy as mandated by the Office of Local Government.

At balance date, the following classes of I,PP&E were stated at their fair value:

- **Plant and equipment**  
(as approximated by depreciated historical cost)
- **Operational land** (external valuation)
- **Community land** (external valuation)
- **Land improvements**  
(external valuation)
- **Buildings – specialised/non-specialised**  
(external valuation)
- **Other structures**  
(external valuation)
- **Roads assets including roads, bridges and footpaths**  
(external valuation)
- **Bulk earthworks** (external valuation)
- **Stormwater drainage** (external valuation)
- **Water and sewerage networks**  
(external valuation)
- **Swimming pools**  
(external valuation)
- **Other open space/recreational assets**  
(external valuation)
- **Other infrastructure**  
(external valuation)
- **Other assets**  
Heritage Collections (external valuation)  
Other (External Valuation)  
Library Books (as approximated by depreciated historical cost)



## Lismore City Council

### Notes to the Financial Statements

for the year ended 30 June 2016

#### Note 1. Summary of significant accounting policies (continued)

##### Initial recognition

On initial recognition, an asset's 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 (i.e. date of exchange) of the asset to arrive at fair value.

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

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

##### Subsequent costs

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

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

##### Asset revaluations (including indexation)

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

- increases in the combined carrying amounts of asset classes arising on revaluation are credited to the asset revaluation reserve,
- to the extent that a net asset class increase reverses a decrease previously recognised via the profit or loss, then increase is first recognised in profit or loss,
- net decreases that reverse previous increases of the same asset class are first charged against

revaluation reserves directly in equity to the extent of the remaining reserve attributable to the asset, with all other decreases charged to the Income Statement.

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

<b>Land</b>	
- council land	100% Capitalised
- open space	100% Capitalised
- land under roads (purchases after 30/6/08)	100% Capitalised

<b>Plant &amp; Equipment</b>	
Office Furniture	> \$1,000
Office Equipment	> \$1,000
Other Plant & Equipment	> \$1,000

<b>Buildings &amp; Land Improvements</b>	
Park Furniture & Equipment	> \$2,000

Building	
- construction/extensions	100% Capitalised
- renovations	> \$10,000
Other Structures	
	> \$2,000

<b>Water &amp; Sewer Assets</b>	
Reticulation extensions	> \$5,000
Other	> \$5,000

## Lismore City Council

### Notes to the Financial Statements

for the year ended 30 June 2016

#### Note 1. Summary of significant accounting policies (continued)

##### Stormwater Assets

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

##### Transport Assets

Road construction & reconstruction	> \$10,000
Reseal/Re-sheet & major repairs	> \$10,000
Bridge construction & reconstruction	> \$10,000

**Library Resources** 100% Capitalised  
(Excluding periodicals and eResources)

##### Other Infrastructure Assets

Swimming Pools	> \$10,000
Other Open Space/Recreational Assets	> \$10,000

Other Infrastructure > \$10,000

#### Depreciation

Depreciation on Council's infrastructure, property, plant and equipment assets is calculated using the straight-line method in order to allocate an asset's 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	5 to 10 years
- Office furniture	10 to 20 years
- Computer Equipment	4 years
- Vehicles	5 to 8 years
- Heavy Plant/Road Making equip.	5 to 8 years
- Other plant and equipment	5 to 15 years

##### Other Equipment

- Playground equipment	5 to 15 years
- Benches, seats etc	10 to 20 years

##### Buildings

- Buildings : Masonry	50 to 100 years
- Buildings : Other	20 to 40 years

##### Stormwater Drainage

- Pipes, Culverts & Channels	120 years
- Pits	100 years
- Treatment Devices	100 years

##### Transportation Assets

- Sealed Roads : Surface	12 to 25 years
- Sealed Roads : Base	45 to 75 years
- Sealed Roads : Sub Base	90 to 150 years
- Unsealed Roads	55 years
- Bridge : Concrete	100 years
- Bridge : Other	60 years
- Kerb, Gutter & Paths	50 to 100 years

##### Water & Sewer Assets

- Dams and reservoirs	80 to 100 years
- Reticulation pipes : PVC	80 years
- Reticulation pipes : Other	25 to 75 years
- Pumps and telemetry	15 to 20 years

##### Other Infrastructure Assets

- Bulk earthworks	Infinite
- Swimming Pools	40 years
- Other Open Space/ Recreational Assets	20 years
- Other Infrastructure	50 years

**Library Resources** 5 years  
(Excluding periodicals and eResources)

All asset residual values and useful lives are reviewed and adjusted (if appropriate) at each reporting date.

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

#### Disposal and derecognition

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.

## Lismore City Council

### Notes to the Financial Statements

for the year ended 30 June 2016

#### Note 1. Summary of significant accounting policies (continued)

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

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

##### (m) Intangible assets

###### IT development and software

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

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

Amortisation is calculated on a straight line bases over periods generally ranging from 3 to 5 years.

IT development costs include only those costs directly attributable to the development phase and are only recognised following completion of technical feasibility and where Council has an intention and ability to use the asset.

##### (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 to 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) 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.

## Lismore City Council

### Notes to the Financial Statements

for the year ended 30 June 2016

#### Note 1. Summary of significant accounting policies (continued)

Provisions for close down and restoration costs do not include any additional obligations that 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, e.g. 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 provisions is charged to the Income Statement in each accounting period.

This amortisation of the discount is 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 about Council's provisions relating to close down, restoration and remediation costs can be found at Note 26.

#### **(q) Non-current assets (or disposal groups) 'held for sale' and 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

## Lismore City Council

### Notes to the Financial Statements for the year ended 30 June 2016

#### Note 1. Summary of significant accounting policies (continued)

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

The results of discontinued operations are presented separately on the face of the Income Statement.

#### (r) Impairment of assets

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

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

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

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

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

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

Goodwill and other intangible assets that have an indefinite useful life and are not subject to amortisation are tested annually for impairment.

#### (s) Payables

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

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

#### (t) 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.

#### (u) Borrowing costs

Borrowing costs are expensed.

#### (v) 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.

## Lismore City Council

### Notes to the Financial Statements

for the year ended 30 June 2016

#### Note 1. Summary of significant accounting policies (continued)

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

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

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

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

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

#### **(w) 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 wholly settled within the 12 months after the reporting period.

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

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

All other short-term employee benefit obligations are presented as payables.

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

Wages and salaries, 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 in respect of services provided by employees up to the reporting date (which is not expected to be wholly settled within the 12 months after the reporting period) are recognised in the provision for employee benefits.

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

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

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

Due to the nature of when and how long service leave can be taken, all long service leave for employees with 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.

## Lismore City Council

### Notes to the Financial Statements

for the year ended 30 June 2016

#### Note 1. Summary of significant accounting policies (continued)

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.

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.

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.

#### Defined contribution plans

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

#### (iv) Employee benefit on-costs

Council has recognised at year end the aggregate on-cost liabilities arising from employee benefits, and in particular those on-cost liabilities that will

arise when payment of current employee benefits is made in future periods.

These amounts include superannuation and workers compensation expenses which will be payable upon the future payment of certain leave liabilities accrued as at 30/06/16.

#### (z) Self-insurance

Council does not self-insure.

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

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

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

#### Exceptions

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

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

#### (z) Taxes

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

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

#### Goods and Services Tax (GST)

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

## Lismore City Council

### Notes to the Financial Statements

for the year ended 30 June 2016

#### Note 1. Summary of significant accounting policies (continued)

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, i.e. they are inclusive of GST where applicable.

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

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

#### **(aa) New accounting standards and Interpretations issued (not yet effective)**

Certain new (or amended) accounting standards and interpretations have been published that are not mandatory for reporting periods ending 30 June 2016.

Council has not adopted any of these standards early.

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

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

#### **AASB 9 – Financial Instruments**

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

The overriding impact of AASB 9 is to change the requirements for the classification, measurement and disclosures associated with financial assets and financial liabilities.

These requirements are designed to improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139.

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

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

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

#### **AASB 15 – Revenue from Contracts with Customers and associated amending standards**

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

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

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

The effective date of this standard is for annual reporting periods beginning on or after 1 January 2018.

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



## Lismore City Council

### Notes to the Financial Statements

for the year ended 30 June 2016

#### Note 1. Summary of significant accounting policies (continued)

##### **AASB ED 260 Income of Not-for-Profit Entities**

The AASB previously issued exposure draft AASB ED 260 on Income of Not-for-Profit Entities in April 2015.

The exposure draft proposed specific not-for-profit entity requirements and guidance when applying the principles of AASB 15 to income from certain transactions.

Much of the material in AASB 1004 is expected to be replaced by material included in AASB ED 260.

Specific revenue items that may considerably change are Grants and Contributions.

The most likely financial statement impact is the deferred recognition of Grants and Contributions (i.e. recognition as unearned revenue [liability]) until Council has met the associated performance obligation/s relating to the Grants or Contribution.

At this stage there is no specific date of release for a standard nor a date of applicability.

##### **AASB16 – Leases**

AASB 116 Leases replaces AASB 117 Leases and some associated lease-related Interpretations.

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

The effective date of this standard is for annual reporting periods beginning on or after 1 January 2019.

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

- a significant increase in lease assets and financial liabilities recognised on the balance sheet,

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

##### **AASB2015-6 – Amendments to Australian Accounting Standards – Extending Related Party Disclosures to Not-for-Profit Public Sector Entities**

From 1 July 2016, AASB 124 Related Party Disclosures will apply to Council.

This means that Council will be required to disclose information about related parties and Council transactions with those related parties.

Related parties will more than likely include the Mayor, Councillors and certain Council staff. In addition, the close family members of those people and any organisations that they control or are associated with will be classified as related parties (and fall under the related party reporting requirements).

##### **AASB 2014 – 10 Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture**

The amendments address an acknowledged inconsistency between the requirements in AASB 10 and those in AASB 128 (2011), in dealing with the sale or contribution of assets between an investor and its associate or joint venture.

The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not).

A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

The effective date of this standard is for annual reporting periods beginning on or after 1 January 2018.

## Lismore City Council

### Notes to the Financial Statements

for the year ended 30 June 2016

#### Note 1. Summary of significant accounting policies (continued)

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This standard will only impact Council where there has been a sale or contribution of assets between the entity and the associate/joint venture.

***AASB 2014 – 3 Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations [AASB 1 and AASB 11]***

This Standard amends AASB 11 to provide guidance on the accounting for acquisitions of interests in joint operations in which the activity constitutes a business.

The amendments require:

- (a) the acquirer of an interest in a joint operation in which the activity constitutes a business, as defined in AASB 3 Business Combinations, to apply all of the principles on business combinations accounting in AASB 3 and other Australian Accounting Standards except for those principles that conflict with the guidance in AASB 11, and
- (b) the acquirer to disclose the information required by AASB 3 and other Australian Accounting Standards for business combinations.

The effective date of this standard is for annual reporting periods beginning on or after 1 January 2016.

If a joint operation is acquired during the reporting period, then this standard clarifies the accounting for the acquisition to be in accordance with AASB 3, i.e. assets and liabilities acquired to be measured at fair value.

#### **(ab) Rounding of amounts**

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

#### **(ac) 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.

#### **(ad) Disclaimer**

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

## Lismore City Council

## Notes to the Financial Statements

for the year ended 30 June 2016

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

Functions/activities	Income, expenses and assets have been directly attributed to the following functions/activities. Details of these functions/activities are provided in Note 2(b).												
	Income from continuing operations			Expenses from continuing operations			Operating result from continuing operations			Grants included in income from continuing operations		Total assets held (current & non-current)	
	Original budget	Actual	Actual	Original budget	Actual	Actual	Original budget	Actual	Actual	Actual	Actual	Actual	Actual
	2016	2016	2015	2016	2016	2015	2016	2016	2015	2016	2015	2016	2015
Governance		–	–	567	568	536	(567)	(568)	(536)	–	–	36,758	40,029
Administration	1,127	2,236	1,202	2,595	794	2,926	(1,468)	1,442	(1,724)	271	196	72,691	69,768
Public order and safety	63	204	(34)	2,362	2,316	2,265	(2,299)	(2,112)	(2,299)		(179)	3,656	3,509
Health	442	446	430	1,038	976	981	(596)	(530)	(551)		18	1,221	1,172
Environment	13,568	13,307	14,116	12,440	12,915	11,976	1,128	392	2,140	475	596		–
Community services and education	29	43	23	906	782	798	(877)	(739)	(775)	40	20	1,564	1,501
Housing and community amenities	1,967	2,855	2,119	3,404	3,456	3,436	(1,437)	(601)	(1,317)	275	253	68,387	65,637
Water supplies	13,039	12,579	11,608	12,157	11,642	11,419	882	937	189	120	88	86,141	84,198
Sewerage services	12,298	13,712	11,827	11,785	10,770	11,732	513	2,942	95	132	128	213,582	208,713
Recreation and culture	7,728	8,943	10,186	17,434	18,135	17,616	(9,706)	(9,192)	(7,430)	559	2,292	89,109	85,526
Mining, manufacturing and construction	7,828	6,701	7,527	7,633	7,290	7,738	195	(589)	(211)	367	253	18,307	17,571
Transport and communication	10,383	16,907	9,931	19,608	25,176	27,062	(9,225)	(8,269)	(17,131)	8,409	2,393	537,671	516,050
Economic affairs	527	531	793	3,691	3,197	3,413	(3,164)	(2,666)	(2,620)		91	31,377	30,115
<b>Total functions and activities</b>	<b>68,999</b>	<b>78,464</b>	<b>69,728</b>	<b>95,620</b>	<b>98,017</b>	<b>101,898</b>	<b>(26,621)</b>	<b>(19,553)</b>	<b>(32,170)</b>	<b>10,648</b>	<b>6,149</b>	<b>1,160,464</b>	<b>1,123,789</b>
Share of gains/(losses) in associates and joint ventures (using the equity method)		–	–		62	42	–	(62)	(42)		–	–	62
General purpose income <sup>1</sup>	33,680	33,541	33,087			–	33,680	33,541	33,087	6,471	6,664		–
<b>Operating result from continuing operations</b>	<b>102,679</b>	<b>112,005</b>	<b>102,815</b>	<b>95,620</b>	<b>98,079</b>	<b>101,940</b>	<b>7,059</b>	<b>13,926</b>	<b>875</b>	<b>17,119</b>	<b>12,813</b>	<b>1,160,464</b>	<b>1,123,851</b>

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

## Lismore City Council

### Notes to the Financial Statements for the year ended 30 June 2016

#### 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:**

##### **GOVERNANCE**

Includes costs relating to 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, public disclosure (e.g. GIPA), and legislative compliance.

##### **ADMINISTRATION**

Includes corporate support and other support services, engineering works, and any Council policy compliance.

##### **PUBLIC ORDER AND SAFETY**

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

##### **HEALTH**

Inspection, food control, other, administration.

##### **ENVIRONMENT**

Includes noxious plants and insect/vermin control; other environmental protection; solid waste management, including domestic waste; other waste management; other sanitation; and garbage, street cleaning, drainage and stormwater management.

##### **COMMUNITY SERVICES AND EDUCATION**

Includes administration and education; social protection (welfare); migrant, Aboriginal and other community services and administration (excluding accommodation – as it is covered under 'housing and community amenities'); youth services; aged and disabled persons services; and children's services.

##### **HOUSING AND COMMUNITY AMENITIES**

Includes public cemeteries; public conveniences; street lighting; town planning; other community amenities, including housing development and accommodation for families and children, aged persons, disabled persons, migrants and Indigenous persons.

##### **WATER SUPPLIES SEWERAGE SERVICES**

##### **RECREATION AND CULTURE**

Includes public libraries; museums; art galleries; community centres and halls, including public halls and performing arts venues; sporting grounds and venues; swimming pools; parks; gardens; lakes; and other sporting, recreational and cultural services.

##### **MINING, MANUFACTURING AND CONSTRUCTION**

Includes building control, quarries and pits, mineral resources, and abattoirs.

##### **TRANSPORT AND COMMUNICATION**

Urban local, urban regional, includes sealed and unsealed roads, bridges, footpaths, parking areas, and aerodromes.

##### **ECONOMIC AFFAIRS**

Includes camping areas and caravan parks; tourism and area promotion; industrial development promotion; sale yards and markets; real estate development; commercial nurseries; and other business undertakings.

## Lismore City Council

Notes to the Financial Statements  
for the year ended 30 June 2016

## Note 3. Income from continuing operations

\$ '000	Notes	Actual 2016	Actual 2015
<b>(a) Rates and annual charges</b>			
<b>Ordinary rates</b>			
Residential		16,905	16,496
Farmland		4,237	4,155
Business		5,324	5,192
<b>Total ordinary rates</b>		<b>26,466</b>	<b>25,843</b>
<b>Annual charges</b> (pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Domestic waste management services		4,286	4,119
Stormwater management services		368	364
Water supply services		3,619	3,116
Sewerage services		11,239	10,642
Waste management services (non-domestic)		533	531
Nimbin transfer station		54	52
Waste minimisation		778	776
<b>Total annual charges</b>		<b>20,877</b>	<b>19,600</b>
<b>TOTAL RATES AND ANNUAL CHARGES</b>		<b>47,343</b>	<b>45,443</b>

Council has used 2012 year valuations provided by the NSW Valuer General in calculating its rates.

## Lismore City Council

## Notes to the Financial Statements

for the year ended 30 June 2016

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

\$ '000	Notes	Actual 2016	Actual 2015
<b>(b) User charges and fees</b>			
<b>Specific user charges</b> (per s.502 – specific 'actual use' charges)			
Water supply services		8,094	8,056
Sewerage services		215	197
<b>Total user charges</b>		<b>8,309</b>	<b>8,253</b>
<b>Other user charges and fees</b>			
<b>(i) Fees and charges – statutory and regulatory functions (per s.608)</b>			
Building regulation		756	718
Dog registration fees		179	126
Health control		432	401
Planning services		427	343
Section 603 certificates		79	65
Other		37	7
<b>Total fees and charges – statutory/regulatory</b>		<b>1,910</b>	<b>1,660</b>
<b>(ii) Fees and charges – other (incl. general user charges (per s.608))</b>			
Aerodrome		314	359
Art gallery		17	16
Caravan park		24	24
Community centres		6	6
Farming		–	10
Library		4	6
Parking fees		93	113
Parks, gardens and lakes		226	276
Public cemeteries		1,012	1,026
Quarry revenues		5,479	6,388
RMS (formerly RTA) charges (state roads not controlled by Council)		4,043	3,188
Road services		59	81
RTRL contributions by member councils		4,801	4,668
Sewerage charges		–	6
Share cropping		13	20
Sporting grounds		1,667	1,616
Strategic planning		65	47
Swimming pools		314	316
Tourism service charges		72	82
Waste disposal		3,719	3,288
Water charges		161	89
Other		250	337
<b>Total fees and charges – other</b>		<b>22,339</b>	<b>21,962</b>
<b>TOTAL USER CHARGES AND FEES</b>		<b>32,558</b>	<b>31,875</b>

## Lismore City Council

## Notes to the Financial Statements

for the year ended 30 June 2016

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

\$ '000	Notes	Actual 2016	Actual 2015
<b>(c) Interest and investment revenue (including losses)</b>			
<b>Interest</b>			
– Interest on overdue rates and annual charges (incl. special purpose rates)		401	382
– Interest earned on investments (interest and coupon payment income)		1,319	1,364
<b>Fair value adjustments</b>			
– Fair valuation movements in investments (at fair value or held for trading)		–	12
<b>TOTAL INTEREST AND INVESTMENT REVENUE</b>		<b>1,720</b>	<b>1,758</b>
<b>Interest revenue is attributable to:</b>			
<b>Unrestricted investments/financial assets:</b>			
Overdue rates and annual charges (general fund)		401	382
General Council cash and investments		203	198
<b>Restricted investments/funds – external:</b>			
Development contributions			
– Section 94		141	248
Water fund operations		280	217
Sewerage fund operations		695	713
<b>Total interest and investment revenue recognised</b>		<b>1,720</b>	<b>1,758</b>
<b>(d) Other revenues</b>			
Rental income – other council properties		337	347
Fines – parking		130	145
Fines – other		104	114
Commissions and agency fees		42	46
Insurance claim recoveries		4	49
Master games		64	54
Other events		3	116
Private works		238	245
Re-assessment of provisions for waste facility remediation		–	2,302
Recycling income (non-domestic)		2,947	2,360
Reservation and registration fees		89	92
Class Action Recovery		1,110	–
Other		396	395
<b>TOTAL OTHER REVENUE</b>		<b>5,464</b>	<b>6,265</b>

## Lismore City Council

## Notes to the Financial Statements

for the year ended 30 June 2016

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

\$ '000	2016 Operating	2015 Operating	2016 Capital	2015 Capital
<b>(e) Grants</b>				
<b>General purpose (untied)</b>				
Financial assistance – general component	4,218	4,373	–	–
Financial assistance – local roads component	1,827	1,871	–	–
Pensioners' rates subsidies – general component	426	420	–	–
<b>Total general purpose</b>	<b>6,471</b>	<b>6,664</b>	<b>–</b>	<b>–</b>
<b>Specific purpose</b>				
Pensioners' rates subsidies:				
– Water	117	85	–	–
– Sewerage	126	124	–	–
– Domestic waste management	84	83	–	–
Art gallery	101	117	–	–
Community services	39	20	–	–
Diesel rebate	567	425	–	–
Environmental protection	27	38	–	82
Levee construction	–	–	–	(179)
Library services	316	116	–	–
Natural disaster emergency funding	1,710	1,141	–	–
Other domestic waste management	–	–	356	379
Recreation and culture	–	333	139	1,725
Street lighting	167	167	–	–
Transport (roads to recovery)	2,522	883	–	–
Transport (other roads and bridges funding)	15	–	4,162	333
Other	165	145	35	132
<b>Total specific purpose</b>	<b>5,956</b>	<b>3,677</b>	<b>4,692</b>	<b>2,472</b>
<b>Total grants</b>	<b>12,427</b>	<b>10,341</b>	<b>4,692</b>	<b>2,472</b>
<b>Grant revenue is attributable to:</b>				
– Commonwealth funding	668	490	–	–
– State funding	11,759	9,798	4,692	2,421
– Other funding	–	53	–	51
	<b>12,427</b>	<b>10,341</b>	<b>4,692</b>	<b>2,472</b>



## Lismore City Council

## Notes to the Financial Statements

for the year ended 30 June 2016

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

\$ '000	2016 Operating	2015 Operating	2016 Capital	2015 Capital
<b>(f) Contributions</b>				
<b>Developer contributions:</b>				
<b>(s93 &amp; s94 – EP&amp;A Act, s64 of the LGA):</b>				
S 94 – contributions towards amenities/services	–	–	1,126	669
S 64 – water supply contributions	–	–	141	76
S 64 – sewerage service contributions	–	–	653	134
Other developer contributions	–	–	–	–
<b>Total developer contributions</b>	<b>–</b>	<b>–</b>	<b>1,920</b>	<b>879</b>
	17			
<b>Other contributions:</b>				
Art gallery	36	86	–	–
Bushfire services	–	59	–	–
Dedications (other than by S94)	–	–	2,889	92
Library	28	29	97	83
Recreation and culture	–	–	721	197
Roads and bridges	–	–	–	160
RMS contributions (regional roads, block grant)	1,889	2,816	136	225
Other	5	8	80	27
<b>Total other contributions</b>	<b>1,958</b>	<b>2,998</b>	<b>3,923</b>	<b>784</b>
<b>Total contributions</b>	<b>1,958</b>	<b>2,998</b>	<b>5,843</b>	<b>1,663</b>
<b>TOTAL GRANTS AND CONTRIBUTIONS</b>	<b>14,385</b>	<b>13,339</b>	<b>10,535</b>	<b>4,135</b>

## Lismore City Council

## Notes to the Financial Statements

for the year ended 30 June 2016

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

\$ '000	Actual 2016	Actual 2015
<b>(g) Restrictions relating to grants and contributions</b>		
<b>Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner:</b>		
Unexpended at the close of the previous reporting period	5,877	8,982
<b>Add:</b> grants and contributions recognised in the current period but not yet spent:	2,474	1,672
<b>Less:</b> grants and contributions recognised in a previous reporting period now spent:	(1,904)	(4,777)
<b>Net increase (decrease) in restricted assets during the period</b>	<b>570</b>	<b>(3,105)</b>
<b>Unexpended and held as restricted assets</b>	<u><u>6,447</u></u>	<u><u>5,877</u></u>
<b>Comprising:</b>		
– Specific purpose unexpended grants	1,711	1,494
– Developer contributions	4,736	4,383
	<u><u>6,447</u></u>	<u><u>5,877</u></u>

## Lismore City Council

Notes to the Financial Statements  
for the year ended 30 June 2016

## Note 4. Expenses from continuing operations

\$ '000	Notes	Actual 2016	Actual 2015
<b>(a) Employee benefits and on-costs</b>			
Salaries and wages		25,585	24,140
Employee leave entitlements (ELE)		5,388	5,178
Superannuation		3,428	3,104
Workers' compensation insurance		548	821
Fringe benefit tax (FBT)		50	94
Payroll tax		172	173
Training costs (other than salaries and wages)		316	328
<b>Total employee costs</b>		<b>35,487</b>	<b>33,838</b>
Less: capitalised costs		(3,422)	(3,831)
<b>TOTAL EMPLOYEE COSTS EXPENSED</b>		<b>32,065</b>	<b>30,007</b>
Number of 'full-time equivalent' employees (FTE) at year end		<b>432</b>	<b>417</b>
<b>(b) Borrowing costs</b>			
<b>(i) Interest bearing liability costs</b>			
Interest on loans		2,939	3,172
Other debts		65	9
<b>Total interest bearing liability costs</b>		<b>3,004</b>	<b>3,181</b>
<b>Total interest bearing liability costs expensed</b>		<b>3,004</b>	<b>3,181</b>
<b>(ii) Other borrowing costs</b>			
Discount adjustments relating to movements in provisions (other than ELE)			
– Remediation liabilities	26	70	97
<b>Total other borrowing costs</b>		<b>70</b>	<b>97</b>
<b>TOTAL BORROWING COSTS EXPENSED</b>		<b>3,074</b>	<b>3,278</b>

## Lismore City Council

## Notes to the Financial Statements

for the year ended 30 June 2016

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

\$ '000	Notes	Actual 2016	Actual 2015
<b>(c) Materials and contracts</b>			
Raw materials and consumables		35,186	39,289
Auditors remuneration <sup>(1)</sup>		91	67
Legal expenses:			
– Legal expenses: planning and development		348	298
– Legal expenses: debt recovery		22	100
Operating leases:			
– Operating lease rentals: minimum lease payments <sup>(2)</sup>		110	108
<b>Total materials and contracts</b>		<b>35,757</b>	<b>39,862</b>
Less: capitalised costs		–	–
<b><u>TOTAL MATERIALS AND CONTRACTS</u></b>		<b><u>35,757</u></b>	<b><u>39,862</u></b>
<b>1. Auditor remuneration</b>			
During the year, the following fees were incurred for services provided by the Council's Auditor:			
<b>(i) Audit and other assurance services</b>			
– Audit and review of financial statements: Lismore City Council		72	57
– Audit and review of financial statements: Richmond Tweed Regional Library		9	10
– Other audit and assurance services: Review of Asset Management Preparedness		10	–
<b>Remuneration for audit and other assurance services</b>		<b>91</b>	<b>67</b>
<b>Total Auditor remuneration</b>		<b>91</b>	<b>67</b>
<b>2. Operating lease payments are attributable to:</b>			
Computers		110	108
Other		–	–
		<b>110</b>	<b>108</b>

## Lismore City Council

## Notes to the Financial Statements

for the year ended 30 June 2016

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

\$ '000	Notes	Impairment costs		Depreciation/amortisation	
		Actual 2016	Actual 2015	Actual 2016	Actual 2015
Plant and equipment		–	–	3,067	2,980
Office equipment		–	–	170	229
Furniture and fittings		–	–	20	18
Land improvements (depreciable)		–	–	338	325
Infrastructure:					
– Buildings – non-specialised		–	–	31	30
– Buildings – specialised		–	–	796	772
– Other structures		–	–	169	274
– Roads		–	–	7,284	7,276
– Bridges		–	–	876	830
– Footpaths		–	–	189	185
– Stormwater drainage		–	–	782	529
– Water supply network		–	–	1,679	1,698
– Sewerage network		–	–	4,225	4,340
– Swimming pools		–	–	238	64
– Other open space/recreational assets		–	–	151	153
Other assets					
– Heritage collections		–	–	–	1
– Library books		–	–	719	727
– Other		–	–	7	12
Impairment losses/(reversals)					
Asset reinstatement costs	9 & 26	–	–	(10)	14
Intangible assets	25	–	–	154	144
<b>Total depreciation and impairment costs</b>		<b>–</b>	<b>–</b>	<b>20,885</b>	<b>20,601</b>
<b>TOTAL DEPRECIATION AND IMPAIRMENT COSTS EXPENSED</b>		<b>–</b>	<b>–</b>	<b>20,885</b>	<b>20,601</b>

## Lismore City Council

## Notes to the Financial Statements

for the year ended 30 June 2016

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

\$ '000	Notes	Actual 2016	Actual 2015
<b>(e) Other expenses</b>			
Bad and doubtful debts		–	(4)
Contributions/levies to other levels of government			
– Emergency services levy (includes FRNSW, SES, and RFS levies)		78	66
– Far North Coast County Council (noxious plants)		136	132
– NSW Fire Brigade levy		443	427
– NSW Rural Fire Service levy		224	171
– Richmond River County Council (flood mitigation)		289	284
Councillor expenses – mayoral fee		54	52
Councillor expenses – councillors' fees		201	198
Councillors' expenses (incl. mayor) – other (excluding fees above)		118	120
Donations, contributions and assistance to other organisations (Section 356)		208	209
Electricity and heating		1,292	1,607
Insurance		1,148	1,157
Street lighting		236	218
Telephone and communications		350	347
Legal Costs on Investment Recoveries		456	–
<b>Total other expenses</b>		<b>5,233</b>	<b>4,984</b>
Less: capitalised costs		–	–
<b>TOTAL OTHER EXPENSES</b>		<b>5,233</b>	<b>4,984</b>

## Lismore City Council

## Notes to the Financial Statements

for the year ended 30 June 2016

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

\$ '000	Notes	Actual 2016	Actual 2015
<b>Property</b> (excl. investment property)			
Proceeds from disposal – property		609	288
Less: carrying amount of property assets sold/written off		(386)	(589)
<b>Net gain/(loss) on disposal</b>		<b>223</b>	<b>(301)</b>
<b>Plant and equipment</b>			
Proceeds from disposal – plant and equipment		689	920
Less: carrying amount of plant and equipment assets sold/written off		(636)	(766)
<b>Net gain/(loss) on disposal</b>		<b>53</b>	<b>154</b>
<b>Infrastructure</b>			
Proceeds from disposal – infrastructure		–	–
Less: carrying amount of infrastructure assets sold/written off		(1,666)	(3,019)
<b>Net gain/(loss) on disposal</b>		<b>(1,666)</b>	<b>(3,019)</b>
<b>Real estate assets held for sale</b>			
Proceeds from disposal – real estate assets		1,815	–
Less: carrying amount of real estate assets sold/written off		(1,428)	–
<b>Net gain/(loss) on disposal</b>		<b>387</b>	<b>–</b>
<b>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</b>		<b>(1,003)</b>	<b>(3,166)</b>

## Lismore City Council

Notes to the Financial Statements  
for the year ended 30 June 2016

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

\$ '000	Notes	2016 Actual Current	2016 Actual Non-current	2015 Actual Current	2015 Actual Non-current
<b>Cash and cash equivalents (Note 6a)</b>					
Cash on hand and at bank		474	–	1,061	–
Cash-equivalent assets <sup>1</sup>					
– Deposits at call		10,775	–	9,955	–
– Short-term deposits		5,000	–	5,000	–
<b>Total cash and cash equivalents</b>		<b>16,249</b>	<b>–</b>	<b>16,016</b>	<b>–</b>
<b>Investments (Note 6b)</b>					
– Long term deposits		17,000	5,000	15,566	6,000
– Other long term financial assets		–	–	–	1,000
<b>Total investments</b>		<b>17,000</b>	<b>5,000</b>	<b>15,566</b>	<b>7,000</b>
<b>TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS</b>		<b>33,249</b>	<b>5,000</b>	<b>31,582</b>	<b>7,000</b>

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

**Investments were classified at year end  
in accordance with AASB 139 as follows:**

**a. 'At fair value through the profit and loss'**

– 'Designated at fair value on initial recognition'	6(b-i)	17,000	5,000	15,566	7,000
<b>Investments</b>		<b>17,000</b>	<b>5,000</b>	<b>15,566</b>	<b>7,000</b>

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



## Lismore City Council

Notes to the Financial Statements  
for the year ended 30 June 2016

## Note 6b. investments (continued)

\$ '000	2016 Actual Current	2016 Actual Non-current	2015 Actual Current	2015 Actual Non-current
<b>Note 6(b-i)</b>				
<b>Reconciliation of investments classified as 'at fair value through the profit and loss'</b>				
Balance at the beginning of the year	15,566	7,000	11,762	6,000
Revaluations (through the Income Statement)	–		12	–
Additions	12,434	3,000	13,292	4,000
Disposals (sales and redemptions)	(16,000)		(12,500)	–
Transfers between current/non-current	5,000	(5,000)	3,000	(3,000)
<b>Balance at end of year</b>	<b>17,000</b>	<b>5,000</b>	<b>15,566</b>	<b>7,000</b>
<b>Comprising:</b>				
– Other long term financial assets	17,000	5,000	15,566	7,000
<b>Total</b>	<b>17,000</b>	<b>5,000</b>	<b>15,566</b>	<b>7,000</b>

## Lismore City Council

## Notes to the Financial Statements

for the year ended 30 June 2016

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

\$ '000	2016	2016	2015	2015
	Actual Current	Actual Non-current	Actual Current	Actual Non-current
Total cash, cash equivalents and investments	33,249	5,000	31,582	7,000
<b>attributable to:</b>				
External restrictions (refer below)	26,750	5,000	22,316	7,000
Internal restrictions (refer below)	6,499	–	9,266	–
Unrestricted	–	–	–	–
	<b>33,249</b>	<b>5,000</b>	<b>31,582</b>	<b>7,000</b>

2016	Opening balance	Transfers to restrictions	Transfers from restrictions	Closing balance
\$ '000				

## Details of restrictions

## External restrictions – included in liabilities

Other - Art Gallery Gift Account	–	679		679
Other - Trust Account	729	252		981
<b>External restrictions – included in liabilities</b>	<b>729</b>	<b>931</b>	<b>–</b>	<b>1,660</b>

## External restrictions – other

Developer contributions – general (D)	4,383	2,061	(1,708)	4,736
Specific purpose unexpended grants (F)	1,494	44	–	1,538
Water supplies (G)	4,471	–	(2,234)	2,237
Water supplies – employee leave entitlements (G)	100		(4)	96
Sewerage services (G)	16,672	2,435	–	19,107
Sewerage services – employee leave entitlements (G)	82			82
Domestic waste management (G)	154	754		908
Stormwater management (G)	1,008	115		1,123
Other - Waste Minimisation	223	40		263
<b>External restrictions – other</b>	<b>28,587</b>	<b>5,449</b>	<b>(3,946)</b>	<b>30,090</b>
<b>Total external restrictions</b>	<b>29,316</b>	<b>6,380</b>	<b>(3,946)</b>	<b>31,750</b>

## Lismore City Council

## Notes to the Financial Statements

for the year ended 30 June 2016

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

2016 \$ '000	Opening balance	Transfers to restrictions	Transfers from restrictions	Closing balance
<b>Internal restrictions</b>				
Annual Budget or LTFP Provision	–	2,058		2,058
Held for Other Parties	–	910		910
SRV Related	–	140		140
Carry Forward & Revote Works	–	598		598
Other Council Resolutions	–			–
Available Funds	–			–
Plant and vehicle replacement	–	–	–	–
Specific purpose unexpended loans (A)	1,571		(1,386)	185
Employees leave entitlement	1,278	927		2,205
RTRL – employee leave entitlements	395	8		403
Art gallery	38		(38)	–
Aerodrome	64		(64)	–
Administrative purposes	302		(302)	–
Asset management	79		(79)	–
Economic development and tourism	139		(139)	–
Flood mitigation	62		(62)	–
NEWLOG	35		(35)	–
Parks and reserves	15		(15)	–
Per lot subsidy development	4,000		(4,000)	–
Property management	74		(74)	–
Richmond Tweed Regional Library	1,135		(1,135)	–
Sporting grounds	16		(16)	–
Sustainable development	63		(63)	–
<b>Total internal restrictions</b>	<b>9,266</b>	<b>4,641</b>	<b>(7,408)</b>	<b>6,499</b>
<b>TOTAL RESTRICTIONS</b>	<b>38,582</b>	<b>11,021</b>	<b>(11,354)</b>	<b>38,249</b>

**A** Loan moneys which must be applied for the purposes for which the loans were raised.

**B** Advances by roads and maritime services for (RMS) 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** RMS 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 (b))

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

**H** Council has \$5.314 million in internal borrowings from funds that would otherwise have been classified as Internal Restrictions. As they are internal borrowings, they are eliminated from reporting in accordance with Australian Accounting Standards. The borrowings have been used for various purposes and will be repaid in accordance with loan repayment schedules, linked asset sales, profit generation or as cashflow permits.

## Lismore City Council

## Notes to the Financial Statements

for the year ended 30 June 2016

## Note 7. Receivables

\$ '000	Notes	2016		2015	
		Current	Non-current	Current	Non-current
<b>Purpose</b>					
Rates and annual charges		3,237	1,467	3,322	1,378
Interest and extra charges		592	447	710	450
User charges and fees		2,172	818	1,782	695
Accrued revenues					
– Interest on investments		417	–	385	–
Deferred debtors		7	256	18	253
Loans to sporting club		3	–	3	2
Miscellaneous works and services		2,324	–	2,949	–
Net GST receivable		914	–	831	–
Other debtors – RTRL		2	–	58	–
Roads and maritime services		3,235	–	4,003	–
Tender deposits and bonds		1,613	–	1,637	–
Other debtors		494	13	96	19
<b>Total</b>		<b>15,010</b>	<b>3,001</b>	<b>15,794</b>	<b>2,797</b>
<b>Less: provision for impairment</b>					
User charges and fees		(50)	–	(120)	–
<b>Total provision for impairment – receivables</b>		<b>(50)</b>	<b>–</b>	<b>(120)</b>	<b>–</b>
<b>TOTAL NET RECEIVABLES</b>		<b>14,960</b>	<b>3,001</b>	<b>15,674</b>	<b>2,797</b>
<b>Externally restricted receivables</b>					
<b>Water supply</b>					
– Rates and availability charges		676	371	513	290
– Other		2,172	1,008	1,781	865
<b>Sewerage services</b>					
– Rates and availability charges		522	436	569	419
– Other		522	–	542	–
<b>Domestic waste management</b>		<b>296</b>	<b>127</b>	<b>337</b>	<b>131</b>
<b>Total external restrictions</b>		<b>4,188</b>	<b>1,942</b>	<b>3,742</b>	<b>1,705</b>
<b>Unrestricted receivables</b>		<b>10,772</b>	<b>1,059</b>	<b>11,932</b>	<b>1,092</b>
<b>TOTAL NET RECEIVABLES</b>		<b>14,960</b>	<b>3,001</b>	<b>15,674</b>	<b>2,797</b>

**Notes on debtors above:**

- (i) Rates and 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 was charged on overdue rates and charges at 8.50% (2015 8.50%).  
Generally all other receivables are non-interest bearing.
- (iv) Please refer to Note 15 for issues concerning credit risk and fair value disclosures.

## Lismore City Council

Notes to the Financial Statements  
for the year ended 30 June 2016

## Note 8. Inventories and other assets

\$ '000	Notes	2016		2015	
		Current	Non-current	Current	Non-current
<b>(a) Inventories</b>					
<b>(i) Inventories at cost</b>					
Real estate for resale (refer below)		1,265	183	2,699	163
Stores and materials		1,188	–	1,113	–
Trading stock		2,589	–	2,617	–
<b>TOTAL INVENTORIES</b>		<b>5,042</b>	<b>183</b>	<b>6,429</b>	<b>163</b>
<b>(b) Other assets</b>					
Prepayments		115	–	164	–
<b>TOTAL OTHER ASSETS</b>		<b>115</b>	<b>–</b>	<b>164</b>	<b>–</b>
<b>Externally restricted assets</b>					
<b>Water</b>					
Stores and materials		266	–	278	–
<b>Total water</b>		<b>266</b>	<b>–</b>	<b>278</b>	<b>–</b>
<b>Sewerage</b>					
Stores and materials		288	–	298	–
<b>Total sewerage</b>		<b>288</b>	<b>–</b>	<b>298</b>	<b>–</b>
<b>Total externally restricted assets</b>		<b>554</b>	<b>–</b>	<b>576</b>	<b>–</b>
<b>Total internally restricted assets</b>		<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Total unrestricted assets</b>		<b>4,603</b>	<b>183</b>	<b>6,017</b>	<b>163</b>
<b>TOTAL INVENTORIES AND OTHER ASSETS</b>		<b>5,157</b>	<b>183</b>	<b>6,593</b>	<b>163</b>

## Lismore City Council

Notes to the Financial Statements  
for the year ended 30 June 2016

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

\$ '000	2016		2015	
	Current	Non-current	Current	Non-current
<b>(i) Other disclosures</b>				
<b>(a) Details for real estate development</b>				
Residential	–	173	–	163
Industrial/commercial	1,265	10	2,699	–
<b>Total real estate for resale</b>	<b>1,265</b>	<b>183</b>	<b>2,699</b>	<b>163</b>
(Valued at the lower of cost and net realisable value)				
<b>Represented by:</b>				
Acquisition costs	36	6	421	6
Development costs	1,229	177	2,278	157
<b>Total costs</b>	<b>1,265</b>	<b>183</b>	<b>2,699</b>	<b>163</b>
Less: provision for under recovery	–	–	–	–
<b>Total real estate for resale</b>	<b>1,265</b>	<b>183</b>	<b>2,699</b>	<b>163</b>
<b>Movements:</b>				
Real estate assets at beginning of the year	2,699	163	2,697	159
– Purchases and other costs	4	10	2	4
– WDV of sales (expense) 5	(1,428)	–	–	–
– Transfer between current/non-current	(10)	10	–	–
<b>Total real estate for resale</b>	<b>1,265</b>	<b>183</b>	<b>2,699</b>	<b>163</b>

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

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

	2016	2015
Real estate for resale	1,136	1,839
	<b>1,136</b>	<b>1,839</b>

Notes to the Financial Statements  
for the year ended 30 June 2016

Note 9a. Infrastructure, property, plant and equipment

\$ '000	as at 30/6/2015					Asset movements during the reporting period								as at 30/6/2016				
	At cost	At fair value	Accumulated		Carrying value	Additions renewals	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Adjustments and transfers	Revaluation decrements to equity (ARR)	Revaluation increments to equity (ARR)	At cost	At fair value	Accumulated		Carrying value
			depreciation	impairment												depreciation	impairment	
Capital work in progress	6,028	–	–	–	6,028	3,084	5,036			(3,681)				10,467	–	–	–	10,467
Plant and equipment	–	37,166	19,358	–	17,808		5,652	(635)	(3,067)					–	40,896	21,138	–	19,758
Office equipment	–	6,215	5,757	–	458		205		(170)					–	6,421	5,928	–	493
Furniture and fittings	–	597	518	–	79		47		(20)					–	644	538	–	106
Plant and equipment (under finance lease)	–	–	–	–	–		–		–					–	–	–	–	–
<b>Land:</b>																		
– Operational land	–	78,215	–	–	78,215		79	(379)						–	77,915	–	–	77,915
– Community land	–	27,357	–	–	27,357		–	–	–					–	27,357	–	–	27,357
– Land under roads (pre 1/7/08)	–	–	–	–	–		–	–	–					–	–	–	–	–
– Land under roads (post 30/6/08)	–	31	–	–	31		–	–	–					–	31	–	–	31
Land improvements – non-depreciable	–	–	–	–	–		–	–	–		8,197			–	8,197	–	–	8,197
Land improvements – depreciable	–	18,498	8,412	–	10,086		298		(338)	1,726			4,170	–	25,828	9,886	–	15,942
<b>Infrastructure:</b>																		
– Buildings	–	–	–	–	–		–		–					–	–	–	–	–
– Buildings – non-specialised	–	2,325	586	–	1,739		–		(31)					–	2,325	617	–	1,708
– Buildings – specialised	–	74,394	14,627	–	59,767		1,274	(7)	(796)					–	75,657	15,419	–	60,238
– Other structures	–	9,719	3,083	–	6,636		–		(169)	197			2,307	–	14,122	5,151	–	8,971
– Roads	–	332,504	169,078	–	163,426	8,995	2,248	(807)	(7,284)	1,512			5,106	–	349,636	176,440	–	173,196
– Bridges	–	78,805	32,400	–	46,405		–		(876)				1,502	–	81,405	34,374	–	47,031
– Footpaths	–	15,903	1,699	–	14,204	406	102	(58)	(189)				447	–	16,824	1,912	–	14,912
– Other road assets	–	–	–	–	–		–		–					–	–	–	–	–
– Bulk earthworks (non-depreciable)	–	304,520	–	–	304,520	461	115		–				9,458	–	314,554	–	–	314,554
– Stormwater drainage	–	76,699	26,649	–	50,050	482	121	(3)	(782)				746	–	78,454	27,840	–	50,614
– Water supply network	–	125,218	52,443	–	72,775	2,166	541	(607)	(1,679)				1,067	–	128,334	54,071	–	74,263
– Sewerage network	–	310,428	127,384	–	183,044	993	248	(191)	(4,225)	203			2,685	–	316,090	133,333	–	182,757
– Swimming pools	–	5,156	721	–	4,435		–		(238)					–	5,738	1,873	–	3,865
– Other open space/recreational assets	–	17,321	7,703	–	9,618		200		(151)					–	1,742	703	–	1,039
– Other infrastructure	–	–	–	–	–		–		–					–	–	–	–	–
<b>Other assets:</b>																		
– Heritage collections	–	82	15	–	67		–		–				1,890	–	1,957	–	–	1,957
– Lending and Reference Collection	–	14,456	12,364	–	2,092		673		(719)					–	4,270	2,224	–	2,046
– Other	–	681	269	–	412		139		(7)	43				–	863	276	–	587
<b>Reinstatement, rehabilitation and restoration assets (refer Note 26):</b>																		
– Tip assets	–	270	–	–	270		–		–					–	270	–	–	270
– Quarry assets	–	173	102	–	71		–		10					–	403	92	–	311
– Other assets	–	–	–	–	–		–		–					–	–	–	–	–
<b>TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIP.</b>	<b>6,028</b>	<b>1,536,733</b>	<b>483,168</b>	<b>–</b>	<b>1,059,593</b>	<b>16,587</b>	<b>16,978</b>	<b>(2,687)</b>	<b>(20,731)</b>	<b>–</b>	<b>230</b>	<b>(763)</b>	<b>29,378</b>	<b>10,467</b>	<b>1,579,933</b>	<b>491,815</b>	<b>–</b>	<b>1,098,585</b>

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

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

## Lismore City Council

Notes to the Financial Statements  
for the year ended 30 June 2016

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

\$ '000	Actual 2016				Actual 2015			
	At cost	At fair value	A/Dep & impairm't	Carrying value	At cost	At fair value	A/Dep & impairm't	Carrying value
<b>Water supply</b>								
WIP		2,209		<b>2,209</b>	230	–	–	<b>230</b>
Plant and equipment		1,175	567	<b>608</b>	–	1,139	486	<b>653</b>
Office equipment		63	63	–	–	63	60	<b>3</b>
Furniture and fittings				–	–	–	–	–
Land								
– Operational land		2,221		<b>2,221</b>	–	2,221	–	<b>2,221</b>
– Community land				–	–	–	–	–
– Improvements non-depreciable				–	–	–	–	–
– Improvements - depreciable				–	–	–	–	–
Buildings		24	10	<b>14</b>	–	24	10	<b>14</b>
Other structures				–	–	7	2	<b>5</b>
Infrastructure		128,334	54,071	<b>74,263</b>	–	125,218	52,444	<b>72,774</b>
Other assets				–	–	–	–	–
<b>Total water supply</b>	<b>–</b>	<b>134,026</b>	<b>54,711</b>	<b>79,315</b>	<b>230</b>	<b>128,672</b>	<b>53,002</b>	<b>75,900</b>
<b>Sewerage services</b>								
WIP		3,584		<b>3,584</b>	488	–	–	<b>488</b>
Plant and equipment		1,388	1,055	<b>333</b>	–	1,622	1,153	<b>469</b>
Office equipment		148	148	–	–	148	135	<b>13</b>
Furniture and fittings				–	–	–	–	–
Land								
– Operational land		5,291		<b>5,291</b>	–	5,404	–	<b>5,404</b>
– Community land				–	–	–	–	–
– Improvements non-depreciable				–	–	–	–	–
– Improvements - depreciable				–	–	–	–	–
Buildings		858	197	<b>661</b>	–	858	189	<b>669</b>
Other structures				–	–	89	45	<b>44</b>
Infrastructure		316,090	133,333	<b>182,757</b>	–	310,428	127,384	<b>183,044</b>
Other assets				–	–	–	–	–
<b>Total sewerage services</b>	<b>–</b>	<b>327,359</b>	<b>134,733</b>	<b>192,626</b>	<b>488</b>	<b>318,549</b>	<b>128,906</b>	<b>190,131</b>
<b>TOTAL RESTRICTED I,PP&amp;E</b>	<b>–</b>	<b>461,385</b>	<b>189,444</b>	<b>271,941</b>	<b>718</b>	<b>447,221</b>	<b>181,908</b>	<b>266,031</b>



## Lismore City Council

### Notes to the Financial Statements

for the year ended 30 June 2016

#### Note 9c. Infrastructure, property, plant and equipment – current year impairments

\$ '000	Notes	Actual 2016	Actual 2015
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Council has recognised no impairment losses during the reporting period nor reversed any prior period losses.

## Lismore City Council

Notes to the Financial Statements  
for the year ended 30 June 2016

## Note 10a. Payables, borrowings and provisions

\$ '000	Notes	2016		2015	
		Current	Non-current	Current	Non-current
<b>Payables</b>					
Goods and services – operating expenditure		3,559	–	6,181	–
Goods and services – capital expenditure		2,629	–	1,733	–
Payments received in advance		–	–	98	–
Accrued expenses:					
– Other expenditure accruals		793	–	1,954	–
Contribution to works		982	–	729	–
Security bonds, deposits and retentions		1,613	–	1,637	–
<b>Total payables</b>		<b>9,576</b>	<b>–</b>	<b>12,332</b>	<b>–</b>
<b>Borrowings</b>					
Loans – secured <sup>1</sup>		3,573	39,645	3,322	43,347
<b>Total borrowings</b>		<b>3,573</b>	<b>39,645</b>	<b>3,322</b>	<b>43,347</b>
<b>Provisions</b>					
<b>Employee benefits:</b>					
Annual leave		3,004	–	3,095	–
Long service leave		4,992	226	4,905	223
Other leave		79	–	75	–
Sub-total – aggregate employee benefits		8,075	226	8,075	223
Asset remediation/restoration (future works)	26	162	1,436	116	1,206
<b>Total provisions</b>		<b>8,237</b>	<b>1,662</b>	<b>8,191</b>	<b>1,429</b>
<b>TOTAL PAYABLES, BORROWINGS AND PROVISIONS</b>					
		<b>21,386</b>	<b>41,307</b>	<b>23,845</b>	<b>44,776</b>
<b>(i) Liabilities relating to restricted assets</b>					
		2016		2015	
		Current	Non-current	Current	Non-current
<b>Externally restricted assets</b>					
Water		581	6,374	658	6,647
Sewer		627	7,852	666	8,179
Domestic waste management		166	4	136	3
Other		1,660	–	729	–
Liabilities relating to externally restricted assets		3,034	14,230	2,189	14,829
<b>Total liabilities relating to restricted assets</b>		<b>3,034</b>	<b>14,230</b>	<b>2,189</b>	<b>14,829</b>
<b>Total liabilities relating to unrestricted assets</b>		<b>18,352</b>	<b>27,077</b>	<b>21,656</b>	<b>29,947</b>
<b>TOTAL PAYABLES, BORROWINGS AND PROVISIONS</b>		<b>21,386</b>	<b>41,307</b>	<b>23,845</b>	<b>44,776</b>

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

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

## Lismore City Council

## Notes to the Financial Statements

for the year ended 30 June 2016

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

\$ '000	Actual 2016	Actual 2015
<b>(ii) Current liabilities not anticipated to be settled within the next twelve months</b>		
The following liabilities, even though classified as current, are not expected to be settled in the next 12 months.		
Provisions – employees benefits	5,291	5,392
Payables – security bonds, deposits and retentions	1,613	1,637
	<u>6,904</u>	<u>7,029</u>

## Note 10b. Description of and movements in provisions

Nil

Class of provision	2015		2016			
	Opening balance as at 1/7/15	Additional provisions	Decrease due to payments	Remeasurement effects due to discounting	Unused amounts reversed	Closing balance as at 30/6/16
Asset remediation	1,322	276				1,598
<b>TOTAL</b>	<u>9,620</u>	<u>279</u>	–	–	–	<u>9,899</u>

- a. Asset remediation, reinstatement and restoration provisions represent the present value estimate of future costs Council will incur in order to remove, restore and remediate assets and/or activities as a result of past operations.

## Lismore City Council

Notes to the Financial Statements  
for the year ended 30 June 2016

## Note 11. Statement of cash flows – additional information

\$ '000	Notes	Actual 2016	Actual 2015
<b>(a) Reconciliation of cash assets</b>			
Total cash and cash equivalent assets	6a	16,249	16,016
Less bank overdraft	10	–	–
<b>Balance as per the Statement of Cash Flows</b>		<b>16,249</b>	<b>16,016</b>
<b>(b) Reconciliation of net operating result to cash provided from operating activities</b>			
<b>Net operating result from Income Statement</b>		<b>13,926</b>	<b>875</b>
<b>Adjust for non-cash items:</b>			
Depreciation and amortisation		20,885	20,601
Net losses/(gains) on disposal of assets		1,003	3,166
Non-cash capital grants and contributions		(2,889)	(92)
<b>Losses/(gains) recognised on fair value re-measurements through the P&amp;L:</b>			
– Investments classified as ‘at fair value’ or ‘held for trading’		–	(12)
Unwinding of discount rates on reinstatement provisions		769	262
Share of net (profits) or losses of associates/joint ventures		62	42
<b>+/- Movement in operating assets and liabilities and other cash items:</b>			
Decrease/(increase) in receivables		572	(1,395)
Increase/(decrease) in provision for doubtful debts		(70)	(4)
Decrease/(increase) in inventories		(47)	613
Decrease/(increase) in other assets		49	(164)
Increase/(decrease) in payables		(2,622)	2,676
Increase/(decrease) in other accrued expenses payable		(1,161)	(2)
Increase/(decrease) in other liabilities		131	460
Increase/(decrease) in employee leave entitlements		3	385
Increase/(decrease) in other provisions		(493)	(2,739)
<b>Net cash provided from/(used in) operating activities from the Statement of Cash Flows</b>		<b>30,118</b>	<b>24,672</b>

## Lismore City Council

## Notes to the Financial Statements

for the year ended 30 June 2016

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

\$ '000	Notes	Actual 2016	Actual 2015
<b>(c) Non-cash investing and financing activities</b>			
Other dedications		2,889	92
<b>Total non-cash investing and financing activities</b>		<b>2,889</b>	<b>92</b>
<b>(d) Financing arrangements</b>			
<b>(i) Unrestricted access was available at balance date to the following lines of credit:</b>			
Bank overdraft facilities <sup>(1)</sup>		750	750
Credit cards/purchase cards		250	150
<b>Total financing arrangements</b>		<b>1,000</b>	<b>900</b>

1. The bank overdraft facility may be drawn at any time and may be terminated by the bank without notice.  
Interest rates on overdrafts are interest rates on loans and other payables are disclosed in Note 15.

**(ii) Secured loan liabilities**

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

**(e) Net cash flows attributable to discontinued operations**

Please refer to Note 24 for details of cash flows that relate to discontinued operations

## Lismore City Council

Notes to the Financial Statements  
for the year ended 30 June 2016

## Note 12. Commitments for expenditure

\$ '000	Notes	Actual 2016	Actual 2015
<b>(a) Capital commitments (exclusive of GST)</b>			
Nil			
<b>(b) Finance lease commitments</b>			
Nil			
<b>(c) Operating lease commitments (non-cancellable)</b>			
<b>a. Commitments under non-cancellable operating leases at the reporting date, but not recognised as liabilities are payable:</b>			
Within the next year		179	203
Later than one year and not later than 5 years		260	437
Later than 5 years		–	–
<b>Total non-cancellable operating lease commitments</b>		<b>439</b>	<b>640</b>

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

Light Plant, Office Rentals

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

**Conditions relating to operating leases:**

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

**(d) Investment property commitments**

Nil

**(e) Investment in joint operations – commitments**

For capital commitments and other commitments relating to investments in joint operations, refer to Note 19 (c)

## Lismore City Council

Notes to the Financial Statements  
for the year ended 30 June 2016

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

\$ '000	Amounts 2016	Indicator 2016	Prior periods	
			2015	2014
<b>Local government industry indicators – consolidated</b>				
<b>1. Operating performance ratio</b>				
Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions less operating expenses	<u>4,456</u>	<b>4.39%</b>	-2.46%	-1.54%
Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions	<u>101,470</u>			
<b>2. Own source operating revenue ratio</b>				
Total continuing operating revenue <sup>(1)</sup> excluding all grants and contributions	<u>87,085</u>	<b>77.75%</b>	82.61%	80.58%
Total continuing operating revenue <sup>(1)</sup>	<u>112,005</u>			
<b>3. Unrestricted current ratio</b>				
Current assets less all external restrictions <sup>(2)</sup>	<u>20,738</u>	<b>1.45x</b>	1.51x	1.72x
Current liabilities less specific purpose liabilities <sup>(3, 4)</sup>	<u>14,260</u>			
<b>4. Debt service cover ratio</b>				
Operating result <sup>(1)</sup> before capital excluding interest and depreciation/impairment/amortisation	<u>28,415</u>	<b>4.35x</b>	3.26x	2.34x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	<u>6,525</u>			
<b>5. Rates, annual charges, interest and extra charges outstanding percentage</b>				
Rates, annual and extra charges outstanding	<u>5,743</u>	<b>10.71%</b>	11.38%	11.45%
Rates, annual and extra charges collectible	<u>53,604</u>			
<b>6. Cash expense cover ratio</b>				
Current year's cash and cash equivalents plus all term deposits	<u>38,249</u>	<b>5.16 mths</b>	5.3 mths	4.7 mths
Payments from cash flow of operating and financing activities	<u>7,407</u>			

## Notes

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

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

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

<sup>(3)</sup> Refer to Note 10(a).

<sup>(4)</sup> Refer to Note 10(a)(ii) – excludes all payables and provisions not expected to be paid in the next 12 months (incl. ELE).

## Lismore City Council

Notes to the Financial Statements  
for the year ended 30 June 2016

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

\$ '000	Water 2016	Sewer 2016	General <sup>5</sup> 2016
<b>Local government industry indicators – by fund</b>			
<b>1. Operating performance ratio</b>			
Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions less operating expenses	<b>11.28%</b>	<b>16.73%</b>	<b>1.08%</b>
Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions	prior period: 6.90%	7.92%	-5.68%
<b>2. Own source operating revenue ratio</b>			
Total continuing operating revenue <sup>(1)</sup> excluding all grants and contributions	<b>96.00%</b>	<b>88.57%</b>	<b>73.19%</b>
Total continuing operating revenue <sup>(1)</sup>	prior period: 98.19%	97.51%	77.82%
<b>3. Unrestricted current ratio</b>			
Current assets less all external restrictions <sup>(2)</sup>	<b>8.85x</b>	<b>28.73x</b>	<b>1.45x</b>
Current liabilities less specific purpose liabilities <sup>(3, 4)</sup>	prior period: 9.60x	22.71x	1.51x
<b>4. Debt service cover ratio</b>			
Operating result <sup>(1)</sup> before capital excluding interest and depreciation/impairment/amortisation	<b>5.09x</b>	<b>7.82x</b>	<b>3.63x</b>
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	prior period: 4.26x	6.82x	2.51x
<b>5. Rates, annual charges, interest and extra charges outstanding percentage</b>			
Rates, annual and extra charges outstanding	<b>24.49%</b>	<b>12.97%</b>	<b>7.95%</b>
Rates, annual and extra charges collectible	prior period: 22.74%	13.89%	9.12%
<b>6. Cash expense cover ratio</b>			
Current year's cash and cash equivalents plus all term deposits	<b>2.91 mths</b>	<b>32.86 mths</b>	<b>2.78 mths</b>
Payments from cash flow of operating and financing activities	prior period: 5.81 mths	30.12 mths	2.80 mths

## Notes

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

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



## Lismore City Council

### Notes to the Financial Statements for the year ended 30 June 2016

#### Note 14. Investment properties

\$ '000	Notes	Actual 2016	Actual 2015
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Council has not classified any land or buildings as 'investment properties'.

## Lismore City Council

### Notes to the Financial Statements for the year ended 30 June 2016

#### 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 and financial liabilities recognised in the financial statements is presented below.

	Carrying value		Fair value	
	2016	2015	2016	2015
<b>Financial assets</b>				
Cash and cash equivalents	16,249	16,016	16,249	16,016
Investments				
– 'Designated at fair value on initial recognition'	22,000	22,566	22,000	22,566
Receivables	17,961	18,471	17,961	18,471
<b>Total financial assets</b>	<b>56,210</b>	<b>57,053</b>	<b>56,210</b>	<b>57,053</b>
<b>Financial liabilities</b>				
Payables	9,576	12,234	9,525	12,234
Loans/advances	43,218	46,669	41,944	48,646
<b>Total financial liabilities</b>	<b>52,794</b>	<b>58,903</b>	<b>51,469</b>	<b>60,880</b>

Fair value is determined as follows:

- **Cash and cash equivalents, receivables, payables** – are estimated to be the carrying value that approximates market value.
- **Borrowings and held-to-maturity** investments – are based upon estimated future cash flows discounted by the current mkt interest rates applicable to assets and liabilities with similar risk profiles, unless quoted market prices are available.
- Financial assets classified (i) '**at fair value through profit and loss**' or (ii) '**available-for-sale**' – are based upon quoted market prices (in active markets for identical investments) at the reporting date or independent valuation.

Refer to Note 27. Fair value measurement for information regarding the fair value of financial assets and liabilities.

## Lismore City Council

### Notes to the Financial Statements

for the year ended 30 June 2016

#### Note 15. Financial risk management (continued)

\$ '000

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

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

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

The risks associated with the investments held are:

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

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

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

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

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

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

	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
<b>2016</b>				
Possible impact of a 10% movement in market values	2,200	2,200	(2,200)	(2,200)
Possible impact of a 1% movement in interest rates	162	162	(162)	(162)
<b>2015</b>				
Possible impact of a 10% movement in market values	2,256	2,256	(2,256)	(2,256)
Possible impact of a 1% movement in interest rates	160	160	(160)	(160)

## Lismore City Council

## Notes to the Financial Statements

for the year ended 30 June 2016

## Note 15. Financial risk management (continued)

\$ '000

**(b) Credit risk**

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

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

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

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

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

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:

	2016 Rates and annual charges *	2016 Other receivables	2015 Rates and annual charges	2015 Other receivables
<b>(i) Ageing of receivables – %</b>				
Current (not yet overdue)	0%	81%	0%	84%
Overdue	100%	19%	100%	16%
	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
<b>(ii) Ageing of receivables – value</b>				
<b>Rates and annual charges</b>	<b>Other receivables</b>		<b>Rates and annual charges</b>	<b>Other receivables</b>
Current	Current	–	–	11,669
Overdue	0 – 30 days overdue	4,704	4,700	752
	30 – 60 days overdue			579
	60 – 90 days overdue			226
	> 90 days overdue			665
		<b>4,704</b>	<b>4,700</b>	<b>13,891</b>

\* No ageing information is available for Rates & Annual Charges

## Lismore City Council

## Notes to the Financial Statements

for the year ended 30 June 2016

## Note 15. Financial risk management (continued)

\$ '000

## (c) Liquidity risk

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

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

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

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

\$ '000	Subject to no maturity	payable in:						Total cash outflows	Actual carrying values
		≤ 1 Year	1-2 Yrs	2-3 Yrs	3-4 Yrs	4-5 Yrs	> 5 Yrs		
<b>2016</b>									
Trade/other payables	9,576	–	–	–	–	–	–	9,576	9,576
Loans and advances	–	3,786	3,519	3,693	6,581	3,279	24,950	45,808	43,218
<b>Total financial liabilities</b>	<b>9,576</b>	<b>3,786</b>	<b>3,519</b>	<b>3,693</b>	<b>6,581</b>	<b>3,279</b>	<b>24,950</b>	<b>55,384</b>	<b>52,794</b>
<b>2015</b>									
Trade/other payables	12,234	–	–	–	–	–	–	12,234	12,234
Loans and advances	–	3,528	3,753	3,484	3,658	6,546	28,535	49,504	46,669
<b>Total financial liabilities</b>	<b>12,234</b>	<b>3,528</b>	<b>3,753</b>	<b>3,484</b>	<b>3,658</b>	<b>6,546</b>	<b>28,535</b>	<b>61,738</b>	<b>58,903</b>

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

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

	2016		2015	
	Carrying value	Average interest rate	Carrying value	Average interest rate
Trade/other payables	9,576	0.00%	12,234	0.00%
Loans and advances – fixed interest rate	43,218	5.99%	46,669	6.08%
	<u>52,794</u>		<u>58,903</u>	

## Lismore City Council

Notes to the Financial Statements  
for the year ended 30 June 2016

## Note 16. Material budget variations

\$ '000

Council's original financial budget for 15/16 was adopted by the Council on 16 June 2015.

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

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

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

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

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

\$ '000	2016 Budget	2016 Actual	2016 ----- Variance* -----		
<b>REVENUES</b>					
<b>Rates and annual charges</b>	<b>46,886</b>	<b>47,343</b>	<b>457</b>	1%	<b>F</b>
<b>User charges and fees</b>	<b>33,966</b>	<b>32,558</b>	<b>(1,408)</b>	(4%)	<b>U</b>
<b>Interest and investment revenue</b>	<b>1,488</b>	<b>1,720</b>	<b>232</b>	16%	<b>F</b>
The investment portfolio maintained a higher balance than forecast due to major works being delayed. In addition Council achieved a better than forecast return as it was able to invest for longer period thus achieving better rates and investments rates did not decline as anticipated by the market.					
<b>Other revenues</b>	<b>4,429</b>	<b>5,464</b>	<b>1,035</b>	23%	<b>F</b>
Funds were received from a Class Action Recovery in relation to past investments held through Lehman Brothers Australia. The grossed up income amounted to \$1.110 million which is the main variance in other revenues. This was offset by additional legal costs on the recovery of the income of \$456,000 giving a net impact of \$654,000.					
<b>Operating grants and contributions</b>	<b>8,972</b>	<b>14,385</b>	<b>5,413</b>	60%	<b>F</b>
Natural disaster funding received for flood events from previous years. These funds are not budgeted as they cannot be quantified at start of year \$1.7m. Blackspot Funding received \$360,000. Roads to recovery budgeted as capital grant, changed accounting treatment in 2015 as operating as per OLG guidelines \$1.765 million, in addition received additional \$800,000 over budget. Library Grants above budgeted of \$200,000.					
<b>Capital grants and contributions</b>	<b>6,938</b>	<b>10,535</b>	<b>3,597</b>	52%	<b>F</b>
Roads to recovery budgeted as capital grant, changed accounting treatment in 2015 to operating as per OLG guidelines (\$1.765) million. Additional grants were received for Wilson Street Crossing \$950k; Regional Roads Repair Program \$500k. Additional Sec 64 & Sec 94's were received \$ 500k & \$700k respectively. Non Cash dedications were greater than forecast; Roads \$700k; Water \$260k and Wastewater \$800k.					
<b>Net gains from disposal of assets</b>	-	-	-	0%	<b>F</b>
<b>Joint ventures and associates - net profits</b>	-	-	-	0%	<b>F</b>

## Lismore City Council

Notes to the Financial Statements  
for the year ended 30 June 2016

## Note 16. Material budget variations (continued)

\$ '000	2016 Budget	2016 Actual	2016 Variance*		
<b>EXPENSES</b>					
<b>Employee benefits and on-costs</b>	<b>34,374</b>	<b>32,065</b>	<b>2,309</b>	7%	<b>F</b>
<b>Borrowing costs</b>	<b>2,977</b>	<b>3,074</b>	<b>(97)</b>	(3%)	<b>U</b>
<b>Materials and contracts</b>	<b>29,721</b>	<b>35,757</b>	<b>(6,036)</b>	(20%)	<b>U</b>
Increase grant funding as outlined within this note has resulted in greater than forecast expenses being incurred. Natural disaster funding - Floods increased spending \$1.4million , black spot funding \$300k and library grants \$200k RMS ordered works and Routine Maintenance were greater than budgeted by \$1.1 million Employee budgeted costs for wages are estimated based on previous years and projections, the original budget may at times be overstated depending on how works are carried out by Council, that is through contractors. As Council budgets at a task, project level the split between wages and Materials may vary from time to time.					
<b>Depreciation and amortisation</b>	<b>21,364</b>	<b>20,885</b>	<b>479</b>	2%	<b>F</b>
<b>Impairment expenses</b>	-	-	-	0%	<b>F</b>
<b>Other expenses</b>	<b>5,100</b>	<b>5,233</b>	<b>(133)</b>	(3%)	<b>U</b>
<b>Net losses from disposal of assets</b>	<b>2,084</b>	<b>1,003</b>	<b>1,081</b>	52%	<b>F</b>
Council budgeted loss on sale of assets is based on a average of previous 5 years. The actual loss on asset disposed will vary based on the timing of disposal and type of asset disposed. In 2016 the major variance related to road infrastructure assets with a favourable variance to budget of \$1 million.					
<b>Joint ventures and associates – net losses</b>	-	<b>62</b>	<b>(62)</b>	0%	<b>U</b>
This is not budgeted for as it cannot be quantified at time of budget preparation. The variance relates to North East Waste Forum, this has been subsequently transferred to another Council for administration.					

## Lismore City Council

Notes to the Financial Statements  
for the year ended 30 June 2016

## Note 16. Material budget variations (continued)

\$ '000	2016 Budget	2016 Actual	2016 Variance*	
<b>Budget variations relating to Council's Cash Flow Statement include:</b>				
<b>Cash flows from operating activities</b>	<b>30,306</b>	<b>30,118</b>	<b>(188)</b>	(0.6%) <b>U</b>
<b>Cash flows from investing activities</b>	<b>(32,049)</b>	<b>(26,434)</b>	<b>5,615</b>	(17.5%) <b>F</b>
Purchase of infrastructure, property, plant and equipment was lower than budget as works were not completed as expected \$4.8million.				
Council completed a sale of industrial land which has not been budgeted \$1.8million.				
<b>Cash flows from financing activities</b>	<b>3,791</b>	<b>(3,451)</b>	<b>(7,242)</b>	(191.0%) <b>U</b>
Council resolved to defer its 2016 loan borrowing program and incorporate it within the 2017 program. This was to enabled Council to take advantage of better rates available from the NSW Tcorp facility which became available to Council in 2017.				



## Lismore City Council

Notes to the Financial Statements  
for the year ended 30 June 2016

## Note 17. Statement of developer contributions

\$ '000

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

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

## SUMMARY OF CONTRIBUTIONS AND LEVIES

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Emergency Services	236	11	–	7	(51)	–	203	–
Community Services & Facilities	178	48	–	6	–	–	232	–
Public Domain Facilities	2	23	–	–	–	–	25	–
Open Space & Recreation Facilities	841	100	–	28	–	–	969	–
Cycleways Facilities	346	30	–	9	(148)	–	237	–
Rural North & South Traffic Management Facilities	1,699	141	–	45	(600)	–	1,285	–
Urban Traffic Management Facilities	48	647	–	11	–	–	706	–
Carparking	68	–	–	2	–	–	70	–
Stormwater	(32)	3	–	–	(53)	–	(82)	–
Street Trees	283	12	–	9	(53)	–	251	–
Heavy Haulage	713	103	–	24	–	–	840	–
Section 94 Plan Administration	1	8	–	–	(9)	–	–	–
<b>S94 contributions – under a plan</b>	<b>4,383</b>	<b>1,126</b>	<b>–</b>	<b>141</b>	<b>(914)</b>	<b>–</b>	<b>4,736</b>	<b>–</b>
<b>S94A levies – under a plan</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Total S94 revenue under plans</b>	<b>4,383</b>	<b>1,126</b>	<b>–</b>	<b>141</b>	<b>(914)</b>	<b>–</b>	<b>4,736</b>	<b>–</b>
S64 contributions	–	794	–	–	(794)	–	–	–
<b>Total contributions</b>	<b>4,383</b>	<b>1,920</b>	<b>–</b>	<b>141</b>	<b>(1,708)</b>	<b>–</b>	<b>4,736</b>	<b>–</b>

## Lismore City Council

Notes to the Financial Statements  
for the year ended 30 June 2016

## Note 17. Statement of developer contributions (continued)

\$ '000

**S94 CONTRIBUTIONS – UNDER A PLAN**

## Emergency Services

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Bushfire	153	7		4	(51)		113	
SES	83	4		3			90	
<b>Total</b>	<b>236</b>	<b>11</b>	<b>-</b>	<b>7</b>	<b>(51)</b>	<b>-</b>	<b>203</b>	<b>-</b>

## Community Services &amp; Facilities

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
CBD, North & South	178	48		6			232	
<b>Total</b>	<b>178</b>	<b>48</b>	<b>-</b>	<b>6</b>	<b>-</b>	<b>-</b>	<b>232</b>	<b>-</b>

## Public Domain Facilities

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Lismore CBD-Residential	2	23					25	
Lismore CBD-Commercial	-						-	
<b>Total</b>	<b>2</b>	<b>23</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>25</b>	<b>-</b>

## Open Space &amp; Recreation Facilities

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Tucki Tucki - Residential	612	36		20			668	
Lismore Park	229	64		8			301	
<b>Total</b>	<b>841</b>	<b>100</b>	<b>-</b>	<b>28</b>	<b>-</b>	<b>-</b>	<b>969</b>	<b>-</b>

## Lismore City Council

Notes to the Financial Statements  
for the year ended 30 June 2016

## Note 17. Statement of developer contributions (continued)

\$ '000

**S94 CONTRIBUTIONS – UNDER A PLAN**

## Cycleways Facilities

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Cycleways	346	30		9	(148)		237	
<b>Total</b>	<b>346</b>	<b>30</b>	<b>-</b>	<b>9</b>	<b>(148)</b>	<b>-</b>	<b>237</b>	<b>-</b>

## Rural North &amp; South Traffic Management Facilities

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Rural - North	865	53		18	(600)		336	
Rural - South	834	88		27			949	
<b>Total</b>	<b>1,699</b>	<b>141</b>	<b>-</b>	<b>45</b>	<b>(600)</b>	<b>-</b>	<b>1,285</b>	<b>-</b>

## Urban Traffic Management Facilities

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Residential/Commercial/Industrial	48	647		11			706	
<b>Total</b>	<b>48</b>	<b>647</b>	<b>-</b>	<b>11</b>	<b>-</b>	<b>-</b>	<b>706</b>	<b>-</b>

## Carparking

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Lismore & Nimbin	68			2			70	
<b>Total</b>	<b>68</b>	<b>-</b>	<b>-</b>	<b>2</b>	<b>-</b>	<b>-</b>	<b>70</b>	<b>-</b>

## Lismore City Council

Notes to the Financial Statements  
for the year ended 30 June 2016

## Note 17. Statement of developer contributions (continued)

\$ '000

**S94 CONTRIBUTIONS – UNDER A PLAN**

## Stormwater

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Residential	(32)	3			(53)		(82)	
Commercial	–						–	
Industrial	–						–	
<b>Total</b>	<b>(32)</b>	<b>3</b>	<b>–</b>	<b>–</b>	<b>(53)</b>	<b>–</b>	<b>(82)</b>	<b>–</b>

## Street Trees

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Residential/Commercial/Industrial	283	12		9	(53)		251	
<b>Total</b>	<b>283</b>	<b>12</b>	<b>–</b>	<b>9</b>	<b>(53)</b>	<b>–</b>	<b>251</b>	<b>–</b>

## Section 94 Plan Administration

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Residential/Commercial/Industrial	1	8			(9)		–	
<b>Total</b>	<b>1</b>	<b>8</b>	<b>–</b>	<b>–</b>	<b>(9)</b>	<b>–</b>	<b>–</b>	<b>–</b>

## Heavy Haulage

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Rural - Quarries	713	103		24			840	
<b>Total</b>	<b>713</b>	<b>103</b>	<b>–</b>	<b>24</b>	<b>–</b>	<b>–</b>	<b>840</b>	<b>–</b>

## Lismore City Council

Notes to the Financial Statements  
for the year ended 30 June 2016

## Note 17. Statement of developer contributions (continued)

\$ '000

## S64 contributions

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Water Supplies	–	141			(141)		–	
Sewer Supplies	–	653			(653)		–	
<b>Total</b>	<b>–</b>	<b>794</b>	<b>–</b>	<b>–</b>	<b>(794)</b>	<b>–</b>	<b>–</b>	<b>–</b>

## Lismore City Council

### Notes to the Financial Statements

for the year ended 30 June 2016

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

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

#### LIABILITIES NOT RECOGNISED:

##### 1. Guarantees

##### (i) Defined Benefit Superannuation Contribution Plans

Council participates in a defined benefits superannuation scheme called the Local Government Superannuation Scheme – Pool B (Scheme). Pooled Employers form a sub-group of the Scheme with over 170 employers supporting over 6,500 employees and ex-employees.

The Scheme is considered to be a defined benefit multi-employer plan for the following reasons:

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

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

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

The additional lump sum contribution for each Pooled Employer is a share of the total additional contributions of \$48.7 million for the year to 30 June 2016 and \$40.0 million per annum from 1 July 2016 for 4 years to 30 June 2020, apportioned according to each employer's share of the accrued liabilities as at 30 June 2015. These additional lump sum contributions are used to fund the deficit of assets to accrued liabilities as at 30 June 2015.

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

Each sponsoring employer is exposed to the actuarial risks associated with current and former employees of other sponsoring employers and hence shares in the associated gains and losses.

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

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

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

The expected contribution to the Scheme for the next annual reporting period is \$791,566.80.

The estimated employer reserves financial position for the Pooled Employers at 30 June 2016 is:

Employer reserves only*	\$millions	Asset Coverage
Assets	1,665.2	
Past Service Liabilities	1,739.3	95.7%
Vested Benefits	1,796.0	92.7%

\* Excluding member accounts and reserves in both assets and liabilities.

## Lismore City Council

### Notes to the Financial Statements

for the year ended 30 June 2016

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

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

Investment return	6.5% per annum
Salary inflation*	3.5% per annum
Increase in CPI	2.5% per annum

\* Plus promotional increases

The contribution requirements may vary from the current rates if the overall sub-group experience is not in line with the actuarial assumptions in determining the funding program; however, any adjustment to the funding program would be the same for all sponsoring employers in the Pooled Employers.

The implications are that additional contributions are estimated to remain in place until 30 June 2020 (i.e. \$1,488,000).

It is estimated that Council's level of participation in the Scheme compared with other participating Pooled Employers is 0.93%.

#### (ii) Statewide Mutual Limited

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

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

The future realisation and finalisation of claims incurred but not reported to 30/6 this year may result in future liabilities or benefits as a result of past events that Council will be required to fund or share in respectively.

#### (iii) StateCover Mutual Limited

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

StateCover is a company providing workers compensation insurance cover to the NSW Local Government Industry and specifically Council.

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

These future equity contributions would be required to maintain the company's minimum level of Net Assets in accordance with its Licence Requirements.

#### (iv) Other Guarantees

A bank guarantee for \$260,125 has been issued to John Holland Pty Ltd. This is security for road works undertaken on the Pacific Highway – Devil's Pulpit – Upgrade. The termination date is 30 November 2018.

### 2. Other Liabilities

#### (i) Third Party Claims

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

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

#### (ii) NORPOOL Insurance Claim

For the period 31/12/93 - 30/6/97, the firm HIH was the underwriter for NORPOOL in respect to claims from \$100,000 to \$20M. The collapse of HIH leaves NORPOOL & ultimately Council exposed to such claims.

A similar situation arises in respect to claims between \$2M and \$20M for the period 30/6/97 - 30/6/99. For the period 30/6/97 - 30/6/00, a London firm, Independent Insurance Company Ltd, provided coverage for 50% of any claim up to \$2M. This company has been placed in liquidation.

## Lismore City Council

### Notes to the Financial Statements for the year ended 30 June 2016

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

At this stage, Council is unaware of any outstanding claims relating to these periods of insurances.

The liability period extends to 30 June 2021.

##### (iii) S94 Plans

Council levies Section 94/94A Contributions upon various developments across the Council area through the required Contributions Plans.

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

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

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

##### (iv) Potential Land Acquisitions

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

As a result, where notified in writing by the various owners, Council may be required to purchase these land parcels. At reporting date, reliable estimates as to the value of any potential liability (& subsequent land asset) from such potential acquisitions has not been possible.

##### (v) Richmond Tweed Regional Library

Council along with other local government authorities have entered into an agreement to operate a regional library, known as the Richmond Tweed Regional Library.

Annually, Council contributes to the library to fund activities based upon a prescribed formula.

As the "Executive Council" of the Richmond Tweed Regional Library, all financial reporting is

consolidated into Lismore City Council's financial statements.

In the event that Council wished to withdraw from the agreement, the assets and liabilities of the library attributable to Council would be determined by the State Library Board of NSW.

##### (vi) Ground Contamination

Council is aware of an issue at one of its stockpile sites in North Lismore where ground contamination has been identified. The contamination is primarily asbestos. Council has received a report from a suitable expert on options to remediate the site. There are a number of options available of varying complexity and scope and these range in cost from approximately \$150,000 to \$900,000.

Negotiations with the NSW EPA are in progress regarding the most suitable way forward, however are being complicated by two separate issues. The land in question is Crown Land and subject to both an Indigenous Land rights Claim and a Native Title Claim. Whilst the relevant process to resolve these claims are in progress, Council is very limited in what it can do on the site, and is unable to progress with at least one of the options (the most cost effective) to remediate the site. Council continues to negotiate with the EPA and indigenous groups on a suitable way forward to address the contamination.

#### ASSETS NOT RECOGNISED:

##### (i) Land Under Roads

As permitted under AASB 1051, Council has elected not to bring to account Land Under Roads that it owned or controlled up to & including 30/6/08.

##### (ii) Infringement Notices/Fines

Fines & penalty income, the result of Council issuing Infringement Notices is followed up and collected by the State Debt Recovery Office.



## Lismore City Council

### Notes to the Financial Statements for the year ended 30 June 2016

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

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Council's Revenue Recognition Policy for such income is to account for it as revenue on receipt.

Accordingly, at year end, there are potential fines and penalty income due to Council from issued but unpaid Infringement Notices.

## Lismore City Council

### Notes to the Financial Statements

for the year ended 30 June 2016

#### Note 19. Interests in other entities

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\$ '000

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

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

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

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##### **Controlled entities (subsidiaries)**

*Note 19(a)*

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

##### **Joint ventures and associates**

*Note 19(b)*

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

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

##### **Joint operations**

*Note 19(c)*

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

##### **Unconsolidated structured entities**

*Note 19(d)*

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

##### **Subsidiaries, joint arrangements and associates not recognised**

*Note 19(e)*

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## Lismore City Council

### Notes to the Financial Statements for the year ended 30 June 2016

#### Note 19. Interests in other entities

\$ '000

##### Accounting recognition:

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

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

	Council's share of net income		Council's share of net assets	
	Actual 2016	Actual 2015	Actual 2016	Actual 2015
Joint ventures	-	-	-	-
Associates	(62)	(42)	-	62
<b>Total</b>	<b>(62)</b>	<b>(42)</b>	<b>-</b>	<b>62</b>

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

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

##### (b) Joint ventures and associates

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

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

Name of entity	Nature of relationship	Measurement method	2016	2015
North East Waste Forum <sup>(1)</sup>	Associate	Equity Method	-	62
<b>Total carrying amounts – material joint ventures and associates</b>			<b>-</b>	<b>62</b>

<sup>(1)</sup> Council along with other local government authorities have entered into an agreement to jointly exercise waste and resource management strategies for the region. Annually, each member Council contributes to the NEWF based upon a prescribed formula to fund regional activities. In addition, Lismore City Council may receive specific purpose grants on behalf of NEWF to undertake specific projects.

##### (b) Details

Name of entity	Principal activity	Place of business
North East Waste Forum	Regional waste and resource management strategies.	Australia

## Lismore City Council

Notes to the Financial Statements  
for the year ended 30 June 2016

## Note 19. Interests in other entities

\$ '000

(c) Relevant interests and fair values	Quoted fair value		Interest in outputs		Interest in ownership		Proportion of voting power	
	2016	2015	2016	2015	2016	2015	2016	2015
Name of entity								
North East Waste Forum	–	14%	0%	14%	0%	14%	0%	14%

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

Statement of financial position	2016	2015	North East Waste Forum	
			2016	2015
<b>Current assets</b>				
Cash and cash equivalents	–	–	–	443
<b>Total current assets</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>443</b>
<b>Net assets</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>443</b>
<b>Reconciliation of the carrying amount</b>				
Opening net assets (1 July)	–	–	443	743
Profit/(loss) for the period	–	–	(443)	(300)
<b>Closing net assets</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>443</b>
<b>Council's share of net assets (%)</b>	<b>100.0%</b>		<b>14.0%</b>	<b>14.0%</b>
<b>Council's share of net assets (\$)</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>62</b>
			North East Waste Forum	
	2016	2015	2016	2015
<b>Statement of comprehensive income</b>				
Income	–	–	–	1,111
Other expenses	–	–	(443)	(1,411)
<b>Profit/(loss) from continuing operations</b>	<b>–</b>	<b>–</b>	<b>(443)</b>	<b>(300)</b>
<b>Profit/(loss) for period</b>	<b>–</b>	<b>–</b>	<b>(443)</b>	<b>(300)</b>
<b>Total comprehensive income</b>	<b>–</b>	<b>–</b>	<b>(443)</b>	<b>(300)</b>
<b>Share of income – Council (%)</b>			<b>14.0%</b>	<b>14.0%</b>
<b>Profit/(loss) – Council (\$)</b>	<b>–</b>	<b>–</b>	<b>(62)</b>	<b>(42)</b>
<b>Total comprehensive income – Council (\$)</b>	<b>–</b>	<b>–</b>	<b>(62)</b>	<b>(42)</b>
<b>Dividends received by Council</b>				<b>–</b>

## Lismore City Council

Notes to the Financial Statements  
for the year ended 30 June 2016

## Note 19. Interests in other entities (continued)

\$ '000

## (c) Joint operations

## (a) Council is involved in the following joint operations (JO's)

Name of joint operation	Principal activity	Place of business	Interest in ownership		Interest in voting	
			2016	2015	2016	2015
Blue Hills Residential Estate	Development & Sale of Land		50%	50%	50%	50%
North East Weight of Loads Group	Reduce Damage to Council Roads			15%		15%

## (b) Council assets employed in the joint operations

	2016	2015
<b>Blue Hills Residential Estate</b>		
<b>Council's own assets employed in the operations</b>		
<b>Current assets:</b>		
Inventories	15	15
Other assets	9	8
<b>Total assets – Council owned</b>	<b>24</b>	<b>23</b>
<b>North East Weight of Loads Group</b>		
<b>Council's share of assets jointly owned with other partners</b>		
Current assets	44	42
Current liabilities	(25)	(24)
Property, plant and equipment	3	6
<b>Total net assets employed – Council and jointly owned</b>	<b>46</b>	<b>47</b>

## (d) Unconsolidated structured entities

All subsidiaries, joint arrangements and associates have been recognised in this financial report.

## Lismore City Council

Notes to the Financial Statements  
for the year ended 30 June 2016

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

\$ '000	Notes	Actual 2016	Actual 2015
<b>(a) Retained earnings</b>			
<b>Movements in retained earnings were as follows:</b>			
Balance at beginning of year (from previous years audited accounts)		450,306	621,797
a. Correction of prior period errors	20 (c)	–	(172,366)
d. Net operating result for the year		13,926	875
<b>Balance at end of the reporting period</b>		<b>464,232</b>	<b>450,306</b>

**(b) Revaluation reserves****(i) Reserves are represented by:**

– Infrastructure, property, plant and equipment revaluation reserve		633,539	604,924
<b>Total</b>		<b>633,539</b>	<b>604,924</b>

**(ii) Reconciliation of movements in reserves:**

<b>Infrastructure, property, plant and equipment revaluation reserve</b>			
– Opening balance		604,924	534,616
– Revaluations for the year	9(a)	28,615	(14,013)
– Correction of prior period errors	20(c)		84,321
<b>– Balance at end of year</b>		<b>633,539</b>	<b>604,924</b>
<b>TOTAL VALUE OF RESERVES</b>		<b>633,539</b>	<b>604,924</b>

**(iii) Nature and purpose of reserves**

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

## Lismore City Council

## Notes to the Financial Statements

for the year ended 30 June 2016

### Note 20. Retained earnings, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)

\$ '000	Notes	Actual 2016	Actual 2015
<b>(c) Correction of error/s relating to a previous reporting period</b>			
Council made no correction of errors during the current reporting period.			
<b>Correction of errors as disclosed in last year's financial statements:</b>			
i) Adjustment to road pavement value			(172,366)
ii) Recognition of regional roads			84,321
These adjustments resulted in a net increase/(decrease) in Council's accumulated surplus as at 30/6/14.			
<b>In accordance with AASB 108 – Accounting Policies, Changes in Accounting Estimates and Errors, the above prior period errors have been recognised retrospectively.</b>			
<b>These amounted to the following equity adjustments:</b>			
– Adjustments to opening equity – 1/7/14 (relating to adjustments for the 30/6/14 reporting year end and prior periods)			(88,045)
– Adjustments to closing equity – 30/6/15 (relating to adjustments for the 30/6/15 year end)			–
<b>Total prior period adjustments – prior period errors</b>		<u>–</u>	<u>(88,045)</u>

**(d) Voluntary changes in accounting policies**

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

**(e) Changes in accounting estimates**

Council made no changes in accounting estimates during the year.

## Lismore City Council

## Notes to the Financial Statements

for the year ended 30 June 2016

## Note 21. Financial result and financial position by fund

Income Statement by fund \$ '000	Actual 2016	Actual 2016	Actual 2016	Actual 2016
		<b>Water</b>	<b>Sewer</b>	<b>General<sup>1</sup></b>
<b>Continuing operations</b>				
<b>Income from continuing operations</b>				
Rates and annual charges		3,879	11,352	32,112
User charges and fees		8,183	193	24,712
Interest and investment revenue		280	695	745
Other revenues		162	79	5,223
Grants and contributions provided for operating purposes		120	132	14,133
Grants and contributions provided for capital purposes		401	1,456	8,678
<b>Other income</b>				
Net gains from disposal of assets		–	–	–
Share of interests in joint ventures and associates using the equity method				–
<b>Total income from continuing operations</b>	<b>–</b>	<b>13,025</b>	<b>13,907</b>	<b>85,603</b>
<b>Expenses from continuing operations</b>				
Employee benefits and on-costs		2,048	2,189	27,828
Borrowing costs		423	597	2,054
Materials and contracts		1,698	3,512	25,941
Depreciation and amortisation		1,821	4,298	14,766
Other expenses		5,204	411	4,754
Net losses from the disposal of assets		594	277	132
Share of interests in joint ventures and associates using the equity method				62
<b>Total expenses from continuing operations</b>	<b>–</b>	<b>11,788</b>	<b>11,284</b>	<b>75,537</b>
<b>Operating result from continuing operations</b>	<b>–</b>	<b>1,237</b>	<b>2,623</b>	<b>10,066</b>
<b>Discontinued operations</b>				
Net profit/(loss) from discontinued operations		–	–	–
<b>Net operating result for the year</b>	<b>–</b>	<b>1,237</b>	<b>2,623</b>	<b>10,066</b>
<b>Net operating result attributable to each council fund</b>	<b>–</b>	<b>1,237</b>	<b>2,623</b>	<b>10,066</b>
<b>Net operating result attributable to non-controlling interests</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Net operating result for the year before grants and contributions provided for capital purposes</b>	<b>–</b>	<b>836</b>	<b>1,167</b>	<b>1,388</b>

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

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



## Lismore City Council

## Notes to the Financial Statements

as at 30 June 2016

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

Statement of Financial Position by fund \$ '000	Actual 2016	Actual 2016	Actual 2016	Actual 2016
<b>ASSETS</b>		<b>Water</b>	<b>Sewer</b>	<b>General<sup>1</sup></b>
<b>Current assets</b>				
Cash and cash equivalents		991	8,151	7,107
Investments		1,037	8,530	7,433
Receivables		2,846	1,043	11,071
Inventories		266	288	4,488
Other		–	–	115
<b>Total current assets</b>	<b>–</b>	<b>5,140</b>	<b>18,012</b>	<b>30,214</b>
<b>Non-current assets</b>				
Investments		305	2,508	2,187
Receivables		1,380	436	1,185
Inventories		–	–	183
Infrastructure, property, plant and equipment		79,315	192,625	826,645
Intangible assets		–	–	329
<b>Total non-current assets</b>	<b>–</b>	<b>81,000</b>	<b>195,569</b>	<b>830,529</b>
<b>TOTAL ASSETS</b>	<b>–</b>	<b>86,140</b>	<b>213,581</b>	<b>860,743</b>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Payables		50	105	9,421
Borrowings		241	283	3,049
Provisions		290	239	7,708
Liabilities associated with assets classified as 'held for sale'		–	–	–
<b>Total current liabilities</b>	<b>–</b>	<b>581</b>	<b>627</b>	<b>20,178</b>
<b>Non-current liabilities</b>				
Payables		–	–	–
Borrowings		6,364	7,834	25,447
Provisions		10	17	1,635
<b>Total non-current liabilities</b>	<b>–</b>	<b>6,374</b>	<b>7,851</b>	<b>27,082</b>
<b>TOTAL LIABILITIES</b>	<b>–</b>	<b>6,955</b>	<b>8,478</b>	<b>47,260</b>
<b>Net assets</b>	<b>–</b>	<b>79,185</b>	<b>205,103</b>	<b>813,483</b>
<b>EQUITY</b>				
Retained earnings		22,675	64,838	376,720
Revaluation reserves		56,510	140,265	436,764
<b>Council equity interest</b>	<b>–</b>	<b>79,185</b>	<b>205,103</b>	<b>813,484</b>
<b>Non-controlling interests</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Total equity</b>	<b>–</b>	<b>79,185</b>	<b>205,103</b>	<b>813,484</b>

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

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

## Lismore City Council

### Notes to the Financial Statements for the year ended 30 June 2016

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

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\$ '000

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Council did not classify any non-current assets or disposal groups as 'held for sale'.

#### Note 23. Events occurring after the reporting date

Events that occur between the end of the reporting period (30 June 2016) and the date when the financial statements are 'authorised for issue' have been taken into account in preparing these statements.

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

Accordingly, the 'authorised for issue' date is 19/10/16.

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

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

These financial statements (and the figures therein) incorporate all 'adjusting events' that provided evidence of conditions that existed at 30 June 2016.

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

These financial statements (and figures therein) do not incorporate any 'non-adjusting events' that have occurred after 30 June 2016 and which are only indicative of conditions that arose after 30 June 2016.

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

#### Note 24. Discontinued operations

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

## Lismore City Council

Notes to the Financial Statements  
for the year ended 30 June 2016

## Note 25. Intangible assets

\$ '000	Actual 2016	Actual 2015
Intangible assets represent identifiable non-monetary assets without physical substance.		
Intangible assets are as follows:		
<b>Opening values:</b>		
Gross book value (1/7)	1,467	1,467
Accumulated amortisation (1/7)	<u>(1,080)</u>	<u>(936)</u>
<b>Net book value – opening balance</b>	<b><u>387</u></b>	<b><u>531</u></b>
<b>Movements for the year</b>		
– Purchases	96	–
– Amortisation charges	(154)	(144)
<b>Closing values:</b>		
Gross book value (30/6)	1,563	1,467
Accumulated amortisation (30/6)	<u>(1,234)</u>	<u>(1,080)</u>
<b><u>TOTAL INTANGIBLE ASSETS – NET BOOK VALUE 1</u></b>	<b><u><u>329</u></u></b>	<b><u><u>387</u></u></b>

<sup>1</sup>. The net book value of intangible assets represent:

– Software	<u>329</u>	<u>387</u>
	<b><u>329</u></b>	<b><u>387</u></b>

## Lismore City Council

Notes to the Financial Statements  
for the year ended 30 June 2016

## Note 26. Reinstatement, rehabilitation and restoration liabilities

\$ '000

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

Asset/operation	Estimated year of restoration	NPV of provision	
		2016	2015
Quarry Operations	2040	1,352	1,052
Tip Operations	2017	246	270
<b>Balance at end of the reporting period</b>	10(a)	<b>1,598</b>	<b>1,322</b>

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

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

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

Specific uncertainties relating to the final costs and the assumptions made in determining the amounts of provisions include:

- the timing of the remediation works
- existing technology
- current prices
- anticipated remediation works based on EPA Guidelines

**Reconciliation of movement in provision for year:**

Balance at beginning of year	1,322	3,799
Amounts capitalised to new or existing assets:		
Effect of a change in discount rates used in PV calculations	699	165
Effect of a change in other calculation estimates used	(493)	(2,739)
Amortisation of discount (expensed to borrowing costs)	70	97
<b>Total – reinstatement, rehabilitation and restoration provision</b>	<b>1,598</b>	<b>1,322</b>

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

## Lismore City Council

### Notes to the Financial Statements

for the year ended 30 June 2016

#### Note 26. Reinstatement, rehabilitation and restoration liabilities

\$ '000

##### **Restoration**

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

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

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

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

##### **Rehabilitation**

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

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

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

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

## Lismore City Council

Notes to the Financial Statements  
for the year ended 30 June 2016

## Note 27. Fair value measurement

\$ '000

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

– Infrastructure, property, plant and equipment

The fair value of assets and liabilities must be estimated in accordance with various accounting standards for either recognition and measurement requirements or for disclosure purposes.

AASB 13 Fair Value Measurement requires all assets and liabilities measured at fair value to be assigned to a 'level' in the fair value hierarchy as follows:

**Level 1:** Unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date.

**Level 2:** Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

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

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

2016	Date of latest valuation	Fair value measurement hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
<b>Recurring fair value measurements</b>					
<b>Financial assets</b>					
Investments					
– 'Designated at fair value on initial recognition'	30/06/16		22,000		22,000
<b>Total financial assets</b>		<b>–</b>	<b>22,000</b>	<b>–</b>	<b>22,000</b>
<b>Infrastructure, property, plant and equipment</b>					
Plant & Equipment	30/06/16			19,758	19,758
Office Equipment	30/06/16			493	493
Furniture & Fittings	30/06/16			106	106
Operational Land	30/06/13		77,915		77,915
Community Land	30/06/16			27,357	27,357
Land Under Roads (Post 30/06/08)	30/06/16			31	31
Land Improvement (Depreciable)	30/06/16			8,197	8,197
Land Improvement (Depreciable)	30/06/16			15,942	15,942
Buildings - Non Specialised	30/06/13			1,708	1,708
Buildings - Specialised	30/06/13			60,238	60,238
Other Structures	30/06/16			8,971	8,971
Roads	30/06/15			173,196	173,196
Bridges	30/06/15			47,031	47,031
Footpaths	30/06/15			14,912	14,912
Bulk Earthworks (Non-Depreciable)	30/06/15			314,554	314,554
Stormwater Drainage	30/06/14			50,614	50,614
Water Supply Network	30/06/12			74,263	74,263
Sewerage Network	30/06/12			182,757	182,757
Swimming Pools	30/06/16			3,864	3,864
Other Open Space/Recreational Assets	30/06/16			1,040	1,040
Heritage Collection	30/06/16			1,957	1,957
Library Books	30/06/16			2,046	2,046
Other	30/06/16			587	587
Tip Assets	30/06/16			270	270
Quarry Assets	30/06/16			311	311
<b>Total infrastructure, property, plant and equipment</b>		<b>–</b>	<b>77,915</b>	<b>1,010,203</b>	<b>1,088,118</b>

## Lismore City Council

Notes to the Financial Statements  
for the year ended 30 June 2016

## Note 27. Fair value measurement

\$ '000

2015	Date of latest valuation	Fair value measurement hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
<b>Recurring fair value measurements</b>					
<b>Financial assets</b>					
Investments					
– 'Held for trading'	dd/mm/yy		22,566		22,566
<b>Total financial assets</b>		<b>–</b>	<b>22,566</b>	<b>–</b>	<b>22,566</b>
<b>Infrastructure, property, plant and equipment</b>					
Plant & Equipment	30/06/15	–	–	17,808	17,808
Office Equipment	30/06/15	–	–	458	458
Furniture & Fittings	30/06/15	–	–	79	79
Operational Land	30/06/13	–	78,215	–	78,215
Community Land	30/06/11	–	–	27,357	27,357
Land Under Roads (Post 30/06/08)	30/06/11	–	–	31	31
Land Improvement (Non-Depreciable)		–	–	–	–
Land Improvement (Depreciable)	30/06/11	–	–	10,086	10,086
Buildings - Non Specialised	30/06/13	–	–	1,739	1,739
Buildings - Specialised	30/06/13	–	–	59,767	59,767
Other Structures	30/06/11	–	–	6,636	6,636
Roads	30/06/15	–	–	163,426	163,426
Bridges	30/06/15	–	–	46,405	46,405
Footpaths	30/06/15	–	–	14,204	14,204
Bulk Earthworks (Non-Depreciable)	30/06/15	–	–	304,520	304,520
Stormwater Drainage	30/06/14	–	–	50,050	50,050
Water Supply Network	30/06/12	–	–	72,775	72,775
Sewerage Network	30/06/12	–	–	183,044	183,044
Swimming Pools	30/06/11	–	–	4,435	4,435
Other Open Space/Recreational Assets	30/06/11	–	–	9,618	9,618
Heritage Collection	30/06/15	–	–	67	67
Library Books	30/06/15	–	–	2,092	2,092
Other	30/06/15	–	–	412	412
Tip Assets	30/06/15	–	–	270	270
Quarry Assets	30/06/15	–	–	71	71
<b>Total infrastructure, property, plant and equipment</b>		<b>–</b>	<b>78,215</b>	<b>975,350</b>	<b>1,053,565</b>

## Lismore City Council

### Notes to the Financial Statements

for the year ended 30 June 2016

#### Note 27. Fair value measurement (continued)

\$ '000

##### (2) Transfers between level 1 and level 2 fair value hierarchies

During the year, there were no transfers between level 1 and level 2 fair value hierarchies for recurring fair value measurements.

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

Where Council is unable to derive fair valuations using quoted market prices of identical assets (ie. level 1 inputs) Council instead utilises a spread of both observable inputs (level 2 inputs) and unobservable inputs (level 3 inputs).

The fair valuation techniques Council has employed while utilising level 2 and level 3 inputs are as follows:

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

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

These asset categories include:

Plant & Equipment – Motor vehicles, trucks, mowers, rollers, earthmoving equipment

Office Equipment – Computer equipment

Furniture & Fittings – Chairs, desks, cabinets, display systems

These assets are carried at cost which approximates to fair value due to the nature of these items. The cost of these assets are based on current invoices and contracts which are observable inputs, however the remaining useful life and residual value is based on internal factors which are unobservable in the market therefore placing these assets in Level 3. Valuation techniques remained the same for this reporting period.

###### Operational Land

Council's operational land includes all land classified as operational land under Local Government Act 1993 APV Valuers & Asset Management Pty Ltd completed the last valuation in June 2013. Council's operational land value is assessed every year and revalued every five years. It is valued at market (highest and best use) after identifying all elements that would be taken into account by buyers and sellers in setting a price including but not limited to zoning, topography, location, size, shape, access, exposure to traffic and businesses. This asset class is categorised as Level 2 as the most significant input into this valuation approach is price per square metre. Sales prices of comparable land sites in close proximity are adjusted for differences in key attributes such as property size.

###### Community Land

Assets within the "Community Land" class are:

a) Council owned land and

b) Care Control Management land [Crown] of which Council derives current and future economic benefits arising from the use of the land asset.

Council's community land is valued on the Unimproved Capital Value (UCV), provided by the Valuer General and revalued at 30 June 2016.

These rates are not considered to be observable market evidence and as such they have been classified as Level 3. Valuation techniques remain the same for this reporting period.

###### Land Under Roads (post 30/6/08)

Land under roads is land under roadways and road reserves including land under footpaths, nature strips and median strips. Council has elected not to recognise land under roads acquired before 1 July 2008 in accordance with AASB 1051. Land under roads acquired after 1 July 2008 is recognised in accordance with AASB 116 – Property, Plant and Equipment and Council recognised this asset for the first time in financial year 2010/11. The Land under Roads was valued in accordance with AASB 116, the Code of Accounting Practice and Financial Reporting June 2016. Values were determined using the Englobo methodology as at 30 June 2016. This asset class is classified as Level 3 asset as significant inputs used in the Englobo valuation methodology are unobservable. Valuation techniques remained the same for this reporting period.



## Lismore City Council

### Notes to the Financial Statements for the year ended 30 June 2016

#### Note 27. Fair value measurement (continued)

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\$ '000

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##### **Land Improvements Non-Depreciable**

The land improvements non-depreciable asset class consists of the runway earthworks for the Lismore Regional Airport. The last revaluation was completed by Jeff Roorda & associates in 2015/16. The Cost approach was adopted to value these assets. Some of the significant inputs considered in the valuation of these assets are remaining useful life, pattern of consumption, dimensions, components and type of assets.

This asset class is categorised as Level 3 as some of the above-mentioned inputs used in the valuation of these assets require significant professional judgement and are therefore unobservable. Valuation techniques remained

##### **Land Improvements Depreciable**

The land improvements asset class consists of landscaping, mounding and land improvement assets surrounding buildings. The last revaluation was completed by Jeff Roorda & Associates in 2015/16. The Cost approach was adopted to value these assets. Some of the significant inputs considered in the valuation of these assets are remaining useful life, pattern of consumption, dimensions, components and type of assets.

This asset class is categorised as Level 3 as some of the above-mentioned inputs used in the valuation of these assets require significant professional judgement and are therefore unobservable. Valuation techniques remained the same for this reporting period.

##### **Buildings - Non Specialised and Specialised**

Council engaged APV Valuations and Asset Management Pty Ltd to value all buildings in 2012/13 using the cost approach. This approach estimated the replacement cost for each building by componentising the buildings into significant parts with different useful lives and taking into account a range of factors. While all buildings were physically inspected and the unit rates based on square metres could be supported from market evidence (Level 2) other inputs (such as estimates of residual value and pattern of consumption) required extensive professional judgement and impacted significantly on the final determination of fair value. As such these assets were classified as having been valued using Level 3 valuation inputs. Valuation techniques remained the same for this reporting period.

##### **Other Structures**

The other structure asset class consists of garages, gazebos, shelters, fencing, lighting, etc. assets.

The last revaluation was completed by Jeff Roorda & Associates in 2015/16 and the cost approach was adopted to value these assets. Some of the significant inputs considered in the valuation of these assets are remaining useful life, pattern of consumption, dimensions, components and type of assets.

This asset class is categorised as Level 3 as some of the above-mentioned inputs used in the valuation of these assets require significant professional judgement and are therefore unobservable. Valuation techniques remained the same for this reporting period.

##### **Roads**

Council's roads are componentised into the pavement, surface, base, sub base, seal and major culverts.

The last revaluation was completed by Jeff Roorda & Associates Pty Ltd in 2014/15. The cost approach was adopted to value Council roads. Some of the significant inputs considered in the valuation of these assets are remaining useful life, pattern of consumption, dimensions, components and type of road.

This asset class is categorised as Level 3 as some of the above-mentioned inputs used in the valuation of these assets require significant professional judgement and are therefore unobservable. Valuation techniques remained the same for this reporting period.

## Lismore City Council

### Notes to the Financial Statements

for the year ended 30 June 2016

#### Note 27. Fair value measurement (continued)

\$ '000

##### **Bridges**

Council's bridges register consists of all vehicle access bridges.

The last revaluation was completed by Jeff Roorda & Associates Pty Ltd in 2014/15. The cost approach was adopted to value Council bridges. Some of the significant inputs considered in the valuation of these assets are remaining useful life, pattern of consumption, dimensions, components and type of bridge.

This asset class is categorised as Level 3 as some of the above-mentioned inputs used in the valuation of these assets require significant professional judgement and are therefore unobservable. Valuation techniques remained the same for this reporting period.

##### **Footpaths**

Council's footpath register consists of all pedestrian walkways and cycleways within the Council area.

The last revaluation was completed by Jeff Roorda & Associates Pty Ltd in 2014/15. The cost approach was adopted to value Council footpaths. Some of the significant inputs considered in the valuation of these assets are remaining useful life, pattern of consumption, dimensions, components and type of footpath.

This asset class is categorised as Level 3 as some of the above-mentioned inputs used in the valuation of these assets require significant professional judgement and are therefore unobservable. Valuation techniques remained the same for this reporting period.

##### **Bulk Earthworks**

Council's bulk earthworks are located within the road reserve of all Council roads.

The last revaluation was completed by Jeff Roorda & Associates Pty Ltd in 2014/15. The cost approach was adopted to value these assets. Some of the significant inputs considered in the valuation of these assets are remaining useful life, pattern of consumption, dimensions, components and type of assets.

This asset class is categorised as Level 3 as some of the above-mentioned inputs used in the valuation of these assets require significant professional judgement and are therefore unobservable. Valuation techniques remained the same for this reporting period.

##### **Stormwater Drainage**

The Stormwater Drainage asset class consists of Council's pits, pipes, culverts, channels and treatment devices.

The last revaluation was completed by Jeff Roorda & Associates Pty Ltd in 2013/14. The cost approach was adopted to value Council stormwater drainage. Some of the significant inputs considered in the valuation of these assets are remaining useful life, pattern of consumption, dimensions, components and type of stormwater drainage.

This asset class is categorised as Level 3 as some of the above-mentioned inputs used in the valuation of these assets require significant professional judgement and are therefore unobservable. Valuation techniques remained the same for this reporting period.

##### **Water Supply Network**

The Water Supply Network asset class comprise reservoirs, pumping stations and water pipelines. The Network is revalued every five years with the last revaluation by AssetVal Pty Ltd in 2012/13. The cost approach was adopted to value these assets. Some of the significant inputs considered in the valuation of these assets are remaining useful life, pattern of consumption, dimensions, components and type of assets.

This asset class is categorised as Level 3 as some of the above-mentioned inputs used in the valuation of these assets require significant professional judgement and are therefore unobservable. These assets are indexed each year in line with the NSW Reference Rates Manual as publish by the Office of Water. There has been no change to the valuation process during the reporting period.

##### **Sewerage Network**

The Sewerage Network assets within this class comprise treatment works, pumping stations and, sewerage mains.

The Network is revalued every five years with the last revaluation by AssetVal Pty Ltd in 2012/13. The cost approach was adopted to value these assets. Some of the significant inputs considered in the valuation of these assets are remaining useful life, pattern of consumption, dimensions, components and type of assets.

This asset class is categorised as Level 3 as some of the above-mentioned inputs used in the valuation of these assets require significant professional judgement and are therefore unobservable. These assets are indexed each year in line with the NSW Reference Rates Manual as publish by the Office of Water. There has been no change to the valuation process during the reporting period.

## Lismore City Council

### Notes to the Financial Statements

for the year ended 30 June 2016

#### Note 27. Fair value measurement (continued)

\$ '000

##### **Swimming Pools**

The last revaluation was completed by Jeff Roorda & Associates in 2015/16 and the cost approach was adopted to value these assets. Some of the significant inputs considered in the valuation of these assets are remaining useful life, pattern of consumption, dimensions, components and type of assets.

This asset class is categorised as Level 3 as some of the above-mentioned inputs used in the valuation of these assets require significant professional judgement and are therefore unobservable. Valuation techniques remained the same for this reporting period.

##### **Open Space / Recreational**

The Open Space/Recreation assets within this class comprise playground equipment, equipment and landscaping. The last revaluation was completed by Jeff Roorda & Associates in 2015/16 and the cost approach was adopted to value these assets. Some of the significant inputs considered in the valuation of these assets are remaining useful life, pattern of consumption, dimensions, components and type of assets.

This asset class is categorised as Level 3 as some of the above-mentioned inputs used in the valuation of these assets require significant professional judgement and are therefore unobservable. Valuation techniques remained the same for this reporting period.

##### **Heritage Collection**

This asset category comprises art works. The last revaluation was completed by McWilliam & Associates Pty Ltd in 2012/13 and the fair retail replacement value method was adopted to value these assets,

##### **Library Books**

This asset category comprises of assets such as library books, CD's and DVD's.

These assets are valued at cost but are disclosed at fair value in the notes due to the nature of the items. The cost of these assets are based on current invoices and contracts, which are based on observable inputs, however the remaining useful life and residual value is based on internal factors which are unobservable in the market therefore placing these assets in Level 3. Valuation techniques remained the same for this reporting period.

##### **Other**

The Other assets within this class comprise design works on a future art gallery and fibre optic cabling.

These assets are valued at cost but are disclosed at fair value in the notes due to the nature of the items. The cost of these assets are based on current invoices and contracts, which are based on observable inputs, however the remaining useful life and residual value is based on internal factors which are unobservable in the market therefore placing these assets in Level 3. Valuation techniques remained the same for this reporting period.

##### **Tip Assets**

The Lismore Resource Recovery Facility is located at Wyrallah Road, Lismore. The facility encompasses a landfilling operation as well as a wide range of waste disposal services, resource recovery services, recycling products and waste management educational activities. It has been recognised that there will be significant costs associated with the closure and post closure management of the landfill site.

Closure of the landfill site will involve a wide range of activities including preparation of a Landfill Closure and Management Plan, final capping of the landfill waste and site re-vegetation, revision of the surface water management system and leachate management infrastructure to suit post-closure operation, decommissioning and removing infrastructure and equipment that will not be required post closure, and fencing sensitive infrastructure.

An Evaluation of costs for Landfill Closure and Post Closure Management plan is reviewed annually.

The key unobservable inputs are the discount rate, cost escalation rate, actual timing of costs and future environmental management requirements. There has been no change to the valuation process during the reporting period.

## Lismore City Council

## Notes to the Financial Statements

for the year ended 30 June 2016

## Note 27. Fair value measurement (continued)

\$ '000

**Quarry Assets**

There are 6 quarries located within the local government area. These facilities encompass quarry operations currently in use as well as old unused facilities currently being used for stockpiling. It has been recognised that there will be significant costs associated with the closure and post closure management of the quarry sites. Closure of the quarry sites will involve a wide range of activities including the establishment of open woodland/forest across the quarry benches and provision of access areas into the pits once completed. It will also include decommissioning and removing of infrastructure and equipment that will not be required post closure, and fencing of sensitive infrastructure. An Evaluation of costs for Quarry Closures and Post Closure Management Plan is reviewed annually. The key unobservable inputs are the discount rate, cost escalation rate, actual timing of costs and future environmental management requirements. There has been a small decrease in the value of future funds required for remediation during the reporting period.

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

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

	Plant & Equipment	Office Equipment	Furniture & Fittings	Community Land	Total
<b>Opening balance – 1/7/14</b>	17,015	541	95	27,357	45,008
Transfers from/(to) another asset class	2,560	–	–	–	2,560
Purchases (GBV)	1,980	146	2	–	2,128
Disposals (WDV)	(767)	–	–	–	(767)
Depreciation and impairment	(2,980)	(229)	(18)	–	(3,227)
<b>Closing balance – 30/6/15</b>	<b>17,808</b>	<b>458</b>	<b>79</b>	<b>27,357</b>	<b>45,702</b>
Transfers from/(to) another asset class	–	–	–	–	–
Purchases (GBV)	5,652	205	47	–	5,904
Disposals (WDV)	(635)	–	–	–	(635)
Depreciation and impairment	(3,067)	(170)	(20)	–	(3,257)
Revaluation increment to Equity	–	–	–	–	–
<b>Closing balance – 30/6/16</b>	<b>19,758</b>	<b>493</b>	<b>106</b>	<b>27,357</b>	<b>47,714</b>

## Lismore City Council

Notes to the Financial Statements  
for the year ended 30 June 2016

## Note 27. Fair value measurement (continued)

\$ '000

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

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

	Land Under Roads (Post 30/6/08)	Land Improvements (Depreciable)	Buildings Non- Specialised	Buildings- Specialised	Total
<b>Opening balance – 1/7/14</b>	31	10,137	1,750	60,107	72,025
Transfers from/(to) another asset class	–	2	–	108	110
Purchases (GBV)	–	272	19	746	1,037
Disposals (WDV)	–	–	–	(422)	(422)
Depreciation and impairment	–	(325)	(30)	(772)	(1,127)
<b>Closing balance – 30/6/15</b>	<b>31</b>	<b>10,086</b>	<b>1,739</b>	<b>59,767</b>	<b>71,623</b>
Transfers from/(to) another asset class	–	1,726	–	–	1,726
Purchases (GBV)	–	298	–	1,274	1,572
Disposals (WDV)	–	–	–	(7)	(7)
Depreciation and impairment	–	(338)	(31)	(796)	(1,165)
Revaluation increment to Equity	–	4,170	–	–	4,170
<b>Closing balance – 30/6/16</b>	<b>31</b>	<b>15,942</b>	<b>1,708</b>	<b>60,238</b>	<b>77,919</b>

## Lismore City Council

Notes to the Financial Statements  
for the year ended 30 June 2016

## Note 27. Fair value measurement (continued)

\$ '000

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

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

	Other Structures	Roads	Bridges	Footpaths	Total
<b>Opening balance – 1/7/14</b>	6,494	190,499	44,615	14,093	255,701
Transfers from/(to) another asset class	415	(2,251)	–	–	(1,836)
Purchases (GBV)	1	7,192	606	562	8,361
Disposals (WDV)	–	(1,521)	–	(7)	(1,528)
Depreciation and impairment	(274)	(7,276)	(830)	(185)	(8,565)
WIP Transfers	–	1,291	357	–	1,648
Revaluation Increments to Equity	–	(24,508)	1,657	(259)	(23,110)
<b>Closing balance – 30/6/15</b>	<b>6,636</b>	<b>163,426</b>	<b>46,405</b>	<b>14,204</b>	<b>230,671</b>
Transfers from/(to) another asset class	381	1,512	–	–	1,893
Purchases (GBV)	201	11,243	–	508	11,952
Disposals (WDV)	–	(807)	–	(58)	(865)
Depreciation and impairment	(558)	(7,284)	(876)	(189)	(8,907)
Revaluation increment to Equity	2,311	5,106	1,502	447	9,366
<b>Closing balance – 30/6/16</b>	<b>8,971</b>	<b>173,196</b>	<b>47,031</b>	<b>14,912</b>	<b>244,110</b>

## Lismore City Council

Notes to the Financial Statements  
for the year ended 30 June 2016

## Note 27. Fair value measurement (continued)

\$ '000

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

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

	Bulk Earthworks (Non-Deprec)	Stormwater Drainage	Water Supply Network	Sewerage Network	Total
<b>Opening balance – 1/7/14</b>	297,554	49,198	72,322	179,683	598,757
Transfers from/(to) another asset class	2,251	–	–	–	2,251
Purchases (GBV)	49	665	992	4,308	6,014
Disposals (WDV)	(37)	(14)	(429)	(1,010)	(1,490)
Depreciation and impairment	–	(529)	(1,698)	(4,340)	(6,567)
WIP Transfers	–	–	532	1,795	2,327
Revaluation Increments to Equity	4,703	730	1,056	2,608	9,097
<b>Closing balance – 30/6/15</b>	<b>304,520</b>	<b>50,050</b>	<b>72,775</b>	<b>183,044</b>	<b>610,389</b>
Transfers from/(to) another asset class	–	–	–	203	203
Purchases (GBV)	576	603	2,707	1,241	5,127
Disposals (WDV)	–	(3)	(607)	(191)	(801)
Depreciation and impairment	–	(782)	(1,679)	(4,225)	(6,686)
Revaluation Increments to Equity	9,458	746	1,067	2,685	13,956
<b>Closing balance – 30/6/16</b>	<b>314,554</b>	<b>50,614</b>	<b>74,263</b>	<b>182,757</b>	<b>622,188</b>

## Lismore City Council

Notes to the Financial Statements  
for the year ended 30 June 2016

## Note 27. Fair value measurement (continued)

\$ '000

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

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

	Swimming Pools	Other Open Space & Recreation Assets	Heritage Collection	Library Books	Total
<b>Opening balance – 1/7/14</b>	4,499	9,624	68	2,177	16,368
Purchases (GBV)	–	147	–	642	789
Depreciation and impairment	(64)	(153)	(1)	(727)	(945)
<b>Closing balance – 30/6/15</b>	<b>4,435</b>	<b>9,618</b>	<b>67</b>	<b>2,092</b>	<b>16,212</b>
Transfers from/(to) another asset class	(239)	54	–	–	(185)
Purchases (GBV)	–	–	–	673	673
Disposals (WDV)	–	–	–	(719)	(719)
Revaluation Increment to Equity	(332)	(8,632)	1,890	–	(7,074)
<b>Closing balance – 30/6/16</b>	<b>3,864</b>	<b>1,040</b>	<b>1,957</b>	<b>2,046</b>	<b>8,907</b>



## Lismore City Council

Notes to the Financial Statements  
for the year ended 30 June 2016

## Note 27. Fair value measurement (continued)

\$ '000

**(4). Fair value measurements using significant unobservable inputs (level 3)** (continued)**a. The following tables present the changes in level 3 fair value asset classes.** (continued)

	Other	Tip Assets	Quarry Assets	Land Improvements Non-Depreciable	Total
<b>Opening balance – 1/7/14</b>	398	108	519	–	1,025
Transfers from/(to) another asset class	–	162	(434)	–	(272)
Purchases (GBV)	26	–	–	–	26
Depreciation and impairment	(12)	–	(14)	–	(26)
<b>Closing balance – 30/6/15</b>	<b>412</b>	<b>270</b>	<b>71</b>	<b>–</b>	<b>753</b>
Transfers from/(to) another asset class	43	–	230	–	273
Purchases (GBV)	139	–	–	–	139
Depreciation and impairment	(7)	–	10	–	3
Revaluation Increments to Equity	–	–	–	8,197	8,197
<b>Closing balance – 30/6/16</b>	<b>587</b>	<b>270</b>	<b>311</b>	<b>8,197</b>	<b>9,365</b>

**(5). Highest and best use**

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



# **SPECIAL PURPOSE**

## **FINANCIAL STATEMENTS**

**For the year ended  
30 June 2016**

## Lismore City Council

### Special Purpose Financial Statements

for the year ended 30 June 2016

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#### Background

(i) These Special Purpose Financial Statements have been prepared for the use by both Council and the Office of Local Government in fulfilling their requirements under National Competition Policy.

(ii) The principle of competitive neutrality is based on the concept of a 'level playing field' between persons/entities competing in a market place, particularly between private and public sector competitors.

Essentially, the principle is that government businesses, whether Commonwealth, state or local, should operate without net competitive advantages over other businesses as a result of their public ownership.

(iii) For Council, the principle of competitive neutrality and public reporting applies only to declared business activities.

These include **(a)** those activities classified by the Australian Bureau of Statistics as business activities being water supply, sewerage services, abattoirs, gas production and reticulation, and **(b)** those activities with a turnover of more than \$2 million that Council has formally declared as a business activity (defined as Category 1 activities).

(iv) In preparing these financial statements for Council's self-classified Category 1 businesses and ABS-defined activities, councils must **(a)** adopt a corporatisation model and **(b)** apply full cost attribution including tax-equivalent regime payments and debt guarantee fees (where the business benefits from Council's borrowing position by comparison with commercial rates).

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**LISMORE CITY COUNCIL  
SPECIAL PURPOSE FINANCIAL STATEMENTS  
INDEPENDENT AUDITOR'S REPORT**

***Report on the Financial Statements***

We have audited the accompanying financial statements, being special purpose financial statements, of Lismore City Council ("the Council"), which comprises the statement of financial position as at 30 June 2016, the income statement for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the statement by Councillors' and Management.

***Council's Responsibility for the Financial Statements***

The Council is responsible for the preparation and fair presentation of the financial statements and has determined that the basis of preparation described in Note 1 to the financial statements is appropriate to meet the requirements of the *Local Government Act 1993* and meet the needs of the NSW Office of Local Government. The Council's responsibility also includes such internal control as the Council determines is necessary to enable the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

***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. Those 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 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.

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. 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.

### ***Opinion***

In our opinion, the special purpose financial statements of Lismore City Council:

- a) Have been prepared in accordance with the requirements of those applicable Australian Accounting Standards detailed in Note 1 and the Local Government Code of Accounting Practice and Financial Reporting;
  - i. Are consistent with the Council's accounting records;
  - ii. Present fairly, in all material respects, the financial position of Council's nominated Business Activities as at 30 June 2016 and the results of their operations for the year then ended;
- b) All information relevant to the conduct of the audit has been obtained; and
- c) There are no material deficiencies in the accounting records or financial statements that we have become aware of in the course of the audit.

### ***Basis of Accounting***


Without modifying our opinion, we draw attention to Note 1 to the financial statements, which describes the basis of accounting. The financial statements have been prepared for the purpose of fulfilling the financial reporting requirements of the NSW Office of Local Government. As a result, the financial statements may not be suitable for another purpose.

### ***Matters Relating to the Electronic Presentation of the Audited Financial Statements***

This auditor's report relates to the special purpose financial statements of Lismore City Council for the financial year ended 30 June 2016 published in the annual report and included on Council's website. The Council is responsible for the integrity of the website. We have not been engaged to report on the integrity of this website. The auditor's report refers only to the financial statements identified above. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial statements. If users of the financial statements are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial statements to confirm the information contained in this website version of the financial statements.

Dated at Lismore this 19th day of October 2016.

**THOMAS NOBLE & RUSSELL  
CHARTERED ACCOUNTANTS**



.....  
K R FRANEY (Partner)  
Registered Company Auditor

# Lismore City Council

## Special Purpose Financial Statements for the year ended 30 June 2016

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

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

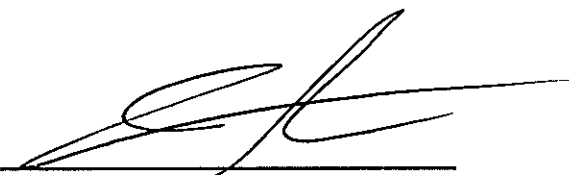
- the NSW Government Policy Statement 'Application of National Competition Policy to Local Government',
- the Division of Local Government Guidelines 'Pricing and Costing for Council Businesses – A Guide to Competitive Neutrality',
- the Local Government Code of Accounting Practice and Financial Reporting,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

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

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

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

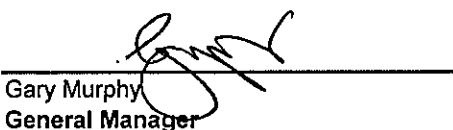
Signed in accordance with a resolution of Council made on 19 October 2016.



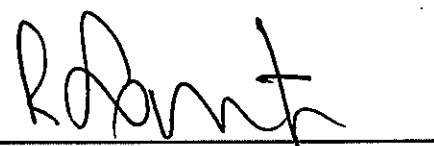
Isaac Smith  
Mayor



Gianpiero Battista  
Councillor



Gary Murphy  
General Manager



Rino Santin  
Responsible Accounting Officer

## Lismore City Council

## Income Statement of Council's Water Supply Business Activity

for the year ended 30 June 2016

\$ '000	Actual 2016	Actual 2015
<b>Income from continuing operations</b>		
Access charges	3,879	3,373
User charges	8,183	8,123
Interest	280	217
Grants and contributions provided for non-capital purposes	120	88
Other income	162	89
<b>Total income from continuing operations</b>	<b>12,624</b>	<b>11,890</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	2,048	1,970
Borrowing costs	423	469
Materials and contracts	1,698	1,800
Depreciation and impairment	1,821	1,836
Water purchase charges	5,136	4,902
Loss on sale of assets	594	410
Calculated taxation equivalents	7	8
Debt guarantee fee (if applicable)	205	212
Other expenses	68	85
<b>Total expenses from continuing operations</b>	<b>12,000</b>	<b>11,692</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>624</b>	<b>198</b>
Grants and contributions provided for capital purposes	401	129
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>1,025</b>	<b>327</b>
Surplus (deficit) from discontinued operations	–	–
<b>Surplus (deficit) from all operations before tax</b>	<b>1,025</b>	<b>327</b>
Less: corporate taxation equivalent (30%) [based on result before capital]	(187)	(59)
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>838</b>	<b>268</b>
<b>Plus opening retained profits</b>	21,445	20,906
<b>Plus adjustments for amounts unpaid:</b>		
– Taxation equivalent payments	7	8
– Debt guarantee fees	205	212
– Corporate taxation equivalent	187	59
<b>Less:</b>		
– Tax equivalent dividend paid	(7)	(8)
<b>Closing retained profits</b>	<b>22,675</b>	<b>21,445</b>
<b>Return on capital %</b>	<b>1.3%</b>	<b>0.9%</b>
<b>Subsidy from Council</b>	<b>531</b>	<b>1,625</b>
<b>Calculation of dividend payable:</b>		
Surplus (deficit) after tax	838	268
Less: capital grants and contributions (excluding developer contributions)	–	–
<b>Surplus for dividend calculation purposes</b>	<b>838</b>	<b>268</b>
<b>Potential dividend calculated from surplus</b>	<b>419</b>	<b>134</b>

## Lismore City Council

## Income Statement of Council's Sewerage Business Activity

for the year ended 30 June 2016

\$ '000	Actual 2016	Actual 2015
<b>Income from continuing operations</b>		
Access charges	11,352	10,768
User charges	193	197
Interest	695	713
Grants and contributions provided for non-capital purposes	132	128
Other income	79	54
<b>Total income from continuing operations</b>	<b>12,451</b>	<b>11,860</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	2,189	2,368
Borrowing costs	597	622
Materials and contracts	3,512	2,907
Depreciation and impairment	4,298	4,488
Loss on sale of assets	277	994
Calculated taxation equivalents	29	29
Debt guarantee fee (if applicable)	151	157
Other expenses	411	507
<b>Total expenses from continuing operations</b>	<b>11,464</b>	<b>12,072</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>987</b>	<b>(212)</b>
Grants and contributions provided for capital purposes	1,456	172
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>2,443</b>	<b>(40)</b>
Surplus (deficit) from discontinued operations	–	–
<b>Surplus (deficit) from all operations before tax</b>	<b>2,443</b>	<b>(40)</b>
Less: corporate taxation equivalent (30%) [based on result before capital]	(296)	–
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>2,147</b>	<b>(40)</b>
<b>Plus opening retained profits</b>	62,244	62,127
<b>Plus adjustments for amounts unpaid:</b>		
– Taxation equivalent payments	29	29
– Debt guarantee fees	151	157
– Corporate taxation equivalent	296	–
<b>Less:</b>		
– Tax equivalent dividend paid	(29)	(29)
<b>Closing retained profits</b>	<b>64,838</b>	<b>62,244</b>
<b>Return on capital %</b>	<b>0.8%</b>	<b>0.2%</b>
<b>Subsidy from Council</b>	<b>2,249</b>	<b>5,332</b>
<b>Calculation of dividend payable:</b>		
Surplus (deficit) after tax	2,147	(40)
Less: capital grants and contributions (excluding developer contributions)	–	–
<b>Surplus for dividend calculation purposes</b>	<b>2,147</b>	<b>–</b>
<b>Potential dividend calculated from surplus</b>	<b>1,073</b>	<b>–</b>



## Lismore City Council

## Income Statement of Council's Other Business Activities

for the year ended 30 June 2016

\$ '000	Quarry		Waste Disposal	
	Category 1		Category 1	
	Actual 2016	Actual 2015	Actual 2016	Actual 2015
<b>Income from continuing operations</b>				
User charges	11,384	12,804	5,952	5,059
Grants and contributions provided for non-capital purposes	360	247	–	–
Other income	21	21	4,596	5,656
<b>Total income from continuing operations</b>	<b>11,765</b>	<b>13,072</b>	<b>10,548</b>	<b>10,715</b>
<b>Expenses from continuing operations</b>				
Employee benefits and on-costs	1,684	1,587	2,088	1,440
Borrowing costs	593	310	176	128
Materials and contracts	9,534	11,408	7,099	5,956
Depreciation and impairment	61	85	225	101
Calculated taxation equivalents	117	113	121	90
Debt guarantee fee (if applicable)	85	99	108	73
Other expenses	60	115	9	9
<b>Total expenses from continuing operations</b>	<b>12,134</b>	<b>13,717</b>	<b>9,826</b>	<b>7,797</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>(369)</b>	<b>(645)</b>	<b>722</b>	<b>2,918</b>
Grants and contributions provided for capital purposes	–	–	390	447
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>(369)</b>	<b>(645)</b>	<b>1,112</b>	<b>3,365</b>
Surplus (deficit) from discontinued operations	–	–	–	–
<b>Surplus (deficit) from all operations before tax</b>	<b>(369)</b>	<b>(645)</b>	<b>1,112</b>	<b>3,365</b>
Less: corporate taxation equivalent (30%) [based on result before capital]	–	–	(217)	(875)
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>(369)</b>	<b>(645)</b>	<b>895</b>	<b>2,490</b>
<b>Plus opening retained profits</b>	2,344	3,175	7,489	4,375
<b>Plus adjustments for amounts unpaid:</b>				
– Taxation equivalent payments	117	113	121	90
– Debt guarantee fees	85	99	108	73
– Corporate taxation equivalent	–	–	217	875
<b>Less:</b>				
– Dividend paid	(331)	(398)	(572)	(414)
<b>Closing retained profits</b>	<b>1,846</b>	<b>2,344</b>	<b>8,258</b>	<b>7,489</b>
<b>Return on capital %</b>	<b>3.8%</b>	<b>-5.9%</b>	<b>7.2%</b>	<b>28.3%</b>
<b>Subsidy from Council</b>	<b>–</b>	<b>507</b>	<b>–</b>	<b>–</b>

## Lismore City Council

## Income Statement of Council's Other Business Activities

for the year ended 30 June 2016

	Lismore Crematorium Category 2		Goonellabah Sports & Aquatic Centre - Gymnasium Category 2	
	Actual 2016	Actual 2015	Actual 2016	Actual 2015
<b>\$ '000</b>				
<b>Income from continuing operations</b>				
Fees	397	426	566	513
Other income	–	–	27	26
<b>Total income from continuing operations</b>	<b>397</b>	<b>426</b>	<b>593</b>	<b>539</b>
<b>Expenses from continuing operations</b>				
Employee benefits and on-costs	95	166	98	45
Materials and contracts	185	175	788	869
Depreciation and impairment	2	9	–	–
Other expenses	–	–	11	12
<b>Total expenses from continuing operations</b>	<b>282</b>	<b>350</b>	<b>897</b>	<b>926</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>115</b>	<b>76</b>	<b>(304)</b>	<b>(387)</b>
Grants and contributions provided for capital purposes	–	–	–	–
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>115</b>	<b>76</b>	<b>(304)</b>	<b>(387)</b>
Surplus (deficit) from discontinued operations	–	–	–	–
<b>Surplus (deficit) from all operations before tax</b>	<b>115</b>	<b>76</b>	<b>(304)</b>	<b>(387)</b>
Less: corporate taxation equivalent (30%) [based on result before capital]	(35)	(23)	–	–
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>81</b>	<b>53</b>	<b>(304)</b>	<b>(387)</b>
Plus opening retained profits	797	721	–	–
Add:				
– Subsidy paid/contribution to operations	–	–	304	387
<b>Closing retained profits</b>	<b>912</b>	<b>797</b>	<b>–</b>	<b>–</b>
<b>Return on capital %</b>	<b>35.3%</b>	<b>23.2%</b>	<b>n/a</b>	<b>n/a</b>
<b>Subsidy from Council</b>	<b>–</b>	<b>–</b>	<b>304</b>	<b>387</b>

## Lismore City Council

Income Statement of Council's Other Business Activities  
for the year ended 30 June 2016Goonellabah Sports  
& Aquatic Centre -  
Learn to Swim  
Category 2

\$ '000	Actual 2016	Actual 2015
<b>Income from continuing operations</b>		
Fees	591	527
<b>Total income from continuing operations</b>	<b>591</b>	<b>527</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	53	–
Materials and contracts	666	683
Other expenses	10	18
<b>Total expenses from continuing operations</b>	<b>729</b>	<b>701</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>(138)</b>	<b>(174)</b>
Grants and contributions provided for capital purposes	–	–
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>(138)</b>	<b>(174)</b>
Surplus (deficit) from discontinued operations	–	–
<b>Surplus (deficit) from all operations before tax</b>	<b>(138)</b>	<b>(174)</b>
Less: corporate taxation equivalent (30%) [based on result before capital]	–	–
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>(138)</b>	<b>(174)</b>
<b>Add:</b>		
– Subsidy paid/contribution to operations	138	174
<b>Closing retained profits</b>	<b>–</b>	<b>–</b>
<b>Return on capital %</b>	<b>n/a</b>	<b>n/a</b>
<b>Subsidy from Council</b>	<b>138</b>	<b>174</b>

## Lismore City Council

Statement of Financial Position – Council's Water Supply Business Activity  
as at 30 June 2016

\$ '000	Actual 2016	Actual 2015
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	991	1,897
Investments	1,037	1,845
Receivables	2,846	2,294
Inventories	266	278
Other	–	–
<b>Total current assets</b>	<b>5,140</b>	<b>6,314</b>
<b>Non-current assets</b>		
Investments	305	829
Receivables	1,380	1,155
Infrastructure, property, plant and equipment	79,315	75,900
<b>Total non-current assets</b>	<b>81,000</b>	<b>77,884</b>
<b>TOTAL ASSETS</b>	<b>86,140</b>	<b>84,198</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Payables	50	134
Borrowings	241	234
Provisions	290	290
<b>Total current liabilities</b>	<b>581</b>	<b>658</b>
<b>Non-current liabilities</b>		
Borrowings	6,364	6,629
Provisions	10	18
<b>Total non-current liabilities</b>	<b>6,374</b>	<b>6,647</b>
<b>TOTAL LIABILITIES</b>	<b>6,955</b>	<b>7,305</b>
<b>NET ASSETS</b>	<b>79,185</b>	<b>76,893</b>
<b>EQUITY</b>		
Retained earnings	22,675	21,445
Revaluation reserves	56,510	55,448
Council equity interest	79,185	76,893
<b>TOTAL EQUITY</b>	<b>79,185</b>	<b>76,893</b>

## Lismore City Council

## Statement of Financial Position – Council's Sewerage Business Activity

as at 30 June 2016

\$ '000	Actual 2016	Actual 2015
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	8,151	6,955
Investments	8,530	6,759
Receivables	1,043	1,111
Inventories	288	298
<b>Total Current Assets</b>	<b>18,012</b>	<b>15,123</b>
<b>Non-current assets</b>		
Investments	2,508	3,040
Receivables	436	419
Infrastructure, property, plant and equipment	192,625	190,131
<b>Total non-current assets</b>	<b>195,569</b>	<b>193,590</b>
<b>TOTAL ASSETS</b>	<b>213,581</b>	<b>208,713</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Payables	105	163
Borrowings	283	252
Provisions	239	251
<b>Total current liabilities</b>	<b>627</b>	<b>666</b>
<b>Non-current liabilities</b>		
Borrowings	7,834	8,157
Provisions	17	22
<b>Total non-current liabilities</b>	<b>7,851</b>	<b>8,179</b>
<b>TOTAL LIABILITIES</b>	<b>8,478</b>	<b>8,845</b>
<b>NET ASSETS</b>	<b>205,103</b>	<b>199,868</b>
<b>EQUITY</b>		
Retained earnings	64,838	62,244
Revaluation reserves	140,265	137,624
Council equity interest	205,103	199,868
<b>TOTAL EQUITY</b>	<b>205,103</b>	<b>199,868</b>

## Lismore City Council

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

as at 30 June 2016

\$ '000	Quarry		Waste Disposal	
	Category 1		Category 1	
	Actual 2016	Actual 2015	Actual 2016	Actual 2015
<b>ASSETS</b>				
<b>Current assets</b>				
Investments	185	200	650	2,013
Receivables	1,240	1,653	–	–
Inventories	2,804	2,785	–	–
<b>Total Current Assets</b>	<b>4,229</b>	<b>4,638</b>	<b>650</b>	<b>2,013</b>
<b>Non-current assets</b>				
Receivables	–	5	–	–
Infrastructure, property, plant and equipment	5,956	5,698	12,508	10,755
<b>Total non-current assets</b>	<b>5,956</b>	<b>5,703</b>	<b>12,508</b>	<b>10,755</b>
<b>TOTAL ASSETS</b>	<b>10,185</b>	<b>10,341</b>	<b>13,158</b>	<b>12,768</b>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Borrowings	174	159	330	314
Provisions	313	272	267	266
<b>Total current liabilities</b>	<b>487</b>	<b>431</b>	<b>597</b>	<b>580</b>
<b>Non-current liabilities</b>				
Borrowings	1,315	1,504	3,030	3,293
Provisions	1,314	1,012	137	–
Other Liabilities	5,053	4,880	–	270
<b>Total non-current liabilities</b>	<b>7,682</b>	<b>7,396</b>	<b>3,167</b>	<b>3,563</b>
<b>TOTAL LIABILITIES</b>	<b>8,169</b>	<b>7,827</b>	<b>3,764</b>	<b>4,143</b>
<b>NET ASSETS</b>	<b>2,016</b>	<b>2,514</b>	<b>9,394</b>	<b>8,625</b>
<b>EQUITY</b>				
Retained earnings	1,846	2,344	8,258	7,489
Revaluation reserves	170	170	1,136	1,136
Council equity interest	2,016	2,514	9,394	8,625
<b>TOTAL EQUITY</b>	<b>2,016</b>	<b>2,514</b>	<b>9,394</b>	<b>8,625</b>

## Lismore City Council

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

as at 30 June 2016

	Lismore Crematorium		Goonellabah Sports & Aquatic Centre - Gymnasium	
	Category 2		Category 2	
\$ '000	Actual 2016	Actual 2015	Actual 2016	Actual 2015
<b>ASSETS</b>				
<b>Current assets</b>				
Receivables	782	739	–	–
<b>Total Current Assets</b>	<b>782</b>	<b>739</b>	<b>–</b>	<b>–</b>
<b>Non-current assets</b>				
Infrastructure, property, plant and equipment	326	328	–	–
<b>Total non-current assets</b>	<b>326</b>	<b>328</b>	<b>–</b>	<b>–</b>
<b>TOTAL ASSETS</b>	<b>1,108</b>	<b>1,067</b>	<b>–</b>	<b>–</b>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Provisions	61	132	–	–
<b>Total current liabilities</b>	<b>61</b>	<b>132</b>	<b>–</b>	<b>–</b>
<b>Non-current liabilities</b>				
Provisions	1	4	–	–
<b>Total non-current liabilities</b>	<b>1</b>	<b>4</b>	<b>–</b>	<b>–</b>
<b>TOTAL LIABILITIES</b>	<b>62</b>	<b>136</b>	<b>–</b>	<b>–</b>
<b>NET ASSETS</b>	<b>1,046</b>	<b>931</b>	<b>–</b>	<b>–</b>
<b>EQUITY</b>				
Retained earnings	912	797	–	–
Revaluation reserves	134	134	–	–
Council equity interest	<b>1,046</b>	<b>931</b>	<b>–</b>	<b>–</b>
<b>TOTAL EQUITY</b>	<b>1,046</b>	<b>931</b>	<b>–</b>	<b>–</b>

## Lismore City Council

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

as at 30 June 2016

Goonellabah Sports &  
Aquatic Centre - Learn to  
Swim  
Category 2

\$ '000	Actual 2016	Actual 2015
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	–	–
Investments	–	–
Receivables	–	–
Inventories	–	–
Other	–	–
Non-current assets classified as held for sale	–	–
<b>Total Current Assets</b>	<b>–</b>	<b>–</b>
<b>Non-current assets</b>		
Investments	–	–
Receivables	–	–
Inventories	–	–
Infrastructure, property, plant and equipment	–	–
Investments accounted for using equity method	–	–
Investment property	–	–
Intangible assets	–	–
Other	–	–
<b>Total non-current assets</b>	<b>–</b>	<b>–</b>
<b>TOTAL ASSETS</b>	<b>–</b>	<b>–</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Bank overdraft	–	–
Payables	–	–
Borrowings	–	–
Provisions	–	–
<b>Total current liabilities</b>	<b>–</b>	<b>–</b>
<b>Non-current liabilities</b>		
Payables	–	–
Borrowings	–	–
Provisions	–	–
Other Liabilities	–	–
<b>Total non-current liabilities</b>	<b>–</b>	<b>–</b>
<b>TOTAL LIABILITIES</b>	<b>–</b>	<b>–</b>
<b>NET ASSETS</b>	<b>–</b>	<b>–</b>
<b>EQUITY</b>		
Retained earnings	–	–
Revaluation reserves	–	–
Council equity interest	–	–
Non-controlling equity interest	–	–
<b>TOTAL EQUITY</b>	<b>–</b>	<b>–</b>



## Lismore City Council

### Special Purpose Financial Statements

for the year ended 30 June 2016

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

Note	Details	Page
1	Summary of significant accounting policies	116
2	Water Supply Business Best-Practice Management disclosure requirements	119
3	Sewerage Business Best-Practice Management disclosure requirements	121

## Lismore City Council

### Notes to the Special Purpose Financial Statements for the year ended 30 June 2016

#### Note 1. Significant accounting policies

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

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

The figures presented in the SPFS, unless otherwise stated, have been prepared in accordance with:

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

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

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

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

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

#### National Competition Policy

Council has adopted the principle of 'competitive neutrality' 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, *Application of National Competition Policy to Local Government*.

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

The pricing and costing guidelines outline the process for identifying and allocating costs to activities and provide standards for disclosure. These disclosures are reflected in Council's pricing and/or financial reporting systems and include taxation equivalents, Council subsidies, return on investments (rate of return), and dividends paid.

#### Declared business activities

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

##### Category 1

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

##### a. Water

*Provision of safe drinking water to customers*

##### b. Wastewater

*Provision of sewerage waste services to customers*

##### c. Quarries

*Supply of aggregate, road base & asphalt products.*

##### d. Waste Disposal

*Provide & maintain a safe area for disposing of waste*

##### Category 2

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

##### a. Lismore Memorial Gardens

*Provide cremation services.*

##### b. Goonellabah Sports and Aquatic Centre – Learn to Swim

*Provide learn to swim classes*

##### c. Goonellabah Sports and Aquatic Centre - Gymnasium

*Provide gym facilities*

## Lismore City Council

### Notes to the Special Purpose Financial Statements

for the year ended 30 June 2016

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

##### Monetary amounts

Amounts shown in the financial statements are in Australian currency and rounded to the nearest 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 Primary Industries) the amounts shown in Note 2 and Note 3 are disclosed in whole dollars.

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

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

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

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

##### Notional rate applied (%)

Corporate income tax rate – 30%

Land tax – the first \$482,000 of combined land values attracts 0%. For that valued from \$482,001 to \$2,947,000 the rate is 1.6% + \$100. For the remaining combined land value that exceeds \$2,947,000, a premium marginal rate of 2.0% applies.

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

In accordance with the Best-Practice Management of Water Supply and Sewerage Guidelines, 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 Guidelines to as a 'dividend for taxation equivalent', may be applied for any purpose allowed under the *Local Government Act, 1993*.

Achievement of substantial compliance against the Best-Practice Management of Water Supply and Sewerage Guidelines is not a prerequisite for the payment of the tax equivalent charges, however the payment must not exceed \$3 per assessment.

##### Income tax

An income tax equivalent has been applied on the profits of each reported business activity.

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

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

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

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

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

##### Local government rates and charges

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

## Lismore City Council

### Notes to the Special Purpose Financial Statements for the year ended 30 June 2016

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

##### Loan and debt guarantee fees

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

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

##### (ii) Subsidies

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

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

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

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

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

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

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

The rate of return on capital is calculated as follows:

##### Operating result before capital income + interest expense

---

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

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 1.99% at 30/6/16.

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

##### (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 of Water Supply and Sewerage 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 2016 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

In accordance with the Best-Practice Management of Water Supply and Sewerage Guidelines, 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 the payment.

## Lismore City Council

Notes to the Special Purpose Financial Statements  
for the year ended 30 June 2016

## best-practice management disclosure requirements

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

2016

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

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

(i)	Calculated tax equivalents	212,000
(ii)	Number of assessments multiplied by \$3/assessment	41,007
(iii)	Amounts payable for tax equivalents [lesser of (i) and (ii)]	41,007
(iv)	Amounts actually paid for tax equivalents	7,291

**2. Dividend from surplus**

(i)	50% of surplus before dividends [calculated in accordance with Best-Practice Management for Water Supply and Sewerage Guidelines]	418,900
(ii)	Number of assessments multiplied by \$30/assessment, less tax equivalent charges/assessment	369,063
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2016, less the cumulative dividends paid for the 2 years to 30 June 2015 and 30 June 2014	398,400

2016 Surplus	837,800	2015 Surplus	267,600	2014 Surplus	(707,000)
		2015 Dividend	–	2014 Dividend	–

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	369,063
(v)	Dividend actually paid from surplus [refer below for required pre-dividend payment criteria]	–
(vi)	Are the overhead reallocation charges to the water business fair and reasonable? <sup>a</sup>	YES

**3. Required outcomes for 6 criteria**

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

(i)	Completion of strategic business plan (including financial plan)	YES
(ii)	Full cost recovery, without significant cross subsidies [refer item 2 (a) in table 1 on page 22 of the Best-Practice Guidelines]	YES
	– Complying charges [item 2 (b) in table 1]	YES
	– DSP with commercial developer charges [item 2 (e) in table 1]	YES
	– If dual water supplies, complying charges [item 2 (g) in table 1]	N/a
(iii)	Sound water conservation and demand management implemented	YES
(iv)	Sound drought management implemented	YES
(v)	Complete performance reporting form (by 15 September each year)	YES
(vi)	a. Integrated water cycle management evaluation	NO
	b. Complete and implement integrated water cycle management strategy	NO

## Lismore City Council

Notes to the Special Purpose Financial Statements  
for the year ended 30 June 2016Note 2. Water supply business  
best-practice management disclosure requirements (continued)

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

2016

## National Water Initiative (NWI) financial performance indicators

<b>NWI F1</b>	Total revenue (water) Total income (w13) – grants for the acquisition of assets (w11a) – interest income (w9) – Aboriginal Communities W&S Program income (w10a)	\$'000	12,744
<b>NWI F4</b>	Revenue from residential usage charges (water) Income from residential usage charges (w6b) x 100 divided by the sum of [income from residential usage charges (w6a) + income from residential access charges (w6b)]	%	67.06%
<b>NWI F9</b>	Written down replacement cost of fixed assets (water) Written down current cost of system assets (w47)	\$'000	78,707
<b>NWI F11</b>	Operating cost (OMA) (water) Management expenses (w1) + operational and maintenance expenses (w2)	\$'000	8,956
<b>NWI F14</b>	Capital expenditure (water) Acquisition of fixed assets (w16)	\$'000	4,432
<b>NWI F17</b>	Economic real rate of return (water) [total income (w13) – interest income (w9) – grants for acquisition of assets (w11a) – operating costs (NWI F11) – current cost depreciation (w3)] x 100 divided by [written down current cost of system assets (w47) + plant and equipment (w33b)]	%	2.48%
<b>NWI F26</b>	Capital works grants (water) Grants for the acquisition of assets (w11a)	\$'000	–

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

## Lismore City Council

### Notes to the Special Purpose Financial Statements for the year ended 30 June 2016

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

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

2016

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

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

(i)	Calculated tax equivalents	180,000
(ii)	Number of assessments multiplied by \$3/assessment	36,543
(iii)	Amounts payable for tax equivalents [lesser of (i) and (ii)]	36,543
(iv)	Amounts actually paid for tax equivalents	28,627

##### 2. Dividend from surplus

(i)	50% of surplus before dividends [calculated in accordance with Best-Practice Management for Water Supply and Sewerage Guidelines]	1,073,450
(ii)	Number of assessments x (\$30 less tax equivalent charges per assessment)	328,887
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2016, less the cumulative dividends paid for the 2 years to 30 June 2015 and 30 June 2014	2,322,800

2016 Surplus	2,146,900	2015 Surplus	(40,000)	2014 Surplus	215,900
		2015 Dividend	—	2014 Dividend	—

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	328,887
(v)	Dividend actually paid from surplus [refer below for required pre-dividend payment criteria]	—
(vi)	Are the overhead reallocation charges to the sewer business fair and reasonable? <sup>a</sup>	YES

##### 3. Required outcomes for 4 criteria

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

(i)	Completion of strategic business plan (including financial plan)	YES
(ii)	Pricing with full cost-recovery, without significant cross subsidies [refer item 2 (a) in table 1 on page 22 of the Best-Practice Guidelines]	NO
	Complying charges (a) Residential [item 2 (c) in table 1]	YES
	(b) Non-residential [item 2 (c) in table 1]	NO
	(c) Trade waste [item 2 (d) in table 1]	NO
	DSP with commercial developer charges [item 2 (e) in table 1]	YES
	Liquid trade waste approvals and policy [item 2 (f) in table 1]	NO
(iii)	Complete performance reporting form (by 15 September each year)	YES
(iv)	a. Integrated water cycle management evaluation	NO
	b. Complete and implement integrated water cycle management strategy	NO

## Lismore City Council

Notes to the Special Purpose Financial Statements  
for the year ended 30 June 2016Note 3. Sewerage business  
best-practice management disclosure requirements (continued)

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Dollars amounts shown below are in whole dollars (unless otherwise indicated) 2016


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

NWI F2	Total revenue (sewerage) Total income (s14) – grants for acquisition of assets (s12a) – interest income (s10) – Aboriginal Communities W&S Program income (w10a)	\$'000	13,214
NWI F10	Written down replacement cost of fixed assets (sewerage) Written down current cost of system assets (s48)	\$'000	192,626
NWI F12	Operating cost (sewerage) Management expenses (s1) + operational and maintenance expenses (s2)	\$'000	6,114
NWI F15	Capital expenditure (sewerage) Acquisition of fixed assets (s17)	\$'000	3,881
NWI F18	Economic real rate of return (sewerage) [total income (s14) – interest income (s10) – grants for acquisition of assets (s12a) – operating cost (NWI F12) – current cost depreciation (s3)] x 100 divided by [written down current cost (i.e. WDCC) of system assets (s48) + plant and equipment (s34b)]	%	1.44%
NWI F27	Capital works grants (sewerage) Grants for the acquisition of assets (12a)	\$'000	–

---

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

NWI F3	Total income (water and sewerage) Total income (w13 + s14) + gain/loss on disposal of assets (w14 + s15) minus grants for acquisition of assets (w11a + s12a) – interest income (w9 + s10)	\$'000	25,087
NWI F8	Revenue from community service obligations (water and sewerage) Community service obligations (NWI F25) x 100 divided by total income (NWI F3)	%	0.97%
NWI F16	Capital expenditure (water and sewerage) Acquisition of fixed assets (w16 + s17)	\$'000	8,313
NWI F19	Economic real rate of return (water and sewerage) [total income (w13 + s14) – interest income (w9 + s10) – grants for acquisition of assets (w11a + s12a) – operating cost (NWI F11 + NWI F12) – current cost depreciation (w3 + s3)] x 100 divided by [written down replacement cost of fixed assets (NWI F9 + NWI F10) + plant and equipment (w33b + s34b)]	%	1.74%
NWI F20	Dividend (water and sewerage) Dividend paid from surplus (2 (v) of Note 2 + 2 (v) of Note 3)	\$'000	–
NWI F21	Dividend payout ratio (water and sewerage) Dividend (NWI F20) x 100 divided by net profit after tax (NWI F24)	%	0.00%



## Lismore City Council

Notes to the Special Purpose Financial Statements  
for the year ended 30 June 2016Note 3. Sewerage business  
best-practice management disclosure requirements (continued)

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

2016

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

<b>NWI F22</b>	Net debt to equity (water and sewerage) Overdraft (w36 + s37) + borrowings (w38 + s39) – cash and investments (w30 + s31) x 100 divided by [total assets (w35 + s36) – total liabilities (w40 + s41)]	%	-2.39%
<b>NWI F23</b>	Interest cover (water and sewerage) Earnings before interest and tax (EBIT) divided by net interest  Earnings before interest and 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)		-  4,741  45
<b>NWI F24</b>	Net profit after tax (water and sewerage) Surplus before dividends (w15a + s16a) – tax equivalents paid (Note 2-1 (iv) + Note 3-1 (iv))	\$'000	3,789
<b>NWI F25</b>	Community service obligations (water and sewerage) Grants for pensioner rebates (w11b + s12b)	\$'000	243

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



# **SPECIAL SCHEDULES**

**For the year ended  
30 June 2016**

# Lismore City Council

## Special Schedules for the year ended 30 June 2016

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<sup>1</sup> Special Schedules are not audited (with the exception of Special Schedule 8).

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### Background

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

## Lismore City Council

## Special Schedule 1 – Net Cost of Services

for the year ended 30 June 2016

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
<b>Governance</b>	568	–	–	(568)
<b>Administration</b>	794	2,228	8	1,442
<b>Public order and safety</b>				
Fire service levy, fire protection, emergency services	1,206	6	11	(1,189)
Animal control	668	187	–	(481)
Other	442	–	–	(442)
<b>Total public order and safety</b>	<b>2,316</b>	<b>193</b>	<b>11</b>	<b>(2,112)</b>
<b>Health</b>	<b>976</b>	<b>446</b>	<b>–</b>	<b>(530)</b>
<b>Environment</b>				
Other environmental protection	388	70	–	(318)
Solid waste management	12,411	12,431	390	410
Drainage	–	–	416	416
Stormwater management	116	–	–	(116)
<b>Total environment</b>	<b>12,915</b>	<b>12,501</b>	<b>806</b>	<b>392</b>
<b>Community services and education</b>				
Administration and education	250	22	–	(228)
Social protection (welfare)	481	19	–	(462)
Aged persons and disabled	7	–	–	(7)
Children's services	44	2	–	(42)
<b>Total community services and education</b>	<b>782</b>	<b>43</b>	<b>–</b>	<b>(739)</b>
<b>Housing and community amenities</b>				
Public cemeteries	985	1,038	–	53
Street lighting	474	167	–	(307)
Town planning	1,997	817	833	(347)
Other community amenities	–	–	–	–
<b>Total housing and community amenities</b>	<b>3,456</b>	<b>2,022</b>	<b>833</b>	<b>(601)</b>
<b>Water supplies</b>	<b>11,642</b>	<b>12,178</b>	<b>401</b>	<b>937</b>
<b>Sewerage services</b>	<b>10,770</b>	<b>12,255</b>	<b>1,457</b>	<b>2,942</b>

## Lismore City Council

Special Schedule 1 – Net Cost of Services (continued)  
for the year ended 30 June 2016

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
<b>Recreation and culture</b>				
Public libraries	7,335	5,519	97	(1,719)
Art galleries	604	124	560	80
Community centres and halls	597	5	–	(592)
Sporting grounds and venues	–	50	–	50
Swimming pools	1,224	314	–	(910)
Parks and gardens (lakes)	4,404	199	314	(3,891)
Other sport and recreation	3,971	1,761	–	(2,210)
<b>Total recreation and culture</b>	<b>18,135</b>	<b>7,972</b>	<b>971</b>	<b>(9,192)</b>
<b>Mining, manufacturing and construction</b>				
Building control	1,323	859	–	(464)
Other mining, manufacturing and construction	5,967	5,842	–	(125)
<b>Total mining, manufacturing and construction</b>	<b>7,290</b>	<b>6,701</b>	<b>–</b>	<b>(589)</b>
<b>Transport and communication</b>				
Urban roads (UR) – local	6,270	4,109	919	(1,242)
Urban roads – regional	214	1,451	4,162	5,399
Sealed rural roads (SRR) – local	6,434	342	638	(5,454)
Sealed rural roads (SRR) – regional	1,929	2,974	–	1,045
Unsealed rural roads (URR) – local	4,230	1,404	163	(2,663)
Bridges on SRR – local	644	–	–	(644)
Bridges on URR – local	1,196	–	–	(1,196)
Parking areas	145	225	–	80
Footpaths	103	–	30	(73)
Aerodromes	579	330	–	(249)
Other transport and communication	3,432	24	136	(3,272)
<b>Total transport and communication</b>	<b>25,176</b>	<b>10,859</b>	<b>6,048</b>	<b>(8,269)</b>
<b>Economic affairs</b>				
Camping areas and caravan parks	(20)	24	–	44
Other economic affairs	3,217	507	–	(2,710)
<b>Total economic affairs</b>	<b>3,197</b>	<b>531</b>	<b>–</b>	<b>(2,666)</b>
<b>Totals – functions</b>	<b>98,017</b>	<b>67,929</b>	<b>10,535</b>	<b>(19,553)</b>
<b>General purpose revenues</b> <sup>(1)</sup>		<b>33,541</b>		<b>33,541</b>
<b>Share of interests – joint ventures and associates using the equity method</b>	<b>62</b>	<b>–</b>		<b>(62)</b>
<b>NET OPERATING RESULT</b> <sup>(2)</sup>	<b>98,079</b>	<b>101,470</b>	<b>10,535</b>	<b>13,926</b>

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

## Lismore City Council

## Special Schedule 2(a) – Statement of Long Term Debt (all purpose)

for the year ended 30 June 2016

\$'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
<b>Loans (by source)</b>											
Treasury corporation	46	3,294	<b>3,340</b>		46			254	49	3,245	<b>3,294</b>
Financial institutions	3,276	40,053	<b>43,329</b>		3,405			2,685	3,524	36,400	<b>39,924</b>
<b>Total loans</b>	<b>3,322</b>	<b>43,347</b>	<b>46,669</b>	–	<b>3,451</b>	–	–	<b>2,939</b>	<b>3,573</b>	<b>39,645</b>	<b>43,218</b>
<b>Other long term debt</b>											
Ratepayers advances	–	–	–							–	–
Government advances	–	–	–							–	–
Finance leases	–	–	–							–	–
Deferred payments	–	–	–							–	–
<b>Total long term debt</b>	<b>–</b>	<b>–</b>	<b>–</b>	–	–	–	–	–	–	–	–
<b>Total debt</b>	<b>3,322</b>	<b>43,347</b>	<b>46,669</b>	–	<b>3,451</b>	–	–	<b>2,939</b>	<b>3,573</b>	<b>39,645</b>	<b>43,218</b>

Notes: excludes (i) internal loans and (ii) principal inflows/outflows relating to loan re-financing.

This schedule is prepared using the **face value** of debt obligations, rather than **fair value** (which are reported in the GPFS).

## Lismore City Council

Special Schedule 2(b) – Statement of Internal Loans [Section 410(3) of the *Local Government Act 1993*]  
for the year ended 30 June 2016

\$'000

## Summary of internal loans

Borrower (by purpose)	Amount originally raised	Total repaid during the year (principal and interest)	Principal outstanding at end of year
General			
Water			
Sewer			
Domestic waste management			
Gas			
Other			
<b>Totals</b>	-	-	-

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. and int.)	Principal outstanding at end of year
<b>Totals</b>							-	-	-

## Lismore City Council

## Special Schedule 3 – Water Supply Income Statement

Includes all internal transactions, i.e. prepared on a gross basis  
for the year ended 30 June 2016

\$'000	Actuals 2016	Actuals 2015
<b>A Expenses and income</b>		
<b>Expenses</b>		
<b>1. Management expenses</b>		
a. Administration	1,293	1,101
b. Engineering and supervision	443	492
<b>2. Operation and maintenance expenses</b>		
– <b>dams and weirs</b>		
a. Operation expenses	–	–
b. Maintenance expenses	–	–
– <b>Mains</b>		
c. Operation expenses	858	996
d. Maintenance expenses	–	–
– <b>Reservoirs</b>		
e. Operation expenses	13	32
f. Maintenance expenses	15	14
– <b>Pumping stations</b>		
g. Operation expenses (excluding energy costs)	6	9
h. Energy costs	68	86
i. Maintenance expenses	17	13
– <b>Treatment</b>		
j. Operation expenses (excluding chemical costs)	–	–
k. Chemical costs	–	–
l. Maintenance expenses	–	–
– <b>Other</b>		
m. Operation expenses	367	341
n. Maintenance expenses	740	779
o. Purchase of water	5,136	4,902
<b>3. Depreciation expenses</b>		
a. System assets	1,682	1,700
b. Plant and equipment	139	135
<b>4. Miscellaneous expenses</b>		
a. Interest expenses	423	469
b. Revaluation decrements	–	–
c. Other expenses	–	–
d. Impairment – system assets	–	–
e. Impairment – plant and equipment	–	–
f. Aboriginal Communities Water and Sewerage Program	–	–
g. Tax equivalents dividends (actually paid)	–	–
<b>5. Total expenses</b>	<b>11,200</b>	<b>11,069</b>



## Lismore City Council

## Special Schedule 3 – Water Supply Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis  
for the year ended 30 June 2016

\$'000	Actuals 2016	Actuals 2015
<b>Income</b>		
<b>6. Residential charges</b>		
a. Access (including rates)	2,934	2,551
b. Usage charges	5,974	5,929
<b>7. Non-residential charges</b>		
a. Access (including rates)	945	822
b. Usage charges	2,209	2,193
<b>8. Extra charges</b>	–	–
<b>9. Interest income</b>	280	217
<b>10. Other income</b>	161	89
<b>10a. Aboriginal Communities Water and Sewerage Program</b>	–	–
<b>11. Grants</b>		
a. Grants for acquisition of assets	–	–
b. Grants for pensioner rebates	117	86
c. Other grants	4	2
<b>12. Contributions</b>		
a. Developer charges	141	76
b. Developer provided assets	259	53
c. Other contributions	–	–
<b>13. Total income</b>	<b>13,024</b>	<b>12,018</b>
<b>14. Gain (or loss) on disposal of assets</b>	(594)	(410)
<b>15. Operating result</b>	<b>1,230</b>	<b>539</b>
<b>15a. Operating result (less grants for acquisition of assets)</b>	1,230	539

## Lismore City Council

## Special Schedule 3 – Water Supply Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis  
for the year ended 30 June 2016

\$'000	Actuals 2016	Actuals 2015
<b>B Capital transactions</b>		
<b>Non-operating expenditures</b>		
<b>16. Acquisition of fixed assets</b>		
a. New assets for improved standards	–	–
b. New assets for growth	–	–
c. Renewals	4,116	1,192
d. Plant and equipment	316	54
<b>17. Repayment of debt</b>	258	215
<b>18. Totals</b>	<u>4,690</u>	<u>1,461</u>
<b>Non-operating funds employed</b>		
<b>19. Proceeds from disposal of assets</b>	–	–
<b>20. Borrowing utilised</b>	–	–
<b>21. Totals</b>	<u>–</u>	<u>–</u>
<b>C Rates and charges</b>		
<b>22. Number of assessments</b>		
a. Residential (occupied)	11,810	11,774
b. Residential (unoccupied, ie. vacant lot)	162	184
c. Non-residential (occupied)	1,649	1,633
d. Non-residential (unoccupied, ie. vacant lot)	48	48
<b>23. Number of ETs for which developer charges were received</b>	76 ET	14 ET
<b>24. Total amount of pensioner rebates (actual dollars)</b>	\$ 234,995	\$ 233,962

## Lismore City Council

## Special Schedule 4 – Water Supply Statement of Financial Position

Includes internal transactions, i.e. prepared on a gross basis  
as at 30 June 2016

\$'000	Actuals Current	Actuals Non-current	Actuals Total
<b>ASSETS</b>			
<b>25. Cash and investments</b>			
a. Developer charges	–	–	–
b. Special purpose grants	–	–	–
c. Accrued leave	–	–	–
d. Unexpended loans	–	–	–
e. Sinking fund	–	–	–
f. Other	2,028	305	2,333
<b>26. Receivables</b>			
a. Specific purpose grants	–	–	–
b. Rates and availability charges	676	371	1,047
c. User charges	2,098	817	2,915
d. Other	74	191	265
<b>27. Inventories</b>	266	–	266
<b>28. Property, plant and equipment</b>			
a. System assets	–	78,707	78,707
b. Plant and equipment	–	608	608
<b>29. Other assets</b>	–	–	–
<b>30. Total assets</b>	<u>5,142</u>	<u>80,999</u>	<u>86,141</u>
<b>LIABILITIES</b>			
<b>31. Bank overdraft</b>	–	–	–
<b>32. Creditors</b>	50	–	50
<b>33. Borrowings</b>	241	6,364	6,605
<b>34. Provisions</b>			
a. Tax equivalents	–	–	–
b. Dividend	–	–	–
c. Other	290	10	300
<b>35. Total liabilities</b>	<u>581</u>	<u>6,374</u>	<u>6,955</u>
<b>36. NET ASSETS COMMITTED</b>	<u>4,561</u>	<u>74,625</u>	<u>79,186</u>
<b>EQUITY</b>			
<b>37. Accumulated surplus</b>			22,675
<b>38. Asset revaluation reserve</b>			56,511
<b>39. TOTAL EQUITY</b>			<u>79,186</u>
<b>Note to system assets:</b>			
<b>40. Current replacement cost</b> of system assets			132,851
<b>41. Accumulated current cost</b> depreciation of system assets			(54,144)
<b>42. Written down current cost</b> of system assets			<u>78,707</u>

## Lismore City Council

## Special Schedule 5 – Sewerage Service Income Statement

Includes all internal transactions, i.e. prepared on a gross basis  
for the year ended 30 June 2016

\$'000	Actuals 2016	Actuals 2015
<b>A Expenses and income</b>		
<b>Expenses</b>		
<b>1. Management expenses</b>		
a. Administration	1,279	1,140
b. Engineering and supervision	494	529
<b>2. Operation and maintenance expenses</b>		
– mains		
a. Operation expenses	13	81
b. Maintenance expenses	984	795
– Pumping stations		
c. Operation expenses (excluding energy costs)	33	41
d. Energy costs	141	167
e. Maintenance expenses	366	355
– Treatment		
f. Operation expenses (excl. chemical, energy, effluent and biosolids management costs)	843	887
g. Chemical costs	551	418
h. Energy costs	241	299
i. Effluent management	101	115
j. Biosolids management	310	123
k. Maintenance expenses	600	689
– Other		
l. Operation expenses	–	–
m. Maintenance expenses	158	173
<b>3. Depreciation expenses</b>		
a. System assets	4,246	4,364
b. Plant and equipment	80	124
<b>4. Miscellaneous expenses</b>		
a. Interest expenses	597	622
b. Revaluation decrements	–	–
c. Other expenses	–	–
d. Impairment – system assets	–	–
e. Impairment – plant and equipment	–	–
f. Aboriginal Communities Water and Sewerage Program	–	–
g. Tax equivalents dividends (actually paid)	–	–
<b>5. Total expenses</b>	<b>11,037</b>	<b>10,922</b>

## Lismore City Council

## Special Schedule 5 – Sewerage Service Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis  
for the year ended 30 June 2016

\$'000	Actuals 2016	Actuals 2015
<b>Income</b>		
<b>6. Residential charges</b> (including rates)	9,195	8,675
<b>7. Non-residential charges</b>		
a. Access (including rates)	2,157	2,093
b. Usage charges	–	–
<b>8. Trade waste charges</b>		
a. Annual fees	193	198
b. Usage charges	–	–
c. Excess mass charges	–	–
d. Re-inspection fees	–	–
<b>9. Extra charges</b>	–	–
<b>10. Interest income</b>	695	713
<b>11. Other income</b>	79	53
<b>11a. Aboriginal Communities Water and Sewerage Program</b>	–	–
<b>12. Grants</b>		
a. Grants for acquisition of assets	–	–
b. Grants for pensioner rebates	126	124
c. Other grants	7	4
<b>13. Contributions</b>		
a. Developer charges	653	133
b. Developer provided assets	–	39
c. Other contributions	804	–
<b>14. Total income</b>	<u>13,909</u>	<u>12,032</u>
<b>15. Gain (or loss) on disposal of assets</b>	(277)	(994)
<b>16. Operating result</b>	<u>2,595</u>	<u>116</u>
<b>16a. Operating result (less grants for acquisition of assets)</b>	2,595	116

## Lismore City Council

## Special Schedule 5 – Sewerage Service Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis  
for the year ended 30 June 2016

\$'000	Actuals 2016	Actuals 2015
<b>B Capital transactions</b>		
<b>Non-operating expenditures</b>		
<b>17. Acquisition of fixed assets</b>		
a. New assets for improved standards	1,614	–
b. New assets for growth	–	236
c. Renewals	2,204	4,335
d. Plant and equipment	63	122
<b>18. Repayment of debt</b>	297	242
<b>19. Totals</b>	<b>4,178</b>	<b>4,935</b>
<b>Non-operating funds employed</b>		
<b>20. Proceeds from disposal of assets</b>	–	–
<b>21. Borrowing utilised</b>	–	–
<b>22. Totals</b>	<b>–</b>	<b>–</b>
<b>C Rates and charges</b>		
<b>23. Number of assessments</b>		
a. Residential (occupied)	10,761	10,714
b. Residential (unoccupied, ie. vacant lot)	317	353
c. Non-residential (occupied)	1,013	1,031
d. Non-residential (unoccupied, ie. vacant lot)	90	87
<b>24. Number of ETs for which developer charges were received</b>	93 ET	10 ET
<b>25. Total amount of pensioner rebates (actual dollars)</b>	\$ 228,872	\$ 226,579

## Lismore City Council

## Special Schedule 6 – Sewerage Service Statement of Financial Position

Includes internal transactions, i.e. prepared on a gross basis  
as at 30 June 2016

\$'000	Actuals Current	Actuals Non-current	Actuals Total
<b>ASSETS</b>			
<b>26. Cash and investments</b>			
a. Developer charges	–	–	–
b. Special purpose grants	–	–	–
c. Accrued leave	–	–	–
d. Unexpended loans	–	–	–
e. Sinking fund	–	–	–
f. Other	16,681	2,508	19,189
<b>27. Receivables</b>			
a. Specific purpose grants	–	–	–
b. Rates and availability charges	522	436	958
c. User charges	–	–	–
d. Other	522	–	522
<b>28. Inventories</b>	288	–	288
<b>29. Property, plant and equipment</b>			
a. System assets	–	192,626	192,626
b. Plant and equipment	–	–	–
<b>30. Other assets</b>	–	–	–
<b>31. Total assets</b>	<u>18,013</u>	<u>195,570</u>	<u>213,583</u>
<b>LIABILITIES</b>			
<b>32. Bank overdraft</b>	–	–	–
<b>33. Creditors</b>	105	–	105
<b>34. Borrowings</b>	283	7,835	8,118
<b>35. Provisions</b>			
a. Tax equivalents	–	–	–
b. Dividend	–	–	–
c. Other	239	17	256
<b>36. Total liabilities</b>	<u>627</u>	<u>7,852</u>	<u>8,479</u>
<b>37. NET ASSETS COMMITTED</b>	<u>17,386</u>	<u>187,718</u>	<u>205,104</u>
<b>EQUITY</b>			
<b>38. Accumulated surplus</b>			64,839
<b>39. Asset revaluation reserve</b>			140,265
<b>40. TOTAL EQUITY</b>			<u>205,104</u>
<b>Note to system assets:</b>			
<b>41. Current replacement cost</b> of system assets			327,359
<b>42. Accumulated current cost</b> depreciation of system assets			(134,733)
<b>43. Written down current cost</b> of system assets			<u>192,626</u>

## Lismore City Council

### Notes to Special Schedules 3 and 5

for the year ended 30 June 2016

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

#### Notes:

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

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



## Lismore City Council

Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2016  
as at 30 June 2016

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2015/16 Required maintenance <sup>a</sup>	2015/16 Actual maintenance	Carrying value	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
<b>Buildings</b>	Buildings	3,918		691	385	61,946	77,982	42%	40%	11%	4%	3%
	<b>Sub-total</b>	<b>3,918</b>	<b>–</b>	<b>691</b>	<b>385</b>	<b>61,946</b>	<b>77,982</b>	<b>42.0%</b>	<b>40.0%</b>	<b>11.0%</b>	<b>4.0%</b>	<b>3.0%</b>
<b>Other structures</b>	Other structures	1,888		197	***	8,971	14,122	9%	42%	45%	3%	1%
	<b>Sub-total</b>	<b>1,888</b>	<b>–</b>	<b>197</b>	<b>–</b>	<b>8,971</b>	<b>14,122</b>	<b>9.0%</b>	<b>42.0%</b>	<b>45.0%</b>	<b>3.0%</b>	<b>1.0%</b>
<b>Roads</b>	Sealed roads	62,859		4,257	4,700	167,377	329,322	8%	23%	36%	12%	21%
	Unsealed roads	4,782		616	1,586	4,832	16,293	0%	0%	30%	57%	13%
	Bridges	9,411		336	436	47,031	81,405	35%	32%	18%	15%	0%
	Footpaths	901		168	106	14,912	16,824	39%	39%	11%	10%	1%
	Other road assets	1,317		280	160	987	4,021	10%	11%	17%	62%	0%
	Bulk earthworks					314,554	314,554	100%				0%
	<b>Sub-total</b>	<b>79,270</b>	<b>–</b>	<b>5,657</b>	<b>6,988</b>	<b>549,693</b>	<b>762,419</b>	<b>49.4%</b>	<b>14.3%</b>	<b>18.4%</b>	<b>8.6%</b>	<b>9.4%</b>

## Lismore City Council

Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2016 (continued)  
as at 30 June 2016

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2015/16 Required maintenance <sup>a</sup>	2015/16 Actual maintenance	Carrying value	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Water supply network	Water supply network	12,403		1,748	1,443	74,263	128,334	27%	41%	20%	8%	4%
	<b>Sub-total</b>	<b>12,403</b>	<b>–</b>	<b>1,748</b>	<b>1,443</b>	<b>74,263</b>	<b>128,334</b>	<b>27.0%</b>	<b>41.0%</b>	<b>20.0%</b>	<b>8.0%</b>	<b>4.0%</b>
Sewerage network	Sewerage network	29,557		2,442	1,833	182,757	316,090	24%	41%	25%	9%	1%
	<b>Sub-total</b>	<b>29,557</b>	<b>–</b>	<b>2,442</b>	<b>1,833</b>	<b>182,757</b>	<b>316,090</b>	<b>24.0%</b>	<b>41.0%</b>	<b>25.0%</b>	<b>9.0%</b>	<b>1.0%</b>

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2015/16 Required maintenance <sup>a</sup>	2015/16 Actual maintenance	Carrying value	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Stormwater	Stormwater drainage	5,165		240	220	50,614	78,454	13%	55%	27%	5%	0%
	<b>Sub-total</b>	<b>5,165</b>	<b>–</b>	<b>240</b>	<b>220</b>	<b>50,614</b>	<b>78,454</b>	<b>13.0%</b>	<b>55.0%</b>	<b>27.0%</b>	<b>5.0%</b>	<b>0.0%</b>
Open space/recreational assets	Swimming pools	469		***	***	3,864	5,737	2%	84%	0%	10%	4%
	Other Open Space/Recreation	320		***	***	1,040	1,743	13%	36%	34%	10%	7%
	<b>Sub-total</b>	<b>789</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>4,904</b>	<b>7,480</b>	<b>4.6%</b>	<b>72.8%</b>	<b>7.9%</b>	<b>10.0%</b>	<b>4.7%</b>

## Lismore City Council

Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2016 (continued)  
as at 30 June 2016

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2015/16 Required maintenance <sup>a</sup>	2015/16 Actual maintenance	Carrying value	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Land Improvements	Depreciable	3,738		***	***	15,942	25,828	6%	44%	43%	7%	0%
	Non depreciable (note c)					8,197	8,197	100%				0%
	<b>Sub-total</b>	<b>3,738</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>24,139</b>	<b>34,025</b>	<b>28.6%</b>	<b>33.4%</b>	<b>32.6%</b>	<b>5.3%</b>	<b>0.0%</b>
	<b>TOTAL – ALL ASSETS</b>	<b>136,728</b>	<b>–</b>	<b>10,975</b>	<b>10,869</b>	<b>957,287</b>	<b>1,418,906</b>	<b>38.1%</b>	<b>27.4%</b>	<b>20.7%</b>	<b>8.0%</b>	<b>5.8%</b>

## Notes:

a Required maintenance is the amount identified in Council's asset management plans.

## Infrastructure asset condition assessment 'key'

1	<b>Excellent</b>	No work required (normal maintenance)
2	<b>Good</b>	Only minor maintenance work required
3	<b>Average</b>	Maintenance work required
4	<b>Poor</b>	Renewal required
5	<b>Very poor</b>	Urgent renewal/upgrading required

## Lismore City Council

Special Schedule 7 – Report on Infrastructure Assets (continued)  
for the year ended 30 June 2016

\$ '000	Amounts	Indicator	Prior periods	
	2016	2016	2015	2014
<b>Infrastructure asset performance indicators * consolidated</b>				
<b>1. Infrastructure renewals ratio</b>				
Asset renewals <sup>(1)</sup>	<u>16,126</u>	<b>98.21%</b>	94.11%	86.70%
Depreciation, amortisation and impairment	<u>16,420</u>			
<b>2. Infrastructure backlog ratio</b>				
Estimated cost to bring assets to a satisfactory standard	<u>136,728</u>	<b>21.55%</b>	23.64%	3.70%
Carrying value of infrastructure assets	<u>634,536</u>			
<b>3. Asset maintenance ratio</b>				
Actual asset maintenance	<u>10,869</u>	<b>0.99</b>	0.98	0.75
Required asset maintenance	<u>10,975</u>			

## Notes

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

<sup>(1)</sup> Asset renewals represent the replacement and/or refurbishment of existing assets to an equivalent capacity/performance as opposed to the acquisition of new assets (or the refurbishment of old assets) that increases capacity/performance.

## Lismore City Council

Special Schedule 7 – Report on Infrastructure Assets (continued)  
for the year ended 30 June 2016

\$ '000	Water 2016	Sewer 2016	General <sup>(1)</sup> 2016
<b>Infrastructure asset performance indicators by fund</b>			
<b>1. Infrastructure renewals ratio</b>			
Asset renewals <sup>(2)</sup>	<b>185.77%</b>	<b>48.76%</b>	<b>104.10%</b>
<u>Depreciation, amortisation and impairment</u>			
prior period:	58.42%	99.26%	97.88%
<b>2. Infrastructure backlog ratio</b>			
Estimated cost to bring assets to a satisfactory standard	<b>16.70%</b>	<b>16.17%</b>	<b>25.10%</b>
<u>Carrying value of infrastructure assets</u>			
prior period:	20.02%	16.70%	27.83%
<b>3. Asset maintenance ratio</b>			
Actual asset maintenance	<b>0.83</b>	<b>0.75</b>	<b>1.12</b>
<u>Required asset maintenance</u>			
prior period:	0.89	0.92	1.01

## Notes

- (1) General fund refers to all of Council's activities except for its water and sewer activities which are listed separately.
- (2) Asset renewals represent the replacement and/or refurbishment of existing assets to an equivalent capacity/performance as opposed to the acquisition of new assets (or the refurbishment of old assets) that increases capacity/performance.



**LISMORE CITY COUNCIL**  
**SPECIAL SCHEDULE NO 8**  
**INDEPENDENT AUDITOR'S REPORT**

**REPORT ON SPECIAL SCHEDULE NO 8**

We have audited the accompanying special purpose financial statement comprising the reconciliation of total permissible general income (Special Schedule No. 8) of Lismore City Council for the year ending 30 June 2017.

**Responsibility of Council for Special Schedule No. 8**

The Council is responsible for the preparation and fair presentation of Special Schedule No. 8 in accordance with the Local Government Code of Accounting Practice and Financial Reporting (Guidelines) Update No. 24. This responsibility includes the maintenance of adequate accounting records and internal controls designed to prevent and detect fraud and error; designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of Special Schedule No. 8 that is 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 Special Schedule No. 8 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 Special Schedule No. 8 is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in Special Schedule No. 8. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of Special Schedule No. 8, whether due to fraud or error. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of Special Schedule No. 8.

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, there is an unavoidable risk that some material misstatements may not be detected, even though the audit is properly planned and performed in accordance with Australian Auditing Standards.

In making our risk assessments, we consider internal controls relevant to the entity's preparation of Special Schedule No. 8 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 entity's internal control.

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 followed applicable independence requirements of Australian professional ethical pronouncements.

## **Audit Opinion**

In our opinion, Special Schedule No. 8 of Lismore City Council for 2016/17 is properly drawn up in accordance with the requirements of the NSW Office of Local Government and in accordance with the books and records of the Council.

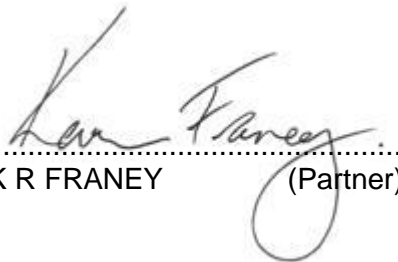
## **Basis of Accounting**

Without modifying our opinion, we advise that this schedule has been prepared for distribution to the NSW Office of Local Government for the purposes of confirming that Council's reconciliation of Council's total permissible general income is presented fairly. As a result, the schedule may not be suitable for another purpose.

Dated at Lismore this 20th day of October 2016

## **THOMAS NOBLE & RUSSELL CHARTERED ACCOUNTANTS**

Per:

A handwritten signature in cursive script, appearing to read 'K R Franey', is written over a horizontal dotted line. The signature is positioned above the printed name and title.

K R FRANEY

(Partner)

## Lismore City Council

**Audited by**  
**Thomas Noble & Russell**  
**Chartered Accountants**

## Special Schedule 8 – Permissible Income Calculation

for the year ended 30 June 2017

\$'000		Calculation 2015/16	Calculation 2016/17
<b>Notional general income calculation <sup>(1)</sup></b>			
Last year notional general income yield	a	26,927	27,642
Plus or minus adjustments <sup>(2)</sup>	b	66	28
<b>Notional general income</b>	<b>c = (a + b)</b>	<b>26,993</b>	<b>27,670</b>
<b>Permissible income calculation</b>			
Special variation percentage <sup>(3)</sup>	d	0.00%	3.60%
Or rate peg percentage	e	2.40%	0.00%
Or crown land adjustment (incl. rate peg percentage)	f	0.00%	0.00%
Less expiring special variation amount	g	–	–
Plus special variation amount	h = d x (c – g)	–	996
Or plus rate peg amount	i = c x e	648	–
Or plus Crown land adjustment and rate peg amount	j = c x f	–	–
<b>Sub-total</b>	<b>k = (c + g + h + i + j)</b>	<b>27,641</b>	<b>28,666</b>
Plus (or minus) last year's carry forward total	l	0	(1)
Less valuation objections claimed in the previous year	m	–	–
<b>Sub-total</b>	<b>n = (l + m)</b>	<b>0</b>	<b>(1)</b>
<b>Total permissible income</b>	<b>o = k + n</b>	<b>27,641</b>	<b>28,665</b>
Less notional general income yield	p	27,642	28,665
<b>Catch-up or (excess) result</b>	<b>q = o – p</b>	<b>(1)</b>	<b>0</b>
Plus income lost due to valuation objections claimed <sup>(4)</sup>	r	–	–
Less unused catch-up <sup>(5)</sup>	s	–	–
<b>Carry forward to next year</b>	<b>t = q + r – s</b>	<b>(1)</b>	<b>0</b>

**Notes**

- (1) The notional general income will not reconcile with rate income in the financial statements in the corresponding year. The statements are reported on an accrual accounting basis which include amounts that relate to prior years' rates income.
- (2) Adjustments account for changes in the number of assessments and any increase or decrease in land value occurring during the year. The adjustments are called 'supplementary valuations' as defined in the *Valuation of Land Act 1916*.
- (3) The 'special variation percentage' is inclusive of the rate peg percentage and where applicable Crown land adjustment.
- (4) Valuation objections are unexpected changes in land values as a result of land owners successfully objecting to the land value issued by the Valuer-General. Councils can claim the value of the income lost due to valuation objections in any single year.
- (5) Unused catch-up amounts will be deducted if they are not caught up within 2 years. Usually councils will have a nominal carry forward figure. These amounts can be adjusted for in setting the rates in a future year.
- (6) Carry forward amounts which are in excess (an amount that exceeds the permissible income) require ministerial approval by order published in the *NSW Government Gazette* in accordance with section 512 of the *Local Government Act 1993*. The OLG will extract these amounts from Council's Special Schedule 8 in the financial data return (FDR) to administer this process.





# **FINANCIAL REPORTS REVIEW**

**For the year ended  
30 June 2016**

## Background

In accordance with Section 413 of the Local Government Act, 1993, Council is required to:-

- prepare financial reports each year
- the financial reports must include:
  - a general purpose financial report, and
  - any other matter prescribed by the regulations, and
  - a statement in the approved form by the council as to its opinion on the general purpose financial report
- the general purpose financial report must be prepared in accordance with this Act and the regulations and the requirements of
  - the publications issued by the Australian Accounting Standards Board, as in force for the time being, subject to the regulations, and
  - such other standards as may be prescribed by the regulations

With regards to 'any other matter prescribed by the regulation', this refers to the Local Government (General) Regulations 2005 and includes:-

- the financial reports are to include general purpose financial statements, special purpose financial statements if applicable, and special schedules, and must be prepared in accordance with the Local Government Code of Accounting Practice and Financial Reporting
- the statement by the council must be made by resolution, and be signed by the mayor, at least one other member of the council, the responsible accounting officer, and the general manager (if not the responsible accounting officer). The statement must indicate:
  - whether or not the council's annual financial reports have been drawn up in accordance with the Act and the Regulation, and
  - the Code and the Manual, and
  - the Australian Accounting Standards issued by the Australian Accounting Standards Board, and
  - whether or not those reports present fairly the council's financial position and operating result for the year, and
  - whether or not those reports accord with the council's accounting and other records, and
  - whether or not the signatories know of anything that would make those reports false or misleading in any way, and include such information and explanations as will prevent those reports from being misleading because of any qualification that is included in the statement.
  - The council must ensure that the statement is attached to the relevant annual financial reports.

The financial reports comprise three components being the general purpose financial statements, special purpose financial statements and special schedules.

### General Purpose Financial Statements (GPFS)

The GPFS are the primary report used to convey the financial performance and position of a council. They presents the financial information in a manner which "...provides the users with information about the reporting entity which is useful for making and evaluating decisions about the allocation of scarce resources..."

The key elements of the GPFS are the Income Statement, Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity and Statement of Cash Flows. These statements are supported by the Notes to the Financial Statements.

### Special Purpose Financial Statements (SPFS)

The SPFS are prepared for Council's nominated business activities. The purpose of these reports is to detail the performance of business activities under the principles of 'competitive neutrality'. This reporting requires costs such as taxation equivalents and dividends to be included even

though they may not actually be paid, and a return on investment to be calculated. Any subsidy from Council is also disclosed.

The key elements of the SPFS are the Income Statement and Statement of Financial Position for each nominated business activity. These statements are supported by the Notes to the Special Purpose Financial Statements.

### Special Schedules (SS)

The SS have been designed to meet the requirements of special purpose users such as the NSW Grants Commission, Australian Bureau of Statistics, NSW Office of Water, and the NSW Office of Local Government.

Of particular interest is Special Schedule 7 – Report on Infrastructure Assets. This schedule provides a range of data and key performance indicators on Council's financial management of infrastructure assets.

## 2015/16 Financial Reports Overview

The 2015/16 Financial Reports have been prepared in accordance with the requirements of the Local Government Act 1993 and the Local Government (General) Regulations 2005. The purpose of the 2015/16 Financial Reports Review is to provide commentary and interpretation on the reported results.

### General Purpose Financial Statements

#### Income Statement

The net operating result for 2015/16 is a \$13.93 million surplus. The following table displays the summarised information from 2013/14 to 2015/16:

Item	2015/16 (\$'000)	% Change	2014/15 (\$'000)	% Change	2013/14 (\$'000)
Income from continuing operations	112,005	8.94%	102,815	2.05%	100,749
Expenses from continuing operations	98,079	(3.79%)	101,940	7.30%	95,003
<b>Net operating result for the year – Profit/(Loss)</b>	<b>13,926</b>	<b>1491.54%</b>	<b>875</b>	<b>(84.77%)</b>	<b>5,746</b>
<b>Net operating result before capital grants and contributions – Profit/(Loss)</b>	<b>3,391</b>	<b>204.02%</b>	<b>(3,260)</b>	<b>0.52%</b>	<b>(3,277)</b>

A summary of the major movements from 2014/15 to 2015/16 follows:

For income from continuing operations:

- Increase in rates & annual charges \$1.90 million
- Increase in user charges & fees \$683,000
- Decrease in other revenue (\$801,000)
- Increase in grants & contributions for operating purposes \$1.05 million
- Increase in grants & contributions for capital purposes \$6.40 million

For expenses from continuing operations:

- Increase in employee benefits & on-costs (\$2.06) million
- Decrease in materials & contracts \$4.10 million
- Decrease in loss on disposal of assets \$2.16 million

## Statement of Financial Position

The Statement of Financial Position is used to summarise the total net assets (assets – liabilities = net assets/equity) under Council's control. As at 30 June 2016, total net assets were \$1.09 billion. During 2015/16, net assets increased by \$42.54 million from \$1.05 billion in 2014/15. The main contributors were the operating result for the year \$13.93 million and the increase in Infrastructure, Property, Plant & Equipment assets of \$28.61 million for 2015/16. This was primarily the result of land improvements and other structures being revalued during the year of \$5.71 million, the indexation of transport, water and wastewater assets of \$21.01 million, and art gallery collection revaluation of \$1.89 million.

The major component of Council's net assets is infrastructure assets. Net infrastructure assets total \$857.3 million as at 30 June 2016 and include the following major categories and amounts:

Infrastructure Assets	At Fair Value (\$m)	Accumulated Depreciation (\$m)	Carrying Value (\$m)	Accumulated Depreciation/ %
Roads, Bridges, Footpaths & Earthworks	762.4	212.7	549.7	27.9
Stormwater Drainage	78.4	27.8	50.6	35.4
Water Supply Network	128.3	54.0	74.3	42.0
Wastewater Services Network	316.0	133.3	182.7	42.2
<b>Total Infrastructure Assets</b>	<b>1,285.1</b>	<b>427.8</b>	<b>857.3</b>	<b>33.3</b>

## Income from continuing operations (Note 3)

Income from continuing operations increased by \$9.19 million or 8.94% compared to 2014/15. A summary of the individual categories and comparisons for the last three years is provided below:

Type	2015/16 (\$'000)	% Change	2014/15 (\$'000)	% Change	2013/14 (\$'000)
Rates & Annual Charges	47,343	4.18	45,443	4.32	43,562
User Charges & Fees	32,558	2.14	31,875	(3.52)	33,038
Interest	1,720	(2.16)	1,758	(17.66)	2,135
Other revenues	5,464	(12.78)	6,265	157.61	2,432
Grants & Contributions – Operating	14,385	7.84	13,339	27.58	10,455
Grants & Contributions – Capital	10,535	154.78	4,135	(54.17)	9,023
Net share of interests in Joint Ventures & Associated Entities	0	N/A	0	N/A	104
<b>Total</b>	<b>112,005</b>	<b>8.94</b>	<b>102,815</b>	<b>2.05</b>	<b>103,142</b>

Commentary on the major movements from 2014/15 to 2015/16 follows:

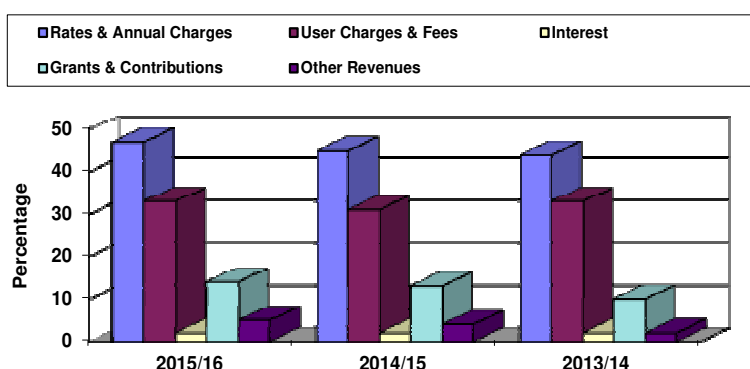
- **Rates & Annual Charges** – Increased by 4.18% or \$1.90 million. Income from rates increased by 2.41% which is in line with rate pegging and anticipated growth. Annual charges increased by 6.52% or \$1.27 million with the major areas being Wastewater \$597,000, Water \$603,000 and Domestic Waste Management \$167,000.
- **User Charges & Fees** – Increased by 2.14% or \$683,000. The major movements are attributable to Roads & Maritime Services (RMS) charges \$855,000, Waste Disposal charges \$431,000, RTRL Contributions from Member Councils \$133,000. This was offset by a decrease in Northern Rivers Quarry & Asphalt fees (\$909,000).
- **Other revenues** – Decrease by 12.79% or (\$801,000). The major movements are an increase in income generated from recycling operations \$587,000 along with income received from class actions recovery of \$1.11 million (net amount \$654,000). This is offset by a \$2.30 million reduction in the provision for waste facility remediation which is

an accounting adjustment to reflect the annual review and recalculation of the provision for changes in interest rate, inflation rate or timing of the remediation works to be carried out.

- **Grants & Contributions – Operating** – Increased by 7.84% or \$1.04 million. The major movements are an increase in the Roads to Recovery Grant \$1.63 million and Natural Disaster Emergency Grant \$569,000. This was offset by a decrease in RMS contributions (\$927,000), Financial Assistance Grants (\$193,000) and Recreation and Culture Grants (\$333,000).
- **Grants & Contributions – Capital** – Increased by 154.78% or \$6.40 million. The grant funding increase was mainly due to additional Roads & Maritime Services (Blackspot, Regional Roads Repair, Wilson Street Bridge) funding of \$3.83 million, Developer Charges \$1.04 million, Dedications \$2.79 million and contributions to the Art Gallery \$524,000 offset by a decrease in funding for Recreation and Culture (\$1.58) million attributable to the Clifford Park Project.

The following graph represents the main types of income from continuing operations expressed as a percentage of total continuing operations for 2015/16, 2014/15 and 2013/14. It clearly shows Council's reliance on Rates & Annual Charges: -

*Major income types as a % of total income from continuing operations*



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

Expenses from continuing operations have decreased by \$3.86 million or 3.79% from 2014/15 to 2015/16.

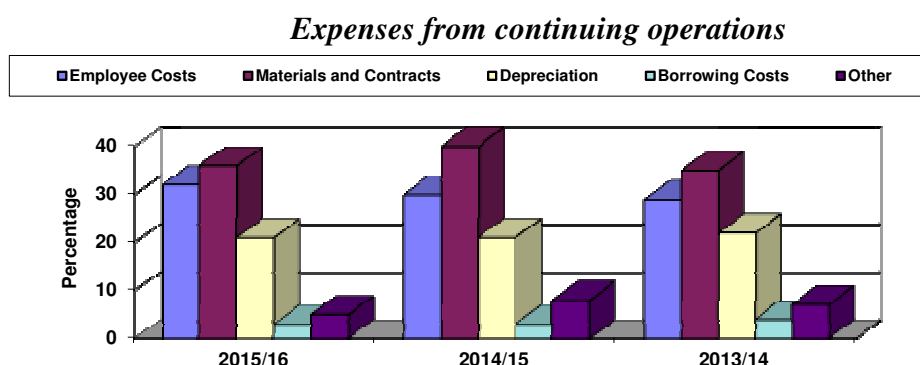
A summary of the individual categories and comparisons for the last three years is provided below:

Type	2015/16 (\$'000)	% Change	2014/15 (\$'000)	% Change	2013/14 (\$'000)
Employee Benefits & On-Costs	32,065	6.86	30,007	4.58	28,693
Borrowing Costs	3,074	(6.22)	3,278	(11.41)	3,700
Materials & Contracts	35,757	(10.30)	39,862	12.87	35,318
Depreciation & Amortisation	20,885	1.38	20,601	2.56	20,087
Other Expenses	5,233	5.00	4,984	2.09	4,882
Loss on Disposal of Assets	1,003	(68.32)	3,166	36.29	2,323
Net share of interests in Joint Ventures & Associated Entities	62	47.62	42	n/a	0
<b>Total</b>	<b>98,079</b>	<b>(3.79)</b>	<b>101,940</b>	<b>7.30</b>	<b>95,003</b>

Commentary on the major movements from 2014/15 to 2015/16 follows:

- **Employee Benefits & On-Costs** – Increased by 6.86% or (\$2.05) million. The majority of this increase relates to works undertaken on roads which are not owned by Council, hence these costs are expensed.
- **Materials & Contracts** – Decrease by 6.22% or \$4.10 million. This is due to significant one off works on RMS owed roads for a) Building Better Regional Cities project and b) RMS projects, during 2014/15 either not repeated or not undertaken to the same extent in 2015/16.
- **Loss on Disposal of Assets** – Decreased by 68.32% or \$2.16 million. This relates to a \$1.35 million reduction in the write off of infrastructure assets on disposal, a profit on sale of real estate \$387,000 and sale of property \$524,000.

The following graph represents the types of expenses from continuing operations expressed as a percentage of total continuing expenses for 2015/16, 2014/15 and 2013/14:



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

Council has total cash, cash equivalents and investments of \$38.25 million as at 30 June 2016. Compared to 2014/15, this is a decrease of (\$333,000). 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.

Council is required to recognise investments held at 30 June each year at their market value.

For 30 June 2016, all cash, cash equivalents and investments are either restricted by external legislation e.g. developer contributions - Section 94 \$4.74 million, Wastewater Services \$19.19 million, Water Supply Services \$2.33 million, Unexpended Grants \$1.54 million, Stormwater Management \$1.12 million, Domestic Waste Management \$908,000, Other Waste Minimisation \$263,000, Art Gallery Gift Account \$679,000 and Trust Fund \$981,000, or internally in accordance with Council's reserves policy \$6.31 million or unexpended loans \$185,000.

### Statement of performance measurements (Note 13)

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

- Operating Performance Ratio – This ratio measures Council's achievement of containing operating expenditure within operating revenue. The benchmark is greater than 0%.
- Own Source Operating Revenue Ratio – This ratio measures fiscal flexibility. It measures Council's reliance on external funding sources such as operating grants and contributions. Council's financial flexibility improves the higher the level of its own source revenue. The benchmark is greater than 60%.
- Unrestricted Current Ratio – This ratio represents Council's ability to meet short term obligations as they fall due. It is 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. The benchmark is greater than 1.5.

- d) Debt Service Cover Ratio – This ratio measures the availability of operating cash to service debt including interest, principal and lease payments. The benchmark is greater than 2.
- e) Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage – This ratio is to assess the impact of uncollected rates and annual charges on liquidity and the adequacy of recovery efforts. 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. The benchmark for this ratio is <10%.
- f) Cash Expenses Cover Ratio – This liquidity ratio indicated the number of months Council can continue paying for its immediate expenses without additional cash inflows. The benchmark is greater than 3 months.

The following table is a summary of the key performance indicators from 2013/14 to 2015/16:

<b>Performance Indicator</b>	<b>2015/16</b>	<b>2014/15</b>	<b>2013/14</b>
Operating Performance Ratio	4.39%	(2.46%)	(1.54%)
Own Source Operating Revenue Ratio	77.75%	82.61%	80.58%
Unrestricted Current Ratio	1.45x	1.51x	1.72x
Debt Service Cover Ratio	4.35x	3.26x	2.34x
Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage	10.71%	11.38%	11.45%
Cash Expense Cover Ratio (months)	5.16	5.25	4.65

Commentary on all performance indicator results is provided below:-

- a) Operating Performance Ratio – Favourable. The result is above the benchmark.
- b) Own Source Operating Revenue – Favourable. The result is above the benchmark.
- c) Unrestricted Current Ratio – Unfavourable. This result is below the benchmark. The unrestricted Current Ratio has fallen slightly below the benchmark. This situation will require monitoring however it is anticipated to improve to be above the benchmark by 30 June 2017.
- d) Debt Service Cover Ratio – Favourable. This result is above the benchmark.
- e) Rates, Annual Charges, Interest and Extra Charges Outstanding Percentage – Unfavourable. This result is above the benchmark, however there continues to be improvement compared to previous years. On a fund by fund basis the percentages are Rates 7.95%, Water 24.49% and Wastewater 12.97%. Part of the reason why Water is high is that the last quarter's water charges were issued on 30 June 2016, hence no payment recognised in this calculation. A comprehensive approach to debt recovery has been implemented and continued improvement is anticipated over time.
- f) Cash Expenses Cover Ratio – Favourable. This result is above the benchmark.

## **Special Purpose Financial Statements**

### **Return on Capital**

Based on National Competition Policy guidelines, the following activities of Council have been nominated as business activities - Water, Wastewater, Quarry (NRQ&A), Waste Disposal, Lismore Crematorium and Goonellabah Sports & Aquatic Centre (Gymnasium and Learn to Swim).

National Competition Policy guidelines stipulate that Council must declare Water and Wastewater as business activities, even though there is some dispute as to whether these funds operate for commercial benefit or to ensure an essential service is provided at a reasonable cost. The other activities have been declared as they meet the criteria established for business activities, primarily because there are competitors in the market place for which Council actively competes for market share.

The following table provides a summary of the return on capital for Council's business activities for 2015/16 and 2014/15;

<b>Business Unit</b>	<b>Return on capital % 2015/16</b>	<b>Return on capital % 2014/15</b>
Water	1.3	0.9
Wastewater	0.8	0.2
NRQ&A	3.8	(5.9)
Waste Disposal	7.3	28.3
Lismore Crematorium	35.3	23.2
GSAC - Gymnasium	N/A	N/A
GSAC – Learn to Swim	N/A	N/A

There is no return on capital assessment applicable to GSAC – Gymnasium and Learn to Swim as these operations effectively 'lease' space and do not own any assets.

### **Subsidy from Council**

Council is deemed to have made a subsidy to a business activity if the capital return is less than the 'risk free rate'. The risk free rate is considered to be equivalent to the 10 Year Government Bond Rate applicable as at 30 June each year. For 30 June 2016, the rate was 1.99%.

Summarised below are the calculated subsidies applicable to these business activities. This is based on competitive neutrality guidelines and reflects the 'true cost' of Council's subsidy. It is important to note that this is not a direct cash contribution from Council.

<b>Business Unit</b>	<b>\$'000</b>	<b>Business Unit</b>	<b>\$'000</b>
Water	531	Waste Disposal	-
Wastewater	2,249	Lismore Crematorium	-
NRQ&A	-	GSAC - Gymnasium	304
GSAC – Learn to Swim	138		

### **Special Schedules**

#### **Infrastructure Asset Performance Indicators**

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

- a) Infrastructure Renewal Ratio – To assess the rate at which these assets are being renewed against the rate at which they are depreciating. The benchmark is 100%.
- b) Infrastructure Backlog Ratio – To show what proportion the backlog is against the total value of infrastructure.



- c) Asset Maintenance Ratio – To compare actual versus required annual asset maintenance. The benchmark is a ratio above 1.0

The following table is a summary of the key performance indicators from 2013/14 to 2015/16:

Performance Indicator	2015/16	2014/15	2013/14
Building, Infrastructure & Other Structures Renewal Ratio	98.21%	94.11%	86.70%
Infrastructure Backlog Ratio	21.55%	23.64%	3.70%
Asset Maintenance Ratio	0.99	0.98	0.75

Commentary on all performance indicator results is provided below:-

- a) Building, Infrastructure & Other Structures Renewal Ratio – Unfavourable. The result is slightly below the benchmark which indicates insufficient funds are being expended in renewing existing assets compared to depreciation. This is being address with the integration of the Asset Management Plans and the Long Term Financial Plan.
- b) Infrastructure Backlog Ratio – Unfavourable. Council has an infrastructure backlog of 21.55% of its total asset value. This has improved from 2014/15. This is being address with the integration of the Asset Management Plans and the Long Term Financial Plan
- c) Asset Maintenance Ratio – Unfavourable. This has improved during 2015/16 which means that Council has invested more funds on maintenance.

## Summary

Council remains in a sound financial position with a) a net operating result before capital grants and contributions profit reported, net equity increasing, and cash, cash equivalents and investments at reasonable levels, liabilities such as loans at a manageable level, and key performance indicators mostly within acceptable ranges.

The net operating result before capital grants and contributions improved due primarily to a) an increase in rates and annual charges, b) increase operating grants and c) a reduction in materials and contracts.

As at 30 June 2016, Council's net assets financial position is \$1.09 billion, including \$857.3 million in infrastructure assets, and this increased during 2015/16 by \$42.54 million.

To be financially sustainable, adequate funding must be provided to replace infrastructure assets as and when required. For 2015/16, this was achieved as the net operating result before capital grants and contributions was a \$3.391 million profit.

Ongoing effort is required to increase funding for infrastructure asset renewal and backlog. Having an agreed position on asset management requirements and integrating these into the long term financial plan to determine the balance between assets, works, services and programs provided by Council is essential to financial sustainability.

Based on the results and indicators included reported in the 2015/16 Financial Reports, Council has taken a step towards achieving financial sustainability.