

Lismore City Council

Financial Reports

for the year ended 30 June 2011

*"To work with the community to maintain Lismore as the
regional centre in a healthy rural setting"*



Lismore City Council

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"To work with the community to maintain Lismore as the regional centre in a healthy rural setting"



Lismore City Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2011

*“To work with the community to maintain Lismore as
the regional centre in a healthy rural setting”*



Lismore City Council

General Purpose Financial Statements for the financial year ended 30 June 2011

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Overview

- (i) These financial statements are General Purpose Financial Statements and cover the consolidated 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 (LGA) 1993 of NSW.
- Council's Statutory Charter is specified in Paragraph 8 of the LGA and includes;
- carrying out activities and providing goods, services & facilities appropriate to the current & future needs of the Local community and of the wider public
 - responsibility for administering regulatory requirements under the LGA and other applicable legislation, &
 - a role in the management, improvement and development of the resources of the local government area.
- A description of the nature of Council's operations and its principal activities are provided in Note 2(b).
- (iii) All figures presented in these financial statements are presented in Australian Currency.
- (iv) These financial statements were authorised for issue by the Council on 27/10/11. Council has the power to amend and reissue the financial statements.
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Thomas Noble & Russell

Accountants | Auditors | Business Advisers

**LISMORE CITY COUNCIL
GENERAL PURPOSE FINANCIAL STATEMENTS
INDEPENDENT AUDIT REPORT**

Report on the Financial Statements

We have audited the accompanying financial statements of Lismore City Council (the Council), which comprises the balance sheet as at 30 June 2011, the income statement, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies, other explanatory notes and the statement by Councillors' and Management.

Council's Responsibility for the Financial Statements

The Council is responsible for the preparation of the financial statements that give a true and fair view in accordance with Australian Accounting Standards and the Local Government Act 1993 and such internal control as the Council determines is necessary to enable the preparation 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 judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Council's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Council, as well as evaluating the overall presentation of the financial statements.

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

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



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 year ended 30 June 2011 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.

Independence


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

Audit Opinion

In our opinion:

- a) the Council's accounting records have been kept in accordance with the requirements of the Local Government Act 1993, Chapter 13 part 3 Division 2; and
- b) the financial statements:
 - i. have been presented in accordance with the requirements of this Division;
 - ii. are consistent with the Council's accounting records;
 - iii. present fairly the Council's financial position as at 30 June 2011, the results of its operations and its cash flows for the year then ended; and
 - iv. are in accordance with applicable Accounting Standards, Interpretations and other mandatory professional reporting requirements in Australia;
- c) all information relevant to the conduct of the audit has been obtained; and
- d) there are no material deficiencies in the accounting records or financial report that have come to light during the course of the audit.

THOMAS NOBLE & RUSSELL CHARTERED ACCOUNTANTS


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

Dated at Lismore this 27th day of October 2011



Lismore, 20 October 2011

Mayor and Councillors
Lismore City Council
Council Chambers
Oliver Avenue
GOONELLABAH NSW 2480

Dear Councillors

We advise that we have completed our audit of the Council's general purpose and special purpose financial statements for the year ended 30th June 2011. In accordance with section 417 of the Local Government Act 1993 we now report on the conduct of the audit.

1. COUNCIL'S FINANCIAL REPORTING REQUIREMENTS

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

General Purpose Financial Statements

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

Special Purpose Financial Statements

These financial statements provide an understanding of the financial position and performance of Council's declared business activities as required under National Competition Policy. Council's declared business activities for the 2011 financial year are:

- Water fund operations
- Waste water fund operations
- Quarry operations
- Waste collection operations
- Waste disposal operations
- Koala Day Care operations
- Crematorium operations
- Commercial property operations
- Industrial land development operations
- Goonellabah Sports & Aquatic Centre

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



2. AUDITOR'S RESPONSIBILITIES

Council's annual financial audit engagement has been conducted in accordance with Australian Auditing Standards.

Our audit involved performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on our professional judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Council's preparation and fair presentation of the financial report 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 organisation's internal control. Our audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Council, as well as evaluating the overall presentation of the financial report.

Forming Our Audit Opinion

Our function as auditors is to examine the general purpose and special purpose financial reports presented to us by the Council to allow us to express an audit opinion. Our audit opinion does not cover:

- i) The original budget information included in:
 - The income statement;
 - The statement of cash flows; and
 - Note 2(a) to the financial statements in the general purpose financial statements;
- ii) Note 16 budget variation explanations in the general purpose financial statements;
- iii) Note 17 forecast information contained in the general purpose financial statements; and
- iv) The best practice disclosures in notes 2 & 3 to the special purpose financial statements.

As auditors of the Council we are not responsible for the preparation of the financial reports, the maintenance of accounting records or the organisation's systems of internal control. These responsibilities, together with the requirement to present financial reports, which give a true and fair view of the state of the Council's affairs and of its results are imposed on the Council and Management by the Local Government Act and Regulations 1993.



3. CONSOLIDATED OPERATING RESULT

Council's operating result from continuing operations for the year ended 30 June 2011 was a loss of \$6,881,000. This compares to a surplus in 2010 of \$12,707,000. This result can be summarised as follows:

	2009	2010	2011
	\$'000	\$'000	\$'000
Revenues from continuing operations	73,478	82,018	87,214
Expenses from continuing operations	(60,978)	(68,053)	(72,916)
Result from continuing operations before depreciation	12,500	13,965	14,298
Less: depreciation expense	(19,390)	(20,368)	(23,209)
Result from continuing operations before capital amounts	(6,890)	(6,403)	(8,911)
Capital grants and contributions	10,815	9,747	7,620
Fair value gains / (losses) on investments	(2,359)	633	933
Consolidation of Richmond Tweed Regional Library into Lismore City Council	-	5,196	-
Gain on recognition of interest-free loans	-	2,510	-
Gain / (loss) on disposal of assets	(14)	1,024	(6,523)
Surplus / (Deficit) from all activities	1,552	12,707	(6,881)

3.1 ANALYSIS OF RESULT FROM CONTINUING OPERATIONS BEFORE CAPITAL AMOUNTS

The deficit from continuing operations before capital amounts has increased from \$6,403,000 in 2010 to \$8,911,000 in 2011. Some of the material components contributing to the increased deficit include:

Account	Increase / (Decrease) \$'000	Reason for Increase / Decrease
Revenue		
General Rates	847	General rates revenue has increased in accordance with the rate-pegged increment of 2.6% plus growth in the number of assessments.
Annual Charges	1,625	Annual charges revenue has increased in accordance with movements in Council's fees and charges schedule as well as population growth.
Quarry Revenue	2,264	Quarry revenues have improved as a result of sales relating to the construction of the Ballina bypass.
RTA Charges	(1,898)	The revenue generated from the provision of maintenance services to the RTA roads network is governed by the amount and nature of service requests from the RTA.

Account	Increase / (Decrease) \$'000	Reason for Increase / Decrease
Interest & Investment Revenue	816	Council's interest and investment revenue has improved as interest rates increased early in the 2011 financial year.
Operating Grants & Contributions	925	Financial Assistance grants have increased by \$379,000 on 2010. Specific purpose grants and contributions increased by \$490,000, chiefly as a result of receiving an additional \$512,000 in Natural Disaster Emergency funding relating to the May 2009 and December 2010 storm and local flooding events.
Expenses		
Borrowing Costs	776	Borrowing costs have increased as a result of Council borrowing \$10million in 2010 largely to fund waste water infrastructure construction.
Materials and Contracts	3,387	The following factors have influenced the increase in materials and contracts expenses: <ul style="list-style-type: none"> ▪ Increased quarry production associated with sales relating to the construction of the Ballina bypass. ▪ An increase in the cost of water purchased from Rous Water. ▪ Increased legal expenses relating to various cases during the 2011 year.
Depreciation Expense	2,841	Depreciation expense has increased in conjunction with the revaluation of roads and drainage assets in 2010.

3.2 OTHER MATERIAL ITEMS IMPACTING THE CONSOLIDATED OPERATING RESULT

Council's consolidated operating result can be influenced by transactions that may be unique or unrelated to core service delivery. The 2011 consolidated operating deficit of \$6,881,000 has been impacted by the following significant items.

Fair Value Movement of Investments

All of Council's investments are recognised in the financial statements at their fair value. Any movements in the fair value of Council's investments are recognised as a revenue or expense in the income statement. Council receives independent valuations for each of its investments so that it may accurately report their fair value in the financial statements. The fair value of Council's investment portfolio has increased by \$933,000 during the 2011 financial year and this has been recognised as revenue in the income statement.

Net Losses from the Disposal of Infrastructure, Property, Plant & Equipment

Each year Council disposes of various assets. These include the disposal of infrastructure assets in the normal course of Council's budgeted asset replacement program as well as the sale of plant and equipment and real estate. Council has realised a net loss on the disposal of infrastructure, property, plant & equipment of \$6,523,000 which is largely attributable the replacement of roads and wastewater infrastructure. The table below provides an understanding of the net loss recognised relating to the disposal of infrastructure, property, plant & equipment.

	2009	2010	2011
	\$'000	\$'000	\$'000
Infrastructure assets replaced/scrapped			
- Transport & Drainage	(132)	-	(3,422)
- Water	(112)	(303)	(298)
- Water Waste	(284)	(144)	(3,463)
Profit on sale of plant and equipment	179	120	491
Profit on sale of real estate assets	344	1,351	130
Profit/(Loss) on sale of other property	(9)	-	39
	<u>(14)</u>	<u>1,024</u>	<u>(6,523)</u>

Capital Grants & Contributions

Capital grants received during the year amounted to \$2,887,000 and largely consisted of grants:

- received under the Roads to Recovery scheme \$913,000; and
- for the construction of other roads and bridges \$1,470,000.

Capital contributions received during the year totalled \$4,604,000. This can be broken down as follows:

	2009	2010	2011
	\$'000	\$'000	\$'000
Non cash developer contributions	3,293	1,420	2,002
Section 94 Contributions - cash	1,065	579	962
Section 64 Contributions - cash	686	718	697
RTA Contributions	1,061	2,457	823
Other contributions	95	18	120
TOTAL	<u>6,200</u>	<u>5,192</u>	<u>4,604</u>

4. DECLARED BUSINESS ACTIVITIES UNDER THE NATIONAL COMPETITION GUIDELINES

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



Council has nominated a required rate of return for each declared business activity which is calculated as the operating result plus interest expense divided by the written down value of infrastructure, property, plant & equipment. Where the return on investment is below the required rate of return, the difference is disclosed as a subsidy. Dividends represent funds used from the relevant business activity for other functions of Council. A summary of the financial performance of Council's declared business activities is detailed below:

Activity	Revenue from Continuing Operations \$'000	Expenses from Continuing Operations \$'000	Result prior to capital amounts \$'000	Return on Capital %	Subsidy \$'000	Dividends Paid \$'000
2010/11						
Water	8,508	10,435	(1,927)	(2.2)	-	10
Wastewater	10,294	15,825	(5,531)	(2.7)	-	32
Quarry	13,157	12,924	233	26.3	-	487
Waste Collection	3,772	3,992	(220)	*	179	-
Waste Disposal	5,410	4,936	474	15.3	-	215
Koala Day Care	332	499	(167)	**	167	-
Lismore Memorial Gardens	494	479	15	2.6	53	-
Commercial Properties	204	297	(93)	(3.5)	231	-
Goonellabah Sports and Aquatic Centre	1,207	3,565	(2,358)	(10.4)	1,670	-
Industrial Land Development	57	527	(470)	***	470	-
2009/10						
Water	8,148	9,451	(1,304)	(1.6)	-	8
Wastewater	10,961	11,300	(339)	(0.1)	-	26
Quarry	11,375	11,288	87	8.3	-	478
Waste Collection	3,401	3,401	-	*	-	-
Waste Disposal	4,836	4,351	485	12.9	-	154
Koala Day Care	444	497	(53)	(12.5)	75	-
Lismore Memorial Gardens	541	495	46	4.0	22	-
Commercial Properties	217	300	(83)	(3.0)	224	-
Goonellabah Sports and Aquatic Centre	8,881	2,788	6,093	40.8	-	-
Industrial Land Development	804	524	280	**	-	-

* The activity does not have a return on capital as all assets are held in Councils plant fleet operations and are hired at commercial rates to this operation.

** The activity does not have a return on capital as this activity is a discontinued operation and all assets have been disposed.

*** The activity does not have a return on capital as all assets are held as inventory items.



Unqualified Audit Opinion on the Special Purpose Financial Statements

The special purpose financial statements were issued with an unqualified audit report indicating that the financial statements as presented by Council provided a true and fair view of the results and financial position of the declared business activities under the National Competition reporting requirements. We provide a brief understanding of the material declared business activity operations for the 2011 financial year.

Water and Waste Water Services

Council's water operations returned a deficit before capital grants and contributions of \$1,927,000. Increases to the cost of water purchases as well as higher borrowing costs attributed to the movement in the deficit from 2010.

The operating deficit before capital grants and contributions for waste water fund has increased by \$5,192,000 on 2010. The deterioration in the operating result before capital grants and contributions is largely attributable to the loss relating to the disposal of infrastructure assets associated with the upgrade of sewer trunk main number 3. Interest expense has increased in conjunction with a higher level of borrowings used for infrastructure construction.

Council's water and waste water activities have returned deficits before capital grants and contributions for the last three years. It is important that these operations return surpluses so that they can continue to provide services, replace assets and provide new infrastructure to satisfy population growth. We are aware that Council has developed a 30 year infrastructure plan and an accompanying business plan that will allow water and waste water operations to achieve a break-even operating result in the near future.

Quarry Operations

Council's quarry operations returned a surplus of \$233,000 for the 2011 financial year. This compares to a surplus of \$87,000 in the 2010 financial year. As discussed previously, this result is attributable to sales of product toward construction of the Ballina bypass. During the year the quarry operations paid a \$487,000 dividend (2010: \$478,000) to general fund in accordance with Council resolutions.

Waste Collection

Waste collection recorded a deficit of \$220,000 in 2011 compared to a break-even result in 2010. User charges revenue increased by \$289,000 due to an increase in tonnage for all waste streams.

Materials and contracts expense has increased by \$482,000. This expense was impacted by an increase in plant hire rates of \$15 per hour following a review of hire rates versus operating costs. This plant hire rate increase together with additional plant hours required to collect the increased tonnage contributed to the movement in materials and contracts expense.

Employee benefits and on-costs increased by \$111,000 as a result of the additional time required to collect the additional waste tonnage.



Koala Day Care Centre

The Koala Child Care Centre recorded a deficit of \$167,000 in the 2011 year compared to a deficit of \$53,000 in 2010. During the year Council sold the Koala Day Care business and related assets.

Goonellabah Sports & Aquatic Centre

The Goonellabah Sports & Aquatic Centre (GSAC) recorded a deficit of \$2,358,000 in the 2011 year compared to an operating surplus before capital of \$6,093,000 in 2010. The 2010 result is inflated by the initial recognition of the activity's assets and liabilities on commencement of operations. Whilst the GSAC has recorded a significant deficit for the 2011 financial year, the result is in accordance with Council's budget.

5. BALANCE SHEET

We provide commentary on some of the material assets and liabilities appearing on Council's balance sheet as at 30 June 2011.

5.1 CASH AND INVESTMENTS

Council's cash and investments are carried in the balance sheet at their fair value. A summary of the movement of Council's cash and investments is as follows:

	2010	2011
	\$'000	\$'000
Fair value of investments at beginning of the year	9,593	6,757
Cash and cash equivalents at beginning of the year	19,300	44,745
Investments purchased	-	4,400
Increase / (Decrease) in cash and cash equivalents	18,688	(6,553)
Investments sold or redeemed	(3,469)	(3,650)
Movement in fair value	633	933
Fair value of cash, cash equivalents and investments as at balance date	<u>44,745</u>	<u>39,875</u>

The table below illustrates that cash and investments have been set aside in externally and internally restricted reserves. Council's total cash and investments have decreased by \$4.87million during the 2011 financial year. Externally restricted cash and investments have reduced as Council utilised unspent grants held at 30 June 2010. Internally restricted reserves have reduced as they have been utilised for special purposes.

	2010	2011
	\$'000	\$'000
Externally Restricted Cash and Investments	34,242	32,057
Internally Restricted Cash and Investments	10,503	7,819
Unrestricted Cash and Investments	-	-
	<u>44,745</u>	<u>39,875</u>



At balance date Council's cash and investment portfolio consisted of the following cash assets and investment products:

	2010	2011
	\$'000	\$'000
Cash and Cash Equivalents		
Cash on Hand and at Bank	189	566
Deposits at Call	11,059	4,869
Short Term Deposits	26,740	26,000
	<u>37,988</u>	<u>31,435</u>
Investments		
Managed Funds	1,988	2,078
Collateralised Debt Obligations	3,237	1,116
Equity Linked Notes	759	846
Long Term Deposits	-	4,400
Other Long Term Maturity Financial Instruments	773	-
	<u>6,757</u>	<u>8,440</u>
	<u>44,745</u>	<u>39,875</u>
Total Cash and Investments at 30 June 2011		

5.2 INFRASTRUCTURE, PROPERTY, PLANT & EQUIPMENT (I,P,P&E)

The largest asset or liability appearing on Council's balance sheet is I,P,P&E. Note 9 to the general purpose financial statements provides an understanding of Council's I,P,P&E and illustrates that Council is responsible for maintaining and improving assets with a written down value in excess of \$1billion.

Each year Council budgets to replace, renew or capitalise additional assets. An illustration of I,P,P&E capitalised over the past three years is provided below:

	2009	2010	2011
	\$'000	\$'000	\$'000
Non-cash Developer Dedications			
Roads and Drainage Network	2,376	888	1,348
Water Supply Network	290	380	210
Waste Water Network	627	152	444
Council Constructed / Purchased Assets			
Assets Under Construction	6,640	11,228	6,065
Land and Buildings	10,024	1,620	872
Plant and Equipment	2,833	3,944	2,412
Roads and Drainage Network	3,038	5,971	7,050
Other Infrastructure	1,269	1,311	916
Library Books	-	3,985	765
Water Supply Network	737	1,185	1,613
Waste Water Network	563	797	2,700
	<u>28,397</u>	<u>31,461</u>	<u>24,395</u>



* Assets under construction comprises:	2009	2010	2011
	\$'000	\$'000	\$'000
Bridges	3,530	968	2,533
Transport & Drainage infrastructure	1,644	5,256	1,385
Water infrastructure	18	97	53
Waste water infrastructure	1,273	4,531	1,562
Other assets	175	376	532
	<u>6,640</u>	<u>11,228</u>	<u>6,065</u>

Asset Revaluations 2011

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

During the year Council revalued Community Land, Land Improvements & Other Structures. Land under roads was also brought to account in accordance with Australian Accounting Standard AASB 1051 "Land Under Roads". This revaluation process, together with fair value indexing to other infrastructure assets has resulted in the asset revaluation reserve increasing by \$62.5 million.

Asset Management

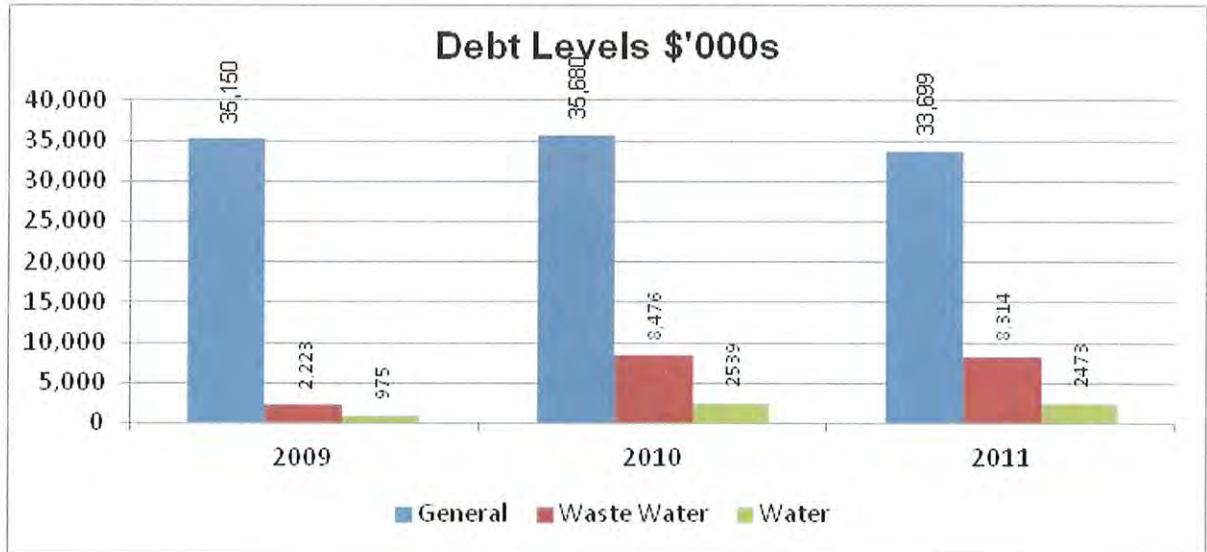
Infrastructure, property, plant and equipment represent the largest asset group on the organisation's balance sheet. The management of infrastructure, property, plant and equipment is an important part of Council's objectives. To ensure Council is able to manage its large infrastructure portfolio it is important that it continues to develop asset management systems and associated resources so that revenue and borrowings are utilised effectively and efficiently so that integrated strategic planning goals are achieved. We provide further observations and recommendations in relation to asset management at Section 7 of this report.

5.3 LOANS LIABILITY

Council has total borrowings at balance date of \$44,486,000 decreasing from \$46,695,000 in 2010. The total loan liability at balance date is attributable to the Council's operating funds as follows:

	2009	2010	2011
	\$'000	\$'000	\$'000
General	35,150	35,680	33,699
Waste Water	2,223	8,476	8,314
Water	975	2,539	2,473
Total	<u>38,348</u>	<u>46,695</u>	<u>44,486</u>

During the 2011 financial year Council did not execute any new borrowings however repaid principal totalling \$2,209,000. Council has budgeted to repay loans of \$2,390,000 during the 2012 year.



6. PERFORMANCE INDICATORS

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

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

Unrestricted Current Ratio

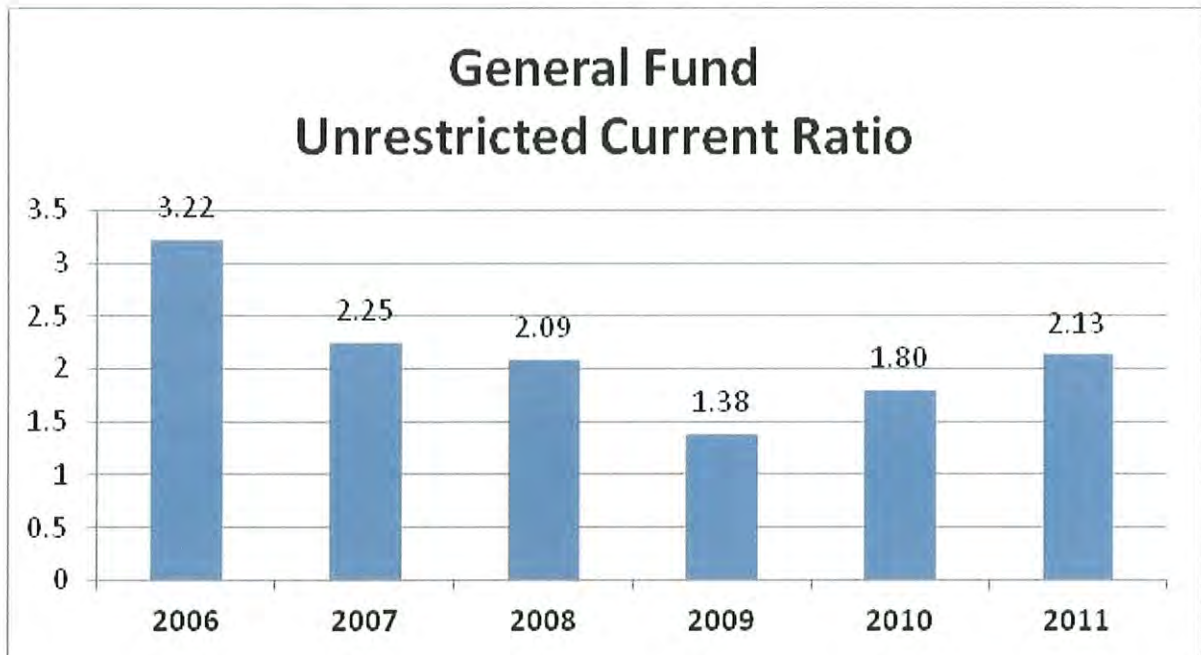
The unrestricted current ratio represents Council's capacity to meet its commitments from current assets net of externally restricted cash, investments and receivables.

Factors influencing Council's unrestricted current assets ratio include:

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



General Fund Unrestricted Current Ratio



Council's general fund unrestricted current ratio has increased from 1.80 in 2010 to 2.13 as at 30 June 2011. An unrestricted current ratio of 2.13 means that Council's general fund has \$2.13 in cash and other liquid assets to satisfy every \$1 in short-term liabilities.

An unrestricted current ratio of at least 1.5 is considered to be an appropriate level to allow Council to satisfy its day-to-day commitments and absorb any unforeseen expenses or reductions in revenue. We commend Council on the continued improvement to its short-term financial position.

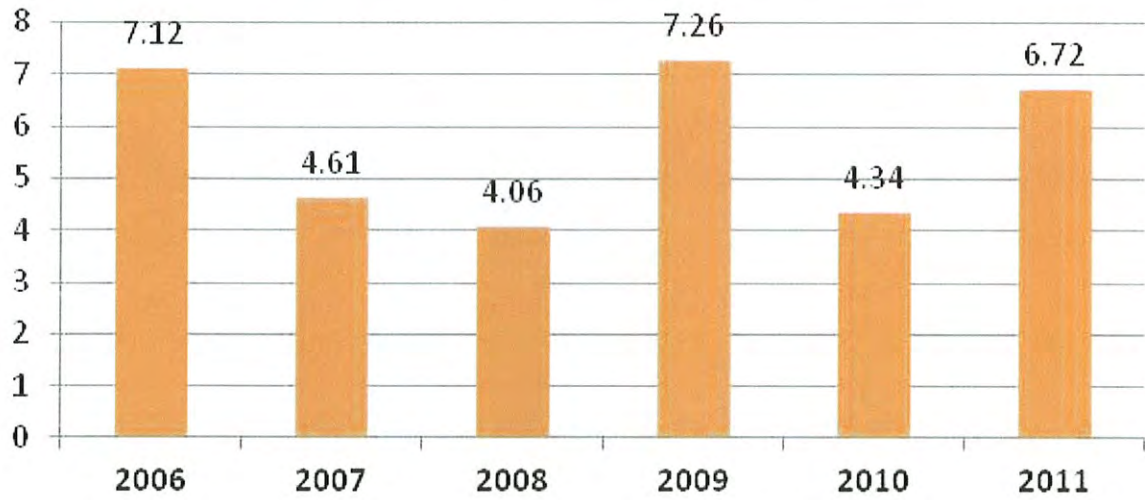
General Fund Long-Term Objectives

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

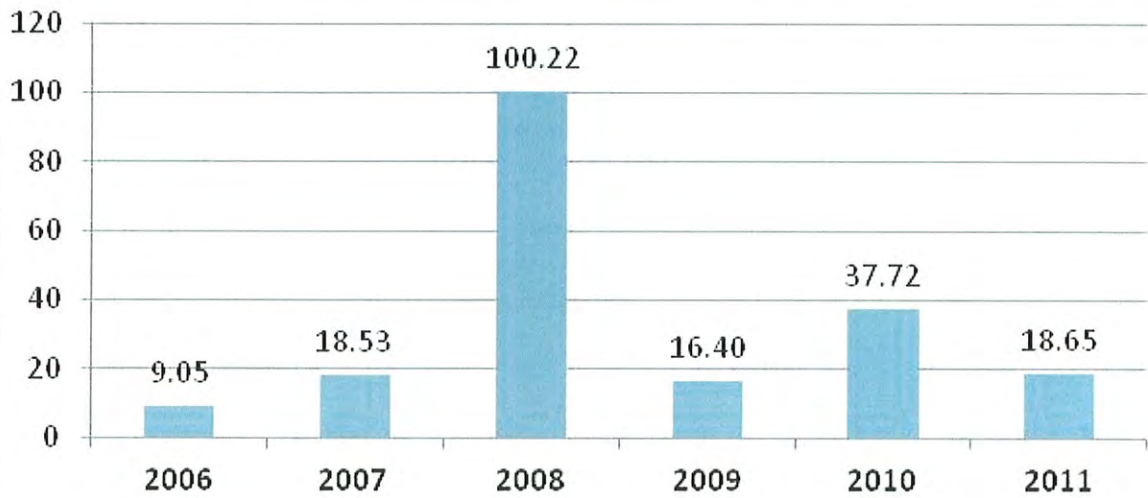
Waste Water and Water Fund Unrestricted Current Ratio

The unrestricted current ratio for water and waste water activities may fluctuate significantly. Yearly movements in this ratio may result from the build up of internal reserves and the impact of lower debt levels and will continue to fluctuate in the future as further funds are collected and expended on infrastructure improvements.

Water Fund Unrestricted Current Ratio



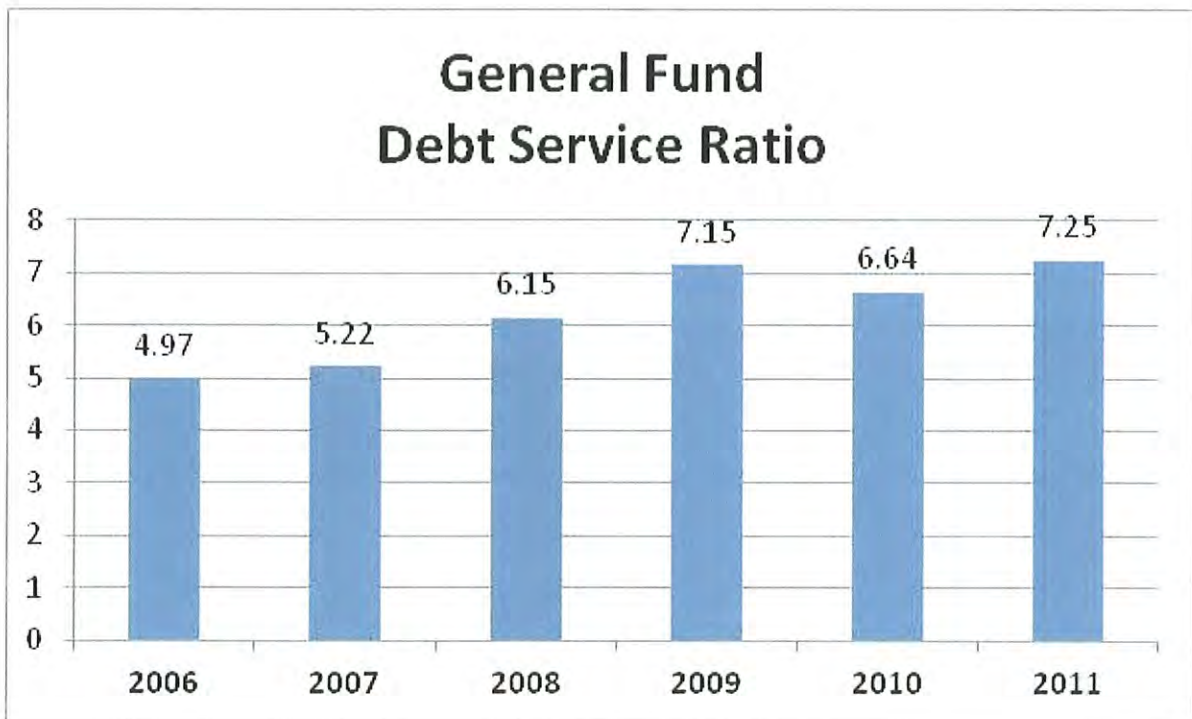
Waste Water Fund Unrestricted Current Ratio



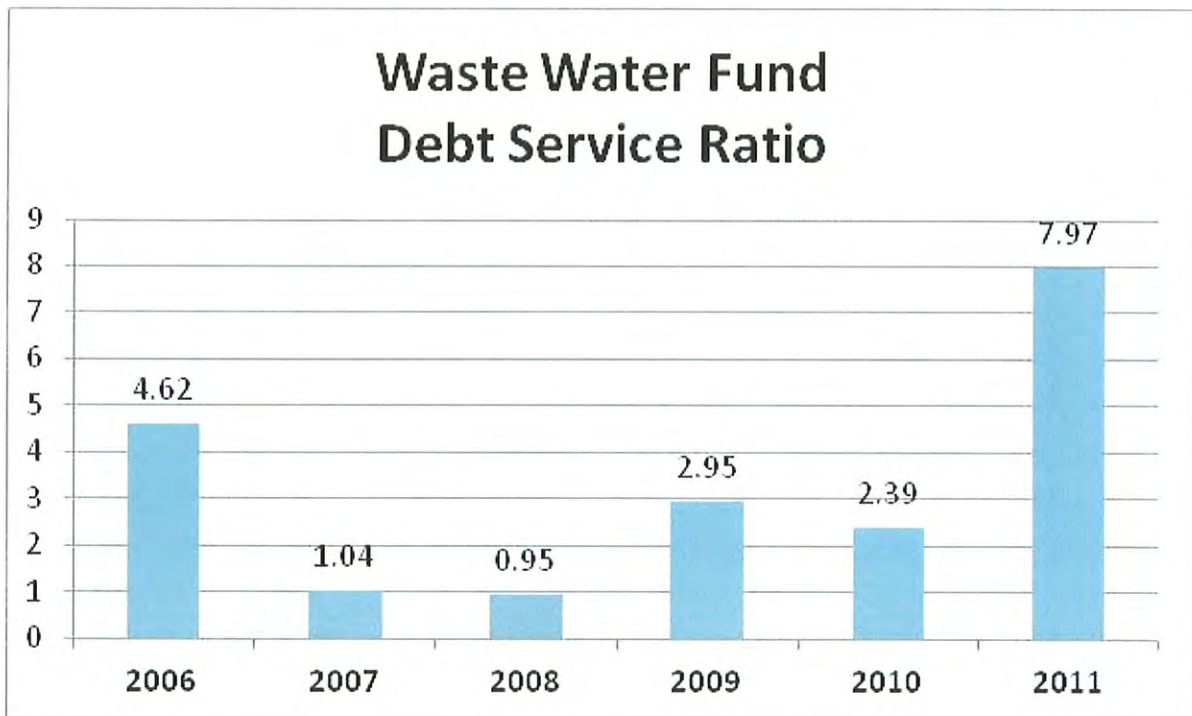
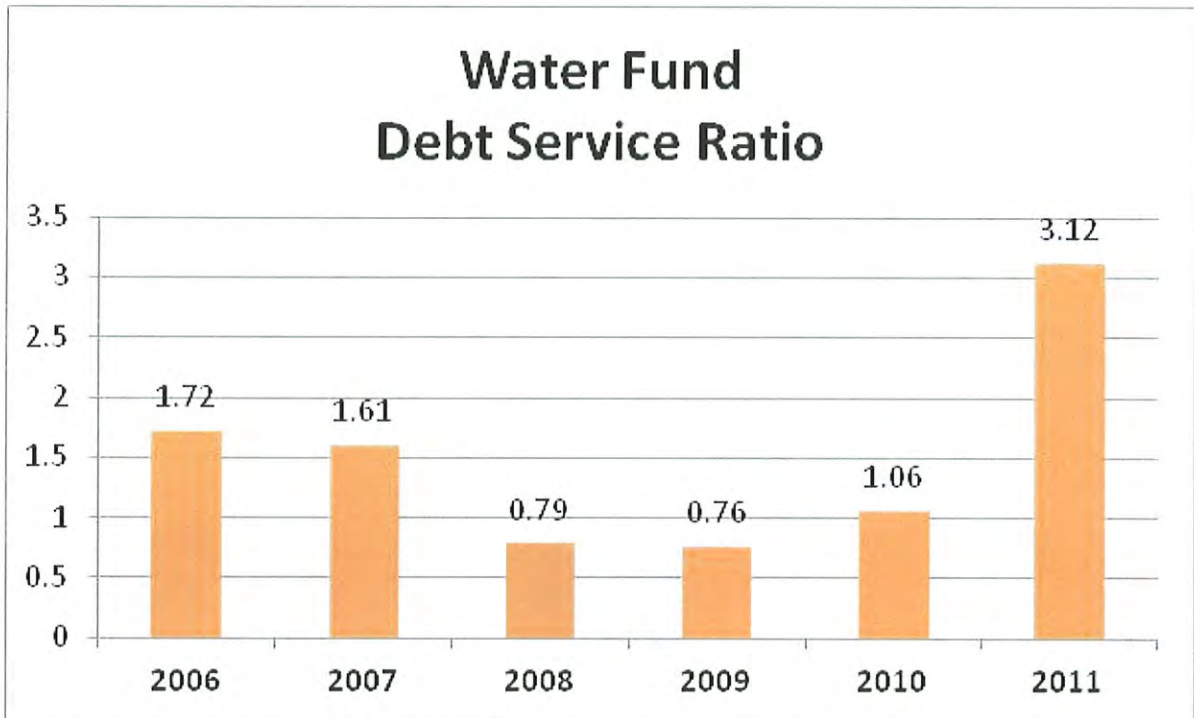
Debt Service Ratio

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

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



The above graph illustrates Council's management of general fund debt service levels over the past six years. Council's general fund debt service ratio has remained relatively static over this period of time and indicates that the amount of revenue being used to service debt is not excessive.

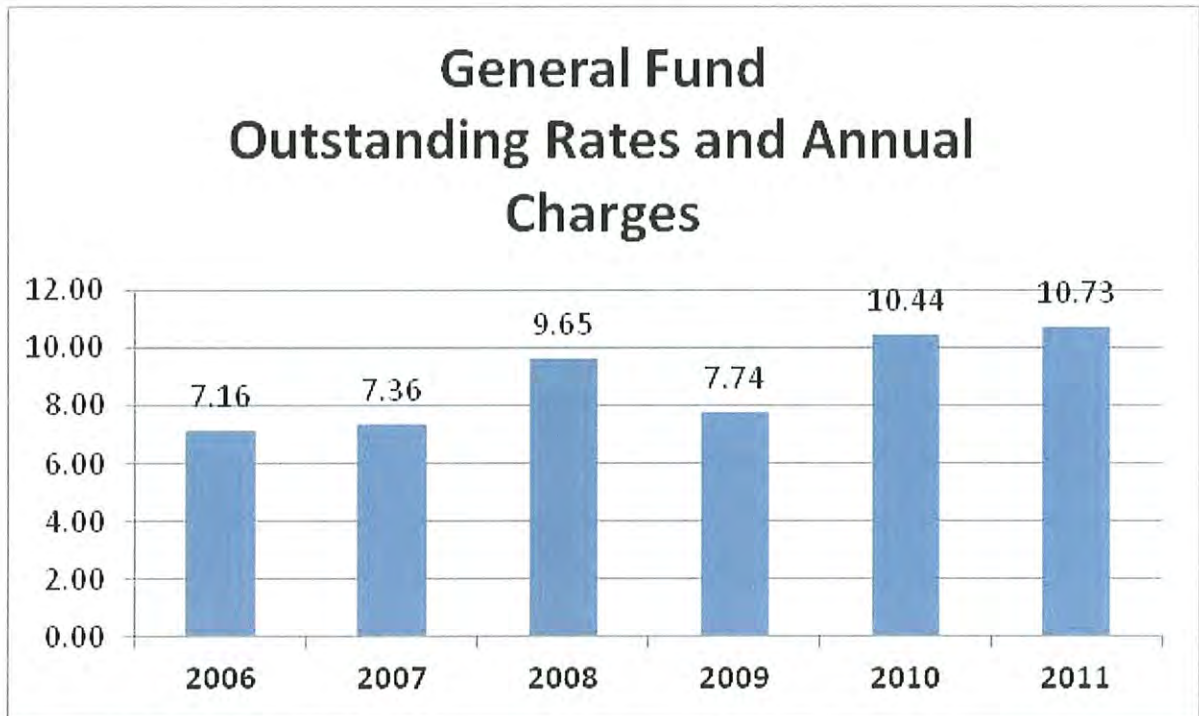


The above graphs illustrate the periodic borrowings to fund Council's capital works programmes for water and waste water funds. The debt service ratio for both Funds has increased as a result of borrowings at the end of the 2010 financial year used to construct infrastructure.

Rates and Annual Charges Outstanding

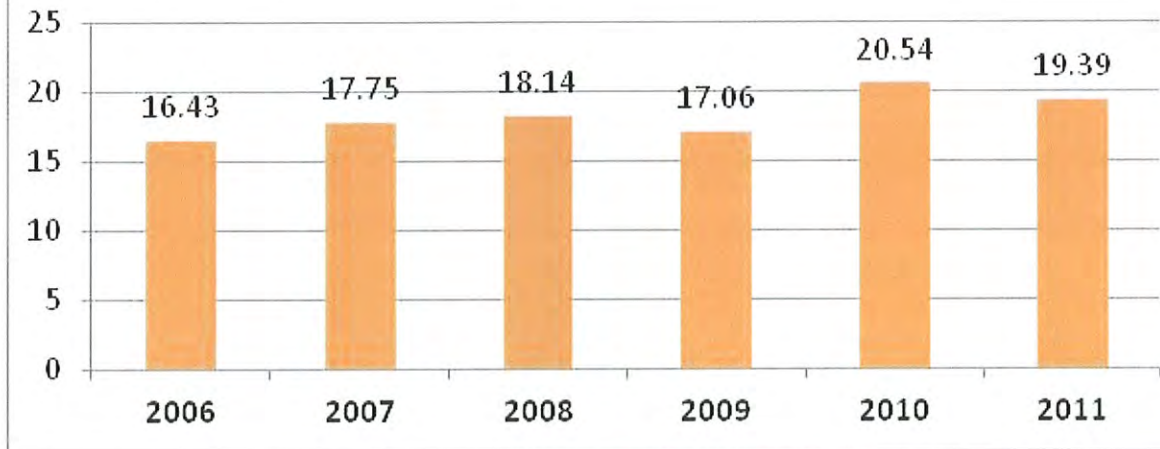
This indicator assesses the effectiveness of Council's revenue collection. Factors influencing Council's rates and annual charges outstanding ratio include:

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

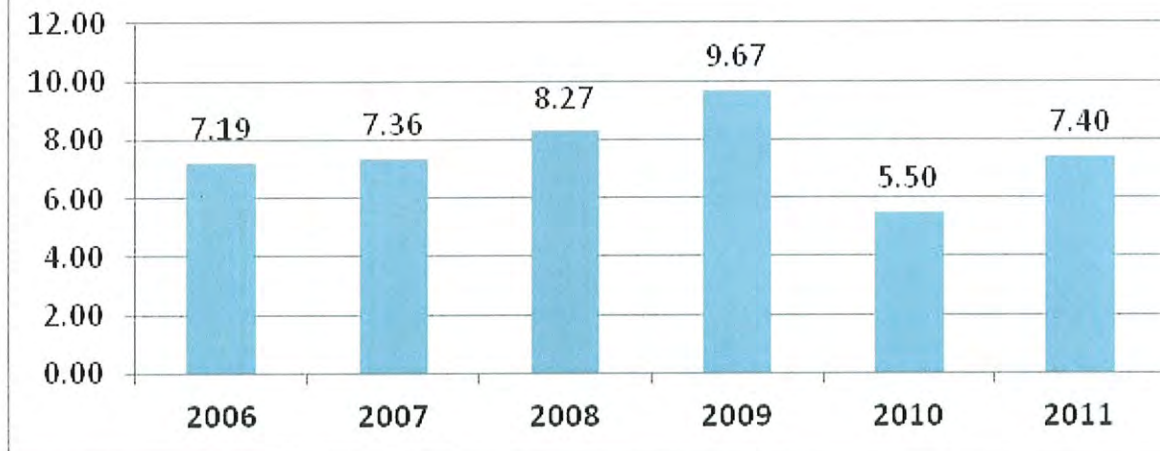


Council's General Fund rates and annual charges outstanding percentage is gradually trending upwards and is 10.73% as at 30 June 2011. When compared to the Local Government Managers Association benchmarks we note that this ratio exceeds acceptable parameters. We recommend that Council review its collection procedures to determine whether this ratio can be reduced so that cash flow can be improved.

Water Fund Outstanding Rates and Annual Charges



Waste Water Fund Outstanding Rates and Annual Charges



Council's rates and annual charges outstanding ratio for water and waste water funds are also high. We recommend that Council review its position relating to this ratio and consider whether the appropriate amount of resources are being allocated to debt collection activities.



Building and Infrastructure Renewals Ratio

The purpose of this ratio is to assess the rate at which assets are being renewed against the rate at which they are depreciating.

Renewals are defined as the replacement of existing assets with equivalent capacity or performance as opposed to the acquisition of new assets.

The building and infrastructure renewals ratio has remained consistent between the 2009, 2010 and 2011 periods at approximately 65%. This ratio is calculated based on replacement of existing assets with assets of equivalent capacity or performance. It should be noted that Council has incurred expenditure during the year to increase the capacity of existing assets. By definition, this type of expenditure is not included in the asset renewal ratio even though an existing asset has been replaced (or renewed).

A buildings and infrastructure renewals ratio of less than 100% is below industry benchmarks. Whilst we recognise that Council's total expenditure on the renewal of assets is greater than that included in the asset renewals ratio, we recommend that Council review its capacity to achieve a higher asset renewal ratio as part of its asset management planning.

This ratio should also be considered in conjunction with the level of new asset additions.

7. OTHER MATTERS FOR CONSIDERATION

7.1 ASSET MANAGEMENT

All local government authorities in New South Wales are in the process of implementing or improving asset management systems, policies, processes and implementation strategies that align with their strategic plan. We note that Council is yet to develop an asset management strategy that is linked to its strategic plan.

An asset management strategy documents a council's approach to fulfilling its infrastructure objectives identified in the strategic plan. To ensure Council's large asset portfolio is effectively managed and strategic service levels are delivered, we recommend that the Management Team develop an asset management strategy which should identify the organisation's information technology and human resources required to effectively and efficiently deliver the asset management strategy.

7.2 GOVERNANCE

Our audit processes have regard to the strength of Council's control environment. The control environment incorporates the way in which an organisation is governed, its ethical culture, management of human resources and the way in which business risks are identified and managed. Lismore City Council has a sound control environment. We note however that there are several areas where Council should consider strengthening its control environment and improve its governance processes.

Risk Management

An enterprise-wide risk management system will allow Council to identify, document and manage strategic and operational risks. An effective risk management process provides assurance to Management and Council that high risks are being monitored and managed.



Audit & Risk Management Committee and Internal Audit

An audit and risk management committee and internal audit process will provide Council with assurance over high risk areas of Council operations.

An effective internal audit function will focus its resources on reviewing and testing the high risk areas identified in the organisation's risk registers which are developed and maintained as a part of the enterprise-wide risk management systems. An internal audit process will also deliver value to Council by improving operational efficiency, providing assurance on areas such as information technology and compliance with contracts and legislation.

An effective Audit Committee will provide Council with confidence that risks are being managed effectively and efficiently and will ensure that the internal and external audit functions are being managed and monitored.

We recommend that Management and Council consider enhancing the organisation's governance processes and control environment through the use of risk management together with the establishment of an audit & risk management committee and internal audit function.


7.3 INTERNAL CONTROL ENVIRONMENT

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

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

Yours faithfully

**THOMAS NOBLE & RUSSELL
CHARTERED ACCOUNTANTS**


.....
K R FRANEY (Partner)

Lismore City Council

General Purpose Financial Statements
for the financial year ended 30 June 2011

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

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


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

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

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

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

Signed in accordance with a resolution of Council made on 27 October 2011.




Jenny Dowell
MAYOR



COUNCILLOR



Gary Murphy
GENERAL MANAGER



Rino Santin
RESPONSIBLE ACCOUNTING OFFICER

Lismore City Council

Income Statement

for the financial year ended 30 June 2011

Budget ⁽¹⁾			Actual	Actual
2011	\$ '000	Notes	2011	2010
Income from Continuing Operations				
<i>Revenue:</i>				
36,888	Rates & Annual Charges	3a	37,370	34,898
23,100	User Charges & Fees	3b	24,262	23,964
1,285	Interest & Investment Revenue	3c	3,696	5,090
5,836	Other Revenues	3d	6,534	11,272
7,875	Grants & Contributions provided for Operating Purposes	3e,f	16,033	15,113
10,676	Grants & Contributions provided for Capital Purposes	3e,f	7,491	9,747
<i>Other Income:</i>				
398	Net gains from the disposal of assets	5	-	1,024
	Net Share of interests in Joint Ventures & Associated			
-	Entities using the equity method	19	-	-
86,058	Total Income from Continuing Operations		95,386	101,108
Expenses from Continuing Operations				
26,277	Employee Benefits & On-Costs	4a	25,159	24,940
3,109	Borrowing Costs	4b	3,662	2,886
29,215	Materials & Contracts	4c	39,268	35,881
24,981	Depreciation & Amortisation	4d	23,209	20,368
-	Impairment	4d	-	-
3,943	Other Expenses	4e	4,446	4,326
-	Interest & Investment Losses	3c	-	-
-	Net Losses from the Disposal of Assets	5	6,523	-
	Net Share of interests in Joint Ventures & Associated			
-	Entities using the equity method	19	-	-
87,525	Total Expenses from Continuing Operations		102,267	88,401
(1,467)	Operating Result from Continuing Operations		(6,881)	12,707
Discontinued Operations				
-	Net Profit/(Loss) from Discontinued Operations	24	-	-
(1,467)	Net Operating Result for the Year		(6,881)	12,707
(1,467)	Net Operating Result attributable to Council		(6,881)	12,707
-	Net Operating Result attributable to Minority Interests		-	-
(12,143)	Net Operating Result for the year before Grants and Contributions provided for Capital Purposes		(14,372)	2,960

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

Lismore City Council

Statement of Comprehensive Income

for the financial year ended 30 June 2011

\$ '000	Notes	Actual 2011	Actual 2010
Net Operating Result for the year (as per Income statement)		(6,881)	12,707
Other Comprehensive Income			
Gain (loss) on revaluation of I,PP&E	20b (ii)	62,464	174,205
Gain (loss) on revaluation of available-for-sale investments	20b (ii)	-	-
Gain (loss) on revaluation of other reserves	20b (ii)	-	-
Realised (gain) loss on available-for-sale investments recognised in P&L	20b (ii)	-	-
Realised (gain) loss from other reserves recognised in P&L	20b (ii)	-	-
Impairment (loss) reversal relating to I,PP&E	20b (ii)	-	-
Other Movements in Reserves (enter details here)	20b (ii)	-	-
De-recognition of land under roads		-	-
Adjustment to correct prior period depreciation errors		-	-
Total Other Comprehensive Income for the year		62,464	174,205
Total Comprehensive Income for the Year		55,583	186,912
Total Comprehensive Income attributable to Council		55,583	186,912
Total Comprehensive Income attributable to Minority Interests		-	-

Lismore City Council

Balance Sheet

as at 30 June 2011

\$ '000	Notes	Actual 2011	Actual 2010
ASSETS			
Current Assets			
Cash & Cash Equivalents	6a	31,435	37,988
Investments	6b	614	961
Receivables	7	14,180	13,957
Inventories	8	6,940	6,690
Other	8	7	44
Non-current assets classified as "held for sale"	22	-	-
Total Current Assets		<u>53,176</u>	<u>59,640</u>
Non-Current Assets			
Investments	6b	7,826	5,796
Receivables	7	1,877	2,131
Inventories	8	-	-
Infrastructure, Property, Plant & Equipment	9	1,048,701	992,620
Investments accounted for using the equity method	19	-	-
Investment Property	14	-	-
Intangible Assets	25	925	892
Non-current assets classified as "held for sale"	22	-	-
Other	8	-	-
Total Non-Current Assets		<u>1,059,329</u>	<u>1,001,439</u>
TOTAL ASSETS		<u>1,112,505</u>	<u>1,061,079</u>
LIABILITIES			
Current Liabilities			
Payables	10	9,622	12,798
Borrowings	10	2,259	2,209
Provisions	10	6,369	6,401
Liabilities associated with assets classified as "held for sale"	22	-	-
Total Current Liabilities		<u>18,250</u>	<u>21,408</u>
Non-Current Liabilities			
Payables	10	1,809	1,054
Borrowings	10	42,227	44,486
Provisions	10	3,538	3,033
Investments accounted for using the equity method	19	-	-
Liabilities associated with assets classified as "held for sale"	22	-	-
Total Non-Current Liabilities		<u>47,574</u>	<u>48,573</u>
TOTAL LIABILITIES		<u>65,824</u>	<u>69,981</u>
Net Assets		<u>1,046,681</u>	<u>991,098</u>
EQUITY			
Retained Earnings	20	616,731	621,008
Revaluation Reserves	20	429,950	370,090
Council Equity Interest		1,046,681	991,098
Minority Equity Interest		-	-
Total Equity		<u>1,046,681</u>	<u>991,098</u>

This Statement should be read in conjunction with the accompanying Notes.

Lismore City Council

Statement of Changes in Equity
for the financial year ended 30 June 2011

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council Equity Interest	Minority Interest	Total Equity
2011						
Opening Balance (as per Last Year's Audited Accounts)		621,008	370,090	991,098	-	991,098
a. Correction of Prior Period Errors	20 (c)	-	-	-	-	-
b. Changes in Accounting Policies (prior year effects)	20 (d)	-	-	-	-	-
Revised Opening Balance (as at 1/7/10)		621,008	370,090	991,098	-	991,098
c. Net Operating Result for the Year		(6,881)		(6,881)	-	(6,881)
d. Other Comprehensive Income						
- Revaluations : IPP&E Asset Revaluation Rsv	20b (ii)		62,464	62,464	-	62,464
- Revaluations: Other Reserves	20b (ii)		-	-	-	-
- Transfers to Income Statement	20b (ii)		-	-	-	-
- Impairment (loss) reversal relating to I,PP&E	20b (ii)		-	-	-	-
- Other Movements (enter details here)	20b (ii)		-	-	-	-
Other Comprehensive Income		-	62,464	62,464	-	62,464
Total Comprehensive Income (c&d)		(6,881)	62,464	55,583	-	55,583
e. Distributions to/(Contributions from) Minority Interests				-	-	-
f. Transfers between Equity		2,604	(2,604)	-	-	-
Equity - Balance at end of the reporting period		616,731	429,950	1,046,681	-	1,046,681

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council Equity Interest	Minority Interest	Total Equity
2010						
Opening Balance (as per Last Year's Audited Accounts)		455,857	195,885	651,742	-	651,742
a. Correction of Prior Period Errors	20 (c)	152,444	-	152,444	-	152,444
b. Changes in Accounting Policies (prior year effects)	20 (d)	-	-	-	-	-
Revised Opening Balance (as at 1/7/09)		608,301	195,885	804,186	-	804,186
c. Net Operating Result for the Year		12,707	-	12,707	-	12,707
d. Other Comprehensive Income						
- Revaluations : IPP&E Asset Revaluation Rsv	20b (ii)	-	174,205	174,205	-	174,205
- Revaluations: Other Reserves	20b (ii)	-	-	-	-	-
- Transfers to Income Statement	20b (ii)	-	-	-	-	-
- Impairment (loss) reversal relating to I,PP&E	20b (ii)	-	-	-	-	-
- Other Movements (enter details here)	20b (ii)	-	-	-	-	-
Other Comprehensive Income		-	174,205	174,205	-	174,205
Total Comprehensive Income (c&d)		12,707	174,205	186,912	-	186,912
e. Distributions to/(Contributions from) Minority Interests		-	-	-	-	-
f. Transfers between Equity		-	-	-	-	-
Equity - Balance at end of the reporting period		621,008	370,090	991,098	-	991,098

Lismore City Council

Statement of Cash Flows

for the financial year ended 30 June 2011

Budget			Actual	Actual
2011	\$ '000	Notes	2011	2010
Cash Flows from Operating Activities				
Receipts:				
36,888	Rates & Annual Charges		36,756	34,232
23,100	User Charges & Fees		26,337	23,874
1,285	Investment & Interest Revenue Received		2,430	1,604
17,801	Grants & Contributions		21,522	23,440
-	Bonds & Deposits Received		-	-
6,234	Other		11,246	9,313
Payments:				
(26,277)	Employee Benefits & On-Costs		(25,191)	(23,324)
(29,215)	Materials & Contracts		(46,403)	(34,405)
(3,109)	Borrowing Costs		(3,206)	(2,577)
-	Bonds & Deposits Refunded		-	-
(3,943)	Other		(4,466)	(8,671)
-	Net Cash from Boundary Adjustments		-	-
22,764	Net Cash provided (or used in) Operating Activities	11b	19,025	23,486
Cash Flows from Investing Activities				
Receipts:				
14,528	Sale of Investment Securities		3,650	3,469
	Sale of Investment Property		-	-
	Sale of Real Estate Assets		279	4,790
	Sale of Infrastructure, Property, Plant & Equipment		1,074	245
	Sale of Shares in Companies		-	-
	Sale of Interests in Joint Ventures & Associates		-	-
	Sale of Disposal Groups		-	-
46	Deferred Debtors Receipts		151	378
	Distributions Received from Joint Ventures & Associates		-	-
	Other Investing Activity Receipts		-	-
Payments:				
	Purchase of Investment Securities		(4,400)	-
	Purchase of Investment Property		-	-
(35,856)	Purchase of Infrastructure, Property, Plant & Equipment		(23,941)	(22,815)
	Purchase of Real Estate Assets		(182)	(619)
	Purchase of Shares in Companies		-	-
	Purchase of Interests in Joint Ventures & Associates		-	-
	Deferred Debtors & Advances Made		-	-
	Contributions Paid to Joint Ventures & Associates		-	-
	Other Investing Activity Payments		-	(1,103)
(21,282)	Net Cash provided (or used in) Investing Activities		(23,369)	(15,655)

Lismore City Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

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Lismore City Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 1. Summary of Significant Accounting Policies

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

Under Australian Accounting Standards (AASB's), 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,
- Other authoritative pronouncements of the Australian Accounting Standards Board,
- Urgent Issues Group Interpretations,
- the Local Government Act (1993) and Regulation, and
- the Local Government Code of Accounting Practice and Financial Reporting.

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

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

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

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

(iii) Basis of Accounting

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

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

(iv) Changes in Accounting Policies

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

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

(v) Critical Accounting Estimates

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

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

(b) Revenue recognition

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

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

Lismore City Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 1. Summary of Significant Accounting Policies (continued)

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.

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

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

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

Lismore City Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 1. Summary of Significant Accounting Policies (continued)

(c) Principles of Consolidation

These financial statements incorporate (i) the assets and liabilities of Council and any Entities (or operations) that it **controls** (as at 30/6/11) and (ii) all the related operating results (for the financial year ended the 30th June 2011).

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

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

(i) The Consolidated Fund

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

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

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

- General Purpose Operations
- Water Supply
- Sewerage Service

(ii) The Trust Fund

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

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

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

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

(iii) Joint Ventures

Jointly Controlled Assets & Operations

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

Jointly Controlled Entities

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

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

(iv) Associated Entities

Where Council has the power to participate in the financial and operating decisions (of another entity), ie. where Council is deemed to have "significant influence" over the other entities operations but neither controls nor jointly controls the entity, then Council accounts for such interests using the Equity Method of Accounting – in a similar fashion to Joint Venture Entities & Partnerships.

Such entities are usually termed Associates.

(v) County Councils

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

- **Rous Water**

Provision of bulk water supplies, comprising 3 constituent Council members

- **Richmond Valley County Council**

Provision of flood mitigation services, comprising 3 constituent Council members

- **Far North Coast Weeds**

Lismore City Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 1. Summary of Significant Accounting Policies (continued)

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 Councils and accordingly these entities have not been consolidated or otherwise included within these financial statements.

(vi) Additional Information

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

(d) Leases

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

Finance Leases

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

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

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

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

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

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

Operating Leases

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

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

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

(e) Cash and Cash Equivalents

Cash and cash equivalents includes;

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

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

(f) Investments and Other Financial Assets

Council (in accordance with AASB 139) classifies each of its investments as financial assets at fair value through profit and loss.

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

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

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

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

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

Assets in this category are primarily classified as current assets as they are primarily held for trading

Lismore City Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 1. Summary of Significant Accounting Policies (continued)

&/or are expected to be realised within 12 months of the balance sheet date.

General Accounting & Measurement of Financial Instruments:

(i) Initial Recognition

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

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

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

(ii) Subsequent Measurement

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

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

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

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

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

Impairment

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

(iii) Types of Investments

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

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.

Council amended its policy following revisions to the Ministerial Local Government Investment Order arising from the Cole Inquiry recommendations. Certain investments that Council holds are no longer prescribed (eg. managed funds, CDOs, and equity linked notes), however they have been retained under grandfathering provisions of the Order. These will be disposed of when most financially advantageous to Council.

(g) Fair value estimation

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

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

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

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

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

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

These include reference to the fair values of recent arm's length transactions, involving the same

Lismore City Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 1. Summary of Significant Accounting Policies (continued)

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

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

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

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

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

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

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

(i) Inventories

Raw Materials and Stores, Work in Progress and Finished Goods

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

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

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

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

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

Land Held for Resale/Capitalisation of Borrowing Costs

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

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

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

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

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

Lismore City Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 1. Summary of Significant Accounting Policies (continued)

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

Acquisition of assets

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

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

- **Investment Properties** – refer Note 1(p),
- **Water and Sewerage Networks**
(External Valuation)
- **Operational Land** (External Valuation)
- **Buildings – Specialised/Non Specialised**
(External Valuation)
- **Plant and Equipment**
(as approximated by depreciated historical cost)
- **Roads Assets incl. roads, bridges & footpaths**
(External Valuation)
- **Drainage Assets** (External Valuation)
- **Bulk Earthworks** (External Valuation)
- **Community Land** (External Valuation)
- **Land Improvements**
(as approximated by depreciated historical cost)
- **Other Structures**
(as approximated by depreciated historical cost)
- **Other Assets**
(as approximated by depreciated historical cost)

Initial Recognition

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

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

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

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

Subsequent costs

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

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

Asset Revaluations (including Indexation)

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

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

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

For all other assets, Council assesses at each reporting date whether there is any indication that a

Lismore City Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 1. Summary of Significant Accounting Policies (continued)

revalued asset's carrying amount may differ materially from that which would be determined if the asset were revalued at the reporting date.

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

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

Capitalisation Thresholds

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

Land

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

Plant & Equipment

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

Buildings & Land Improvements

Park Furniture & Equipment	> \$2,000
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Building

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

Other Structures

> \$2,000

Water & Sewer Assets

Reticulation extensions	> \$5,000
Other	> \$5,000

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

Depreciation

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

Land is not depreciated.

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

Plant & Equipment

- Office Equipment	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

- Drains	80 to 100 years
- Culverts	50 to 80 years

Transportation Assets

- Sealed Roads : Surface	20 years
- Sealed Roads : Structure	50 years
- Unsealed roads	20 years
- Bridge : Concrete	100 years
- Bridge : Other	50 years
- Road Pavements	60 years
- Kerb, Gutter & Paths	40 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
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Lismore City Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 1. Summary of Significant Accounting Policies (continued)

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

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

Disposal and De-recognition

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

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

(k) Land

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

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

(l) Land under roads

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

Council 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 service, 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 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

Lismore City Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 1. Summary of Significant Accounting Policies (continued)

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.

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

Costs are estimated on the basis of a closure plan.

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

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

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

The amortisation or 'unwinding' of the discount applied in establishing the net present value of provisions is charged to the income statement in each accounting period.

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

Other movements in the provisions for Close down, Restoration and Remediation costs including those resulting from new disturbance, updated cost

estimates, changes to the estimated lives of operations and revisions to discount rates are capitalised within property, plant and equipment.

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

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

Provision is made for the estimated present value of the costs of environmental clean up obligations outstanding at the balance sheet date. These costs are charged to the income statement.

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

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

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

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

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

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

Lismore City Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 1. Summary of Significant Accounting Policies (continued)

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

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

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

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

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

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

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

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

(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.

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

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

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

(s) Payables

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

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

(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.

Lismore City Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 1. Summary of Significant Accounting Policies (continued)

(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.

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 settled within the 12 months after the reporting period.

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

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

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

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

(ii) Other Long Term Obligations

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

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

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

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

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

(iii) Retirement benefit obligations

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

Lismore City Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 1. Summary of Significant Accounting Policies (continued)

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

Defined Benefit Plans

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

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

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

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

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

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

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

The Local Government Superannuation Scheme has advised member councils that, as a result of the global financial crisis, it has a significant deficiency of assets over liabilities.

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

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

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

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

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 30/6/11.

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

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

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

Exceptions

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

Lismore City Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 1. Summary of Significant Accounting Policies (continued)

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.

(y) 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 & Services Tax (GST)

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

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

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

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

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

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

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

(z) New accounting standards and UIG interpretations

Certain new (or amended) accounting standards and interpretations have been published that are not mandatory for reporting periods ending 30 June 2011.

Council has not adopted any of these standards early.

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

Applicable to Local Government with implications:

AASB 9 Financial Instruments, AASB 2009 11 Amendments to Australian Accounting Standards arising from AASB 9 and AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) (effective from 1 January 2013)

AASB 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities.

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

When adopted, the standard will affect in particular the Council's accounting for its available-for-sale financial assets, since AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognised directly in profit or loss.

Applicable to Local Government but no implications for Council;

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

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

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

Lismore City Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 1. Summary of Significant Accounting Policies (continued)

It permits entities to recognise an asset for a prepayment of contributions made to cover minimum funding requirements. Council does not make any such prepayments.

AASB 2010-6 Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets (effective for annual reporting periods beginning on or after 1 July 2011)

Amendments made to AASB 7 Financial Instruments: Disclosures in November 2010 introduce additional disclosures in respect of risk exposures arising from transferred financial assets.

The amendments will affect particularly entities that sell, factor, securitise, lend or otherwise transfer financial assets to other parties.

They are not expected to have any significant impact on Council's disclosures.

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

None

Not applicable to Local Government per se;

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

In December 2009 the AASB issued a revised AASB 124 Related Party Disclosures.

It is effective for accounting periods beginning on or after 1 January 2011 and must be applied retrospectively.

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

AASB 1053 Application of Tiers of Australian Accounting Standards and AASB 2010-2 Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements (effective from 1 July 2013)

On 30 June 2010 the AASB officially introduced a revised differential reporting framework in Australia.

Under this framework, a two-tier differential reporting regime applies to all entities that prepare general purpose financial statements.

Local Government are specifically excluded from adopting the new Australian Accounting Standards – Reduced Disclosure Requirements.

AASB 2010-8 Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets (effective from 1 January 2012)

In December 2010, the AASB amended AASB 112 Income Taxes to provide a practical approach for measuring deferred tax liabilities and deferred tax assets when investment property is measured using the fair value model.

AASB 112 requires the measurement of deferred tax assets or liabilities to reflect the tax consequences that would follow from the way management expects to recover or settle the carrying amount of the relevant assets or liabilities, that is through use or through sale.

Council is not subject to Income Tax and accordingly this amendment will have no impact on future financial statements.

(aa) Rounding of amounts

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

(ab) 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.

Lismore City Council

Notes to the Financial Statements for the financial year ended 30 June 2011

Note 1. Summary of Significant Accounting Policies (continued)

(ac) 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 financial year ended 30 June 2011

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 2011	Actual 2011	Actual 2010	Original Budget 2011	Actual 2011	Actual 2010	Original Budget 2011	Actual 2011	Actual 2010	Actual 2011	Actual 2010	Actual 2011	Actual 2010
Governance		-	-	554	552	1,983	(554)	(552)	(1,983)	-	-	22,597	21,236
Administration	771	1,678	2,661	3,910	5,827	3,848	(3,139)	(4,149)	(1,187)	476	590	38,200	35,899
Public Order & Safety	803	335	422	2,624	2,408	1,596	(1,821)	(2,073)	(1,174)	238	324	3,382	3,179
Health	323	344	138	899	952	817	(576)	(608)	(679)	-	-	1,130	1,062
Environment	9,001	7,665	7,915	6,595	7,463	7,228	2,406	202	687	255	264	-	-
Community Services & Education	779	690	734	1,612	1,654	2,108	(833)	(964)	(1,374)	402	346	1,447	1,360
Housing & Community Amenities	1,920	1,962	1,752	3,366	3,208	3,496	(1,446)	(1,246)	(1,744)	274	181	63,274	59,463
Water Supplies	9,561	8,617	8,018	10,508	10,347	8,762	(947)	(1,730)	(744)	129	127	81,349	80,727
Sewerage Services	9,660	11,252	11,654	14,634	15,489	10,548	(4,974)	(4,237)	1,106	122	124	203,310	202,376
Recreation & Culture	7,700	7,314	12,277	15,852	17,189	15,880	(8,152)	(9,875)	(3,603)	921	1,175	82,445	77,478
Mining, Manufacturing & Construction	9,215	9,498	7,035	8,958	9,485	7,223	257	13	(188)	185	150	16,939	15,919
Transport & Communication	7,893	14,287	18,391	14,923	24,172	20,794	(7,030)	(9,885)	(2,403)	7,515	8,419	569,401	535,100
Economic Affairs	402	1,086	634	3,090	3,521	4,118	(2,688)	(2,435)	(3,484)	19	19	29,030	27,281
Total Functions & Activities	58,028	64,728	71,631	87,525	102,267	88,401	(29,497)	(37,539)	(16,770)	10,536	11,719	1,112,505	1,061,079
Share of gains/(losses) in Associates & Joint Ventures (using the Equity Method)		-	-	-	-	-	-	-	-	-	-	-	-
General Purpose Income ¹	28,030	30,658	29,477				28,030	30,658	29,477	6,929	6,552		
Operating Result from Continuing Operations	86,058	95,386	101,108	87,525	102,267	88,401	(1,467)	(6,881)	12,707	17,465	18,271	1,112,505	1,061,079

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

Lismore City Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

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

Costs relating to the Council's role as a component of democratic government, including elections, members' fees and expenses, subscriptions to local authority associations, meetings of council and policy making committees, area representation and public disclosure and compliance.

ADMINISTRATION

Corporate Support and Other Support Services (not otherwise attributed to the listed functions / activities).

PUBLIC ORDER & SAFETY

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

HEALTH

Inspection, immunisations, food control, health centres, other, administration.

ENVIRONMENT

Noxious plants and insect/vermin control, other environmental protection, solid waste management, street cleaning, drainage, stormwater management.

COMMUNITY SERVICES & EDUCATION

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

HOUSING & COMMUNITY AMENITIES

Housing, town planning, street lighting, other sanitation and garbage, public cemeteries, public conveniences, other community amenities.

WATER SUPPLIES

SEWERAGE SERVICES

RECREATION & CULTURE

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

MINING, MANUFACTURING & CONSTRUCTION

Building control, abattoirs, quarries & pits, other.

TRANSPORT & COMMUNICATION

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

ECONOMIC AFFAIRS

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

Lismore City Council

Notes to the Financial Statements
for the financial year ended 30 June 2011

Note 3. Income from Continuing Operations

\$ '000	Notes	Actual 2011	Actual 2010
(a). Rates & Annual Charges			
Ordinary Rates			
Residential		14,263	13,822
Farmland		3,753	3,654
Business		4,542	4,235
Total Ordinary Rates		22,558	21,711
Annual Charges (pursuant to s.496, s.501 & s.611)			
Domestic Waste Management Services		3,081	2,798
Stormwater Management Services		363	355
Water Supply Services		2,098	1,839
Sewerage Services		8,318	7,222
Waste Management Services (non-domestic)		382	380
Nimbin Transfer Station		38	35
Waste Reduction Charges		532	558
Total Annual Charges		14,812	13,187
TOTAL RATES & ANNUAL CHARGES		37,370	34,898

Council has used 2009 year valuations provided by the NSW Valuer General in calculating its rates.

Lismore City Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 3. Income from Continuing Operations (continued)

\$ '000	Notes	Actual 2011	Actual 2010
(b). User Charges & Fees			
Specific User Charges (per s.502 - Specific "actual use" charges)			
Water Supply Services		5,803	5,790
Sewerage Services		187	191
Total User Charges		5,990	5,981
Other User Charges & Fees			
(i) Fees & Charges - Statutory & Regulatory Functions (per s608 & 610A)			
Building Regulation		727	688
Dog Registration Fees		29	30
Health Control		311	310
Planning Services		237	332
Section 603 Certificates		47	59
Other		8	-
Total Fees & Charges - Statutory/Regulatory		1,359	1,419
(ii) Fees & Charges - Other (incl. General User Charges (per s.610C))			
Aerodrome		527	569
Art Gallery		-	3
Caravan Park		129	155
Child Care		257	373
Community Centres		11	11
Library		2	2
Parking Fees		131	99
Parks, Gardens & Lakes		76	81
Public Cemeteries		980	1,094
Quarry Revenues		8,446	6,182
Road Services		56	89
RTA Charges (State Roads not controlled by Council)		1,783	3,681
Sewerage Charges		7	1
Sporting Grounds		1,408	1,210
Swimming Pools		220	261
Tourism Services Charges		89	68
Waste Disposal		2,526	2,456
Waste Minimisation		-	2
Share Cropping		18	-
Water Charges		86	90
Strategic Planning		15	-
Other		146	137
Total Fees & Charges - Other		16,913	16,564
TOTAL USER CHARGES & FEES		24,262	23,964

Lismore City Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 3. Income from Continuing Operations (continued)

\$ '000	Notes	Actual 2011	Actual 2010
(c). Interest & Investment Revenue (incl. losses)			
Interest & Dividends			
- Interest on Overdue Rates & Annual Charges		265	251
- Interest earned on Investments (interest & coupon payment income)		2,498	1,696
Fair Value Adjustments			
- Fair Valuation movements in Investments (at FV or Held for Trading)		933	633
Fair Valuation of Financial Liabilities on recognition			
- Interest Free (or favourable) Loans & Advances Received		-	2,510
TOTAL INTEREST & INVESTMENT REVENUE		<u>3,696</u>	<u>5,090</u>
Interest Revenue is attributable to:			
Unrestricted Investments/Financial Assets:			
Overdue Rates & Annual Charges		175	161
General Council Cash & Investments		1,171	1,214
Restricted Investments/Funds - External:			
Development Contributions			
- Section 94		634	301
- Section 64		358	271
Water Fund Operations		143	62
Sewerage Fund Operations		1,215	3,081
Total Interest & Investment Revenue Recognised		<u>3,696</u>	<u>5,090</u>
(d). Other Revenues			
Rental Income - Other Council Properties		226	250
Fines - Parking		127	159
Fines - Other		126	122
Legal Fees Recovery - Rates & Charges (Extra Charges)		-	2
Commissions & Agency Fees		29	17
Insurance Claim Recoveries		43	730
Master Games		121	16
Other Events		33	164
Recycling Income (non domestic)		637	486
Reservation & Registration Fees		86	78
Richmond Tweed Regional Library Equity		-	5,196
RTRL contributions by Member Councils		3,997	3,701
Miscellaneous -Private works		710	83
Other		399	268
TOTAL OTHER REVENUE		<u>6,534</u>	<u>11,272</u>

Lismore City Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 3. Income from Continuing Operations (continued)

\$ '000	2011 Operating	2010 Operating	2011 Capital	2010 Capital
(e). Grants				
General Purpose (Untied)				
Financial Assistance - General Component	4,768	4,501	-	-
Financial Assistance - Local Roads Component	1,766	1,654	-	-
Pensioners' Rates Subsidies - General Component	395	397	-	-
Total General Purpose	6,929	6,552	-	-
Specific Purpose				
Pensioners' Rates Subsidies:				
- Water	127	125	-	-
- Sewerage	120	123	-	-
- Domestic Waste Management	83	87	-	-
Art Gallery	355	258	-	-
Child Care	228	320	-	-
Community Centres	-	-	113	-
Community Services	190	83	-	-
Diesel Rebate	337	321	-	-
Economic Development	76	-	-	-
Environmental Protection	122	-	-	-
Fire Control	228	255	-	45
Health	-	39	20	140
Library	-	-	49	-
Library Services	118	213	-	-
Natural Disaster Emergency Funding	5,131	4,619	-	-
Planning Services	3	25	-	-
Recreation & Culture	114	329	157	469
Road Safety Officer	163	132	-	-
Street Lighting	159	155	-	-
Transport (Roads to Recovery)	-	-	913	913
Transport (Other Roads & Bridges Funding)	18	-	1,470	2,905
Other	77	80	165	83
Total Specific Purpose	7,649	7,164	2,887	4,555
Total Grants	14,578	13,716	2,887	4,555
Grant Revenue is attributable to:				
- Commonwealth Funding	841	6,955	302	449
- State Funding	13,720	6,625	2,585	4,106
- Other Funding	17	136	-	-
	14,578	13,716	2,887	4,555

Lismore City Council

Notes to the Financial Statements
for the financial year ended 30 June 2011

Note 3. Income from Continuing Operations (continued)

\$ '000	2011 Operating	2010 Operating	2011 Capital	2010 Capital
(f). Contributions				
Developer Contributions:				
(s93 & s94 - EP&A Act, s64 of the NSW LG Act):				
S 94 - Contributions towards amenities/services	-	-	962	579
S 64 - Water Supply Contributions	-	-	95	200
S 64 - Sewerage Service Contributions	-	-	602	518
Total Developer Contributions	17 -	-	1,659	1,297
Other Contributions:				
Art Gallery	35	31	15	-
Dedications (other than by S94 and S64)	-	-	2,002	1,420
Recreation & Culture	-	-	33	18
Roads & Bridges	-	-	-	-
RTA Contributions (Regional/Local, Block Grant)	1,359	1,332	823	2,457
Library	48	-	72	-
Other	13	34	-	-
Total Other Contributions	1,455	1,397	2,945	3,895
Total Contributions	1,455	1,397	4,604	5,192
TOTAL GRANTS & CONTRIBUTIONS	16,033	15,113	7,491	9,747

Lismore City Council

Notes to the Financial Statements
for the financial year ended 30 June 2011

Note 3. Income from Continuing Operations (continued)

\$ '000	Actual 2011	Actual 2010
(g). Restrictions relating to Grants and Contributions		
Certain grants & contributions are obtained by Council on condition that they be spent in a specified manner:		
Unexpended at the Close of the Previous Reporting Period	15,947	15,819
add: Grants and contributions recognised in the current period which have not been spent:	3,772	4,609
less: Grants and contributions recognised in a previous reporting period which have been spent in the current reporting period:	(3,924)	(4,481)
Net Increase (Decrease) in Restricted Assets during the Current Reporting Period	(152)	128
Unexpended at the Close of this Reporting Period and held as Restricted Assets	15,795	15,947
Comprising:		
- Specific Purpose Unexpended Grants	1,327	3,337
- Developer Contributions	14,469	12,610
- Other Contributions	-	-
	15,795	15,947

Lismore City Council

Notes to the Financial Statements
for the financial year ended 30 June 2011

Note 4. Expenses from Continuing Operations

\$ '000	Notes	Actual 2011	Actual 2010
(a) Employee Benefits & On-Costs			
Salaries and Wages		19,937	19,468
Travelling		-	3
Employee Leave Entitlements (ELE)		4,088	4,251
Superannuation		2,855	2,883
Workers' Compensation Insurance		883	783
Fringe Benefit Tax (FBT)		89	75
Payroll Tax		171	111
Training Costs (other than Salaries & Wages)		370	328
Purchases & Uniforms		10	24
Total Employee Costs		28,403	27,926
less: Capitalised Costs		(3,244)	(2,986)
TOTAL EMPLOYEE COSTS EXPENSED		25,159	24,940
Number of "Equivalent Full Time" Employees at year end		377	383
(b) Borrowing Costs			
(i) Interest Bearing Liability Costs			
Interest on Loans		3,277	2,605
Other Debts		3	7
Total Interest Bearing Liability Costs		3,280	2,612
Total Interest Bearing Liability Costs Expensed		3,280	2,612
(ii) Other Borrowing Costs			
Discount adjustments relating to movements in Provisions (other than ELE)			
- Remediation Liabilities	26	382	274
Total Other Borrowing Costs		382	274
TOTAL BORROWING COSTS EXPENSED		3,662	2,886

Lismore City Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Actual 2011	Actual 2010
(c) Materials & Contracts			
Raw Materials & Consumables		37,498	34,797
Auditors Remuneration			
- Audit Services: Audit of Financial Report		55	58
Legal Expenses:			
- Legal Expenses: Planning & Development		1,008	298
- Legal Expenses: Other		55	19
- Legal Expenses: Debt Recovery		-	2
Operating Leases:			
- Operating Lease Rentals - Motor Vehicles		429	484
- Operating Lease Rentals - Other		223	223
Total Materials & Contracts		39,268	35,881
less: Capitalised Costs		-	-
<u>TOTAL MATERIALS & CONTRACTS</u>		<u>39,268</u>	<u>35,881</u>

Lismore City Council

Notes to the Financial Statements
for the financial year ended 30 June 2011

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Impairment Costs		Depreciation/Amortisation	
		Actual 2011	Actual 2010	Actual 2011	Actual 2010
Plant and Equipment		-	-	2,623	2,720
Office Equipment		-	-	311	460
Furniture & Fittings		-	-	17	21
Land Improvements (depreciable)		-	-	306	303
Buildings - Specialised		-	-	2,220	2,214
Other Structures		-	-	275	262
Infrastructure:					
- Roads, Bridges & Footpaths		-	-	7,123	4,793
- Stormwater Drainage		-	-	460	300
- Water Supply Network		-	-	2,520	2,418
- Sewerage Network		-	-	6,033	5,862
Other Assets					
- Heritage Collections		-	-	1	1
- Library Books		-	-	834	728
- Other		-	-	63	2
Asset Reinstatement Costs	9 & 26	-	-	261	160
Intangible Assets	25	-	-	162	124
Total Depreciation & Impairment Costs		-	-	23,209	20,368
less: Capitalised Costs		-	-	-	-
<u>TOTAL DEPRECIATION & IMPAIRMENT COSTS EXPENSED</u>		<u>-</u>	<u>-</u>	<u>23,209</u>	<u>20,368</u>

Lismore City Council

Notes to the Financial Statements
for the financial year ended 30 June 2011

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Actual 2011	Actual 2010
(e) Other Expenses			
Other Expenses for the year include the following:			
- Contributions : Far North Coast County Council (Noxious Plants)		118	115
- Contributions : Richmond River County Council (Flood Mitigation)		258	409
- Emergency Services Levy		38	33
- NSW Fire Brigade Levy		355	264
- NSW Rural Fire Service Levy		165	200
Councillor Expenses - Mayoral Fee		48	46
Councillor Expenses - Councillors' Fees		176	170
Councillors' Expenses (incl. Mayor) - Other (excluding fees above)		122	105
Donations, Contributions & Assistance to other organisations (Section 356)		214	192
Electricity & Heating		1,208	996
Insurance		859	927
Street Lighting		574	550
Telephone & Communications		311	319
Total Other Expenses		4,446	4,326
less: Capitalised Costs		-	-
<u>TOTAL OTHER EXPENSES</u>		<u>4,446</u>	<u>4,326</u>

Lismore City Council

Notes to the Financial Statements
for the financial year ended 30 June 2011

Note 5. Gains or Losses from the Disposal of Assets

\$ '000	Notes	Actual 2011	Actual 2010
Property (excl. Investment Property)			
Proceeds from Disposal		442	-
less: Carrying Amount of Property Assets Sold		(403)	-
Net Gain/(Loss) on Disposal		39	-
Plant & Equipment			
Proceeds from Disposal		632	245
less: Carrying Amount of P&E Assets Sold		(141)	(125)
Net Gain/(Loss) on Disposal		491	120
Infrastructure			
Proceeds from Disposal		-	-
less: Carrying Amount of Infrastructure Assets Sold / Written Off		(7,183)	(447)
Net Gain/(Loss) on Disposal		(7,183)	(447)
Real Estate Assets Held For Sale			
Proceeds from Disposal		279	4,790
less: Carrying Amount of Real Estate Assets Sold		(149)	(3,439)
Net Gain/(Loss) on Disposal		130	1,351
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		(6,523)	1,024

Lismore City Council

Notes to the Financial Statements
for the financial year ended 30 June 2011

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

\$ '000	Notes	2011	2011	2010	2010
		Actual Current	Actual Non Current	Actual Current	Actual Non Current
Cash & Cash Equivalents (Note 6a)					
Cash on Hand and at Bank		566	-	189	-
Cash-Equivalent Assets ¹					
- Deposits at Call		4,869	-	11,059	-
- Short Term Deposits		26,000	-	26,740	-
Total Cash & Cash Equivalents		31,435	-	37,988	-
Investment Securities (Note 6b)					
- Managed Funds		-	2,078	-	1,988
- Long Term Deposits		-	4,400	-	-
- Equity Linked Notes		-	846	-	759
- CDO's		614	502	961	2,276
- Other Long Term Financial Assets		-	-	-	773
Total Investment Securities		614	7,826	961	5,796
TOTAL CASH ASSETS, CASH EQUIVALENTS & INVESTMENTS		32,049	7,826	38,949	5,796

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

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

Cash & Cash Equivalents

a. "At Fair Value through the Profit & Loss"	31,435	-	37,988	-
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Investments

a. "At Fair Value through the Profit & Loss"				
- "Designated at Fair Value on Initial Recognition" 6(b-i)	614	7,826	961	5,796
Investments	614	7,826	961	5,796

Lismore City Council

Notes to the Financial Statements
for the financial year ended 30 June 2011

Note 6b. Investments (continued)

\$ '000	2011	2011	2010	2010
	Actual Current	Actual Non Current	Actual Current	Actual Non Current
Note 6(b-i)				
Reconciliation of Investments classified as "At Fair Value through the Profit & Loss"				
Balance at the Beginning of the Year	961	5,796	950	8,643
Revaluations (through the Income Statement)	70	863	183	450
Additions	-	4,400	-	-
Disposals (sales & redemptions)	(1,030)	(2,620)	(1,000)	(2,469)
Transfers between Current/Non Current	613	(613)	828	(828)
Balance at End of Year	614	7,826	961	5,796
Comprising:				
- Managed Funds	-	2,078	-	1,988
- Equity Linked Notes	-	846	-	759
- CDO's	614	502	961	2,276
- Other Long Term Financial Assets	-	4,400	-	773
Total	614	7,826	961	5,796

Lismore City Council

Notes to the Financial Statements
for the financial year ended 30 June 2011

Note 6c. Restricted Cash, Cash Equivalents & Investments - Details

\$ '000	2011	2011	2010	2010
	Actual Current	Actual Non Current	Actual Current	Actual Non Current
Total Cash, Cash Equivalents and Investment Securities	32,049	7,826	38,949	5,796
attributable to:				
External Restrictions (refer below)	24,231	7,826	28,446	5,796
Internal Restrictions (refer below)	7,819	-	10,503	-
Unrestricted	-	-	-	-
	32,049	7,826	38,949	5,796

2011	Opening	Transfers to	Transfers from	Closing
\$ '000	Balance	Restrictions	Restrictions	Balance

Details of Restrictions

External Restrictions - Included in Liabilities

Other	1,683	294		1,977
External Restrictions - Included in Liabilities	1,683	294	-	1,977

External Restrictions - Other

Developer Contributions - General (D)	5,821	2,356	(856)	7,321
Developer Contributions - Water Fund (D)	942	53	-	995
Developer Contributions - Sewer Fund (D)	5,847	306	-	6,153
Specific Purpose Unexpended Grants (F)	3,337	-	(2,595)	742
Water Supplies (G)	2,203	-	(1,331)	872
Sewerage Services (G)	14,280	-	(283)	13,997
Domestic Waste Management (G)	129		(129)	-
External Restrictions - Other	32,559	2,715	(5,194)	30,080
Total External Restrictions	34,242	3,009	(5,194)	32,057

Lismore City Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

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

2011 \$ '000	Opening Balance	Transfers to Restrictions	Transfers from Restrictions	Closing Balance
Internal Restrictions				
Plant & Vehicle Replacement	674	6,320	(6,989)	5
Infrastructure Replacement	-			-
Employees Leave Entitlement	1,257	93	(580)	770
Carry Over Works	-			-
Deposits, Retentions & Bonds	-			-
Specific Purpose Unexpended Loans (A)	1,774			1,774
Administrative Purposes	1,115	1,618	(2,522)	211
Aerodrome	40			40
Art Gallery	121	19	(36)	104
Child Care	12		(8)	4
Community Services	80	67	(56)	91
Economic Development & Tourism	284	436	(349)	371
Flood Mitigation	96		(5)	91
Information Services	332	224	(171)	385
Lawn Cemetery / Crematorium	170	66	(22)	214
Legal Expenses	-			-
NEWLOG	38	5		43
Parks & Reserves	140	173	(175)	138
Sustainable Development	954	501	(635)	820
Property Management	437	524	(899)	62
Remediation Programs	59		(59)	-
Richmond Tweed Regional Library	925	265		1,190
Special Projects	123	1,998	(1,998)	123
Sporting Grounds	13	2	(11)	4
Staff Development	83	26		109
Transport & Infrastructure	1,672	7,291	(7,902)	1,061
Waste Minimisation	104		(47)	57
Other Waste	-	2,469	(2,320)	149
Enforcement	-	71	(68)	3
Total Internal Restrictions	10,503	22,168	(24,852)	7,819
TOTAL RESTRICTIONS	44,745	25,176	(30,046)	39,875

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

B Advances by the Roads and Traffic Authority for works on the State's classified roads.

C Self Insurance liability resulting from reported claims or incurred claims not yet reported.

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

E RTA Contributions which are not yet expended for the provision of services and amenities in accordance with those contributions.

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

G Water, Sewerage, Domestic Waste Management (DWM) & other Special Rates/Levies/Charges are externally restricted assets and must be applied for the purposes for which they were raised.

Lismore City Council

Notes to the Financial Statements
for the financial year ended 30 June 2011

Note 7. Receivables

\$ '000	Notes	2011		2010	
		Current	Non Current	Current	Non Current
Purpose					
Rates & Annual Charges		2,654	793	2,135	698
Interest & Extra Charges		733	211	705	271
User Charges & Fees		1,483	394	1,289	330
Accrued Revenues					
- Interest on Investments		702	-	337	-
- Other Income Accruals		739	-	668	-
Deferred Debtors		79	150	155	225
Net GST Receivable		812	-	628	-
Loan to Sporting Club		34	30	56	64
Roads & Traffic Authority		2,616	-	4,481	-
Tender Deposits & Bonds		1,147	270	1,424	511
Miscellaneous Works & Services		3,251	-	2,161	-
Other Debtors		45	29	33	32
Total		14,295	1,877	14,072	2,131
less: Provision for Impairment					
User Charges & Fees		(115)	-	(115)	-
Total Provision for Impairment - Receivables		(115)	-	(115)	-
TOTAL NET RECEIVABLES		14,180	1,877	13,957	2,131
Externally Restricted Receivables					
Water Supply					
- Rates & Availability Charges		381	157	316	128
- Other		1,483	394	1,289	330
Sewerage Services					
- Rates & Availability Charges		511	144	332	115
- Other		47	-	50	-
Domestic Waste Management		230	65	170	22
Total External Restrictions		2,652	760	2,157	595
Internally Restricted Receivables					
Internally Restricted Receivables		-	-	-	-
Unrestricted Receivables		11,528	1,117	11,800	1,536
TOTAL NET RECEIVABLES		14,180	1,877	13,957	2,131

Notes on Debtors above:

- (i) Rates & Annual Charges Outstanding are secured against the property.
- (ii) Doubtful Rates Debtors are provided for where the value of the property is less than the debt outstanding.
An allowance for other doubtful debts is made when there is objective evidence that a receivable is impaired.
- (iii) Interest was charged on overdue rates & charges at 9.00% (2010 9.00%).
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 financial year ended 30 June 2011

Note 8. Inventories & Other Assets

\$ '000	Notes	2011		2010	
		Current	Non Current	Current	Non Current
Inventories					
Real Estate for resale (refer below)		3,253	-	3,220	-
Stores & Materials		1,048	-	1,021	-
Trading Stock		2,639	-	2,449	-
Total Inventories		6,940	-	6,690	-
Other Assets					
Prepayments		7	-	44	-
Total Other Assets		7	-	44	-
TOTAL INVENTORIES / OTHER ASSETS		6,947	-	6,734	-
Externally Restricted Assets					
Water					
Stores & Materials		297	-	250	-
Total Water		297	-	250	-
Sewerage					
Stores & Materials		211	-	199	-
Total Sewerage		211	-	199	-
Total Externally Restricted Assets		508	-	449	-
Total Internally Restricted Assets		-	-	-	-
Total Unrestricted Assets		6,439	-	6,285	-
TOTAL INVENTORIES & OTHER ASSETS		6,947	-	6,734	-

Lismore City Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 8. Inventories & Other Assets (continued)

\$ '000	2011		2010	
	Current	Non Current	Current	Non Current
(i) Other Disclosures				
(a) Details for Real Estate Development				
Residential	36	-	10	-
Industrial/Commercial	3,217	-	3,210	-
Total Real Estate for Resale	3,253	-	3,220	-
(Valued at the lower of cost and net realisable value)				
Represented by:				
Acquisition Costs	709	-	712	-
Development Costs	2,544	-	2,508	-
Total Costs	3,253	-	3,220	-
less: Provision for Under Recovery	-	-	-	-
Total Real Estate for Resale	3,253	-	3,220	-
Movements:				
Real Estate assets at beginning of the year	3,220	-	6,040	-
- Purchases and other costs	182	-	619	-
- WDV of Sales (exp)	(149)	-	(3,439)	-
Total Real Estate for Resale	3,253	-	3,220	-

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

The following Inventories & Other Assets, even though classified as current are not expected to be recovered in the next 12 months;

	2011	2010
Real Estate for Resale	2,036	2,193
	2,036	2,193

Lismore City Council

Notes to the Financial Statements
for the financial year ended 30 June 2011

Note 9a. Infrastructure, Property, Plant & Equipment

\$ '000	Asset Movements during the Reporting Period										as at 30/6/2011				
	as at 30/6/2010					Asset Additions	WDV of Asset Disposals	Depreciation Expense	Adjustments & Transfers	Revaluation Increments to Equity (ARR)	At Cost	At Fair Value	Accumulated Dep'n	Accumulated Impairment	Carrying Value
	At Cost	At Fair Value	Accumulated Deprec.	Carrying Value	At Cost										
	Cost	Fair Value	Deprec.	Value	Cost	Fair Value	Dep'n	Impairment	Value						
Capital Work in Progress	12,347	-	-	12,347	6,065	(141)	(10,376)		8,036	-	-	-	-	8,036	
Plant & Equipment	-	27,954	16,315	11,639	2,124	(141)	(5)		-	27,738	16,744	-	-	10,994	
Office Equipment	-	5,400	4,548	852	280	(311)			-	5,673	4,852	-	-	821	
Furniture & Fittings	-	599	442	157	8	(17)			-	595	447	-	-	148	
Plant & Equipment (under Finance Lease)	-	-	-	-	-	-			-	-	-	-	-	-	
Land:															
- Operational Land	-	32,515	-	32,515	110	(50)			-	32,575	-	-	-	32,575	
- Community Land	-	4,429	-	4,429	1		14	26,788	-	31,232	-	-	-	31,232	
- Land under Roads (pre 1/7/08)	-	-	-	-	-	-			-	-	-	-	-	-	
- Land under Roads (post 30/6/08)	-	-	-	-	-	-		26	-	26	-	-	-	26	
Land Improvements - non depreciable	-	-	-	-	-	(20)			-	-	-	-	-	-	
Land Improvements - depreciable	16,358	-	6,869	9,489	11	(306)	10		-	16,340	7,156	-	-	9,184	
Buildings - Non Specialised	-	1,120	626	494	750	(331)	(18)		-	1,120	644	-	-	476	
Buildings - Specialised	-	84,848	28,777	56,071	789	(331)	(2,202)		-	85,037	30,749	-	-	54,288	
Other Structures	14,162	-	3,988	10,174	789	(3)	(275)	13	5,309	25,531	9,524	-	-	16,007	
Infrastructure:															
- Roads, Bridges, Footpaths	-	441,194	123,077	318,117	5,054	(3,296)	4,944		12,590	463,603	133,317	-	-	330,286	
- Bulk Earthworks (non-depreciable)	-	261,412	-	261,412	2,411				9,149	272,972	-	-	-	272,972	
- Stormwater Drainage	-	42,754	18,141	24,613	933	(124)	(460)	206	857	45,166	19,141	-	-	26,025	
- Water Supply Network	-	143,484	70,108	73,376	1,823	(298)	(2,520)	97	2,338	148,787	73,971	-	-	74,816	
- Sewerage Network	-	324,466	152,040	172,426	3,144	(3,463)	(6,033)	5,092	5,407	337,868	161,295	-	-	176,573	
Other Assets:															
- Heritage Collections	82	-	10	72	765		(1)		-	82	11	-	-	71	
- Library Books	10,859	-	7,602	3,257	5		(834)		-	11,624	8,436	-	-	3,188	
- Other	256	-	2	254			(63)		-	261	65	-	-	196	
Reinstatement, Rehabilitation & Restoration Assets (refer Note 26)															
- Tip Asset	1,635	-	954	681	176		(247)	(54)	1,581	-	1,201	-	-	380	
- Quarry Asset	476	-	231	245			(14)		652	-	245	-	-	407	
- Other Assets	-	-	-	-			-		-	-	-	-	-	-	
TOTAL INFRASTRUCTURE, PROPERTY, PLANT & EQUIP.	56,175	1,370,175	433,730	992,620	24,449	(7,726)	(23,047)	(59)	62,464	10,269	1,506,230	467,798	-	1,048,701	

Lismore City Council

Notes to the Financial Statements
for the financial year ended 30 June 2011

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

\$ '000 Class of Asset	Actual 2011				Actual 2010			
	At Cost	At Fair Value	A/Dep & Impairm't	Carrying Value	At Cost	At Fair Value	A/Dep & Impairm't	Carrying Value
Water Supply								
WIP	53	-	-	53	98	-	-	98
Plant & Equipment	-	899	497	402	-	812	526	286
Office Equipment	-	55	55	-	55	-	51	4
Land								
- Operational Land	-	1,208	-	1,208	-	1,208	-	1,208
Buildings	-	450	188	262	-	451	178	273
Other Structures	-	40	12	28	33	-	10	23
Infrastructure	-	148,787	73,971	74,816	-	143,485	70,108	73,377
Total Water Supply	53	151,439	74,723	76,769	186	145,956	70,873	75,269
Sewerage Services								
WIP	1,746	-	-	1,746	5,276	-	-	5,276
Plant & Equipment	-	1,288	741	547	-	1,359	809	550
Office Equipment	-	153	88	65	88	-	88	-
Furniture & Fittings	-	-	-	-	-	-	-	-
Land								
- Operational Land	-	2,362	-	2,362	-	2,362	-	2,362
Buildings	-	1,280	376	904	-	1,280	353	927
Other Structures	-	89	37	52	14	-	2	12
Infrastructure	-	337,868	161,295	176,573	-	324,466	152,040	172,426
Total Sewerage Services	1,746	343,040	162,537	182,249	5,378	329,467	153,292	181,553
Domestic Waste Management								
Land								
- Operational Land	-	111	-	111	-	111	-	111
- Improvements - depreciable	-	1,380	239	1,141	1,422	-	220	1,202
Total DWM	-	1,491	239	1,252	1,422	111	220	1,313
TOTAL RESTRICTED I,PP&E	1,799	495,970	237,499	260,270	6,986	475,534	224,385	258,135

Note 9c. Infrastructure, Property, Plant & Equipment - Current Year Impairments

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 financial year ended 30 June 2011

Note 10a. Payables, Borrowings & Provisions

\$ '000	Notes	2011		2010	
		Current	Non Current	Current	Non Current
Payables					
Goods & Services - operating expenditure		3,831	-	4,679	-
Goods & Services - capital expenditure		1,645	-	3,002	-
Payments Received In Advance		6	-	116	-
Accrued Expenses:					
- Other Expenditure Accruals		2,555	-	2,396	-
Advances			-	-	-
Security Bonds, Deposits & Retentions		1,147	270	1,423	510
ATO - Net GST Payable			-	-	-
Contributions to Works		345	1,013	983	128
Trustee Items		93	526	157	416
Other		-	-	42	-
Total Payables		9,622	1,809	12,798	1,054
Borrowings					
Loans - Secured ¹		2,259	42,227	2,209	44,486
Total Borrowings		2,259	42,227	2,209	44,486
Provisions					
Employee Benefits;					
Annual Leave		2,503	-	2,602	-
Long Service Leave		3,757	109	3,694	109
Leave in Lieu		62	-	58	-
Sub Total - Aggregate Employee Benefits		6,322	109	6,354	109
Asset Remediation/Restoration (Future Works)	26	47	3,429	47	2,924
Total Provisions		6,369	3,538	6,401	3,033
Total Payables, Borrowings & Provisions		18,250	47,574	21,408	48,573

(i) Liabilities relating to Restricted Assets

	2011		2010	
	Current	Non Current	Current	Non Current
Externally Restricted Assets				
Domestic Waste Management	124	2	121	1
Water	393	2,409	427	2,539
Sewer	582	8,149	394	8,476
Other	1,977		1,683	-
Liabilities relating to externally restricted assets	3,076	10,560	2,625	11,016
Total Liabilities relating to restricted assets	3,076	10,560	2,625	11,016

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

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

Lismore City Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

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

\$ '000	2011	2010
(ii) Current Liabilities not anticipated to be settled within the next 12 months		
The following Liabilities, even though classified as current, are not expected to be settled in the next 12 months.		
Provisions - Employees Benefits	4,011	4,101
	4,011	4,101

Note 10b. Description of and movements in Provisions

Class of Provision	2010			2011		Closing Balance as at 30/6/11
	Opening Balance as at 1/7/10	Additional Provisions	Decrease due to Payments	Remeasurement effects due to Discounting	Unused amounts reversed	
Annual Leave	2,602	1,308	(1,407)			2,503
Long Service Leave	3,803	455	(392)			3,866
Other Leave	58	224	(220)			62
Asset Remediation	2,971	505				3,476
TOTAL	9,434	2,492	(2,019)	-	-	9,907

a. Employees Leave Entitlements & On-Costs represents those benefits accrued and payable and an estimate of those that will become payable in the future as a result of past service.

b. Asset Remediation, Reinstatement & Restoration Provisions represent the Present Value estimate of future costs Council will incur in order to remove, restore & remediate assets &/or activities as a result of past operations.

Lismore City Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 11. Statement of Cash Flows - Additional Information

\$ '000	Notes	Actual 2011	Actual 2010
(a) Reconciliation of Cash Assets			
Total Cash & Cash Equivalent Assets	6a	31,435	37,988
BALANCE as per the STATEMENT of CASH FLOWS		31,435	37,988
(b) Reconciliation of Net Operating Result to Cash provided from Operating Activities			
Net Operating Result from Income Statement		(6,881)	12,707
Adjust for non cash items:			
Depreciation & Amortisation		23,209	20,368
Net Losses/(Gains) on Disposal of Assets		6,523	(1,024)
Non Cash Capital Grants and Contributions		(2,002)	(1,420)
Losses/(Gains) recognised on Fair Value Re-measurements through the P&L:			
- Investments classified as "@ Fair Value" or "Held for Trading"		(933)	(633)
- Favourable Financial Liabilities (ie. Initial Recognition at Fair Value)		-	(2,510)
Recognition of Richmond Tweed Regional Library (non-cash assets)		-	(4,228)
Unwinding of Discount Rates on Reinstatement Provisions		456	309
+/- Movement in Operating Assets and Liabilities & Other Cash Items:			
Decrease/(Increase) in Receivables		(120)	(4,329)
Decrease/(Increase) in Inventories		(217)	(1,017)
Decrease/(Increase) in Other Assets		37	(22)
Increase/(Decrease) in Payables		(848)	2,513
Increase/(Decrease) in Other Accrued Expenses Payable		159	1,365
Increase/(Decrease) in Other Liabilities		(375)	(306)
Increase/(Decrease) in Employee Leave Entitlements		(32)	1,616
Increase/(Decrease) in Other Provisions		49	97
NET CASH PROVIDED FROM/(USED IN)		19,025	23,486
OPERATING ACTIVITIES from the STATEMENT of CASH FLOWS		19,025	23,486

Lismore City Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

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

\$ '000	Notes	Actual 2011	Actual 2010
(c) Non-Cash Investing & Financing Activities			
Other Dedications		2,002	1,420
Total Non-Cash Investing & Financing Activities		2,002	1,420
(d) Financing Arrangements			
(i) Unrestricted access was available at balance date to the following lines of credit:			
Bank Overdraft Facilities ⁽¹⁾		750	750
Credit Cards / Purchase Cards		85	62
Total Financing Arrangements		835	812

1. The Bank overdraft facility may be drawn at any time and may be terminated by the bank without notice.
Interest rates on overdrafts are Interest Rates on Loans & Other Payables are disclosed in Note 15.

(ii) Secured Loan Liabilities

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

(e) Net Cash Flows Attributable to Discontinued Operations

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

Lismore City Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 12. Commitments for Expenditure

\$ '000	Notes	Actual 2011	Actual 2010
(a) Capital Commitments (exclusive of GST)			
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:			
Property, Plant & Equipment			
Flood Levy Construction		59	59
Total Commitments		59	59
These expenditures are payable as follows:			
Within the next year		59	59
Later than one year and not later than 5 years		-	-
Later than 5 years		-	-
Total Payable		59	59
Sources for Funding of Capital Commitments:			
Unrestricted General Funds		59	59
Total Sources of Funding		59	59
(b) Other Expenditure Commitments (exclusive of GST)			
Other Non Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:			
Audit Services		86	129
Management Contracts for Council Facilities		1,229	175
Parks & Gardens Services		165	349
Security Services		3,114	-
Other		116	-
Total Commitments		4,710	653
These expenditures are payable as follows:			
Within the next year		801	334
Later than one year and not later than 5 years		2,430	319
Later than 5 years		1,479	-
Total Payable		4,710	653

Lismore City Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 12. Commitments for Expenditure (continued)

\$ '000	Notes	Actual 2011	Actual 2010
(c) Finance Lease Commitments			
Nil			
(d) Operating Lease Commitments (Non Cancellable)			
a. Commitments under Non Cancellable Operating Leases at the Reporting date, but not recognised as Liabilities are payable:			
Within the next year		451	645
Later than one year and not later than 5 years		201	566
Later than 5 years		-	-
Total Non Cancellable Operating Lease Commitments		652	1,211

b. Non Cancellable Operating Leases include the following assets:

Motor Vehicles, Heavy Plant, Office Rentals.

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

Lismore City Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 12. Commitments for Expenditure (continued)

\$ '000	Notes	Actual 2011	Actual 2010
(e) Investment Property Commitments			
Nil			
(f) Remuneration Commitments			
Commitments for the payment of salaries & other remuneration under long-term employment contracts in existence at reporting date but not recognised as liabilities are payable:			
Within the next year		332	548
Later than one year and not later than 5 years		655	800
Later than 5 years		-	-
Total Payable		987	1,348

(g) Investment in Associates / Joint Ventures - Commitments

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

Lismore City Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

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

\$ '000	Amounts	Indicator	Prior Periods	
	2011	2011	2010	2009
Local Government Industry Indicators				
1. Unrestricted Current Ratio				
Current Assets less all External Restrictions ⁽¹⁾	<u>23,750</u>	2.13 : 1	1.80	1.39
Current Liabilities less Specific Purpose Liabilities ^(2,3)	<u>11,163</u>			
2. Debt Service Ratio				
Debt Service Cost	<u>5,486</u>	6.96%	5.57%	6.34%
Income from Continuing Operations excluding Capital Items & Specific Purpose Grants/Contributions	<u>78,791</u>			
3. Rates & Annual Charges Coverage Ratio				
Rates & Annual Charges	<u>37,370</u>	39.18%	34.51%	39.01%
Income from Continuing Operations	<u>95,386</u>			
4. Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage				
Rates, Annual & Extra Charges Outstanding	<u>4,391</u>	10.60%	9.96%	8.46%
Rates, Annual & Extra Charges Collectible	<u>41,444</u>			
5. Building & Infrastructure Renewals Ratio				
Asset Renewals ⁽⁴⁾ [Buildings & Infrastructure]	<u>11,704</u>	63.76%	66.43%	65.28%
Depreciation, Amortisation & Impairment (Building & Infrastructure Assets)	<u>18,356</u>			

Notes

(1) Refer Notes 6-8 inclusive.

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

(2) Refer to Note 10(a).

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

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

Lismore City Council

Notes to the Financial Statements
for the financial year ended 30 June 2011

Note 13b. Statement of Performance Measurement - Indicators (by Fund)

\$ '000	Water 2011	Sewer 2011	General ¹ 2011
Local Government Industry Indicators			
1. Unrestricted Current Ratio			
<u>Current Assets less all External Restrictions</u> ⁽¹⁾	6.72 : 1	18.65 : 1	2.13 : 1
Current Liabilities less Specific Purpose Liabilities ^(2,3)			
2. Debt Service Ratio			
<u>Debt Service Cost</u>	3.13%	7.97%	7.25%
Income from Continuing Operations excluding Capital Items & Specific Purpose Grants/Contributions			
3. Rates & Annual Charges Coverage Ratio			
<u>Rates & Annual Charges</u>	26.51%	74.13%	35.71%
Income from Continuing Operations			
4. Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage			
<u>Rates, Annual & Extra Charges Outstanding</u>	19.39%	7.40%	10.73%
Rates, Annual & Extra Charges Collectible			
5. Building & Infrastructure Renewals Ratio			
<u>Asset Renewals⁽⁴⁾ [Buildings & Infrastructure]</u>	72.34%	52.11%	68.72%
Depreciation, Amortisation & Impairment (Building & Infrastructure Assets)			

Notes

⁽¹⁾ General Fund refers to all of Council's activities except for its Water & Sewer activities which are listed separately.

Lismore City Council

Notes to the Financial Statements for the financial year ended 30 June 2011

Note 14. Investment Properties

\$ '000	Notes	Actual 2011	Actual 2010
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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 financial year ended 30 June 2011

Note 15. Financial Risk Management

\$ '000

Risk Management

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

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

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

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

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

	Carrying Value		Fair Value	
	2011	2010	2011	2010
Financial Assets				
Cash and Cash Equivalents	31,435	37,988	31,435	37,988
Investments				
- "Designated At Fair Value on Initial Recognition"	8,440	6,757	8,440	6,757
Receivables	16,057	16,088	16,028	16,088
Total Financial Assets	55,932	60,833	55,903	60,833
Financial Liabilities				
Payables	11,425	13,736	11,200	13,736
Loans / Advances	44,486	46,695	48,765	45,944
Total Financial Liabilities	55,911	60,431	59,965	59,680

Fair Value is determined as follows:

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

Lismore City Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 15. Financial Risk Management (continued)

\$ '000

(a) Fair Value Measurements

The fair value of financial assets and financial liabilities must be estimated in accordance with Accounting Standards for either recognition and measurement requirements or for disclosure purposes.

AASB 7 Financial Instruments: Disclosures, requires the disclosure of how fair valuations have been arrived at for all financial assets and financial liabilities that have been measured at fair value.

Arriving at fair values for financial assets and liabilities can be broken up into 3 distinct measurement hierarchies:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices)

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

The following table presents the financial assets and financial liabilities that have been measured and recognised at fair values:

2011	Level 1	Level 2	Level 3	Total
Financial Assets				
Investments				
- "Designated At Fair Value on Initial Recognition"	5,246		3,194	8,440
Total Financial Assets	5,246	-	3,194	8,440

2010	Level 1	Level 2	Level 3	Total
Financial Assets				
Investments				
- "Designated At Fair Value on Initial Recognition"	1,532	-	5,225	6,757
Total Financial Assets	1,532	-	5,225	6,757

Lismore City Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 15. Financial Risk Management (continued)

\$ '000

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

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

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

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

The major risk associated with Investments is price risk - the risk that the capital value of Investments may fluctuate due to changes in market prices, whether these changes are caused by factors specific to individual financial instruments or their issuers or are caused by factors affecting similar instruments traded in a market.

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

A further risk associated with Cash & Investments is credit risk - the risk that the 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 & Investments.

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.

2011	Increase of Values/Rates		Decrease of Values/Rates	
	Profit	Equity	Profit	Equity
Possible impact of a 10% movement in Market Values	-	844	-	(844)
Possible impact of a 1% movement in Interest Rates	399	-	(399)	-
2010				
Possible impact of a 10% movement in Market Values	-	676	-	(676)
Possible impact of a 1% movement in Interest Rates	447	-	(447)	-

Lismore City Council

Notes to the Financial Statements for the financial year ended 30 June 2011

Note 15. Financial Risk Management (continued)

\$ '000

(c) Receivables

Council's major receivables comprise **(i)** Rates & Annual charges and **(ii)** User Charges & Fees.

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

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

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

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:

	2011	2011	2010	2010
	Rates & Annual Charges	Other Receivables	Rates & Annual Charges	Other Receivables
(i) Ageing of Receivables				
Current (not yet overdue)	-	10,256	-	12,110
Overdue	3,447	2,469	2,833	1,260
	<u>3,447</u>	<u>12,725</u>	<u>2,833</u>	<u>13,370</u>

Lismore City Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 15. Financial Risk Management (continued)

\$ '000

(d) Payables & Borrowings

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

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

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

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

\$ '000	Subject to no maturity	payable in:						Total Cash Outflows	Actual Carrying Values
		≤ 1 Year	1-2 Yrs	2-3 Yrs	3-4 Yrs	4-5 Yrs	> 5 Yrs		
2011									
Trade/Other Payables	11,425	-	-	-	-	-	-	11,425	11,425
Loans & Advances	-	2,410	2,514	5,880	2,758	2,674	31,130	47,366	44,486
Total Financial Liabilities	11,425	2,410	2,514	5,880	2,758	2,674	31,130	58,791	55,911
2010									
Trade/Other Payables	13,736	-	-	-	-	-	-	13,736	13,736
Loans & Advances	-	2,289	2,443	2,517	2,664	2,755	37,053	49,721	46,695
Total Financial Liabilities	13,736	2,289	2,443	2,517	2,664	2,755	37,053	63,457	60,431

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

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

	2011		2010	
	Carrying Value	Average Interest Rate	Carrying Value	Average Interest Rate
Trade/Other Payables	11,425	0.0%	13,736	0.0%
Loans & Advances - Fixed Interest Rate	44,486	6.5%	46,695	6.5%
	<u>55,911</u>		<u>60,431</u>	

Lismore City Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 16. Material Budget Variations

\$ '000

Council's Original Financial Budget for 10/11 was incorporated as part of its Management Plan and was adopted by the Council on 21 June 2011.

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

This Note sets out the details of MATERIAL VARIATIONS between Council's Original Budget and its Actual 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	2011 Budget	2011 Actual	2011 ----- Variance* -----		
REVENUES					
Rates & Annual Charges	36,888	37,370	482	1%	F
User Charges & Fees	23,100	24,262	1,162	5%	F
Interest & Investment Revenue	1,285	3,696	2,411	188%	F
Council's average investment portfolio was higher than budget forecast due to additional funds being received after the preparation of the 2010/11 budget and delays in the commencement of major infrastructure works (e.g Southern Trunk Main). This combined with higher investment returns (5.25% actual v budget 4.1%) and return of funds from revaluation of Council's investments due to improved market conditions has resulted in the variance.					
Other Revenues	5,836	6,534	698	12%	F
Additional income for insurance recovery 40k, masters games 41k, other events 32k and miscellaneous private works 720k. The major work being for the NSW Department of Water for the rehabilitation of the Gundurimba Mission 470k. This has been offset by lower parking fines revenue (30k).					
Operating Grants & Contributions	7,875	16,033	8,158	104%	F
Additional grant funding received: FAGS instalment for 2012 received in advance 1.9million; Splendid project 300k; Natural Disaster road funding 5.1 million, additional ordered works roads funding 1.1 million; Road safety programs 176k and Community service projects 165k					

Lismore City Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 16. Material Budget Variations (continued)

\$ '000	2011 Budget	2011 Actual	2011 ----- Variance* -----		
Capital Grants & Contributions	10,676	7,491	(3,185)	(30%)	U
Cash Contributions were lower than budget with major movement being : Margaret Olley Art Centre (MOA) 1 million. Non cash contributions higher than budget by 1.2 million due to assets being taken on by council from developers. S94 contributions were also above expectations by 500k. Anticipated grants were lower due to: MOA (4million), Nimbin Skate Park (450k) funds received at the end of the 2010 year and Flood levee grant not received (400k).					
Net Gains from Disposal of Assets	398	-	(398)	(100%)	U
Council anticipated gains on disposals of assets however due to the large retirement of assets and the Fair value impact of these disposal the over result was a loss. This could not have been budgeted for.					
Share of Net Profits - Joint Ventures & Associates	-	-	-	0%	F

Lismore City Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 16. Material Budget Variations (continued)

\$ '000	2011 Budget	2011 Actual	2011 Variance*		
EXPENSES					
Employee Benefits & On-Costs	26,277	25,159	1,118	4%	F
Borrowing Costs	3,109	3,662	(553)	(18%)	U
Council borrowing costs are higher than budgeted due to the end of year adjustments required to recognise: Unwinding of Council's remediation provision for the Quarry and Waste facilities 382k and the Net Present Value treatment of Council's 10 year interest free loan received in 2010 - 268k. These are in accordance with Accounting Standards. Council's external interest bearing liabilities are in accordance with budget expectations.					
Materials & Contracts	29,215	39,268	(10,053)	(34%)	U
Additional grant funding was received for: Splendid project 300k; Natural Disaster roads funding of 5.1million, and additional 1.1million for ordered works roads funding; Road safety programs 176k and Community service projects 165k. Legal fees were higher than budgeted by 700k. Increased costs associated with routine road maintenance 300k; Waste disposals costs 500k and increased Quarry production have also increased raw material costs.					
Depreciation & Amortisation	24,981	23,209	1,772	7%	F
Impairment Expenses	-	-	-	0%	F
Other Expenses	3,943	4,446	(503)	(13%)	U
Electricity cost are higher than forecasts by 370k; Council sec 356 donations are above budgets by 35k and annual contribution to NSW Fire and Rescue is higher by 95k due to Council moving to a 24 hrs service from September 2011.					
Net Losses from Disposal of Assets	-	6,523	(6,523)	0%	U
Council decommissioned road assets, bridges and wastewater mains as a result of major upgrades. The fair value of these assets on Council assets register meant that Council had to recognise a loss on disposal. This was not budgeted for. The major loss related to wastewater with the major item being rising main 3 (3.4 Million); roads (2 million); and rural timber bridges (1.2 million).					
Share of Net Losses - Joint Ventures & Associates	-	-	-	0%	F
Operating Result from Discontinued Operations	-	-	-	0%	F

Lismore City Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 16. Material Budget Variations (continued)

\$ '000	2011 Budget	2011 Actual	2011 ----- Variance* -----	
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Budget Variations relating to Council's Cash Flow Statement include:

Cash Flows from Operating Activities	22,764	19,025	(3,739)	(16.4%)	U
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Inflow of cash was greater than budget forecast by 13 million due to increase grants and contributions, user fees and interest return on investments. This has been offset by increased outflow of cash (after GST) required to undertake works. In some cases works were undertaken in advance of grant funds being received. Original budgets were based on revenues being received in the year works were to be completed.

Cash Flows from Investing Activities	(21,282)	(23,369)	(2,087)	9.8%	U
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Cash Flows from Financing Activities	(1,494)	(2,209)	(715)	47.9%	U
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Council budgeted to undertake borrowings of 1million to undertake works in 2011 however in line with Council's overall borrowing strategy for 2011 these works were funded from reserves thus reducing the cashflow from financing activities by 1million.

Lismore City Council

Notes to the Financial Statements
for the financial year ended 30 June 2011

Note 17. Statement of Developer Contributions

\$ '000

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

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

SUMMARY OF CONTRIBUTIONS & LEVIES

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Recreation & Community Facilities	1,496	152	-	186	(51)	-	1,783	968	(1,089)	1,662	-
Car Parking	44	5	-	4	-	-	53	350	(398)	5	-
Strategic Urban Roads	2,627	605	-	274	-	-	3,506	22,473	(22,714)	3,265	-
Rural Fire Services	86	5	-	9	-	-	100	12	(63)	49	-
Footpaths/Cycleways	218	31	-	22	(35)	-	236	241	(368)	109	-
S.E.S.	40	6	-	4	-	-	50	22	(38)	34	-
Nimbin Traffic Management	4	-	-	-	-	-	4	30	(34)	-	-
Rural Roads	1,291	222	-	134	(73)	-	1,574	1,963	(2,616)	921	-
S94 Contributions - under a Plan	5,806	1,026	-	633	(159)	-	7,306	26,059	(27,320)	6,045	-
S94A Levies - under a Plan	-	-	-	-	-	-	-	-	-	-	-
Total S94 Revenue Under Plans	5,806	1,026	-	633	(159)	-	7,306	-	-	-	-
S94 not under Plans	14	-	-	1	-	-	15	-	-	15	-
S93F Planning Agreements	-	-	-	-	-	-	-	-	-	-	-
S64 Contributions	6,790	697	-	358	(697)	-	7,148	-	-	-	-
Total Contributions	12,610	1,723	-	992	(856)	-	14,469	26,059	(27,320)	6,060	-

S94 CONTRIBUTIONS - UNDER A PLAN

Recreation & Community Facilities

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
City Wide	398	59	-	51	-	-	508	610	(967)	151	-
Urban Catchment (West)	-	8	-	1	-	-	9	4	(4)	9	-
- Urban Catchment (East)	617	55	-	77	-	-	749	102	-	851	-
- The Channon & District	1	-	-	-	-	-	1	7	-	8	-
- North East	14	1	-	2	-	-	17	14	(28)	3	-
- Clunes/Bexhill/Eltham	59	-	-	7	-	-	66	-	(54)	12	-
- South West	8	-	-	1	-	-	9	23	(27)	5	-
- South East	3	1	-	-	(4)	-	-	6	(9)	(3)	-
- Residential	218	11	-	26	(20)	-	235	155	-	390	-
- Industrial/Commercial	17	1	-	2	-	-	20	17	-	37	-
Urban Bushland	161	15	-	19	(27)	-	168	30	-	198	-
Other	-	1	-	-	-	-	1	-	-	1	-
Total	1,496	152	-	186	(51)	-	1,783	968	(1,089)	1,662	-

Car Parking

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Lismore CBD	33	-	-	3	-	-	36	19	(67)	(12)	-
Nimbin Village	11	5	-	1	-	-	17	331	(331)	17	-
Total	44	5	-	4	-	-	53	350	(398)	5	-

Lismore City Council

Notes to the Financial Statements
for the financial year ended 30 June 2011

Note 17. Statement of Developer Contributions (continued)

\$ '000

S94 CONTRIBUTIONS - UNDER A PLAN

Strategic Urban Roads

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Residential/Commercial/Industrial	2,627	605		274			3,506	22,473	(22,714)	3,265	
Total	2,627	605	-	274	-	-	3,506	22,473	(22,714)	3,265	-

Rural Fire Services

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
All Areas	86	5		9			100	12	(63)	49	
Total	86	5	-	9	-	-	100	12	(63)	49	-

Footpaths/Cycleways

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Trunk	87	13		9			109	148	(197)	60	
Internal	131	18		13	(35)		127	93	(171)	49	
Total	218	31	-	22	(35)	-	236	241	(368)	109	-

S.E.S.

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
All areas	40	6		4			50	22	(38)	34	
Total	40	6	-	4	-	-	50	22	(38)	34	-

Nimbin Traffic Management

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Residential/Commercial/Industrial	4	-		-			4	30	(34)	-	
Total	4	-	-	-	-	-	4	30	(34)	-	-

Rural Roads

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Rural	1,112	214		114	(73)		1,367	1,905	(2,345)	927	
Village Rural Roads	179	8		20			207	58	(271)	(6)	
Total	1,291	222	-	134	(73)	-	1,574	1,963	(2,616)	921	-

Lismore City Council

Notes to the Financial Statements
for the financial year ended 30 June 2011

Note 17. Statement of Developer Contributions (continued)

\$ '000

S94 CONTRIBUTIONS - NOT UNDER A PLAN

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Drainage	14			1			15				15
Total	14	-	-	1	-	-	15	-	-	15	-

CONTRIBUTION PLAN NUMBER 10 - Section 64

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Water Supplies											
- Urban Reservoir	208	95		11	(95)		219	1,239	(1,458)		-
- Dunoon etc	343			18			361	372	(733)		-
- Clunes	322			17			339	1	(340)		-
- Nimbin & District	106			6			112	109	(221)		-
- Caniaba	(37)						(37)	38	(1)		-
sub total:	942	95	-	52	(95)	-	994	1,759	(2,753)	-	-
Sewer Supplies											
- Lismore	5,605	602		294	(602)		5,899	4,080	(9,979)		-
- Nimbin	243	-		12			255	175	(430)		-
- Caniaba	-						-	17	(17)		-
sub total:	5,848	602	-	306	(602)	-	6,154	4,272	(10,426)	-	-
Total	6,790	697	-	358	(697)	-	7,148	6,031	(13,179)	-	-

Lismore City Council

Notes to the Financial Statements
for the financial year ended 30 June 2011

Note 18. Contingencies & Other Assets/Liabilities Not Recognised

\$ '000

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

LIABILITIES NOT RECOGNISED:**1. Guarantees****(i) Defined Benefit Superannuation Contribution Plans**

Council participates in an employer sponsored Defined Benefit Superannuation Scheme, and makes contributions as determined by the Superannuation Scheme's Trustees.

Member Councils bear responsibility of ensuring there are sufficient funds available to pay out the required benefits as they fall due.

The Schemes most recent full actuarial review indicated that the Net Assets of the Scheme were not sufficient to meet the accrued benefits of the Schemes Defined Benefit member category with member Councils required to make significantly higher contributions from 2009/10 & beyond.

The Local Government Superannuation Scheme however is unable to provide Council with an accurate estimate of its share of the net deficit and accordingly Council has not recorded any net liability from it's Defined Benefit Scheme obligations in accordance with AASB 119.

Future contributions made to the defined benefit scheme to rectify the net deficit position will be recognised as an expense when they become payable - similar to the accounting for Defined Contributions Plans.

(ii) Statewide Limited

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

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

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

(iii) StateCover Limited

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

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

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) Sporting Club Guarantee

Council acts as guarantor for a local sporting club. In the event of default, Council's liability is a maximum of \$120,000.

Lismore City Council

Notes to the Financial Statements
for the financial year ended 30 June 2011

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

\$ '000

LIABILITIES NOT RECOGNISED (continued):**1. Guarantees** (continued)**(v) Other Guarantees**

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

2. Other Liabilities**(i) Third Party Claims**

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

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

(ii) 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.

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

(iii) S94 Plans

Council levies Section 94 Contributions upon various development across the Council area through the required Contributions Plans.

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

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

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

(iv) Potential Land Acquisitions due to Planning Restrictions imposed by Council

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

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

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

(v) Richmond - Tweed Regional Library

Lismore City Council has separate agreements with Ballina Shire Council, Byron Shire Council and Tweed Shire Council to operate a regional library service known as the Richmond Tweed Regional Library.

Lismore City Council

Notes to the Financial Statements for the financial year ended 30 June 2011

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

\$ '000

LIABILITIES NOT RECOGNISED (continued):

(v) Richmond - Tweed Regional Library (continued)

Lismore City Council is the 'Executive Council' for the regional library service and all financial reporting for Richmond Tweed Regional Library is consolidated into Council's financial statements.

In the event Council withdrew from the regional library service, its share of regional library assets and liabilities would be determined by the NSW State Library.

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 Infringement Processing Bureau.

Councils Revenue Recognition policy for such income is to account for it as revenue on receipt.

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

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

Lismore City Council

Notes to the Financial Statements for the financial year ended 30 June 2011

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

\$ '000

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

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

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

Subsidiaries

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

Note 19(a)

Associated Entities & Joint Venture Entities

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

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

Joint Venture Operations

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

Note 19(c)

Subsidiaries, Associated Entities and Joint Ventures Not Recognised

Note 19(d)

Lismore City Council

Notes to the Financial Statements
for the financial year ended 30 June 2011

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

\$ '000

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

Council has no interest in any Subsidiaries.

19(b) Associated Entities & Joint Venture Entities

(i) ASSOCIATED ENTITIES

Council has no interest in any Associated Entities.

19(c) Joint Venture Operations

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

Name of Operation	Principal Activity	Councils Interests in Outputs of JV
Blue Hills Residential Estate	Development & Sale of Land	50%
North East Weight of Loads Group	Reducing damage to Council Roads	15%

(b) Council Assets employed in the Joint Venture Operation

1. Blue Hills Residential Estate

Councils own assets employed in the Operation

Current Assets:

Receivables	2	9
Inventories	36	10

Non-Current Assets

Other	9	6
Total Net Assets - Council Owned	38	19

2. North East Weight of Loads Group

Councils share of assets jointly owned with other partners

Current Assets	43	40
Current Liabilities	(19)	(19)
Property, Plant & Equipment	15	19
Total Net Assets - Council Shared	39	40

Total Net Assets Employed - Council & Jointly Owned

77	59
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19(d) Subsidiaries, Associated Entities & Joint Venture Operations Not Recognised

All Subsidiaries, Associated Entities & Joint Ventures have been recognised in this Financial Report as required.

Lismore City Council

Notes to the Financial Statements
for the financial year ended 30 June 2011

Note 20. Equity - Retained Earnings and Revaluation Reserves

\$ '000	Notes	Actual 2011	Actual 2010
a. Retained Earnings			
Movements in Retained Earnings were as follows:			
Balance at beginning of Year (from previous years audited accounts)		621,008	455,857
a. Correction of Prior Period Errors	20 (c)	-	152,444
b. Changes in Accounting Policies (prior period effects)	20 (d)	-	-
c. Other Comprehensive Income (excl. direct to Reserves transactions)		-	-
d. Net Operating Result for the Year		(6,881)	12,707
e. Distributions to/(Contributions from) Minority Interests		-	-
f. Transfers between Equity		2,604	-
g. Other Changes (disclosure required)		-	-
Balance at End of the Reporting Period		<u><u>616,731</u></u>	<u><u>621,008</u></u>

b. Reserves**(i) Reserves are represented by:**

- Infrastructure, Property, Plant & Equipment Revaluation Reserve	429,950	370,090
- "Available for Sale" Financial Investments Revaluation Reserve	-	-
- Other Reserves (Specify)	-	-
Total	<u><u>429,950</u></u>	<u><u>370,090</u></u>

(ii) Reconciliation of movements in Reserves:

Infrastructure, Property, Plant & Equipment Revaluation Reserve		
- Opening Balance	370,090	195,885
- Revaluations for the year	62,464	174,205
- Transfer to Retained Earnings for Asset disposals	(2,604)	-
- Balance at End of Year	<u><u>429,950</u></u>	<u><u>370,090</u></u>
TOTAL VALUE OF RESERVES	<u><u>429,950</u></u>	<u><u>370,090</u></u>

(iii) Nature & Purpose of Reserves

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

Lismore City Council

Notes to the Financial Statements
for the financial year ended 30 June 2011

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

\$ '000	Notes	Actual 2011	Actual 2010
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c. Correction of Error/s relating to a Previous Reporting Period

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

d. Voluntary Changes in Accounting Policies

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

Lismore City Council

Notes to the Financial Statements

for the financial year ended 30 June 2011

Note 21. Financial Result & Financial Position by Fund

Income Statement by Fund \$ '000	Actual 2011	Actual 2011	Actual 2011	Actual 2011
Continuing Operations	Other	Water	Sewer	General¹
Income from Continuing Operations				
Rates & Annual Charges		2,336	8,406	26,628
User Charges & Fees		5,761	194	18,791
Interest & Investment Revenue		196	1,520	1,980
Other Revenues		86	52	6,396
Grants & Contributions provided for Operating Purposes		129	122	15,782
Grants & Contributions provided for Capital Purposes		305	1,046	6,140
Other Income				
Net Gains from Disposal of Assets		-	-	-
Share of interests in Joint Ventures & Associates using the Equity Method				-
Total Income from Continuing Operations	-	8,813	11,340	75,717
Expenses from Continuing Operations				
Employee Benefits & on-costs		1,252	1,825	22,082
Borrowing Costs		200	658	2,804
Materials & Contracts		1,775	3,235	30,553
Depreciation & Amortisation		2,604	6,157	14,448
Impairment				-
Other Expenses		4,269	373	3,993
Interest & Investment Losses				-
Net Losses from the Disposal of Assets		261	3,432	2,830
Share of interests in Joint Ventures & Associates using the Equity Method				-
Total Expenses from Continuing Operations	-	10,361	15,680	76,710
Operating Result from Continuing Operations	-	(1,548)	(4,340)	(993)
Discontinued Operations				
Net Profit/(Loss) from Discontinued Operations		-	-	-
Net Operating Result for the Year	-	(1,548)	(4,340)	(993)
Net Operating Result attributable to each Council Fund	-	(1,548)	(4,340)	(993)
Net Operating Result attributable to Minority Interests	-	-	-	-
Net Operating Result for the year before Grants and Contributions provided for Capital Purposes	-	(1,853)	(5,386)	(7,133)

¹ General Fund refers to all Council's activities other than Water, Sewer & Other

* Other represents ADD DESCRIPTION HERE...

NB. All amounts disclosed above are Gross - that is, they include internal charges & recoveries made between the Funds.

Lismore City Council

Notes to the Financial Statements

as at 30 June 2011

Note 21. Financial Result & Financial Position by Fund

Balance Sheet by Fund \$ '000	Actual 2011	Actual 2011	Actual 2011	Actual 2011
ASSETS	Other	Water	Sewer	General¹
Current Assets				
Cash & Cash Equivalents		1,476	16,237	13,722
Investments		-	-	614
Receivables		1,864	558	11,758
Inventories		297	211	6,432
Other		-	-	7
Total Current Assets	-	3,637	17,006	32,533
Non-Current Assets				
Investments		391	3,913	3,522
Receivables		551	144	1,182
Inventories		-	-	-
Infrastructure, Property, Plant & Equipment		76,769	182,249	789,683
Intangible Assets		-	-	925
Total Non-Current Assets	-	77,711	186,306	795,312
TOTAL ASSETS	-	81,348	203,312	827,845
LIABILITIES				
Current Liabilities				
Payables		85	130	9,407
Borrowings		70	174	2,015
Provisions		238	278	5,853
Total Current Liabilities	-	393	582	17,275
Non-Current Liabilities				
Payables		-	-	1,809
Borrowings		2,403	8,140	31,684
Provisions		6	9	3,523
Total Non-Current Liabilities	-	2,409	8,149	37,016
TOTAL LIABILITIES	-	2,802	8,731	54,291
Net Assets	-	78,546	194,581	773,554
EQUITY				
Retained Earnings		24,349	61,856	530,526
Revaluation Reserves		54,197	132,725	243,028
Council Equity Interest		-	78,546	773,554
Minority Interests		-	-	-
Total Equity	-	78,546	194,581	773,554

¹ General Fund refers to all Council's activities other than Water, Sewer & Other

* Other represents ADD DESCRIPTION HERE...

NB. All amounts disclosed above are Gross - that is, they include internal receivables & payables between the Funds.

Lismore City Council

Notes to the Financial Statements for the financial year ended 30 June 2011

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

\$ '000	2011		2010	
	Current	Non Current	Current	Non Current

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

Note 23. Events occurring after Balance Sheet Date

Events that occur after the reporting date of 30 June 2011, up to and including the date when the financial statements are "authorised for issue" have been taken into account in preparing these statements.

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

Accordingly, the "authorised for issue" date is 27/10/11.

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

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

These financial statements (and the figures therein) incorporate all "adjusting events" that provided evidence of conditions that existed at 30 June 2011.

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

These financial statements (and figures therein) do not incorporate any "non adjusting events" that have occurred after 30 June 2011 and which are only indicative of conditions that arose after 30 June 2011.

Council is unaware of any material or significant "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 financial year ended 30 June 2011

Note 25. Intangible Assets

 \$ '000

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

	Actual 2011 Carrying Amount	Actual 2010 Carrying Amount
Intangible Assets are as follows;		
Opening Values:		
Gross Book Value (1/7)	1,220	1,220
Accumulated Amortisation & Impairment	(328)	(204)
Net Book Value - Opening Balance	892	1,016
Movements for the year		
- Amortisation charges	(162)	(124)
Closing Values:		
Gross Book Value (30/6)	1,415	1,220
Accumulated Amortisation & Impairment	(490)	(328)
<u>TOTAL INTANGIBLE ASSETS - NET BOOK VALUE</u> ¹	<u>925</u>	<u>892</u>

¹ The Net Book Value of Intangible Assets represent:

- Software	925	892
	<u>925</u>	<u>892</u>

Lismore City Council

Notes to the Financial Statements
for the financial year ended 30 June 2011

Note 26. Reinstatement, Rehabilitation & 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	
		2011	2010
Quarry Operations	2041	1,141	862
Tip Operations	2013	2,335	2,109
Balance at End of the Reporting Period	10	<u>3,476</u>	<u>2,971</u>

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

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

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

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

- existing technology
- current prices
- anticipated remediation works based upon EPA Guidelines

Reconciliation of movement in Provision for year:

Balance at beginning of year	2,971	2,565
Amounts capitalised to new or existing assets:		
Effect of a change in discount rates used in PV calculations	73	36
Effect of a change in other calculation estimates used	49	97
Amortisation of discount (expensed to borrowing costs)	383	273
Total - Reinstatement, rehabilitation and restoration provision	<u>3,476</u>	<u>2,971</u>

Amount of Expected Reimbursements

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

Lismore City Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2011

*“To work with the community to maintain Lismore as
the regional centre in a healthy rural setting”*



Lismore City Council

Special Purpose Financial Statements for the financial year ended 30 June 2011

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Background

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

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

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

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

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

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



Thomas Noble & Russell

Accountants | Auditors | Business Advisers

**LISMORE CITY COUNCIL
SPECIAL PURPOSE FINANCIAL STATEMENTS
INDEPENDENT AUDIT 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 balance sheet as at 30 June 2011, 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 of the financial statements and has determined that the basis of preparation described in Note 1 to the financial statements is appropriate to satisfy the requirements of the Local Government Act 1993 and meet the needs of the NSW Division of Local Government. The Council's responsibility also includes such internal control as the Council determines is necessary to enable the preparation 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 of the financial statements that gives a true and fair view 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.



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 year ended 30 June 2011 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.

Independence

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

Audit Opinion

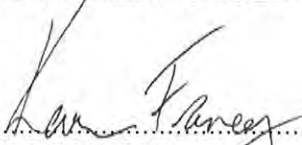
In our opinion the special purpose statements report of Lismore City Council:

- i) 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;
 - a) are consistent with the Council's accounting records;
 - b) presents fairly, in all material respects, the financial position of Council's nominated Business Activities as at 30 June 2011 and the results of their operations for the year then ended;
- ii) all information relevant to the conduct of the audit has been obtained; and
- iii) 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 requirements of the NSW Division of Local Government. As a result, the financial statements may not be suitable for another purpose.

THOMAS NOBLE & RUSSELL CHARTERED ACCOUNTANTS


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

Dated at Lismore this 27th day of October 2011.

Lismore City Council

Special Purpose Financial Statements for the financial year ended 30 June 2011

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

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

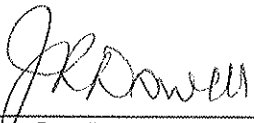
- The NSW Government Policy Statement "Application of National Competition Policy to Local Government"
- The Division of Local Government Guidelines "Pricing & Costing for Council Businesses - A Guide to Competitive Neutrality"
- The Local Government Code of Accounting Practice and Financial Reporting.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

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

- Present fairly the Operating Result and Financial Position for each of Council's declared Business Activities for the year, and
- Accord with Council's accounting and other records.

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

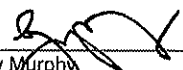
Signed in accordance with a resolution of Council made on 27 October 2011.



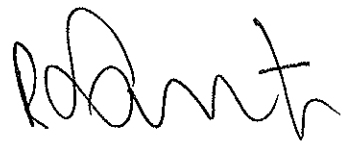
Jenny Dowell
MAYOR



COUNCILLOR



Gary Murphy
GENERAL MANAGER



Rino Santin
RESPONSIBLE ACCOUNTING OFFICER

Lismore City Council

Income Statement of Council's Water Supply Business Activity

for the financial year ended 30 June 2011

\$ '000	Actual 2011	Actual 2010	Actual 2009
Income from continuing operations			
Access charges	2,336	1,839	1,313
User charges	5,761	5,990	5,252
Interest	196	101	8
Grants and contributions provided for non capital purposes	129	127	165
Other income	86	90	-
Total income from continuing operations	8,508	8,147	6,738
Expenses from continuing operations			
Employee benefits and on-costs	1,252	1,251	1,075
Borrowing costs	200	71	26
Materials and contracts	1,775	1,582	1,766
Depreciation and impairment	2,604	2,533	2,502
Water purchase charges	4,189	3,643	3,139
Loss on sale of assets	261	281	102
Calculated taxation equivalents	-	-	48
Debt guarantee fee (if applicable)	74	76	30
Other expenses	80	14	9
Total expenses from continuing operations	10,435	9,451	8,697
Surplus (deficit) from Continuing Operations before capital amounts	(1,927)	(1,304)	(1,959)
Grants and contributions provided for capital purposes	305	352	480
Surplus (deficit) from Continuing Operations after capital amounts	(1,622)	(952)	(1,479)
Surplus (deficit) from discontinued operations	-	-	-
Surplus (deficit) from ALL Operations before tax	(1,622)	(952)	(1,479)
less: Corporate Taxation Equivalent (30%) [based on result before capital]	-	-	-
SURPLUS (DEFICIT) AFTER TAX	(1,622)	(952)	(1,479)
plus Opening Retained Profits	25,894	26,778	28,762
plus/less: Prior Period Adjustments	-	-	(575)
plus/less: Other Adjustments	13	-	-
plus Adjustments for amounts unpaid:			
- Taxation equivalent payments	-	-	48
- Debt guarantee fees	74	76	30
- Corporate taxation equivalent	-	-	-
less:			
- Tax Equivalent Dividend paid	(10)	(8)	(8)
- Surplus dividend paid	-	-	-
Closing Retained Profits	24,349	25,894	26,778
Return on Capital %	-2.2%	-1.6%	-2.6%
Subsidy from Council	N/a	N/a	N/a
Calculation of dividend payable:			
Surplus (deficit) after tax	(1,622)	(952)	(1,479)
less: Capital grants and contributions (excluding developer contributions)	(210)	(152)	(290)
Surplus for dividend calculation purposes	-	-	-
Potential Dividend calculated from surplus	-	-	-

Lismore City Council

Income Statement of Council's Sewerage Business Activity

for the financial year ended 30 June 2011

\$ '000	Actual 2011	Actual 2010	Actual 2009
Income from continuing operations			
Access charges	8,406	7,454	6,344
User charges	194	25	111
Interest	1,520	3,313	(653)
Grants and contributions provided for non capital purposes	122	124	123
Other income	52	45	22
Total income from continuing operations	10,294	10,961	5,947
Expenses from continuing operations			
Employee benefits and on-costs	1,825	1,841	1,624
Borrowing costs	658	209	124
Materials and contracts	3,235	2,818	2,544
Depreciation and impairment	6,157	5,973	5,777
Loss on sale of assets	3,432	140	256
Calculated taxation equivalents	-	-	72
Debt guarantee fee (if applicable)	145	149	67
Other expenses	373	170	113
Total expenses from continuing operations	15,825	11,300	10,577
Surplus (deficit) from Continuing Operations before capital amounts	(5,531)	(339)	(4,630)
Grants and contributions provided for capital purposes	1,046	898	1,131
Surplus (deficit) from Continuing Operations after capital amounts	(4,485)	559	(3,499)
Surplus (deficit) from discontinued operations	-	-	-
Surplus (deficit) from ALL Operations before tax	(4,485)	559	(3,499)
less: Corporate Taxation Equivalent (30%) [based on result before capital]	-	-	-
SURPLUS (DEFICIT) AFTER TAX	(4,485)	559	(3,499)
plus Opening Retained Profits	64,914	64,232	67,041
plus/less: Prior Period Adjustments	-	-	575
plus/less: Other Adjustments	1,314	-	-
plus Adjustments for amounts unpaid:			
- Taxation equivalent payments	-	-	72
- Debt guarantee fees	145	149	67
- Corporate taxation equivalent	-	-	-
less:			
- Tax Equivalent Dividend paid	(32)	(26)	(24)
- Surplus dividend paid	-	-	-
Closing Retained Profits	61,856	64,914	64,232
Return on Capital %	-2.7%	-0.1%	-2.6%
Subsidy from Council	N/a	N/a	N/a
Calculation of dividend payable:			
Surplus (deficit) after tax	(4,485)	559	(3,499)
less: Capital grants and contributions (excluding developer contributions)	(444)	(578)	(627)
Surplus for dividend calculation purposes	-	-	-
Potential Dividend calculated from surplus	-	-	-

Lismore City Council

Income Statement of Council's Other Business Activities

for the financial year ended 30 June 2011

\$ '000	Quarry		Waste Collection	
	Actual 2011	Actual 2010	Actual 2011	Actual 2010
Income from continuing operations				
Access charges	-	-	124	59
User charges	12,899	11,147	3,508	3,219
Interest	4	6	57	36
Grants and contributions provided for non capital purposes	182	150	83	87
Other income	72	72	-	-
Total income from continuing operations	13,157	11,375	3,772	3,401
Expenses from continuing operations				
Employee benefits and on-costs	990	646	720	609
Borrowing costs	572	320	41	46
Materials and contracts	11,046	9,808	3,178	2,696
Depreciation and impairment	44	280	-	-
Calculated taxation equivalents	91	73	35	30
Debt guarantee fee (if applicable)	49	55	18	20
Other expenses	132	106	-	-
Total expenses from continuing operations	12,924	11,288	3,992	3,401
Surplus (deficit) from Continuing Operations before capital amounts	233	87	(220)	-
Grants and contributions provided for capital purposes	-	-	-	-
Surplus (deficit) from Continuing Operations after capital amounts	233	87	(220)	-
Surplus (deficit) from discontinued operations	-	-	-	-
Surplus (deficit) from ALL Operations before tax	233	87	(220)	-
less: Corporate Taxation Equivalent (30%) [based on result before capital]	(70)	(26)	-	-
SURPLUS (DEFICIT) AFTER TAX	163	61	(220)	-
plus Opening Retained Profits	2,046	2,309	(469)	(208)
plus/less: Prior Period Adjustments	-	-	-	-
plus/less: Other Adjustments	727	-	-	-
plus Adjustments for amounts unpaid:				
- Taxation equivalent payments	91	73	35	30
- Debt guarantee fees	49	55	18	20
- Corporate taxation equivalent	70	26	-	-
add:				
- Subsidy Paid/Contribution To Operations	-	(83)	-	(161)
less:				
- TER dividend paid	-	-	-	-
- Dividend paid	(487)	(395)	-	(150)
Closing Retained Profits	2,659	2,046	(636)	(469)
Return on Capital %	26.3%	8.3%	n/a	n/a
Subsidy from Council	-	-	179	-

Lismore City Council

Income Statement of Council's Other Business Activities

for the financial year ended 30 June 2011

\$ '000	Waste Disposal		Koala Child Care Centre	
	Actual 2011	Actual 2010	Actual 2011	Actual 2010
Income from continuing operations				
User charges	4,316	3,982	173	246
Interest	-	24	-	-
Grants and contributions provided for non capital purposes	165	97	159	198
Other income	929	733	-	-
Total income from continuing operations	5,410	4,836	332	444
Expenses from continuing operations				
Employee benefits and on-costs	742	666	407	396
Borrowing costs	354	255	-	-
Materials and contracts	3,382	3,061	76	85
Depreciation and impairment	351	270	11	11
Calculated taxation equivalents	59	56	-	-
Debt guarantee fee (if applicable)	28	29	-	-
Other expenses	20	14	5	5
Total expenses from continuing operations	4,936	4,351	499	497
Surplus (deficit) from Continuing Operations before capital amounts	474	485	(167)	(53)
Grants and contributions provided for capital purposes	-	-	-	-
Surplus (deficit) from Continuing Operations after capital amounts	474	485	(167)	(53)
Surplus (deficit) from discontinued operations	-	-	-	-
Surplus (deficit) from ALL Operations before tax	474	485	(167)	(53)
less: Corporate Taxation Equivalent (30%) [based on result before capital]	(142)	(146)	-	-
SURPLUS (DEFICIT) AFTER TAX	332	340	(167)	(53)
plus Opening Retained Profits	3,395	2,933	311	326
plus Adjustments for amounts unpaid:				
- Taxation equivalent payments	59	56	-	-
- Debt guarantee fees	28	29	-	-
- Corporate taxation equivalent	142	146	-	-
add:				
- Subsidy Paid/Contribution To Operations	(45)	(54)	(144)	38
- Loan Repayment Crem		46		-
less:				
- Dividend paid	(170)	(100)	-	-
Closing Retained Profits	3,741	3,395	-	311
Return on Capital %	15.3%	12.9%	n/a	-12.5%
Subsidy from Council	-	-	167	75

Lismore City Council

Income Statement of Council's Other Business Activities

for the financial year ended 30 June 2011

\$ '000	Lismore Memorial Gardens		Properties Held for Public Benefit (Commercial Properties)	
	Actual 2011	Actual 2010	Actual 2011	Actual 2010
Income from continuing operations				
User charges	494	538	-	-
Interest	-	3	-	2
Other income	-	-	204	215
Total income from continuing operations	494	541	204	217
Expenses from continuing operations				
Employee benefits and on-costs	182	157	14	34
Borrowing costs	38	38	-	-
Materials and contracts	179	242	148	133
Depreciation and impairment	47	33	107	106
Calculated taxation equivalents	13	4	-	-
Debt guarantee fee (if applicable)	11	12	25	24
Other expenses	9	9	3	3
Total expenses from continuing operations	479	495	297	300
Surplus (deficit) from Continuing Operations before capital amounts	15	46	(93)	(83)
Grants and contributions provided for capital purposes	-	-	-	-
Surplus (deficit) from Continuing Operations after capital amounts	15	46	(93)	(83)
Surplus (deficit) from discontinued operations	-	-	-	-
Surplus (deficit) from ALL Operations before tax	15	46	(93)	(83)
less: Corporate Taxation Equivalent (30%) [based on result before capital]	(5)	(14)	-	-
SURPLUS (DEFICIT) AFTER TAX	11	32	(93)	(83)
plus Opening Retained Profits	1,453	1,272	1,416	1,456
plus/less: Prior Period Adjustments	-	-	-	-
plus/less: Other Adjustments	46	-	-	-
plus Adjustments for amounts unpaid:				
- Taxation equivalent payments	13	4	-	-
- Debt guarantee fees	11	12	25	24
- Corporate taxation equivalent	5	14	-	-
add:				
- Subsidy Paid/Contribution To Operations	-	165	-	19
less:				
- TER dividend paid	-	-	-	-
- Repayment of internal loan Waste Disposal	-	(46)	-	-
- Dividend paid	-	-	-	-
Closing Retained Profits	1,538	1,453	1,348	1,416
Return on Capital %	2.6%	4.0%	-3.5%	-3.0%
Subsidy from Council	53	22	231	224

Lismore City Council

Income Statement of Council's Other Business Activities

for the financial year ended 30 June 2011

\$ '000	Goonellabah Sports & Aquatic Centre		Real Estate	
	Actual 2011	Actual 2010	Actual 2011	Actual 2010
Income from continuing operations				
Fees	1,205	-	-	-
Profit from the sale of assets	-	-	57	804
Other income	2	8,881	-	-
Total income from continuing operations	1,207	8,881	57	804
Expenses from continuing operations				
Employee benefits and on-costs	130	96	-	-
Borrowing costs	688	691	-	-
Materials and contracts	1,632	1,313	295	292
Depreciation and impairment	627	158	-	-
Calculated taxation equivalents	46	45	-	-
Debt guarantee fee (if applicable)	294	305	232	232
Other expenses	148	180	-	-
Total expenses from continuing operations	3,565	2,788	527	524
Surplus (deficit) from Continuing Operations before capital amounts	(2,358)	6,093	(470)	280
Grants and contributions provided for capital purposes	-	-	-	-
Surplus (deficit) from Continuing Operations after capital amounts	(2,358)	6,093	(470)	280
Surplus (deficit) from discontinued operations	-	-	-	-
Surplus (deficit) from ALL Operations before tax	(2,358)	6,093	(470)	280
less: Corporate Taxation Equivalent (30%) [based on result before capital]	-	(1,828)	-	(84)
SURPLUS (DEFICIT) AFTER TAX	(2,358)	4,265	(470)	196
plus Opening Retained Profits	6,443	-	1,416	904
plus/less: Prior Period Adjustments	-	-	-	-
plus Adjustments for amounts unpaid:				
- Taxation equivalent payments	46	45	-	-
- Debt guarantee fees	294	305	232	232
- Corporate taxation equivalent	-	1,828	-	84
add:				
- Subsidy Paid/Contribution To Operations	1,753	-	-	-
less:				
- TER dividend paid	-	-	-	-
- Dividend paid	-	-	-	-
Closing Retained Profits	6,178	6,443	1,178	1,416
Return on Capital %	-10.4%	40.8%	n/a	n/a
Subsidy from Council	1,670	-	470	-

Lismore City Council

Balance Sheet of Council's Water Supply Business Activity
as at 30 June 2011

\$ '000	Actual 2011	Actual 2010
ASSETS		
Current Assets		
Cash and cash equivalents	1,476	-
Investments	-	2,203
Receivables	1,864	1,605
Inventories	297	250
Total Current Assets	3,637	4,058
Non-Current Assets		
Investments	391	943
Receivables	551	456
Infrastructure, property, plant and equipment	76,769	75,269
Total non-Current Assets	77,711	76,668
TOTAL ASSETS	81,348	80,726
LIABILITIES		
Current Liabilities		
Payables	85	60
Interest bearing liabilities	70	102
Provisions	238	365
Total Current Liabilities	393	527
Non-Current Liabilities		
Interest bearing liabilities	2,403	2,437
Provisions	6	2
Total Non-Current Liabilities	2,409	2,439
TOTAL LIABILITIES	2,802	2,966
NET ASSETS	78,546	77,760
EQUITY		
Retained earnings	24,349	25,894
Revaluation reserves	54,197	51,866
Council equity interest	78,546	77,760
Minority equity interest	-	-
TOTAL EQUITY	78,546	77,760

Lismore City Council

Balance Sheet of Council's Sewerage Business Activity
as at 30 June 2011

\$ '000	Actual 2011	Actual 2010
ASSETS		
Current Assets		
Cash and cash equivalents	16,237	15,274
Receivables	558	382
Inventories	211	199
Total Current Assets	17,006	15,855
Non-Current Assets		
Investments	3,913	4,853
Receivables	144	115
Infrastructure, property, plant and equipment	182,249	181,553
Total non-Current Assets	186,306	186,521
TOTAL ASSETS	203,312	202,376
LIABILITIES		
Current Liabilities		
Payables	130	112
Interest bearing liabilities	174	234
Provisions	278	279
Total Current Liabilities	582	625
Non-Current Liabilities		
Interest bearing liabilities	8,140	8,242
Provisions	9	3
Total Non-Current Liabilities	8,149	8,245
TOTAL LIABILITIES	8,731	8,870
NET ASSETS	194,581	193,506
EQUITY		
Retained earnings	61,856	64,914
Revaluation reserves	132,725	128,592
Council equity interest	194,581	193,506
Minority equity interest	-	-
TOTAL EQUITY	194,581	193,506

Lismore City Council

Balance Sheet of Council's Other Business Activities

as at 30 June 2011

\$ '000	Quarry		Waste Collection	
	Category 1		Category 2	
	Actual 2011	Actual 2010	Actual 2011	Actual 2010
ASSETS				
Current Assets				
Investments	38	36	-	165
Receivables	2,235	66	80	156
Inventories	2,771	2,449	-	-
Total Current Assets	5,044	2,551	80	321
Non-Current Assets				
Receivables	78	133	-	-
Infrastructure, property, plant and equipment	3,065	4,888	-	-
Total Non-Current Assets	3,143	5,021	-	-
TOTAL ASSETS	8,187	7,572	80	321
LIABILITIES				
Current Liabilities				
Interest bearing liabilities	29	205	80	76
Provisions	187	186	140	137
Total Current Liabilities	216	391	220	213
Non-Current Liabilities				
Interest bearing liabilities	259	1,641	494	575
Provisions	1,097	818	2	2
Other Liabilities	3,956	2,676	-	-
Total Non-Current Liabilities	5,312	5,135	496	577
TOTAL LIABILITIES	5,528	5,526	716	790
NET ASSETS	2,659	2,046	(636)	(469)
EQUITY				
Retained earnings	2,659	2,046	(636)	(469)
Revaluation reserves	-	-	-	-
Council equity interest	2,659	2,046	(636)	(469)
Minority equity interest	-	-	-	-
TOTAL EQUITY	2,659	2,046	(636)	(469)

Lismore City Council

Balance Sheet of Council's Other Business Activities

as at 30 June 2011

\$ '000	Waste Disposal		Koala Child Care Centre	
	Category 2		Category 2	
	Actual 2011	Actual 2010	Actual 2011	Actual 2010
ASSETS				
Current Assets				
Investments	435	26	-	30
Receivables	54	7	-	-
Total Current Assets	489	33	-	30
Non-Current Assets				
Receivables	1,605	1,218	-	-
Infrastructure, property, plant and equipment	5,415	5,718	-	424
Total Non-Current Assets	7,020	6,936	-	424
TOTAL ASSETS	7,509	6,969	-	454
LIABILITIES				
Current Liabilities				
Interest bearing liabilities	49	46	-	-
Provisions	110	98	-	78
Total Current Liabilities	159	144	-	78
Non-Current Liabilities				
Interest bearing liabilities	888	936	-	-
Provisions	2,337	2,110	-	2
Total Non-Current Liabilities	3,225	3,046	-	2
TOTAL LIABILITIES	3,384	3,190	-	80
NET ASSETS	4,125	3,779	-	374
EQUITY				
Retained earnings	3,741	3,395	-	311
Revaluation reserves	384	384	-	63
Council equity interest	4,125	3,779	-	374
Minority equity interest	-	-	-	-
TOTAL EQUITY	4,125	3,779	-	374

Lismore City Council

Balance Sheet of Council's Other Business Activities

as at 30 June 2011

	Lismore Memorial Gardens		Properties Held for Public Benefit (Commercial Properties)	
	Category 2		Category 2	
\$ '000	Actual 2011	Actual 2010	Actual 2011	Actual 2010
ASSETS				
Current Assets				
Investments	251	159	124	120
Receivables	-	-	91	70
Total Current Assets	251	159	215	190
Non-Current Assets				
Infrastructure, property, plant and equipment	2,041	2,081	2,655	2,761
Total Non-Current Assets	2,041	2,081	2,655	2,761
TOTAL ASSETS	2,292	2,240	2,870	2,951
LIABILITIES				
Current Liabilities				
Payables	10	43	-	-
Interest bearing liabilities	16	14	-	-
Provisions	120	131	-	13
Total Current Liabilities	146	188	-	13
Non-Current Liabilities				
Payables	26	-	-	-
Interest bearing liabilities	360	377	-	-
Provisions	2	2	-	-
Total Non-Current Liabilities	388	379	-	-
TOTAL LIABILITIES	534	567	-	13
NET ASSETS	1,758	1,673	2,870	2,938
EQUITY				
Retained earnings	1,538	1,453	1,348	1,416
Revaluation reserves	220	220	1,522	1,522
Council equity interest	1,758	1,673	2,870	2,938
Minority equity interest	-	-	-	-
TOTAL EQUITY	1,758	1,673	2,870	2,938

Lismore City Council

Balance Sheet of Council's Other Business Activities

as at 30 June 2011

	Goonellabah Sports & Aquatic Centre Category 2		Real Estate Category 2	
	Actual 2011	Actual 2010	Actual 2011	Actual 2010
\$ '000				
ASSETS				
Current Assets				
Receivables	-	-	638	588
Total Current Assets	-	-	638	588
Non-Current Assets				
Receivables	-	-	141	218
Inventories	-	-	2,897	2,893
Infrastructure, property, plant and equipment	15,990	16,617	-	-
Total Non-Current Assets	15,990	16,617	3,038	3,111
TOTAL ASSETS	15,990	16,617	3,676	3,699
LIABILITIES				
Current Liabilities				
Payables	-	-	278	63
Interest bearing liabilities	386	10,174	2,220	2,220
Total Current Liabilities	386	10,174	2,498	2,283
Non-Current Liabilities				
Interest bearing liabilities	9,426	-	-	-
Total Non-Current Liabilities	9,426	-	-	-
TOTAL LIABILITIES	9,812	10,174	2,498	2,283
NET ASSETS	6,178	6,443	1,178	1,416
EQUITY				
Retained earnings	6,178	6,443	1,178	1,416
Revaluation reserves	-	-	-	-
Council equity interest	6,178	6,443	1,178	1,416
Minority equity interest	-	-	-	-
TOTAL EQUITY	6,178	6,443	1,178	1,416

Lismore City Council

Special Purpose Financial Statements for the financial year ended 30 June 2011

Contents of the Notes accompanying the Financial Statements

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2	Water Supply Business Best Practice Management disclosure requirements	97
3	Sewerage Business Best Practice Management disclosure requirements	99

Lismore City Council

Notes to the Special Purpose Financial Statements

for the financial year ended 30 June 2011

Note 1. Significant Accounting Policies

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

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

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

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

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

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

National Competition Policy

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

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

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

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

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

Declared Business Activities

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

Category 1

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

a. Water

Provision of safe drinking water to customers.

b. Sewer

Provision of sewerage waste services to customers.

c. Quarries

Supply of aggregate, road base & asphalt products.

Category 2

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

a. Waste Collection

Provide domestic & commercial waste collection services to customers.

b. Waste Disposal

Provide & maintain a safe area for disposing of waste.

c. Koala Child Care

Provide quality long day child care services.

d. Crematorium

Provide cremation and burial services.

e. Commercial Property Rentals

Commercial property rentals.

f. Goonellabah Sports and Aquatic Centre

Provides gym and swim facilities.

Lismore City Council

Notes to the Special Purpose Financial Statements

for the financial year ended 30 June 2011

Note 1. Significant Accounting Policies (continued)

Monetary Amounts

Amounts shown in the financial statements are in Australian currency and rounded to the nearest one thousand dollars, with the exception of some figures disclosed in Note 2 (Water Supply Best Practice Management Disclosures) and Note 3 (Sewerage Best Practice Management Disclosures).

As required by the NSW Office of Water (Department of Environment, Climate Change and Water) some amounts shown in Notes 2 and Note 3 are disclosed in whole dollars.

(i) Taxation Equivalent Charges

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

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

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

Notional Rate Applied %

Corporate Income Tax Rate – 30%

Land Tax – The first **\$387,000** of combined land values attracts **0%**. From \$387,001 to \$2,366,000 the rate is **1.6% + \$100**. For the remaining combined land value that exceeds \$2,366,000, a premium marginal rate of **2.0%** applies.

Payroll Tax – **5.45%** on the value of taxable salaries and wages in excess of \$658,000.

In accordance with the guidelines for Best Practice Management of Water Supply and Sewerage, a payment for the amount calculated as the annual tax equivalent charges (excluding income tax) must be

paid from Water Supply and Sewerage Business activities.

The payment of taxation equivalent charges, referred in the Best Practice Management of Water Supply and Sewerage Guides to as a "Dividend for Taxation equivalent", may be applied for any purpose allowed under the Local Government Act, 1993.

Achievement of substantial compliance against the guidelines for Best Practice Management of Water Supply and Sewerage is not a prerequisite for the payment of the tax equivalent charges, however the payment must not exceed \$3 per assessment.

Income Tax

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

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

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

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

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

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

Lismore City Council

Notes to the Special Purpose Financial Statements

for the financial year ended 30 June 2011

Note 1. Significant Accounting Policies (continued)

Local Government Rates & Charges

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

Loan & Debt Guarantee Fees

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

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

(ii) Subsidies

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

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

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

The overall effect of subsidies is contained within the Income Statement of Business Activities.

(iii) Return on Investments (Rate of Return)

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

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

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 5.21% at 30/6/11.

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 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 2011 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

In accordance with the guidelines for Best Practice Management of Water Supply and Sewerage, a Dividend Payment form, Statement of Compliance, Unqualified Independent Financial Audit Report and Compliance Audit Report are required to be submitted to the NSW Office of Water prior to making the dividend and only after it has approved its payment.

Lismore City Council

Notes to the Special Purpose Financial Statements
for the financial year ended 30 June 2011Note 2. Water Supply Business
Best Practice Management disclosure requirements

Dollars Amounts shown below are in WHOLE DOLLARS (unless otherwise indicated)

2011

1. Calculation and Payment of Tax-Equivalents

[All Local Government Local Water Utilities must pay this dividend for tax-equivalents]

(i)	Calculated Tax Equivalents	74,000
(ii)	No of assessments multiplied by \$3/assessment	40,323
(iii)	Amounts payable for Tax Equivalents [lesser of (i) and (ii)]	40,323
(iv)	Amounts actually paid for Tax Equivalents	10,354

2. Dividend from Surplus

(i)	50% of Surplus before Dividends [Calculated in accordance with Best Practice Management for Water Supply and Sewerage Guidelines]	-												
(ii)	No. of assessments multiplied by \$30/assessment, less tax equivalent charges/assessment	362,907												
(iii)	Cumulative surplus before Dividends for the 3 years to 30 June 2011, less the cumulative dividends paid for the 2 years to 30 June 2010 & 30 June 2009	(4,705,000)												
<table border="1"> <tr> <td>2011 Surplus</td> <td>(1,832,000)</td> <td>2010 Surplus</td> <td>(1,104,000)</td> <td>2009 Surplus</td> <td>(1,769,000)</td> </tr> <tr> <td></td> <td></td> <td>2010 Dividend</td> <td>-</td> <td>2009 Dividend</td> <td>-</td> </tr> </table>			2011 Surplus	(1,832,000)	2010 Surplus	(1,104,000)	2009 Surplus	(1,769,000)			2010 Dividend	-	2009 Dividend	-
2011 Surplus	(1,832,000)	2010 Surplus	(1,104,000)	2009 Surplus	(1,769,000)									
		2010 Dividend	-	2009 Dividend	-									
(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	n/a												
(v)	Dividend actually paid from surplus [refer below for required pre-dividend payment Criteria]	-												

3. Required outcomes for 6 Criteria

[To be eligible for the payment of a "Dividend from Surplus", ALL the Criteria below need a "YES"]

(i)	Completion of Strategic Business Plan (including Financial Plan)	YES
(ii)	Full Cost Recovery, without significant cross subsidies [Refer Item 2(a) in Table 1 on page 22 of the Best Practice Guidelines]	YES
	- Complying charges [Item 2(b) in Table 1]	YES
	- DSP with Commercial Developer Charges [Item 2(e) in Table 1]	YES
	- If Dual Water Supplies, Complying Charges [Item 2(g) in Table 1]	YES
(iii)	Sound Water Conservation and Demand Management implemented	YES
(iv)	Sound Drought Management implemented	YES
(v)	Complete Performance Reporting Form (by 15 September each year)	YES
(vi)	a. Integrated Water Cycle Management Evaluation	YES
	b. Complete and implement Integrated Water Cycle Management Strategy	YES

Lismore City Council

Notes to the Special Purpose Financial Statements
for the financial year ended 30 June 2011

Note 2. Water Supply Business

Best Practice Management disclosure requirements (continued)

Dollars Amounts shown below are in WHOLE DOLLARS (unless otherwise indicated) 2011

National Water Initiative (NWI) Financial Performance Indicators

NWI F1	Total Revenue (Water) Total Income (w13) - Grants for the Acquisition of Assets (w11a) - Interest Income (w9)	\$'000	8,617
NWI F4	Revenue from Residential Usage Charges (Water) Income from Residential Usage Charges (w6b) x 100 divided by the sum of [Income from Residential Usage Charges (w6a) + Income from Residential Access Charges (w6b)]	%	69.77%
NWI F9	Written Down Replacement Cost of Fixed Assets (Water) Written down current cost of system assets (w47)	\$'000	76,369
NWI F11	Operating Cost (OMA) (Water) Management Expenses (w1) + Operational & Maintenance Expenses (w2)	\$'000	7,306
NWI F14	Capital Expenditure (Water) Acquisition of fixed assets (w16)	\$'000	1,680
NWI F17	Economic Real Rate of Return (Water) [Total Income (w13) - Interest Income (w9) - Grants for acquisition of assets (w11a) - Operating Costs (NWI F11) - Current Cost Depreciation (w3)] x 100 divided by [Written Down Current Cost of System Assets (w47) + Plant & Equipment (w33b)]	%	-1.68%
NWI F26	Capital Works Grants (Water) Grants for the Acquisition of Assets (w11a)	\$'000	-

- Notes:
- References to w (eg. w12) refer to item numbers within Special Schedules No. 3 & 4 of Council's Annual Financial Statements.
 - The NWI Performance Indicators are based upon the National Performance Framework Handbook for Urban Performance Reporting Indicators & Definitions.

Lismore City Council

Notes to the Special Purpose Financial Statements
for the financial year ended 30 June 2011Note 3. Sewerage Business
Best Practice Management disclosure requirements

Dollars Amounts shown below are in WHOLE DOLLARS (unless otherwise indicated)

2011

1. Calculation and Payment of Tax-Equivalents

[All Local Government Local Water Utilities must pay this dividend for tax-equivalents]

(i)	Calculated Tax Equivalents	145,000
(ii)	No of assessments multiplied by \$3/assessment	35,868
(iii)	Amounts payable for Tax Equivalents [lesser of (i) and (ii)]	35,868
(iv)	Amounts actually paid for Tax Equivalents	32,134

2. Dividend from Surplus

(i)	50% of Surplus before Dividends [Calculated in accordance with Best Practice Management for Water Supply and Sewerage Guidelines]	-												
(ii)	No. of assessments x (\$30 less tax equivalent charges per assessment)	322,812												
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2011, less the cumulative dividends paid for the 2 years to 30 June 2010 & 30 June 2009	(9,074,000)												
<table border="1"> <tr> <td>2011 Surplus</td> <td>(4,929,000)</td> <td>2010 Surplus</td> <td>(19,000)</td> <td>2009 Surplus</td> <td>(4,126,000)</td> </tr> <tr> <td></td> <td></td> <td>2010 Dividend</td> <td>-</td> <td>2009 Dividend</td> <td>-</td> </tr> </table>			2011 Surplus	(4,929,000)	2010 Surplus	(19,000)	2009 Surplus	(4,126,000)			2010 Dividend	-	2009 Dividend	-
2011 Surplus	(4,929,000)	2010 Surplus	(19,000)	2009 Surplus	(4,126,000)									
		2010 Dividend	-	2009 Dividend	-									
(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	n/a												
(v)	Dividend actually paid from surplus [refer below for required pre-dividend payment Criteria]	-												

3. Required outcomes for 4 Criteria

[To be eligible for the payment of a "Dividend from Surplus", ALL the Criteria below need a "YES"]

(i)	Completion of Strategic Business Plan (including Financial Plan)	YES
(ii)	Pricing with full cost-recovery, without significant cross subsidies [Refer Item 2(a) in Table 1 on page 22 of the Best Practice Guidelines]	YES
	Complying charges (a) Residential [Item 2(c) in Table 1]	YES
	(b) Non Residential [Item 2(c) in Table 1]	YES
	(c) Trade Waste [Item 2(d) in Table 1]	YES
	DSP with Commercial Developer Charges [Item 2(e) in Table 1]	YES
	Liquid Trade Waste Approvals & Policy [Item 2(f) in Table 1]	YES
(iii)	Complete Performance Reporting Form (by 15 September each year)	YES
(iv)	a. Integrated Water Cycle Management Evaluation	YES
	b. Complete and implement Integrated Water Cycle Management Strategy	YES

Lismore City Council

Notes to the Special Purpose Financial Statements
for the financial year ended 30 June 2011Note 3. Sewerage Business
Best Practice Management disclosure requirements (continued)

Dollars Amounts shown below are in WHOLE DOLLARS (unless otherwise indicated)		2011
National Water Initiative (NWI) Financial Performance Indicators		
NWI F2	Total Revenue (Sewerage) Total Income (s14) - Grants for Acquisition of Assets (s12a) - Interest Income (s10)	\$'000 9,820
NWI F10	Written Down Replacement Cost of Fixed Assets (Sewerage) Written down current cost of system assets (s48)	\$'000 181,700
NWI F12	Operating Cost (Sewerage) Management Expenses (s1) + Operational & Maintenance Expenses (s2)	\$'000 5,466
NWI F15	Capital Expenditure (Sewerage) Acquisition of Fixed Assets (s17)	\$'000 4,422
NWI F18	Economic Real Rate of Return (Sewerage) [Total Income (s14) - Interest Income (s10) - Grants for acquisition of Assets (s12a) - Operating cost (NWI F12) - Current cost depreciation (s3)] x 100 divided by [Written down current cost (ie. WDCC) of System Assets (s48) + Plant & Equipment (s34b)]	% -0.99%
NWI F27	Capital Works Grants (Sewerage) Grants for the Acquisition of Assets (12a)	\$'000 -
National Water Initiative (NWI) Financial Performance Indicators Water & Sewer (combined)		
NWI F3	Total Income (Water & Sewerage) Total Income (w13 + s14) + Gain/Loss on disposal of assets (w14 + s15) minus Grants for acquisition of assets (w11a + s12a) - Interest Income (w9 + s10)	\$'000 14,744
NWI F8	Revenue from Community Service Obligations (Water & Sewerage) Community Service Obligations (NWI F25) x 100 divided by Total Income (NWI F3)	% 1.68%
NWI F16	Capital Expenditure (Water & Sewerage) Acquisition of Fixed Assets (w16 + s17)	\$'000 6,102
NWI F19	Economic Real Rate of Return (Water & Sewerage) [Total Income (w13 + s14) - Interest Income (w9 + s10) - Grants for acquisition of assets (w11a + s12a) - Operating Cost (NWI F11 + NWI F12) - Current cost depreciation (w3 + s3)] x 100 divided by [Written down replacement cost of fixed assets (NWI F9 + NWI F10) + Plant & equipment (w33b + s34b)]	% -1.20%
NWI F20	Dividend (Water & Sewerage) Dividend paid from surplus (2(v) of Note 2 + 2(v) of Note 3)	\$'000 -
NWI F21	Dividend Payout Ratio (Water & Sewerage) Dividend (NWI F20) x 100 divided by Net Profit after tax (NWI F24)	% 0.00%

Lismore City Council

Notes to the Special Purpose Financial Statements
for the financial year ended 30 June 2011Note 3. Sewerage Business
Best Practice Management disclosure requirements (continued)

Dollars Amounts shown below are in WHOLE DOLLARS (unless otherwise indicated) 2011

**National Water Initiative (NWI) Financial Performance Indicators
Water & Sewer (combined)**

NWI F22	Net Debt to Equity (Water & Sewerage) Overdraft (w36 + s37) + Borrowings (w38 + s39) - Cash & Investments (w30 + s31) x 100 divided by [Total Assets (w35 + s36) - Total Liabilities (w40 + s41)]	%	-4.11%
NWI F23	Interest Cover (Water & Sewerage) Earnings before Interest & Tax (EBIT) divided by Net Interest Earnings before Interest & Tax (EBIT): Operating Result (w15a + s16a) + Interest expense (w4a + s4a) - Interest Income (w9 + s10) - Gain/Loss on disposal of assets (w14 + s15) + Miscellaneous Expenses (w4b + w4c + s4b + s4c) Net Interest: Interest Expense (w4a + s4a) - Interest Income (w9 + s10)		- 3,096 858
NWI F24	Net Profit After Tax (Water & Sewerage) Surplus before dividends (w15a + s16a) - Tax equivalents paid (Note 2-1(iv) + Note 3-1(iv))	\$'000	(5,973)
NWI F25	Community Service Obligations (Water & Sewerage) Grants for Pensioner Rebates (w11b + s12b)	\$'000	247

- Notes:
1. References to w (eg. s12) refer to item numbers within Special Schedules No. 5 & 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 & Definitions.

Lismore City Council

SPECIAL SCHEDULES
for the year ended 30 June 2011

*“To work with the community to maintain Lismore as
the regional centre in a healthy rural setting”*



Lismore City Council

Special Schedules

for the financial year ended 30 June 2011

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¹ Special Purpose Schedules are not audited.

Background

(i) These Special Schedules have been designed to meet the requirements of special purpose users such as;

- the NSW Grants Commission
- the Australian Bureau of Statistics (ABS),
- the NSW Office of Water,
- the Department of Environment, Climate Change and Water, and
- the Division of Local Government (DLG).

(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 No. 1 - Net Cost of Services
for the financial year ended 30 June 2011

\$'000

Function or Activity	Expenses from Continuing Operations	Income from continuing operations		Net Cost of Services
		Non Capital	Capital	
Governance	552	-	-	(552)
Administration	5,827	1,658	20	(4,149)
Public Order and Safety				
Fire Service Levy, Fire Protection, Emergency Services	1,156	248	11	(897)
Beach Control	-	-	-	-
Enforcement of Local Govt Regs	-	-	-	-
Animal Control	386	38	-	(348)
Other	866	38	-	(828)
Total Public Order & Safety	2,408	324	11	(2,073)
Health	952	344	-	(608)
Environment				
Noxious Plants and Insect/Vermin Control	-	-	-	-
Other Environmental Protection	321	9	-	(312)
Solid Waste Management	7,048	7,255	165	372
Street Cleaning	-	-	-	-
Drainage	-	-	-	-
Stormwater Management	94	-	236	142
Total Environment	7,463	7,264	401	202
Community Services and Education				
Administration & Education	216	104	-	(112)
Social Protection (Welfare)	487	94	-	(393)
Aged Persons and Disabled	30	4	-	(26)
Childrens Services	921	488	-	(433)
Total Community Services & Education	1,654	690	-	(964)
Housing and Community Amenities				
Public Cemeteries	965	1,002	-	37
Public Conveniences	50	-	-	(50)
Street Lighting	574	159	-	(415)
Town Planning	1,619	649	152	(818)
Other Community Amenities	-	-	-	-
Total Housing and Community Amenities	3,208	1,810	152	(1,246)
Water Supplies	10,347	8,312	305	(1,730)
Sewerage Services	15,489	10,206	1,046	(4,237)

Lismore City Council

Special Schedule No. 1 - Net Cost of Services (continued)
for the financial year ended 30 June 2011

\$'000

Function or Activity	Expenses from Continuing Operations	Income from continuing operations		Net Cost of Services
		Non Capital	Capital	
Recreation and Culture				
Public Libraries	5,917	4,502	119	(1,296)
Museums	-	-	-	-
Art Galleries	932	397	15	(520)
Community Centres and Halls	630	11	-	(619)
Performing Arts Venues	-	-	-	-
Other Performing Arts	-	-	-	-
Other Cultural Services	13	13	-	-
Sporting Grounds and Venues	-	206	-	206
Swimming Pools	1,236	37	183	(1,016)
Parks & Gardens (Lakes)	4,112	362	7	(3,743)
Other Sport and Recreation	4,349	1,349	113	(2,887)
Total Recreation and Culture	17,189	6,877	437	(9,875)
Fuel & Energy	-	-	-	-
Agriculture	-	-	-	-
Mining, Manufacturing and Construction				
Building Control	1,208	818	-	(390)
Other Mining, Manufacturing & Construction	8,277	8,634	46	403
Total Mining, Manufacturing and Const.	9,485	9,452	46	13
Transport and Communication				
Urban Roads (UR) - Local	5,867	1,681	817	(3,369)
Urban Roads - Regional	139	136	457	454
Sealed Rural Roads (SRR) - Local	8,020	1,026	713	(6,281)
Sealed Rural Roads - Regional	1,443	1,223	457	237
Unsealed Rural Roads (URR) - Local	5,112	4,122	300	(690)
Unsealed Rural Roads (URR) - Regional	22	-	-	(22)
Bridges on UR - Local	-	-	-	-
Bridges on SRR - Local	205	-	-	(205)
Bridges on URR - Local	381	-	-	(381)
Bridges on Regional Roads	-	-	1,378	1,378
Parking Areas	260	259	5	4
Footpaths	91	157	31	97
Aerodromes	746	533	-	(213)
Other Transport & Communication	1,886	77	915	(894)
Total Transport and Communication	24,172	9,214	5,073	(9,885)
Economic Affairs				
Camping Areas & Caravan Parks	152	129	-	(23)
Other Economic Affairs	3,369	957	-	(2,412)
Total Economic Affairs	3,521	1,086	-	(2,435)
Totals – Functions	102,267	57,237	7,491	(37,539)
General Purpose Revenues⁽²⁾		30,658		30,658
Share of interests - joint ventures & associates using the equity method	-	-		-
NET OPERATING RESULT⁽¹⁾	102,267	87,895	7,491	(6,881)

(1) As reported in the Income Statement | (2) Includes: Rates & Annual Charges (incl. Ex Gratia, excl. Water & Sewer), Non Capital General Purpose Grants & Interest on Investments (excl. Ext. Restricted Assets)

Lismore City Council

Special Schedule No. 2(a) - Statement of Long Term Debt (all purpose)
for the financial year ended 30 June 2011

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
Loans (by Source)										
Commonwealth Government	-	-	-	-	-	-	-	-	-	-
Treasury Corporation	32	3,493	3,525	-	32	-	-	269	34	3,459
Other State Government	-	-	-	-	-	-	-	-	-	-
Public Subscription	-	-	-	-	-	-	-	-	-	-
Financial Institutions	2,177	40,993	43,170	-	2,177	-	-	3,008	2,225	38,768
Other	-	-	-	-	-	-	-	-	-	-
Total Loans	2,209	44,486	46,695	-	2,209	-	-	3,277	2,259	42,227
Other Long Term Debt										
Ratepayers Advances	-	-	-	-	-	-	-	-	-	-
Government Advances	-	-	-	-	-	-	-	-	-	-
Finance Leases	-	-	-	-	-	-	-	-	-	-
Deferred Payments	-	-	-	-	-	-	-	-	-	-
Total Long Term Debt	-	-	-	-	-	-	-	-	-	-
Total Debt	2,209	44,486	46,695	-	2,209	-	-	3,277	2,259	42,227
										44,486

Notes: Excludes (i) Internal Loans & (ii) Principal Inflows/Outflows relating to Loan Re-Financing.
This Schedule is prepared using the **face value** of debt obligations, rather than **fair value** (which are reported in the GPFS).

Lismore City Council

Special Schedule No. 2(b) - Statement of Internal Loans [Section 410(3) LGA 1993]
for the financial year ended 30 June 2011

\$'000

Summary of Internal Loans

Borrower (by purpose)	Amount originally raised	Total repaid during the year (Principal & Interest)	Principal Outstanding at end of year
General	555	80	351
Totals	555	80	351

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

Details of Individual Internal Loans

Borrower (by purpose)	Lender (by purpose)	Date of Minister's Approval	Date Raised	Term (years)	Dates of Maturity	Rate of Interest	Amount Originally raised	Total repaid during year (Princ. & Int.)	Principal Outstanding at end of year
GF- Nimbin Security Cam	ELE Reserves		30/06/05	12	30/06/17	5.50%	70	8	43
Airport - Building	Blakebrook Quarry		30/06/02	15	30/06/17	7.00%	189	20	101
Airport - Carpark	Blakebrook Quarry		30/06/04	8	30/06/12	5.00%	55	8	10
Admin Airconditioning	ELE Reserves		30/06/08	7	30/06/15	10.00%	42	8	37
Lighting Upgrade	ELE Reserves		30/06/08	9	30/06/17	7.00%	53	8	37
Crem-Office Fitout	Waste		30/06/08	8	30/06/16	7.00%	60	10	43
Library Insulation	ELE RESERVES		30/06/10	7	30/06/17	4.00%	11	2	10
GSAC-solar heating pool	ELE RESERVES		30/06/10	7	30/06/17	6.00%	40	7	40
SES-building solar panels	ELE RESERVES		30/06/11	6	30/06/16	13.50%	35	9	30
Totals							555	80	351

Lismore City Council

Special Schedule No. 3 - Water Supply Income Statement

Includes ALL INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.
for the financial year ended 30 June 2011

\$'000	Actuals 2011	Actuals 2010
A Expenses and Income Expenses		
1. Management expenses		
a. Administration	1,030	989
b. Engineering and Supervision	275	195
2. Operation and Maintenance expenses		
- Dams & Weirs		
a. Operation expenses	-	-
b. Maintenance expenses	-	-
- Mains		
c. Operation expenses	976	930
d. Maintenance expenses	-	-
- Reservoirs		
e. Operation expenses	30	14
f. Maintenance expenses	59	25
- Pumping Stations		
g. Operation expenses (excluding energy costs)	44	74
h. Energy costs	59	10
i. Maintenance expenses	21	18
- Treatment		
j. Operation expenses (excluding chemical costs)	-	-
k. Chemical costs	-	-
l. Maintenance expenses	-	-
- Other		
m. Operation expenses	297	323
n. Maintenance expenses	326	277
o. Purchase of water	4,189	3,643
3. Depreciation expenses		
a. System assets	2,534	2,418
b. Plant and equipment	70	115
4. Miscellaneous expenses		
a. Interest expenses	200	71
b. Revaluation Decrements	-	-
c. Other expenses	-	-
d. Tax Equivalent Dividends (actually paid)	-	-
5. Total expenses	10,110	9,102

Lismore City Council

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

Includes ALL INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.
for the financial year ended 30 June 2011

\$'000	Actuals 2011	Actuals 2010
Income		
6. Residential charges		
a. Access (including rates)	1,813	1,617
b. Usage charges	4,185	4,162
7. Non-residential charges		
a. Access (including rates)	523	467
b. Usage charges	1,576	1,583
8. Extra charges	-	-
9. Interest income	196	101
10. Other income	86	90
11. Grants		
a. Grants for acquisition of assets	-	-
b. Grants for pensioner rebates	127	125
c. Other grants	2	2
12. Contributions		
a. Developer charges	95	200
b. Developer provided assets	210	152
c. Other contributions	-	-
13. Total income	<u>8,813</u>	<u>8,499</u>
14. Gain or loss on disposal of assets	(261)	(281)
15. Operating Result	<u>(1,558)</u>	<u>(884)</u>
15a. Operating Result (less grants for acquisition of assets)	(1,558)	(884)

Lismore City Council

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

Includes ALL INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.
for the financial year ended 30 June 2011

\$'000	Actuals 2011	Actuals 2010
B Capital transactions		
Non-operating expenditures		
16. Acquisition of Fixed Assets		
a. New Assets for Improved Standards	-	-
b. New Assets for Growth	-	-
c. Renewals	1,613	1,510
d. Plant and equipment	67	3
17. Repayment of debt		
a. Loans	66	14
b. Advances	-	-
c. Finance leases	-	-
18. Transfer to sinking fund	-	-
19. Totals	<u>1,746</u>	<u>1,527</u>
Non-operating funds employed		
20. Proceeds from disposal of assets	38	311
21. Borrowing utilised		
a. Loans	-	-
b. Advances	-	-
c. Finance leases	-	-
22. Transfer from sinking fund	-	-
23. Totals	<u>38</u>	<u>311</u>
C Rates and charges		
24. Number of assessments		
a. Residential (occupied)	11,862	11,809
b. Residential (unoccupied, ie. vacant lot)	228	267
c. Non-residential (occupied)	1,292	1,257
d. Non-residential (unoccupied, ie. vacant lot)	59	62
25. Number of ETs for which developer charges were received	43 ET	67 ET
26. Total amount of pensioner rebates (actual dollars)	\$ 232,313	\$ 226,100

Lismore City Council

Special Schedule No. 3 - Water Supply Cross Subsidies
for the financial year ended 30 June 2011

\$'000	Yes	No	Amount
D Best practice annual charges and developer charges*			
27. Annual charges			
a. Does Council have best-practice water supply annual charges and usage charges*?	<input type="checkbox"/>	<input type="checkbox"/>	
If Yes, go to 28a.			
If No, please report if council has removed land value from access charges (ie rates)?			
	<input type="checkbox"/>	<input type="checkbox"/>	
NB. Such charges for both residential customers and non-residential customers comply with section 3.2 of Water Supply, Sewerage and Trade Waste Pricing Guidelines, NSW Office of Water, December, 2002. Such charges do not involve significant cross subsidies.			
b. Cross-subsidy from residential customers using less than allowance (page 25 of Guidelines)			<input type="text"/>
c. Cross-subsidy to non-residential customers (page 24 of Guidelines)			<input type="text"/>
d. Cross-subsidy to large connections in unmetered supplies (page 26 of Guidelines)			<input type="text"/>
28. Developer charges			
a. Has council completed a water supply Development Servicing** Plan?	<input type="checkbox"/>	<input type="checkbox"/>	
b. Total cross-subsidy in water supply developer charges for 2010/11 (page 47 of Guidelines)			<input type="text"/>
** In accordance with page 9 of Developer Charges Guidelines for Water Supply, Sewerage and Stormwater, NSW Office of Water, December, 2002.			
29. Disclosure of cross-subsidies			
Total of cross-subsidies (27b +27c + 27d + 28b)			<input type="text" value="-"/>

* Councils which have not yet implemented best practice water supply pricing should disclose cross-subsidies in items 27b, 27c and 27d above.

However, disclosure of cross-subsidies is **not** required where a Council has implemented best practice pricing and is phasing in such pricing over a period of 3 years.

Lismore City Council

Special Schedule No. 4 - Water Supply Balance Sheet

Includes INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.
as at 30 June 2011

\$'000	Actuals Current	Actuals Non Current	Actuals Total
ASSETS			
30. Cash and investments			
a. Developer charges	995	-	995
b. Special purpose grants	-	-	-
c. Accrued leave	-	-	-
d. Unexpended loans	-	-	-
e. Sinking fund	-	-	-
f. Other	481	391	872
31. Receivables			
a. Specific purpose grants	-	-	-
b. Rates and charges	381	157	538
c. Other	1,483	394	1,877
32. Inventories	297	-	297
33. Property, plant and equipment			
a. System assets	-	76,368	76,368
b. Plant and equipment	-	402	402
34. Other assets	-	-	-
35. Total assets	<u>3,637</u>	<u>77,712</u>	<u>81,349</u>
LIABILITIES			
36. Bank overdraft	-	-	-
37. Creditors	85	-	85
38. Borrowings			
a. Loans	70	2,403	2,473
b. Advances	-	-	-
c. Finance leases	-	-	-
39. Provisions			
a. Tax equivalents	-	-	-
b. Dividend	-	-	-
c. Other	238	6	244
40. Total liabilities	<u>393</u>	<u>2,409</u>	<u>2,802</u>
41. NET ASSETS COMMITTED	<u>3,244</u>	<u>75,303</u>	<u>78,547</u>
EQUITY			
42. Accumulated surplus			24,350
43. Asset revaluation reserve			54,197
44. TOTAL EQUITY			<u>78,547</u>
Note to system assets:			
45. Current replacement cost of system assets			149,199
46. Accumulated current cost depreciation of system assets			(72,830)
47. Written down current cost of system assets			<u>76,369</u>

Lismore City Council

Special Schedule No. 5 - Sewerage Income Statement

Includes ALL INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.
for the financial year ended 30 June 2011

\$'000	Actuals 2011	Actuals 2010
A Expenses and Income Expenses		
1. Management expenses		
a. Administration	899	767
b. Engineering and Supervision	393	486
2. Operation and Maintenance expenses		
- Mains		
a. Operation expenses	100	74
b. Maintenance expenses	1,112	676
- Pumping Stations		
c. Operation expenses (excluding energy costs)	39	49
d. Energy costs	148	115
e. Maintenance expenses	501	438
- Treatment		
f. Operation expenses (excl. chemical, energy, effluent & biosolids management costs)	686	899
g. Chemical costs	329	451
h. Energy costs	214	-
i. Effluent Management	103	109
j. Biosolids Management	186	122
k. Maintenance expenses	653	590
- Other		
l. Operation expenses	-	-
m. Maintenance expenses	103	79
3. Depreciation expenses		
a. System assets	6,057	5,862
b. Plant and equipment	100	111
4. Miscellaneous expenses		
a. Interest expenses	658	209
b. Revaluation Decrements	-	-
c. Other expenses	-	-
d. Tax Equivalent Dividends (actually paid)	-	-
5. Total expenses	12,281	11,037

Lismore City Council

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

Includes ALL INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.
for the financial year ended 30 June 2011

\$'000	Actuals 2011	Actuals 2010
Income		
6. Residential charges (including rates)	6,626	5,841
7. Non-residential charges		
a. Access (including rates)	1,780	1,446
b. Usage charges	-	-
8. Trade Waste Charges		
a. Annual Fees	187	191
b. Usage charges	-	-
c. Excess mass charges	-	-
d. Re-inspection fees	-	-
9. Extra charges	-	-
10. Interest income	1,520	3,313
11. Other income	59	45
12. Grants		
a. Grants for acquisition of assets	-	-
b. Grants for pensioner rebates	120	123
c. Other grants	2	1
13. Contributions		
a. Developer charges	602	519
b. Developer provided assets	444	380
c. Other contributions	-	-
14. Total income	<u>11,340</u>	<u>11,859</u>
15. Gain or loss on disposal of assets	(3,432)	(140)
16. Operating Result	<u>(4,373)</u>	<u>682</u>
16a. Operating Result (less grants for acquisition of assets)	(4,373)	682

Lismore City Council

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

Includes ALL INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.
for the financial year ended 30 June 2011

\$'000	Actuals 2011	Actuals 2010
B Capital transactions		
Non-operating expenditures		
17. Acquisition of Fixed Assets		
a. New Assets for Improved Standards	-	-
b. New Assets for Growth	594	416
c. Renewals	3,738	4,869
d. Plant and equipment	90	370
18. Repayment of debt		
a. Loans	162	50
b. Advances	-	-
c. Finance leases	-	-
19. Transfer to sinking fund	-	-
20. Totals	<u>4,584</u>	<u>5,705</u>
Non-operating funds employed		
21. Proceeds from disposal of assets	32	7
22. Borrowing utilised		
a. Loans	-	2,180
b. Advances	-	-
c. Finance leases	-	-
23. Transfer from sinking fund	-	-
24. Totals	<u>32</u>	<u>2,187</u>
C Rates and charges		
25. Number of assessments		
a. Residential (occupied)	10,340	10,252
b. Residential (unoccupied, ie. vacant lot)	508	497
c. Non-residential (occupied)	1,019	1,011
d. Non-residential (unoccupied, ie. vacant lot)	89	89
26. Number of ETs for which developer charges were received	57 ET	75 ET
27. Total amount of pensioner rebates (actual dollars)	\$ 220,191	\$ 220,000

Lismore City Council

Special Schedule No. 5 - Sewerage Cross Subsidies for the financial year ended 30 June 2011

\$'000	Yes	No	Amount
D Best practice annual charges and developer charges*			
28. Annual charges			
a. Does Council have best-practice sewerage annual charges, usage charges and trade waste fees & charges*?	<input type="checkbox"/>	<input type="checkbox"/>	
If Yes, go to 29a.			
If No, please report if council has removed land value from access charges (ie rates)?	<input type="checkbox"/>	<input type="checkbox"/>	
NB. Such charges for both residential customers and non-residential customers comply with section 4.2 & 4.3 of the Water Supply, Sewerage and Trade Waste Pricing Guidelines, NSW Office of Water, December, 2002. Such charges do not involve significant cross subsidies.			
b. Cross-subsidy to non-residential customers (page 45 of Guidelines)			<input type="text"/>
c. Cross-subsidy to trade waste discharges (page 46 of Guidelines)			<input type="text"/>
29. Developer charges			
a. Has council completed a sewerage Development Servicing** Plan?	<input type="checkbox"/>	<input type="checkbox"/>	
b. Total cross-subsidy in sewerage developer charges for 2010/11 (page 47 of Guidelines)			<input type="text"/>
** In accordance with page 9 of Developer Charges Guidelines for Water Supply, Sewerage and Stormwater, NSW Office of Water, December, 2002.			
30. Disclosure of cross-subsidies			
Total of cross-subsidies (28b + 28c + 29b)			<input type="text" value="-"/>

* Councils which have not yet implemented best practice sewer pricing & liquid waste pricing should disclose cross-subsidies in items 28b and 28c above.

However, disclosure of cross-subsidies is **not** required where a Council has implemented best practice sewerage and liquid waste pricing and is phasing in such pricing over a period of 3 years.

Lismore City Council

Special Schedule No. 6 - Sewerage Balance Sheet

Includes INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.
as at 30 June 2011

\$'000	Actuals Current	Actuals Non Current	Actuals Total
ASSETS			
31. Cash and investments			
a. Developer charges	6,153	-	6,153
b. Special purpose grants	-	-	-
c. Accrued leave	-	-	-
d. Unexpended loans	-	-	-
e. Sinking fund	-	-	-
f. Other	10,084	3,913	13,997
32. Receivables			
a. Specific purpose grants	-	-	-
b. Rates and charges	511	144	655
c. Other	47	-	47
33. Inventories	211	-	211
34. Property, plant and equipment			
a. System assets	-	181,700	181,700
b. Plant and equipment	-	547	547
35. Other assets	-	-	-
36. Total Assets	<u>17,006</u>	<u>186,304</u>	<u>203,310</u>
LIABILITIES			
37. Bank overdraft	-	-	-
38. Creditors	130	-	130
39. Borrowings			
a. Loans	174	8,140	8,314
b. Advances	-	-	-
c. Finance leases	-	-	-
40. Provisions			
a. Tax equivalents	-	-	-
b. Dividend	-	-	-
c. Other	278	9	287
41. Total Liabilities	<u>582</u>	<u>8,149</u>	<u>8,731</u>
42. NET ASSETS COMMITTED	<u>16,424</u>	<u>178,155</u>	<u>194,579</u>
EQUITY			
42. Accumulated surplus			61,854
44. Asset revaluation reserve			132,725
45. TOTAL EQUITY			<u>194,579</u>
Note to system assets:			
46. Current replacement cost of system assets			340,151
47. Accumulated current cost depreciation of system assets			(158,451)
48. Written down current cost of system assets			<u>181,700</u>

Lismore City Council

Notes to Special Schedule No.'s 3 & 5 for the financial year ended 30 June 2011

Administration ⁽¹⁾

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

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

Engineering and supervision ⁽¹⁾

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

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

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

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

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

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

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

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

Notes:

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

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

Lismore City Council

Special Schedule No. 8 - Financial Projections

as at 30 June 2011

\$'000	Actual ⁽¹⁾	Forecast	Forecast	Forecast⁽³⁾	Forecast⁽³⁾
	10/11	11/12	12/13	13/14	14/15
(i) RECURRENT BUDGET					
Income from continuing operations	95,386	87,555	86,897	89,462	92,143
Expenses from continuing operations	102,267	89,030	91,212	94,077	96,327
Operating Result from Continuing Operations	<u>(6,881)</u>	<u>(1,475)</u>	<u>(4,315)</u>	<u>(4,615)</u>	<u>(4,184)</u>
(ii) CAPITAL BUDGET					
New Capital Works ⁽²⁾	400	12,000	-	-	-
Replacement/Refurbishment of Existing Assets	23,873	28,877	27,581	23,849	20,432
Total Capital Budget	<u>24,273</u>	<u>40,877</u>	<u>27,581</u>	<u>23,849</u>	<u>20,432</u>
Funded by:					
- Loans	4,420	8,843	10,809	5,982	-
- Asset sales	632	-	-	-	-
- Reserves	7,190	11,338	-	2,243	950
- Grants/Contributions	5,273	9,916	4,649	4,718	4,769
- Recurrent revenue	6,758	10,780	12,123	10,906	14,713
	<u>24,273</u>	<u>40,877</u>	<u>27,581</u>	<u>23,849</u>	<u>20,432</u>

Notes:

(1) From 10/11 Income Statement.

(2) New Capital Works are major non-recurrent projects, eg new Leisure Centre, new Library, new Swimming pool etc.

(3) If Council has only adopted 3 years of projections then only show 3 years.

Lismore City Council

FINANCIAL REPORTS REVIEW
for the year ended 30 June 2011

*“To work with the community to maintain Lismore as the
regional centre in a healthy rural setting”*



Overview

The 2010/11 Financial Reports have been prepared in accordance with applicable Australian Accounting Standards (including the Australian Accounting Interpretations), the Local Government Act 1993, Local Government (General) Regulations 2005 and the Local Government Code of Accounting Practice and Financial Reporting. The Local Government Code of Accounting Practice and Financial Reporting applying to NSW council's requires the preparation and fair presentation of general purpose financial statements, special purpose financial statements and special schedules.

The purpose of the 2010/11 Financial Reports Review is to provide commentary and interpretation on the reported results. It also provides other information in Part C which in some cases is not prescribed for the benefit of users.

The primary report used to convey the financial position of a council are the General Purpose Financial Statements (Part A). This report 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..."

Financial reports are also prepared for nominated business activities in the form of Special Purpose Financial Statements (Part B). The purpose of these reports is to detail the performance of business activities under the principles of 'competitive neutrality'. To achieve this, costs such as taxation equivalents, dividends and return on investment are included even though they may not be actually paid. Also, any subsidy from Council is disclosed.

Finally, there are special schedules which provide information in a different format or for specific purposes which meets the needs of mainly government users. No additional information is provided on the special schedules.

Part A: General Purpose Financial Statements

1. Income Statement

The net operating result for 2010/11 is a \$6.88 million deficit. The following table displays the summarised information from 2009/10 to 2010/11:

Item	2010/11 (\$'000)	% Change	2009/10 (\$'000)	% Change	2008/09 (\$'000)
Revenues from continuing operations	95,386	-5.66%	101,108	+22.36%	82,650
Expenses from continuing operations	102,267	+15.68%	88,401	+9.03%	81,098
Net operating result for the year	(6,881)	-154.14%	12,707	+718.75%	1,552
Net operating result before capital grants and contributions	(14,372)	n/a	2,960	n/a	9,263

A summary of the movements follows:

Revenues from continuing operations being \$95.39 million with the major movements being:

- Increase in rates and annual charges \$2.47 million
- Decrease in Interest & Investment Revenues of \$1.39 million. Actual Interest & Investment Revenues increased during 2010/11 however as 2009/10 included a one-off adjustment of \$2.51 million being the NPV impact of a 10 year interest only loan received for Wastewater Infrastructure, the overall result shows a reduction from the previous year.
- Decrease in other revenues of \$4.74 million predominately relating to the inclusion of a one-off adjustment for the RTRL in the 2009/10 year.
- Decrease in grants and contributions for capital purposes of \$2.26 million.
- Loss on disposal of assets in the current year compared to a gain on disposal in 2009/10 of \$1.02 million.

Expenses from continuing operations of \$102.27 million with the major movements being:

- Increase in borrowing costs \$776,000
- Increase in materials and contracts by \$3.39 million
- Increase in depreciation and amortisation by \$2.84 million
- Loss on disposal of assets of \$6.52 million compared to a gain in 2009/10 of \$1.02 million.

In general, revenues from continuing operations decreased by 5.7% or \$5.72 million with expenses from continuing operations increasing by 15.7% or \$13.87 million. From a cash perspective, the change has been either funded or budgeted. The significant decrease in revenues is due to the one-off adjustments for the consolidation of Richmond Tweed Regional Library (RTRL) net assets of \$5.19 million, the Net Present Value (NPV) of \$2.51 million for a ten (10) year interest free loan from the NSW Treasury Corporation recognised in the 2009/10 year, a reduction in 2010/11 in Grants & Contributions provided for Capital Purpose of \$2.25 million and a reduction in the gain from the disposal of assets of \$1.02 million. The decreases in revenues have been offset by an increase in revenues from Rates and Annual Charges \$2.47 million, increased revenues from Northern Rivers Quarry & Asphalt operations \$2.2 million and a reduction in grants from RTA for roads \$1.898 million.

The significant increase in expenditure is due to the increased depreciation of \$2.8 million with the major component relating to the fair valuation adjustments to roads, roads related infrastructure and

drainage in the 2009/10 year. Materials and contracts have also increased during the 2010/11 year by \$3.38 million due to an increase in Northern Rivers Quarry & Asphalt operations of \$1.9 million (this has been offset by an increase in revenues from operations) and an increase in Water operational costs of \$866,000 with bulk water purchase costs of \$500,000 being the major component.

Council reported a loss on disposal of assets of \$6.5 million in 2010/11 compared to a gain on disposal of assets in 2009/10 of \$1.024 million. The major component of the loss related to infrastructure assets replaced during the period with Wastewater reporting a \$3.46 million loss, and Roads and Bridges reporting a \$3.29 million loss. The loss on disposal represents the Written Down Value (WDV) of the assets disposed. The WDV of disposed assets is planned to be as close to zero as possible as this would indicate that the assets is due for replacement or is at the end of its useful life.

In 2010/11 there were major assets replaced prior the end of their useful lives due to take advantage of a long term operational benefit (Rising Main 3), grant funding that would not normally be available (RTA Timber Bridge Replacement Program and Bridge Street), or it was considered cost effective to replace the asset at that time in conjunction with other works being undertaken.

2. Balance Sheet

The Balance Sheet is used to summarise the total net assets under Council's control. As at 30 June 2011, total net assets were \$1,047 billion. During 2010/11, net assets increased by \$55.58 million from \$991.1 million in 2009/10. This movement comprised \$6.88 million decrease attributable to continuing operations, \$32.1 million increase from the fair value valuation of Other Structures, Community Land and Land Improvement, and \$30.4 million increase due to the indexation of infrastructure assets previously bought to account at fair value.

The major component of Council's net assets relates to infrastructure assets. Net infrastructure assets total \$881 million and include the following categories and amounts:

Infrastructure Assets	At Fair Value (FV)	Accumulated Depreciation	Written Down Value	Accumulated Depreciation/ At FV %
	(\$m)	(\$m)	(\$m)	
Roads, Bridges, Footpaths & Earthworks	736.6	133.3	603.3	18.1
Stormwater Drainage	45.1	19.1	26.0	42.4
Water Supply Network	148.8	74.0	74.8	49.7
Wastewater Services Network	337.9	161.3	176.6	47.7
Total Infrastructure Assets	1,268.4	387.7	880.7	30.6

3. Income from continuing operations (Note 3)

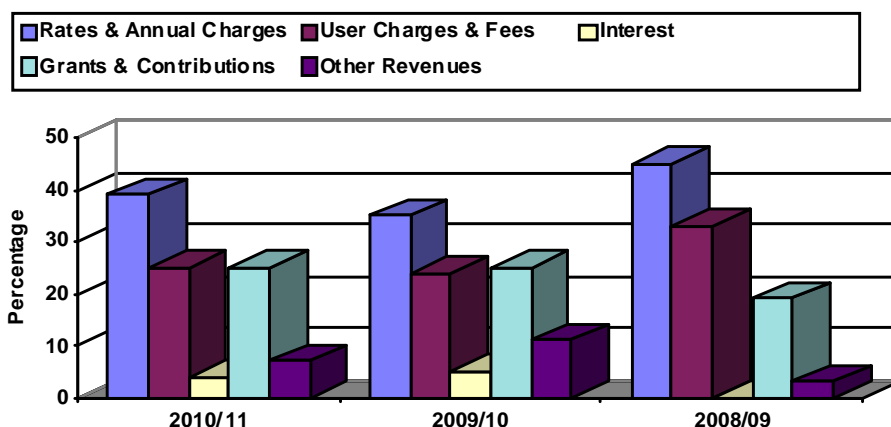
Income from continuing operations decreased by \$5.72 million or 5.7% compared to 2009/10. A summary of the individual categories and comparisons for the last three years is provided below:

Type	2010/11 (\$'000)	% Change	2009/10 (\$'000)	% Change	2008/09 (\$'000)
Rates & Annual Charges	37,370	7.1	34,898	8.2	32,239
User Charges & Fees	24,262	0.9	24,047	2.5	23,441
Interest	3,696	(27.4)	5,090	n/a	0
Other revenues	6,534	(41.7)	11,209	478	2,343
Grants & Contributions – Operating	16,033	6.1	15,113	9.4	13,812
Grants & Contributions – Capital	7,491	(23.1)	9,747	(9.9)	10,815
Gain on Disposal of Assets	0	n/a	1,024	n/a	0
Total	95,386	(5.7)	101,128	22.3	82,650

- **Rates and Annual Charges** – Revenues from rates have increased by 3.9% which is in line with rate pegging and anticipated growth. Annual charges revenues have increased by 12.32% or \$1.6 million with the major areas being Wastewater \$1.1 million, \$259,000 for Water and \$283,000 Domestic Waste Management charges, these increases are in line with the Operational Plan adopted by Council.
- **User Charges & Fees** - Increased by 0.9% or \$289k – The major movements in these revenues were attributable to the Northern Rivers Quarry & Asphalt operations increasing by \$2.2 million as a result of major contracts being completed, and a decline in revenues from the Roads and Traffic Authority (RTA) of \$1.898 million for works on roads undertaken on State Roads not controlled by Council.
- **Interest** - The interest and investment return comprises interest on investments of \$2.5 million and market value adjustments on investments held of \$933k. There has been an overall decline in investment returns of \$1.39 million from the 2009/10 year, however, after adjusting for abnormal items in 2009/10, there has been a stronger return from investment revenues of \$802,000 in the 2010/11 year compared to previous years. This is due to higher investment returns and a larger investment portfolio.
- **Other revenues** – The major movement from 2009/10 is due to the inclusion of a one-off recognition of Richmond Tweed Regional Library net assets in the 2009/10 year of \$5.19 million.
- **Grants & Contributions - Operating** - Grants and contributions for operating purposes increased from 2009/10 by \$920,000. This increase comprises several new grants and an increase in recurring grants with the major movements relating to an increase in the Federal Assistance Grant (FAG) of \$267,000 and Natural Disaster Emergency Funding \$512,000 for restoration works for floods in May 2009 and December 2010.
- **Grants & Contributions - Capital** – Grants and contributions for capital purposes decreased from 2010 by \$2.26 million. Developer contributions (Section 94/64) were lower than previous years by \$362,000 and grant funding decreased by \$1.63 million. The amount reported last year was higher due to the Woodlark Street revitalisation project of \$1.375 million.

The following graph represents the main types of income from continuing operations expressed as a percentage of total continuing income for 2010/11, 2009/10 and 2008/09. It clearly shows Council's reliance on Rates and Annual Charges: -

Major income types as a % of total income from continuing operations



4. Expenses from continuing operations (Note 4)

Expenses from continuing operations have increased by \$13.87m or 15.68% from 2009/10 to 2010/11. A summary of the individual categories and comparisons for the last three years is provided below:

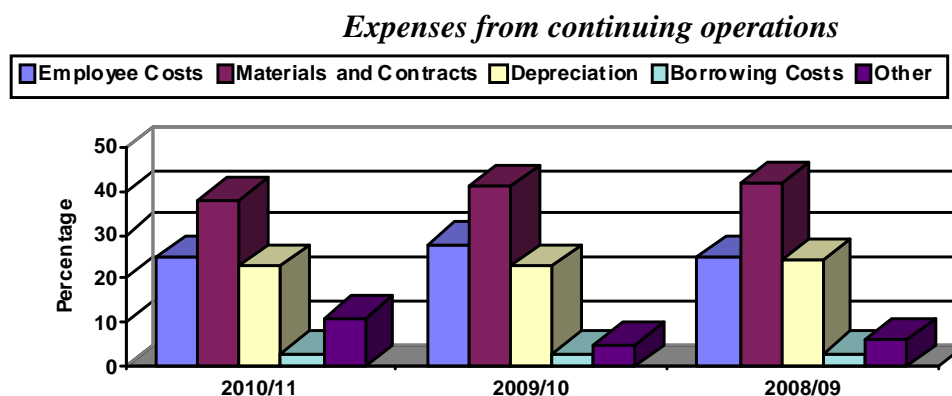
Type	2010/11 (\$'000)	% Change	2009/10 (\$'000)	% Change	2008/09 (\$'000)
Employee Costs	25,159	0.9	24,940	25.3	19,901
Borrowing Costs	3,662	26.9	2,886	15.3	2,502
Materials & Contracts	39,268	9.4	35,901	6.4	33,755
Depreciation	23,209	13.9	20,368	5.0	19,390
Other	4,446	2.8	4,326	(10.2)	4,820
Loss on Disposal of Assets	6,523	n/a	-	n/a	14
Interest & Investment Losses	-	n/a	-	n/a	716
Total	102,267	15.7	88,421	9.0	81,098

Unfavourable variances compared to 2009/10 are shown for Materials & Contracts \$3.37 million, Borrowing Costs \$776,000, Employee Costs \$219,000 and Other \$120,000. In addition, there is an increase in Depreciation of \$2.8 million attributable to the increased cost base due to the fair valuation of assets held: -

- Borrowing Costs have increased by \$776k as anticipated representing the full impact of loans drawn in 2009/10.
- Materials & Contracts increased by \$3.37 million due to an increase in Water operational costs of \$866,000 (the increase in bulk water purchases of \$500,000 being the major component), production costs increased to generate higher revenues from user fees and charges (Northern Rivers Quarry & Asphalt \$1.9 million) and carried forward works from last year being completed.
- Depreciation has increased by \$2.8 million as a result of the increased cost base of assets now held at fair value. The most significant increase is in relation to roads, road related infrastructure and drainage.
- Council reported a loss on disposal of assets of \$6.52 million in 2010/11 compared a gain on disposal in 2009/10 of \$1.024 million. The major component of the loss related to infrastructure assets replaced during the period with Wastewater reporting a \$3.46 million

loss and Roads and Bridges reporting a \$3.29 million loss. The loss on disposal reflects the written down value (or the estimated remaining life) of assets written off at the time of replacement.

The following graph represents the types of expenses from continuing operations expressed as a percentage of total continuing expenses for 2010/11, 2009/10 and 2008/09:



5. Cash, Cash Equivalents and Investments (Note 6a, 6b & 6c)

Council has total cash, cash equivalents and investments of \$39.87 million as at 30 June 2011. Compared to 2009/10, this is a decrease of \$4.87 million. Typically, Council's total cash, cash equivalents and investments are reasonably stable, but can fluctuate depending on the timing of cash flows and investment decisions. The major movements can be attributable to Council's 2010/11 Loan Program being internally funded from reserves, the commencement of the Southern Trunk Wastewater Main, and the utilisation of reserves and unexpended grant funds to complete works commenced in 2009/10.

Council is required to recognise investments held at 30 June each year at their market value. As with previous years volatility within financial markets continued, however this year the market value of investment increased by \$932,900.

The majority of funds are either restricted by external legislation e.g. developer contributions - Section 94 (\$7.32 million) and Section 64 (\$7.14 million), Wastewater Services (\$13.99 million), Water Services (\$872,000), Unexpended Grants (\$742,000) and held in Trust (\$1.977 million), or internal policy e.g. unexpended loans (\$1.77 million) and internal reserves (\$6.05 million).

6. Statement of performance measures (Note 13)

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

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

- d) Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage – This percentage is based on the amount outstanding as a percentage of the amount to be collected for rates and annual charges for the current year and outstanding from previous years.
- e) Building & Infrastructure Renewal Ratios – The capital expenditure on the replacement, refurbishment or upgrade to an existing asset as a percentage of total depreciation, amortisation and impairment.

The following table is a summary of the key performance indicators from 2007/08 to 2010/11:

Performance Indicator	2010/11	2009/10	2008/09	2007/08
Unrestricted Current Ratio	2.13:1	1.80:1	1.39:1	2.04:1
Debt Service Ratio Percentage	6.96%	5.57%	6.34%	5.33%
Rate Coverage Ratio Percentage	39.18%	34.51%	39.01%	42.68%
Rates, Annual Charges, Interest and Extra Charges Outstanding Percentage	10.60%	9.96%	8.46%	10.89%
Building & Infrastructure Renewals Ratio	63.76%	66.43%	65.28%	109.38%

Generally, Council's performance indicators are within acceptable ranges except for the Rates, Annual Charges, Interest and Extra Charges Outstanding Percentage, and the Building, Infrastructure Renewal Ratios.

Council's liquidity position (Unrestricted Current Ratio) has improved from 1.80:1 to 2.13:1. This result is considered satisfactory to meet all current liabilities as and when required.

The Debt Service Ratio, which was at 5.57% for 2009/10, has increased to 6.96%. The movement can be attributed to the full impact of the 2009/10 loan program in combination with the decrease in Council's operating income with the major items being:

- The one-off adjustments in 2009/10 for the introduction of Richmond Tweed Regional Libraries (RTRL) assets of \$5.19 million and the Net Present Value (NPV) of \$2.51 million on a ten (10) year interest free loan from the NSW Treasury Corporation in the 2009/10 year.
- A reduction in Grants & Contributions provided for Capital Purpose of \$2.25 million
- A reduction in the gain from the disposal of assets of \$1.024 million.

The decreases in revenues have been offset by an increase in revenues from Rates and Annual Charges \$2.47 million.

The Rates Coverage Ratio Percentage for 2010/11 when compared to 2009/10 shows an increase in reliance upon rates and annual charges. This will fluctuate from year to year depending on Council's ability to generate revenue from other sources. For 2010/11 the revenue from other sources has declined due to the one-off adjustments included in 2009/10 not recurring in 2010/11.

The Rates, Annual Charges, Interest and Extra Charges Outstanding percentage has increased to 10.60%. On a fund by fund basis the percentages are General Fund 10.73%, Water 19.39% and Wastewater Fund 7.4%. A comprehensive approach to debt recovery has been implemented with more staffing resources allocated to in-house collection and more difficult or non compliant cases being referred to a mercantile agent for legal proceedings quicker. A review of Council's Rates & charges Hardship policy and operating procedures is also taking place with a view to reducing this percentage.

The Building & Infrastructure Renewals Ratio indicates that funds are not being expended in renewing existing assets at the same rate as depreciation. This needs to be considered as part of the Asset Management and Long Term Financial Plan integration.

Part B: Special Purpose Financial Statements

7. Return on Capital

Based on National Competition Policy guidelines, the following activities of Council have been nominated as business activities - Lismore Water, Lismore Wastewater, Northern Rivers Quarry & Asphalt (NRQA), Northern Rivers Waste – Collection and Disposal, Lismore Memorial Gardens, Koala Child Care Centre, Commercial Properties, Goonellabah Sports & Aquatic Centre (GSAC) and Industrial Estate Development.

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. In regards to Northern Rivers Waste - Collection and Real Estate as they have no assets, a return on capital cannot be calculated (Real Estate held is classified as inventories as it is land held for resale). 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 provides a summary of the return on capital for Council’s business activities during 2010/11. Based on the summary and using the 10 Year Government Bond Rate as a guide, the NRQA, Northern Rivers Waste Disposal and Lismore Memorial Gardens are returning a positive return on capital.

There has been an improved performance from previous years for both the NRQA and Northern Rivers Waste disposal. In 2009/10, GSAC was included as a new business activity given this was the first full year of operations. The initial recognition of the assets and liabilities has resulted in a first year surplus on operations and the high return on assets. The 2010/11 year is more indicative of operations however management have initiated steps to improve overall performance for future years. Koala Child Care Centre was sold in the 2010/11 year.

Water & Wastewater have been significantly impacted by the increased depreciation expense associated with the fair value adjustment of assets in 2006/07, given the enormity of the increased depreciation costs it is not anticipated that these businesses will achieve an acceptable return in the medium term.

Business Unit	Return % 2010/11	Return % 2009/10
Northern Rivers Quarry & Asphalt	26.3	8.3
Northern Rivers Waste – Disposal	15.3	12.9
Lismore Memorial Gardens	2.6	4.0
Water	-2.2	-1.6
Wastewater	-2.7	-0.1
Commercial Properties Held for Public Benefit	-3.5	-3.0
Goonellabah Sports and Aquatic Centre	-10.4	40.8
Koala Child Care Centre	N/A	-12.5

Northern Rivers Waste – Collection	N/A	N/A
Real Estate	NA	N/A

8. Subsidy from Council

Council is deemed to have made a subsidy to a business unit 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 at 30 June 2011 of 5.21%.

Summarised below are the calculated subsidies applicable to these business units. 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.

Business Unit	\$'000	Business Unit	\$'000	Business Unit	\$'000
Water	N/a	Northern Rivers Waste – Collection	179	Koala Child Care Centre	167
Wastewater	N/a	Northern Rivers Waste – Disposal	-	Lismore Memorial Gardens	53
Northern Rivers Quarry & Asphalt	-	Properties Held for Public Benefit	231	Real Estate	470
Goonellabah Sports and Aquatic Centre	1,753				

Part C: Management Information

9. Loan Indebtedness

Council's overall loan debt decreased during 2010/11 by \$2.20 million to \$44.48 million. During the year, there were no new borrowings drawn as Council resolved to fund its 2010/11 program with internal loans from reserves. These funds are to be repaid in 2011/12 when the loan program is reinstated.

It is considered that the current level of debt is manageable, but this needs to be considered on an ongoing basis in light of all other expenditure commitments. Movements in total loan indebtedness by fund for 2010/11 follow:

Fund	Balance 30/6/10	New Loans Raised	Principal Repaid	Balance 30/6/11	Movement - Increase / (Decrease)
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
General	35,680	-	1,981	33,699	(1,981)
Wastewater	8,476	-	162	8,314	(162)
Water	2,539	-	66	2,473	(66)
Total	46,695	-	2,209	44,486	(2,209)

10. Internally Restricted Reserves

As at 30 June 2011, reserves totalled \$27.28 million, comprising \$15.45 million held as cash and investments, \$2.45 million as working capital and \$9.38 million in internal loans. The working

capital portion represents amounts that were held as debtors as at year end but which form part of the operating result for 2011.

There has been an overall increase in reserves from 2009/10 of \$2.98 million. The reserves are held in General, Wastewater and Water Funds being \$17.83 million \$8.53 million and \$0.92 million respectively.

All reserves held at 30 June 2011 are deemed to be at an appropriate level given that they are either within a suitable range of the nominated funding level, any variance is manageable, or are for a specific purpose.

A separate report on 2010/11 Reserves (Internally Restricted Assets) has been submitted to Council for consideration.

11. Fleet Operations

Council's fleet operates as a self-funding entity in that as the fleet is used it is charged out at a pre-determined hire rate. The hire income is then used to offset the operating expenses incurred during the life of the fleet and to fund future replacements. A summary of performance over the last three years follows:

Item	2010/11 (\$'000)	2009/10 (\$'000)	2008/09 (\$'000)
Fleet Hire Income	7,341	6,167	5,936
Less:			
Operating Expenses	5,012	4,232	4,143
Depreciation	2,302	2,720	2,906
Operating Surplus / (Deficit)	27	(785)	(1,113)
Add-back depreciation	2,302	2,720	2,906
Cash Surplus / (Deficit)	2,329	1,935	1,793
Net Capital Replacement Cost	1,281	1,905	1,521

The result for 2010/11 shows an improvement in the Operating Surplus/ (Deficit) of \$812,000 compared to 2009/10. Fleet hire income has increased by \$1.174 million due to increased works with operating expenses (excluding depreciation) increasing by \$780,000. Depreciation declined from 2009/10 by \$418,000. The Cash Surplus has increased in line with expectations.

As a guide, the objective is to have the Cash Surplus and Net Capital Replacement Cost approximately the same, so that the average age of the fleet is maintained at a satisfactory level. This in turn saves time and costs as older machinery tends to breakdown more often and newer machinery has improved operating efficiency. In 2010/11, the fleet replacement program was partially deferred to allow for a complete review of arrangements for the Light Vehicle Fleet.

Approximately \$5.11 million is available for fleet replacement at 30 June 2011.

12. Real Estate Development

Council is involved in three types of real estate development – residential, industrial and commercial.

The residential development at Bristol Circuit in Goonellabah is a joint venture between Council, Chevina Pty Ltd and John Newton. Basically, Council receives a fixed amount for the land component and a half share of the profit after all development and sale costs are deducted. Three (3) lots were available for sale during 2010/11 and two (2) were sold.

The following is a summary of investment, sales, development and profits for the last three years:

Category	2010/11	2009/10	2008/09
<u>Residential Land</u>			
Opening Balance			
Land Value (\$)	24,817	59,394	89,460
Number of Lots	7	8	11
Sales			
Gross Sale Proceeds (\$)	222,838	41,061	155,344
Lots Sold	2	1	3
Add			
Development Costs (\$)	175,501	0	74,933
Lots Created	0	0	0
Closing Balance			
Land Value (\$)	51,063	24,817	59,394
Number of Lots	5	7	8
Profit / (Loss) (\$)	73,582	22,750	99,143
<u>Industrial Land</u>			
Opening Balance			
Land Value (\$)	3,183,518	3,181,943	3,644,725
Number of Lots	7	7	8
Sales			
Gross Sale Proceeds (\$)	0	910,000	350,000
Lots Sold	0	1	1
Add			
Development Costs (\$)	6,979	310,139	(219,908)
Lots Created	0	1	
Closing Balance			
Land Value (\$)	3,183,518	3,183,518	3,181,943
Number of Lots	7	7	7
Profit / (Loss) (\$)	0	801,633	187,426
<u>Commercial Land</u>			
Opening Balance			
Land Value (\$)	401,988	3,238,261	3,089,556
Number of Lots	1	1	1
Sales			
Gross Sale Proceeds (\$)	0	3,650,000	0
Lots Sold	0	1	0
Add			
Development Costs (\$)	0	335,668	148,705
Lots Created	0	1	0
Closing Balance			
Land Value (\$)	401,988	401,988	3,239,261
Number of Lots	1	1	1
Profit / (Loss) (\$)	0	478,059	0

13. Northern Rivers Quarry & Asphalt

The operating result of the Northern Rivers Quarry & Asphalt has improved from a profit of \$106,700 in the 2009/10 year to a profit of \$620,200 in 2010/11. There have been a number of contributing factors associated with improved trading result with the major items being:

- Improved weather has enabled a better production output. Last year rain prevented crushing due to material clogging up screens and crushers, and delayed restarting of crushing until material sufficiently dried.
- Management has taken steps to reduce overheads, realign costs of production to output and adopt a more effective management structure
- Key staffing positions were filled during the period.

- Large contracts were filled in relation the Ballina by-pass project.
- The cash position has been impacted negatively by higher stock levels on hand and higher debt levels as at 30 June. The majority of debtors were within acceptable trading terms and therefore it is considered that this was a timing issue only. Stock levels have increased but this is a strategic position taken by management to meet future contract obligations.

As a direct result of the increased stock levels, the cash position has deteriorated to a deficit of \$3.95 million. The deficit is being funded by internal loans and will be repaid from anticipated future quarry profits. It is acknowledged that the business will require a significant overdraft to operate as key assets (stock levels and debtors) are typically high value (\$4.96 million as at 30 June 2011) and the annual dividend to General Fund (\$487,000 in 2010/11) is a cash withdrawal that is automatically deducted regardless of the businesses overall cash position.

A summary of trading result and cash position for the last three years is shown below:-

Item	2010/11	2009/10	2008/09
Trading Result			
User Charges			
External Sales	8,699,900	6,405,200	7,199,500
Internal Sales	4,199,400	4,729,400	3,171,400
Miscellaneous Charges	214,400	197,700	319,700
Total Income	13,113,700	11,332,300	10,690,600
Less:			
Operating Expenses	11,781,800	10,161,700	10,731,500
Operating Surplus/(Deficit) before depreciation, corporate charges and loan repayments	1,331,900	1,170,600	(40,900)
Less:			
Depreciation	44,000	338,800	325,000
Corporate Charges	342,000	399,300	395,900
Loan Repayments	325,700	325,800	301,200
Operating Surplus/(Deficit)	620,200	106,700	(1,063,000)
Cost of Production Per Tonne	16.37	18.48	24.65
Reserve			
Reserve Balance – Opening Surplus/(Deficit)	(2,676,100)	(1,895,400)	91,200
Trading Result Surplus/(Deficit)	620,200	106,700	(1,063,000)
Debtors Principal Repaid	43,400	43,400	41,300
Depreciation (Non Cash)	44,000	338,800	325,000
Capital Purchases	(38,000)	-	(77,900)
Movement Stock on Hand/Debtors	(1,292,400)	(782,100)	(742,000)
Dividend Paid	(487,000)	(395,000)	(470,000)
Interest on Internal Loans	(169,600)	(92,500)	-
Cash Movement Surplus/(Deficit)	(1,279,400)	(780,700)	(1,986,600)
Reserve Balance – Closing Surplus/(Deficit)	(3,955,500)	(2,676,100)	(1,895,400)

14. Summary

Council remains in a sound financial position with cash, cash equivalents and investments at reasonable levels, key performance indicators within acceptable ranges and liabilities such as loans at a manageable level.

The operating result for 2010/11 has shown a mark decline from previous years due to increased depreciation expenses resulting from the impact of the revaluation of all infrastructure assets, the loss on disposal of infrastructure assets \$6.52 million and the inclusion in previous years of on-off items.

It is considered essential that action be taken to bring the operating result of Council into a more sustainable level. Council will need to continue to examine ways in which revenue can be increased, expenses decreased or a combination of both to deliver increased funding for asset management.

As at 30 June 2011, Council's net infrastructure assets totalled \$880.7 million. To provide adequate funding to replace this infrastructure as and when required, Council should strive towards a surplus 'Net operating result before capital grants and contributions'.

To assist in meeting this objective, the adoption of Asset Management Plans and a Long Term Financial Plan by Council, that meet the DLG's Integrated Planning and Reporting requirements, is considered fundamental. Considerable work has already taken place to prepare these documents, but finalisation and coordination with Council's strategic planning is required.

Having an agreed position on asset management requirements and integrating these into a long term financial plan are likely to have a significant impact on Council's financial ability to provide the current broad range of works and services on an ongoing basis.

Part D: Local Government Financial Health Checks

Revenue Sources

Indicator #1 – Revenue Sources

Indicator Title:

1.1 Sources of Total Revenue before Capital, all funds

Indicator Definition:

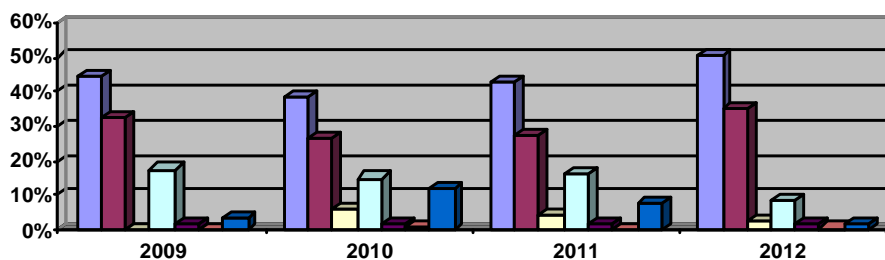
Ordinary Revenue classified by source

Indicator / Local Government Benchmark:

For Information Only

	June 2009 Actual \$'000	% Age of Total Revenue	June 2010 Actual \$'000	% Age of Total Revenue	June 2011 Actual \$'000	% Age of Total Revenue	June 2012 Forecast \$'000	% Age of Total Revenue
Rates & Charges	32,239	44.88	34,898	38.20	37,370	42.51	39,482	50.37
User Charges and Fees	23,441	32.63	23,964	26.23	24,262	27.60	27,410	34.97
Interest	-	-	5,090	5.57	3,696	4.21	1,821	2.32
Grants	12,571	17.50	13,716	15.01	14,578	16.59	6,419	8.19
Contributions	1,241	1.73	1,397	1.53	1,455	1.66	1,380	1.76
Profit on Sales of Assets	-	-	1,024	1.12	-	-	355	0.45
Other	2,343	3.26	11,272	12.34	6,534	7.43	1,522	1.94
Total Ordinary Revenue Before Capital	71,835	100.0	91361	100.0	87,895	100.0	78,389	100.0

Commentary: The percentage of revenue derived from Rates and Charges is the most significant component of Council's revenue. Council should continue to pursue other funding sources to reduce the reliance on this source of income. For example grant funds should continue to be actively sought. In 2010/11 the percentage increased from previous the year due to the inclusion of one-off revenues in 2009/10 that were not repeated in 2010/11.



Cash / Liquidity Position

Indicator #2 – Cash / Liquidity Position

Indicator Title:

2.1 Unrestricted Current Ratio

Indicator Definition:

Current Asset less Externally Restricted Current Assets/Current Liabilities less Specific Purpose Current Liabilities

Indicator / Local Government Benchmark:

*Greater than 2:1 - Acceptable
Between 1:1 and 2:1 – Requires Monitoring
Less than 1:1 – Corrective Action Required*



	June 2009 Actual	June 2010 Actual	June 2011 Actual	June 2012 Forecast	June 2013 Forecast	June 2014 Forecast
General Fund	1.39	1.80	2.13	1.80	1.30	1.43

Commentary: Council's liquidity has improved from 2010 however it is expected to decline over the next few years. This will require constant monitoring to ensure it does not fall to an unacceptable level.

Indicator Title: 2.2 Available Cash Position, General funds as W&WW externally restricted

Indicator Definition:
 a) Available Cash Assets
 b) Unrestricted Available Cash Assets
 a) Cash Assets less Externally Restricted Assets
 b) Unrestricted Available Cash Assets less internally restricted Assets

Indicator / Local Government Benchmark: For Information Only

	June 2009 Actual \$'000	June 2010 Actual \$'000	June 2011 Actual \$'000	June 2012 Forecast \$'000	June 2013 Forecast \$'000	June 2014 Forecast \$'000
a)	13,859	26,395	23,749	20,493	18,954	16,861
b)	-	-	-	-	-	-

Commentary: Council's liquidity has declined from 2010 and is expected to decline over the next few years. This will require constant monitoring to ensure it does not fall to an unacceptable level..

Indicator Title: 2.3 Availability of Cash Assets as a % of Total Revenue

Indicator Definition:
 a) Available Cash Assets
 b) Unrestricted Available Cash Assets
 a) Available cash Assets / Ordinary Revenue before Capital
 b) Unrestricted Available Cash Assets / Ordinary Revenue before Capital

Indicator / Local Government Benchmark: For Information Only

	June 2009 Actual	June 2010 Actual	June 2011 Actual	June 2012 Forecast	June 2013 Forecast	June 2014 Forecast
a)	19.29%	27.51%	27.02%	26.14%	20.88%	20.27%
b)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Commentary: Council is in a healthy position in relation to liquidity as its cash position is constantly monitored.

Operating Result

Indicator #3 – Operating Result

Indicator Title: 3.1 Result from Continuing Operations before Capital Grants and Contributions

Indicator Definition: Total Continuing Revenues less Total Continuing Expenses

Indicator / Local Government Benchmark:
 No action required
 Position needs monitoring
 Corrective action required



	June 2009 Actual \$'000	June 2010 Actual \$'000	June 2011 Actual \$'000	June 2012 Forecast \$'000
General Fund	-2,859	4,413	-7,133	-7,218
Water Fund	-1,888	-1,236	-1,853	-1,715
Wastewater Fund	-4,516	-217	-5,386	-1,708
All Funds	-9,263	-2,960	-14,372	-10,461

Commentary:

Council's operating result for 2010/11 has shown a marked decline from the previous years, as the 2009/10 result included one-off items such as the RTRL consolidation and recognition of the NPV of a 10 year interest free loan. Even after adjusting for these one-off items, the operating result is of concern and corrective action will need to be taken in the future to ensure the result is at a more sustainable level. A combination of the full impact of depreciation from infrastructure assets in 2009/10 and the recognition of loss on sale of assets disposed or decommissioned in 2010/11

have contributed to the result. Council is currently developing asset management plans for the effective management of its assets. From this, Council will be able to confidently prepare a Long Term Financial Plan to ensure a more effective utilisation of Council's resources and a more sustainable future for Council.

Asset Condition Management

Indicator #4 – Asset Condition Management

Indicator Title:

- a. Renewal
- b. Maintenance / Maintenance Required
- c. Asset Life Position

Indicator Definition:

- a. Capital Expenditure on Existing Assets / Annual Depreciation
- b. Actual Maintenance Expended / Maintenance Level Required to Achieve Useful Life
- c. Accumulated Depreciation / Total Depreciable Asset Value

Indicator / Local Government Benchmark:

- a & b 1 to 1 – Satisfactory
- Less than 1:1 – Requires monitoring
- c For Information Only

		June 2009 Actual \$'000	June 2010 Actual \$'000	June 2011 Actual \$'000	June 2012 Forecast \$'000
General Fund	a	2.29	2.02	1.34	1.23
Water Fund	a	0.46	0.62	0.72	1.07
Wastewater Fund	a	0.32	0.83	0.52	2.93
All Funds	a	1.50	1.51	1.06	1.62
General Fund	b	0.75	0.75	0.75	0.75
Water Fund	b	1.10	1.09	1.08	1.08
Wastewater Fund	b	0.94	0.93	0.92	0.92
All Funds	b	0.85	0.85	0.84	0.84
General Fund	c	40.27%	22.08%	22.58%	23.73%
Water Fund	c	47.73%	48.86%	49.72%	50.71%
Wastewater Fund	c	45.28%	46.86%	47.74%	47.07%
All Funds	c	37.00%	28.24%	30.85%	31.67%

Commentary: From a financial perspective, Council's financial indicators are close to the mark. However, this may not be reflected 'on the ground' with the age and condition of assets vary due to averages being applied across the local government area. On completion of the asset management plan, better information relating to the service level requirements will be available to more accurately assess Council's infrastructure situation.

Debt Service Ratio

Indicator #5 – Debt Service Ratio

Indicator Title:

5.1 Debt Service Ratio

Indicator Definition:

5.1 Gross Debt Service Costs / Total Revenue from Ordinary Activities

Indicator / Local Government Benchmark:

- 5.1 <10% - Satisfactory
- 10% - 15% - Requires Monitoring
- >15% - Corrective Action Required

	June 2009 Actual	June 2010 Actual	June 2011 Actual	June 2012 Forecast	June 2013 Forecast	June 2014 Forecast
5.1	6.34%	5.57%	6.96%	8.10%	9.05%	13.65%

Commentary: Council's level of debt service is satisfactory and is reflective of a council that is well developed as opposed to being relatively new and experiencing significant growth. The ratio is anticipated to increase over the next two years and will be in excess of 10% in 2014. The 2014 year includes the repayment of a \$3million interest only loan for Industrial Land Development which is to be funded from sources other than operating revenues. For the purpose of this ratio it has been included in accordance with accepted reporting requirements, thus causing an abnormal result.

Receivables Management

Indicator #6 – Receivables Management

Indicator Title:

6.1 Outstanding Rates and Charges

Indicator Definition:

6.1 Total Outstanding Rates Charges & Fees / Rates Charges and Fees Annual Income plus Arrears

Indicator / Local Government Benchmark:

6.1 <6% - Satisfactory
6% - 10% - Requires Monitoring
>10% - Corrective Action Required



	June 2009 Actual	June 2010 Actual	June 2011 Actual	June 2012 Forecast	June 2013 Forecast	June 2014 Forecast
6.1	8.46%	9.96%	10.60%	9.67%	9.46%	9.46%

Commentary: Management: continues to be proactive in debt recovery including the continued appointment of Executive Collections as collection agent for Council. Management is continuing to implement actions to recover debts in a timely manner and it is anticipated that the level will decline in 2012 year onwards. The anomaly here is that outstanding rates and charges accrue interest at a rate of which is more than the interest earned on investments or the cost of borrowing funds. The above indicator bases the forecasts on trends of the previous years as well as taking into account continuing actions to reduce outstanding debts and therefore reflects the anticipated actual result.

Re-Votes of Expenditure

Indicator #7 – Re-Votes of Expenditure

Indicator Title:

Re-Votes of Expenditure

Indicator Definition:

Re-votes / Total Expenses

Indicator / Local Government Benchmark:

<2% - Acceptable
2% to 5% - Requires Monitoring
>5% - Corrective Action Required



June 2008	June 2009	June 2010	June 2011
10.30%	12.90%	5.80%	3.70%

Commentary: For each year shown above, the level of expenditure has increased above the original vote by the percentage shown due to circumstances throughout the year allocating additional expenditure.

In 2010/11 additional expenditure is associated with

- additional grants for new projects such as Splendour in the Grass
- additional schedule of works for water and wastewater upgrades
- The roll forward of unexpended grants and reserves from 2009/10

Accuracy / timeliness of financial data / budget / compliance

Indicator #8 – Management Practices

Indicator Title:

Accuracy / Timeliness of Financial Data / Budget / Compliance

Indicator Definition:

As Indicated Below

Indicator / Local Government Benchmark:

8 to 9 Achieved – Acceptable
5 to 7 Achieved – Requires Monitoring
4 or Less Achieved – Corrective Action Required



	June 2008	June 2009	June 2010	June 2011
1. Financial Bottom Line (before capital matched to forecasts to a level of + or – 10%)	No	No	No	No
2. Receipt of an unqualified Audit Report	No	No	Yes	Yes
3. Statements lodged to meet compliance deadline.	Yes	Yes	Yes	Yes
4. Do you report monthly to management within 5 days of month end?	Yes	Yes	Yes	Yes
5. Do you report quarterly statutory within 21 days of quarter end.	No	No	No	No
6. Do you report annual statutory within 21 days of year-end.	No	No	No	No

7. Do budgets incorporate a 3-year plan where the 2 nd year becomes the base for the following year?	Yes	Yes	Yes	Yes
8. Rigour of budget review and then ongoing monthly/quarterly budget to actual results analysis.	Yes	Yes	Yes	Yes
9. Does RAO formally report to Council on the sign off of Financial Statements – Sec. 413?	Yes	Yes	Yes	Yes
	5	5	6	6

Commentary: Finance is working towards achieving more of the indicators shown above, particularly in the area of providing financial information in a shorter timeframe.

Conclusion

In relation to measuring Council’s ‘financial health’ against the indicators prescribed, Council is in a reasonable position. However, there is room for improvement in the following areas:

- Development of comprehensive asset management plans and subsequently long term financial plan.
- Continuing to provide funding to maintain ageing infrastructure assets
- Continue to be vigilant in recovering debts and limit exposure to bad debts
- Improve the budgeting process in relation to forecasting grants or additional revenue that may be received and spent during the year
- Reduce the timeframe for providing financial information to management and Council.