

Lismore City Council

Financial Reports

for the year ended 30 June 2012

*“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 2012

*“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 2012

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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 23/10/12. Council has the power to amend and reissue the financial statements.



Thomas Noble & Russell

Accountants | Auditors | Business Advisers

**LISMORE CITY COUNCIL
GENERAL PURPOSE FINANCIAL REPORT
INDEPENDENT AUDITOR'S REPORT**

We have audited the accompanying financial report of Lismore City Council (the Council), which comprises the balance sheet as at 30 June 2012, the income statement, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the statement by Councillors and Management.

Council's Responsibility for the Financial Report

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

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report 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 report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's 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, the auditor considers 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 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 report.

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 Report

This auditor's report relates to the general purpose financial report of Lismore City Council for the year ended 30 June 2012 published in the annual report and included on Council's website. The Council is responsible for the integrity of the website. We have not been engaged to report on the integrity of this website. The auditor's report refers only to the financial report identified above. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial report. If users of the financial report 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 report to confirm the information contained in this website version of the financial report.

Independence


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

Auditor's 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 report:
 - i. has been presented in accordance with the requirements of this Division;
 - ii. is consistent with the Council's accounting records;
 - iii. presents fairly the Council's financial position as at 30 June 2012, 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 23rd day of October 2012



Thomas Noble & Russell

Accountants | Auditors | Business Advisers

Lismore, 23 October 2012

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 reports for the year ended 30 June 2012.

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

Yours faithfully
THOMAS NOBLE & RUSSELL

Per:

A handwritten signature in black ink, appearing to read 'Ker Franey', is written over a horizontal dotted line. The signature is written in a cursive style.

K R FRANEY (Partner)
Registered Company Auditor

Lismore City Council

Report to Council under s417 of
the Local Government Act 1993

30 June 2012



Thomas
Noble &
Russell

Accountants | Auditors | Business Advisers



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1. COUNCIL'S FINANCIAL REPORTING REQUIREMENTS

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

General Purpose Financial Report

This financial report presents the financial position and performance of the Council on a consolidated basis which includes 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 report in accordance with the Division of Local Government Code of Accounting Practice Manual which adopts applicable Australian Accounting Standards as the framework for financial reporting.

Special Purpose Financial Report

This financial report provides an understanding of the financial position and performance of Council's declared business activities as required under National Competition Policy. Council's declared business activities for the 2012 financial year were:

- Water fund operations
- Waste water fund operations
- Quarry operations
- Waste collection operations
- Waste disposal operations
- Real estate activities
- Lismore Memorial Gardens operations
- Commercial property operations, and
- 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 as well as Australian Professional and Ethical 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 general purpose financial statements;
- ii) Note 16 budget variation explanations in the general purpose financial report;
- iii) Note 17 forecast information contained in the general purpose financial report; 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 2012 was a loss of \$3,692,000. This compares to a loss in 2011 of \$6,881,000. This result can be summarised as follows:

	2010 \$'000	2011 \$'000	2012 \$'000
Revenues from continuing operations	82,018	87,214	88,381
Expenses from continuing operations	(68,053)	(72,916)	(72,397)
Result from continuing operations before depreciation	13,965	14,298	15,984
Less: Depreciation expense	(20,368)	(23,209)	(23,251)
Result from continuing operations before capital amounts	(6,403)	(8,911)	(7,267)
Capital grants and contributions	9,747	7,620	6,801
Fair value gains / (losses) on investments	633	933	35
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	1,024	(6,523)	(3,261)
Surplus / (Deficit) from all activities	12,707	(6,881)	(3,692)

3.1 Analysis Of Result From Continuing Operations Before Capital Amounts

The deficit from continuing operations before capital amounts has decreased from \$8,911,000 in 2011 to \$7,267,000 in 2012. Some of the material components contributing to the decreased deficit include:

Account	Increase / (Decrease) \$'000	Reason for Increase / Decrease
Revenue		
General Rates	695	General rates revenue has increased in accordance with the rate-pegged increment of 2.8% plus growth in the number of assessments.
Annual Charges	1,538	Annual charges revenue has increased in accordance with movements in Council's fees and charges schedule as well as population growth.
Quarry Revenue	(956)	Quarry revenues have decreased as the prior year result benefitted from increased 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.
Interest & Investment Revenue	(1,089)	Council's interest and investment revenue has declined as interest rates have decreased on multiple occasions during the current financial year.
Expenses		
Employee Benefits & On-Costs	2,935	Employee costs have increased due to several factors, including an increase in the employee leave entitlements provision, increases in the number of full time employees as compared to the previous year, as well as escalations in award rates and on-costs including payroll tax and workers compensation premiums.
Materials and Contracts	(2,857)	Material and contracts expense was adversely impacted in the previous year as significant flood restoration works were undertaken. This expenditure was not incurred in the 2012 financial year.

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 2012 consolidated operating deficit of \$3,692,000 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 \$35,000 during the 2012 financial year (2011: \$933,000) 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 \$3,261,000 which is largely attributable the replacement of roads infrastructure. The table below provides an understanding of the net loss recognised relating to the disposal of infrastructure, property, plant & equipment.

	2010 \$'000	2011 \$'000	2012 \$'000
Infrastructure assets replaces / scrapped			
- Transport & Drainage	-	(3,422)	(3,692)
- Water	(303)	(298)	-
- Water Waste	(144)	(3,463)	-
Profit on sale of plant and equipment	120	491	357
Profit on sale of real estate assets	1,351	130	74
Profit / (Loss) on sale of other property	-	39	-

Capital Grants & Contributions

Capital grants received during the year amounted to \$2,540,000 and largely consisted of grants:

- received under the Roads to Recovery scheme \$913,000; and
- received for recreation and culture purposes \$943,000.

Capital contributions received during the year totalled \$4,261,000. A downturn in economic activity is largely attributable to the reduction in revenue when compared to prior years.

	2010 \$'000	2011 \$'000	2012 \$'000
Non cash developer contributions	1,420	2,002	1,824
Section 94 Contributions - cash	579	962	592
Section 64 Contributions - cash	718	697	528
RTA Contributions	2,457	823	934
Other contributions	18	120	383
TOTAL	5,192	4,604	4,261

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 report.

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
2011/12						
Water	8,906	11,339	(2,433)	(3.2)	4,379	10
Wastewater	10,692	12,837	(2,145)	(0.9)	6,864	32
Quarry	11,828	11,535	293	21.8	-	487
Waste Collection	4,187	4,213	(26)	*	-	-
Waste Disposal	4,758	4,365	393	15.1	-	287
Koala Day Care	**	**	**	**	**	**
Lismore Memorial Gardens	578	516	62	5.0	-	-
Commercial Properties	195	299	(104)	(4.1)	181	-
Goonellabah Sports and Aquatic Centre	1,486	3,958	(2,472)	(11.7)	2,275	-
Industrial Land Development	-	257	(257)	***	257	-

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	10,445	(1,937)	(2.3)	-	10
Wastewater	10,294	15,857	(5,563)	(2.7)	-	32
Quarry	13,157	12,924	233	26.3	-	487
Waste Collection	3,772	3,992	(220)	*	179	-
Waste Disposal	5,245	4,936	309	12.2	-	170
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	-

* 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 is a discontinued operation and all assets have been disposed in the 2010/11 year.

*** 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 Report

The special purpose financial report was issued with an unqualified audit report indicating that the financial report 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 some of the material declared business activity operations for the 2012 financial year.

Water and Waste Water Services

Council's water operations returned a deficit before capital grants and contributions of \$2,424,000. Increases to the cost of water purchases as well as higher employee costs attributed to the movement in the deficit from 2011.

The operating deficit before capital grants and contributions for waste water fund has decreased by \$3,418,000 on 2011 to \$2,113,000. The improvement in the operating result before capital grants and contributions is largely attributable to losses incurred in the prior year relating to the disposal of infrastructure assets associated with the upgrade of Sewer Rising Main 3.

Council's water and waste water activities have returned deficits before capital grants and contributions for at least 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 \$293,000 for the 2012 financial year. This compares to a surplus of \$233,000 in the 2011 financial year. Income was down compared to the prior year as the 2011 financial year result was boosted by sales of product toward construction of the Ballina bypass, however material and contracts costs were also reduced given less demand for product. During the year the quarry operations paid a \$487,000 dividend (2011: \$487,000) to general fund in accordance with Council resolutions.

Waste Collection

Waste collection recorded a deficit of \$46,000 in 2012 compared to a deficit of \$220,000 in 2011. Contributing to this result has been an increase in user charges revenue of \$289,000 due to an increase in charge out rates across all waste streams, as well as population growth. Significant cost cutting initiatives were also put in place during the current financial year in order to reduce expenses and improve the deficit position.

Goonellabah Sports & Aquatic Centre

The Goonellabah Sports & Aquatic Centre (GSAC) recorded a deficit of \$2,471,000 in the 2012 year compared to a deficit before capital of \$2,358,000 in 2011. Whilst the GSAC has recorded a significant deficit for the 2012 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 2012.

5.1 Cash and Investments

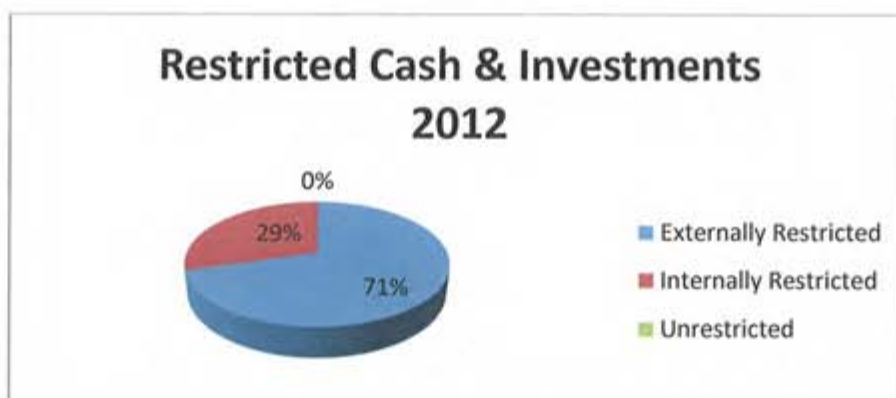
Council's cash and investments are carried in the balance sheet at their fair value. A summary of the movement of Council's cash and investments is as follows:

	2011 \$'000	2012 \$'000
Fair value of investments at beginning of the year	6,757	8,440
Cash and cash equivalents at beginning of the year	37,988	31,435
Investments purchased	4,400	2,000
Increase / (Decrease) in cash and cash equivalents	(6,553)	1,526
Investments sold or redeemed	(3,650)	(1,267)
Movement in fair value	933	35
Fair value of cash, cash equivalents and investments as at balance date	39,875	42,169



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 increased by \$2.294million during the 2012 financial year. Externally restricted cash and investments have reduced as Council utilised unspent grants held at 30 June 2011. Internally restricted reserves have increased as they are required to be utilised for special purposes only.

	2011 \$'000	2012 \$'000
Externally Restricted Cash and Investments	32,632	29,734
Internally Restricted Cash and Investments	7,243	12,435
Unrestricted Cash and Investments	-	-
	<u>39,875</u>	<u>42,169</u>



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

	2011 \$'000	2012 \$'000
Cash and Cash Equivalents		
Cash on Hand and at Bank	566	555
Deposits at Call	4,869	7,406
Short Term Deposits	26,000	25,000
	<u>31,435</u>	<u>32,961</u>
Investments		
Managed Funds	2,078	1,554
Collateralised Debt Obligations	1,116	329
Equity Linked Notes	846	925
Long Term Deposits	4,400	5,400
Other Long Term Maturity Financial Instruments	-	1,000
	<u>8,440</u>	<u>9,208</u>
Total Cash and Investments at 30 June 2012	<u>39,875</u>	<u>42,169</u>

Council is managing its investment portfolio in accordance with the Minister's Investment Order which is applicable to all local government authorities.

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:

	2010 \$'000	2011 \$'000	2012 \$'000
Non-cash Developer Dedications			
Roads and Drainage Network	888	1,348	750
Water Supply Network	380	210	148
Waste Water Network	152	444	675
Council Constructed / Purchased Assets			
Assets Under Construction	11,228	6,065	10,000
Land and Buildings	1,620	872	1,025
Plant and Equipment	3,944	2,412	4,302
Roads and Drainage Network	5,971	7,050	6,636
Other Infrastructure	1,311	916	146
Library Books	3,985	765	790
Water Supply Network	1,185	1,613	1,578
Waste Water Network	797	2,700	1,263
	<u>31,461</u>	<u>24,395</u>	<u>27,313</u>

* Assets under construction comprises:	2010 \$'000	2011 \$'000	2012 \$'000
Bridges and culverts	968	2,533	1,071
Transport & Drainage infrastructure	5,256	1,385	142
Water infrastructure	97	53	0
Waste water infrastructure	4,531	1,562	8,339
Other assets	376	532	448
	<u>11,228</u>	<u>6,065</u>	<u>10,000</u>



Asset Revaluations 2012

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 its Water and Wastewater Infrastructure Assets. This revaluation process, together with fair value indexing to other infrastructure assets has resulted in the asset revaluation reserve increasing by \$25.6 million.

When revaluing water and wastewater infrastructure, Council employed the services of specialist asset valuers. This process has also included a reassessment of asset useful lives and residual values. The reassessment of useful lives has been assessed on the condition of assets and other important factors that influence the useful life of each asset to Council. The reassessment of useful lives at the end of 2012 has resulted in a reduction to future depreciation expense which will be realised in the 2013 and future financial reporting periods.

Asset Management

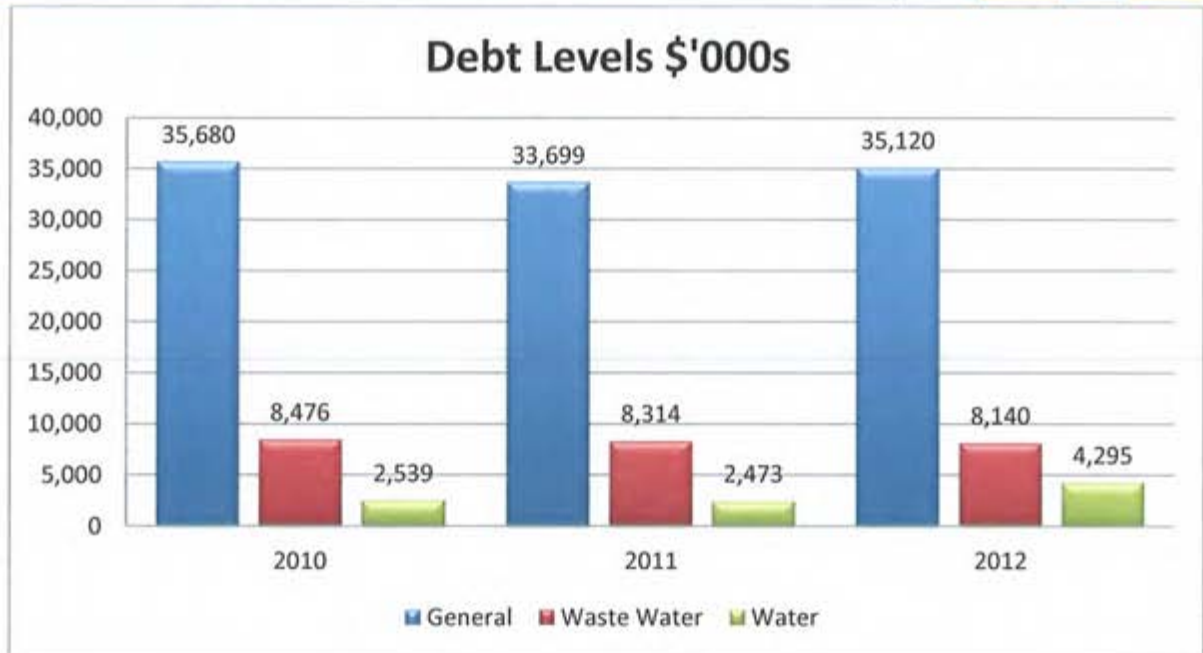
Infrastructure, property, plant and equipment represent the largest asset group on the Council's balance sheet. The management of infrastructure, property, plant and equipment is an important part of Council's objectives. To ensure Council is able to manage its large infrastructure portfolio it is important that it continues to develop asset management systems and associated resources so that revenue and borrowings are utilised effectively and efficiently and 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 \$47,555,000 increasing from \$44,486,000 in 2011. The total loan liability at balance date is attributable to the Council's operating funds as follows:

	2010	2011	2012
	\$'000	\$'000	\$'000
General	35,680	33,699	35,120
Waste Water	8,476	8,314	8,140
Water	2,539	2,473	4,295
Total	46,695	44,486	47,555

During the 2012 financial year Council executed new borrowings of \$5,327,000, the majority of which will be used for the purposes of replacing, upgrading or purchasing infrastructure, property, plant and equipment. During the financial year, the Council also repaid principal totalling \$2,258,000. Council has budgeted to repay loans of \$2,536,000 during the 2013 financial year. The table below provides an understanding of Council's debt levels over the past three years for each fund.



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.

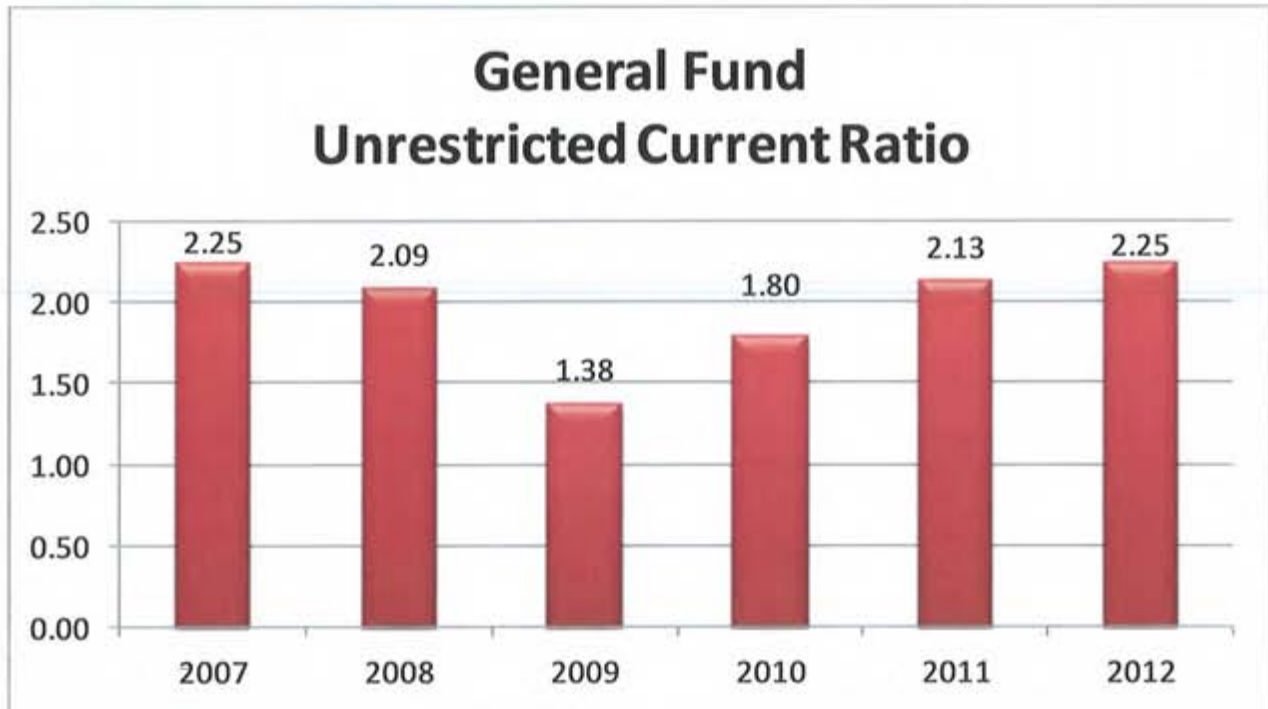
Unrestricted Current Ratio

The unrestricted current ratio represents Council's capacity to meet its short term 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 2.13 in 2011 to 2.25 as at 30 June 2012. An unrestricted current ratio of 2.25 means that Council's general fund has \$2.25 held in the form of cash and other liquid assets to satisfy every \$1 in short-term liabilities.

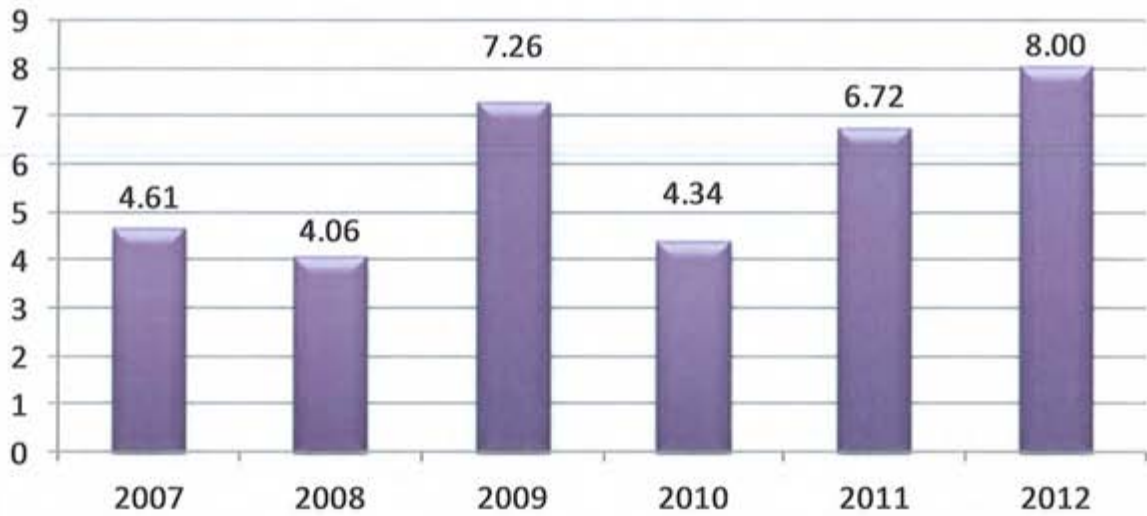
An unrestricted current ratio of at least 1.5 is considered to be an appropriate level to allow Council to satisfy its day-to-day commitments and absorb any unforeseen expenses or reductions in revenue. We commend Council on the continued improvement to its short-term liquidity position.

Waste Water and Water Fund Unrestricted Current Ratio

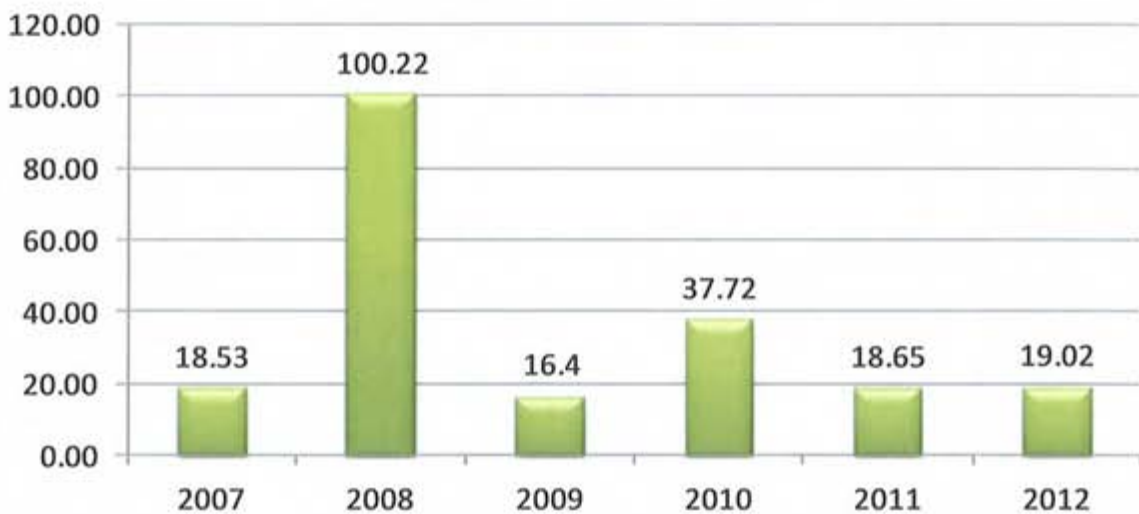
The unrestricted current ratio for water and waste water activities may fluctuate significantly. Yearly movements in this ratio may result from the build up of internal reserves and the impact of lower debt levels and will continue to fluctuate in the future as further funds are collected and then expended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



Water Fund Unrestricted Current Ratio



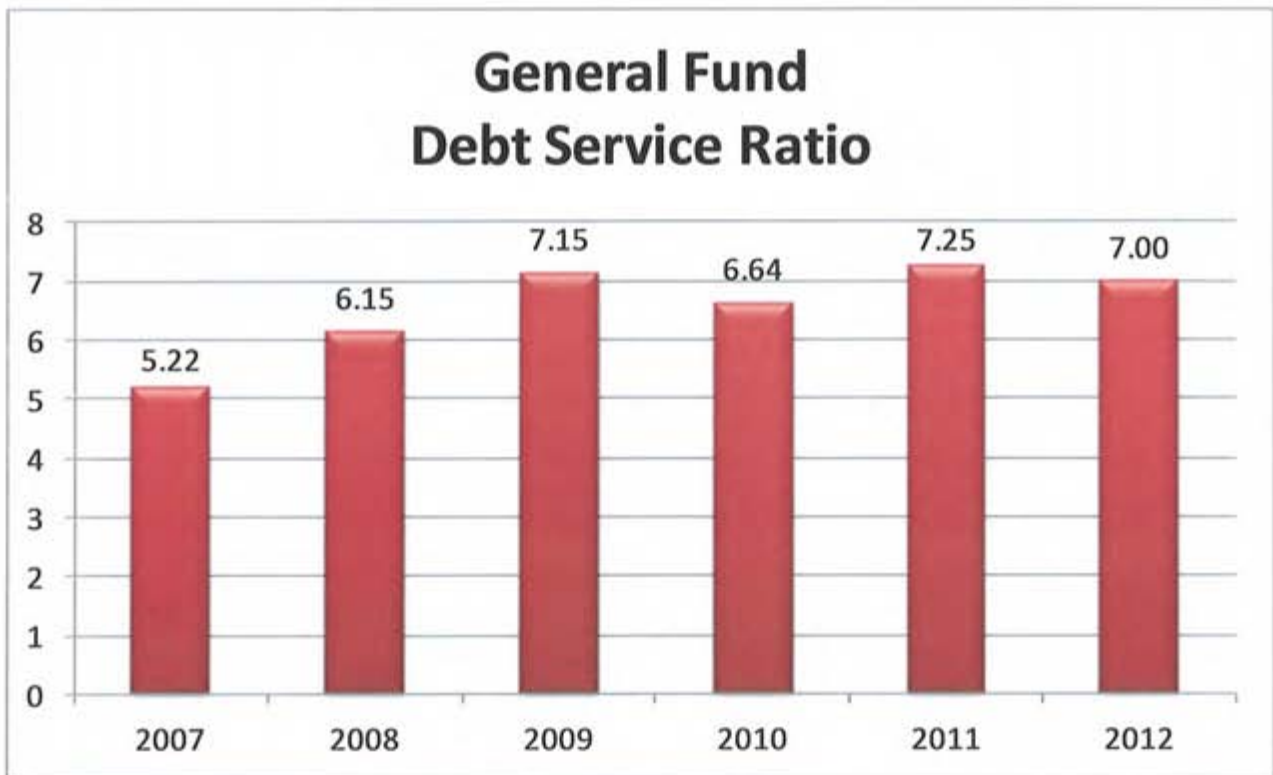
Waste Water Fund Unrestricted Current Ratio



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:

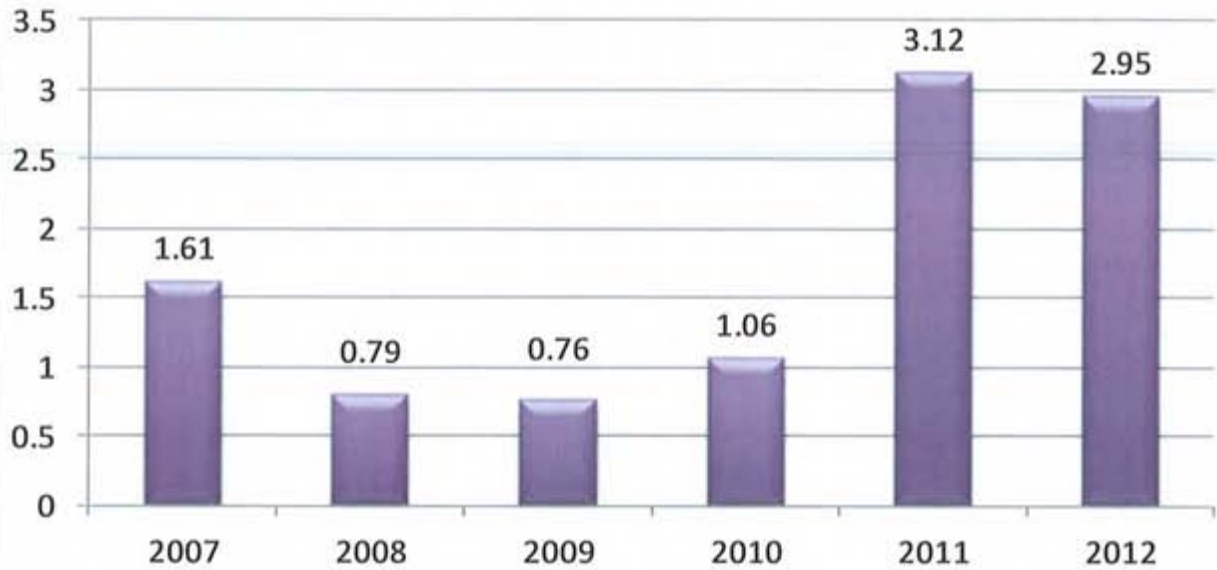
- The rate of new development in the Council area and the need to borrow to fund new infrastructure;
- Council's debt policy;
- Interest rate movements and loan terms;
- Capital investment strategies and capital contributions policies;
- The level of cash reserves available to reduce the level of borrowings;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



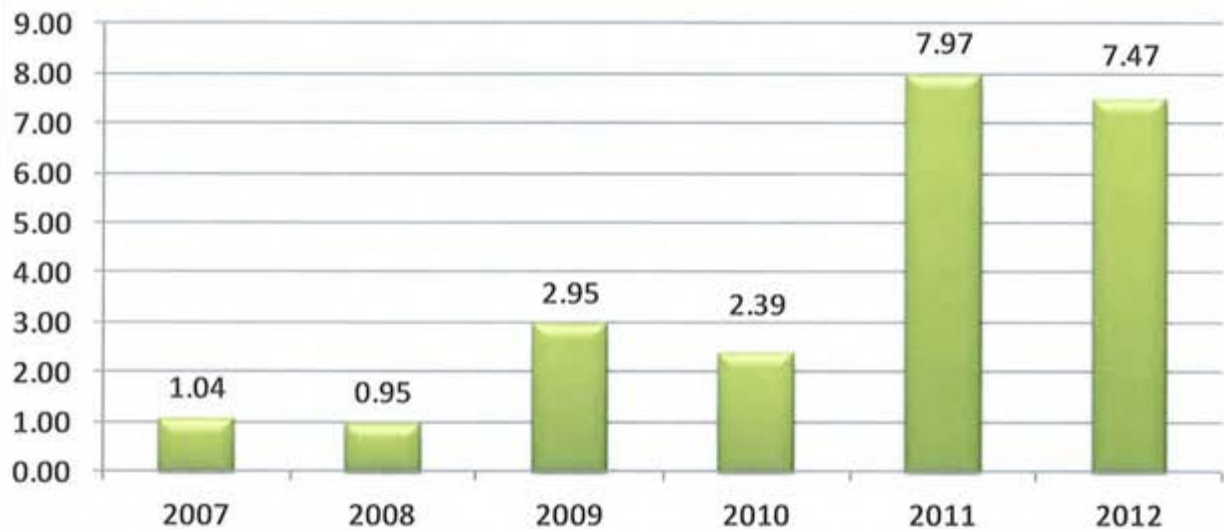
The above graph illustrates Council's management of general fund debt service levels over the past six years. Council's general fund debt service ratio has remained relatively stable over this period of time and indicates that the amount of revenue being used to service debt is not excessive.



Water Fund Debt Service Ratio



Waste Water Debt Service Ratio

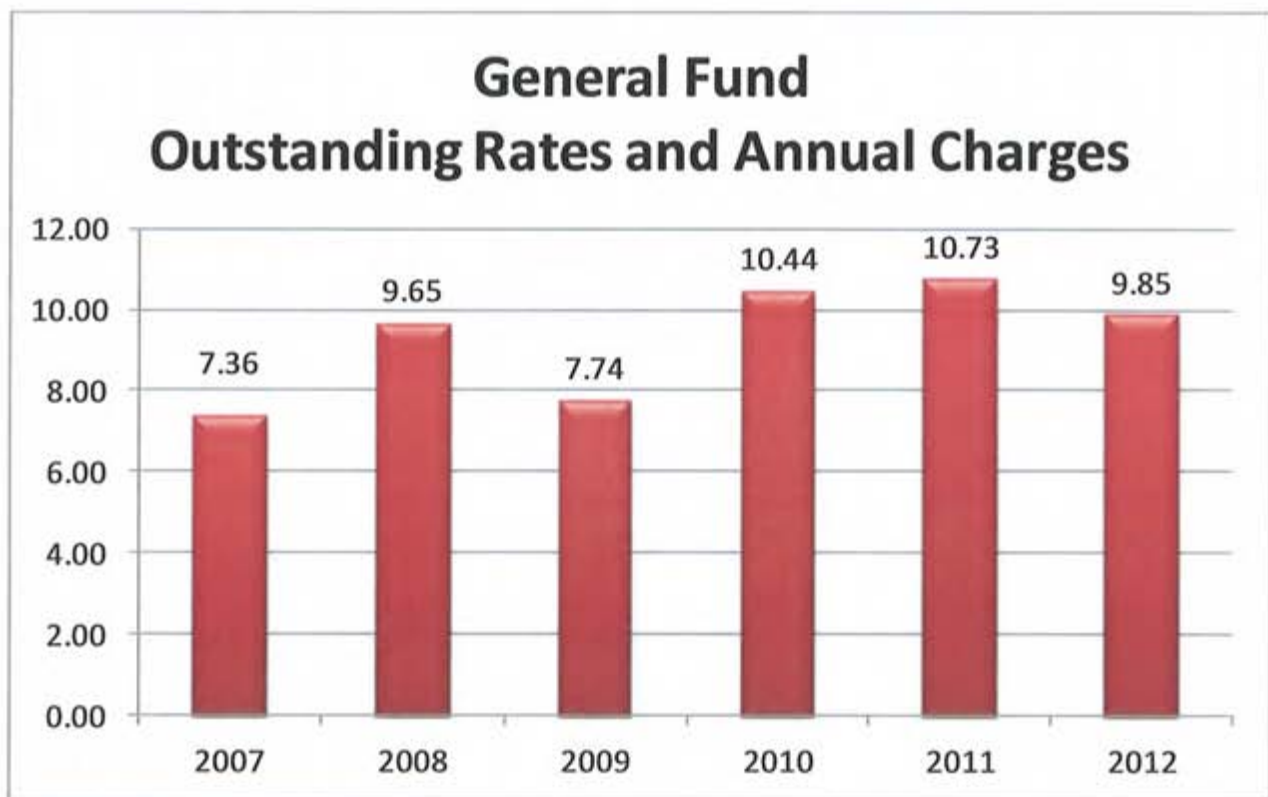


The above graphs illustrate the periodic borrowings to fund Council's capital works programmes for water and waste water funds. The debt service ratio for both Funds has remained relatively static over the past two years.

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:

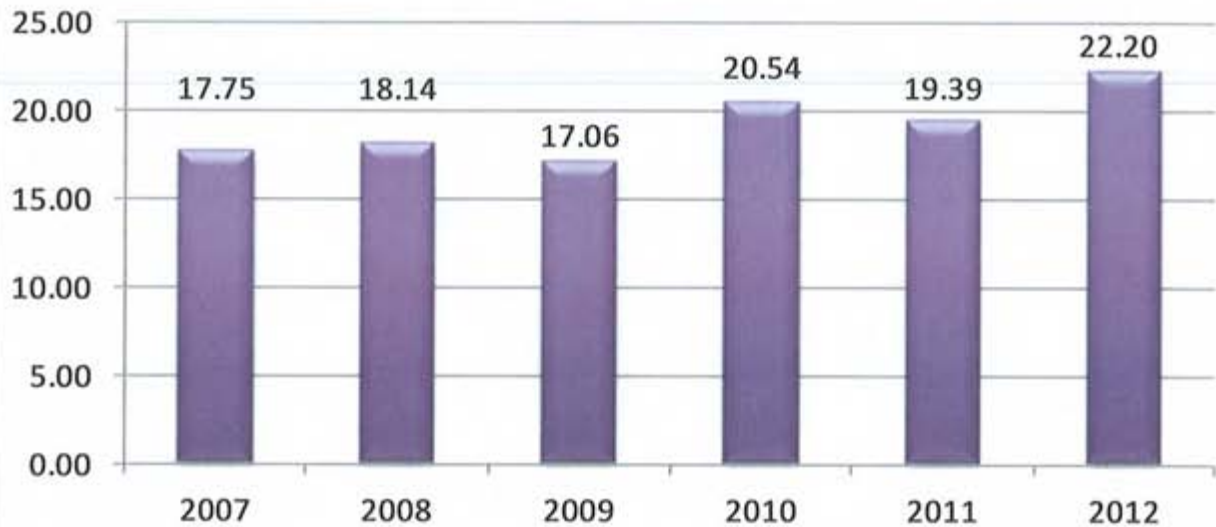
- Council's rating policy;
- Credit management policies;
- The socioeconomic characteristics of the area; and
- Environmental factors influencing ratepayers ability to satisfy their obligations.



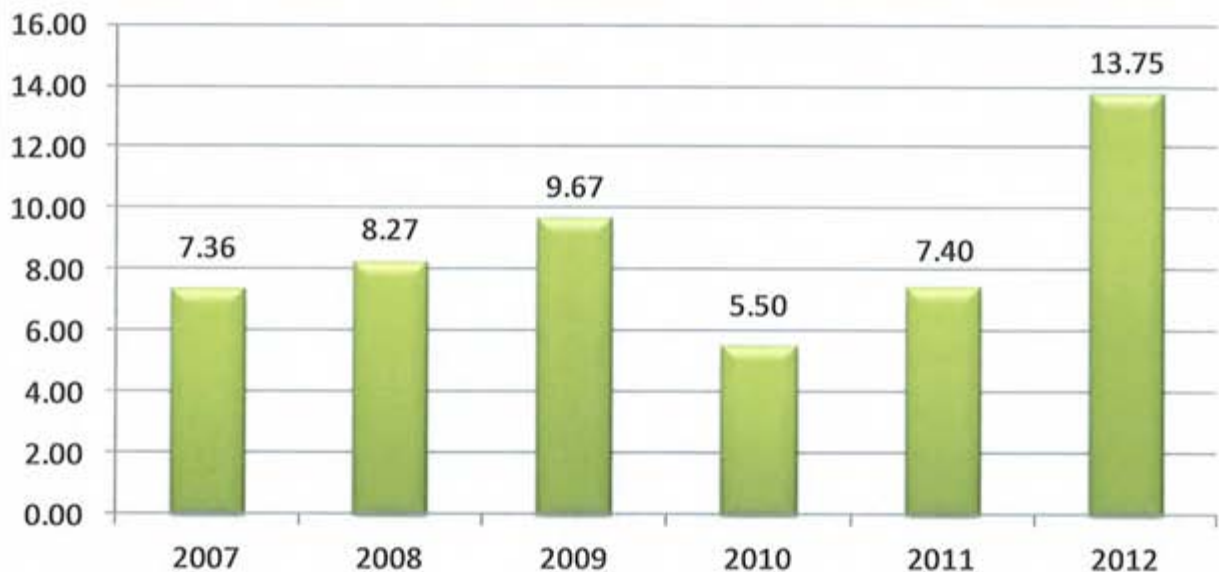
Council's General Fund rates and annual charges outstanding percentage is 9.85% as at 30 June 2012 which is an improvement on 2011. When compared to the Local Government Managers Association benchmarks we note that this ratio exceeds acceptable parameters however we also recognise that the current difficult economic conditions are influencing this ratio. We recommend that Council continue to review and monitor its collection procedures to determine whether this ratio can be further reduced so that cash flow can be improved.



Water Fund Outstanding Rates and Annual Charges



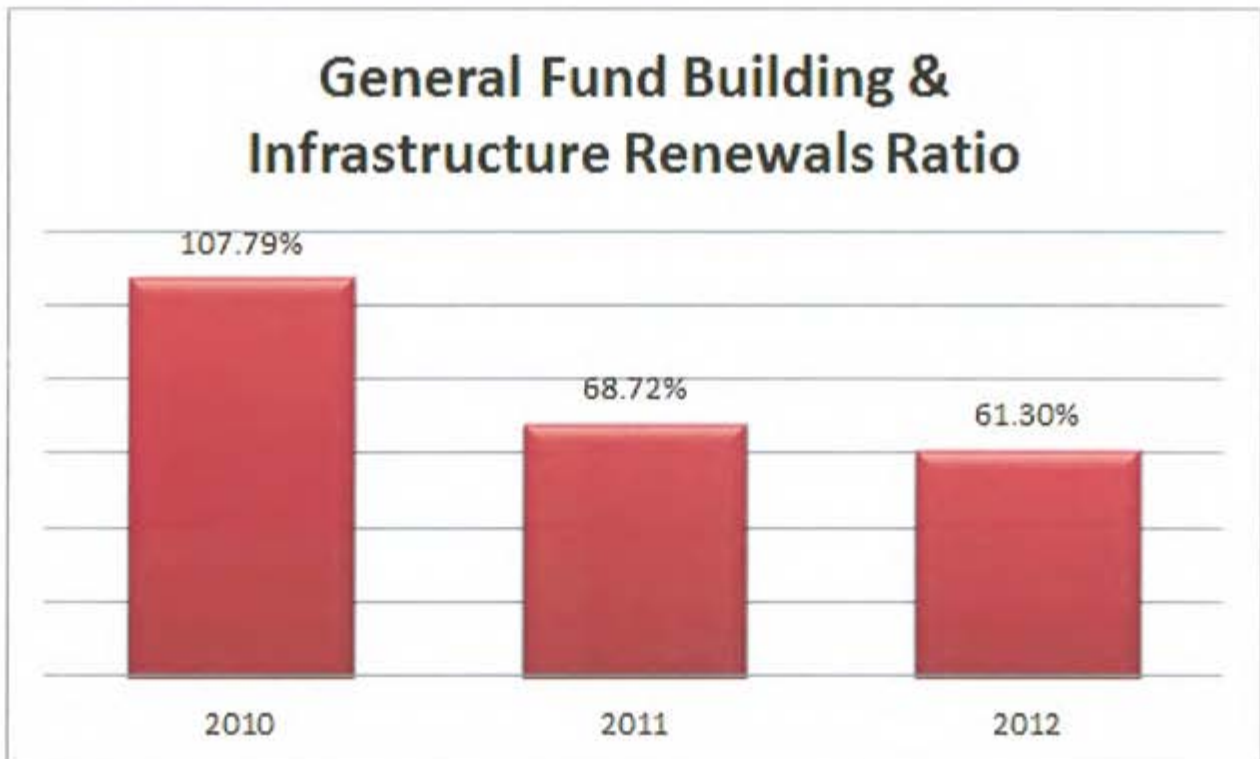
Waste Water Fund Outstanding Rates and Annual Charges



Council's rates and annual charges outstanding ratio for water and waste water funds have both increased on 2011 and 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 for general fund has decreased from the 2011 and 2010 periods to 61.30% for the 2012 financial year. 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 purchase new assets as well as increase the capacity of existing assets. By definition, the proportion spent on increasing the capacity of an existing asset is not included in the asset renewal ratio.

A buildings and infrastructure renewals ratio of less than 100% is considered to be below industry benchmarks. We recommend that Council review its information systems to ensure all asset renewal expenditure is captured as well as the organisation's capacity to achieve a higher asset renewal ratio as part of its asset management planning.



7. OTHER MATTERS FOR CONSIDERATION


7.1 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 2012

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:

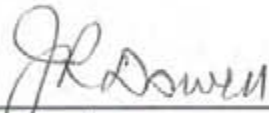
- The Local Government Act 1993 (as amended) and the Regulations made thereunder,
- The Australian Accounting Standards and professional pronouncements, and
- The Local Government Code of Accounting Practice and Financial Reporting.

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

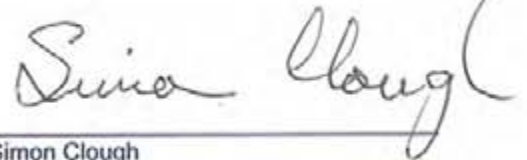
- present fairly the Council's operating result and financial position for the year, and
- accords with Council's accounting and other records.

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 23 October 2012.



Jenny Dowell
MAYOR



Simon Clough
COUNCILLOR



Gary Murphy
GENERAL MANAGER



Rino Santin
RESPONSIBLE ACCOUNTING OFFICER

Lismore City Council

Income Statement

for the financial year ended 30 June 2012

Budget ⁽¹⁾			Actual	Actual
2012	\$ '000	Notes	2012	2011
Income from Continuing Operations				
<i>Revenue:</i>				
39,482	Rates & Annual Charges	3a	39,603	37,370
26,069	User Charges & Fees	3b	27,906	28,259
1,821	Interest & Investment Revenue	3c	2,607	3,696
1,522	Other Revenues	3d	1,808	2,537
7,799	Grants & Contributions provided for Operating Purposes	3e,f	16,492	16,033
9,166	Grants & Contributions provided for Capital Purposes	3e,f	6,801	7,491
<i>Other Income:</i>				
355	Net gains from the disposal of assets	5	-	-
-	Net Share of interests in Joint Ventures & Associated Entities using the equity method	19	-	-
86,214	Total Income from Continuing Operations		95,217	95,386
Expenses from Continuing Operations				
26,300	Employee Benefits & On-Costs	4a	28,094	25,159
3,454	Borrowing Costs	4b	3,457	3,662
28,784	Materials & Contracts	4c	36,411	39,268
25,267	Depreciation & Amortisation	4d	23,251	23,209
-	Impairment	4d	-	-
3,884	Other Expenses	4e	4,435	4,446
-	Interest & Investment Losses	3c	-	-
-	Net Losses from the Disposal of Assets	5	3,261	6,523
-	Net Share of interests in Joint Ventures & Associated Entities using the equity method	19	-	-
87,689	Total Expenses from Continuing Operations		98,909	102,267
(1,475)	Operating Result from Continuing Operations		(3,692)	(6,881)
Discontinued Operations				
-	Net Profit/(Loss) from Discontinued Operations	24	-	-
(1,475)	Net Operating Result for the Year		(3,692)	(6,881)
(1,475)	Net Operating Result attributable to Council		(3,692)	(6,881)
-	Net Operating Result attributable to Minority Interests		-	-
(10,641)	Net Operating Result for the year before Grants and Contributions provided for Capital Purposes		(10,493)	(14,372)

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

Lismore City Council

Statement of Comprehensive Income

for the financial year ended 30 June 2012

\$ '000	Notes	Actual 2012	Actual 2011
Net Operating Result for the year (as per Income statement)		(3,692)	(6,881)
Other Comprehensive Income			
Gain (loss) on revaluation of I,PP&E	20b (ii)	25,603	62,464
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		25,603	62,464
Total Comprehensive Income for the Year		21,911	55,583
Total Comprehensive Income attributable to Council		21,911	55,583
Total Comprehensive Income attributable to Minority Interests		-	-

Lismore City Council

Balance Sheet

as at 30 June 2012

\$ '000	Notes	Actual 2012	Actual 2011
ASSETS			
Current Assets			
Cash & Cash Equivalents	6a	32,961	31,435
Investments	6b	3,504	614
Receivables	7	11,794	14,180
Inventories	8	6,945	6,940
Other	8	37	7
Non-current assets classified as "held for sale"	22	-	-
Total Current Assets		55,241	53,176
Non-Current Assets			
Investments	6b	5,704	7,826
Receivables	7	2,625	1,877
Inventories	8	115	-
Infrastructure, Property, Plant & Equipment	9	1,072,578	1,048,701
Investments accounted for using the equity method	19	-	-
Investment Property	14	-	-
Intangible Assets	25	829	925
Non-current assets classified as "held for sale"	22	-	-
Other	8	-	-
Total Non-Current Assets		1,081,851	1,059,329
TOTAL ASSETS		1,137,092	1,112,505
LIABILITIES			
Current Liabilities			
Payables	10	9,226	9,622
Borrowings	10	2,544	2,259
Provisions	10	7,340	6,369
Liabilities associated with assets classified as "held for sale"	22	-	-
Total Current Liabilities		19,110	18,250
Non-Current Liabilities			
Payables	10	1,779	1,809
Borrowings	10	45,011	42,227
Provisions	10	2,600	3,538
Investments accounted for using the equity method	19	-	-
Liabilities associated with assets classified as "held for sale"	22	-	-
Total Non-Current Liabilities		49,390	47,574
TOTAL LIABILITIES		68,500	65,824
Net Assets		1,068,592	1,046,681
EQUITY			
Retained Earnings	20	614,337	616,731
Revaluation Reserves	20	454,255	429,950
Council Equity Interest		1,068,592	1,046,681
Minority Equity Interest		-	-
Total Equity		1,068,592	1,046,681

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 2012

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council Interest	Minority Interest	Total Equity
2012						
Opening Balance (as per Last Year's Audited Accounts)		616,731	429,950	1,046,681	-	1,046,681
a. Correction of Prior Period Errors	20 (c)	-	-	-	-	-
b. Changes in Accounting Policies (prior year effects)	20 (d)	-	-	-	-	-
Revised Opening Balance (as at 1/7/11)		616,731	429,950	1,046,681	-	1,046,681
c. Net Operating Result for the Year		(3,692)		(3,692)	-	(3,692)
d. Other Comprehensive Income						
- Revaluations : IPP&E Asset Revaluation Rsve	20b (ii)		25,603	25,603		25,603
- 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		-	25,603	25,603	-	25,603
Total Comprehensive Income (c&d)		(3,692)	25,603	21,911	-	21,911
e. Distributions to/(Contributions from) Minority Interests				-	-	-
f. Transfers between Equity		1,298	(1,298)	-	-	-
Equity - Balance at end of the reporting period		614,337	454,255	1,068,592	-	1,068,592

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council 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 Rsve	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

Lismore City Council

Statement of Cash Flows

for the financial year ended 30 June 2012

Budget 2012	\$ '000	Notes	Actual 2012	Actual 2011
Cash Flows from Operating Activities				
Receipts:				
39,482			39,066	36,756
27,410			30,665	30,334
1,821			2,735	2,430
16,215			21,720	21,522
			343	-
1,522			6,875	7,249
Payments:				
(26,300)			(27,066)	(25,191)
(28,786)			(42,779)	(46,403)
(3,454)			(2,965)	(3,206)
			-	-
(5,225)			(7,353)	(4,466)
			-	-
			-	-
22,685	Net Cash provided (or used in) Operating Activities	11b	21,241	19,025
Cash Flows from Investing Activities				
Receipts:				
11,338			1,267	3,650
			-	-
			140	279
355			666	1,074
			-	-
			-	-
			-	-
46			79	151
			-	-
			-	-
Payments:				
			(2,000)	(4,400)
			-	-
(40,877)			(22,774)	(23,941)
			(162)	(182)
			-	-
			-	-
			-	-
			-	-
			-	-
			-	-
(29,138)	Net Cash provided (or used in) Investing Activities		(22,784)	(23,369)

Lismore City Council

Statement of Cash Flows

for the financial year ended 30 June 2012

Budget			Actual	Actual
\$ '000	\$ '000	Notes	2012	2011
Cash Flows from Financing Activities				
<u>Receipts:</u>				
8,843		Proceeds from Borrowings & Advances	5,327	-
		Proceeds from Finance Leases	-	-
		Other Financing Activity Receipts		-
<u>Payments:</u>				
(2,390)		Repayment of Borrowings & Advances	(2,258)	(2,209)
		Repayment of Finance Lease Liabilities	-	-
		Distributions to Minority Interests	-	-
		Other Financing Activity Payments		-
<u>6,453</u>		Net Cash Flow provided (used in) Financing Activities	<u>3,069</u>	<u>(2,209)</u>
-		Net Increase/(Decrease) in Cash & Cash Equivalents	1,526	(6,553)
31,435		plus: Cash & Cash Equivalents - beginning of year	31,435	37,988
<u>31,435</u>		Cash & Cash Equivalents - end of the year	<u>32,961</u>	<u>31,435</u>
Additional Information:				
		plus: Investments on hand - end of year	9,208	8,440
		Total Cash, Cash Equivalents & Investments	<u>42,169</u>	<u>39,875</u>

Please refer to Note 11 for information on the following:

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

Lismore City Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

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Lismore City Council

Notes to the Financial Statements for the financial year ended 30 June 2012

Note 1. Summary of Significant Accounting Policies

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

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

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

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

Because 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) New and amended standards adopted by Council

None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2011 affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods.

(iv) Early adoption of Accounting Standards

Council has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 1 July 2011.

Refer further to paragraph (aa) relating to a summary of the effects of Standards with future operative dates.

(v) 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.

(vi) Changes in Accounting Policies

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

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

Lismore City Council

Notes to the Financial Statements for the financial year ended 30 June 2012

Note 1. Summary of Significant Accounting Policies (continued)

(vii) Critical Accounting Estimates

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

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

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

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future.

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

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

- (i) Estimated fair values of infrastructure, property, plant and equipment.
- (ii) Estimated tip remediation provisions.
- (iii) Estimated useful lives and residual values for infrastructure, property, plant and equipment.
- (iv) Estimated timing of payment of long service leave to employees applied when calculating the provision for long service leave.

Critical judgements in applying the entity's accounting policies

- (i) Projected Section 94 Commitments - Council has used significant judgement in determining future Section 94 income and expenditure in Note 17.

(b) Revenue recognition

Council recognises revenue when the amount of revenue can be reliably measured, it is probable that

future economic benefits will flow to the entity and specific criteria have been met for each of the Council's activities as described below.

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

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

Revenue is measured on major income categories as follows:

Rates, Annual Charges, Grants and Contributions

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

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

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

Control over granted assets is normally obtained upon their receipt (or acquittal) or upon earlier notification that a grant has been secured, and is valued at their fair value at the date of transfer.

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).

Lismore City Council

Notes to the Financial Statements for the financial year ended 30 June 2012

Note 1. Summary of Significant Accounting Policies (continued)

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.

(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 30/6/12) and (ii) all the related operating results (for the financial year ended the 30th June 2012).

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.

Lismore City Council

Notes to the Financial Statements for the financial year ended 30 June 2012

Note 1. Summary of Significant Accounting Policies (continued)

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**

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.

Lismore City Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 1. Summary of Significant Accounting Policies (continued)

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 into one of the following categories for measurement purposes:

- **financial assets at fair value through profit or loss**,
- **loans and receivables**,
- **held-to-maturity investments**, and
- **available-for-sale financial assets**.

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

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

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

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

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

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

(ii) Loans and receivables

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

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

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

(iii) Held-to-maturity investments

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

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

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

Lismore City Council

Notes to the Financial Statements for the financial year ended 30 June 2012

Note 1. Summary of Significant Accounting Policies (continued)

(iv) Available-for-sale financial assets

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

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

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

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

Financial Assets – Reclassification

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

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

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

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

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

General Accounting & Measurement of Financial Instruments:

(i) Initial Recognition

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

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

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

(ii) Subsequent Measurement

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

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

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

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

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

Impairment

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

A financial asset or a group of financial assets is impaired and impairment losses are incurred only if

Lismore City Council

Notes to the Financial Statements for the financial year ended 30 June 2012

Note 1. Summary of Significant Accounting Policies (continued)

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

(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 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.

Lismore City Council

Notes to the Financial Statements for the financial year ended 30 June 2012

Note 1. Summary of Significant Accounting Policies (continued)

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.

(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;

- **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

Lismore City Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 1. Summary of Significant Accounting Policies (continued)

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 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

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

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

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

Transport Assets	
Road construction & reconstruction	> \$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

Lismore City Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 1. Summary of Significant Accounting Policies (continued)

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

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(r) on Asset Impairment.

Change in Accounting Estimate – Reassessment of Useful Life

A reassessment of useful life for Water and Wastewater Infrastructure assets was undertaken with the revaluation of those infrastructure assets as at 30 June 2012. The changes in useful life will result in the depreciation expense reported for Water and Wastewater infrastructure assets to decrease in future years. A summary of the reduced depreciation expense and the impact on the Net Operating Result for the Year is shown below:-

Assets	Current Year ('000)	2012/13 ('000)	Net Operating Result Impact
Water Infrastructure Depreciation	\$2,541	\$1,690	\$ 851
Wastewater Infrastructure Depreciation	\$6,142	\$3,831	\$2,311

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.

Lismore City Council

Notes to the Financial Statements for the financial year ended 30 June 2012

Note 1. Summary of Significant Accounting Policies (continued)

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 basis 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 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.

Lismore City Council

Notes to the Financial Statements for the financial year ended 30 June 2012

Note 1. Summary of Significant Accounting Policies (continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

Lismore City Council

Notes to the Financial Statements for the financial year ended 30 June 2012

Note 1. Summary of Significant Accounting Policies (continued)

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.

(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.

Lismore City Council

Notes to the Financial Statements for the financial year ended 30 June 2012

Note 1. Summary of Significant Accounting Policies (continued)

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

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

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

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

Due to the nature of when and how Long Service Leave can be taken, all Long Service Leave for employees with 4 or more years of service has been

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

(iii) Retirement benefit obligations

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

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

Defined Benefit Plans

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

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.

Lismore City Council

Notes to the Financial Statements for the financial year ended 30 June 2012

Note 1. Summary of Significant Accounting Policies (continued)

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 30/6/12.

(x) Self insurance

Council does not self insure.

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

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

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

Exceptions

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

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

(z) Taxes

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

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

Goods & 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.

Lismore City Council

Notes to the Financial Statements for the financial year ended 30 June 2012

Note 1. Summary of Significant Accounting Policies (continued)

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.

(aa) 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 2012.

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 accounting for 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.

There will be no impact on Council's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and Council does not have any such liabilities.

The derecognition rules have been transferred from AASB 139 Financial Instruments: Recognition and Measurement and have not been changed

AASB 10 - Consolidated Financial Statements, AASB 11 - Joint Arrangements, AASB 12 - Disclosure of Interests in Other Entities, revised AASB 127 - Separate Financial Statements and AASB 128 - Investments in Associates and Joint Ventures and AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards (effective 1 January 2013)

In August 2011, the AASB issued a suite of five new and amended standards which address the accounting for joint arrangements, consolidated financial statements and associated disclosures.

AASB 10 replaces all of the guidance on control and consolidation in AASB 127 Consolidated and Separate Financial Statements, and Interpretation 12 Consolidation – Special Purpose Entities.

The core principle that a consolidated entity presents a parent and its subsidiaries as if they are a single economic entity remains unchanged, as do the mechanics of consolidation.

However, the standard introduces a single definition of control that applies to all entities.

It focuses on the need to have both power and rights or exposure to variable returns.

Power is the current ability to direct the activities that significantly influence returns. Returns must vary and can be positive, negative or both. Control exists when the investor can use its power to affect the amount of its returns.

There is also new guidance on participating and protective rights and on agent/principal relationships.

Lismore City Council

Notes to the Financial Statements for the financial year ended 30 June 2012

Note 1. Summary of Significant Accounting Policies (continued)

Council does not expect the new standard to have a significant impact on its composition.

AASB 11 introduces a principles based approach to accounting for joint arrangements.

The focus is no longer on the legal structure of joint arrangements, but rather on how rights and obligations are shared by the parties to the joint arrangement.

Based on the assessment of rights and obligations, a joint arrangement will be classified as either a joint operation or a joint venture. Joint ventures are accounted for using the equity method, and the choice to proportionately consolidate will no longer be permitted.

Parties to a joint operation will account their share of revenues, expenses, assets and liabilities in much the same way as under the previous standard.

AASB 11 also provides guidance for parties that participate in joint arrangements but do not share joint control.

Council's investment in the joint venture partnership will be classified as a joint venture under the new rules.

As Council already applies the equity method in accounting for this investment, AASB 11 will not have any impact on the amounts recognised in its financial statements.

AASB 12 sets out the required disclosures for entities reporting under the two new standards, AASB 10 and AASB 11, and replaces the disclosure requirements currently found in AASB 127 and AASB 128.

Application of this standard by Council will not affect any of the amounts recognised in the financial statements, but will impact the type of information disclosed in relation to Council's investments.

Amendments to AASB 128 provide clarification that an entity continues to apply the equity method and does not remeasure its retained interest as part of ownership changes where a joint venture becomes an associate, and vice versa. The amendments also introduce a "partial disposal" concept. Council is still assessing the impact of these amendments.

Council does not expect to adopt the new standards before their operative date. They would therefore be first applied in the financial statements for the annual reporting period ending 30 June 2014.

AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13 (effective 1 January 2013)

AASB 13 was released in September 2011.

It explains how to measure fair value and aims to enhance fair value disclosures. Council has yet to determine which, if any, of its current measurement techniques will have to change as a result of the new guidance.

It is therefore not possible to state the impact, if any, of the new rules on any of the amounts recognised in the financial statements. However, application of the new standard will impact the type of information disclosed in the notes to the financial statements.

Council does not intend to adopt the new standard before its operative date, which means that it would be first applied in the annual reporting period ending 30 June 2014.

Applicable to Local Government but no implications for Council;

None

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

Revised AASB 119 Employee Benefits, AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 (September 2011) and AASB 2011-11 Amendments to AASB 119 (September 2011) arising from Reduced Disclosure Requirements (effective 1 January 2013)

In September 2011, the AASB released a revised standard on accounting for employee benefits.

It requires the recognition of all remeasurements of defined benefit liabilities/assets immediately in other comprehensive income (removal of the so-called 'corridor' method) and the calculation of a net interest expense or income by applying the discount rate to the net defined benefit liability or asset.

Lismore City Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 1. Summary of Significant Accounting Policies (continued)

This replaces the expected return on plan assets that is currently included in profit or loss.

The standard also introduces a number of additional disclosures for defined benefit liabilities/assets and could affect the timing of the recognition of termination benefits.

The amendments will have to be implemented retrospectively.

Council does not recognise defined benefit assets and liabilities for the reasons set out in note 1 (w)(iii) and so these changes will not have an impact on its reported results.

Not applicable to Local Government per se;

There are no other standards that are not yet effective and that are expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

(ab) Rounding of amounts

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

(ac) Comparative Figures

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

(ad) Disclaimer

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

Lismore City Council

Notes to the Financial Statements for the financial year ended 30 June 2012

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

Functions/Activities	Income, Expenses and Assets have been directly attributed to the following Functions / Activities. Details of these Functions/Activities are provided in Note 2(b).												
	Income from Continuing Operations			Expenses from Continuing Operations			Operating Result from Continuing Operations			Grants included in Income from Continuing Operations		Total Assets held (Current & Non-current)	
	Original Budget	Actual	Actual	Original Budget	Actual	Actual	Original Budget	Actual	Actual	Actual	Actual	Actual	Actual
	2012	2012	2011	2012	2012	2011	2012	2012	2011	2012	2011	2012	2011
Governance	-	-	-	506	500	552	(506)	(500)	(552)	-	-	-	-
Administration	1,759	1,269	1,678	4,681	7,522	5,827	(2,922)	(6,253)	(4,149)	313	476	69,214	60,798
Public Order & Safety	307	602	335	1,747	2,461	2,408	(1,440)	(1,859)	(2,073)	547	238	3,481	3,382
Health	332	346	344	245	904	952	87	(558)	(608)	15	-	1,163	1,130
Environment	5,402	7,658	7,665	7,402	6,835	7,463	(2,000)	823	202	343	255	-	-
Community Services & Education	315	661	690	984	1,393	1,654	(669)	(732)	(964)	554	402	1,489	1,447
Housing & Community Amenities	1,828	2,218	1,962	3,371	3,232	3,208	(1,543)	(1,014)	(1,246)	274	274	65,117	63,274
Water Supplies	9,224	8,959	8,617	10,550	13,039	10,347	(1,326)	(4,080)	(1,730)	22	129	76,068	81,349
Sewerage Services	10,760	11,667	11,252	11,364	10,583	15,489	(604)	1,084	(4,237)	126	122	192,417	203,310
Recreation & Culture	11,568	8,405	7,314	14,783	17,990	17,189	(3,215)	(9,585)	(9,875)	1,470	921	84,847	82,445
Mining, Manufacturing & Construction	7,749	8,570	9,498	7,682	8,647	9,485	67	(77)	13	212	185	17,432	16,939
Transport & Communication	7,294	11,829	14,287	21,243	22,429	24,172	(13,949)	(10,600)	(9,885)	4,428	7,515	595,988	569,401
Economic Affairs	579	555	1,086	3,131	3,374	3,521	(2,552)	(2,819)	(2,435)	36	19	29,876	29,030
Total Functions & Activities	57,117	62,739	64,728	87,689	98,909	102,267	(30,572)	(36,170)	(37,539)	8,340	10,536	1,137,092	1,112,505
Share of gains/(losses) in Associates & Joint Ventures (using the Equity Method)		-	-		-	-	-	-	-		-	-	-
General Purpose Income ¹	29,097	32,478	30,658				29,097	32,478	30,658	8,526	6,929		-
Operating Result from Continuing Operations	86,214	95,217	95,386	87,689	98,909	102,267	(1,475)	(3,692)	(6,881)	16,866	17,465	1,137,092	1,112,505

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

Lismore City Council

Notes to the Financial Statements for the financial year ended 30 June 2012

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, real estate development, other business undertakings.

Lismore City Council

Notes to the Financial Statements
for the financial year ended 30 June 2012

Note 3. Income from Continuing Operations

\$ '000	Notes	Actual 2012	Actual 2011
(a). Rates & Annual Charges			
Ordinary Rates			
Residential		14,779	14,263
Farmland		3,849	3,753
Business		4,625	4,542
Total Ordinary Rates		23,253	22,558
Annual Charges (pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Domestic Waste Management Services		3,478	3,081
Stormwater Management Services		362	363
Water Supply Services		2,341	2,098
Sewerage Services		9,164	8,318
Waste Management Services (non-domestic)		373	382
Nimbin Transfer Station		43	38
Waste Reduction Charges		589	532
Total Annual Charges		16,350	14,812
TOTAL RATES & ANNUAL CHARGES		39,603	37,370

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 2012

Note 3. Income from Continuing Operations (continued)

\$ '000	Notes	Actual 2012	Actual 2011
(b). User Charges & Fees			
Specific User Charges (per s.502 - Specific "actual use" charges)			
Water Supply Services		6,067	5,803
Sewerage Services		180	187
Total User Charges		6,247	5,990
Other User Charges & Fees			
(i) Fees & Charges - Statutory & Regulatory Functions (per s.608)			
Building Regulation		683	727
Dog Registration Fees		30	29
Health Control		322	311
Planning Services		282	237
Section 603 Certificates		46	47
Other		5	8
Total Fees & Charges - Statutory/Regulatory		1,368	1,359
(ii) Fees & Charges - Other (incl. General User Charges) (per s.608)			
Aerodrome		491	527
Caravan Park		41	129
Child Care		90	257
Community Centres		12	11
Library		3	2
Art Gallery		21	-
Parking Fees		140	131
Parks, Gardens & Lakes		236	76
Public Cemeteries		1,147	980
Quarry Revenues		7,490	8,446
RMS (formerly RTA) Charges (State Roads not controlled by Council)		2,228	1,783
Road Services		55	56
Sewerage Charges		5	7
Share Cropping		20	18
Sporting Grounds		1,487	1,408
Strategic Planning		78	15
Swimming Pools		221	220
Tourism Service Charges		92	89
Waste Disposal		1,903	2,526
Water Charges		86	86
Other - Farming		76	-
RTRL Contributions by Member Councils		4,122	3,997
Other		247	146
Total Fees & Charges - Other		20,291	20,910
TOTAL USER CHARGES & FEES		27,906	28,259

Lismore City Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 3. Income from Continuing Operations (continued)

\$ '000	Notes	Actual 2012	Actual 2011
(c). Interest & Investment Revenue (incl. losses)			
Interest & Dividends			
- Interest on Overdue Rates & Annual Charges		397	265
- Interest earned on Investments (interest & coupon payment income)		2,175	2,498
Fair Value Adjustments			
- Fair Valuation movements in Investments (at FV or Held for Trading)		35	933
<u>TOTAL INTEREST & INVESTMENT REVENUE</u>		<u>2,607</u>	<u>3,696</u>
Interest Revenue is attributable to:			
Unrestricted Investments/Financial Assets:			
Overdue Rates & Annual Charges (General Fund)		397	175
General Council Cash & Investments		699	1,171
Restricted Investments/Funds - External:			
Development Contributions			
- Section 94		292	634
- Section 64		348	358
Water Fund Operations		147	143
Sewerage Fund Operations		724	1,215
<u>Total Interest & Investment Revenue Recognised</u>		<u>2,607</u>	<u>3,696</u>
(d). Other Revenues			
Rental Income - Other Council Properties		237	226
Fines - Parking		162	127
Fines - Other		117	126
Commissions & Agency Fees		69	29
Insurance Claim Recoveries		17	43
Master Games		25	121
Miscellaneous - Private Works		131	710
Other Events		12	33
Recycling Income (non domestic)		560	637
Reservation & Registration Fees		82	86
Other		396	399
<u>TOTAL OTHER REVENUE</u>		<u>1,808</u>	<u>2,537</u>

Lismore City Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 3. Income from Continuing Operations (continued)

\$ '000	2012 Operating	2011 Operating	2012 Capital	2011 Capital
(e). Grants				
General Purpose (Untied)				
Financial Assistance - General Component	5,862	4,768	-	-
Financial Assistance - Local Roads Component	2,280	1,766	-	-
Pensioners' Rates Subsidies - General Component	384	395	-	-
Total General Purpose	8,526	6,929	-	-
Specific Purpose				
Pensioners' Rates Subsidies:				
- Water	20	127	-	-
- Sewerage	124	120	-	-
- Domestic Waste Management	81	83	-	-
Art Gallery	299	355	-	-
Bushfire & Emergency Services	156	-	23	-
Child Care	75	228	-	-
Community Centres	-	-	-	113
Community Services	479	190	-	-
Diesel Rebate	356	337	-	-
Economic Development	-	76	-	-
Environmental Protection	2	122	10	-
Fire Control	-	228	-	-
Health	-	-	-	20
Library	-	-	1	49
Library Services	119	118	-	-
Natural Disaster Emergency Funding	3,372	5,131	-	-
Planning Services	-	3	-	-
Recreation & Culture	-	114	943	157
Road Safety Officer	-	163	-	-
Street Lighting	163	159	-	-
Transport (Roads to Recovery)	-	-	913	913
Transport (Other Roads & Bridges Funding)	-	18	29	1,470
Other - Levee Construction	-	-	364	-
Other	554	77	257	165
Total Specific Purpose	5,800	7,649	2,540	2,887
Total Grants	14,326	14,578	2,540	2,887
Grant Revenue is attributable to:				
- Commonwealth Funding	1,019	841	944	302
- State Funding	13,257	13,720	1,233	2,585
- Other Funding	50	17	363	-
	14,326	14,578	2,540	2,887

Lismore City Council

Notes to the Financial Statements
for the financial year ended 30 June 2012

Note 3. Income from Continuing Operations (continued)

\$ '000	2012 Operating	2011 Operating	2012 Capital	2011 Capital
(f). Contributions				
Developer Contributions:				
(s93 & s94 - EP&A Act, s64 of the NSW LG Act):				
S 94 - Contributions towards amenities/services	-	-	592	962
S 64 - Water Supply Contributions	-	-	98	95
S 64 - Sewerage Service Contributions	-	-	430	602
Total Developer Contributions	-	-	1,120	1,659
	17			
Other Contributions:				
Art Gallery	45	35	-	15
Dedications (other than by S94)	-	-	1,824	2,002
Library	54	48	127	72
Recreation & Culture	-	-	146	33
Roads & Bridges	-	-	110	-
RMS Contributions (Regional Roads, Block Grant)	2,055	1,359	934	823
Other	12	13	-	-
Total Other Contributions	2,166	1,455	3,141	2,945
Total Contributions	2,166	1,455	4,261	4,604
TOTAL GRANTS & CONTRIBUTIONS	16,492	16,033	6,801	7,491

Lismore City Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 3. Income from Continuing Operations (continued)

\$ '000	Actual 2012	Actual 2011
(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	15,795	15,947
add: Grants & contributions recognised in the current period but not yet spent:	4,458	3,772
less: Grants & contributions recognised in a previous reporting period now spent:	(2,996)	(3,924)
Net Increase (Decrease) in Restricted Assets during the Period	1,462	(152)
Unexpended and held as Restricted Assets	<u>17,257</u>	<u>15,795</u>
Comprising:		
- Specific Purpose Unexpended Grants	3,139	1,326
- Developer Contributions	14,118	14,469
	<u>17,257</u>	<u>15,795</u>

Lismore City Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 4. Expenses from Continuing Operations

\$ '000	Notes	Actual 2012	Actual 2011
(a) Employee Benefits & On-Costs			
Salaries and Wages		20,567	19,937
Employee Leave Entitlements (ELE)		5,168	4,088
Superannuation		2,776	2,855
Workers' Compensation Insurance		1,342	883
Fringe Benefit Tax (FBT)		91	89
Payroll Tax		205	171
Training Costs (other than Salaries & Wages)		490	370
Purchases & Uniforms		3	10
Total Employee Costs		30,642	28,403
less: Capitalised Costs		(2,548)	(3,244)
TOTAL EMPLOYEE COSTS EXPENSED		28,094	25,159
Number of "Equivalent Full Time" Employees at year end		397	377
(b) Borrowing Costs			
(i) Interest Bearing Liability Costs			
Interest on Loans		3,081	3,277
Other Debts		9	3
Total Interest Bearing Liability Costs		3,090	3,280
Total Interest Bearing Liability Costs Expensed		3,090	3,280
(ii) Other Borrowing Costs			
Discount adjustments relating to movements in Provisions (other than ELE)			
- Remediation Liabilities	26	367	382
Total Other Borrowing Costs		367	382
TOTAL BORROWING COSTS EXPENSED		3,457	3,662

Lismore City Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Actual 2012	Actual 2011
(c) Materials & Contracts			
Raw Materials & Consumables		35,637	37,498
Auditors Remuneration ⁽¹⁾		54	55
Legal Expenses:			
- Legal Expenses: Planning & Development		70	1,008
- Legal Expenses: Other		163	55
Operating Leases:			
- Operating Lease Rentals: Minimum Lease Payments ⁽²⁾		487	652
Total Materials & Contracts		36,411	39,268
less: Capitalised Costs		-	-
TOTAL MATERIALS & CONTRACTS		36,411	39,268
1. Auditor Remuneration			
During the year, the following fees were incurred for services provided by the Council's Auditor (& the Auditors of other Consolidated Entities):			
(i) Audit and Other Assurance Services			
- Audit & review of financial statements: Council's Auditor		54	55
Remuneration for audit and other assurance services		54	55
Total Auditor Remuneration		54	55
2. Operating Lease Payments are attributable to:			
Motor Vehicles		236	429
Other		251	223
		487	652

Lismore City Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Impairment Costs		Depreciation/Amortisation	
		Actual 2012	Actual 2011	Actual 2012	Actual 2011
(d) Depreciation, Amortisation & Impairment					
Plant and Equipment		-	-	2,800	2,623
Office Equipment		-	-	240	311
Furniture & Fittings		-	-	17	17
Land Improvements (depreciable)		-	-	305	306
Buildings - Specialised		-	-	2,259	2,220
Other Structures		-	-	346	275
Infrastructure:					
- Roads, Bridges & Footpaths		-	-	7,771	7,123
- Stormwater Drainage		-	-	495	460
- Water Supply Network		-	-	2,541	2,520
- Sewerage Network		-	-	6,143	6,033
Other Assets					
- Heritage Collections		-	-	1	1
- Library Books		-	-	697	834
- Other		-	-	63	63
Asset Reinstatement Costs	9 & 26	-	-	(574)	261
Intangible Assets	25	-	-	147	162
Total Depreciation & Impairment Costs		-	-	23,251	23,209
less: Capitalised Costs		-	-	-	-
less: Impairments (to)/from ARR [Equity]	9a	-	-	-	-
TOTAL DEPRECIATION & IMPAIRMENT COSTS EXPENSED		-	-	23,251	23,209

Lismore City Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Actual 2012	Actual 2011
(e) Other Expenses			
Other Expenses for the year include the following:			
- Emergency Services Levy		43	38
- Far North Coast County Council (Noxious Plants)		121	118
- NSW Fire Brigade Levy		425	355
- NSW Rural Fire Service Levy		224	165
- Richmond River County Council (Flood Mitigation)		264	258
Councillor Expenses - Mayoral Fee		49	48
Councillor Expenses - Councillors' Fees		183	176
Councillors' Expenses (incl. Mayor) - Other (excluding fees above)		128	122
Donations, Contributions & Assistance to other organisations (Section 356)		272	214
Electricity & Heating		839	1,208
Insurance		889	859
Street Lighting		663	574
Telephone & Communications		335	311
Total Other Expenses		4,435	4,446
less: Capitalised Costs		-	-
<u>TOTAL OTHER EXPENSES</u>		<u>4,435</u>	<u>4,446</u>

Lismore City Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 5. Gains or Losses from the Disposal of Assets

\$ '000	Notes	Actual 2012	Actual 2011
Property (excl. Investment Property)			
Proceeds from Disposal - Property		-	442
less: Carrying Amount of Property Assets Sold / Written Off		-	(403)
Net Gain/(Loss) on Disposal		-	39
Plant & Equipment			
Proceeds from Disposal - Plant & Equipment		666	632
less: Carrying Amount of P&E Assets Sold / Written Off		(309)	(141)
Net Gain/(Loss) on Disposal		357	491
Infrastructure			
Proceeds from Disposal - Infrastructure		-	-
less: Carrying Amount of Infrastructure Assets Sold / Written Off		(3,692)	(7,183)
Net Gain/(Loss) on Disposal		(3,692)	(7,183)
Real Estate Assets Held For Sale			
Proceeds from Disposal - Real Estate Assets		140	279
less: Carrying Amount of Real Estate Assets Sold / Written Off		(66)	(149)
Net Gain/(Loss) on Disposal		74	130
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		(3,261)	(6,523)

Lismore City Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

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

\$ '000	Notes	2012	2012	2011	2011
		Actual Current	Actual Non Current	Actual Current	Actual Non Current
Cash & Cash Equivalents (Note 6a)					
Cash on Hand and at Bank		555	-	566	-
Cash-Equivalent Assets ¹					
- Deposits at Call		7,406	-	4,869	-
- Short Term Deposits		25,000	-	26,000	-
Total Cash & Cash Equivalents		32,961	-	31,435	-
Investment Securities (Note 6b)					
- Managed Funds		-	1,554	-	2,078
- Long Term Deposits		3,400	2,000	-	4,400
- Equity Linked Notes		-	925	-	846
- CDO's		104	225	614	502
- Other Long Term Financial Assets		-	1,000	-	-
Total Investment Securities		3,504	5,704	614	7,826
TOTAL CASH ASSETS, CASH EQUIVALENTS & INVESTMENTS		36,465	5,704	32,049	7,826

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"	32,961	-	31,435	-
--	---------------	----------	---------------	----------

Investments

a. "At Fair Value through the Profit & Loss"				
--	--	--	--	--

- "Designated at Fair Value on Initial Recognition" 6(b-i)	3,504	5,704	614	7,826
Investments	3,504	5,704	614	7,826

Lismore City Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 6b. Investments (continued)

\$ '000	2012		2011	
	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	614	7,826	961	5,796
Revaluations (through the Income Statement)	190	(155)	70	863
Additions	-	2,000	-	4,400
Disposals (sales & redemptions)	(700)	(567)	(1,030)	(2,620)
Transfers between Current/Non Current	3,400	(3,400)	613	(613)
Balance at End of Year	3,504	5,704	614	7,826
Comprising:				
- Managed Funds	-	1,554	-	2,078
- Equity Linked Notes		924	-	846
- CDO's	104	226	614	502
- Other Long Term Financial Assets	3,400	3,000	-	4,400
Total	3,504	5,704	614	7,826

Lismore City Council

Notes to the Financial Statements
for the financial year ended 30 June 2012

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

\$ '000	2012	2012	2011	2011
	Actual Current	Actual Non Current	Actual Current	Actual Non Current
Total Cash, Cash Equivalents and Investment Securities	36,465	5,704	32,049	7,826
attributable to:				
External Restrictions (refer below)	24,030	5,704	24,806	7,826
Internal Restrictions (refer below)	12,436	-	7,244	-
Unrestricted	-	-	-	-
	36,465	5,704	32,049	7,826

2012 \$ '000	Opening Balance	Transfers to Restrictions	Transfers from Restrictions	Closing Balance
-----------------	--------------------	------------------------------	--------------------------------	--------------------

Details of Restrictions

External Restrictions - Included in Liabilities

Specific Purpose Unexpended Loans-Water (A)	-	583	-	583
Specific Purpose Unexpended Loans-Sewer (A)	5,400	-	(5,400)	-
Other	1,977	-	(239)	1,738
External Restrictions - Included in Liabilities	7,377	583	(5,639)	2,321

External Restrictions - Other

Developer Contributions - General (D)	7,321	1,760	(1,036)	8,045
Developer Contributions - Water Fund (D)	995	-	(131)	864
Developer Contributions - Sewer Fund (D)	6,153	-	(944)	5,209
Specific Purpose Unexpended Grants (F)	742	1,522	-	2,264
Water Supplies (G)	872	158	-	1,030
Water Supplies - Employee Leave Entitlements (G)	-	91	-	91
Sewerage Services (G)	8,597	531	-	9,128
Sewerage Services - Employee Leave Entitlements (G)	-	91	-	91
Domestic Waste Management (G)	-	44	-	44
Stormwater Management (G)	575	315	(243)	647
External Restrictions - Other	25,255	4,512	(2,354)	27,413
Total External Restrictions	32,632	5,095	(7,993)	29,734

Lismore City Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

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

2012 \$ '000	Opening Balance	Transfers to Restrictions	Transfers from Restrictions	Closing Balance
Internal Restrictions				
Plant & Vehicle Replacement	5	2,657	(1,578)	1,084
Employees Leave Entitlement	770	808	-	1,578
Specific Purpose Unexpended Loans (A)	1,774	3,435	(3,716)	1,493
Administrative Purposes	211	137	-	348
Aerodrome	40	-	(14)	26
Art Gallery	104	26	(13)	117
Child Care	4	-	-	4
Community Services	91	18	(59)	50
Economic Development & Tourism	371	341	(554)	158
Enforcement	3	-	(3)	-
Flood Mitigation	91	-	(4)	87
Information Services	385	242	(163)	464
Lawn Cemetery / Crematorium	214	127	(127)	214
Legal Expenses	-	9	-	9
NEWLOG	43	-	(1)	42
Parks & Reserves	138	243	(156)	225
Sustainable Development	245	227	(265)	207
Property Management	62	80	(97)	45
Richmond Tweed Regional Library (RTRL)	821	991	(961)	851
RTRL - Employee Leave Entitlements	369	145	-	514
Special Projects	123	196	(150)	169
Sporting Grounds	4	10	-	14
Staff Development	109	20	(44)	85
Transport & Infrastructure	1,061	5,141	(2,772)	3,430
Waste Minimisation	57	-	(8)	49
Waste - Other	149	1,190	(485)	854
Leisure Activities	-	21	-	21
Asset Management	-	677	(419)	258
Farming Operations	-	40	-	40
Total Internal Restrictions	7,244	16,781	(11,589)	12,436
TOTAL RESTRICTIONS	39,875	21,876	(19,582)	42,169

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 RMA 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 2012

Note 7. Receivables

\$ '000	Notes	2012		2011	
		Current	Non Current	Current	Non Current
Purpose					
Rates & Annual Charges		2,893	1,091	2,654	793
Interest & Extra Charges		841	319	733	211
User Charges & Fees		1,445	437	1,483	394
Accrued Revenues					
- Interest on Investments		323	-	702	-
- Other Income Accruals		120	-	739	-
Deferred Debtors		77	73	79	150
Net GST Receivable		658	-	812	-
Loan to Sporting Club		10	2	34	30
Miscellaneous Works & Services		1,957	-	3,251	-
Roads & Traffic Authority		2,389	-	2,616	-
Tender Deposits & Bonds		1,081	679	1,147	270
Other Debtors		76	24	45	29
Total		11,870	2,625	14,295	1,877
less: Provision for Impairment					
User Charges & Fees		(76)	-	(115)	-
Total Provision for Impairment - Receivables		(76)	-	(115)	-
TOTAL NET RECEIVABLES		11,794	2,625	14,180	1,877
Externally Restricted Receivables					
Water Supply					
- Rates & Availability Charges		482	208	381	157
- Other		1,445	437	1,483	394
Sewerage Services					
- Rates & Availability Charges		995	368	511	144
- Other		23	-	47	-
Domestic Waste Management		251	93	230	65
Total External Restrictions		3,196	1,106	2,652	760
Internally Restricted Receivables					
Unrestricted Receivables		8,598	1,519	11,528	1,117
TOTAL NET RECEIVABLES		11,794	2,625	14,180	1,877

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 11.00% (2011 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 2012

Note 8. Inventories & Other Assets

\$ '000	Notes	2012		2011	
		Current	Non Current	Current	Non Current
Inventories					
Real Estate for resale (refer below)		3,234	115	3,253	-
Stores & Materials		1,069	-	1,048	-
Trading Stock		2,642	-	2,639	-
Total Inventories		6,945	115	6,940	-
Other Assets					
Prepayments		37	-	7	-
Total Other Assets		37	-	7	-
TOTAL INVENTORIES / OTHER ASSETS		6,982	115	6,947	-
Externally Restricted Assets					
Water					
Stores & Materials		321	-	297	-
Total Water		321	-	297	-
Sewerage					
Stores & Materials		245	-	211	-
Total Sewerage		245	-	211	-
Total Externally Restricted Assets		566	-	508	-
Total Internally Restricted Assets		-	-	-	-
Total Unrestricted Assets		6,416	115	6,439	-
TOTAL INVENTORIES & OTHER ASSETS		6,982	115	6,947	-

Lismore City Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 8. Inventories & Other Assets (continued)

\$ '000	2012		2011	
	Current	Non Current	Current	Non Current
(i) Other Disclosures				
(a) Details for Real Estate Development				
Residential	6	115	36	-
Industrial/Commercial	3,228	-	3,217	-
Total Real Estate for Resale	3,234	115	3,253	-
(Valued at the lower of cost and net realisable value)				
Represented by:				
Acquisition Costs	708	-	709	-
Development Costs	2,526	115	2,544	-
Total Costs	3,234	115	3,253	-
less: Provision for Under Recovery	-	-	-	-
Total Real Estate for Resale	3,234	115	3,253	-
Movements:				
Real Estate assets at beginning of the year	3,253	-	3,220	-
- Purchases and other costs	47	115	182	-
- WDV of Sales (exp)	(66)	-	(149)	-
Total Real Estate for Resale	3,234	115	3,253	-

(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;

	2012	2011
Real Estate for Resale	1,947	2,036
	1,947	2,036

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 9a. Infrastructure, Property, Plant & Equipment

\$ '000	as at 30/6/2011					Asset Movements during the Reporting Period						as at 30/6/2012				
	At	At	Accumulated		Carrying	Asset Additions	WDV of Asset Disposals	Depreciation Expense	Adjustments & Transfers	Revaluation Decrements to Equity (ARR)	Revaluation Increments to Equity (ARR)	At	At	Accumulated		Carrying
	Cost	Fair Value	Dep'n	Impairment	Value							Cost	Fair Value	Dep'n	Impairment	Value
Capital Work in Progress	8,036	-	-	-	8,036	10,000			(5,299)			12,737	-	-	-	12,737
Plant & Equipment	-	27,738	16,744	-	10,994	4,119	(121)	(2,800)	64			-	29,876	17,620	-	12,256
Office Equipment	-	5,673	4,852	-	821	183		(240)				-	5,761	4,997	-	764
Furniture & Fittings	-	595	447	-	148			(17)				-	595	464	-	131
Land:																
- Operational Land	-	32,575	-	-	32,575							-	32,575	-	-	32,575
- Community Land	-	31,232	-	-	31,232							-	31,232	-	-	31,232
- Land under Roads (post 30/6/08)	-	26	-	-	26							-	26	-	-	26
Land Improvements - depreciable	-	16,340	7,156	-	9,184	512		(305)				-	16,852	7,461	-	9,391
Buildings - Non Specialised	-	1,120	644	-	476			-				-	1,120	644	-	476
Buildings - Specialised	-	85,037	30,749	-	54,288	513		(2,259)	178			-	85,728	33,008	-	52,720
Other Structures	-	25,531	9,524	-	16,007	146		(346)				-	25,677	9,870	-	15,807
Infrastructure:																
- Roads, Bridges, Footpaths	-	463,603	133,317	-	330,286	5,407	(3,692)	(7,771)	4,480		21,228	-	498,514	148,576	-	349,938
- Bulk Earthworks (non-depreciable)	-	272,972	-	-	272,972	1,447					17,743	-	292,162	-	-	292,162
- Stormwater Drainage	-	45,166	19,141	-	26,025	532		(495)	4		1,509	-	48,322	20,747	-	27,575
- Water Supply Network	-	148,787	73,971	-	74,816	1,726	(158)	(2,541)		(5,095)		-	114,468	45,720	-	68,748
- Sewerage Network	-	337,868	161,295	-	176,573	1,938	(30)	(6,143)		(9,782)		-	272,673	110,117	-	162,556
Other Assets:																
- Heritage Collections	-	82	11	-	71			(1)				-	82	12	-	70
- Library Books	-	11,624	8,436	-	3,188	790		(697)				-	12,414	9,133	-	3,281
- Other	-	261	65	-	196			(63)				-	261	128	-	133
Reinstatement, Rehabilitation & Restoration Assets (refer Note 26)																
- Tip Asset	1,581	-	1,201	-	380			420	(800)			781	-	781	-	-
- Quarry Asset	652	-	245	-	407			154	(561)			91	-	91	-	-
TOTAL INFRASTRUCTURE, PROPERTY, PLANT & EQUIP.	10,269	1,506,230	467,798	-	1,048,701	27,313	(4,001)	(23,104)	(1,934)	(14,877)	40,480	13,609	1,468,338	409,369	-	1,072,578

Additions to Depreciable Land Improvements, Buildings, Other Structures & Infrastructure Assets are made up of Asset Renewals (\$XXXXX) and New Assets (\$YYYYY). Renewals are defined as the replacement of existing assets (as opposed to the acquisition of new assets).

Lismore City Council

Notes to the Financial Statements
for the financial year ended 30 June 2012

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

\$ '000 Class of Asset	Actual 2012				Actual 2011			
	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
Plant & Equipment		939	587	352	-	899	497	402
Office Equipment		63	55	8	-	55	55	-
Land								
- Operational Land		1,208		1,208	-	1,208	-	1,208
Buildings		450	188	262	-	450	188	262
Other Structures		40	13	27	-	40	12	28
Infrastructure		114,468	45,720	68,748	-	148,787	73,971	74,816
Total Water Supply	-	117,168	46,563	70,605	53	151,439	74,723	76,769
Sewerage Services								
WIP	9,720			9,720	1,746	-	-	1,746
Plant & Equipment		1,487	772	715	-	1,288	741	547
Office Equipment		148	96	52	-	153	88	65
Land								
- Operational Land		2,362		2,362	-	2,362	-	2,362
Buildings		1,280	378	902	-	1,280	376	904
Other Structures		89	39	50	-	89	37	52
Infrastructure		272,673	110,117	162,556	-	337,868	161,295	176,573
Total Sewerage Services	9,720	278,039	111,402	176,357	1,746	343,040	162,537	182,249
Domestic Waste Management								
Land								
- Operational Land'		111		111	-	111	-	111
- Improvements - depreciable		1,380	261	1,119	-	1,380	239	1,141
Total DWM	-	1,491	261	1,230	-	1,491	239	1,252
TOTAL RESTRICTED I,PP&E	9,720	396,698	158,226	248,192	1,799	495,970	237,499	260,270

Lismore City Council

Notes to the Financial Statements for the financial year ended 30 June 2012

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

\$ '000	Notes	Actual 2012	Actual 2011
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Council has recognised no impairment losses during the reporting period nor reversed any prior period losses.

Lismore City Council

Notes to the Financial Statements
for the financial year ended 30 June 2012

Note 10a. Payables, Borrowings & Provisions

\$ '000	Notes	2012		2011	
		Current	Non Current	Current	Non Current
Payables					
Goods & Services - operating expenditure		3,368	-	3,831	-
Goods & Services - capital expenditure		2,728	-	1,645	-
Payments Received In Advance		18	-	6	-
Accrued Expenses:					
- Other Expenditure Accruals		1,379	-	2,555	-
Security Bonds, Deposits & Retentions		1,081	679	1,147	270
Contribution to Works		250	1,087	345	1,013
Trustee Items		402	-	93	526
Other		-	13	-	-
Total Payables		9,226	1,779	9,622	1,809
Borrowings					
Bank Overdraft		-	-	-	-
Loans - Secured ¹		2,544	45,011	2,259	42,227
Total Borrowings		2,544	45,011	2,259	42,227
Provisions					
Employee Benefits;					
Annual Leave		2,786	-	2,503	-
Long Service Leave		4,462	166	3,757	109
Other Leave		45	-	62	-
Sub Total - Aggregate Employee Benefits		7,293	166	6,322	109
Asset Remediation/Restoration (Future Works) ²⁶		47	2,434	47	3,429
Total Provisions		7,340	2,600	6,369	3,538
Total Payables, Borrowings & Provisions		19,110	49,390	18,250	47,574
(i) Liabilities relating to Restricted Assets					
		2012		2011	
		Current	Non Current	Current	Non Current
Externally Restricted Assets					
Water		494	4,181	393	2,409
Sewer		551	7,966	582	8,149
Domestic Waste Management		126	2	124	2
Other		1,738	-	1,977	-
Liabilities relating to externally restricted assets		2,909	12,149	3,076	10,560
Total Liabilities relating to restricted assets		2,909	12,149	3,076	10,560

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 2012

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

\$ '000	2012	2011
(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	4,855	4,011
	4,855	4,011

Note 10b. Description of and movements in Provisions

Class of Provision	2011			2012		
	Opening Balance as at 1/7/11	Additional Provisions	Decrease due to Payments	Remeasurement effects due to Discounting	Unused amounts reversed	Closing Balance as at 30/6/12
Annual Leave	2,503	1,724	(1,441)			2,786
Long Service Leave	3,866	1,204	(442)			4,628
Other Leave	62	258	(275)			45
Asset Remediation	3,476	-		(995)		2,481
TOTAL	9,907	3,186	(2,158)	(995)	-	9,940

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 2012

Note 11. Statement of Cash Flows - Additional Information

\$ '000	Notes	Actual 2012	Actual 2011
(a) Reconciliation of Cash Assets			
Total Cash & Cash Equivalent Assets	6a	32,961	31,435
Less Bank Overdraft	10	-	-
BALANCE as per the STATEMENT of CASH FLOWS		32,961	31,435
(b) Reconciliation of Net Operating Result to Cash provided from Operating Activities			
Net Operating Result from Income Statement		(3,692)	(6,881)
Adjust for non cash items:			
Depreciation & Amortisation		23,251	23,209
Net Losses/(Gains) on Disposal of Assets		3,261	6,523
Non Cash Capital Grants and Contributions		(1,573)	(2,002)
Losses/(Gains) recognised on Fair Value Re-measurements through the P&L:			
- Investments classified as "At Fair Value" or "Held for Trading"		(35)	(933)
Unwinding of Discount Rates on Reinstatement Provisions		492	456
+/- Movement in Operating Assets and Liabilities & Other Cash Items:			
Decrease/(Increase) in Receivables		1,598	(120)
Increase/(Decrease) in Provision for Doubtful Debts		(39)	-
Decrease/(Increase) in Inventories		(24)	(217)
Decrease/(Increase) in Other Assets		(30)	37
Increase/(Decrease) in Payables		(463)	(848)
Increase/(Decrease) in accrued Interest Payable		-	-
Increase/(Decrease) in other accrued Expenses Payable		(1,176)	159
Increase/(Decrease) in Other Liabilities		130	(375)
Increase/(Decrease) in Employee Leave Entitlements		1,028	(32)
Increase/(Decrease) in Other Provisions		(1,487)	49
NET CASH PROVIDED FROM/(USED IN) OPERATING ACTIVITIES from the STATEMENT of CASH FLOWS		21,241	19,025

Lismore City Council

Notes to the Financial Statements
for the financial year ended 30 June 2012

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

\$ '000	Notes	Actual 2012	Actual 2011
(c) Non-Cash Investing & Financing Activities			
Other Dedications		1,573	2,002
Total Non-Cash Investing & Financing Activities		1,573	2,002

(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	85
Total Financing Arrangements		835	835

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 2012

Note 12. Commitments for Expenditure

\$ '000	Notes	Actual 2012	Actual 2011
(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		8	59
Southern Trunk Main		3,880	-
Total Commitments		3,888	59
These expenditures are payable as follows:			
Within the next year		3,888	59
Later than one year and not later than 5 years		-	-
Later than 5 years		-	-
Total Payable		3,888	59
Sources for Funding of Capital Commitments:			
Unrestricted General Funds		8	59
Externally Restricted Reserves		3,880	-
Total Sources of Funding		3,888	59

Lismore City Council

Notes to the Financial Statements
for the financial year ended 30 June 2012

Note 12. Commitments for Expenditure (continued)

\$ '000	Notes	Actual 2012	Actual 2011
(b) Finance Lease Commitments			
Nil		_____	_____
(c) 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		167	451
Later than one year and not later than 5 years		13	201
Later than 5 years		-	-
Total Non Cancellable Operating Lease Commitments		180	652

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 2012

Note 12. Commitments for Expenditure (continued)

\$ '000	Notes	Actual 2012	Actual 2011
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Conditions relating to Operating Leases:

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

(d) Investment Property Commitments

Nil

(e) Investment in 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 2012

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

\$ '000	Amounts 2012	Indicator 2012	Prior Periods	
			2011	2010
Local Government Industry Indicators				
1. Unrestricted Current Ratio				
Current Assets less all External Restrictions ⁽¹⁾	<u>25,503</u>	2.25 : 1	2.13	1.80
Current Liabilities less Specific Purpose Liabilities ^(2,3)	<u>11,347</u>			
2. Debt Service Ratio				
Debt Service Cost	<u>5,339</u>	6.64%	6.96%	5.57%
Income from Continuing Operations excluding Capital Items & Specific Purpose Grants/Contributions	<u>80,450</u>			
3. Rates & Annual Charges Coverage Ratio				
Rates & Annual Charges	<u>39,603</u>	41.59%	39.18%	34.51%
Income from Continuing Operations	<u>95,217</u>			
4. Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage				
Rates, Annual & Extra Charges Outstanding	<u>5,144</u>	11.59%	10.60%	9.96%
Rates, Annual & Extra Charges Collectible	<u>44,391</u>			
5. Building & Infrastructure Renewals Ratio				
Asset Renewals ⁽⁴⁾	<u>10,116</u>	52.66%	63.76%	66.43%
Depreciation, Amortisation & Impairment	<u>19,209</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(a)(ii) - 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/performance as opposed to the acquisition of new assets (or the refurbishment of old assets) that increases capacity/performance. Asset Renewals include building and infrastructure assets only.

Lismore City Council

Notes to the Financial Statements
for the financial year ended 30 June 2012

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

\$ '000	Water 2012	Sewer 2012	General ¹ 2012
Local Government Industry Indicators			
1. Unrestricted Current Ratio			
<u>Current Assets less all External Restrictions</u> ⁽¹⁾	8.00 : 1	19.02 : 1	2.25 : 1
Current Liabilities less Specific Purpose Liabilities ^(2,3)			
prior period:	6.72:1	18.65:1	2.13:1
2. Debt Service Ratio			
<u>Debt Service Cost</u>	2.95%	7.47%	7.00%
Income from Continuing Operations excluding Capital Items & Specific Purpose Grants/Contributions			
prior period:	3.13%	7.97%	7.25%
3. Rates & Annual Charges Coverage Ratio			
<u>Rates & Annual Charges</u>	28.08%	78.45%	37.40%
Income from Continuing Operations			
prior period:	26.51%	74.13%	35.71%
4. Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage			
<u>Rates, Annual & Extra Charges Outstanding</u>	22.20%	13.75%	9.85%
Rates, Annual & Extra Charges Collectible			
prior period:	19.39%	7.40%	10.73%
5. Building & Infrastructure Renewals Ratio			
<u>Asset Renewals (Building & Infrastructure assets)</u>	67.93%	31.55%	61.30%
Depreciation, Amortisation & Impairment			
prior period:	72.34%	52.11%	68.72%

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 2012

Note 14. Investment Properties

\$ '000	Notes	Actual 2012	Actual 2011
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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 2012

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	
	2012	2011	2012	2011
Financial Assets				
Cash and Cash Equivalents	32,961	31,435	32,961	31,435
Investments				
- "Designated At Fair Value on Initial Recognition"	9,208	8,440	9,208	8,440
Receivables	14,419	16,057	14,419	16,057
Total Financial Assets	56,588	55,932	56,588	55,932
Financial Liabilities				
Payables	10,987	11,425	10,987	11,200
Loans / Advances	47,555	44,486	54,088	48,765
Total Financial Liabilities	58,542	55,911	65,075	59,965

Fair Value is determined as follows:

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

Lismore City Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

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 & 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 & recognised at fair values:

2012	Level 1	Level 2	Level 3	Total
Financial Assets				
Investments				
- "Designated At Fair Value on Initial Recognition"	7,325		1,883	9,208
Total Financial Assets	7,325	-	1,883	9,208
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

Lismore City Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

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.

Lismore City Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

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 (continued)

	Increase of Values/Rates		Decrease of Values/Rates	
	Profit	Equity	Profit	Equity
2012				
Possible impact of a 10% movement in Market Values	-	921	-	(921)
Possible impact of a 1% movement in Interest Rates	413	-	(413)	-
2011				
Possible impact of a 10% movement in Market Values	-	844	-	(844)
Possible impact of a 1% movement in Interest Rates	399	-	(399)	-

(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:

	2012	2012	2011	2011
	Rates & Annual Charges	Other Receivables	Rates & Annual Charges	Other Receivables
(i) Ageing of Receivables				
Current (not yet overdue)	-	8,647	-	10,256
Overdue	3,984	1,864	3,447	2,469
	3,984	10,511	3,447	12,725

Lismore City Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

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		
2012									
Trade/Other Payables	10,145							10,145	10,987
Loans & Advances		2,716	6,094	2,984	2,914	3,118	32,805	50,631	47,555
Total Financial Liabilities	10,145	2,716	6,094	2,984	2,914	3,118	32,805	60,776	58,542
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

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:

	2012		2011	
	Carrying Value	Average Interest Rate	Carrying Value	Average Interest Rate
Trade/Other Payables	10,987	0.0%	11,425	0.0%
Loans & Advances - Fixed Interest Rate	47,555	6.5%	44,486	6.5%
	<u>58,542</u>		<u>55,911</u>	

Lismore City Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 16. Material Budget Variations

\$ '000

Council's Original Financial Budget for 11/12 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	2012 Budget	2012 Actual	2012 ----- Variance* -----		
REVENUES					
Rates & Annual Charges	39,482	39,603	121	0%	F
User Charges & Fees	26,069	27,906	1,837	7%	F
Interest & Investment Revenue	1,821	2,607	786	43%	F
Council's average investment portfolio was higher than original budget estimates due to additional funds being received after the preparation of the budget, additional grants being received during the year and planned expenditure occurring later than forecast. In addition Council achieved a better than anticipated return on investments.					
Other Revenues	1,522	1,808	286	19%	F
The better than expected result was due to many small variations with the major items identified being: recycling activities \$40k, rental incomes \$48k, agency commissions \$48k, insurance receipts \$15k, rebates in relation to better workers compensation reporting and management \$48k, wages subsidies for up skilling of apprentices \$40k.					
Operating Grants & Contributions	7,799	16,492	8,693	111%	F
Council received revenue in excess of budgeted amounts from diesel rebates \$117k, 2013 Federal Assistance grant instalments in advance \$3.27million, Road Toll response program \$682k, Natural disaster funding \$3.5 million Splendour in the grass \$242k, Healthy Communities Project \$280k, Local priorities funding for regional Libraries \$88k, Changing the Tune Project \$70k, SOAR grant \$93k and Road and Maritime Services projects \$96k.					

Lismore City Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 16. Material Budget Variations

\$ '000

Capital Grants & Contributions	9,166	6,801	(2,365)	(26%)	U
The major variances are: lower than budgeted grants for Lismore City Hall (\$4.2) million (funding to be received in 2013, and lower than budgeted developer contributions received of (\$368)k. This has been offset by increased revenues from Non cash developer dedications \$760k, increased RMS funding for blackspots \$288k DA contributions to works \$400k, Grant funding Lismore Levee \$363k and Waste performance grant \$150k.					
Net Gains from Disposal of Assets	355	-	(355)	(100%)	U
Council estimated an overall profit from disposal of assets however due to the recognition of works completed and the recognition of the Fair Value impact of these assets there was an overall loss on disposal.					
EXPENSES					
Employee Benefits & On-Costs	26,300	28,094	(1,794)	(7%)	U
Borrowing Costs	3,454	3,457	(3)	(0%)	U
Materials & Contracts	28,784	36,411	(7,627)	(26%)	U
Additional Grant funding was received as outlined previously in this note which has resulted in additional works being undertaken and expenditure incurred. Council spent funds in relation to works carried forward from 2011 as reserve funding or unexpended grants. The balance of these funds were not known during the preparation of the budget. These works will increase expenditure without increasing revenue as it has been recognised in previous years.					
Depreciation & Amortisation	25,267	23,251	2,016	8%	F
Impairment Expenses	-	-	-	0%	F
Other Expenses	3,884	4,435	(551)	(14%)	U
Higher than anticipated expenses were incurred in relation to street lighting, being electricity charges \$130k and infrastructure charges \$110k. Electricity usage other than street lighting was \$108k in excess of budget estimates. Increased levies contribution to the Rural Fire Service and NSW Fire of \$75k. Telecommunication costs were also higher than estimates by \$33k. A donation was made to Our House project \$71k which had not been budgeted.					
Net Losses from Disposal of Assets	-	3,261	(3,261)	0%	U
Council decommissioned road assets, bridges and drainage as a result of major upgrades and replacement program. The fair value of these assets on the asset register meant Council had to recognise a loss on disposal. This was not budgeted for as it could not be quantified. The major items being: timber bridges program \$1 million, rural roads \$1.9 million and urban roads \$800k.					

Lismore City Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

Note 16. Material Budget Variations (continued)

\$ '000	2012 Budget	2012 Actual	2012 Variance*	-----	-----
Budget Variations relating to Council's Cash Flow Statement include:					
Cash Flows from Operating Activities	22,685	21,241	(1,444)	(6.4%)	U
Cash Flows from Investing Activities	(29,138)	(22,784)	6,354	(21.8%)	F
Council's capital works program was below original budget forecasts by \$18 million with works delayed due to timing of funding, re-prioritising of works as a result of new grant funding for roads, flood restoration funding or the deferral of works to 2013. Council as a result did not need to realise investment funds or utilise revenues assigned to these projects. The net impact is a positive variance to the cash flows.					
Cash Flows from Financing Activities	6,453	3,069	(3,384)	(52.4%)	U
Council borrowings for 2012 were lower than original forecasts due to capital works planned not proceeding as originally programmed.					

Lismore City Council

Notes to the Financial Statements
for the financial year ended 30 June 2012

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	1,783	141	-	102	(50)	-	1,976	901	(1,089)	1,788	-
Car Parking	53	-	-	3	-	-	56	351	(398)	9	-
Strategic Urban Roads	3,506	87	-	71	-	-	3,664	22,386	(22,714)	3,336	-
Rural Fire Services	100	7	-	5	-	-	112	5	(63)	54	-
Footpaths/Cycleways	236	14	-	13	-	-	263	243	(369)	137	-
S.E.S.	50	6	-	3	-	-	59	17	(38)	38	-
Nimbin Traffic Management	4	2	-	1	-	-	7	27	(34)	-	-
Rural Roads	1,574	335	-	93	(109)	-	1,893	1,668	(2,615)	946	-
S94 Contributions - under a Plan	7,306	592	-	291	(159)	-	8,030	25,598	(27,320)	6,308	-
S94A Levies - under a Plan	-	-	-	-	-	-	-	-	-	-	-
Total S94 Revenue Under Plans	7,306	592	-	291	(159)	-	8,030	-	-	-	-
S94 not under Plans	15	-	-	1	-	-	16	-	-	16	-
S93F Planning Agreements	-	-	-	-	-	-	-	-	-	-	-
S64 Contributions	7,148	528	-	348	(1,952)	-	6,072	-	-	-	-
Total Contributions	14,469	1,120	-	640	(2,111)	-	14,118	25,598	(27,320)	6,324	-

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	508	59	-	30	-	-	597	581	(967)	211	-
Urban Catchment (West)	9	4	-	-	(5)	-	8	4	(4)	8	-
- Urban Catchment (East)	749	39	-	43	-	-	831	61	-	892	-
- The Channon & District	1	1	-	1	-	-	3	-	-	3	-
- North East	17	1	-	1	-	-	19	13	(28)	4	-
- Clunes/Bexhill/Eltham	66	-	-	3	-	-	69	-	(54)	15	-
- South West	9	4	-	1	-	-	14	23	(27)	10	-
- South East	-	2	-	-	-	-	2	6	(9)	(1)	-
- Residential	235	10	-	12	(21)	-	236	166	-	402	-
- Industrial/Commercial	20	1	-	1	-	-	22	18	-	40	-
Urban Bushland	168	8	-	9	(24)	-	161	22	-	183	-
Other	1	12	-	1	-	-	14	7	-	21	-
Total	1,783	141	-	102	(50)	-	1,976	901	(1,089)	1,788	-

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	36	-	-	2	-	-	38	20	(67)	(9)	-
Nimbin Village	17	-	-	1	-	-	18	331	(331)	18	-
Total	53	-	-	3	-	-	56	351	(398)	9	-

Lismore City Council

Notes to the Financial Statements
for the financial year ended 30 June 2012

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	3,506	87		71			3,664	22,386	(22,714)	3,336	
Total	3,506	87	-	71	-	-	3,664	22,386	(22,714)	3,336	-

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	100	7		5			112	5	(63)	54	
Total	100	7	-	5	-	-	112	5	(63)	54	-

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	109	6		6			121	142	(198)	65	
Internal	127	8		7			142	101	(171)	72	
Total	236	14	-	13	-	-	263	243	(369)	137	-

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	50	6		3			59	17	(38)	38	
Total	50	6	-	3	-	-	59	17	(38)	38	-

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	2		1			7	27	(34)	-	
Total	4	2	-	1	-	-	7	27	(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	1,367	287		80	(109)		1,625	1,621	(2,344)	902	
Village Rural Roads	207	48		13			268	47	(271)	44	
Total	1,574	335	-	93	(109)	-	1,893	1,668	(2,615)	946	-

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	15			1			16			16	
Total	15	-	-	1	-	-	16	-	-	16	-

Notes to the Financial Statements
for the financial year ended 30 June 2012

Note 17. Statement of Developer Contributions (continued)

\$ '000

S64 CONTRIBUTIONS - UNDER A PLAN

Plan Number 10

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	182	98		11	(107)		184	1,359	(1,553)	(10)	
- Dunoon etc	361			17	(76)		302	364	(745)	(79)	
- Clunes	339			16	(72)		283	1	(358)	(74)	
- Nimbin & District	112			5	(23)		94	106	(224)	(24)	
sub total:	994	98	-	49	(278)	-	863	1,830	(2,880)	(187)	-
Sewer Supplies											
- Lismore	5,899	430		285	(1,674)		4,940	4,488	(6,218)	3,210	
- Nimbin	255			14			269	171	(269)	171	
- Caniaba	-						-	17	-	17	
sub total:	6,154	430	-	299	(1,674)	-	5,209	4,676	(6,487)	3,398	-
Total	7,148	528	-	348	(1,952)	-	6,072	6,506	(9,367)	3,211	-

Lismore City Council

Notes to the Financial Statements for the financial year ended 30 June 2012

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 in future years.

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 its 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 Mutual

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

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

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

(iii) StateCover Mutual Limited

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

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

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

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

Lismore City Council

Notes to the Financial Statements for the financial year ended 30 June 2012

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

\$ '000

LIABILITIES NOT RECOGNISED (continued):

1. Guarantees (continued)

(iv) Other Guarantees

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

2. Other Liabilities

(i) Third Party Claims

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

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

(ii) 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 94/94A 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

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

Lismore City Council

Notes to the Financial Statements for the financial year ended 30 June 2012

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

\$ '000

LIABILITIES NOT RECOGNISED (continued):

(v) Richmond - Tweed Regional Library (continued)

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

As the "Executive Council" of the Richmond Tweed Regional Library, all financial reporting is consolidated into Lismore City Council's financial statements.

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

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 unpaid Infringement Notices.

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

Lismore City Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

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 2012

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 (JVO)

Name of Operation	Principal Activity	Councils Interests in Outputs of JVO's
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 Operations

1. Blue Hills Residential Estate

Council's own assets employed in the Operations

Current Assets:

	2012	2011
Receivables	4	2
Inventories	6	36
Other Assets		-
Non-Current Assets		
Property, Plant & Equipment	4	9
Total Assets - Council Owned	14	47

2. North East Weight of Loads Group

Council's share of assets jointly owned with other partners

Current Assets	42	43
Current Liabilities	(17)	(19)
Property, Plant & Equipment	11	15
Total Assets - Council Shared	36	39
Total Net Assets Employed - Council & Jointly Owned	50	86

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 2012

Note 20. Equity - Retained Earnings and Revaluation Reserves

\$ '000	Notes	Actual 2012	Actual 2011
a. Retained Earnings			
Movements in Retained Earnings were as follows:			
Balance at beginning of Year (from previous years audited accounts)		616,731	621,008
a. Correction of Prior Period Errors	20 (c)	-	-
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		(3,692)	(6,881)
e. Distributions to/(Contributions from) Minority Interests		-	-
f. Transfers between Equity		1,298	2,604
g. Other Changes (disclosure required)		-	-
Balance at End of the Reporting Period		614,337	616,731
b. Reserves			
(i) Reserves are represented by:			
- Infrastructure, Property, Plant & Equipment Revaluation Reserve		454,255	429,950
- "Available for Sale" Financial Investments Revaluation Reserve		-	-
- Other Reserves (Specify)		-	-
Total		454,255	429,950
(ii). Reconciliation of movements in Reserves:			
Infrastructure, Property, Plant & Equipment Revaluation Reserve			
- Opening Balance		429,950	370,090
- Revaluations for the year	9(a)	25,603	62,464
- Impairment of revalued assets (incl. impairment reversals)	9(a),(c)	-	-
- Transfer to Retained Earnings for Asset disposals		(1,298)	(2,604)
- Correction of Prior Period Errors	20(c)	-	-
- Balance at End of Year		454,255	429,950
TOTAL VALUE OF RESERVES		454,255	429,950
(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 2012

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

\$ '000	Notes	Actual 2012	Actual 2011
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c. Correction of Error/s relating to a Previous 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 2012

Note 21. Financial Result & Financial Position by Fund

Income Statement by Fund \$ '000	Actual 2012	Actual 2012	Actual 2012
<u>Continuing Operations</u>	Water	Sewer	General¹
Income from Continuing Operations			
Rates & Annual Charges	2,570	9,256	27,777
User Charges & Fees	6,031	184	21,691
Interest & Investment Revenue	197	1,022	1,388
Other Revenues	86	63	1,659
Grants & Contributions provided for Operating Purposes	22	126	16,344
Grants & Contributions provided for Capital Purposes	246	1,106	5,449
Other Income			
Net Gains from Disposal of Assets	-	41	-
Share of interests in Joint Ventures & Associates using the Equity Method			-
Total Income from Continuing Operations	9,152	11,798	74,308
Expenses from Continuing Operations			
Employee Benefits & on-costs	1,548	2,047	24,499
Borrowing Costs	193	625	2,639
Materials & Contracts	2,065	3,440	30,561
Depreciation & Amortisation	2,657	6,362	14,232
Impairment			-
Other Expenses	4,589	191	-
Interest & Investment Losses			-
Net Losses from the Disposal of Assets	148	-	3,154
Share of interests in Joint Ventures & Associates using the Equity Method			-
Total Expenses from Continuing Operations	11,200	12,665	75,085
Operating Result from Continuing Operations	(2,048)	(867)	(777)
<u>Discontinued Operations</u>			
Net Profit/(Loss) from Discontinued Operations	-	-	-
Net Operating Result for the Year	(2,048)	(867)	(777)
Net Operating Result attributable to each Council Fund	(2,048)	(867)	(777)
Net Operating Result attributable to Minority Interests	-	-	-
Net Operating Result for the year before Grants and Contributions provided for Capital Purposes	-	(2,294)	(1,973)
			(6,226)

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

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 2012

Note 21. Financial Result & Financial Position by Fund

Balance Sheet by Fund \$ '000	Actual 2012	Actual 2012	Actual 2012
ASSETS	Water	Sewer	General¹
Current Assets			
Cash & Cash Equivalents	1,967	11,167	19,827
Investments	221	1,241	2,042
Receivables	1,927	1,018	8,849
Inventories	321	245	6,379
Other	-	-	37
Total Current Assets	4,436	13,671	37,134
Non-Current Assets			
Investments	360	2,020	3,324
Receivables	645	368	1,612
Inventories	-	-	115
Infrastructure, Property, Plant & Equipment	70,607	176,358	825,613
Intangible Assets			829
Total Non-Current Assets	71,612	178,746	831,493
TOTAL ASSETS	76,048	192,417	868,627
LIABILITIES			
Current Liabilities			
Payables	56	76	9,094
Borrowings	119	185	2,240
Provisions	299	290	6,751
Total Current Liabilities	474	551	18,085
Non-Current Liabilities			
Payables	-	-	1,779
Borrowings	4,176	7,955	32,880
Provisions	5	11	2,584
Total Non-Current Liabilities	4,181	7,966	37,243
TOTAL LIABILITIES	4,655	8,517	55,328
Net Assets	71,393	183,900	813,299
EQUITY			
Retained Earnings	22,291	60,957	531,089
Revaluation Reserves	49,102	122,943	282,210
Council Equity Interest	71,393	183,900	813,299
Minority Interests	-	-	-
Total Equity	71,393	183,900	813,299

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

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 2012

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

\$ '000	2012		2011	2011
	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 2012, 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 23/10/12.

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 2012.

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

These financial statements (& figures therein) do not incorporate any "non adjusting events" that have occurred after 30 June 2012 and which are only indicative of conditions that arose after 30 June 2012.

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

The passage of the Clean Air Legislation (Clean Energy Act 2011 and supporting legislation) will have an impact on Council's operating results going forward.

Council expects to pay more for its energy usage including electricity, gas, water and fuel but will be compensated to some extent through additional rate revenue and domestic waste management charges that it proposes to raise.

The operation of Council's landfill site is expected to result in Council being liable for a carbon tax on gas emissions but it is proposed to increase tipping fees to cover this additional cost.

Council also expects construction materials such as concrete and asphalt to increase in price but is unable to quantify the effect of these increases at the present time.

No financial effects of the Clean Air Legislation have not been brought to account at 30 June 2012.

Lismore City Council

Notes to the Financial Statements
for the financial year ended 30 June 2012

Note 24. Discontinued Operations

\$ '000	Actual 2012	Actual 2011
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Council has not classified any of its Operations as "Discontinued".

Note 25. Intangible Assets

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

	Actual 2012 Carrying Amount	Actual 2011 Carrying Amount
Intangible Assets are as follows;		
Opening Values:		
Gross Book Value (1/7/11)	1,415	1,220
Accumulated Amortisation (1/7/11)	(490)	(328)
Net Book Value - Opening Balance	925	892
Movements for the year		
- Purchases	51	195
- Amortisation charges	(147)	(162)
Closing Values:		
Gross Book Value (30/6/12)	1,466	1,415
Accumulated Amortisation (30/6/12)	(637)	(490)
<u>TOTAL INTANGIBLE ASSETS - NET BOOK VALUE</u> ¹	<u>829</u>	<u>925</u>

¹ The Net Book Value of Intangible Assets represent:

- Software	829	925
	<u>829</u>	<u>925</u>

Lismore City Council

Notes to the Financial Statements

for the financial year ended 30 June 2012

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	
		2012	2011
Quarry Operations	2041	667	1,141
Tip Operations	2013	1,814	2,335
Balance at End of the Reporting Period	10(a)	2,481	3,476

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	3,476	2,971
Amounts capitalised to new or existing assets:		
Effect of a change in discount rates used in PV calculations	125	73
Effect of a change in other calculation estimates used	(1,487)	49
Amortisation of discount (expensed to borrowing costs)	367	383
Total - Reinstatement, rehabilitation and restoration provision	2,481	3,476

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 2012

*“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 2012

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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 REPORT
INDEPENDENT AUDITOR'S REPORT**

We have audited the accompanying financial report, being a special purpose financial report, of Lismore City Council (the Council), which comprises the balance sheet as at 30 June 2012, 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 Report

The Council is responsible for the preparation of the financial report 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 a financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report 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 report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, 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 report 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 report.

Our audit responsibility does not extend to the best practice management disclosures in note 2 and note 3 to the financial statements, 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 Report

This auditor's report relates to the special purpose financial report of Lismore City Council for the year ended 30 June 2012 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 report identified above. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial report. If users of the financial report 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 report to confirm the information contained in this website version of the financial report.

Independence

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

Auditor's Opinion


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

- i) has 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) is 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 2012 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 report has been prepared for the purpose of fulfilling the requirements of the NSW Division of Local Government. As a result, the financial report may not be suitable for another purpose.

**THOMAS NOBLE & RUSSELL
CHARTERED ACCOUNTANTS**


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

Dated at Lismore this 23rd day of October 2012.

Lismore City Council

Special Purpose Financial Statements

for the financial year ended 30 June 2012

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 23 October 2012.



Jenny Dowell
MAYOR



Simon Clough
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 2012

\$ '000	Actual 2012	Actual 2011	Actual 2010
Income from continuing operations			
Access charges	2,570	2,336	1,839
User charges	6,031	5,761	5,990
Interest	197	196	101
Grants and contributions provided for non capital purposes	22	129	127
Other income	86	86	90
Total income from continuing operations	8,906	8,508	8,147
Expenses from continuing operations			
Employee benefits and on-costs	1,548	1,252	1,251
Borrowing costs	193	200	71
Materials and contracts	2,065	1,775	1,582
Depreciation and impairment	2,657	2,604	2,533
Water purchase charges	4,577	4,189	3,643
Loss on sale of assets	148	261	281
Calculated taxation equivalents	10	10	8
Debt guarantee fee (if applicable)	129	74	76
Other expenses	12	80	14
Total expenses from continuing operations	11,339	10,445	9,459
Surplus (deficit) from Continuing Operations before capital amounts	(2,433)	(1,937)	(1,312)
Grants and contributions provided for capital purposes	246	305	352
Surplus (deficit) from Continuing Operations after capital amounts	(2,187)	(1,632)	(960)
Surplus (deficit) from discontinued operations	-	-	-
Surplus (deficit) from ALL Operations before tax	(2,187)	(1,632)	(960)
less: Corporate Taxation Equivalent (30%) [based on result before capital]	-	-	-
SURPLUS (DEFICIT) AFTER TAX	(2,187)	(1,632)	(960)
plus Opening Retained Profits	24,349	25,894	26,778
plus/less: Prior Period Adjustments	-	-	-
plus/less: Other Adjustments	-	13	-
plus Adjustments for amounts unpaid:			
- Taxation equivalent payments	10	10	8
- Debt guarantee fees	129	74	76
- Corporate taxation equivalent	-	-	-
less:			
- Tax Equivalent Dividend paid	(10)	(10)	(8)
- Surplus dividend paid	-	-	-
Closing Retained Profits	22,291	24,349	25,894
Return on Capital %	-3.2%	-2.3%	-1.6%
Subsidy from Council	4,379	n/a	n/a
Calculation of dividend payable:			
Surplus (deficit) after tax	(2,187)	(1,632)	(960)
less: Capital grants and contributions (excluding developer contributions)	(148)	(210)	(152)
Surplus for dividend calculation purposes	-	-	-
Potential Dividend calculated from surplus	-	-	-

Lismore City Council

Income Statement of Council's Wastewater Business Activity
for the financial year ended 30 June 2012

\$ '000	Actual 2012	Actual 2011	Actual 2010
Income from continuing operations			
Access charges	9,256	8,406	7,454
User charges	184	194	25
Interest	1,022	1,520	3,313
Grants and contributions provided for non capital purposes	126	122	124
Profit from the sale of assets	41	-	-
Other income	63	52	45
Total income from continuing operations	10,692	10,294	10,961
Expenses from continuing operations			
Employee benefits and on-costs	2,047	1,825	1,841
Borrowing costs	625	658	209
Materials and contracts	3,440	3,235	2,818
Depreciation and impairment	6,362	6,157	5,973
Loss on sale of assets	-	3,432	140
Calculated taxation equivalents	32	32	26
Debt guarantee fee (if applicable)	140	145	149
Other expenses	191	373	170
Total expenses from continuing operations	12,837	15,857	11,326
Surplus (deficit) from Continuing Operations before capital amounts	(2,145)	(5,563)	(365)
Grants and contributions provided for capital purposes	1,106	1,046	898
Surplus (deficit) from Continuing Operations after capital amounts	(1,039)	(4,517)	533
Surplus (deficit) from discontinued operations	-	-	-
Surplus (deficit) from ALL Operations before tax	(1,039)	(4,517)	533
less: Corporate Taxation Equivalent (30%) [based on result before capital]	-	-	-
SURPLUS (DEFICIT) AFTER TAX	(1,039)	(4,517)	533
plus Opening Retained Profits	61,856	64,914	64,232
plus/less: Prior Period Adjustments	-	-	-
plus/less: Other Adjustments	-	1,314	-
plus Adjustments for amounts unpaid:			
- Taxation equivalent payments	32	32	26
- Debt guarantee fees	140	145	149
- Corporate taxation equivalent	-	-	-
less:			
- Tax Equivalent Dividend paid	(32)	(32)	(26)
- Surplus dividend paid	-	-	-
Closing Retained Profits	60,957	61,856	64,914
Return on Capital %	-0.9%	-2.7%	-1.0%
Subsidy from Council	6,864	n/a	n/a
Calculation of dividend payable:			
Surplus (deficit) after tax	(1,039)	(4,517)	533
less: Capital grants and contributions (excluding developer contributions)	(676)	(444)	(578)
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 2012

\$ '000	Quarry		Waste Collection	
	Category 1		Category 1	
	Actual 2012	Actual 2011	Actual 2012	Actual 2011
Income from continuing operations				
Access charges	-	-	161	124
User charges	11,550	12,899	3,902	3,508
Interest	2	4	43	57
Grants and contributions provided for non capital purposes	205	182	81	83
Other income	71	72	-	-
Total income from continuing operations	11,828	13,157	4,187	3,772
Expenses from continuing operations				
Employee benefits and on-costs	1,068	990	705	720
Borrowing costs	391	572	36	41
Materials and contracts	9,884	11,046	3,423	3,178
Depreciation and impairment	(136)	44	-	-
Calculated taxation equivalents	89	91	34	35
Debt guarantee fee (if applicable)	74	49	15	18
Other expenses	165	132	-	-
Total expenses from continuing operations	11,535	12,924	4,213	3,992
Surplus (deficit) from Continuing Operations before capital amounts	293	233	(26)	(220)
Grants and contributions provided for capital purposes	-	-	-	-
Surplus (deficit) from Continuing Operations after capital amounts	293	233	(26)	(220)
Surplus (deficit) from discontinued operations	-	-	-	-
Surplus (deficit) from ALL Operations before tax	293	233	(26)	(220)
less: Corporate Taxation Equivalent (30%) [based on result before capital]	(88)	(70)	-	-
SURPLUS (DEFICIT) AFTER TAX	205	163	(26)	(220)
plus Opening Retained Profits	2,659	2,046	(636)	(469)
plus/less: Prior Period Adjustments	-	-	-	-
plus/less: Other Adjustments	194	727	166	-
plus Adjustments for amounts unpaid:				
- Taxation equivalent payments	89	91	34	35
- Debt guarantee fees	74	49	15	18
- Corporate taxation equivalent	88	70	-	-
add:				
- Subsidy Paid/Contribution To Operations	-	-	-	-
less:				
- TER dividend paid	-	-	-	-
- Dividend paid	(487)	(487)	-	-
Closing Retained Profits	2,822	2,659	(447)	(636)
Return on Capital %	21.8%	26.3%	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 2012

\$ '000	Waste Disposal		Real Estate	
	Category 1		Category 2	
	Actual 2012	Actual 2011	Actual 2012	Actual 2011
Income from continuing operations				
User charges	3,908	4,316	-	-
Profit from the sale of assets	-	-	-	57
Other income	850	929	-	-
Total income from continuing operations	4,758	5,245	-	57
Expenses from continuing operations				
Employee benefits and on-costs	1,085	742	-	-
Borrowing costs	351	354	-	-
Materials and contracts	3,123	3,382	189	295
Depreciation and impairment	(316)	351	-	-
Calculated taxation equivalents	73	59	-	-
Debt guarantee fee (if applicable)	27	28	68	232
Other expenses	22	20	-	-
Total expenses from continuing operations	4,365	4,936	257	527
Surplus (deficit) from Continuing Operations before capital amounts	393	309	(257)	(470)
Grants and contributions provided for capital purposes	257	165	-	-
Surplus (deficit) from Continuing Operations after capital amounts	650	474	(257)	(470)
Surplus (deficit) from discontinued operations	-	-	-	-
Surplus (deficit) from ALL Operations before tax	650	474	(257)	(470)
less: Corporate Taxation Equivalent (30%) [based on result before capital]	(118)	(93)	-	-
SURPLUS (DEFICIT) AFTER TAX	532	381	(257)	(470)
plus Opening Retained Profits	3,741	3,395	1,178	1,416
plus/less: Prior Period Adjustments	-	-	-	-
plus/less: Other Adjustments	69	-	-	-
plus Adjustments for amounts unpaid:				
- Taxation equivalent payments	73	59	-	-
- Debt guarantee fees	27	28	68	232
- Corporate taxation equivalent	118	93	-	-
add:				
- Subsidy Paid/Contribution To Operations	(47)	(45)	-	-
less:				
- TER dividend paid	-	-	-	-
- Dividend paid	(287)	(170)	-	-
Closing Retained Profits	4,226	3,741	989	1,178
Return on Capital %	15.1%	12.2%	n/a	n/a
Subsidy from Council	-	-	257	470

Lismore City Council

Income Statement of Council's Other Business Activities

for the financial year ended 30 June 2012

	Lismore Memorial Gardens Category 2		Properties Held for Public Benefit (Commercial Properties) Category 2	
	Actual 2012	Actual 2011	Actual 2012	Actual 2011
\$ '000				
Income from continuing operations				
User charges	578	494	-	-
Other income	-	-	195	204
Total income from continuing operations	578	494	195	204
Expenses from continuing operations				
Employee benefits and on-costs	176	182	14	14
Borrowing costs	37	38	-	-
Materials and contracts	223	179	152	148
Depreciation and impairment	49	47	107	107
Calculated taxation equivalents	12	13	23	-
Debt guarantee fee (if applicable)	11	11	-	25
Other expenses	8	9	3	3
Total expenses from continuing operations	516	479	299	297
Surplus (deficit) from Continuing Operations before capital amounts	62	15	(104)	(93)
Grants and contributions provided for capital purposes	-	-	-	-
Surplus (deficit) from Continuing Operations after capital amounts	62	15	(104)	(93)
Surplus (deficit) from discontinued operations	-	-	-	-
Surplus (deficit) from ALL Operations before tax	62	15	(104)	(93)
less: Corporate Taxation Equivalent (30%) [based on result before capital]	(19)	(5)	-	-
SURPLUS (DEFICIT) AFTER TAX	43	11	(104)	(93)
plus Opening Retained Profits	1,538	1,453	1,348	1,416
plus/less: Prior Period Adjustments		-		-
plus/less: Other Adjustments		46		-
plus Adjustments for amounts unpaid:				
- Taxation equivalent payments	12	13	23	-
- Debt guarantee fees	11	11	-	25
- Corporate taxation equivalent	19	5	-	-
add:				
- Subsidy Paid/Contribution To Operations	-	-		-
less:				
- TER dividend paid		-		-
- Dividend paid		-		-
Closing Retained Profits	1,623	1,538	1,267	1,348
Return on Capital %	5.0%	2.6%	-4.1%	-3.5%
Subsidy from Council	-	53	181	231

Lismore City Council

Income Statement of Council's Other Business Activities
for the financial year ended 30 June 2012

	Goonellabah Sports & Aquatic Centre Category 2	
\$ '000	Actual 2012	Actual 2011
Income from continuing operations		
Fees	1,462	1,205
Other income	24	2
Total income from continuing operations	1,486	1,207
Expenses from continuing operations		
Employee benefits and on-costs	169	130
Borrowing costs	665	688
Materials and contracts	1,851	1,632
Depreciation and impairment	786	627
Calculated taxation equivalents	46	46
Debt guarantee fee (if applicable)	283	294
Other expenses	158	148
Total expenses from continuing operations	3,958	3,565
Surplus (deficit) from Continuing Operations before capital amounts	(2,472)	(2,358)
Grants and contributions provided for capital purposes	-	-
Surplus (deficit) from Continuing Operations after capital amounts	(2,472)	(2,358)
Surplus (deficit) from discontinued operations	-	-
Surplus (deficit) from ALL Operations before tax	(2,472)	(2,358)
less: Corporate Taxation Equivalent (30%) [based on result before capital]	-	-
SURPLUS (DEFICIT) AFTER TAX	(2,472)	(2,358)
plus Opening Retained Profits	6,178	6,443
plus/less: Prior Period Adjustments	-	-
plus/less: Other Adjustments	-	-
plus Adjustments for amounts unpaid:		
- Taxation equivalent payments	46	46
- Debt guarantee fees	283	294
- Corporate taxation equivalent	-	-
add:		
- Subsidy Paid/Contribution To Operations	1,971	1,753
less:		
- TER dividend paid	-	-
- Dividend paid	-	-
Closing Retained Profits	6,006	6,178
Return on Capital %	-11.7%	-10.4%
Subsidy from Council	2,275	1,670

Lismore City Council

Balance Sheet of Council's Water Supply Business Activity
as at 30 June 2012

\$ '000	Actual 2012	Actual 2011
ASSETS		
Current Assets		
Cash and cash equivalents	1,987	1,476
Investments	221	-
Receivables	1,927	1,864
Inventories	321	297
Total Current Assets	4,456	3,637
Non-Current Assets		
Investments	360	391
Receivables	645	551
Infrastructure, property, plant and equipment	70,607	76,769
Total non-Current Assets	71,612	77,711
TOTAL ASSETS	76,068	81,348
LIABILITIES		
Current Liabilities		
Bank Overdraft	20	-
Payables	56	85
Interest bearing liabilities	119	70
Provisions	299	238
Total Current Liabilities	494	393
Non-Current Liabilities		
Interest bearing liabilities	4,176	2,403
Provisions	5	6
Total Non-Current Liabilities	4,181	2,409
TOTAL LIABILITIES	4,675	2,802
NET ASSETS	71,393	78,546
EQUITY		
Retained earnings	22,291	24,349
Revaluation reserves	49,102	54,197
Council equity interest	71,393	78,546
Minority equity interest	-	-
TOTAL EQUITY	71,393	78,546

Lismore City Council

Balance Sheet of Council's Wastewater Business Activity
as at 30 June 2012

\$ '000	Actual 2012	Actual 2011
ASSETS		
Current Assets		
Cash and cash equivalents	11,167	16,237
Investments	1,241	-
Receivables	1,018	558
Inventories	245	211
Total Current Assets	13,671	17,006
Non-Current Assets		
Investments	2,020	3,913
Receivables	368	144
Infrastructure, property, plant and equipment	176,358	182,249
Total non-Current Assets	178,746	186,306
TOTAL ASSETS	192,417	203,312
LIABILITIES		
Current Liabilities		
Payables	76	130
Interest bearing liabilities	185	174
Provisions	290	278
Total Current Liabilities	551	582
Non-Current Liabilities		
Interest bearing liabilities	7,955	8,140
Provisions	11	9
Total Non-Current Liabilities	7,966	8,149
TOTAL LIABILITIES	8,517	8,731
NET ASSETS	183,900	194,581
EQUITY		
Retained earnings	60,957	61,856
Revaluation reserves	122,943	132,725
Council equity interest	183,900	194,581
Minority equity interest	-	-
TOTAL EQUITY	183,900	194,581

Lismore City Council

Balance Sheet of Council's Other Business Activities

as at 30 June 2012

\$ '000	Quarry		Waste Collection	
	Category 1		Category 1	
	Actual 2012	Actual 2011	Actual 2012	Actual 2011
ASSETS				
Current Assets				
Investments	972	38	190	-
Receivables	1,324	2,235	-	80
Inventories	2,823	2,771	-	-
Total Current Assets	5,119	5,044	190	80
Non-Current Assets				
Receivables	58	78	-	-
Infrastructure, property, plant and equipment	3,141	3,065	-	-
Total Non-Current Assets	3,199	3,143	-	-
TOTAL ASSETS	8,318	8,187	190	80
LIABILITIES				
Current Liabilities				
Interest bearing liabilities	97	29	86	80
Provisions	213	187	140	140
Total Current Liabilities	310	216	226	220
Non-Current Liabilities				
Interest bearing liabilities	1,198	259	408	494
Provisions	624	1,097	3	2
Other Liabilities	3,364	3,956	-	-
Total Non-Current Liabilities	5,186	5,312	411	496
TOTAL LIABILITIES	5,496	5,528	637	716
NET ASSETS	2,822	2,659	(447)	(636)
EQUITY				
Retained earnings	2,822	2,659	(447)	(636)
Revaluation reserves	-	-	-	-
Council equity interest	2,822	2,659	(447)	(636)
Minority equity interest	-	-	-	-
TOTAL EQUITY	2,822	2,659	(447)	(636)

Lismore City Council

Balance Sheet of Council's Other Business Activities

as at 30 June 2012

\$ '000	Waste Disposal		Real Estate	
	Category 1		Category 2	
	Actual 2012	Actual 2011	Actual 2012	Actual 2011
ASSETS				
Current Assets				
Investments	1,617	435	-	-
Receivables	877	54	711	638
Total Current Assets	2,494	489	711	638
Non-Current Assets				
Receivables	21	1,605	69	141
Inventories	-	-	2,909	2,897
Infrastructure, property, plant and equipment	4,938	5,415	-	-
Total Non-Current Assets	4,959	7,020	2,978	3,038
TOTAL ASSETS	7,453	7,509	3,689	3,676
LIABILITIES				
Current Liabilities				
Payables	-	-	480	278
Interest bearing liabilities	54	49	2,220	2,220
Provisions	143	110	-	-
Total Current Liabilities	197	159	2,700	2,498
Non-Current Liabilities				
Interest bearing liabilities	834	888	-	-
Provisions	1,812	2,337	-	-
Total Non-Current Liabilities	2,646	3,225	-	-
TOTAL LIABILITIES	2,843	3,384	2,700	2,498
NET ASSETS	4,610	4,125	989	1,178
EQUITY				
Retained earnings	4,226	3,741	989	1,178
Revaluation reserves	384	384	-	-
Council equity interest	4,610	4,125	989	1,178
Minority equity interest	-	-	-	-
TOTAL EQUITY	4,610	4,125	989	1,178

Lismore City Council

Balance Sheet of Council's Other Business Activities

as at 30 June 2012

	Lismore Memorial Gardens		Properties Held for Public Benefit (Commercial Properties)	
	Category 2		Category 2	
\$ '000	Actual 2012	Actual 2011	Actual 2012	Actual 2011
ASSETS				
Current Assets				
Investments	362	251	182	124
Receivables	-	-	64	91
Total Current Assets	362	251	246	215
Non-Current Assets				
Infrastructure, property, plant and equipment	2,000	2,041	2,548	2,655
Total Non-Current Assets	2,000	2,041	2,548	2,655
TOTAL ASSETS	2,362	2,292	2,794	2,870
LIABILITIES				
Current Liabilities				
Payables	7	10	-	-
Interest bearing liabilities	16	16	5	-
Provisions	126	120	-	-
Total Current Liabilities	149	146	5	-
Non-Current Liabilities				
Payables	22	26	-	-
Interest bearing liabilities	345	360	-	-
Provisions	3	2	-	-
Total Non-Current Liabilities	370	388	-	-
TOTAL LIABILITIES	519	534	5	-
NET ASSETS	1,843	1,758	2,789	2,870
EQUITY				
Retained earnings	1,623	1,538	1,267	1,348
Revaluation reserves	220	220	1,522	1,522
Council equity interest	1,843	1,758	2,789	2,870
Minority equity interest	-	-	-	-
TOTAL EQUITY	1,843	1,758	2,789	2,870

Lismore City Council

Balance Sheet of Council's Other Business Activities

as at 30 June 2012

Goonellabah Sports &
Aquatic Centre
Category 2

\$ '000	Actual 2012	Actual 2011
ASSETS		
Other	-	-
Total Current Assets	-	-
Non-Current Assets		
Infrastructure, property, plant and equipment	15,432	15,990
Total Non-Current Assets	15,432	15,990
TOTAL ASSETS	15,432	15,990
LIABILITIES		
Current Liabilities		
Interest bearing liabilities	408	386
Total Current Liabilities	408	386
Non-Current Liabilities		
Interest bearing liabilities	9,018	9,426
Total Non-Current Liabilities	9,018	9,426
TOTAL LIABILITIES	9,426	9,812
NET ASSETS	6,006	6,178
EQUITY		
Retained earnings	6,006	6,178
Revaluation reserves	-	-
Council equity interest	6,006	6,178
Minority equity interest	-	-
TOTAL EQUITY	6,006	6,178

Lismore City Council

Special Purpose Financial Statements for the financial year ended 30 June 2012

Contents of the Notes accompanying the Financial Statements

Note	Details	Page
1	Summary of Significant Accounting Policies	103
2	Water Supply Business Best Practice Management disclosure requirements	106
3	Sewerage Business Best Practice Management disclosure requirements	108

Lismore City Council

Notes to the Special Purpose Financial Statements

for the financial year ended 30 June 2012

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. Wastewater

Provision of sewerage waste services to customers

c. Quarries

d. Waste Collection

Provide domestic & commercial waste collection services to customers.

e. Waste Disposal

Provide & maintain a safe area for disposing of waste

Supply of aggregate, road base & asphalt products.

Category 2

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

a. Real Estate

Development of selling industrial land

b. Lismore Memorial Gardens

Provide cremation and burial services

e. Properties Held for Public Benefit (Commercial Properties)

Commercial property rentals

f. Goonellabah Sports and Aquatic Centre

Provide gym and swim facilities

Lismore City Council

Notes to the Special Purpose Financial Statements

for the financial year ended 30 June 2012

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).

(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.

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.

Lismore City Council

Notes to the Special Purpose Financial Statements for the financial year ended 30 June 2012

Note 1. Significant Accounting Policies (continued)

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 3.03% at 30/6/12.

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 2012 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 2012

Note 2. Water Supply Business
Best Practice Management disclosure requirements

Dollars Amounts shown below are in WHOLE DOLLARS (unless otherwise indicated) 2012

1. Calculation and Payment of Tax-Equivalents

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

(i) Calculated Tax Equivalents	139,000
(ii) No of assessments multiplied by \$3/assessment	40,590
(iii) Amounts payable for Tax Equivalents [lesser of (i) and (ii)]	40,590
(iv) Amounts actually paid for Tax Equivalents	10,210

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	365,310
(iii) Cumulative surplus before Dividends for the 3 years to 30 June 2012, less the cumulative dividends paid for the 2 years to 30 June 2011 & 30 June 2010	(5,289,000)

2012 Surplus	(2,335,000)	2011 Surplus	(1,842,000)	2010 Surplus	(1,112,000)
		2011 Dividend	-	2010 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	NO

Lismore City Council

Notes to the Special Purpose Financial Statements
for the financial year ended 30 June 2012

Note 2. Water Supply Business

Best Practice Management disclosure requirements (continued)

Dollars Amounts shown below are in WHOLE DOLLARS (unless otherwise indicated) 2012

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	8,955
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)]	%	68.71%
NWI F9	Written Down Replacement Cost of Fixed Assets (Water) Written down current cost of system assets (w47)	\$'000	70,255
NWI F11	Operating Cost (OMA) (Water) Management Expenses (w1) + Operational & Maintenance Expenses (w2)	\$'000	8,212
NWI F14	Capital Expenditure (Water) Acquisition of fixed assets (w16)	\$'000	1,588
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)]	%	-2.71%
NWI F26	Capital Works Grants (Water) Grants for the Acquisition of Assets (w11a)	\$'000	-

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

Lismore City Council

Notes to the Special Purpose Financial Statements
for the financial year ended 30 June 2012Note 3. Sewerage Business
Best Practice Management disclosure requirements

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

2012

1. Calculation and Payment of Tax-Equivalents

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

(i)	Calculated Tax Equivalents	172,000
(ii)	No of assessments multiplied by \$3/assessment	36,192
(iii)	Amounts payable for Tax Equivalents [lesser of (i) and (ii)]	36,192
(iv)	Amounts actually paid for Tax Equivalents	31,916

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)	325,728												
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2012, less the cumulative dividends paid for the 2 years to 30 June 2011 & 30 June 2010	(6,721,000)												
<table border="1"> <tr> <td>2012 Surplus</td> <td>(1,715,000)</td> <td>2011 Surplus</td> <td>(4,961,000)</td> <td>2010 Surplus</td> <td>(45,000)</td> </tr> <tr> <td></td> <td></td> <td>2011 Dividend</td> <td>-</td> <td>2010 Dividend</td> <td>-</td> </tr> </table>			2012 Surplus	(1,715,000)	2011 Surplus	(4,961,000)	2010 Surplus	(45,000)			2011 Dividend	-	2010 Dividend	-
2012 Surplus	(1,715,000)	2011 Surplus	(4,961,000)	2010 Surplus	(45,000)									
		2011 Dividend	-	2010 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]	NO
	(c) Trade Waste [Item 2(d) in Table 1]	NO
	DSP with Commercial Developer Charges [Item 2(e) in Table 1]	YES
	Liquid Trade Waste Approvals & Policy [Item 2(f) in Table 1]	NO
(iii)	Complete Performance Reporting Form (by 15 September each year)	YES
(iv)	a. Integrated Water Cycle Management Evaluation	YES
	b. Complete and implement Integrated Water Cycle Management Strategy	NO

Lismore City Council

Notes to the Special Purpose Financial Statements
for the financial year ended 30 June 2012Note 3. Sewerage Business
Best Practice Management disclosure requirements (continued)

Dollars Amounts shown below are in WHOLE DOLLARS (unless otherwise indicated)		2012
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 10,735
NWI F10	Written Down Replacement Cost of Fixed Assets (Sewerage) Written down current cost of system assets (s48)	\$'000 176,358
NWI F12	Operating Cost (Sewerage) Management Expenses (s1) + Operational & Maintenance Expenses (s2)	\$'000 5,708
NWI F15	Capital Expenditure (Sewerage) Acquisition of Fixed Assets (s17)	\$'000 10,042
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)]	% -0.76%
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 19,583
NWI F8	Revenue from Community Service Obligations (Water & Sewerage) Community Service Obligations (NWI F25) x 100 divided by Total Income (NWI F3)	% 0.74%
NWI F16	Capital Expenditure (Water & Sewerage) Acquisition of Fixed Assets (w16 + s17)	\$'000 11,630
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)]	% -1.32%
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 2012

Note 3. Sewerage Business

Best Practice Management disclosure requirements (continued)

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

2012

**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)]	%	<input type="text" value="-1.78%"/>
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:		<input type="text" value="-"/> <input type="text" value="3,249"/> <input type="text" value="401"/>
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	<input type="text" value="(2,997)"/>
NWI F25	Community Service Obligations (Water & Sewerage) Grants for Pensioner Rebates (w11b + s12b)	\$'000	<input type="text" value="144"/>

- Notes:
- References to w (eg. s12) refer to item numbers within Special Schedules No. 5 & 6 of Council's Annual Financial Statements.
 - The NWI Performance Indicators are based upon the National Performance Framework Handbook for Urban Performance Reporting Indicators & Definitions.

Lismore City Council

SPECIAL SCHEDULES
for the year ended 30 June 2012

*“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 2012

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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 2012

\$'000

Function or Activity	Expenses from Continuing Operations	Income from continuing operations		Net Cost of Services
		Non Capital	Capital	
Governance	500	-	-	(500)
Administration	7,522	1,259	10	(6,253)
Public Order and Safety				
Fire Service Levy, Fire Protection, Emergency Services	1,207	167	377	(663)
Beach Control	-	-	-	-
Enforcement of Local Govt. Regulations	-	-	-	-
Animal Control	439	35	-	(404)
Other	815	-	23	(792)
Total Public Order & Safety	2,461	202	400	(1,859)
Health	904	346	-	(558)
Environment				
Noxious Plants and Insect/Vermin Control	-	-	-	-
Other Environmental Protection	292	64	-	(228)
Solid Waste Management	6,431	7,160	257	986
Street Cleaning	-	-	-	-
Drainage	-	-	177	177
Stormwater Management	112	-	-	(112)
Total Environment	6,835	7,224	434	823
Community Services and Education				
Administration & Education	186	384	-	198
Social Protection (Welfare)	692	105	-	(587)
Aged Persons and Disabled	31	5	-	(26)
Children's Services	484	167	-	(317)
Total Community Services & Education	1,393	661	-	(732)
Housing and Community Amenities				
Public Cemeteries	941	1,169	-	228
Public Conveniences	39	-	-	(39)
Street Lighting	663	163	-	(500)
Town Planning	1,589	743	143	(703)
Other Community Amenities	-	-	-	-
Total Housing and Community Amenities	3,232	2,075	143	(1,014)
Water Supplies	13,039	8,713	246	(4,080)
Sewerage Services	10,583	10,561	1,106	1,084

Lismore City Council

Special Schedule No. 1 - Net Cost of Services (continued)
for the financial year ended 30 June 2012

\$'000

Function or Activity	Expenses from Continuing Operations	Income from continuing operations		Net Cost of Services
		Non Capital	Capital	
Recreation and Culture				
Public Libraries	6,300	4,708	128	(1,464)
Museums	-	-	-	-
Art Galleries	849	354	-	(495)
Community Centres and Halls	679	12	-	(667)
Performing Arts Venues	-	-	-	-
Other Performing Arts	-	-	-	-
Other Cultural Services	-	-	-	-
Sporting Grounds and Venues	-	58	-	58
Swimming Pools	1,139	221	-	(918)
Parks & Gardens (Lakes)	4,292	302	256	(3,734)
Other Sport and Recreation	4,731	1,533	833	(2,365)
Total Recreation and Culture	17,990	7,188	1,217	(9,585)
Fuel & Energy	-	-	-	-
Agriculture	-	-	-	-
Mining, Manufacturing and Construction				
Building Control	1,303	728	-	(575)
Other Mining, Manufacturing & Construction	7,344	7,750	92	498
Total Mining, Manufacturing and Const.	8,647	8,478	92	(77)
Transport and Communication				
Urban Roads (UR) - Local	6,111	2,285	606	(3,220)
Urban Roads - Regional	320	215	456	351
Sealed Rural Roads (SRR) - Local	6,670	942	202	(5,526)
Sealed Rural Roads (SRR) - Regional	2,879	1,687	700	(492)
Unsealed Rural Roads (URR) - Local	2,820	2,719	101	-
Unsealed Rural Roads (URR) - Regional	-	-	-	-
Bridges on UR - Local	-	-	-	-
Bridges on SRR - Local	309	-	-	(309)
Bridges on URR - Local	573	-	-	(573)
Bridges on Regional Roads	-	-	-	-
Parking Areas	164	305	-	141
Footpaths	94	-	125	31
Aerodromes	727	509	-	(218)
Other Transport & Communication	1,762	14	963	(785)
Total Transport and Communication	22,429	8,676	3,153	(10,600)
Economic Affairs				
Camping Areas & Caravan Parks	29	41	-	12
Other Economic Affairs	3,345	514	-	(2,831)
Total Economic Affairs	3,374	555	-	(2,819)
Totals – Functions	98,909	55,938	6,801	(36,170)
General Purpose Revenues⁽²⁾		32,478		32,478
Share of interests - joint ventures & associates using the equity method	-	-		-
NET OPERATING RESULT⁽¹⁾	98,909	88,416	6,801	(3,692)

(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 2012

\$'000

Classification of Debt	Principal outstanding at beginning of the year			New Loans raised during the year	Debt redemption during the year		Transfers to Sinking Funds	Interest applicable for Year	Principal outstanding at the end of the year		
	Current	Non Current	Total		From Revenue	Sinking Funds			Current	Non Current	Total
Loans (by Source)											
Commonwealth Government	-	-	-								
Treasury Corporation	34	3,459	3,493		34		266	37	3,422	3,459	
Other State Government	-	-	-						-	-	
Public Subscription	-	-	-						-	-	
Financial Institutions	2,225	38,768	40,993	5,327	2,224		2,815	2,507	41,589	44,096	
Other	-	-	-						-	-	
Total Loans	2,259	42,227	44,486	5,327	2,258	-	-	3,081	2,544	45,011	47,555
Other Long Term Debt											
Ratepayers Advances	-	-	-						-	-	
Government Advances	-	-	-						-	-	
Finance Leases	-	-	-						-	-	
Deferred Payments	-	-	-						-	-	
Total Long Term Debt	-	-	-	-	-	-	-	-	-	-	-
Total Debt	2,259	42,227	44,486	5,327	2,258	-	-	3,081	2,544	45,011	47,555

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 2012

\$'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			
Water			
Sewer			
Domestic Waste Management			
Gas			
Other			
Totals	-	-	-

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

Details of Individual Internal Loans

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

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 2012

\$'000	Actuals 2012	Actuals 2011
A Expenses and Income Expenses		
1. Management expenses		
a. Administration	1,105	1,030
b. Engineering and Supervision	438	275
2. Operation and Maintenance expenses		
- Dams & Weirs		
a. Operation expenses	-	-
b. Maintenance expenses	-	-
- Mains		
c. Operation expenses	1,176	976
d. Maintenance expenses	-	-
- Reservoirs		
e. Operation expenses	25	30
f. Maintenance expenses	33	59
- Pumping Stations		
g. Operation expenses (excluding energy costs)	99	44
h. Energy costs	-	59
i. Maintenance expenses	21	21
- Treatment		
j. Operation expenses (excluding chemical costs)	-	-
k. Chemical costs	-	-
l. Maintenance expenses	-	-
- Other		
m. Operation expenses	345	297
n. Maintenance expenses	393	326
o. Purchase of water	4,577	4,189
3. Depreciation expenses		
a. System assets	2,542	2,534
b. Plant and equipment	115	70
4. Miscellaneous expenses		
a. Interest expenses	193	200
b. Revaluation Decrements	-	-
c. Other expenses	-	-
d. Tax Equivalent Dividends (actually paid)	-	-
5. Total expenses	11,062	10,110

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 2012

\$'000	Actuals 2012	Actuals 2011
Income		
6. Residential charges		
a. Access (including rates)	2,005	1,813
b. Usage charges	4,403	4,185
7. Non-residential charges		
a. Access (including rates)	565	523
b. Usage charges	1,628	1,576
8. Extra charges	-	-
9. Interest income	197	196
10. Other income	86	86
11. Grants		
a. Grants for acquisition of assets	-	-
b. Grants for pensioner rebates	20	127
c. Other grants	2	2
12. Contributions		
a. Developer charges	98	95
b. Developer provided assets	148	210
c. Other contributions	-	-
13. Total income	<u>9,152</u>	<u>8,813</u>
14. Gain (or loss) on disposal of assets	(148)	(261)
15. Operating Result	<u>(2,058)</u>	<u>(1,558)</u>
15a. Operating Result (less grants for acquisition of assets)	(2,058)	(1,558)

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 2012

\$'000	Actuals 2012	Actuals 2011
B Capital transactions		
Non-operating expenditures		
16. Acquisition of Fixed Assets		
a. New Assets for Improved Standards	-	-
b. New Assets for Growth	-	-
c. Renewals	1,554	1,613
d. Plant and equipment	34	67
17. Repayment of debt		
a. Loans	70	66
b. Advances	-	-
c. Finance leases	-	-
18. Transfer to sinking fund	-	-
19. Totals	1,658	1,746
Non-operating funds employed		
20. Proceeds from disposal of assets	-	38
21. Borrowing utilised		
a. Loans	1,892	-
b. Advances	-	-
c. Finance leases	-	-
22. Transfer from sinking fund	-	-
23. Totals	1,892	38
C Rates and charges		
24. Number of assessments		
a. Residential (occupied)	11,833	11,862
b. Residential (unoccupied, ie. vacant lot)	228	228
c. Non-residential (occupied)	1,415	1,292
d. Non-residential (unoccupied, ie. vacant lot)	54	59
25. Number of ETs for which developer charges were received	70 ET	43 ET
26. Total amount of pensioner rebates (actual dollars)	\$ 226,766	\$ 232,313

Lismore City Council

Special Schedule No. 3 - Water Supply Cross Subsidies

for the financial year ended 30 June 2012

\$'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 2011/12 (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 2012

\$'000	Actuals Current	Actuals Non Current	Actuals Total
ASSETS			
30. Cash and investments			
a. Developer charges	864	-	864
b. Special purpose grants	-	-	-
c. Accrued leave	-	-	-
d. Unexpended loans	583	-	583
e. Sinking fund	-	-	-
f. Other	1,121	-	1,121
31. Receivables			
a. Specific purpose grants	-	-	-
b. Rates and Availability Charges	482	208	690
c. Other (including User Charges)	1,445	437	1,882
32. Inventories	321	-	321
33. Property, plant and equipment			
a. System assets	-	70,255	70,255
b. Plant and equipment	-	352	352
34. Other assets	-	-	-
35. Total assets	4,816	71,252	76,068
LIABILITIES			
36. Bank overdraft	20	-	20
37. Creditors	56	-	56
38. Borrowings			
a. Loans	119	4,176	4,295
b. Advances	-	-	-
c. Finance leases	-	-	-
39. Provisions			
a. Tax equivalents	-	-	-
b. Dividend	-	-	-
c. Other	299	5	304
40. Total liabilities	494	4,181	4,675
41. NET ASSETS COMMITTED	4,322	67,071	71,393
EQUITY			
42. Accumulated surplus			22,290
43. Asset revaluation reserve			49,103
44. TOTAL EQUITY			71,393
Note to system assets:			
45. Current replacement cost of system assets			115,975
46. Accumulated current cost depreciation of system assets			(45,720)
47. Written down current cost of system assets			70,255

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 2012

\$'000	Actuals 2012	Actuals 2011
A Expenses and Income Expenses		
1. Management expenses		
a. Administration	973	899
b. Engineering and Supervision	523	393
2. Operation and Maintenance expenses		
- Mains		
a. Operation expenses	76	100
b. Maintenance expenses	1,254	1,112
- Pumping Stations		
c. Operation expenses (excluding energy costs)	37	39
d. Energy costs	175	148
e. Maintenance expenses	374	501
- Treatment		
f. Operation expenses (excl. chemical, energy, effluent & biosolids management costs)	936	686
g. Chemical costs	394	329
h. Energy costs	-	214
i. Effluent Management	127	103
j. Biosolids Management	190	186
k. Maintenance expenses	550	653
- Other		
l. Operation expenses	-	-
m. Maintenance expenses	99	103
3. Depreciation expenses		
a. System assets	6,159	6,057
b. Plant and equipment	203	100
4. Miscellaneous expenses		
a. Interest expenses	625	658
b. Revaluation Decrements	-	-
c. Other expenses	-	-
d. Tax Equivalent Dividends (actually paid)	-	-
5. Total expenses	12,695	12,281

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 2012

\$'000	Actuals 2012	Actuals 2011
Income		
6. Residential charges (including rates)	7,346	6,626
7. Non-residential charges		
a. Access (including rates)	1,910	1,780
b. Usage charges	-	-
8. Trade Waste Charges		
a. Annual Fees	184	187
b. Usage charges	-	-
c. Excess mass charges	-	-
d. Re-inspection fees	-	-
9. Extra charges	-	-
10. Interest income	1,022	1,520
11. Other income	63	59
12. Grants		
a. Grants for acquisition of assets	-	-
b. Grants for pensioner rebates	124	120
c. Other grants	2	2
13. Contributions		
a. Developer charges	431	602
b. Developer provided assets	675	444
c. Other contributions	-	-
14. Total income	<u>11,757</u>	<u>11,340</u>
15. Gain (or loss) on disposal of assets	41	(3,432)
16. Operating Result	<u>(897)</u>	<u>(4,373)</u>
16a. Operating Result (less grants for acquisition of assets)	(897)	(4,373)

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 2012

\$'000	Actuals 2012	Actuals 2011
B Capital transactions		
Non-operating expenditures		
17. Acquisition of Fixed Assets		
a. New Assets for Improved Standards	-	-
b. New Assets for Growth	865	594
c. Renewals	8,798	3,738
d. Plant and equipment	379	90
18. Repayment of debt		
a. Loans	174	162
b. Advances	-	-
c. Finance leases	-	-
19. Transfer to sinking fund	-	-
20. Totals	<u>10,216</u>	<u>4,584</u>
Non-operating funds employed		
21. Proceeds from disposal of assets	-	32
22. Borrowing utilised		
a. Loans	-	-
b. Advances	-	-
c. Finance leases	-	-
23. Transfer from sinking fund	-	-
24. Totals	<u>-</u>	<u>32</u>
C Rates and charges		
25. Number of assessments		
a. Residential (occupied)	10,468	10,340
b. Residential (unoccupied, ie. vacant lot)	484	508
c. Non-residential (occupied)	1,020	1,019
d. Non-residential (unoccupied, ie. vacant lot)	92	89
26. Number of ETs for which developer charges were received	70 ET	57 ET
27. Total amount of pensioner rebates (actual dollars)	\$ 221,481	\$ 220,191

Lismore City Council

Special Schedule No. 5 - Sewerage Cross Subsidies

for the financial year ended 30 June 2012

\$'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 2011/12 (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 2012

\$'000	Actuals Current	Actuals Non Current	Actuals Total
ASSETS			
31. Cash and investments			
a. Developer charges	5,209	-	5,209
b. Special purpose grants	-	-	-
c. Accrued leave	-	-	-
d. Unexpended loans	-	-	-
e. Sinking fund	-	-	-
f. Other	9,219	-	9,219
32. Receivables			
a. Specific purpose grants	-	-	-
b. Rates and Availability Charges	995	368	1,363
c. Other (including User Charges)	23	-	23
33. Inventories	245	-	245
34. Property, plant and equipment			
a. System assets	-	176,358	176,358
b. Plant and equipment	-	-	-
35. Other assets	-	-	-
36. Total Assets	15,691	176,726	192,417
LIABILITIES			
37. Bank overdraft	-	-	-
38. Creditors	76	-	76
39. Borrowings			
a. Loans	185	7,955	8,140
b. Advances	-	-	-
c. Finance leases	-	-	-
40. Provisions			
a. Tax equivalents	-	-	-
b. Dividend	-	-	-
c. Other	290	11	301
41. Total Liabilities	551	7,966	8,517
42. NET ASSETS COMMITTED	15,140	168,760	183,900
EQUITY			
42. Accumulated surplus			60,957
44. Asset revaluation reserve			122,943
45. TOTAL EQUITY			183,900
Note to system assets:			
46. Current replacement cost of system assets			286,475
47. Accumulated current cost depreciation of system assets			(110,117)
48. Written down current cost of system assets			176,358

Lismore City Council

Notes to Special Schedule No.'s 3 & 5 for the financial year ended 30 June 2012

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 2012

\$'000	Actual ⁽¹⁾	Forecast	Forecast	Forecast⁽³⁾	Forecast⁽³⁾
	11/12	12/13	13/14	14/15	15/16
(i) OPERATING BUDGET					
Income from continuing operations	95,217	88,206	89,006	91,701	94,376
Expenses from continuing operations	98,909	90,284	92,826	94,875	97,269
Operating Result from Continuing Operations	<u>(3,692)</u>	<u>(2,078)</u>	<u>(3,820)</u>	<u>(3,174)</u>	<u>(2,893)</u>
(ii) CAPITAL BUDGET					
New Capital Works ⁽²⁾	11,120	3,880			
Replacement/Refurbishment of Existing Assets	16,193	25,360	9,075	8,881	7,020
Total Capital Budget	<u>27,313</u>	<u>29,240</u>	<u>9,075</u>	<u>8,881</u>	<u>7,020</u>
Funded by:					
– Loans	8,474	5,670	-	-	-
– Asset sales	4,001	-	-	-	-
– Reserves	3,463	7,370	3,928	647	643
– Grants/Contributions	6,036	8,416	3,476	3,543	3,630
– Recurrent revenue	5,339	7,784	1,671	4,691	2,747
– Other					
	<u>27,313</u>	<u>29,240</u>	<u>9,075</u>	<u>8,881</u>	<u>7,020</u>

Notes:

- (1) From 11/12 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.
- (4) Financial Projections should be in accordance with Council's Integrated Planning & Reporting framework.

Lismore City Council

FINANCIAL REPORTS REVIEW
for the year ended 30 June 2012

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



Overview

The 2011/12 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 2011/12 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 2011/12 is a \$3.69 million deficit. The following table displays the summarised information from 2009/10 to 2011/12:

Item	2011/12 (\$'000)	% Change	2010/11 (\$'000)	% Change	2009/10 (\$'000)
Revenues from continuing operations	95,217	-0.18%	95,386	-5.66%	101,108
Expenses from continuing operations	98,909	-3.28%	102,267	+15.68%	88,401
Net operating result for the year	(3,692)	46.34%	(6,881)	-154.14%	12,707
Net operating result before capital grants and contributions	(10,493)	n/a	(14,372)	n/a	2,960

A summary of the movements follows:

Revenues from continuing operations being \$95.21 million with the major movements being:

- Increase in rates and annual charges \$2.23 million.
- Decrease in interest & investment revenues of \$1.09 million.
- Decrease in grants and contributions for capital purposes of \$690,000.

Expenses from continuing operations of \$98.91 million with the major movements being:

- Increase in employee benefits and on-costs \$2.94 million.
- Decrease in materials and contracts by \$2.86 million.
- Decrease in loss on disposal of assets of \$3.26 million.

In general, revenues from continuing operations decreased by 0.18% or \$169,000 with expenses from continuing operations also decreasing by 3.28% or \$3.358 million. The decrease in interest and investment revenues is attributable to lower interest rates during the year along with a reduction in the size of the investment portfolio as capital works have been carried out. The decreases in interest and investment revenues have been largely offset by an increase in revenues from rates and annual charges \$2.23 million.

The significant decrease in expenditure was mainly attributable to a decrease in materials and contracts as well as loss on disposal of assets. This was offset by an increase in employee benefits and on-costs due to increases in workers compensation premiums \$459k, payroll tax \$34k, training \$120k, increases in employee leave entitlements provisions of \$1.080 million, and award increases. Council has also converted a number of casual positions into full time positions as well as endeavoured to fill previously unfilled positions. The conversion of casual staff positions into permanent staff resulted in a reduction of materials and contract expenses as these costs were paid to a casual labour hire contractor. The other major impact on material & contracts from previous years is expenditure on 2009 flood restoration works undertaken in 2010/11 which has not been repeated in 2011/12, a decline of \$2.95 million.

Council reported a loss on disposal of assets of \$3.26 million in 2011/12 compared to a loss of \$6.5 million in 2010/11. In 2010/11 there were major assets replaced prior the end of their useful lives 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.

Although similar assets replacement was undertaken in the 2011/12 year, it was not to the same level as previous years.

2. Balance Sheet

The Balance Sheet is used to summarise the total net assets under Council's control. As at 30 June 2012, total net assets were \$1.069 billion. During 2011/12, net assets increased by \$21.91 million from \$1.047 billion in 2010/11. This movement is comprised of a \$3.69 million decrease attributable to continuing operations, \$23.9 million increase from the fair value valuation of Water and Wastewater assets, and \$2.29 million decrease in cash and investments due to expenditure on capital works and a decrease of \$3.07 million in borrowings.

The major component of Council's net assets relates to infrastructure assets. Net infrastructure assets total \$901 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	790.7	148.6	642.1	18.8
Stormwater Drainage	48.3	20.7	27.6	42.9
Water Supply Network	114.5	45.7	68.8	40.0
Wastewater Services Network	272.7	110.1	162.6	40.4
Total Infrastructure Assets	1,226.2	325.1	901.1	26.5

3. Income from continuing operations (Note 3)

Income from continuing operations decreased by \$169,000 million or 0.2% compared to 2010/11. A summary of the individual categories and comparisons for the last three years is provided below:

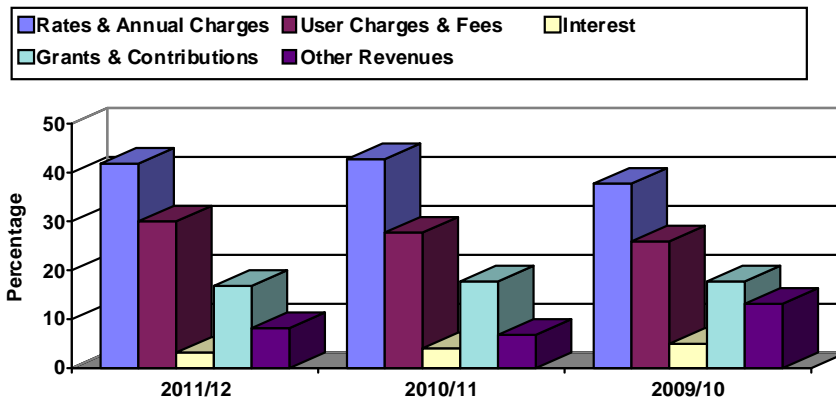
Type	2011/12 (\$'000)	% Change	2009/10 (\$'000)	% Change	2009/10 (\$'000)
Rates & Annual Charges	39,603	6.0	37,370	7.1	34,898
User Charges & Fees	27,906	(1.2)	28,259	17.5	24,047
Interest	2,607	(29.5)	3,696	(27.4)	5,090
Other revenues	1,808	(28.7)	2,537	(77.4)	11,209
Grants & Contributions – Operating	16,492	2.9	16,033	6.1	15,115
Grants & Contributions – Capital	6,801	(9.2)	7,491	(23.1)	9,747
Gain on Disposal of Assets	0	n/a	0	n/a	1,024
Total	95,217	(0.2)	95,386	(5.7)	101,128

- **Rates and Annual Charges** – Revenues from rates have increased by 3.08% which is in line with rate pegging and anticipated growth. Annual charges revenues have increased by 10.38% or \$1.5 million with the major areas being Wastewater \$846,000, \$243,000 for Water and \$397,000 Domestic Waste Management charges, these increases are in line with the Operational Plan adopted by Council.

- **User Charges & Fees** – Decreased by 1.2% or \$353k – The major movements in these revenues were attributable to the Northern Rivers Quarry & Asphalt operations decreasing by \$956,000 and an increase in revenues from the Roads and Traffic Authority (RTA) of \$445,000 for works on roads undertaken on State Roads not controlled by Council.
- **Interest** - The interest and investment return comprises interest on investments of \$2.2 million and market value adjustments on investments held of \$35k. There has been an overall decline in investment returns of \$1.22 million from the 2010/11 year. This is due to lower investment returns and a smaller investment portfolio than in the prior year.
- **Other revenues** – The major movement from 2010/11 is due to lower income being generated from miscellaneous private works, down (\$570)k and revenues generated from recycling operations. There has been a corresponding decrease in materials and contracts expense to offset the decrease in private works revenues.
- **Grants & Contributions - Operating** - Grants and contributions for operating purposes increased from 2010/11 by \$459,000. The major movement being an increase in the Federal Assistance Grants of \$1.608 million which has been offset by a decrease in Natural Disaster funding grants of \$1.759 million.
- **Grants & Contributions - Capital** – Grants and contributions for capital purposes decreased from 2011 by \$690,000. Developer contributions (Section 94/64) were lower than previous years by \$539,000 and grant funding decreased by \$347,000. The amount reported last year was higher due to the Timber Bridge Replacement Program of \$1.4 million.

The following graph represents the main types of income from continuing operations expressed as a percentage of total continuing income for 2011/12, 2010/11 and 2009/10. 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 decreased by \$3.36m or 3.3% from 2010/11 to 2011/12. A summary of the individual categories and comparisons for the last three years is provided below:

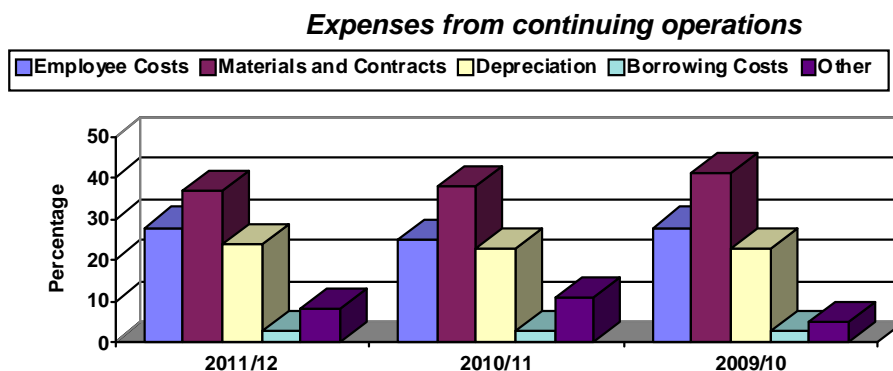
Type	2011/12 (\$'000)	% Change	2010/11 (\$'000)	% Change	2009/10 (\$'000)
Employee Costs	28,094	11.7	25,159	0.9	24,940
Borrowing Costs	3,457	(5.6)	3,662	26.9	2,886
Materials & Contracts	36,411	(7.3)	39,268	9.4	35,901
Depreciation	23,251	0.2	23,209	13.9	20,368
Other	4,435	(0.3)	4,446	2.8	4,326
Loss on Disposal of Assets	3,261	(50.0)	6,523	n/a	-
Interest & Investment Losses	-	n/a	-	n/a	-
Total	98,909	(3.3)	102,267	15.7	88,421

An unfavourable variances compared to 2010/11 is shown for Employee Costs \$2.94 million. The major increase was a result of increases in workers compensation premiums \$459k, payroll tax \$34k, training \$120k, increases in employee leave entitlements provisions of \$1.080 million, and award increases. Council has also converted a number of casual positions into full time positions as well as endeavoured to fill previously unfilled positions.

Favourable variances compared to 2010/11 are shown for Materials & Contracts \$2.86 million and \$3.26 million for Loss on Disposal of Assets. The conversion of casual positions into full time positions has resulted in a reduction in Materials & Contract expenses as these previously were paid to a casual labour hire contractor. The other major impact on Material & Contracts from previous years is expenditure on 2009 flood restoration works undertaken in 2010/11 which has not been repeated in 2011/12 , a decline of (\$2.95 million).

Council reported a loss on disposal of assets of \$6.52 million in 2010/11 compared to a loss for 2011/12 of \$3.26 million. The 2010/11 loss included \$3.46 million for Wastewater and this loss was not repeated in 2011/12. The major component of the loss during the year was related to infrastructure assets replaced during the period with Roads reporting a (\$2.7) million and Bridges reporting a (\$1.9) 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 2011/12, 2010/11 and 2009/10:



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

Council has total cash, cash equivalents and investments of \$42.17 million as at 30 June 2012. Compared to 2010/11, this is an increase of \$2.29 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 2011/12 Loan Program being funded in May 2012 allowing the repayment of internal funding from reserves during the 2010/11 year.

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 \$35,000.

The majority of funds are either restricted by external legislation e.g. developer contributions - Section 94 (\$8.05 million) and Section 64 (\$6.07 million), Wastewater Services (\$9.1 million), Water Supply (\$1.0 million), Unexpended Grants (\$2.3 million) and Trust (\$1.7 million), or internal policy e.g. unexpended loans (\$1.49 million) and internal reserves (\$10.9 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 2008/09 to 2011/12:

Performance Indicator	2011/12	2010/11	2009/10	2008/09
Unrestricted Current Ratio	2.25:1	2.13:1	1.80:1	1.39:1
Debt Service Ratio Percentage	6.64%	6.96%	5.57%	6.34%
Rate Coverage Ratio Percentage	41.59%	39.18%	34.51%	39.01%
Rates, Annual Charges, Interest and Extra Charges Outstanding Percentage	11.59%	10.60%	9.96%	8.46%
Building & Infrastructure Renewals Ratio	52.66%	63.76%	66.43%	65.28%

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 2.13:1 to 2.25:1. This result is considered satisfactory to meet all current liabilities as and when required.

The Rates Coverage Ratio Percentage for 2011/12 when compared to 2010/11 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.

The Rates, Annual Charges, Interest and Extra Charges Outstanding percentage has increased to 11.59%. On a fund by fund basis the percentages are General 9.85%, Water 22.20% and Wastewater 13.75%. 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 action. A review of Council's Rates & Charges Hardship policy and operating procedures has also taken place this year.

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 addressed and consideration required when integrating Asset Management Plans and the Long Term Financial Plan.

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, 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 fixed 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 table provides a summary of the return on capital for Council's business activities during 2011/12. 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.

Business Unit	Return % 2011/1 2	Return % 2010/1 1
Northern Rivers Quarry & Asphalt	21.8	26.3
Northern Rivers Waste – Disposal	15.1	12.2
Lismore Memorial Gardens	5.0	2.6
Water	-3.2	-2.2
Wastewater	-0.8	-2.7

Commercial Properties Held for Public Benefit	-4.1	-3.5
Goonellabah Sports and Aquatic Centre	-11.7	-10.4
Northern Rivers Waste – Collection	N/A	N/A
Real Estate	N/A	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 2012 of 3.03%.

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	4,370	Northern Rivers Waste – Collection	10	Goonellabah Sports and Aquatic Centre	2,274
Wastewater	6,832	Northern Rivers Waste – Disposal	-	Lismore Memorial Gardens	-
Northern Rivers Quarry & Asphalt	-	Properties Held for Public Benefit	181	Real Estate	257

Part C: Management Information

9. Reserves (Internally Restricted Assets)

As at 30 June 2012, reserves totalled \$29.51 million, comprising \$21.64 million held as cash and investments, \$874,500 as working capital and \$7.0 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 2012. For completeness, domestic waste management, wastewater services and water supply has been included although they are considered externally restricted assets.

There has been an overall increase in reserves from 2010/11 of \$2.23 million. The reserves are held in General, Wastewater and Water Funds being \$19.20 million \$9.19 million and \$1.12 million respectively.

All reserves held at 30 June 2012 are deemed to be at an appropriate level given that they are either within a suitable range of the nominated funding level and any variance is manageable, or are for a specific purpose.

A separate report on 2011/12 Reserves (Internally Restricted Assets) has been submitted to Council for consideration.

10. Fleet Operations

Council's fleet operations are managed 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	2011/12 (\$'000)	2010/11 (\$'000)	2009/10 (\$'000)
Fleet Hire Income	7,421	7,341	6,167
Less:			
Operating Expenses	5,050	5,012	4,232
Depreciation	2,418	2,302	2,720
Operating Surplus /(Deficit)	(47)	27	(785)
Add-back depreciation	2,418	2,302	2,720
Cash Surplus / (Deficit)	2,371	2,329	1,935
Net Capital Replacement Cost	2,740	1,281	1,905

There is an Operating Deficit of \$47k reported for 2011/12. Fleet Hire Income, Operating Expenses and Depreciation are similar to last year. 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 (Purchases – Trade in/Sales) approximately the same, so that the average age of the fleet is maintained at a satisfactory level. As leases for vehicles expired in 2011/12, Council has progressively replaced these with purchased vehicles. This process has required an initial capital outlay and this is being recouped over time.

Approximately \$4.712 million is available in general reserves for fleet replacement as at 30 June 2012.

11. 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 2011/12 and one (1) was sold.

The following is a summary of investment, sales, development and profits for the last three years:

Category	2011/12	2010/11	2009/10
Residential Land			
Opening Balance			
Land Value (\$)	51,063	24,817	59,394
Number of Lots	5	7	8
Sales			
Gross Sale Proceeds (\$)	101,562	222,838	41,061
Lots Sold	1	2	1
Add			
Development Costs (\$)	150,593	175,501	0
Lots Created	0	0	0
Closing Balance			
Land Value (\$)	120,794	51,063	24,817
Number of Lots	4	5	7
Profit / (Loss) (\$)	20,800	73,582	22,750

Industrial Land			
Opening Balance			
Land Value (\$)	3,190,497	3,183,518	3,181,943
Number of Lots	7	7	7
Sales			
Gross Sale Proceeds (\$)	0	0	910,000
Lots Sold	0	0	1
Add			
Development Costs (\$)	11,400	6,979	310,139
Lots Created	0	0	1
Closing Balance			
Land Value (\$)	3,190,497	3,183,518	3,183,518
Number of Lots	7	7	7
Profit / (Loss) (\$)	0	0	801,633
Commercial Land			
Opening Balance			
Land Value (\$)	401,988	401,988	3,238,261
Number of Lots	1	1	1
Sales			
Gross Sale Proceeds (\$)	0	0	3,650,000
Lots Sold	0	1	1
Add			
Development Costs (\$)	0	0	335,668
Lots Created	0	0	1
Closing Balance			
Land Value (\$)	401,988	401,988	401,988
Number of Lots	1	1	1
Profit / (Loss) (\$)	0	0	478,059

12. Northern Rivers Quarry & Asphalt

The operating result of the Northern Rivers Quarry & Asphalt has decreased from a profit of \$620,200 in 2010/11 to a profit of \$339,600 in 2011/12. There have been a number of contributing factors associated with reduced trading result with the major items being:

- Continual wet weather in 2011/12 prevented crushing due to material clogging up screens and crushers, and delayed restarting of crushing until material sufficiently dried.
- Demand for Quarry product was lower than previous years.
- Asphalt operations were lower than previous year as a result of essential maintenance and lower demand.
- Management has taken steps to reduce overheads, realign costs of production to output and adopt a more effective management structure
- In 2010/11 large contracts were filled in relation the Ballina by-pass project. These contracts were not repeated in 2011/12 thus having a significant impact on demand.

The Quarry Reserve (or cash position) has improved from a deficit of \$3.955 million in 2010/11 to a deficit \$3.363 million in 2011/12. This change is attributable to a reduction in debtors as debts outstanding were paid. The deficit is being funded by internal loans and will be repaid from anticipated future quarry profits.

It is acknowledged that this business will require a significant overdraft to operate as key assets (stock and debtors) are typically high value (\$4.131 million as at 30 June 2012) and the annual dividend paid to General Fund (\$487,000 in 2011/12) 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	2011/12	2010/11	2009/10
Trading Result			
User Charges			
External Sales	7,358,000	8,699,900	6,405,200
Internal Sales	4,056,800	4,199,400	4,729,400
Miscellaneous Charges	370,000	214,400	197,700
Total Income	11,784,800	13,113,700	11,332,300
Less:			
Operating Expenses	10,770,800	11,781,800	10,161,700
Operating Surplus/(Deficit) before depreciation, corporate charges and loan repayments	1,014,000	1,331,900	1,170,600
Less:			
Depreciation	18,900	44,000	338,000
Corporate Charges	325,600	342,000	399,300
Loan Repayments	329,900	325,700	325,800
Operating Surplus/(Deficit)	339,600	620,200	106,700
Cost of Production Per Tonne	17.39	16.37	18.48
Reserve			
Reserve Balance – Opening Surplus/(Deficit)	(3,955,500)	(2,676,100)	(1,895,400)
Trading Result Surplus/(Deficit)	339,600	620,200	106,700
Debtors Principal Repaid	42,500	43,400	43,400
Depreciation (Non Cash)	18,900	44,000	338,800
Capital Purchases – Reserve Funded	-	(38,000)	-
Movement Stock on Hand/Debtors	870,500	(1,292,400)	(782,100)
Dividend Paid	(487,000)	(487,000)	(395,000)
Interest on Internal Loans	(192,900)	(169,600)	(92,500)
Cash Movement Surplus/(Deficit)	591,600	(1,279,400)	(780,700)
Reserve Balance – Closing Surplus/(Deficit)	(3,363,900)	(3,955,500)	(2,676,100)

13. Goonellabah Sports & Aquatic Centre

GSAC operating result for 2011/2012 was a slightly better than budget result. This is a good outcome for the business which has benefitted from a stable management team and increased financial monitoring and reporting. Overall operating income was higher than budget forecast with a corresponding increase in expenses resulting in an overall positive operating result.

The Swim School and sports stadium have performed strongly over the year with increased patronage overall as the year progressed.

Management is continually monitoring operations in order to identify cost savings as well as endeavouring to grow revenues through targeted marketing campaigns. There is increasing competition in the Lismore area from other suppliers of similar services and this will require the development of strategies to maintain market share.

A summary of the 2011/12 results are shown below:-

Item	Opening Vote	Adjusted Vote (per QBRs)	Actual
Trading Result			
Operating Income	1,206,000	1,436,400	1,486,500
Less:			
Operating Expenses	1,685,700	1,914,500	1,948,100
Operating Surplus/(Deficit) before depreciation, corporate charges and loan repayments	(479,700)	(478,100)	(461,600)
Less:			
Depreciation	744,600	630,400	786,800
Corporate Charges	229,800	229,800	229,800
Loan Repayments	1,050,000	1,050,000	1,050,000
Operating Surplus/(Deficit)	(2,504,100)	(2,388,300)	(2,528,200)

13. 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 2011/12 has shown an improvement from the previous year due primarily to the loss on disposal of infrastructure assets decreasing from a \$6.52 million loss in 2010/11 to a \$3.69 loss in 2011/12.

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 2012, Council's net infrastructure assets totalled \$901.0 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:

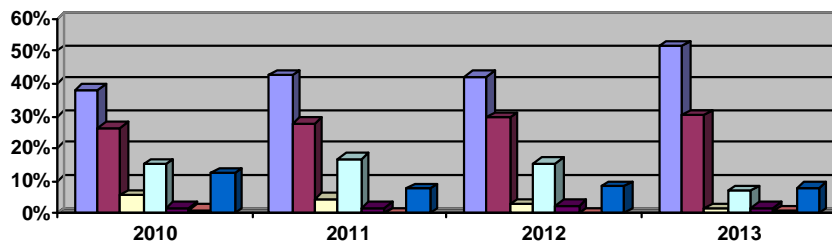
Ordinary Revenue classified by source

Indicator / Local Government Benchmark:

For Information Only

	June 2010 Actual \$'000	% Age of Total Revenue	June 2011 Actual \$'000	% Age of Total Revenue	June 2012 Actual \$'000	% Age of Total Revenue	June 2013 Forecast \$'000	% Age of Total Revenue
Rates & Charges	34,898	38.20	37,370	42.51	39,603	41.95	41,252	51.41
User Charges and Fees	23,964	26.23	24,262	27.60	27,906	29.56	24,255	30.23
Interest	5,090	5.57	3,696	4.21	2,607	2.76	1,097	1.37
Grants	13,716	15.01	14,578	16.59	14,326	15.17	5,591	6.97
Contributions	1,397	1.53	1,455	1.66	2,166	2.29	1,367	1.70
Profit on Sales of Assets	1,024	1.12	-	0.00	-	0.00	454	0.57
Other	11,272	12.34	6,534	7.43	7,808	8.27	6,219	7.75
Total Ordinary Revenue Before Capital	91,361	100.0	87,895	100.0	94,416	100.0	80,235	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.



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 2010 Actual	June 2011 Actual	June 2012 Actual	June 2013 Forecast	June 2014 Forecast	June 2015 Forecast
General Fund	1.80	2.08	2.25	1.81	2.39	1.98

Commentary: Council's liquidity has improved from 2011 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 2010 Actual \$'000	June 2011 Actual \$'000	June 2012 Actual \$'000	June 2013 Forecast \$'000	June 2014 Forecast \$'000	June 2015 Forecast \$'000
a)	26,395	23,749	25,502	20,119	19,047	21,644
b)	-	-	-	-	-	-

Commentary: Council's available cash is expected to decline over the next few years as major works are undertaken from reserve funds held. This is in line with the 10 year budget forecasts.

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 2010 Actual	June 2011 Actual	June 2012 Actual	June 2013 Forecast	June 2014 Forecast	June 2015 Forecast
a)	29.51%	27.02%	27.01%	25.08%	26.19%	25.43%
b)	N/a	N/a	N/a	N/a	N/a	N/a

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 2010 Actual \$'000	June 2011 Actual \$'000	June 2012 Actual \$'000	June 2013 Forecast \$'000
General Fund	4,413	-7,133	-6,186	-6,022
Water Fund	-1,236	-1,853	-2,304	-2,243
Wastewater Fund	-217	-5,386	-2,003	-1,785
All Funds	2,960	-14,372	-10,493	-10,050

Commentary:

Council's operating result for 2011/12 has shown an improvement from the previous year, with the major movement being reduced losses on disposal of assets. The 2010/11 loss included \$3.46 million for Wastewater Fund. This loss was not repeated in 2011/12. The major component of the loss during the year related to infrastructure assets replaced during the period with Roads reporting a (\$2.7) million and Bridges reporting a (\$1.9) million loss. The loss on disposal reflects the written down value of assets written off at the time of replacement.

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. 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 2010 Actual \$'000	June 2011 Actual \$'000	June 2012 Actual \$'000	June 2013 Forecast \$'000
General Fund	a	2.67	1.34	0.93	1.06
Water Fund	a	0.65	0.72	0.68	1.04
Wastewater Fund	a	0.16	0.52	0.32	0.61
All Funds	a	1.70	1.06	0.78	0.92
General Fund	b	0.75	0.75	0.75	0.75
Water Fund	b	1.09	1.08	1.07	1.07
Wastewater Fund	b	0.93	0.92	0.92	0.92
All Funds	b	0.85	0.84	0.84	0.84
General Fund	c	22.08%	22.58%	23.16%	23.73%
Water Fund	c	48.86%	49.72%	39.94%	50.71%
Wastewater Fund	c	46.86%	47.74%	40.38%	47.07%
All Funds	c	28.24%	30.85%	27.62%	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 varying due to averages being applied across the local government area. On completion of the asset management plan, better information relating to 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 2010 Actual	June 2011 Actual	June 2012 Actual	June 2013 Forecast	June 2014 Forecast	June 2015 Forecast
5.1	5.57%	6.96%	6.64%	7.00%	10.60%	6.60%

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.

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 2010 Actual	June 2011 Actual	June 2012 Actual	June 2013 Forecast	June 2014 Forecast	June 2015 Forecast
6.1	9.96%	10.60%	11.59%	10.72%	10.55%	10.55%

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 the medium term. The anomaly here is that outstanding rates and charges accrue interest at a rate of which is more than the interest earned on investments. The above indicator bases the forecasts on trends of the previous years as well as taking into account continuing actions to reduce outstanding debts.

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 2009	June 2010	June 2011	June 2012
1. Financial Bottom Line (before capital matched to forecasts to a level of + or – 10%	No	No	No	Yes
2. Receipt of an unqualified Audit Report	No	Yes	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	6	6	7

Commentary: Finance is working towards achieving more of the indicators shown above, particularly in the area of providing financial information in a shorter timeframe.

Re-Votes of Expenditure

Indicator #7 – Re-Votes of Expenditure

Indicator Title:

Indicator Definition:

Indicator / Local Government Benchmark:

Re-Votes of Expenditure

Re-votes / Total Expenses

<2% - Acceptable

2% to 5% - Requires Monitoring

>5% - Corrective Action Required



June 2009	June 2010	June 2011	June 2012
12.90%	5.80%	3.70%	4.40%

Commentary: Adjustments are required during the year depending on additional grant funds being received, reserves and grants brought forward from previous years or due to revised works schedules as a result of new priorities or funding levels. All budget adjustments are reported to Council as part of the Quarterly Budget Review Statement for adoption.

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.