



LISMORE CITY COUNCIL FINANCIAL STATEMENTS

For the year ended
30 June 2014

www.lismore.nsw.gov.au

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



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GENERAL PURPOSE

FINANCIAL STATEMENTS

**For the year ended
30 June 2014**

Lismore City Council

General Purpose Financial Statements

for the financial year ended 30 June 2014

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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 detailed in Paragraph 8 of the LGA and includes giving Council;

- the ability to provide goods, services & facilities, and to carry out activities appropriate to the current & future needs of the local community and of the wider public,
- the responsibility for administering regulatory requirements under the LGA and
- a role in the management, improvement and development of the resources in the area.

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

(iii) All figures presented in these financial statements are presented in Australian Currency.

(iv) These financial statements were authorised for issue by the Council on 21 October 2014. Council has the power to amend and reissue these financial statements.



Thomas Noble & Russell
Accountants | Auditors | Business Advisers

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

Report on the Financial Statements

We have audited the accompanying financial statements of Lismore City Council (“the Council”), which comprises the statement of financial position as at 30 June 2014, the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the statement by Councillors’ and Management.

Council’s Responsibility for the Financial Statements

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

Auditor’s Responsibility

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

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

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

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



Independence

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

Opinion

In our opinion:

- a) The Council's accounting records have been kept in accordance with the requirements of the *Local Government Act 1993*, Chapter 13, Part 3, Division 2;
- b) The financial statements:
 - i. Have been prepared in accordance with the requirements of this Division;
 - ii. Are consistent with the Council's accounting records;
 - iii. Present fairly, in all material respects, the Council's financial position as at 30 June 2014, and of its performance and its cash flows for the year then ended; and
 - iv. Are in accordance with applicable Accounting Standards;
- c) All information relevant to the conduct of the audit has been obtained; and
- d) There are no material deficiencies in the accounting records or financial report that have come to light in the course of the audit.

Matters Relating to the Electronic Presentation of the Audited Financial Statements

This auditor's report relates to the general purpose financial statements of Lismore City Council for the financial year ended 30 June 2014 included on Council's website. The Council is responsible for the integrity of the Council's website. We have not been engaged to report on the integrity of this website. The auditor's report refers only to the financial statements identified above. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial statements. If users of the financial statements are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial statements to confirm the information contained in this website version of the financial statements.

Dated at Lismore this 21st day of October 2014.

THOMAS NOBLE & RUSSELL CHARTERED ACCOUNTANTS



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

Lismore City Council

Report to Council under s417 of the Local Government Act 1993

30 June 2014



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We are pleased to advise that we have completed the audit of Council's financial reports for the year ended 30 June 2014, in accordance with Section 415 of the Local Government Act 1993. The financial reports that have been subject to independent audit are the:

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

1. THE AUDITOR'S ROLE & RESPONSIBILITY

Council's annual financial audit engagement has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance as to whether the financial reports comply with Australian Accounting Standards as well as other statutory requirements and are free of material misstatement.

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.

Our independent audit report is attached to each financial report.

This report should be read in conjunction with our audit opinion on the general purpose financial report provided under Section 417(2) of the Local Government Act 1993.

Reporting on the Conduct of the Audit

Section 417 (3) of the *Local Government Act 1993* requires us to consider and provide comment on the material items affecting the general purpose financial report and other matters pertinent to the audit. Arising from the audit, there are a number of observations we wish to raise concerning the trends in Council's finances. These observations are set out below.

2. INCOME STATEMENT

2.1 Consolidated Operating Result

Council's consolidated surplus from all activities for 2014 was \$3,546,000. This compares to a surplus in 2013 of \$1,103,000. This result can be summarised as follows:-

	2014 \$'000	2013 \$'000	2012 \$'000
Revenues from continuing operations	90,468	92,264	88,381
Expenses from continuing operations	(72,593)	(77,844)	(72,397)
Result from continuing operations before depreciation	17,875	14,420	15,984
Less: depreciation expense	(22,287)	(21,065)	(23,251)
Operating Deficit After Depreciation & Before Capital Revenue and Other Significant Items	(4,412)	(6,645)	(7,267)
Significant items impacting the operating result			
Fair value gains and losses on investments	345	1,731	35
Gain/(Loss) on disposal of assets	(2,323)	(2,844)	(3,261)
Operating Result Before Capital Revenue	(6,390)	(7,758)	(10,493)
Capital grants and contributions	9,936	8,861	6,801
Surplus from all activities	3,546	1,103	(3,692)

Some of the material factors influencing the consolidated operating result are as follows:

Account	Increase / (Decrease) \$'000	Effect on Operating Result \$'000	Reason for Increase / Decrease
Revenue			
Rates & Annual Charges	2,187	2,187	Rates revenue increased according to rate-pegging whilst annual charges are reviewed annually.
User Charges & Fees	1,177	1,177	Largely attributable to increased water user charges.

Account	Increase / (Decrease) \$'000	Effect on Operating Result \$'000	Reason for Increase / Decrease
Operating Grants & Contributions	(4,764)	(4,764)	Included in the 2012/13 figures is the receipt of financial assistance grant monies relating to the first two quarters of 2014. No such receipts have been received in advance in 2014 relating to the 2015 financial year.
Expenses			
Employee costs	(1,492)	1,492	A greater amount of wages was capitalised on infrastructure projects in 2014.
Raw materials & consumables	(4,139)	4,139	A greater focus on asset renewal versus maintenance has reduced this expense.

2.2 Operating Result by Fund

The consolidated operating result comprises the surpluses and deficits associated with Council's general, wastewater and water funds. The results of each fund are provided below:

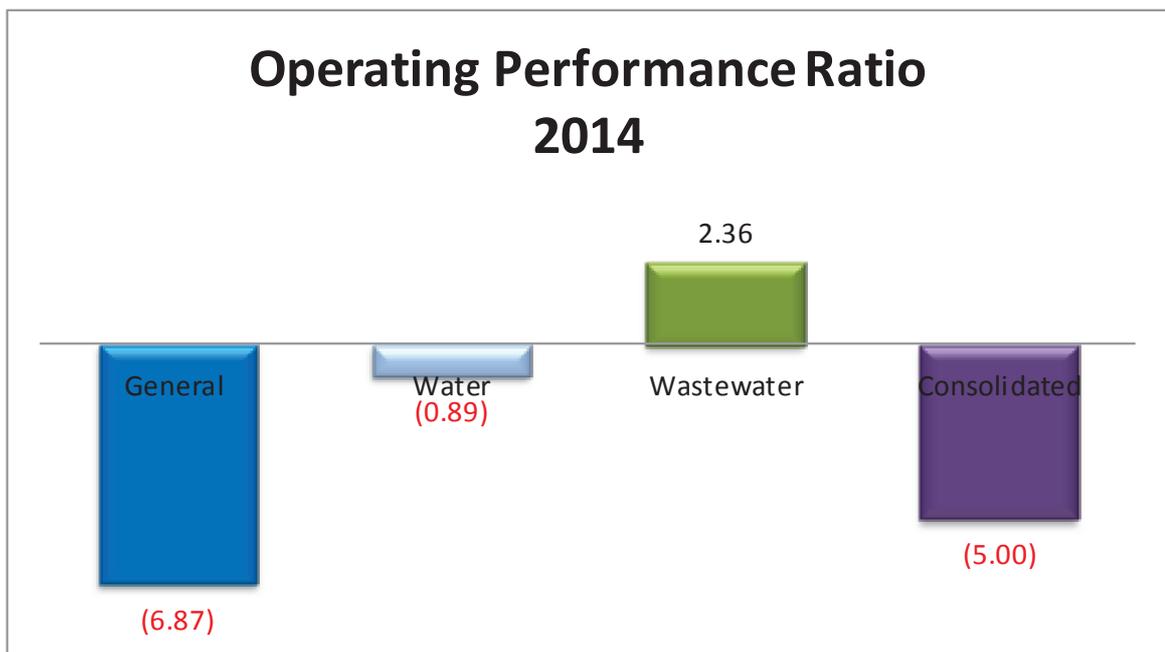
2014	General \$'000	Water \$'000	Wastewater \$'000
Revenues from continuing operations	68,537	10,874	11,361
Expenses from continuing operations	(57,306)	(9,250)	(6,503)
Result from continuing operations before depreciation	11,231	1,624	4,858
Less: depreciation expense	(16,010)	(1,850)	(4,427)
Operating Deficit After Depreciation & Before Capital Revenue and Other Significant Items	(4,779)	(226)	431
Significant items impacting the operating result			
Fair value gains and losses on investments	183	149	13
Gain/(Loss) on disposal of assets	(1,633)	(448)	(242)
Operating Result Before Capital Revenue	(6,067)	(525)	202
Capital grants and contributions	9,331	386	219
Surplus from all activities	3,264	(139)	421

Operating Performance

The Office of Local Government has introduced a ratio that measures a Council's achievement of containing operating expenditure within operating revenue

This benchmark is effectively measuring whether Council is returning a surplus after depreciation & before capital revenue and other significant items.

The benchmark for this ratio is greater than 0%.



The above table illustrates that the wastewater fund is generating sufficient operating revenue to fund the depreciation expense on assets controlled by each fund. General fund has a depreciation funding shortfall of \$4,779,000 in 2014 however the operating result is influenced by a reduction in financial assistance grant revenue of \$3,076,000 when compared to 2013. After allowing for this event, the general fund deficit after depreciation is \$1,703,000 and means that it is close to funding the depreciation on its assets.

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

2.3 Capital Grants & Contributions

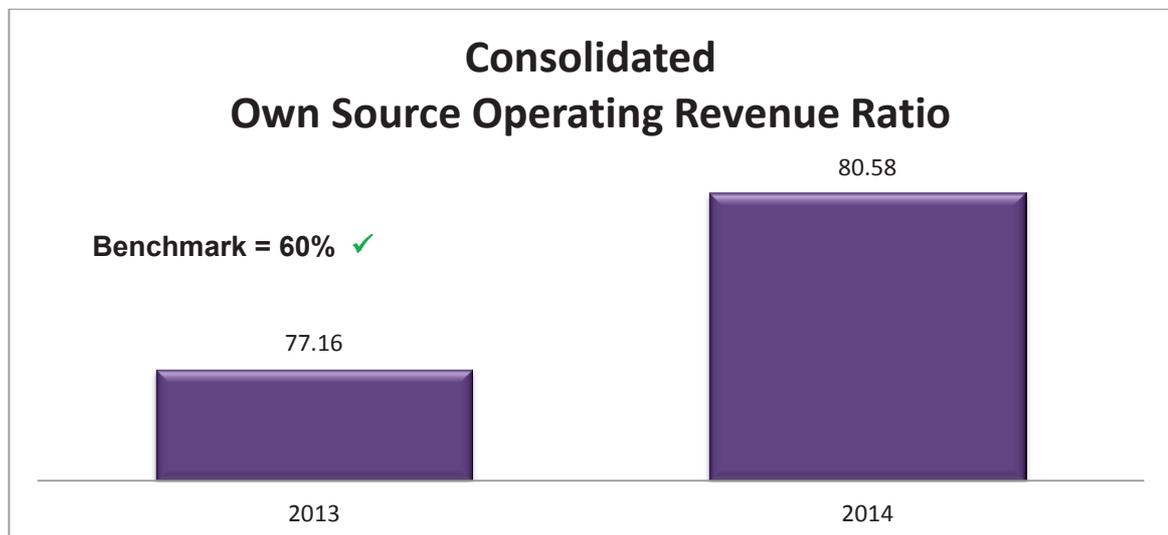
The table below provides an understanding of the nature and quantum of capital grants and contributions received during the financial year.

2014		Roads \$'000	Wastewater \$'000	Water \$'000	Other \$'000	Total \$'000
Capital Grants		6,523	-	357	1,110	7,990
Capital Contributions						
	Cash	1,236	190	29	220	1,675
	In-Kind	242	29	-	-	271
		8,001	219	386	1,330	9,936

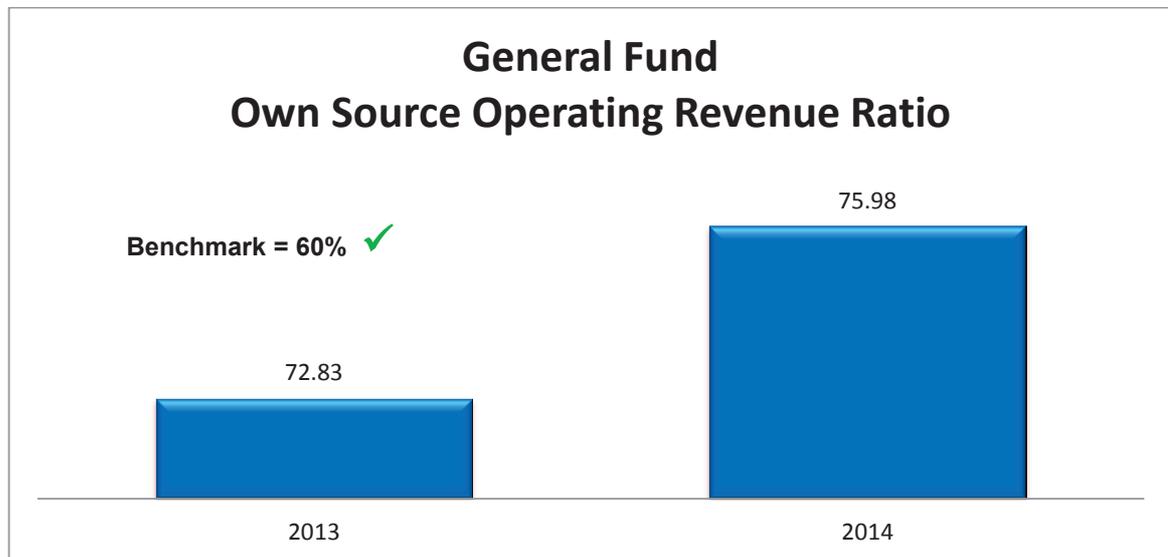
Council receives capital grants and contributions from various sources each financial year to renew existing assets as well as construct new assets. Capital contributions include developer contributions as well as dedications received by Council on the finalisation of a development.

Local Government performance benchmarking now analyses the ability of Council to generate its own revenue sources rather than over-reliance on grants and contributions (capital and operating) received from external sources.

The graph below illustrates that Council sources 80% of its consolidated revenue from rates, annual charges, user charges, interest etc. which exceeds industry benchmarks.



General Fund revenue sources also exceed industry benchmarks.



3. STATEMENT OF FINANCIAL POSITION

Council's Statement of Financial Position (Balance Sheet) is summarised below.

	2014 \$'000	2013 \$'000	2012 \$'000
Current Assets	50,698	54,374	55,241
Non-Current Assets	1,171,972	1,178,678	1,081,851
Total Assets	1,222,670	1,233,052	1,137,092
Current Liabilities	19,954	22,048	19,110
Non-Current Liabilities	48,503	49,035	49,390
Total Liabilities	68,457	71,083	68,500
Equity	1,154,213	1,161,969	1,068,592

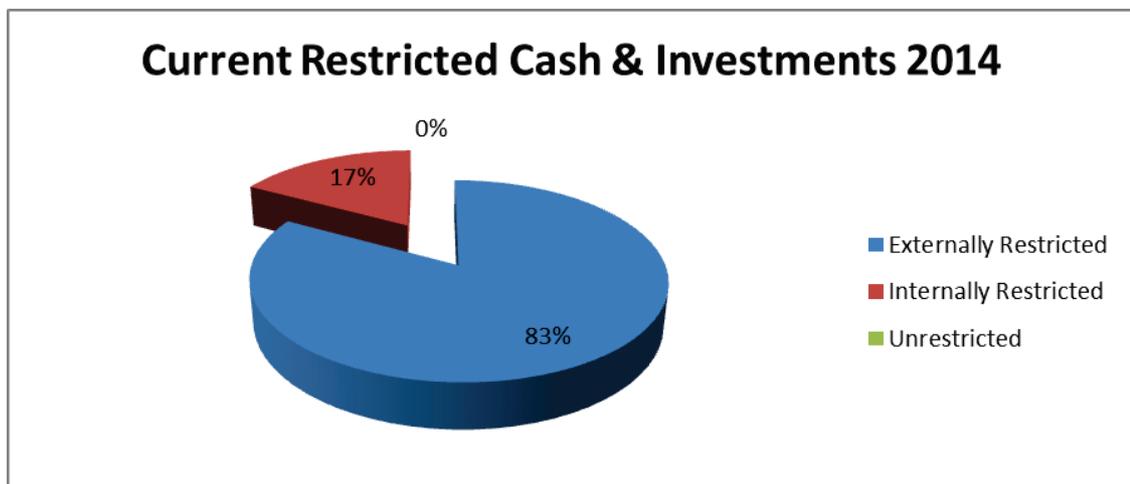
We provide commentary on some of the material assets and liabilities appearing on Council's statement of financial position as at 30 June 2014 together with related Office of Local Government benchmark data.

3.1 Current Assets

3.1.1 Cash & Investments

Included in Council's net current assets are cash and investments totalling \$28.8 million at 30 June 2014. Council's current cash and investments are restricted in their use as follows:

	2014 \$'000	2013 \$'000	2012 \$'000
Externally Restricted <i>Monies can only be spent in accordance with legislation, grant agreement or developer contribution plan specifications</i>	23,813	24,704	24,030
Internally Restricted <i>Money set aside for special projects via Council resolution</i>	5,034	8,765	12,435
Unrestricted <i>Funds forming part of working capital used for day-to-day Council operations</i>	-	-	-
	28,847	33,469	36,465



Internally Restricted Cash

The table below illustrates Council's efforts to fund important projects and create reserves to assist absorption of any unforeseen financial shocks. Internal reserves have reduced over the past three years as Council utilises them for their intended purpose.

	2014 \$'000	2013 \$'000	2012 \$'000
Richmond Tweed Regional Library	1,148	1,029	851
Transport Infrastructure Renewal	706	1,860	3,430
Plant & Equipment Renewal			
Plant / Fleet Replacement	-	247	1,084
Employee Leave Entitlements			
Council	1,812	1,468	1,578
Richmond Tweed Regional Library	421	426	514
Other	947	3,735	4,978
Total Internal Reserves	5,034	8,765	12,435

3.1.2 Liquidity

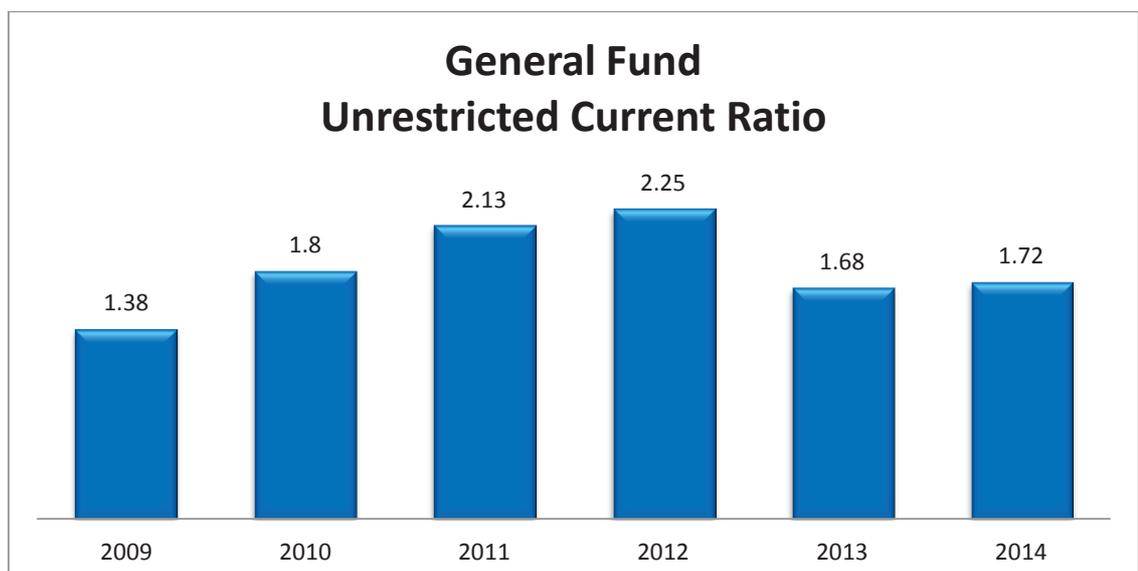
Council's unrestricted net current asset position provides a measure of the organisation's capacity / liquidity to meet its commitments from current assets net of externally restricted assets and liabilities that are not available for day-to-day operational activities.

	2014 \$'000	2013 \$'000	2012 \$'000
Unrestricted Net Current Assets	10,547	11,392	10,573

Council's unrestricted net current asset position has remained relatively static over the past three years. The following ratios provide an understanding of Council's liquidity when measured against industry benchmarks.

Unrestricted Current Ratio

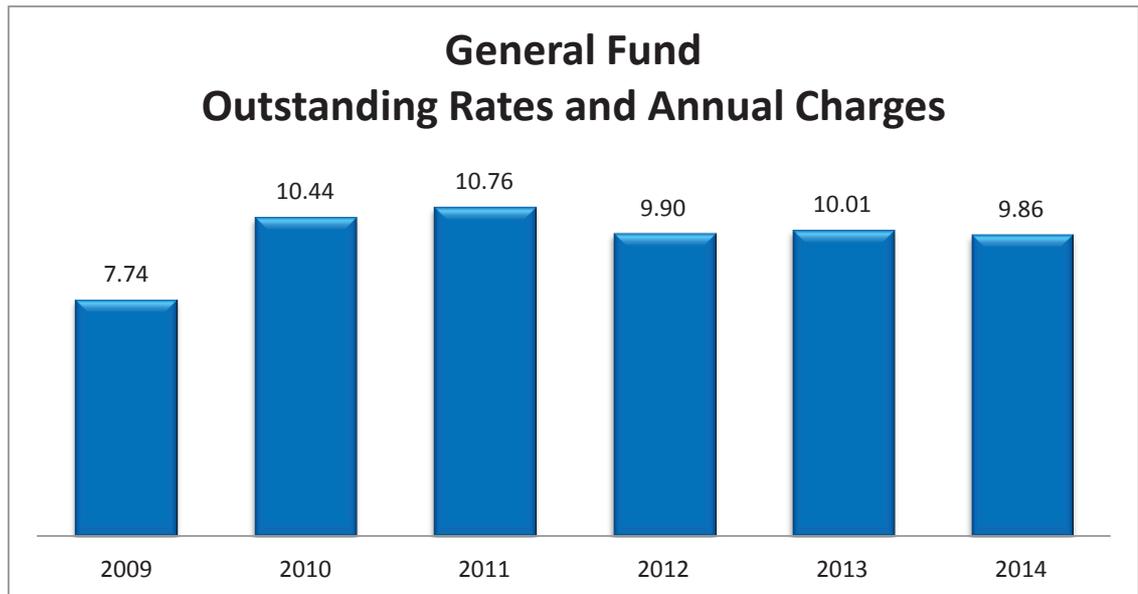
The unrestricted current ratio measures Council's liquidity. The Office of Local Government considers that this ratio should be in the range of 1.5 – 2.0.



At 30 June 2014 Council has \$1.72 in liquid current assets for every \$1 of current liabilities and is within acceptable benchmarks. This ratio reflects the reduction in Council's internal reserves however it remains within acceptable industry benchmarks.

Rates and Annual Charges Outstanding Percentage

This key performance indicator assesses the effectiveness of Council's revenue collection processes. Good collection processes enhances liquidity.



The NSW Division of Local Government benchmark is

- <5% for urban and coastal councils; and
- <10% for rural councils.

General Fund rates and annual charges outstanding ratio has improved from 10.01% in 2013 to 9.86% as at 30 June 2014. Reducing this ratio will see greater cash collection and improvement to Council's liquidity position.

3.2 Non-Current Assets

3.2.1 Infrastructure, Property, Plant and Equipment (I,P,P&E)

The largest asset or liability appearing on Council's statement of financial position 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 replacement cost of \$1.6 billion.

	Cost to Replace \$'000	WDV \$'000	Depreciation Expense \$'000	WDV as a % of Cost %	Depreciation Expense as a % of Cost %
Plant & equipment	41,474	17,651	3,357	43%	8%
Operational & community land	105,598	105,598	-	100%	0%
Land improvements	18,224	10,137	315	56%	2%
Buildings & other structures	85,824	68,351	2,140	80%	2%
Other assets	14,550	2,643	803	18%	6%
Infrastructure					
Roads, bridges & footpaths	541,247	373,717	8,826	69%	2%
Bulk earthworks	258,889	258,889	-	100%	0%
Stormwater drainage	74,929	49,198	554	66%	1%
Water infrastructure	122,738	72,322	1,732	59%	1%
Wastewater infrastructure	303,249	179,683	4,176	59%	1%
Other infrastructure	23,779	14,750	250	62%	1%
Work in progress	9,971	9,971	-	100%	0%
	<u>1,600,472</u>	<u>1,162,910</u>	<u>22,153</u>		

Council Constructed / Purchased Additions

Each year Council budgets to renew or capitalise new assets. I,P,P&E capitalised over the past two years is provided below:

	2014 \$'000	2013 \$'000
<i>Non-cash Developer Dedications</i>		
Roads and Drainage Network	242	406
Water & Wastewater Networks	29	762
<i>Council Constructed / Purchased Assets</i>		
Assets under construction	9,798	2,863
Land and Buildings	545	6,182
Plant and Equipment	5,503	5,939
Roads and Drainage Network	10,826	3,697
Library Resources	707	692
Water Supply Network	1,701	2,096
Wastewater Network	482	7,022
Other Assets	857	711
	30,419	29,202
Consisting of:		
Asset Renewals – Buildings & Infrastructure	29,843	20,940
Dedicated Assets	271	1,168
New Assets	305	7,094
	30,419	29,202

3.2.2 Asset Management Performance Indicators

As Council is responsible for managing a large infrastructure and asset portfolio, the Office of Local Government has introduced some ratios designed to measure the effectiveness of asset management activities. These asset management ratios are not subject to audit.

Buildings & Infrastructure Renewals Ratio

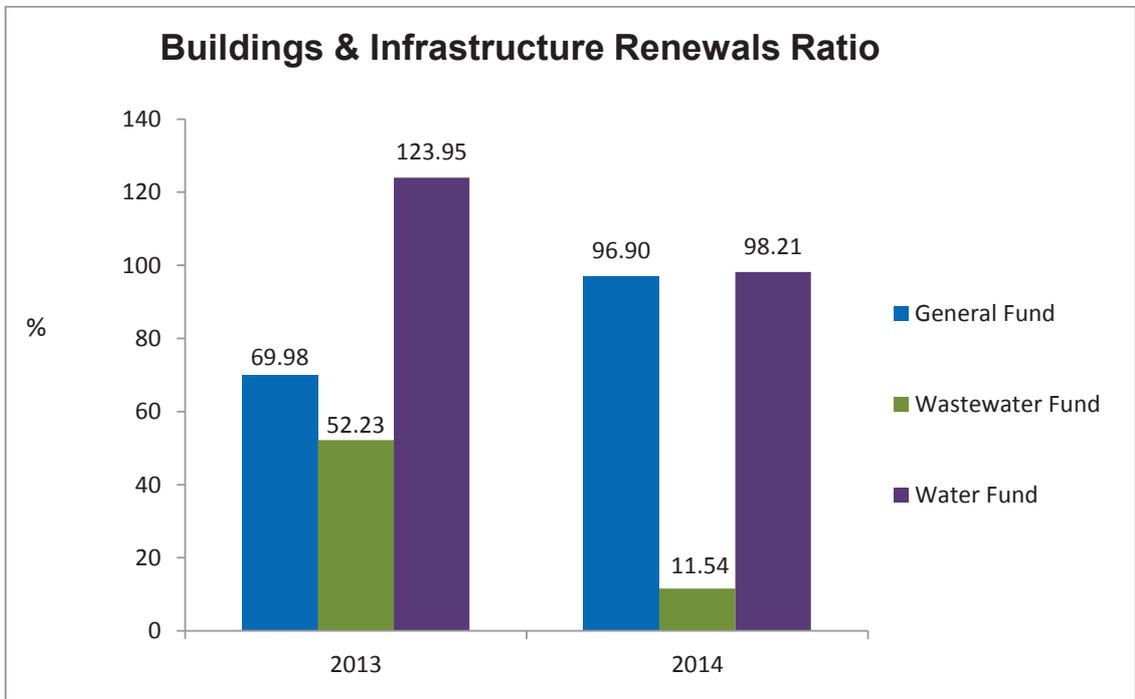
Assessing the rate at which buildings and infrastructure assets are being renewed against the rate at which they are depreciating (being consumed) is measured using the buildings and infrastructure renewals ratio.

This ratio is calculated based on replacement of existing assets with assets of equivalent capacity or performance as opposed to the acquisition of new assets or adding capacity to existing assets. Industry benchmarking recommends that asset renewals equate to the related depreciation expense or be in the range of 90-100%.

The table below illustrates that general fund building and infrastructure renewals almost matched the related depreciation expense for the year.

2014	Renewals Expenditure \$'000	Depreciation Expense \$'000	Renewals Shortfall \$'000	Asset Renewals Ratio %
General Fund	11,240	11,600	360	96.90%
Wastewater Fund	482	4,176	3,694	11.54%
Water Fund	1,701	1,732	31	98.21%
Total	13,423	17,508	4,085	76.67%

The table below shows the building and infrastructure renewals ratio for each fund over the past two years. The goal is to achieve a consistent ratio from year to year for general fund. Water and wastewater fund ratios will fluctuate in conjunction with major asset replacement and upgrade programmes.

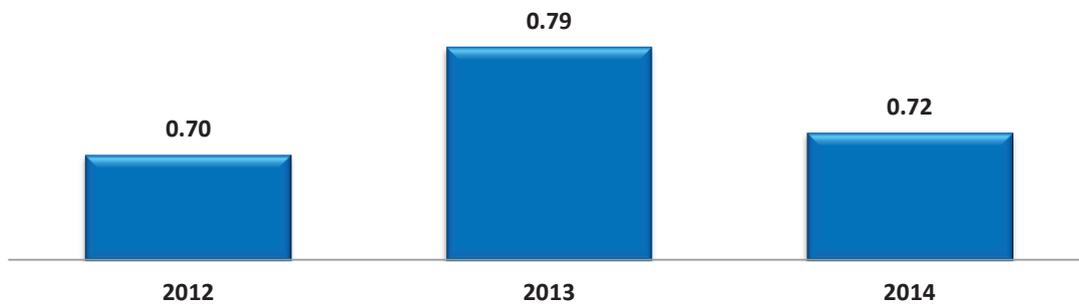


Asset Maintenance Ratio

This ratio compares actual versus required annual asset maintenance. Actual versus estimated required maintenance to keep asset conditions at a satisfactory standard over the past two years is summarised as follows:

Asset Maintenance	2014 \$'000	2013 \$'000
Actual Maintenance Expenditure	10,122	12,896
Estimated Required Annual Maintenance Expenditure	14,328	16,809

Asset Maintenance Ratio - General Fund



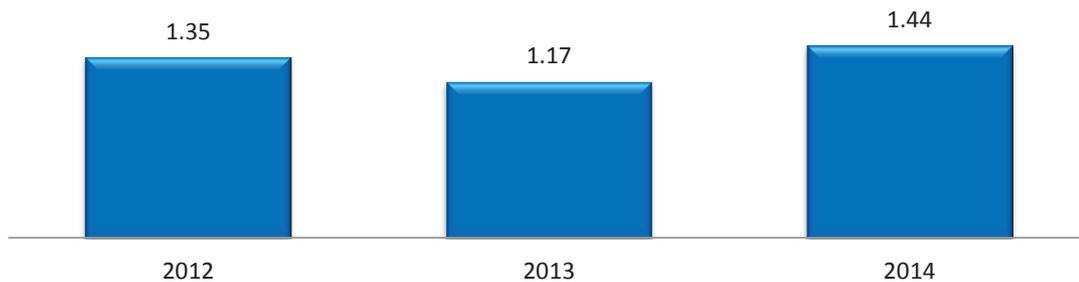
In 2014 the estimated maintenance expenditure shortfall was \$4.2million.

A ratio of above 1.0 indicates that the Council is investing enough funds within the year to stop its infrastructure maintenance backlog from growing. Currently Council is not spending sufficient funds on asset maintenance to ensure their condition does not deteriorate below a satisfactory level.

Capital Expenditure Ratio

This ratio indicates the extent to which Council is forecasting to expand its asset base with capital expenditure spent on new assets as well as replacement and renewal of existing assets.

Capital Expenditure Ratio - General Fund



The benchmark for this ratio is greater than 1. Council is exceeding this ratio in General Fund.

Asset Management

Infrastructure, property, plant and equipment represent the largest asset group on the Council's Statement of Financial Position. The management of infrastructure, property, plant and equipment is an important part of Council's objectives.

The Local Government Infrastructure audit report released by the Division of Local Government in 2013 identified Lismore City Council as having weak infrastructure management practices.

Council is making progress on its asset management practices however improvements to information technology and data analysis linking asset maintenance and replacement to assessed useful lives is required.

3.3 Liabilities

3.3.1 Loans Liability

Council's Statement of Financial Position contains material liabilities such as trade & other payables, employee benefits and loans. There have not been any material movements or other matters warranting discussion on trade & other payables or employee benefits.

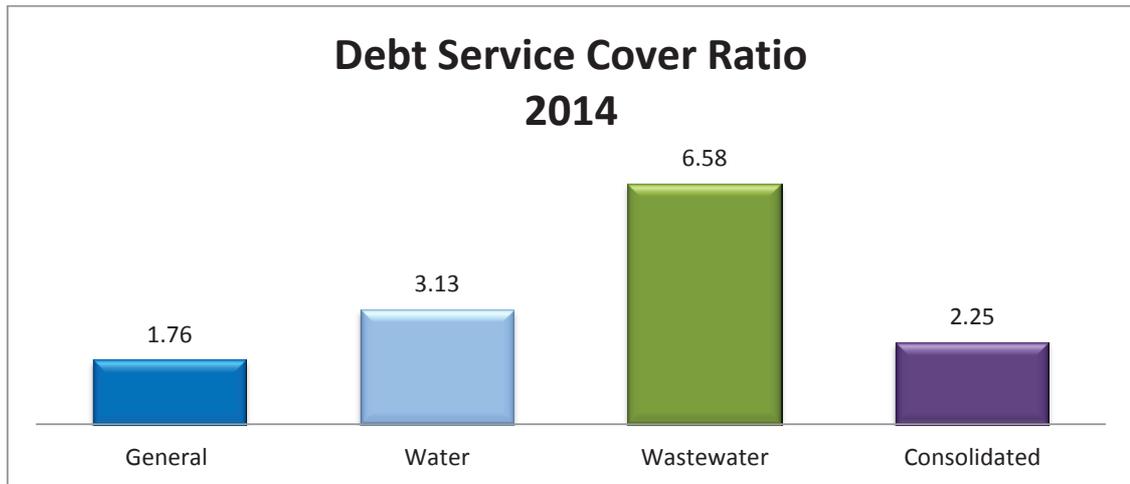
Council's loan liability represents 70% of total liabilities at 30 June 2014. We provide discussion on this balance below.

	2014 \$'000	2013 \$'000	2012 \$'000
Current Loan Liability	3,219	5,861	2,544
Non-Current Loan Liability	44,527	43,688	45,011
Total Loan Liability	47,746	49,549	47,555
By Fund			
General Fund	32,017	34,839	35,120
Wastewater Fund	8,651	7,942	8,140
Water Fund	7,078	6,768	4,295
Total	47,746	49,549	47,555

Total borrowings have remained relatively static over the past three years. The Office of Local Government has developed the following benchmarks relating to borrowing:

Debt Service Cover Ratio

A new ratio has been introduced to measure the availability of operating cash to service debt including interest, principal and lease payments. This ratio replaces the Debt Service Ratio which measured the Council's annual debt and interest repayments as a percentage of revenue. The benchmark for the new ratio is greater than 2.



This graph indicates that Council is generating sufficient cash to satisfy its debt repayment obligations in all funds except for General Fund. We suggest that the ratio for general fund be analysed to determine the anticipated trending and whether Council needs to reassess its borrowing programme.

4. OTHER MATTERS

4.1 Internal Control Environment

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

4.2 Audit of Asset Management Information

In 2015 Council's special schedule 7 will be subject to independent audit. Special schedule 7 contains asset management ratios, costs to bring assets to a satisfactory standard and information relating to actual and required maintenance expenditure levels. As this information has not been subject to independent review in prior years, it is important that Council:

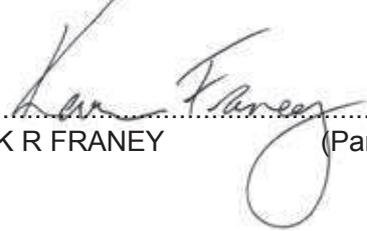
- Review the information contained in special schedule 7 to ensure it is accurate;
- Have policies and procedures supporting the compilation of information that is included in special schedule 7 so that asset management ratios are calculated accurately;
- Aligns asset data collection to allow efficient compilation of the information contained in special schedule 7.



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

Yours faithfully

**THOMAS NOBLE & RUSSELL
CHARTERED ACCOUNTANTS**


.....
K R FRANEY (Partner)

Lismore City Council

General Purpose Financial Statements for the financial year ended 30 June 2014

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:

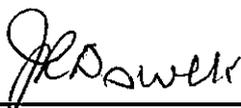
- The Local Government Act 1993 (as amended) and the Regulations made thereunder,
- The Australian Accounting Standards and professional pronouncements, and
- The Local Government Code of Accounting Practice and Financial Reporting.

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 21 October 2014.



Jenny Dowell
MAYOR



Isaac Smith
COUNCILLOR



Gary Murphy
GENERAL MANAGER



Rino Santin
RESPONSIBLE ACCOUNTING OFFICER

Lismore City Council

Income Statement

for the financial year ended 30 June 2014

Budget ¹ 2014	\$ '000	Notes	Actual 2014	Actual 2013
Income from Continuing Operations				
Revenue:				
43,201	Rates & Annual Charges	3a	43,562	41,375
31,309	User Charges & Fees	3b	33,038	31,861
1,528	Interest & Investment Revenue	3c	2,135	3,721
2,649	Other Revenues	3d	2,432	3,018
9,041	Grants & Contributions provided for Operating Purposes	3e,f	9,542 ²	14,306
9,050	Grants & Contributions provided for Capital Purposes	3e,f	9,936	8,861
Other Income:				
-	Net gains from the disposal of assets	5	-	-
-	Net Share of interests in Joint Ventures & Associated Entities using the equity method	19	104	-
96,778	Total Income from Continuing Operations		100,749	103,142
Expenses from Continuing Operations				
31,052	Employee Benefits & On-Costs	4a	28,693	30,185
3,256	Borrowing Costs	4b	3,700	3,574
27,892	Materials & Contracts	4c	35,318	39,457
20,723	Depreciation & Amortisation	4d	22,287	21,065
-	Impairment	4d	-	-
4,353	Other Expenses	4e	4,882	4,914
-	Interest & Investment Losses	3c	-	-
-	Net Losses from the Disposal of Assets	5	2,323	2,844
-	Net Share of interests in Joint Ventures & Associated Entities using the equity method	19	-	-
87,276	Total Expenses from Continuing Operations		97,203	102,039
9,502	Operating Result from Continuing Operations		3,546	1,103
Discontinued Operations				
-	Net Profit/(Loss) from Discontinued Operations	24	-	-
9,502	Net Operating Result for the Year		3,546	1,103
9,502	Net Operating Result attributable to Council		3,546	1,103
-	Net Operating Result attributable to Non-controlling Interests		-	-
452	Net Operating Result for the year before Grants and Contributions provided for Capital Purposes		(6,390)	(7,758)

¹ Original Budget as approved by Council - refer Note 16

² Financial Assistance Grants for 13/14 are lower, reflecting a timing difference due to a change in how the grant is paid - refer Note 3 (e)

Lismore City Council

Statement of Comprehensive Income

for the financial year ended 30 June 2014

\$ '000	Notes	Actual 2014	Actual 2013
Net Operating Result for the year (as per Income statement)		3,546	1,103
Other Comprehensive Income:			
<i>Amounts which will not be reclassified subsequently to the Operating Result</i>			
Gain (loss) on revaluation of I,PP&E	20b (ii)	(11,302)	92,274
Adjustment to correct prior period errors		-	-
Impairment (loss) reversal relating to I,PP&E	20b (ii)	-	-
Total Items which will not be reclassified subsequently to the Operating Result		(11,302)	92,274
<i>Amounts which will be reclassified subsequently to the Operating Result when specific conditions are met</i>			
Nil			
Realised (gain) loss on available-for-sale investments recognised in P&L	20b (ii)	-	-
Gain (loss) on revaluation of available-for-sale investments	20b (ii)	-	-
Realised (gain) loss from other reserves recognised in P&L	20b (ii)	-	-
Gain (loss) on revaluation of other reserves	20b (ii)	-	-
Total Items which will be reclassified subsequently to the Operating Result when specific conditions are met		-	-
Total Other Comprehensive Income for the year		(11,302)	92,274
Total Comprehensive Income for the Year		(7,756)	93,377
Total Comprehensive Income attributable to Council		(7,756)	93,377
Total Comprehensive Income attributable to Non-controlling Interests		-	-

Lismore City Council

Statement of Financial Position

as at 30 June 2014

\$ '000	Notes	Actual 2014	Actual 2013
ASSETS			
Current Assets			
Cash & Cash Equivalents	6a	17,085	21,232
Investments	6b	11,762	12,237
Receivables	7	14,811	14,878
Inventories	8	7,040	6,027
Other	8	-	-
Non-current assets classified as "held for sale"	22	-	-
Total Current Assets		50,698	54,374
Non-Current Assets			
Investments	6b	6,000	5,552
Receivables	7	2,268	2,853
Inventories	8	159	138
Infrastructure, Property, Plant & Equipment	9	1,162,910	1,169,262
Investments accounted for using the equity method	19	104	-
Investment Property	14	-	-
Intangible Assets	25	531	873
Non-current assets classified as "held for sale"	22	-	-
Other	8	-	-
Total Non-Current Assets		1,171,972	1,178,678
TOTAL ASSETS		1,222,670	1,233,052
LIABILITIES			
Current Liabilities			
Payables	10	8,999	8,700
Borrowings	10	3,219	5,861
Provisions	10	7,736	7,487
Total Current Liabilities		19,954	22,048
Non-Current Liabilities			
Payables	10	-	1,625
Borrowings	10	44,527	43,688
Provisions	10	3,976	3,722
Total Non-Current Liabilities		48,503	49,035
TOTAL LIABILITIES		68,457	71,083
Net Assets		1,154,213	1,161,969
EQUITY			
Retained Earnings	20	619,597	616,051
Revaluation Reserves	20	534,616	545,918
Council Equity Interest		1,154,213	1,161,969
Total Equity		1,154,213	1,161,969

Lismore City Council

Statement of Changes in Equity
for the financial year ended 30 June 2014

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council Interest	Non- controlling Interest	Total Equity
2014						
Opening Balance (as per Last Year's Audited Accounts)		616,051	545,918	1,161,969	-	1,161,969
a. Correction of Prior Period Errors	20 (c)	-	-	-	-	-
b. Changes in Accounting Policies (prior year effects)	20 (d)	-	-	-	-	-
Revised Opening Balance (as at 1/7/13)		616,051	545,918	1,161,969	-	1,161,969
c. Net Operating Result for the Year		3,546		3,546	-	3,546
d. Other Comprehensive Income						
- Revaluations : IPP&E Asset Revaluation Rsve	20b (ii)		(11,302)	(11,302)		(11,302)
- Revaluations: Other Reserves	20b (ii)		-	-		-
- Transfers to Income Statement	20b (ii)		-	-		-
- Impairment (loss) reversal relating to I,PP&E	20b (ii)		-	-		-
Other Comprehensive Income		-	(11,302)	(11,302)	-	(11,302)
Total Comprehensive Income (c&d)		3,546	(11,302)	(7,756)	-	(7,756)
e. Distributions to/(Contributions from) Non-controlling Interests				-	-	-
f. Transfers between Equity		-	-	-	-	-
Equity - Balance at end of the reporting period		619,597	534,616	1,154,213	-	1,154,213
2013						
Opening Balance (as per Last Year's Audited Accounts)		614,337	454,255	1,068,592	-	1,068,592
a. Correction of Prior Period Errors	20 (c)	-	-	-	-	-
b. Changes in Accounting Policies (prior year effects)	20 (d)	-	-	-	-	-
Revised Opening Balance (as at 1/7/12)		614,337	454,255	1,068,592	-	1,068,592
c. Net Operating Result for the Year		1,103	-	1,103	-	1,103
d. Other Comprehensive Income						
- Revaluations : IPP&E Asset Revaluation Rsve	20b (ii)	-	92,274	92,274	-	92,274
- Revaluations: Other Reserves	20b (ii)	-	-	-	-	-
- Transfers to Income Statement	20b (ii)	-	-	-	-	-
- Impairment (loss) reversal relating to I,PP&E	20b (ii)	-	-	-	-	-
Other Comprehensive Income		-	92,274	92,274	-	92,274
Total Comprehensive Income (c&d)		1,103	92,274	93,377	-	93,377
e. Distributions to/(Contributions from) Non-controlling Interests		-	-	-	-	-
f. Transfers between Equity		611	(611)	-	-	-
Equity - Balance at end of the reporting period		616,051	545,918	1,161,969	-	1,161,969

Lismore City Council

Statement of Cash Flows

for the financial year ended 30 June 2014

Budget 2014	\$ '000	Notes	Actual 2014	Actual 2013
Cash Flows from Operating Activities				
Receipts:				
43,201	Rates & Annual Charges		43,366	41,088
31,309	User Charges & Fees		36,026	34,974
1,528	Investment & Interest Revenue Received		1,835	1,962
17,391	Grants & Contributions		19,207	21,999
2,649	Other		6,303	3,632
Payments:				
(31,052)	Employee Benefits & On-Costs		(28,407)	(30,017)
(27,804)	Materials & Contracts		(42,364)	(45,551)
(3,256)	Borrowing Costs		(3,873)	(2,789)
-	Bonds, Deposits & Retention amounts refunded		(467)	(99)
(4,441)	Other		(5,050)	(4,393)
29,525	Net Cash provided (or used in) Operating Activities	11b	26,576	20,806
Cash Flows from Investing Activities				
Receipts:				
1,748	Sale of Investment Securities		12,642	6,150
	Sale of Real Estate Assets		62	1,167
856	Sale of Infrastructure, Property, Plant & Equipment		792	1,177
	Deferred Debtors Receipts		74	-
Payments:				
	Purchase of Investment Securities		(12,270)	(13,000)
(30,302)	Purchase of Infrastructure, Property, Plant & Equipment		(30,220)	(29,733)
	Purchase of Real Estate Assets		-	(88)
	Deferred Debtors & Advances Made		-	(202)
(27,698)	Net Cash provided (or used in) Investing Activities		(28,920)	(34,529)
Cash Flows from Financing Activities				
Receipts:				
4,050	Proceeds from Borrowings & Advances		4,050	4,570
Payments:				
(5,925)	Repayment of Borrowings & Advances		(5,853)	(2,576)
(1,875)	Net Cash Flow provided (used in) Financing Activities		(1,803)	1,994
(48)	Net Increase/(Decrease) in Cash & Cash Equivalents		(4,147)	(11,729)
21,232	plus: Cash & Cash Equivalents - beginning of year	11a	21,232	32,961
21,184	Cash & Cash Equivalents - end of the year	11a	17,085	21,232

Lismore City Council

Statement of Cash Flows

for the financial year ended 30 June 2014

Budget 2014	\$ '000	Notes	Actual 2014	Actual 2013
Additional Information:				
plus:	Investments on hand - end of year	6b	17,762	17,789
Total Cash, Cash Equivalents & Investments			34,847	39,021

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 2014

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Lismore City Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

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

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

(a) Basis of preparation

(i) Background

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

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

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

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

Because AASBs are sector neutral, some standards either:

- (a) have local Australian content and prescription that is specific to the Not-For-Profit sector (including Local Government) which are not in compliance with 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 AASBs.

(iii) New and amended standards adopted by Council

During the current year, the following relevant standards became mandatory for Council and have been adopted:

- AASB 13 Fair Value Measurement
- AASB 119 Employee Benefits

AASB 13 Fair Value Measurement has not affected the assets or liabilities which are to be measured at fair value, however it provides detailed guidance on how to measure fair value in accordance with the accounting standards.

It introduces the concept of highest and best use for non-financial assets and has caused the Council to review their valuation methodology.

The levels of disclosures regarding fair value has increased significantly and have been included in the financial statements at Note 27.

AASB 119 Employee Benefits introduced revised definitions for short-term employee benefits.

Whilst the Council has reviewed the annual leave liability to determine the level of annual leave which is expected to be paid more than 12 months after the end of the reporting period, there has been no effect on the amounts disclosed as leave liabilities since Council's existing valuation policy was to discount annual leave payable more than 12 months after the end of the reporting period to present values.

(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 2013.

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

Lismore City Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

(v) Basis of Accounting

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

- (i) certain financial assets and liabilities at fair value through profit or loss and available-for-sale financial assets which are all valued at fair value,
- (ii) the write down of any Asset on the basis of Impairment (if warranted) and
- (iii) certain classes of non current assets (eg. Infrastructure, Property, Plant & Equipment and Investment Property) that are accounted for at fair valuation.

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

(vi) Changes in Accounting Policies

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

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

(vii) Critical Accounting Estimates

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

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

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

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future.

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

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

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

Critical judgements in applying Council's accounting policies

- (i) Impairment of Receivables - Council has made a significant judgement about the impairment of a number of its receivables in Note 7.
- (ii) 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 it and specific criteria have been met for each of the Council's activities as described below.

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

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

Revenue is measured on major income categories as follows:

Rates, Annual Charges, Grants and Contributions

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

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

Lismore City Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

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

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

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

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

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

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

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

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

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

User Charges, Fees and Other Income

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

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

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

Sale of Infrastructure, Property, Plant and Equipment

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

Interest and Rent

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

Interest Income from Cash, Cash Equivalents & Investments is accounted for using the effective interest rate at the date that interest is earned.

Other Income

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

(c) Principles of Consolidation

These financial statements incorporate **(i)** the assets and liabilities of Council and any entities (or operations) that it **controls** (as at 30 June 2014) and **(ii)** all the related operating results (for the financial year ended the 30th June 2014).

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

Lismore City Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

reporting period transactions have been eliminated in full between Council and its controlled entities.

(i) The Consolidated Fund

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

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

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

- General Purpose Operations
- Water Supply
- Sewerage Service

(ii) The Trust Fund

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

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

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

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

(iii) Joint Ventures

Jointly Controlled Assets & Operations

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

Jointly Controlled Entities

Any interests in Joint Venture Entities & Partnerships are accounted for using the equity method and are 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 Statement of Financial Position.

(iv) Associated Entities

Where Council has the power to participate in the financial and operating decisions (of another entity), i.e. where Council is deemed to have "significant influence" over 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 4 constituent Council members

- **Richmond River County Council**

Provision of flood mitigation services, comprising 3 constituent Council members

- **Far North Coast Weeds**

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

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

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

Lismore City Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

(vi) Additional Information

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

(d) Leases

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

Finance Leases

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

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

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

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

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

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

Operating Leases

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

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

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

(e) Cash and Cash Equivalents

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

- cash on hand,
- deposits held **at call** with financial institutions,
- other short-term, highly liquid investments **with original maturities of three months or less** that are readily convertible to known amounts of cash and 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 Statement of Financial Position but are incorporated into Cash & Cash Equivalents for presentation on the Statement of Cash Flows.

(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".

Lismore City Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

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 reporting 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 reporting date which are classified as non-current assets.

(iii) Held-to-maturity investments

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

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

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

(iv) Available-for-sale financial assets

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

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

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

They are generally included in non-current assets unless management intends to dispose of the investment within 12 months of the reporting 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.

Lismore City Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

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 reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired.

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

(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 reporting 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.

Lismore City Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

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.

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

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

(i) Inventories

Raw Materials and Stores, Work in Progress and Finished Goods

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

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

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

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

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

Land Held for Resale/Capitalisation of Borrowing Costs

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

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

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

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

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

Lismore City Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

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

Acquisition of assets

Council's non current assets are continually revalued (over a 5 year period) in accordance with the fair valuation policy as mandated by the Office of Local Government.

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

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

For all other assets, Council assesses at each reporting date whether there is any indication that a revalued asset's carrying amount may differ materially from that which would be determined if the asset were revalued at the reporting date.

Lismore City Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

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

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

Capitalisation Thresholds

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

Land

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

Plant & Equipment

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

Buildings & Land Improvements

Park Furniture & Equipment	> \$2,000
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Building

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

Other Structures

> \$2,000

Water & Sewer Assets

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

Stormwater Assets

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

Transport Assets

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

Library Resources

(Excluding periodicals and eResources) 100% Capitalised

Depreciation

Depreciation on Council's infrastructure, property, plant and equipment assets is calculated using the

straight line method in order to allocate an assets cost (net of residual values) over its estimated useful life.

Land is not depreciated.

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

Plant & Equipment

- Office Equipment	5 to 10 years
- Office furniture	10 to 20 years
- Computer Equipment	4 years
- Vehicles	5 to 8 years
- Heavy Plant/Road Making equip.	5 to 8 years
- Other plant and equipment	5 to 15 years

Other Equipment

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

Buildings

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

Stormwater Drainage

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

Transportation Assets

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

Water & Sewer Assets

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

Other Infrastructure Assets

- Bulk earthworks	Infinite
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Library Resources

(Excluding periodicals and eResources) 5 years

Lismore City Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

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

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

Disposal and De-recognition

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

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

(k) Land

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

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

(l) Land under roads

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

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

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

(m) Intangible Assets

IT Development and Software

Costs incurred in developing products or systems and costs incurred in acquiring software and licenses that will contribute to future period financial

benefits through revenue generation and/or cost reduction are capitalised to software and systems.

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

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

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

(n) Crown Reserves

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

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

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

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

(o) Rural Fire Service assets

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

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

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

Lismore City Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

assets, their values and depreciation charges within these financial statements.

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

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

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

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

Costs are estimated on the basis of a closure plan.

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

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

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

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

This amortisation of the 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 reporting date and the cost is charged to the income statement.

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

These costs are charged to the income statement.

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

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

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

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

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

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

Lismore City Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

(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 Statement of Financial Position.

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

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

(r) Impairment of assets

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

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

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

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

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

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

Goodwill & 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 Statement of Financial Position 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

Lismore City Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

settlement of the liability for at least 12 months after the reporting 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.

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

(w) Employee benefits

(i) Short Term Obligations

Short term employee benefit obligations include liabilities for wages and salaries (including non-monetary benefits), annual leave and vesting sick

leave expected to be wholly settled within the 12 months after the reporting period.

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

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

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

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

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

(ii) Other Long Term Obligations

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

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

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

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

Due to the nature of when and how Long Service Leave can be taken, all Long Service Leave for employees with 4 or more years of service has been classified as Current, as it has been deemed that Council does not have the unconditional right to defer settlement beyond 12 months – even though it is not anticipated that all employees with more than 4 years

Lismore City Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

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 Statement of Financial Position, 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.

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 30/6/14.

(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 and

Lismore City Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

annual 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 Statement of Financial Position 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 Statement of Financial Position.

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

Investing and Financing cash flows are treated on a net basis (where recoverable from the ATO), 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 interpretations

Certain new (or amended) accounting standards and interpretations have been published that are not mandatory for reporting periods ending 30 June 2014.

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, associated standards, AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 and AASB 2012-6 Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and transitional disclosures and AASB 2013-9 Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments and AASB 2014-1 Amendments to Australian Accounting Standards (effective from 1 January 2018)

AASB 9 Financial Instruments addresses the classification, measurement and de-recognition of financial assets and financial liabilities.

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

Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognised directly in profit or loss although there is currently a proposal by the IASB to introduce a Fair value through Other Comprehensive Income category for debt instruments.

The de-recognition rules have been transferred from AASB 139 Financial Instruments: Recognition and Measurement and have not been changed.

Lismore City Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

The Council has not yet fully assessed the impact on the reporting financial position and performance on adoption of AASB 9.

Applicable to Local Government but no implications for Council;

AASB 2013-3 Amendments to AASB 136 Recoverable Amount Disclosures for Non-Financial Assets (effective for 30 June 2015 Financial Statements)

There are no changes to reported financial position or performance from AASB 2013 – 3, however additional disclosures may be required.

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

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 for 30 June 2015 Financial Statements for not-for-profit entities)

This suite of five new and amended standards 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. 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.

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.

Lismore City Council

Notes to the Financial Statements for the financial year ended 30 June 2014

Note 1. Summary of Significant Accounting Policies

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 2015.

Not applicable to Local Government per se;

There are no other standards that are “not yet effective” and expected to have a material impact on Council 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 2014

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 2014	Actual 2014	Actual 2013	Original Budget 2014	Actual 2014	Actual 2013	Original Budget 2014	Actual 2014	Actual 2013	Actual 2014	Actual 2013	Actual 2014	Actual 2013
Governance		-	-	610	499	758	(610)	(499)	(758)	-	-	40,570	49,769
Administration	1,037	1,484	1,910	1,911	2,277	3,397	(874)	(793)	(1,487)	499	489	70,709	72,234
Public Order & Safety	19	68	92	2,157	2,292	2,437	(2,138)	(2,224)	(2,345)		24	3,556	3,633
Health	388	420	356	982	975	940	(594)	(555)	(584)	13	-	1,188	1,214
Environment	10,517	9,625	8,328	9,801	10,538	8,122	716	(913)	206	620	375		-
Community Services & Education	32	234	331	686	960	1,369	(654)	(726)	(1,038)	215	278	1,521	1,554
Housing & Community Amenities	1,918	1,969	2,193	3,317	3,385	2,904	(1,399)	(1,416)	(711)	258	217	66,523	67,958
Water Supplies	10,503	10,997	9,808	10,997	11,490	11,367	(494)	(493)	(1,559)	493	154	84,517	79,470
Sewerage Services	11,451	11,402	12,199	10,332	10,991	11,090	1,119	411	1,109	132	129	210,114	197,309
Recreation & Culture	7,072	8,162	11,913	16,533	16,826	18,475	(9,461)	(8,664)	(6,562)	558	4,665	86,680	88,549
Mining, Manufacturing & Construction	9,090	9,538	10,613	8,580	8,560	10,561	510	978	52	188	316	17,808	18,192
Transport & Communication	12,023	16,695	12,995	18,129	23,502	27,411	(6,106)	(6,807)	(14,416)	9,241	3,464	608,859	621,991
Economic Affairs	211	696	455	3,241	4,908	3,208	(3,030)	(4,212)	(2,753)	190	29	30,521	31,179
Total Functions & Activities	64,261	71,290	71,193	87,276	97,203	102,039	(23,015)	(25,913)	(30,846)	12,407	10,140	1,222,566	1,233,052
Share of gains/(losses) in Associates & Joint Ventures (using the Equity Method)		104	-		-	-	-	104	-		-	104	-
General Purpose Income ¹	32,517	29,355	31,949				32,517	29,355	31,949	3,458	6,529		-
Operating Result from Continuing Operations	96,778	100,749	103,142	87,276	97,203	102,039	9,502	3,546	1,103	15,865	16,669	1,222,670	1,233,052

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 2014

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, enforcement of local government regulations, emergency services, other.

HEALTH

Inspection, food control, other, administration.

ENVIRONMENT

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

COMMUNITY SERVICES & EDUCATION

Administration, 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, quarries & pits, other.

TRANSPORT & COMMUNICATION

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

ECONOMIC AFFAIRS

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

Lismore City Council

Notes to the Financial Statements
for the financial year ended 30 June 2014

Note 3. Income from Continuing Operations

\$ '000	Notes	Actual 2014	Actual 2013
(a) Rates & Annual Charges			
Ordinary Rates			
Residential		16,034	15,452
Farmland		4,098	3,976
Business		5,079	4,810
Total Ordinary Rates		25,211	24,238
Annual Charges (pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Domestic Waste Management Services		3,949	3,735
Stormwater Management Services		366	364
Water Supply Services		2,801	2,461
Sewerage Services		10,109	9,519
Waste Management Services (non-domestic)		503	397
Nimbin Transfer Station		46	47
Waste Reduction Charges		577	614
Total Annual Charges		18,351	17,137
<u>TOTAL RATES & ANNUAL CHARGES</u>		<u>43,562</u>	<u>41,375</u>

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

Lismore City Council

Notes to the Financial Statements
for the financial year ended 30 June 2014

Note 3. Income from Continuing Operations (continued)

\$ '000	Notes	Actual 2014	Actual 2013
(b) User Charges & Fees			
Specific User Charges (per s.502 - Specific "actual use" charges)			
Water Supply Services		7,426	6,670
Sewerage Services		145	153
Total User Charges		7,571	6,823
Other User Charges & Fees			
(i) Fees & Charges - Statutory & Regulatory Functions (per s.608)			
Building Regulation		691	550
Dog Registration Fees		52	37
Health Control		356	335
Planning Services		366	348
Section 603 Certificates		61	47
Other		6	8
Total Fees & Charges - Statutory/Regulatory		1,532	1,325
(ii) Fees & Charges - Other (incl. General User Charges) (per s.608)			
Aerodrome		417	468
Art Gallery		1	8
Caravan Park		23	19
Child Care		-	33
Community Centres		6	11
Library		5	3
Parks, Gardens & Lakes		217	231
Parking Fees		147	146
Public Cemeteries		1,054	1,145
Quarry Revenues		8,550	9,590
RMS (formerly RTA) Charges (State Roads not controlled by Council)		3,636	4,109
Road Services		72	61
RTRL Contributions by Member Councils		4,523	4,383
Sewerage Charges		5	5
Share Cropping		20	20
Sporting Grounds		1,705	1,586
Strategic Planning		26	96
Swimming Pools		291	258
Tourism Service Charges		74	71
Waste Disposal		2,828	1,202
Water Charges		96	53
Other - North East Waste		-	-
Other		239	215
Total Fees & Charges - Other		23,935	23,713
TOTAL USER CHARGES & FEES		33,038	31,861

Lismore City Council

Notes to the Financial Statements
for the financial year ended 30 June 2014

Note 3. Income from Continuing Operations (continued)

\$ '000	Notes	Actual 2014	Actual 2013
(c) Interest & Investment Revenue (incl. losses)			
Interest & Dividends			
- Interest on Overdue Rates & Annual Charges (incl. Special Purpose Rates)		404	391
- Interest earned on Investments (interest & coupon payment income)		1,386	1,599
Fair Value Adjustments			
- Fair Valuation movements in Investments (at FV or Held for Trading)		341	1,731
- Fair Valuation movements in Investments (Other)		4	-
<u>TOTAL INTEREST & INVESTMENT REVENUE</u>		<u>2,135</u>	<u>3,721</u>
Interest Revenue is attributable to:			
Unrestricted Investments/Financial Assets:			
Overdue Rates & Annual Charges (General Fund)		230	220
General Council Cash & Investments		456	962
Restricted Investments/Funds - External:			
Development Contributions			
- Section 94		386	812
- Section 64		-	244
Water Fund Operations		238	288
Sewerage Fund Operations		825	1,195
<u>Total Interest & Investment Revenue Recognised</u>		<u>2,135</u>	<u>3,721</u>
(d) Other Revenues			
Rental Income - Other Council Properties		321	269
Fines - Parking		183	128
Fines - Other		154	123
Commissions & Agency Fees		30	51
Insurance Claim Recoveries		8	43
Master Games		55	67
Miscellaneous - Private Works		185	185
Other Events		60	28
Recycling Income (non domestic)		988	1,699
Reservation & Registration Fees		90	81
Other		358	344
<u>TOTAL OTHER REVENUE</u>		<u>2,432</u>	<u>3,018</u>

Lismore City Council

Notes to the Financial Statements
for the financial year ended 30 June 2014

Note 3. Income from Continuing Operations (continued)

\$ '000	2014 Operating	2013 Operating	2014 Capital	2013 Capital
(e) Grants				
General Purpose (Untied)				
Financial Assistance - General Component	2,130	4,375	-	-
Financial Assistance - Local Roads Component	916	1,747	-	-
Pensioners' Rates Subsidies - General Component	412	407	-	-
Total General Purpose	3,458	6,529	-	-
¹ The Financial Assistance Grant for 13/14 reflects a one off reduction due to the fact that this grant is no longer being paid in advance by up to 50% as has occurred in previous years - it does not represent a loss of income but is instead a timing difference.				
Specific Purpose				
Pensioners' Rates Subsidies:				
- Water	132	150	-	-
- Sewerage	123	124	-	-
- Domestic Waste Management	81	92	-	-
Water Supplies	-	-	357	-
Art Gallery	103	140	-	-
Child Care	-	36	-	-
Community Services	215	242	-	-
Diesel Rebate	472	542	-	-
Environmental Protection	80	52	396	111
Library Services	162	120	-	-
Natural Disaster Emergency Funding	2,463	2,528	-	-
Recreation & Culture	94	270	197	4,083
Street Lighting	167	167	-	-
Transport (Roads to Recovery)	-	-	913	913
Transport (Other Roads & Bridges Funding)	-	-	5,610	26
Other - Levee Construction	-	-	-	24
Other - North East Waste	-	-	-	-
Other Domestic Waste Management	-	-	114	-
Other	325	245	403	275
Total Specific Purpose	4,417	4,708	7,990	5,432
Total Grants	7,875	11,237	7,990	5,432
Grant Revenue is attributable to:				
- Commonwealth Funding	657	729	5,155	4,082
- State Funding	7,196	10,494	2,835	1,326
- Other Funding	22	14	-	24
	7,875	11,237	7,990	5,432

Lismore City Council

Notes to the Financial Statements
for the financial year ended 30 June 2014

Note 3. Income from Continuing Operations (continued)

\$ '000	2014 Operating	2013 Operating	2014 Capital	2013 Capital
(f) Contributions				
Developer Contributions:				
(s93 & s94 - EP&A Act, s64 of the LGA):				
S 94 - Contributions towards amenities/services	-	-	338	780
S 64 - Water Supply Contributions	-	-	29	96
S 64 - Sewerage Service Contributions	-	-	190	370
Total Developer Contributions	17	-	557	1,246
Other Contributions:				
Art Gallery	44	75	-	-
Dedications (other than by S94)	-	-	271	1,229
Library	105	40	176	83
Recreation & Culture	-	-	-	23
Roads & Bridges	-	-	100	223
RMS Contributions (Regional Roads, Block Grant)	1,512	2,950	842	625
Other - North East Waste	-	-	-	-
Other	6	4	-	-
Total Other Contributions	1,667	3,069	1,389	2,183
Total Contributions	1,667	3,069	1,946	3,429
TOTAL GRANTS & CONTRIBUTIONS	9,542	14,306	9,936	8,861

Lismore City Council

Notes to the Financial Statements
for the financial year ended 30 June 2014

Note 3. Income from Continuing Operations (continued)

\$ '000	Actual 2014	Actual 2013
(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	15,966	17,257
add: Grants & contributions recognised in the current period but not yet spent:	5,241	3,764
less: Grants & contributions recognised in a previous reporting period now spent:	(12,225)	(5,055)
Net Increase (Decrease) in Restricted Assets during the Period	(6,984)	(1,291)
Unexpended and held as Restricted Assets	8,982	15,966
Comprising:		
- Specific Purpose Unexpended Grants	4,404	2,064
- Developer Contributions	4,578	13,902
- Other Contributions	-	-
	8,982	15,966

Lismore City Council

Notes to the Financial Statements
for the financial year ended 30 June 2014

Note 4. Expenses from Continuing Operations

\$ '000	Notes	Actual 2014	Actual 2013
(a) Employee Benefits & On-Costs			
Salaries and Wages		22,985	22,947
Employee Leave Entitlements (ELE)		4,999	4,365
Superannuation		2,944	2,754
Workers' Compensation Insurance		360	742
Fringe Benefit Tax (FBT)		117	98
Payroll Tax		190	190
Training Costs (other than Salaries & Wages)		447	440
Total Employee Costs		32,042	31,536
less: Capitalised Costs		(3,349)	(1,351)
TOTAL EMPLOYEE COSTS EXPENSED		28,693	30,185
Number of "Equivalent Full Time" Employees at year end		400	401
(b) Borrowing Costs			
(i) Interest Bearing Liability Costs			
Interest on Loans		3,285	3,204
Other Debts		39	7
Total Interest Bearing Liability Costs		3,324	3,211
Total Interest Bearing Liability Costs Expensed		3,324	3,211
(ii) Other Borrowing Costs			
Discount adjustments relating to movements in Provisions (other than ELE)		-	-
- Remediation Liabilities	26	376	363
Total Other Borrowing Costs		376	363
TOTAL BORROWING COSTS EXPENSED		3,700	3,574

Lismore City Council

Notes to the Financial Statements
for the financial year ended 30 June 2014

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Actual 2014	Actual 2013
(c) Materials & Contracts			
Raw Materials & Consumables		34,876	38,900
Auditors Remuneration ⁽¹⁾		69	87
Legal Expenses:			
- Legal Expenses: Planning & Development		212	195
- Legal Expenses: Debt Recovery		36	32
Operating Leases:			
- Operating Lease Rentals: Minimum Lease Payments ⁽²⁾		125	243
Total Materials & Contracts		35,318	39,457
less: Capitalised Costs		-	-
TOTAL MATERIALS & CONTRACTS		35,318	39,457
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: Lismore City Council		55	57
- Audit & review of financial statements: Richmond Tweed Regional Library		14	30
Remuneration for audit and other assurance services		69	87
Total Auditor Remuneration		69	87
2. Operating Lease Payments are attributable to:			
Motor Vehicles		34	130
Other		91	113
		125	243

Lismore City Council

Notes to the Financial Statements
for the financial year ended 30 June 2014

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Impairment Costs		Depreciation/Amortisation	
		Actual 2014	Actual 2013	Actual 2014	Actual 2013
(d) Depreciation, Amortisation & Impairment					
Plant and Equipment		-	-	3,059	2,856
Office Equipment		-	-	280	252
Furniture & Fittings		-	-	18	18
Land Improvements (depreciable)		-	-	315	311
Buildings - Non Specialised		-	-	31	-
Buildings - Specialised		-	-	1,934	1,731
Other Structures		-	-	175	349
Infrastructure:					
- Roads		-	-	7,497	8,362
- Bridges		-	-	990	-
- Footpaths		-	-	339	-
- Stormwater Drainage		-	-	554	527
- Water Supply Network		-	-	1,732	1,691
- Sewerage Network		-	-	4,176	3,923
- Swimming Pools		-	-	87	-
- Other Open Space/Recreational Assets		-	-	168	-
- Other Infrastructure		-	-	-	-
Other Assets					
- Heritage Collections		-	-	1	1
- Library Books		-	-	737	859
- Other		-	-	65	64
Asset Reinstatement Costs	9 & 26	-	-	(5)	(44)
Intangible Assets	25	-	-	134	165
Total Depreciation & Impairment Costs		-	-	22,287	21,065
less: Capitalised Costs		-	-	-	-
less: Impairments (to)/from ARR [Equity]	9a	-	-	-	-
TOTAL DEPRECIATION & IMPAIRMENT COSTS EXPENSED		-	-	22,287	21,065

Lismore City Council

Notes to the Financial Statements
for the financial year ended 30 June 2014

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Actual 2014	Actual 2013
(e) Other Expenses			
Other Expenses for the year include the following:			
Bad & Doubtful Debts		4	117
- Emergency Services Levy (includes FRNSW, SES, and RFS Levies)		61	56
- Far North Coast County Council (Noxious Plants)		130	125
- NSW Fire Brigade Levy		428	419
- NSW Rural Fire Service Levy		137	125
- Richmond River County Council (Flood Mitigation)		279	272
Councillor Expenses - Mayoral Fee		52	50
Councillor Expenses - Councillors' Fees		192	189
Councillors' Expenses (incl. Mayor) - Other (excluding fees above)		101	344
Donations, Contributions & Assistance to other organisations (Section 356)		220	233
Electricity & Heating		1,416	1,174
Insurance		990	922
Street Lighting		522	489
Telephone & Communications		350	399
Total Other Expenses		4,882	4,914
less: Capitalised Costs		-	-
<u>TOTAL OTHER EXPENSES</u>		<u>4,882</u>	<u>4,914</u>

Lismore City Council

Notes to the Financial Statements
for the financial year ended 30 June 2014

Note 5. Gains or Losses from the Disposal of Assets

\$ '000	Notes	Actual 2014	Actual 2013
Property (excl. Investment Property)			
Proceeds from Disposal - Property		-	320
less: Carrying Amount of Property Assets Sold / Written Off		-	(619)
Net Gain/(Loss) on Disposal		-	(299)
Plant & Equipment			
Proceeds from Disposal - Plant & Equipment		792	857
less: Carrying Amount of P&E Assets Sold / Written Off		(539)	(249)
Net Gain/(Loss) on Disposal		253	608
Infrastructure			
Proceeds from Disposal - Infrastructure		-	-
less: Carrying Amount of Infrastructure Assets Sold / Written Off		(2,616)	(3,761)
Net Gain/(Loss) on Disposal		(2,616)	(3,761)
Real Estate Assets Held For Sale			
Proceeds from Disposal - Real Estate Assets		40	1,167
less: Carrying Amount of Real Estate Assets Sold / Written Off		-	(559)
Net Gain/(Loss) on Disposal		40	608
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		(2,323)	(2,844)

Lismore City Council

Notes to the Financial Statements
for the financial year ended 30 June 2014

Note 6a. - Cash Assets and Note 6b. - Investments

\$ '000	Notes	2014 Actual Current	2014 Actual Non Current	2013 Actual Current	2013 Actual Non Current
Cash & Cash Equivalents (Note 6a)					
Cash on Hand and at Bank		308	-	589	-
Cash-Equivalent Assets ¹					
- Deposits at Call		8,777	-	5,643	-
- Short Term Deposits		8,000	-	15,000	-
Total Cash & Cash Equivalents		17,085	-	21,232	-
Investments (Note 6b)					
- Managed Funds		-	-	1,237	-
- Long Term Deposits		11,274	5,000	11,000	4,000
- CDO's		488	-	-	552
- Other Long Term Financial Assets		-	1,000	-	1,000
Total Investments		11,762	6,000	12,237	5,552
TOTAL CASH ASSETS, CASH EQUIVALENTS & INVESTMENTS		28,847	6,000	33,469	5,552

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"	17,085	-	21,232	-
----------------------------------------------	---------------	----------	---------------	----------

Investments

a. "At Fair Value through the Profit & Loss"				
- "Designated at Fair Value on Initial Recognition" 6(b-i)	11,762	6,000	12,237	5,552
Investments	11,762	6,000	12,237	5,552

Refer to Note 27 - Fair Value Measurement for information regarding the fair value of investments held.

Lismore City Council

Notes to the Financial Statements
for the financial year ended 30 June 2014

Note 6b. Investments (continued)

\$ '000	2014	2014	2013	2013
	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"				
Nil				
Balance at the Beginning of the Year	12,237	5,552	3,504	5,704
Revaluations (through the Income Statement)	(52)	393	175	1,556
Additions	9,274	3,000	9,000	4,000
Disposals (sales & redemptions)	(12,185)	(457)	(3,679)	(2,471)
Transfers between Current/Non Current	2,488	(2,488)	3,237	(3,237)
Balance at End of Year	11,762	6,000	12,237	5,552
Comprising:				
- Managed Funds	-	-	1,237	-
- CDO's	488	-	-	552
- Other Long Term Financial Assets	11,274	6,000	11,000	5,000
Total	11,762	6,000	12,237	5,552

Lismore City Council

Notes to the Financial Statements
for the financial year ended 30 June 2014

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

\$ '000	2014	2014	2013	2013
	Actual Current	Actual Non Current	Actual Current	Actual Non Current
Total Cash, Cash Equivalents and Investments	28,847	6,000	33,469	5,552
attributable to:				
External Restrictions (refer below)	23,813	6,000	24,704	5,552
Internal Restrictions (refer below)	5,034	-	8,765	-
Unrestricted	-	-	-	-
	28,847	6,000	33,469	5,552

2014 \$ '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)	1,345	-	(1,345)	-
Other	1,207	-	(422)	785
External Restrictions - Included in Liabilities	2,552	-	(1,767)	785

External Restrictions - Other

Developer Contributions - General (D)	9,081	1,022	(5,525)	4,578
Developer Contributions - Water Fund (D)	864	-	(864)	-
Developer Contributions - Sewer Fund (D)	3,829	-	(3,829)	-
Specific Purpose Unexpended Grants (F)	2,023	2,135	-	4,158
Water Supplies (G)	1,902	1,354	-	3,256
Water Supplies - Employee Leave Entitlements (G)	103	-	(3)	100
Sewerage Services (G)	8,890	7,204	-	16,094
Sewerage Services - Employee Leave Entitlements (G)	83	7	-	90
Domestic Waste Management (G)	152	-	(152)	-
Stormwater Management (G)	777	-	(25)	752
External Restrictions - Other	27,704	11,722	(10,398)	29,028
Total External Restrictions	30,256	11,722	(12,165)	29,813

Lismore City Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

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

2014 \$ '000	Opening Balance	Transfers to Restrictions	Transfers from Restrictions	Closing Balance
Internal Restrictions				
Plant & Vehicle Replacement	247	7,703	(7,950)	-
Employees Leave Entitlement	1,468	7,599	(7,255)	1,812
Specific Purpose Unexpended Loans (A)	839	-	(239)	600
Administrative Purposes	100	2,686	(2,786)	-
Aerodrome	125	2	(127)	-
Art Gallery	114	15	(44)	85
Asset Management	173	314	(487)	-
Child Care	4	-	(4)	-
Community Services	60	132	(192)	-
Economic Development & Tourism	249	392	(510)	131
Farming Operations	25	-	(25)	-
Flood Mitigation	55	16	(71)	-
Information Services	597	197	(794)	-
Lawn Cemetery / Crematorium	-	608	(608)	-
Legal Expenses	-	17	(17)	-
Leisure Activities	62	174	(236)	-
NEWLOG	45	-	(15)	30
Parks & Reserves	183	122	(305)	-
Special Projects	131	4,237	(4,368)	-
Sporting Grounds	22	11	(33)	-
Staff Development	86	162	(248)	-
Sustainable Development	665	154	(819)	-
Property Management	70	6	(76)	-
Richmond Tweed Regional Library	1,029	1,008	(889)	1,148
RTRL - Employee Leave Entitlements	426	-	(5)	421
Transport & Infrastructure	1,859	5,388	(6,542)	705
Waste Minimisation	121	3	(31)	93
Waste - Other	10	2,555	(2,556)	9
Total Internal Restrictions	8,765	33,501	(37,232)	5,034
TOTAL RESTRICTIONS	39,021	45,223	(49,397)	34,847

- A** Loan moneys which must be applied for the purposes for which the loans were raised.
- B** Advances by Roads and Maritime Services for (RMS) works on the State's classified roads.
- C** Self Insurance liability resulting from reported claims or incurred claims not yet reported.
- D** Development contributions which are not yet expended for the provision of services and amenities in accordance with contributions plans (refer Note 17).
- E** RMS Contributions which are not yet expended for the provision of services and amenities in accordance with those contributions.
- F** Grants which are not yet expended for the purposes for which the grants were obtained. (refer Note 1)
- 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.
- H** Council has \$5.78 million in internal borrowings from funds that would otherwise have been classified as Internal Restrictions. As they are internal borrowings, they are eliminated from reporting in accordance with Australian Accounting Standards. The borrowings have been used for various purposes and will be repaid in accordance with loan repayment schedules, linked asset sales, profit generation or as cashflow permits.

Lismore City Council

Notes to the Financial Statements
for the financial year ended 30 June 2014

Note 7. Receivables

\$ '000	Notes	2014		2013	
		Current	Non Current	Current	Non Current
Purpose					
Rates & Annual Charges		3,401	1,066	3,221	1,050
Interest & Extra Charges		913	280	895	287
User Charges & Fees		1,687	641	1,550	465
Accrued Revenues					
- Interest on Investments		273	-	329	-
- Other Income Accruals		-	-	54	-
Deferred Debtors		18	260	79	273
Net GST Receivable		441	-	763	-
Loan to Sporting Club		5	-	3	3
Miscellaneous Works & Services		3,825	-	2,595	-
Roads & Maritime Services		3,010	-	4,590	-
Tender Deposits & Bonds		1,194	-	908	753
Other Debtors - RTRL		151	-	-	-
Other Debtors		17	21	28	22
Total		14,935	2,268	15,015	2,853
less: Provision for Impairment					
User Charges & Fees		(124)	-	(137)	-
Total Provision for Impairment - Receivables		(124)	-	(137)	-
TOTAL NET RECEIVABLES		14,811	2,268	14,878	2,853
Externally Restricted Receivables					
Water Supply					
- Rates & Availability Charges		460	287	490	218
- Other		1,778	702	1,550	500
Sewerage Services					
- Rates & Availability Charges		577	154	1,133	339
- Other		577	146	24	-
Domestic Waste Management		339	90	325	97
Total External Restrictions		3,731	1,379	3,522	1,154
Internally Restricted Receivables					
Internally Restricted Receivables		-	-	-	-
Unrestricted Receivables		11,080	889	11,356	1,699
TOTAL NET RECEIVABLES		14,811	2,268	14,878	2,853

Notes on Debtors above:

- (i) Rates & Annual Charges Outstanding are secured against the property.
- (ii) Doubtful Rates Debtors are provided for where the value of the property is less than the debt outstanding.
An allowance for other doubtful debts is made when there is objective evidence that a receivable is impaired.
- (iii) Interest was charged on overdue rates & charges at 9.00% (2013 10.00%).
Generally all other receivables are non interest bearing.
- (iv) Please refer to Note 15 for issues concerning Credit Risk and Fair Value disclosures.

Lismore City Council

Notes to the Financial Statements
for the financial year ended 30 June 2014

Note 8. Inventories & Other Assets

\$ '000	Notes	2014		2013	
		Current	Non Current	Current	Non Current
Inventories					
Real Estate for resale (refer below)		2,697	159	2,740	138
Stores & Materials		1,145	-	1,042	-
Trading Stock		3,198	-	2,245	-
Total Inventories		7,040	159	6,027	138
TOTAL INVENTORIES / OTHER ASSETS		7,040	159	6,027	138
Externally Restricted Assets					
Water					
Stores & Materials		299	-	283	-
Total Water		299	-	283	-
Sewerage					
Stores & Materials		283	-	299	-
Total Sewerage		283	-	299	-
Total Externally Restricted Assets		582	-	582	-
Total Internally Restricted Assets		-	-	-	-
Total Unrestricted Assets		6,458	159	5,445	138
TOTAL INVENTORIES & OTHER ASSETS		7,040	159	6,027	138

Lismore City Council

Notes to the Financial Statements
for the financial year ended 30 June 2014

Note 8. Inventories & Other Assets (continued)

\$ '000	2014		2013	
	Current	Non Current	Current	Non Current
(i) Other Disclosures				
(a) Details for Real Estate Development				
Residential	-	159	15	138
Industrial/Commercial	2,697	-	2,725	-
Total Real Estate for Resale	2,697	159	2,740	138
(Valued at the lower of cost and net realisable value)				
Represented by:				
Acquisition Costs	421	6	427	-
Development Costs	2,276	153	2,313	138
Total Costs	2,697	159	2,740	138
less: Provision for Under Recovery	-	-	-	-
Total Real Estate for Resale	2,697	159	2,740	138
Movements:				
Real Estate assets at beginning of the year	2,740	138	3,234	115
- Purchases and other costs	(28)	6	65	23
- WDV of Sales (exp)	-	-	(559)	-
- Transfer between Current/Non Current	(15)	15	-	-
Total Real Estate for Resale	2,697	159	2,740	138

(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;

	2014	2013
Real Estate for Resale	1,838	1,805
	1,838	1,805

Notes to the Financial Statements
for the financial year ended 30 June 2014

Note 9a. Infrastructure, Property, Plant & Equipment

\$ '000	as at 30/6/2013					Asset Movements during the Reporting Period							as at 30/6/2014				
	At	At	Accumulated		Carrying	Asset Additions	WDV of Asset Disposals	Depreciation Expense	Impairment Loss (recognised in P/L)	WIP Transfers	Adjustments & Transfers	Revaluation Increments / (Decrements) 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	4,280	-	-	-	4,280	9,798	-	-	-	(4,107)	-	-	9,971	-	-	-	9,971
Plant & Equipment	-	32,520	17,555	-	14,965	5,503	(539)	(3,059)	-	-	145	-	-	34,809	17,794	-	17,015
Office Equipment	-	5,887	5,249	-	638	183	-	(280)	-	-	-	-	-	6,070	5,529	-	541
Furniture & Fittings	-	595	482	-	113	-	-	(18)	-	-	-	-	-	595	500	-	95
Plant & Equipment (under Finance Lease)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Land:																	
- Operational Land	-	78,210	-	-	78,210	-	-	-	-	-	-	-	-	78,210	-	-	78,210
- Community Land	-	27,357	-	-	27,357	-	-	-	-	-	-	-	-	27,357	-	-	27,357
- Land under Roads (pre 1/7/08)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
- Land under Roads (post 30/6/08)	-	26	-	-	26	-	-	-	-	-	-	5	-	31	-	-	31
Land Improvements - non depreciable	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Land Improvements - depreciable	-	17,218	7,772	-	9,446	36	-	(315)	-	970	-	-	-	18,224	8,087	-	10,137
Buildings - Non Specialised	-	2,306	525	-	1,781	-	-	(31)	-	-	-	-	-	2,306	556	-	1,750
Buildings - Specialised	-	73,672	12,162	-	61,510	509	-	(1,934)	-	-	22	-	-	74,214	14,107	-	60,107
Other Structures	-	9,167	2,645	-	6,522	122	-	(175)	-	192	(167)	-	-	9,304	2,810	-	6,494
Infrastructure:																	
- Roads	-	435,082	144,470	-	290,612	9,929	(1,821)	(7,497)	-	1,697	-	22,551	-	452,162	136,691	-	315,471
- Bridges	-	75,421	14,085	-	61,336	268	(86)	(990)	-	790	-	(17,165)	-	73,497	29,344	-	44,153
- Footpaths	-	16,774	5,555	-	11,219	-	-	(339)	-	91	-	3,122	-	15,588	1,495	-	14,093
- Bulk Earthworks (non-depreciable)	-	308,460	-	-	308,460	68	-	-	-	-	-	(49,639)	-	258,889	-	-	258,889
- Stormwater Drainage	-	51,306	22,330	-	28,976	561	-	(554)	-	358	-	19,857	-	74,929	25,731	-	49,198
- Water Supply Network	-	118,032	47,903	-	70,129	1,701	(470)	(1,732)	-	-	-	2,694	-	122,738	50,416	-	72,322
- Sewerage Network	-	294,373	116,030	-	178,343	482	(238)	(4,176)	-	-	-	5,272	-	303,249	123,566	-	179,683
- Swimming Pools	-	1,940	261	-	1,679	-	-	(87)	-	-	-	2,907	-	5,156	657	-	4,499
- Other Open Space/Recreational Assets	-	17,009	7,382	-	9,627	156	-	(168)	-	9	-	-	-	17,174	7,550	-	9,624
- Other Infrastructure	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Assets:																	
- Heritage Collections	-	82	13	-	69	-	-	(1)	-	-	-	-	-	82	14	-	68
- Library Books	-	13,107	9,994	-	3,113	707	-	(737)	-	-	-	(906)	-	13,813	11,636	-	2,177
- Other	-	261	192	-	69	394	-	(65)	-	-	-	-	-	655	257	-	398
Reinstatement, Rehabilitation & Restoration Assets (refer Note 26):																	
- Tip Assets	-	840	743	-	97	2	-	8	-	-	1	-	-	842	734	-	108
- Quarry Assets	-	770	85	-	685	-	-	(3)	-	-	(163)	-	-	607	88	-	519
- Other Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL INFRASTRUCTURE, PROPERTY, PLANT & EQUIP.	4,280	1,580,415	415,433	-	1,169,262	30,419	(3,154)	(22,153)	-	-	(162)	(11,302)	9,971	1,590,501	437,562	-	1,162,910

Additions to Buildings & Infrastructure Assets are made up of Asset Renewals (\$30.114m) and New Assets (\$305,000). Renewals are defined as the replacement of existing assets (as opposed to the acquisition of new assets).

Refer to Note 27 - Fair Value Measurement for information regarding the fair value of other Infrastructure, Property, Plant & Equipment.

Lismore City Council

Notes to the Financial Statements
for the financial year ended 30 June 2014

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

\$ '000	Actual				Actual			
	2014				2013			
Class of Asset	At Cost	At Fair Value	A/Dep & Impair'm't	Carrying Value	At Cost	At Fair Value	A/Dep & Impair'm't	Carrying Value
Water Supply								
WIP	673	-	-	673	3	-	-	3
Plant & Equipment	-	1,098	541	557	-	1,059	470	589
Office Equipment	-	63	59	4	-	63	57	6
Furniture & Fittings	-	-	-	-	-	-	-	-
Land								
- Operational Land	-	2,221	-	2,221	-	2,221	-	2,221
- Community Land	-	-	-	-	-	-	-	-
- Improvements non-depreciable	-	-	-	-	-	-	-	-
- Improvements - depreciable	-	-	-	-	-	-	-	-
Buildings	-	206	44	162	-	173	31	142
Other Structures	-	7	1	6	-	40	13	27
Infrastructure	-	122,738	50,416	72,322	-	118,032	47,903	70,129
Other Assets	-	-	-	-	-	-	-	-
Total Water Supply	673	126,333	51,061	75,945	3	121,588	48,474	73,117
Sewerage Services								
WIP	2,140	-	-	2,140	39	-	-	39
Plant & Equipment	-	1,765	1,121	644	-	1,610	873	737
Office Equipment	-	148	122	26	-	148	109	39
Furniture & Fittings	-	-	-	-	-	-	-	-
Land								
- Operational Land	-	5,404	-	5,404	-	5,404	-	5,404
- Community Land	-	-	-	-	-	-	-	-
- Improvements non-depreciable	-	-	-	-	-	-	-	-
- Improvements - depreciable	-	-	-	-	-	-	-	-
Buildings	-	777	176	601	-	777	167	610
Other Structures	-	89	43	46	-	89	41	48
Infrastructure	-	303,249	123,566	179,683	-	294,735	116,393	178,342
Other Assets	-	-	-	-	-	-	-	-
Total Sewerage Services	2,140	311,432	125,028	188,544	39	302,763	117,583	185,219
TOTAL RESTRICTED I,PP&E	2,813	437,765	176,089	264,489	42	424,351	166,057	258,336

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

Council has recognised no impairment losses during the reporting period nor reversed any prior period losses.

Lismore City Council

Notes to the Financial Statements
for the financial year ended 30 June 2014

Note 10a. Payables, Borrowings & Provisions

\$ '000	Notes	2014		2013	
		Current	Non Current	Current	Non Current
Payables					
Goods & Services - operating expenditure		3,505	-	3,373	-
Goods & Services - capital expenditure		1,534	-	1,975	-
Payments Received In Advance		25	-	17	-
Accrued Expenses:					
- Other Expenditure Accruals		1,956	-	2,092	-
Security Bonds, Deposits & Retentions		1,194	-	908	753
Contribution to Works		731	-	250	872
Trustee Items		54	-	85	-
Total Payables		8,999	-	8,700	1,625
Borrowings					
Loans - Secured ¹		3,219	44,527	5,861	43,688
Total Borrowings		3,219	44,527	5,861	43,688
Provisions					
Employee Benefits;					
Annual Leave		3,096	-	2,928	-
Long Service Leave		4,530	223	4,463	186
Other Leave		64	-	50	-
Sub Total - Aggregate Employee Benefits		7,690	223	7,441	186
Self Insurance - Workers Compensation		-	-	-	-
Asset Remediation/Restoration (Future Works) ²⁶		46	3,753	46	3,536
Total Provisions		7,736	3,976	7,487	3,722
Total Payables, Borrowings & Provisions		19,954	48,503	22,048	49,035

(i) Liabilities relating to Restricted Assets

	2014		2013	
	Current	Non Current	Current	Non Current
Externally Restricted Assets				
Water	352	7,177	1,042	6,581
Sewer	920	8,402	586	7,752
Domestic Waste Management	147	3	126	3
Other	785	-	1,207	-
Liabilities relating to externally restricted assets	2,204	15,582	2,961	14,336
Total Liabilities relating to restricted assets	2,204	15,582	2,961	14,336
Total Liabilities relating to Unrestricted Assets	17,750	32,921	19,087	34,699
TOTAL PAYABLES, BORROWINGS & PROVISIONS	19,954	48,503	22,048	49,035

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 2014

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

\$ '000	Actual 2014	Actual 2013
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(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	5,089	4,913
Payables - Security Bonds, Deposits & Retentions	636	-
	<u>5,725</u>	<u>4,913</u>

Note 10b. Description of and movements in Provisions

Class of Provision	2013		2014			
	Opening Balance as at 1/7/13	Additional Provisions	Decrease due to Payments	Remeasurement effects due to Discounting	Unused amounts reversed	Closing Balance as at 30/6/14
Asset Remediation	3,582	217				3,799
TOTAL	11,209	503	-	-	-	11,712

- a. 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 2014

Note 11. Statement of Cash Flows - Additional Information

\$ '000	Notes	Actual 2014	Actual 2013
(a) Reconciliation of Cash Assets			
Total Cash & Cash Equivalent Assets	6a	17,085	21,232
Less Bank Overdraft	10	-	-
BALANCE as per the STATEMENT of CASH FLOWS		17,085	21,232
(b) Reconciliation of Net Operating Result to Cash provided from Operating Activities			
Net Operating Result from Income Statement		3,546	1,103
<i>Adjust for non cash items:</i>			
Depreciation & Amortisation		22,287	21,065
Net Losses/(Gains) on Disposal of Assets		2,323	2,844
Non Cash Capital Grants and Contributions		(271)	(1,168)
Losses/(Gains) recognised on Fair Value Re-measurements through the P&L:			
- Investments classified as "At Fair Value" or "Held for Trading"		(345)	(1,731)
Unwinding of Discount Rates on Reinstatement Provisions		(173)	785
Share of Net (Profits) or Losses of Associates/Joint Ventures		(104)	-
<i>+/- Movement in Operating Assets and Liabilities & Other Cash Items:</i>			
Decrease/(Increase) in Receivables		591	(3,171)
Increase/(Decrease) in Provision for Doubtful Debts		(13)	61
Decrease/(Increase) in Inventories		(1,056)	424
Decrease/(Increase) in Other Assets		-	37
Increase/(Decrease) in Payables		132	5
Increase/(Decrease) in other accrued Expenses Payable		(136)	713
Increase/(Decrease) in Other Liabilities		(881)	(645)
Increase/(Decrease) in Employee Leave Entitlements		286	168
Increase/(Decrease) in Other Provisions		390	316
NET CASH PROVIDED FROM/(USED IN) OPERATING ACTIVITIES from the STATEMENT of CASH FLOWS		26,576	20,806

Lismore City Council

Notes to the Financial Statements
for the financial year ended 30 June 2014

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

\$ '000	Notes	Actual 2014	Actual 2013
(c) Non-Cash Investing & Financing Activities			
Other Dedications		271	1,168
Total Non-Cash Investing & Financing Activities		271	1,168
(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		150	150
Total Financing Arrangements		900	900

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.

(f) 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 2014

Note 12. Commitments for Expenditure

\$ '000	Notes	Actual 2014	Actual 2013
(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			
Lismore City Hall Redevelopment		126	566
Total Commitments		126	566
These expenditures are payable as follows:			
Within the next year		126	566
Later than one year and not later than 5 years		-	-
Later than 5 years		-	-
Total Payable		126	566
Sources for Funding of Capital Commitments:			
Externally Restricted Reserves		126	566
Total Sources of Funding		126	566

(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		99	53
Later than one year and not later than 5 years		138	42
Later than 5 years		-	-
Total Non Cancellable Operating Lease Commitments		237	95

b. Non Cancellable Operating Leases include the following assets:

Light Plant, Office Rentals

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

Lismore City Council

Notes to the Financial Statements for the financial year ended 30 June 2014

Note 12. Commitments for Expenditure (continued)

\$ '000	Notes	Actual 2014	Actual 2013
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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 2014

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

\$ '000	Amounts 2014	Indicator 2014	Prior Periods	
			2013	2012
Local Government Industry Indicators - Consolidated				
1. Operating Performance Ratio				
Total continuing operating revenue ⁽¹⁾				
<u>(excl. Capital Grants & Contributions) - Operating Expenses</u>	<u>(4,516)</u>	-5.00%	-7.18%	-8.22%
Total continuing operating revenue ⁽¹⁾ (excl. Capital Grants & Contributions)	90,364			
2. Own Source Operating Revenue Ratio				
Total continuing operating revenue ⁽¹⁾				
<u>(less ALL Grants & Contributions)</u>	<u>80,822</u>	80.58%	77.16%	75.53%
Total continuing operating revenue ⁽¹⁾	100,300			
3. Unrestricted Current Ratio				
<u>Current Assets less all External Restrictions ⁽²⁾</u>	<u>20,734</u>	1.72 : 1	1.68	2.25
Current Liabilities less Specific Purpose Liabilities ^(3, 4)	12,025			
4. Debt Service Cover Ratio				
Operating Result ⁽¹⁾ before capital excluding interest and depreciation / impairment / amortisation (EBITDA)	<u>21,471</u>	2.25	2.93	3.40
Principal Repayments (from the Statement of Cash Flows) + Borrowing Interest Costs (from the Income Statement)	9,553			
5. Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage				
<u>Rates, Annual and Extra Charges Outstanding</u>	<u>5,660</u>	11.45%	11.62%	11.59%
Rates, Annual and Extra Charges Collectible	49,419			
6. Cash Expense Cover Ratio				
Current Year's Cash and Cash Equivalents including All Term Deposits	<u>33,359</u>	4.65	5.09	5.59
Payments from cash flow of operating and financing activities	7,168			

Notes

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

⁽²⁾ Refer Notes 6-8 inclusive.

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

⁽³⁾ Refer to Note 10(a).

⁽⁴⁾ Refer to Note 10(a)(ii) - excludes all payables & provisions not expected to be paid in the next 12 months (incl. ELE).

Lismore City Council

Notes to the Financial Statements
for the financial year ended 30 June 2014

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

\$ '000	Water 2014	Sewer 2014	General ⁵ 2014
Local Government Industry Indicators - by Fund			
1. Operating Performance Ratio			
Total continuing operating revenue ⁽¹⁾ (excl. Capital Grants & Contributions) - Operating Expenses	-0.89%	2.36%	-6.87%
Total continuing operating revenue ⁽¹⁾ (excl. Capital Grants & Contributions)	prior period: -8.89%	0.29%	-8.05%
2. Own Source Operating Revenue Ratio			
Total continuing operating revenue ⁽¹⁾ (less ALL Grants & Contributions)	95.42%	96.93%	75.98%
Total continuing operating revenue ⁽¹⁾	prior period: 96.29%	90.21%	72.83%
3. Unrestricted Current Ratio			
Current Assets less all External Restrictions ⁽²⁾ Current Liabilities less Specific Purpose Liabilities ^(3,4)	15.19 : 1	16.16 : 1	1.72 : 1
	prior period: 5.44	17.80	1.68
4. Debt Service Cover Ratio			
Operating Result ⁽¹⁾ before capital excluding interest and depreciation / impairment / amortisation (EBITDA) Principal Repayments (from the Statement of Cash Flows) + Borrowing Interest Costs (from the Income Statement)	3.13	6.58	1.76
	prior period: 256.43%	591.88%	247.94%
5. Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage			
Rates, Annual and Extra Charges Outstanding Rates, Annual and Extra Charges Collectible	23.29%	12.12%	9.86%
	prior period: 21.25%	13.29%	10.01%
6. Cash Expense Cover Ratio			
Current Year's Cash and Cash Equivalents including All Term Deposits	3.57	23.98	2.94
Payments from cash flow of operating and financing activities	prior period: 4.94	19.34	3.76

Notes

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

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

Lismore City Council

Notes to the Financial Statements for the financial year ended 30 June 2014

Note 14. Investment Properties

\$ '000	Notes	Actual 2014	Actual 2013
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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 2014

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	
	2014	2013	2014	2013
Financial Assets				
Cash and Cash Equivalents	17,085	21,232	17,085	21,232
Investments				
- "Designated At Fair Value on Initial Recognition"	17,762	17,789	17,762	17,789
Receivables	17,079	17,731	17,079	17,731
Total Financial Assets	51,926	56,752	51,926	56,752
Financial Liabilities				
Payables	8,974	10,308	8,974	10,308
Loans / Advances	47,746	49,549	50,986	52,059
Total Financial Liabilities	56,720	59,857	59,960	62,367

Fair Value is determined as follows:

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

Refer to Note 27 - Fair Value Measurement for information regarding the fair value of financial assets & liabilities

Lismore City Council

Notes to the Financial Statements for the financial year ended 30 June 2014

Note 15. Financial Risk Management (continued)

\$ '000

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

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

Council's Finance 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 risks associated with the investments held are:

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

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

Council also seeks advice from independent advisers before placing any funds in Cash Equivalents & 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.

	Increase of Values/Rates		Decrease of Values/Rates	
	Profit	Equity	Profit	Equity
2014				
Possible impact of a 10% movement in Market Values	1,776	1,776	(1,776)	(1,776)
Possible impact of a 1% movement in Interest Rates	171	171	(171)	(171)
2013				
Possible impact of a 10% movement in Market Values	1,779	1,779	(1,779)	(1,779)
Possible impact of a 1% movement in Interest Rates	212	212	(212)	(212)

Lismore City Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 15. Financial Risk Management (continued)

\$ '000

(b) Receivables

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

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

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

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

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:

	2014 Rates & Annual Charges *	2014 Other Receivables	2013 Rates & Annual Charges	2013 Other Receivables
(i) Ageing of Receivables - %				
Current (not yet overdue)	0%	80%	0%	85%
Overdue	100%	20%	100%	15%
	100%	100%	100%	100%
(ii) Ageing of Receivables - value				
Current (not yet overdue)	-	10,233	-	11,543
Past due by up to 30 days	-	1,493	-	450
Past due between 31 and 60 days	-	673	-	1,241
Past due between 61 and 90 days	-	225	-	242
Past due by more than 90 days	-	112	-	121
Overdue	4,467	-	4,271	-
	4,467	12,736	4,271	13,597

* No ageing information is available for Rates & Annual Charges

Lismore City Council

Notes to the Financial Statements for the financial year ended 30 June 2014

Note 15. Financial Risk Management (continued)

\$ '000

(c) Payables & Borrowings

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

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

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 maturity table below:

\$ '000	Subject to no maturity	payable in:						Total Cash Outflows	Actual Carrying Values
		≤ 1 Year	1-2 Yrs	2-3 Yrs	3-4 Yrs	4-5 Yrs	> 5 Yrs		
2014									
Trade/Other Payables	8,974							8,974	8,974
Loans & Advances		3,425	3,342	3,560	3,284	3,450	33,648	50,709	47,746
Total Financial Liabilities	8,974	3,425	3,342	3,560	3,284	3,450	33,648	59,683	56,720
2013									
Trade/Other Payables	10,308	-	-	-	-	-	-	10,308	10,308
Loans & Advances		6,227	3,121	3,055	3,264	2,956	34,059	52,682	49,549
Total Financial Liabilities	10,308	6,227	3,121	3,055	3,264	2,956	34,059	62,990	59,857

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:

	2014		2013	
	Carrying Value	Average Interest Rate	Carrying Value	Average Interest Rate
Trade/Other Payables	8,974	0.0%	10,308	0.0%
Loans & Advances - Fixed Interest Rate	47,746	6.2%	49,549	6.3%
	<u>56,720</u>		<u>59,857</u>	

Lismore City Council

Notes to the Financial Statements
for the financial year ended 30 June 2014

Note 16. Material Budget Variations

\$ '000

Council's Original Financial Budget for 13/14 was adopted by the Council on 17 June 2014.

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	2014 Budget	2014 Actual	2014 ----- Variance* -----		
REVENUES					
Rates & Annual Charges	43,201	43,562	361	1%	F
User Charges & Fees	31,309	33,038	1,729	6%	F
Interest & Investment Revenue	1,528	2,135	607	40%	F
The better than expected result can be attributed to a market valuation adjustment of the investment portfolio \$340k (relates to investments written down in previous financial years) and a better than expected return and a higher than expected average portfolio balance and a higher interest rate return.					
Other Revenues	2,649	2,432	(217)	(8%)	U
Operating Grants & Contributions	9,041	9,542	501	6%	F
Capital Grants & Contributions	9,050	9,936	886	10%	F

Lismore City Council

Notes to the Financial Statements
for the financial year ended 30 June 2014

Note 16. Material Budget Variations (continued)

\$ '000	2014 Budget	2014 Actual	2014 ----- Variance* -----	
EXPENSES				
Employee Benefits & On-Costs	31,052	28,693	2,359	8% F
Borrowing Costs	3,256	3,700	(444)	(14%) U
The variance relates to the adjustments required as part of the recognition of the remediation of Tips \$275,000 and the calculation of the FV of the interest forgone on the 10 year interest free loan received from the NSW government for Wastewater infrastructure (received 2010). These are accounting entries required in accordance with the Accounting Standards.				
Materials & Contracts	27,892	35,318	(7,426)	(27%) U
Additional grant funding was received as outlined previously in this note which has resulted in additional works being undertaken and expenditure incurred. Council also incurred expenses in relation to works carried forward from 2013 as reserves or unexpended grants. The balance of these funds were not known at the time of the preparation of the budget. These works will increase expenditure without increasing revenues as it has been recognised in previous years.				
Depreciation & Amortisation	20,723	22,287	(1,564)	(8%) U
Other Expenses	4,353	4,882	(529)	(12%) U
Electricity costs associated with Wastewater operations was budgeted under Materials and Contracts (Note 4c) \$507k. These costs have been extracted and reported correctly in the Financial Reports.				
Net Losses from Disposal of Assets	-	2,323	(2,323)	0% U
Assets were replaced earlier than scheduled to match with Council's strategic objectives and asset management strategy. As a result, some assets held a large WDV and therefore the following loss on disposal infrastructure was recognised: Roads and Bridges \$1.908million, Wastewater \$238k and Water \$470k. This was offset by a profit on sale of Plant and Equipment of (\$253k)				

Lismore City Council

Notes to the Financial Statements
for the financial year ended 30 June 2014

Note 16. Material Budget Variations (continued)

\$ '000	2014 Budget	2014 Actual	2014 ----- Variance* -----		
Budget Variations relating to Council's Cash Flow Statement include:					
Cash Flows from Operating Activities	29,525	26,576	(2,949)	(10.0%)	U
Cash Flows from Investing Activities	(27,698)	(28,920)	(1,222)	4.4%	U
Cash Flows from Financing Activities	(1,875)	(1,803)	72	(3.8%)	F

Lismore City Council

Notes to the Financial Statements
for the financial year ended 30 June 2014

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	2,343	44	-	124	(1,151)	-	1,360	757	(1,085)	1,032	-
Car Parking	61	-	-	3	-	-	64	351	(398)	17	-
Strategic Urban Roads	4,264	164	-	129	(4,000)	-	557	21,882	(22,629)	(190)	-
Rural Fire Services	131	4	-	7	-	-	142	-	(63)	79	-
Footpaths/Cycleways	305	4	-	15	-	-	324	225	(368)	181	-
S.E.S.	70	3	-	3	-	-	76	9	(38)	47	-
Nimbin Traffic Management	8	2	-	-	-	-	10	25	(34)	1	-
Rural Roads	2,027	196	-	105	(283)	-	2,045	2,498	(2,319)	2,224	-
S94 Contributions - under a Plan	9,209	417	-	386	(5,434)	-	4,578	25,747	(26,934)	3,391	-
S94A Levies - under a Plan	-	-	-	-	-	-	-				-
Total S94 Revenue Under Plans	9,209	417	-	386	(5,434)	-	4,578				-
S94 not under Plans	-	-	-	-	-	-	-	-	-	-	-
S93F Planning Agreements	-	-	-	-	-	-	-	-	-	-	-
S64 Contributions	4,693	219	-	-	(4,912)	-	-	-	-	-	-
Total Contributions	13,902	636	-	386	(10,346)	-	4,578	25,747	(26,934)	3,391	-

Lismore City Council

Notes to the Financial Statements
for the financial year ended 30 June 2014

Note 17. Statement of Developer Contributions (continued)

\$ '000

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	724	20	-	59	(238)	-	565	509	(967)	107	-
Urban Catchment (West)	11	3	-	-	-	-	14	-	-	14	-
- Urban Catchment (East)	1,007	13	-	41	(871)	-	190	-	-	190	-
- The Channon & District	3	1	-	-	-	-	4	-	-	4	-
- North East	23	-	-	1	-	-	24	11	(28)	7	-
- Clunes/Bexhill/Eitham	78	-	-	3	-	-	81	-	(54)	27	-
- South West	15	-	-	1	-	-	16	23	(27)	12	-
- South East	2	1	-	-	(2)	-	1	5	(9)	(3)	-
- Residential	265	3	-	10	(19)	-	259	181	-	440	-
- Industrial/Commercial	25	-	-	1	-	-	26	19	-	45	-
Urban Bushland	171	1	-	7	(21)	-	158	6	-	164	-
Other	19	2	-	1	-	-	22	3	-	25	-
Total	2,343	44	-	124	(1,151)	-	1,360	757	(1,085)	1,032	-

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	42	-	-	2	-	-	44	20	(67)	(3)	-
Nimbin Village	19	-	-	1	-	-	20	331	(331)	20	-
Total	61	-	-	3	-	-	64	351	(398)	17	-

Lismore City Council

Notes to the Financial Statements
for the financial year ended 30 June 2014

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	4,264	164		129	(4,000)		557	21,882	(22,629)	(190)	
Total	4,264	164	-	129	(4,000)	-	557	21,882	(22,629)	(190)	-

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	131	4		7			142		(63)	79	
Total	131	4	-	7	-	-	142	-	(63)	79	-

Lismore City Council

Notes to the Financial Statements
for the financial year ended 30 June 2014

Note 17. Statement of Developer Contributions (continued)

\$ '000

S94 CONTRIBUTIONS - UNDER A PLAN

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	146	2		6			154	127	(197)	84	
Internal	159	2		9			170	98	(171)	97	
Total	305	4	-	15	-	-	324	225	(368)	181	-

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	70	3		3			76	9	(38)	47	
Total	70	3	-	3	-	-	76	9	(38)	47	-

Lismore City Council

Notes to the Financial Statements
for the financial year ended 30 June 2014

Note 17. Statement of Developer Contributions (continued)

\$ '000

S94 CONTRIBUTIONS - UNDER A PLAN

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	8	2					10	25	(34)	1	
Total	8	2	-	-	-	-	10	25	(34)	1	-

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	1,725	194		93	(283)		1,729	2,388	(2,111)	2,006	
Village Rural Roads	302	2		12			316	110	(208)	218	
Total	2,027	196	-	105	(283)	-	2,045	2,498	(2,319)	2,224	-

S64 CONTRIBUTIONS - UNDER A PLAN

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Water Supplies											
- Urban Reservoir	185	29			(214)		-	1,424	(1,424)	-	
- Dunoon etc	302				(302)		-	354	(354)	-	
- Clunes	283				(283)		-	1	(1)	-	
- Nimbin & District	94				(94)		-	103	(103)	-	
sub total:	864	29	-	-	(893)	-	-	1,882	(1,882)	-	-
Sewer Supplies											
- Lismore	3,560	190			(3,750)		-	4,985	(4,985)	-	
- Nimbin	269				(269)		-	167	(167)	-	
- Caniaba	-						-	17	(17)	-	
sub total:	3,829	190	-	-	(4,019)	-	-	5,169	(5,169)	-	-
Total	4,693	219	-	-	(4,912)	-	-	7,051	(7,051)	-	-

Lismore City Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 18. Contingencies & Other Assets/Liabilities Not Recognised

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

LIABILITIES NOT RECOGNISED:

1. Guarantees

(i) Defined Benefit Superannuation Contribution Plans

Council participates in a defined benefits superannuation scheme called the Local Government Superannuation Scheme – Pool B (Scheme). Pooled Employers form a sub-group of the Scheme with over 170 employers supporting over 7,000 employees and ex-employees.

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

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

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

The standard employer contributions were determined using the new entrant rate method under which a contribution rate.

The additional lump sum contribution for each Pooled Employer is a share of the total additional contributions of \$48.7 million per annum, apportioned according to each employer's share of the accrued liabilities as at 30 June 2009. These additional lump sum contributions are used to fund the deficit of assets to accrued liabilities as at 30 June 2009.

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

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

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

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

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

The expected contribution to the Scheme for the next annual reporting period is \$970,327.20.

The estimated employer reserves financial position for the Pooled Employers at 30 June 2014 is:

Employer reserves only*	\$millions	Asset Coverage
Assets	1,603.6	
Past Service Liabilities	1,726.9	92.9%
Vested Benefits	1,758.2	91.2%

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

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

Lismore City Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 18. Contingencies & Other Assets/Liabilities Not Recognised

Investment return	7% per annum
Salary inflation*	4.0% per annum
Increase in CPI	2.5% per annum

* Plus promotional increases

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

The implications are that additional contributions are estimated to remain in place until 30 June 2018 (i.e. \$463,098 p.a. x 4 = \$1,852,392 additional contributions remaining).

It is estimated that Council's level of participation in the Scheme compared with other participating Pooled Employers is 0.95%.

(ii) Statewide Mutual Limited

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

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

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

(iii) StateCover Mutual Limited

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

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

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

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

(iv) Other Guarantees

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.

The liability period extends to 30 June 2021.

Lismore City Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 18. Contingencies & Other Assets/Liabilities Not Recognised

(iii) S94 Plans

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

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

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

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

(iv) Potential Land Acquisitions due to Planning

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

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

(v) Richmond Tweed Regional Library

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

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

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

In the event that Council wished to withdraw from the agreement, the assets and liabilities of the library

attributable to Council would be determined by the State Library Board of NSW.

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.

Lismore City Council

Notes to the Financial Statements
for the financial year ended 30 June 2014

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

\$ '000

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

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

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

Subsidiaries**Note 19(a)**

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

Associated Entities & Joint Venture Entities**Note 19(b) (i)&(ii)**

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

Joint Venture Operations**Note 19(c)**

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

Subsidiaries, Associated Entities and Joint Ventures Not Recognised**Note 19(d)****Accounting Recognition:**

(i) **Subsidiaries disclosed under Note 19(a), and Joint Venture Operations disclosed at Note 19(c), are accounted for on a Line by Line Consolidation basis within the Income Statement and Statement of Financial Position.**

(ii) **Associated Entities and Joint Venture Entities as per Notes 19(b)(i) & (ii) are accounted for using the Equity Accounting Method - and are disclosed as a 1 line entry in both the Income Statement and Statement of Financial Position.**

	Council's Share of Net Income		Council's Share of Net Assets	
	Actual 2014	Actual 2013	Actual 2014	Actual 2013
Associated Entities	104	-	104	-
Joint Venture Entities	-	-	-	-
Total	104	-	104	-

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

Council has no interest in any Subsidiaries.

Lismore City Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

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

\$ '000

(b) Associated Entities & Joint Venture Entities

(i) ASSOCIATED ENTITIES

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

(a) Net Carrying Amounts - Council's Share

Name of Entity	Principal Activity	2014	2013
North East Waste Forum		104	-
Total Carrying Amounts - Associated Entities		104	-

(b) Relevant Interests

Name of Entity	Interest in Outputs		Interest in Ownership		Proportion of Voting Power	
	2014	2013	2014	2013	2014	2013
North East Waste Forum	14%	0%	14%	0%	14%	0%

(c) Movement in Carrying Amounts of Council's Equity Interest

	North East Waste Forum	
	2014	2013
Opening Balance	-	-
Share in Operating Result	104	-
New Capital Contributions	-	-
Distributions Received	-	-
Adjustments to Equity	-	-
Council's Equity Share in the Associated Entity	104	-

Lismore City Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

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

\$ '000

(b) Associated Entities & Joint Venture Entities (continued)

(d) Summarised Financial Information of Associated Entities - Council's Share

2014	Assets	Liabilities	Net Assets	Revenues	Profit
North East Waste Forum	104	-	104	201	104
Totals	104	-	104	201	104
2013	Assets	Liabilities	Net Assets	Revenues	Profit
North East Waste Forum	-	-	-	-	-
Totals	-	-	-	-	-

(e) Share of Associated Entities Expenditure Commitments

	2014	2013
Capital Commitments	-	-
Other Expenditure Commitments	-	-
Lease Commitments	-	-
	-	-

(f) Contingent Liabilities of Associates

	2014	2013
Share of Contingent Liabilities incurred jointly with other investors	0%	0%
Share of Contingent Liabilities for which Council is severally liable	0%	0%

No material losses are anticipated in respect of any of the above contingent liabilities

Lismore City Council

Notes to the Financial Statements
for the financial year ended 30 June 2014

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

\$ '000

(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	Reduce Damage to Council Roads	15%

(b) Council Assets employed in the Joint Venture Operations

2014 2013

1. Blue Hills Residential Estate

Council's own assets employed in the Operations

Current Assets:

Receivables	-	4
Inventories	15	15
Non-Current Assets		
Other Assets	8	4
Total Assets - Council Owned	23	23

2. North East Weight of Loads Group

Council's share of assets jointly owned with other partners

Current Assets	37	45
Current Liabilities	(22)	(22)
Non-Current Assets		
Property, Plant & Equipment	8	7
Total Assets - Council Owned	23	30

Total Net Assets Employed - Council & Jointly Owned

46 53

(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 2014

Note 20. Equity - Retained Earnings and Revaluation Reserves

\$ '000	Notes	Actual 2014	Actual 2013
(a) Retained Earnings			
Movements in Retained Earnings were as follows:			
Balance at beginning of Year (from previous years audited accounts)		616,051	614,337
d. Net Operating Result for the Year		3,546	1,103
f. Transfers between Equity		-	611
Balance at End of the Reporting Period		619,597	616,051
(b) Reserves			
(i) Reserves are represented by:			
- Infrastructure, Property, Plant & Equipment Revaluation Reserve		534,616	545,918
Total		534,616	545,918
(ii) Reconciliation of movements in Reserves:			
Infrastructure, Property, Plant & Equipment Revaluation Reserve			
- Opening Balance		545,918	454,255
- Revaluations for the year	9(a)	(11,302)	92,274
- Transfer between Equity (Assets Disposal and RTRL revaluation reserve on incorporation with LCC)		-	(611)
- Balance at End of Year		534,616	545,918
TOTAL VALUE OF RESERVES		534,616	545,918

(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.

(c) Correction of Error/s relating to a Previous Reporting Period

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

(d) Voluntary Changes in Accounting Policies

Council has made the following voluntary changes to its Accounting Policy:-

1. Richmond Tweed Regional Library Lending and Reference Collection - straight-line depreciation over 5 years with nil residual value.
2. Transport and Stormwater Infrastructure - change in useful life and adoption of nil residual value based on Council's fair valuation 2014.

The changes are considered not material and the impacts have been reported in the current 2014 year.

Lismore City Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 21. Financial Result & Financial Position by Fund

Income Statement by Fund \$ '000	Actual 2014	Actual 2014	Actual 2014
	Water	Sewer	General ¹
Continuing Operations			
Income from Continuing Operations			
Rates & Annual Charges	3,055	10,213	30,294
User Charges & Fees	7,498	145	25,861
Interest & Investment Revenue	238	825	1,072
Other Revenues	96	59	2,277
Grants & Contributions provided for Operating Purposes	136	132	9,274
Grants & Contributions provided for Capital Purposes	386	219	9,331
Other Income			
Share of interests in Joint Ventures & Associates using the Equity Method	-	-	104
Total Income from Continuing Operations	11,409	11,593	78,213
Expenses from Continuing Operations			
Employee Benefits & on-costs	1,937	2,183	24,573
Borrowing Costs	449	592	2,659
Materials & Contracts	6,755	3,216	25,813
Depreciation & Amortisation	1,850	4,427	16,010
Other Expenses	109	512	4,261
Net Losses from the Disposal of Assets	448	242	1,633
Total Expenses from Continuing Operations	11,548	11,172	74,949
Operating Result from Continuing Operations	(139)	421	3,264
Discontinued Operations			
Net Profit/(Loss) from Discontinued Operations	-	-	-
Net Operating Result for the Year	(139)	421	3,264
Net Operating Result attributable to each Council Fund	(139)	421	3,264
Net Operating Result attributable to Non-controlling Interests	-	-	-
Net Operating Result for the year before Grants and Contributions provided for Capital Purposes	(525)	202	(6,067)

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 2014

Note 21. Financial Result & Financial Position by Fund (continued)

Statement of Financial Position by Fund \$ '000	Actual 2014	Actual 2014	Actual 2014
ASSETS	Water	Sewer	General¹
Current Assets			
Cash & Cash Equivalents	2,809	13,432	844
Investments	-	-	11,762
Receivables	2,238	1,154	11,419
Inventories	299	283	6,458
Other	-	-	-
Non-current assets classified as 'held for sale'	-	-	-
Total Current Assets	5,346	14,869	30,483
Non-Current Assets			
Investments	547	2,752	2,701
Receivables	989	300	979
Inventories	-	-	159
Infrastructure, Property, Plant & Equipment	75,945	188,544	898,421
Investments Accounted for using the equity method	-	-	104
Investment Property	-	-	-
Intangible Assets	-	-	531
Non-current assets classified as 'held for sale'	-	-	-
Other	-	-	-
Total Non-Current Assets	77,481	191,596	902,895
TOTAL ASSETS	82,827	206,465	933,378
LIABILITIES			
Current Liabilities			
Payables	119	370	8,510
Borrowings	219	249	2,751
Provisions	14	301	7,421
Liabilities associated with assets classified as 'held for sale'	-	-	-
Total Current Liabilities	352	920	18,682
Non-Current Liabilities			
Payables	-	-	-
Borrowings	6,859	8,402	29,266
Provisions	318	-	3,658
Investments Accounted for using the equity method	-	-	-
Liabilities associated with assets classified as 'held for sale'	-	-	-
Total Non-Current Liabilities	7,177	8,402	32,924
TOTAL LIABILITIES	7,529	9,322	51,606
Net Assets	75,298	197,143	881,772
EQUITY			
Retained Earnings	21,654	62,513	535,430
Revaluation Reserves	53,644	134,630	346,342
Council Equity Interest	75,298	197,143	881,772
Non-controlling Interests	-	-	-
Total Equity	75,298	197,143	881,772

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 2014

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

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

Note 23. Events occurring after the Reporting Date

Events that occur between the end of the reporting period (ending 30 June 2014) and the date when the financial statements are "authorised for issue" have been taken into account in preparing these statements.

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

Accordingly, the "authorised for issue" date is 21/10/14.

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

(i) Events that provide evidence of conditions that existed at the Reporting Period

These financial statements (and the figures therein) incorporate all "adjusting events" that provided evidence of conditions that existed at 30 June 2014.

(ii) Events that provide evidence of conditions that arose after the Reporting Period

These financial statements (& figures therein) do not incorporate any "non-adjusting events" that have occurred after 30 June 2014 and which are only indicative of conditions that arose after 30 June 2014.

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

Note 24. Discontinued Operations

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

Lismore City Council

Notes to the Financial Statements
for the financial year ended 30 June 2014

Note 25. Intangible Assets

\$ '000	Actual 2014	Actual 2013
Intangible Assets represent identifiable non-monetary asset without physical substance.		
Intangible Assets are as follows;		
Opening Values:		
Gross Book Value ^(1/7)	1,675	1,466
Accumulated Amortisation ^(1/7)	(802)	(637)
Net Book Value - Opening Balance	873	829
Movements for the year		
- Purchases	(209)	209
- Amortisation charges	(133)	(165)
Closing Values:		
Gross Book Value ^(30/6)	1,467	1,675
Accumulated Amortisation ^(30/6)	(936)	(802)
TOTAL INTANGIBLE ASSETS - NET BOOK VALUE ¹	531	873

¹ The Net Book Value of Intangible Assets represent:

- Software	531	873
	531	873

Lismore City Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

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	
		2014	2013
Quarry Operations	2040	1,390	1,451
Tip Operations	2015	2,409	2,131
Balance at End of the Reporting Period		3,799	3,582

10(a)

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:

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

Reconciliation of movement in Provision for year:

Balance at beginning of year	3,582	2,481
Amounts capitalised to new or existing assets:		
Effect of a change in discount rates used in PV calculations	(549)	422
Effect of a change in other calculation estimates used	390	316
Amortisation of discount (expensed to borrowing costs)	376	363
Total - Reinstatement, rehabilitation and restoration provision	3,799	3,582

Lismore City Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 27. Fair Value Measurement

\$ '000

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

- Infrastructure, Property, Plant and Equipment
- Financial Assets & Liabilities

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

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

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

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

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

Lismore City Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 27. Fair Value Measurement (continued)

\$ '000

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

2014	Date of latest Valuation	Fair Value Measurement Hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Recurring Fair Value Measurements					
Financial Assets					
Investments					
- "Designated At Fair Value on Initial Recognition"	30/06/2014	17,762			17,762
Total Financial Assets		17,762	-	-	17,762
Infrastructure, Property, Plant & Equipment					
Plant & Equipment	30/06/2014			17,015	17,015
Office Equipment	30/06/2014			541	541
Furniture & Fittings	30/06/2014			95	95
Operational Land	30/06/2013		78,210	-	-
Community Land	30/06/2011			27,357	27,357
Land Under Roads (Post 30/06/08)	30/06/2011			31	31
Land Improvement (Depreciable)	30/06/2011			10,137	10,137
Buildings - Non Specialised	30/06/2013			1,750	1,750
Buildings - Specialised	30/06/2013			60,107	60,107
Other Structures	30/06/2011			6,494	6,494
Roads	30/06/2014			315,471	315,471
Bridges	30/06/2014			44,153	44,153
Footpaths	30/06/2014			14,093	14,093
Bulk Earthworks (Non-Depreciable)	30/06/2014			258,889	258,889
Stormwater Drainage	30/06/2014			49,198	49,198
Water Supply Network	30/06/2012			72,322	72,322
Sewerage Network	30/06/2012			179,683	179,683
Swimming Pools	30/06/2011			4,499	4,499
Other Open Space/Recreational Assets	30/06/2011			9,624	9,624
Other Infrastructure	30/06/2011			-	-
Heritage Collection	30/06/2014			68	68
Library Books	30/06/2014			2,177	2,177
Other	30/06/2014			398	398
Tip Assets	30/06/2014			108	108
Quarry Assets	30/06/2014			519	519
Total Infrastructure, Property, Plant & Equipment		-	78,210	1,074,729	1,074,729

(2) Transfers between Level 1 & Level 2 Fair Value Hierarchies

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

Lismore City Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 27. Fair Value Measurement (continued)

\$ '000

(3) Valuation techniques used to derive Level 2 and Level 3 Fair Values

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

The Fair Valuation techniques Council has employed while utilising Level 2 and Level 3 inputs are as follows:

Infrastructure, Property, Plant & Equipment

Plant & Equipment, Office Equipment and Furniture & Fittings

These asset categories include:

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

Office Equipment – Computer equipment

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

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

Operational Land

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

Community Land

Assets within the "Community Land" class are:

a) Council owned land and

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

Council's community land is valued on the Unimproved Capital Value (UCV), provided by the Valuer General.

These rates are not considered to be observable market evidence and as such they have been classified as Level 3.

Valuation techniques remain the same for this reporting period.

Land Under Roads

Land under roads is land under roadways and road reserves including land under footpaths, nature strips and median strips. Council has elected not to recognise land under roads acquired before 1 July 2008 in accordance with AASB 1051. Land under roads acquired after 1 July 2008 is recognised in accordance with AASB 116 – Property, Plant and Equipment and Council recognised this asset for the first time in financial year 2010/11. The Land under Roads was valued in accordance with AASB 116, the Code of Accounting Practice and Financial Reporting June 2014. Values were determined using the Englobo methodology. This asset class is classified as as Level 3 asset as significant inputs used in the Englobo valuation methodology are unobservable. Valuation techniques remained the same for this reporting period.

Land Improvements Depreciable

The land improvements asset class consists of landscaping, mounding and land improvement assets surrounding buildings. The last revaluation was completed by Rushton AssetVal Pty Ltd in 2010/11. The Cost approach was adopted to value these assets. Some of the significant inputs considered in the valuation of these assets are remaining useful life, pattern of consumption, dimensions, components and type of assets.

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

Lismore City Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 27. Fair Value Measurement (continued)

\$ '000

(3) Valuation techniques used to derive Level 2 and Level 3 Fair Values (continued)

Buildings - Non Specialised and Specialised

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

Other Structures

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

The last revaluation was completed by Rushton AssetVal Pty Ltd in 2010/11 and the cost approach was adopted to value these assets. Some of the significant inputs considered in the valuation of these assets are remaining useful life, pattern of consumption, dimensions, components and type of assets.

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

Roads

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

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

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

Bridges

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

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

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

Footpaths

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

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

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

Bulk Earthworks

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

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

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

Stormwater Drainage

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

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

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

Lismore City Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 27. Fair Value Measurement (continued)

\$ '000

(3) Valuation techniques used to derive Level 2 and Level 3 Fair Values (continued)

Water Supply Network

The Water Supply Network asset class comprise reservoirs, pumping stations and water pipelines. The Network is revalued every five years with the last revaluation by AssetVal Pty Ltd in 2012/13. The cost approach was adopted to value these assets. Some of the significant inputs considered in the valuation of these assets are remaining useful life, pattern of consumption, dimensions, components and type of assets. This asset class is categorised as Level 3 as some of the above-mentioned inputs used in the valuation of these assets require significant professional judgement and are therefore unobservable. These assets are indexed each year in line with the NSW Reference Rates Manual as publish by the Office of Water. There has been no change to the valuation process during the reporting period.

Sewerage Network

The Sewerage Network assets within this class comprise treatment works, pumping stations and, sewerage mains. The Network is revalued every five years with the last revaluation by AssetVal Pty Ltd in 2012/13. The cost approach was adopted to value these assets. Some of the significant inputs considered in the valuation of these assets are remaining useful life, pattern of consumption, dimensions, components and type of assets. This asset class is categorised as Level 3 as some of the above-mentioned inputs used in the valuation of these assets require significant professional judgement and are therefore unobservable. These assets are indexed each year in line with the NSW Reference Rates Manual as publish by the Office of Water. There has been no change to the valuation process during the reporting period.

Swimming Pools

The last revaluation was completed by Rushton AssetVal Pty Ltd in 2010/11 and the cost approach was adopted to value these assets. Some of the significant inputs considered in the valuation of these assets are remaining useful life, pattern of consumption, dimensions, components and type of assets. This asset class is categorised as Level 3 as some of the above-mentioned inputs used in the valuation of these assets require significant professional judgement and are therefore unobservable. Valuation techniques remained the same for this reporting period.

Open Space / Recreational

The Open Space/Recreation assets within this class comprise playground equipment, equipment and landscaping. The last revaluation was completed by Rushton AssetVal Pty Ltd in 2010/11 and the cost approach was adopted to value these assets. Some of the significant inputs considered in the valuation of these assets are remaining useful life, pattern of consumption, dimensions, components and type of assets. This asset class is categorised as Level 3 as some of the above-mentioned inputs used in the valuation of these assets require significant professional judgement and are therefore unobservable. Valuation techniques remained the same for this reporting period.

Heritage Collection

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

Library Books

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

Other

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

Lismore City Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 27. Fair Value Measurement (continued)

\$ '000

(3) Valuation techniques used to derive Level 2 and Level 3 Fair Values (continued)

Tip Assets

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

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

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

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

Quarry Assets

There are 6 quarries located within the local government area. These facilities encompass quarry operations currently in use as well as old unused facilities currently being used for stockpiling. It has been recognised that there will be significant costs associated with the closure and post closure management of the quarry sites.

Closure of the quarry sites will involve a wide range of activities including the establishment of open woodland/forest across the quarry benches and provision of access areas into the pits once completed. It will also include decommissioning and removing of infrastructure and equipment that will not be required post closure, and fencing of sensitive infrastructure. An Evaluation of costs for Quarry Closures and Post Closure Management Plan is reviewed annually. The key unobservable inputs are the discount rate, cost escalation rate, actual timing of costs and future environmental management requirements. There has been no change to the valuation process during the reporting period.

Lismore City Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 27. Fair Value Measurement (continued)

\$ '000

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

a. The following tables present the changes in Level 3 Fair Value Asset Classes.

	Plant & Equipment	Office Equipment	Furniture & Fittings	Community Land	Total
Adoption of AASB 13	14,965	638	113	27,357	43,073
Transfers from/(to) another asset class	145	-	-	-	145
Purchases (GBV)	5,503	183	-	-	5,686
Disposals (WDV)	(539)	-	-	-	(539)
Depreciation & Impairment	(3,059)	(280)	(18)	-	(3,357)
Closing Balance - 30/6/14	17,015	541	95	27,357	45,008

	Land Under Roads (Post 30/6/08)	Land Improvements (Depreciable)	Buildings Non- Specialised	Buildings- Specialised	Total
Adoption of AASB 13	26	9,446	1,781	61,510	72,763
Purchases (GBV)	-	36	-	509	545
Depreciation & Impairment	-	(315)	(31)	(1,934)	(2,280)
WIP Transfers	-	970	-	-	970
Revaluation Increments to Equity	5	-	-	-	5
Closing Balance - 30/6/14	31	10,137	1,750	60,107	72,025

	Other Structures	Roads	Bridges	Footpaths	Total
Adoption of AASB 13	6,522	290,612	61,336	11,219	369,689
Transfers from/(to) another asset class	(167)	-	-	-	(167)
Purchases (GBV)	122	9,929	268	-	10,319
Disposals (WDV)	-	(1,821)	(86)	-	(1,907)
Depreciation & Impairment	(175)	(7,497)	(990)	(339)	(9,001)
WIP Transfers	192	1,697	790	91	2,770
Revaluation Increments to Equity	-	22,551	(17,165)	3,122	8,508
Closing Balance - 30/6/14	6,494	315,471	44,153	14,093	380,211

Lismore City Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 27. Fair Value Measurement (continued)

\$ '000

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

a. The following tables present the changes in Level 3 Fair Value Asset Classes. (continued)

	Bulk Earthworks (Non-Depreciable)	Stormwater Drainage	Water Supply Network	Sewerage Network	Total
Adoption of AASB 13	308,460	28,976	70,129	178,343	585,908
Purchases (GBV)	68	561	1,701	482	2,812
Disposals (WDV)	-	-	(470)	(238)	(708)
Depreciation & Impairment	-	(554)	(1,732)	(4,176)	(6,462)
WIP Transfers	-	358	-	-	358
Revaluation Increments to Equity	(49,639)	19,857	2,694	5,272	(21,816)
Closing Balance - 30/6/14	258,889	49,198	72,322	179,683	560,092

	Swimming Pools	Other Open Space Recreation Assets	Heritage Collection	Library Books	Total
Adoption of AASB 13	1,679	9,627	69	3,113	14,488
Purchases (GBV)	-	156	-	707	863
Disposals (WDV)	-	-	-	-	-
Depreciation & Impairment	(87)	(168)	(1)	(737)	(993)
WIP Transfers	-	9	-	-	9
Revaluation Increments to Equity	2,907	-	-	(906)	2,001
Closing Balance - 30/6/14	4,499	9,624	68	2,177	16,368

	Other	Tip Assets	Quarry Assets	Total
Adoption of AASB 13	69	97	685	851
Purchases (GBV)	394	2	-	396
Depreciation & Impairment	(65)	8	(3)	(60)
Revaluation Increments to Equity	-	-	-	-
Amortisation Adjustment	-	1	(163)	(162)
Closing Balance - 30/6/14	398	108	519	1,025

Lismore City Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 27. Fair Value Measurement (continued)

\$ '000

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

b. Information relating to the transfers into and out of the Level 3 Fair Valuation hierarchy (as disclosed in the Table above) includes:

During the year, there were no transfer into or out of Level 3 Fair Value Hierarchy for recurring fair value measurements

c. Significant unobservable valuation inputs used (for Level 3 asset classes) and their relationship to fair value.

The following table summarises the quantitative information relating to the significant unobservable inputs used in deriving the various Level 3 Asset Class fair values.

Class	Fair Value (30/6/14) \$'000	Valuation Technique/s	Unobservable Inputs	Range of Inputs (incl. probable)	Relationship of unobservable inputs to Fair Value
I,PP&E					
Plant & Equipment	17,015	Cost Approach	Replacement Cost Remaining Useful Life Value Residual	Cost vary from asset to asset Remaining useful life: 0 - 15 yrs Residual value: 0 - 40%	Carried at cost which approximates to fair value. Any change to the remaining useful life or pattern of consumption will impact fair value. Gross replacement cost is not subject to change.
Office Equipment	541	Cost Approach	Replacement Cost Remaining Useful Life Value Residual	Cost vary from asset to asset Remaining useful life: 0 - 10 yrs	Carried at cost which approximates to fair value. Any change to the remaining useful life or pattern of consumption will impact fair value. Gross replacement cost is not subject to change.
Furniture & Fittings	95	Cost Approach	Replacement Cost Remaining Useful Life Value Residual	Cost vary from asset to asset Remaining useful life: 0 - 20 yrs	Carried at cost which approximates to fair value. Any change to the remaining useful life or pattern of consumption will impact fair value. Gross replacement cost is not subject to change.
Operational Land	78,210	Market Value	Price per Square Metre	Amount varies dependent on range of factors. Values range from \$1.50 to \$410 per square metre	Significant changes in the price per square metre would result in significant changes to fair value measurement.
Community Land	27,357	Unimproved Capital Value	Price per Square Metre	Amount varies dependent on range of factors	Significant changes in the price per square metre would result in significant changes to fair value measurement.
Land Under Roads (Post 30/06/08)	31	Cost Approach	Englobo Valuation Method	\$0.25429 per square metre	Significant changes in the price per square metre would result in significant changes to fair value measurement.

Lismore City Council

Notes to the Financial Statements
for the financial year ended 30 June 2014

Note 27. Fair Value Measurement (continued)

\$ '000

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

Class	Fair Value (30/6/14) \$'000	Valuation Technique/s	Unobservable Inputs	Range of Inputs (incl. probable)	Relationship of unobservable inputs to Fair Value
Land Improvement (Depreciable)	10,137	Cost Approach	Replacement Cost Remaining Useful Life Residual Value	Cost vary from asset to asset Remaining useful life: 25 - 100 yrs Residual value: 80%	Significant changes in the replacement cost, pattern of consumption effecting the remaining useful life or residual value would result in significant changes to fair value measurement.
Buildings - Non Specialised	1,750	Cost Approach	Gross Replacement Cost Remaining Useful Life Residual Value Asset Condition	Cost vary from asset to asset Remaining useful life: 25 - 100 yrs Residual value: 0 - 80% Asset Condition/Consumption Score: 0 - New or very good to 6 - End of life	Significant changes in the replacement cost, pattern of consumption effecting the remaining useful life or residual value would result in significant changes to fair value measurement.
Buildings - Specialised	60,107	Cost Approach	Gross Replacement Cost Remaining Useful Life Residual Value Asset Condition	Cost vary from asset to asset Remaining useful life: 25 - 100 yrs Residual value: 0 - 80% Asset Condition/Consumption Score: 0 - New or very good to 6 - End of life	Significant changes in the replacement cost, pattern of consumption effecting the remaining useful life or residual value would result in significant changes to fair value measurement.
Other Structures	6,494	Cost Approach	Replacement Cost Remaining Useful Life Residual Value	Cost vary from asset to asset Remaining useful life: 2 - 100 yrs Residual value: 0 - 70%	Significant changes in the replacement cost, pattern of consumption effecting the remaining useful life or residual value would result in significant changes to fair value measurement.
Roads	315,471	Cost Approach	Replacement Cost Asset Condition Remaining Useful Life	Cost vary from asset to asset Remaining useful life: 2 - 150 yrs Condition Rating Scale: 1 Good - 5 Very Poor	Significant changes in the replacement cost, asset condition, pattern of consumption effecting the remaining useful life would result in significant changes to fair value measurement.
Bridges	44,153	Cost Approach	Replacement Cost Asset Condition Remaining Useful Life	Cost vary from asset to asset Remaining useful life: 2 - 100yrs Condition Rating Scale: 1 Good - 5 Very Poor	Significant changes in the replacement cost, asset condition, pattern of consumption effecting the remaining useful life would result in significant changes to fair value measurement.
Footpaths	14,093	Cost Approach	Replacement Cost Asset Condition Remaining Useful Life	Cost vary from asset to asset Remaining useful life: 2 - 95yrs Condition Rating Scale: 1 Good - 5 Very Poor	Significant changes in the replacement cost, asset condition, pattern of consumption effecting the remaining useful life would result in significant changes to fair value measurement.

Lismore City Council

Notes to the Financial Statements

for the financial year ended 30 June 2014

Note 27. Fair Value Measurement (continued)

\$ '000

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

Class	Fair Value (30/6/14) \$'000	Valuation Technique/s	Unobservable Inputs	Range of Inputs (incl. probable)	Relationship of unobservable inputs to Fair Value
Bulk Earthworks (Non-Depreciable)	258,889	Cost Approach	Replacement Cost Asset Condition Residual Value Remaining Useful Life	Cost vary from asset to asset Condition Rating Scale: 1 Good - 5 Very Poor Remaining useful life: 100yrs Residual Value: 100%	Significant changes in the replacement cost, asset condition, pattern of consumption effecting the remaining useful life would result in significant changes to fair value measurement.
Stormwater Drainage	49,198	Cost Approach	Replacement Cost Asset Condition Residual Value Remaining Useful Life	Cost vary from asset to asset Condition Rating Scale: 1 Good - 5 Very Poor Remaining useful life: 120yrs Residual Value (Limited Assets): 100%	Significant changes in the replacement cost, asset condition, pattern of consumption effecting the remaining useful life would result in significant changes to fair value measurement.
Water Supply Network	72,322	Cost Approach	Replacement Cost Asset Condition Residual Value Remaining Useful Life	Cost vary from asset to asset Condition Rating Scale: 1 Good - 5 Very Poor Remaining useful life: 0- 80yrs Residual Value (Limited Assets): 0%	Significant changes in the replacement cost, asset condition, pattern of consumption effecting the remaining useful life would result in significant changes to fair value measurement.
Sewerage Network	179,683	Cost Approach	Replacement Cost Asset Condition Residual Value Remaining Useful Life	Cost vary from asset to asset Condition Rating Scale: 1 Good - 5 Very Poor Remaining useful life: 0- 80yrs Residual Value (Limited Assets): 0%-70%	Significant changes in the replacement cost, asset condition, pattern of consumption effecting the remaining useful life would result in significant changes to fair value measurement.
Swimming Pools	4,499	Cost Approach	Replacement Cost Asset Condition Residual Value Remaining Useful Life	Cost vary from asset to asset Condition Rating Scale: 1 Good - 5 Very Poor Remaining useful life: 2- 40yrs Residual Value: 0%-50%	Significant changes in the replacement cost, asset condition, pattern of consumption effecting the remaining useful life would result in significant changes to fair value measurement.
Other Open Space/Recreational Assets	9,624	Cost Approach	Replacement Cost Asset Condition Residual Value Remaining Useful Life	Cost vary from asset to asset Condition Rating Score: 1 Good - 5 Very Poor Remaining useful life: 5 - 100 yrs Residual value: 0 - 80%	Significant changes in the replacement cost, asset condition, pattern of consumption effecting the remaining useful life would result in significant changes to fair value measurement.
Heritage Collection	68	Cost Approach	Replacement Cost	Cost vary from asset to asset	Significant changes in the replacement cost would result in significant changes to fair value measurement.
Library Books	2,177	Cost Approach	Replacement Cost Remaining Useful Life	Vary from asset to asset Remaining useful life: 0 - 5 yrs	Significant changes in the replacement cost, asset condition, pattern of consumption effecting the remaining useful life would result in significant changes to fair value measurement.

Lismore City Council

Notes to the Financial Statements
for the financial year ended 30 June 2014

Note 27. Fair Value Measurement (continued)

\$ '000

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

Other	398	Cost Approach	Replacement Cost Remaining Useful Life	Vary from asset to asset Remaining useful life: 0 - 20 yrs	Significant changes in the replacement cost, asset condition, pattern of consumption effecting the remaining useful life would result in significant changes to fair value measurement.
Tip Assets	108	Cost Approach	Discount rate Cost escalation rate Environmental management requirements	Remaining Useful Life Inflation and Interest Rates EPA Guidelines	Significant changes in the discount rate or cost escalation rate would result in significant changes to fair value measurement.
Quarry Assets	409	Cost Approach	Discount rate Cost escalation rate Environmental management requirements	Remaining Useful Life Inflation and Interest Rate fluctuations EPA Guidelines	Significant changes in the discount rate or cost escalation rate would result in significant changes to fair value measurement.

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

d. The Valuation Process for Level 3 Fair Value Measurements

(5). Highest and best use

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



SPECIAL PURPOSE

FINANCIAL STATEMENTS

**For the year ended
30 June 2014**

Lismore City Council

Special Purpose Financial Statements

for the financial year ended 30 June 2014

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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).

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

Report on the Financial Statements

We have audited the accompanying financial statements, being special purpose financial statements, of Lismore City Council (“the Council”), which comprises the statement of financial position as at 30 June 2014, the income statement for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the statement by Councillors’ and Management.

Council’s Responsibility for the Financial Statements

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

Auditor’s Responsibility

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

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

Our audit responsibility does not extend to the best practice management disclosures in note 2 and note 3, and accordingly, we do not express an opinion on such. In addition, our audit did not include an analysis of the prudence of business decisions made by Council or management.

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



Independence

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

Opinion

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

- a) Have been prepared in accordance with the requirements of those applicable Australian Accounting Standards detailed in Note 1 and the Local Government Code of Accounting Practice and Financial Reporting;
 - i. Are consistent with the Council's accounting records;
 - ii. Present fairly, in all material respects, the financial position of Council's nominated Business Activities as at 30 June 2014 and the results of their operations for the year then ended;
- b) All information relevant to the conduct of the audit has been obtained; and
- c) There are no material deficiencies in the accounting records or financial statements that we have become aware of in the course of the audit.

Basis of Accounting

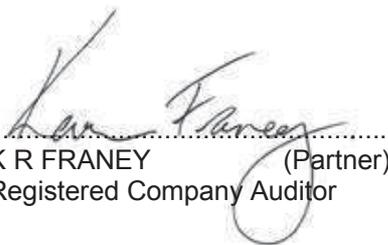
Without modifying our opinion, we draw attention to Note 1 to the financial statements, which describes the basis of accounting. The financial statements have been prepared for the purpose of fulfilling the financial reporting requirements of the NSW Office of Local Government. As a result, the financial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

Matters Relating to the Electronic Presentation of the Audited Financial Statements

This auditor's report relates to the special purpose financial statements of Lismore City Council for the financial year ended 30 June 2014 included on Council's website. The Council is responsible for the integrity of the website. We have not been engaged to report on the integrity of this website. The auditor's report refers only to the financial statements identified above. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial statements. If users of the financial statements are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial statements to confirm the information contained in this website version of the financial statements.

Dated at Lismore this 21st day of October 2014.

**THOMAS NOBLE & RUSSELL
CHARTERED ACCOUNTANTS**


K R FRANEY (Partner)
Registered Company Auditor

Lismore City Council

Special Purpose Financial Statements

for the financial year ended 30 June 2014

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:

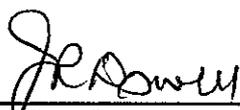
- The NSW Government Policy Statement "Application of National Competition Policy to Local Government".
- The Division of Local Government Guidelines "Pricing & Costing for Council Businesses - A Guide to Competitive Neutrality".
- The Local Government Code of Accounting Practice and Financial Reporting.
- 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.

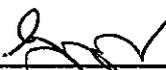
Signed in accordance with a resolution of Council made on 21 October 2014.



Jenny Dowell
MAYOR



Isaac Smith
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 2014

\$ '000	Actual 2014	Actual 2013
Income from continuing operations		
Access charges	3,055	2,732
User charges	7,498	6,658
Interest	238	329
Grants and contributions provided for non capital purposes	136	154
Other income	96	53
Total income from continuing operations	11,023	9,926
Expenses from continuing operations		
Employee benefits and on-costs	1,937	1,787
Borrowing costs	449	293
Materials and contracts	1,888	2,032
Depreciation and impairment	1,850	1,810
Water purchase charges	4,867	4,777
Loss on sale of assets	448	652
Calculated taxation equivalents	8	10
Debt guarantee fee (if applicable)	203	149
Other expenses	109	31
Total expenses from continuing operations	11,759	11,541
Surplus (deficit) from Continuing Operations before capital amounts	(736)	(1,615)
Grants and contributions provided for capital purposes	386	219
Surplus (deficit) from Continuing Operations after capital amounts	(350)	(1,396)
Surplus (deficit) from discontinued operations	-	-
Surplus (deficit) from ALL Operations before tax	(350)	(1,396)
less: Corporate Taxation Equivalent (30%) [based on result before capital]	-	-
SURPLUS (DEFICIT) AFTER TAX	(350)	(1,396)
plus Opening Retained Profits	21,051	22,291
plus/less: Prior Period Adjustments	-	-
plus/less: Other Adjustments	750	7
plus Adjustments for amounts unpaid:		
- Taxation equivalent payments	8	10
- Debt guarantee fees	203	149
- Corporate taxation equivalent	-	-
less:		
- Tax Equivalent Dividend paid	(8)	(10)
- Surplus dividend paid	-	-
Closing Retained Profits	21,654	21,051
Return on Capital %	-0.4%	-1.8%
Subsidy from Council	2,991	4,079
Calculation of dividend payable:		
Surplus (deficit) after tax	(350)	(1,396)
less: Capital grants and contributions (excluding developer contributions)	(357)	(123)
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 2014

\$ '000	Actual 2014	Actual 2013
Income from continuing operations		
Access charges	10,213	9,612
User charges	145	158
Interest	825	1,398
Grants and contributions provided for non capital purposes	132	129
Other income	59	77
Total income from continuing operations	11,374	11,374
Expenses from continuing operations		
Employee benefits and on-costs	2,183	2,221
Borrowing costs	592	590
Materials and contracts	3,216	3,191
Depreciation and impairment	4,427	4,201
Loss on sale of assets	242	1,021
Calculated taxation equivalents	30	32
Debt guarantee fee (if applicable)	135	158
Other expenses	512	359
Total expenses from continuing operations	11,337	11,773
Surplus (deficit) from Continuing Operations before capital amounts	37	(399)
Grants and contributions provided for capital purposes	219	1,009
Surplus (deficit) from Continuing Operations after capital amounts	256	610
Surplus (deficit) from discontinued operations	-	-
Surplus (deficit) from ALL Operations before tax	256	610
less: Corporate Taxation Equivalent (30%) [based on result before capital]	(11)	-
SURPLUS (DEFICIT) AFTER TAX	245	610
plus Opening Retained Profits	61,735	60,957
plus/less: Prior Period Adjustments	-	-
plus/less: Other Adjustments	387	10
plus Adjustments for amounts unpaid:		
- Taxation equivalent payments	30	32
- Debt guarantee fees	135	158
- Corporate taxation equivalent	11	-
less:		
- Tax Equivalent Dividend paid	(30)	(32)
- Surplus dividend paid	-	-
Closing Retained Profits	62,513	61,735
Return on Capital %	0.3%	0.1%
Subsidy from Council	6,083	6,792
Calculation of dividend payable:		
Surplus (deficit) after tax	245	610
less: Capital grants and contributions (excluding developer contributions)	(29)	(639)
Surplus for dividend calculation purposes	216	-
Potential Dividend calculated from surplus	108	-

Lismore City Council

Income Statement of Council's Other Business Activities

for the financial year ended 30 June 2014

\$ '000	Quarry		Waste Collection	
	Category 1		Category 1	
	Actual 2014	Actual 2013	Actual 2014	Actual 2013
Income from continuing operations				
Access charges	-	-	236	180
User charges	14,773	13,455	4,513	4,184
Interest	-	-	20	79
Grants and contributions provided for non capital purposes	180	279	81	92
Other income	42	21	44	-
Total income from continuing operations	14,995	13,755	4,894	4,535
Expenses from continuing operations				
Employee benefits and on-costs	1,578	1,249	893	831
Borrowing costs	248	252	25	31
Materials and contracts	11,887	11,540	3,599	3,572
Depreciation and impairment	115	252	-	-
Calculated taxation equivalents	116	101	43	41
Debt guarantee fee (if applicable)	75	108	12	15
Other expenses	150	170	-	-
Total expenses from continuing operations	14,169	13,672	4,572	4,490
Surplus (deficit) from Continuing Operations before capital amounts	826	83	322	45
Grants and contributions provided for capital purposes	-	-	114	-
Surplus (deficit) from Continuing Operations after capital amounts	826	83	436	45
Surplus (deficit) from discontinued operations	-	-	-	-
Surplus (deficit) from ALL Operations before tax	826	83	436	45
less: Corporate Taxation Equivalent (30%) [based on result before capital]	(248)	(25)	(97)	(14)
SURPLUS (DEFICIT) AFTER TAX	578	58	339	32
plus Opening Retained Profits	2,627	2,822	(340)	(447)
plus/less: Prior Period Adjustments		-		-
plus/less: Other Adjustments	(71)	-	8	6
plus Adjustments for amounts unpaid:				
- Taxation equivalent payments	116	101	43	41
- Debt guarantee fees	75	108	12	15
- Corporate taxation equivalent	248	25	97	14
add:				
- Subsidy Paid/Contribution To Operations		-	(27)	-
less:				
- TER dividend paid		-		-
- Dividend paid	(398)	(487)		
Closing Retained Profits	3,175	2,627	132	(340)
Return on Capital %	18.6%	8.1%	n/a	n/a
Subsidy from Council	-	-	-	-

Lismore City Council

Income Statement of Council's Other Business Activities

for the financial year ended 30 June 2014

\$ '000	Waste Disposal		Real Estate	
	Category 1		Category 2	
	Actual 2014	Actual 2013	Actual 2014	Actual 2013
Income from continuing operations				
User charges	4,622	3,664	-	-
Profit from the sale of assets	-	-	40	608
Other income	1,739	1,708	-	-
Total income from continuing operations	6,361	5,372	40	608
Expenses from continuing operations				
Employee benefits and on-costs	1,160	1,204	-	-
Borrowing costs	340	325	-	-
Materials and contracts	5,084	3,716	27	50
Depreciation and impairment	94	59	-	-
Calculated taxation equivalents	78	78	-	-
Debt guarantee fee (if applicable)	26	27	56	68
Other expenses	7	7	-	-
Total expenses from continuing operations	6,789	5,416	83	118
Surplus (deficit) from Continuing Operations before capital amounts	(428)	(44)	(43)	490
Grants and contributions provided for capital purposes	403	275	-	-
Surplus (deficit) from Continuing Operations after capital amounts	(25)	231	(43)	490
Surplus (deficit) from discontinued operations	-	-	-	-
Surplus (deficit) from ALL Operations before tax	(25)	231	(43)	490
less: Corporate Taxation Equivalent (30%) [based on result before capital]	-	-	-	(147)
SURPLUS (DEFICIT) AFTER TAX	(25)	231	(43)	343
plus Opening Retained Profits	4,381	4,226	1,547	989
plus/less: Prior Period Adjustments		-		
plus/less: Other Adjustments (Employee Leave Provision Movement in cash reserve and Adj OB Assets)	(30)	-		-
plus Adjustments for amounts unpaid:				
- Taxation equivalent payments	78	78	-	-
- Debt guarantee fees	26	27	56	68
- Corporate taxation equivalent	-	-	-	147
add:				
- Subsidy Paid/Contribution To Operations	232	106	-	-
less:				
- TER dividend paid		-		-
- Dividend paid	(287)	(287)	(1,190)	-
Closing Retained Profits	4,375	4,381	370	1,547
Return on Capital %	-0.9%	4.5%	n/a	n/a
Subsidy from Council	423	-	43	-

Lismore City Council

Income Statement of Council's Other Business Activities

for the financial year ended 30 June 2014

	Lismore Memorial Gardens Category 2		Properties Held for Public Benefit (Commercial Properties) Category 2	
	Actual 2014	Actual 2013	Actual 2014	Actual 2013
\$ '000				
Income from continuing operations				
User charges *	1,054	1,145	-	-
Other income	27	22	217	200
Total income from continuing operations	1,081	1,167	217	200
Expenses from continuing operations				
Employee benefits and on-costs	433	445	25	40
Borrowing costs	38	36	-	-
Materials and contracts	449	374	113	156
Depreciation and impairment	35	50	67	104
Calculated taxation equivalents	12	12	25	26
Debt guarantee fee (if applicable)	10	11	-	-
Other expenses	6	7	4	4
Total expenses from continuing operations	983	935	234	330
Surplus (deficit) from Continuing Operations before capital amounts	98	232	(17)	(130)
Grants and contributions provided for capital purposes	-	-	-	-
Surplus (deficit) from Continuing Operations after capital amounts	98	232	(17)	(130)
Surplus (deficit) from discontinued operations	-	-	-	-
Surplus (deficit) from ALL Operations before tax	98	232	(17)	(130)
less: Corporate Taxation Equivalent (30%) [based on result before capital]	(29)	(70)	-	-
SURPLUS (DEFICIT) AFTER TAX	69	162	(17)	(130)
plus Opening Retained Profits	1,883	1,623	1,166	1,267
plus/less: Prior Period Adjustments	-	-	-	-
plus/less: Other Adjustments	-	-	-	-
plus Adjustments for amounts unpaid:				
- Taxation equivalent payments	12	12	25	26
- Debt guarantee fees	10	11	-	-
- Corporate taxation equivalent	29	70	-	-
add:				
- Subsidy Paid/Contribution To Operations	-	5	-	3
less:				
- TER dividend paid	-	-	-	-
- Dividend paid	-	-	-	-
Closing Retained Profits	2,003	1,883	1,174	1,166
Return on Capital %	6.1%	10.6%	-0.4%	-3.1%
Subsidy from Council	-	-	169	290

*2013 results are inclusive of all operations including the crematorium and cemeteries.

Lismore City Council

Income Statement of Council's Other Business Activities

for the financial year ended 30 June 2014

Goonellabah Sports
& Aquatic Centre

Category 2

\$ '000	Actual 2014	Actual 2013
Income from continuing operations		
Fees	1,684	1,559
Grants and contributions provided for non capital purposes	207	111
Other income	26	24
Total income from continuing operations	1,917	1,694
Expenses from continuing operations		
Employee benefits and on-costs	181	174
Borrowing costs	585	617
Materials and contracts	2,022	2,103
Depreciation and impairment	250	221
Calculated taxation equivalents	47	46
Debt guarantee fee (if applicable)	268	283
Other expenses	-	203
Total expenses from continuing operations	3,353	3,647
Surplus (deficit) from Continuing Operations before capital amounts	(1,436)	(1,953)
Grants and contributions provided for capital purposes	-	-
Surplus (deficit) from Continuing Operations after capital amounts	(1,436)	(1,953)
Surplus (deficit) from discontinued operations	-	-
Surplus (deficit) from ALL Operations before tax	(1,436)	(1,953)
less: Corporate Taxation Equivalent (30%) [based on result before capital]	-	-
SURPLUS (DEFICIT) AFTER TAX	(1,436)	(1,953)
plus Opening Retained Profits	6,143	6,006
plus/less: Prior Period Adjustments	-	-
plus/less: Other Adjustments	-	-
plus Adjustments for amounts unpaid:		
- Taxation equivalent payments	47	46
- Debt guarantee fees	268	283
- Corporate taxation equivalent	-	-
add:		
- Subsidy Paid/Contribution To Operations	1,560	1,761
less:		
- TER dividend paid	-	-
- Dividend paid	-	-
Closing Retained Profits	6,582	6,143
Return on Capital %	-4.6%	-7.3%
Subsidy from Council	1,516	2,024

Lismore City Council

Statement of Financial Position - Council's Water Supply Business Activity

as at 30 June 2014

\$ '000	Actual 2014	Actual 2013
ASSETS		
Current Assets		
Cash and cash equivalents	2,809	3,726
Receivables	2,238	2,040
Inventories	299	283
Total Current Assets	5,346	6,049
Non-Current Assets		
Investments	547	488
Receivables	989	718
Infrastructure, property, plant and equipment	75,945	73,117
Total non-Current Assets	77,481	74,323
TOTAL ASSETS	82,827	80,372
LIABILITIES		
Current Liabilities		
Bank Overdraft	-	34
Payables	119	513
Interest bearing liabilities	219	193
Provisions	14	302
Total Current Liabilities	352	1,042
Non-Current Liabilities		
Interest bearing liabilities	6,859	6,575
Provisions	318	6
Total Non-Current Liabilities	7,177	6,581
TOTAL LIABILITIES	7,529	7,623
NET ASSETS	75,298	72,749
EQUITY		
Retained earnings	21,654	21,051
Revaluation reserves	53,644	51,698
Council equity interest	75,298	72,749
Non-controlling equity interest	-	-
TOTAL EQUITY	75,298	72,749

Lismore City Council

Statement of Financial Position - Council's Wastewater Business Activity

as at 30 June 2014

\$ '000	Actual 2014	Actual 2013
ASSETS		
Current Assets		
Cash and cash equivalents	13,432	10,626
Receivables	1,154	1,157
Inventories	283	299
Total Current Assets	14,869	12,082
Non-Current Assets		
Investments	2,752	2,176
Receivables	300	339
Infrastructure, property, plant and equipment	188,544	185,219
Total non-Current Assets	191,596	187,734
TOTAL ASSETS	206,465	199,816
LIABILITIES		
Current Liabilities		
Payables	370	147
Interest bearing liabilities	249	196
Provisions	301	243
Total Current Liabilities	920	586
Non-Current Liabilities		
Interest bearing liabilities	8,402	7,746
Provisions	-	6
Total Non-Current Liabilities	8,402	7,752
TOTAL LIABILITIES	9,322	8,338
NET ASSETS	197,143	191,478
EQUITY		
Retained earnings	62,513	61,735
Revaluation reserves	134,630	129,743
Council equity interest	197,143	191,478
Non-controlling equity interest	-	-
TOTAL EQUITY	197,143	191,478

Lismore City Council

Statement of Financial Position - Council's Other Business Activities

as at 30 June 2014

\$ '000	Quarry		Waste Collection	
	Category 1		Category 1	
	Actual 2014	Actual 2013	Actual 2014	Actual 2013
ASSETS				
Current Assets				
Cash and cash equivalents	-	-	614	210
Investments	200	-	-	-
Receivables	2,776	1,698	-	-
Inventories	3,392	2,348	-	-
Total Current Assets	6,368	4,046	614	210
Non-Current Assets				
Receivables	40	58	-	-
Infrastructure, property, plant and equipment	5,764	4,148	-	-
Total Non-Current Assets	5,804	4,206	-	-
TOTAL ASSETS	12,172	8,252	614	210
LIABILITIES				
Current Liabilities				
Interest bearing liabilities	168	58	98	92
Provisions	248	234	162	139
Total Current Liabilities	416	292	260	231
Non-Current Liabilities				
Interest bearing liabilities	1,732	790	218	316
Provisions	1,236	1,408	4	3
Other Liabilities	5,443	3,135	-	-
Total Non-Current Liabilities	8,411	5,333	222	319
TOTAL LIABILITIES	8,827	5,625	482	550
NET ASSETS	3,345	2,627	132	(340)
EQUITY				
Retained earnings	3,175	2,627	132	(340)
Revaluation reserves	170	-	-	-
Council equity interest	3,345	2,627	132	(340)
Non-controlling equity interest	-	-	-	-
TOTAL EQUITY	3,345	2,627	132	(340)

Lismore City Council

Statement of Financial Position - Council's Other Business Activities

as at 30 June 2014

\$ '000	Waste Disposal		Real Estate*	
	Category 1		Category 2	
	Actual 2014	Actual 2013	Actual 2014	Actual 2013
ASSETS				
Current Assets				
Investments	617	1,449	-	-
Receivables	-	949	-	1,140
Total Current Assets	617	2,398	-	1,140
Non-Current Assets				
Receivables	-	12	-	-
Inventories	-	-	2,600	2,627
Infrastructure, property, plant and equipment	9,412	6,283	-	-
Total Non-Current Assets	9,412	6,295	2,600	2,627
TOTAL ASSETS	10,029	8,693	2,600	3,767
LIABILITIES				
Current Liabilities				
Interest bearing liabilities	163	58	-	2,220
Provisions	227	205	-	-
Total Current Liabilities	390	263	-	2,220
Non-Current Liabilities				
Interest bearing liabilities	1,714	776	-	-
Provisions	-	2,137	-	-
Other Liabilities	2,414	-	2,230	-
Total Non-Current Liabilities	4,128	2,913	2,230	-
TOTAL LIABILITIES	4,518	3,176	2,230	2,220
NET ASSETS	5,511	5,517	370	1,547
EQUITY				
Retained earnings	4,375	4,381	370	1,547
Revaluation reserves	1,136	1,136	-	-
Council equity interest	5,511	5,517	370	1,547
Non-controlling equity interest	-	-	-	-
TOTAL EQUITY	5,511	5,517	370	1,547

Lismore City Council

Statement of Financial Position - Council's Other Business Activities

as at 30 June 2014

	Lismore Memorial Gardens		Properties Held for Public Benefit (Commercial Properties)	
	Category 2		Category 2	
\$ '000	Actual 2014	Actual 2013	Actual 2014	Actual 2013
ASSETS				
Current Assets				
Investments	649	135	255	169
Receivables	-	513	-	86
Total Current Assets	649	648	255	255
Non-Current Assets				
Infrastructure, property, plant and equipment	2,221	2,532	4,260	4,248
Total Non-Current Assets	2,221	2,532	4,260	4,248
TOTAL ASSETS	2,870	3,180	4,515	4,503
LIABILITIES				
Current Liabilities				
Payables	-	10	-	-
Interest bearing liabilities	19	18	-	-
Provisions	127	126	12	12
Total Current Liabilities	146	154	12	12
Non-Current Liabilities				
Payables	-	11	-	-
Interest bearing liabilities	307	327	-	-
Provisions	4	3	4	-
Total Non-Current Liabilities	311	341	4	-
TOTAL LIABILITIES	457	495	16	12
NET ASSETS	2,413	2,685	4,499	4,491
EQUITY				
Retained earnings	2,003	1,883	1,174	1,166
Revaluation reserves	410	802	3,325	3,325
Council equity interest	2,413	2,685	4,499	4,491
Non-controlling equity interest	-	-	-	-
TOTAL EQUITY	2,413	2,685	4,499	4,491

Lismore City Council

Statement of Financial Position - Council's Other Business Activities

as at 30 June 2014

Goonellabah Sports &
Aquatic Centre

Category 2

\$ '000	Actual 2014	Actual 2013
ASSETS		
Current Assets		
Investments	151	-
Total Current Assets	151	-
Non-Current Assets		
Infrastructure, property, plant and equipment	18,672	18,257
Total Non-Current Assets	18,672	18,257
TOTAL ASSETS	18,823	18,257
LIABILITIES		
Current Liabilities		
Payables	43	32
Interest bearing liabilities	477	446
Total Current Liabilities	520	478
Non-Current Liabilities		
Payables	26	79
Interest bearing liabilities	8,084	8,561
Total Non-Current Liabilities	8,110	8,640
TOTAL LIABILITIES	8,630	9,118
NET ASSETS	10,193	9,139
EQUITY		
Retained earnings	6,582	6,143
Revaluation reserves	3,611	2,996
Council equity interest	10,193	9,139
Non-controlling equity interest	-	-
TOTAL EQUITY	10,193	9,139

Lismore City Council

Special Purpose Financial Statements

for the financial year ended 30 June 2014

Contents of the Notes accompanying the Financial Statements

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3	Sewerage Business Best Practice Management disclosure requirements	118

Lismore City Council

Notes to the Special Purpose Financial Statements

for the financial year ended 30 June 2014

Note 1. Significant Accounting Policies

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

For the purposes of these statements, the Council is not a reporting not-for-profit entity.

The figures presented in these special purpose financial statements, unless otherwise stated, have been prepared in accordance with:

- the recognition and measurement criteria of relevant Australian Accounting Standards,
- other authoritative pronouncements of the Australian Accounting Standards Board (AASB) &
- Australian Accounting Interpretations.

The disclosures in these special purpose financial statements have been prepared in accordance with:

- 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, 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 Office 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

Supply of aggregate, road base & asphalt products.

d. Waste Collection

Provide domestic & commercial waste collection services to customers.

e. Waste Disposal

Provide & maintain a safe area for disposing of waste

Category 2

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

a. Real Estate

Development and selling of industrial land

b. Lismore Memorial Gardens

Provide cremation and burial services.

e. Properties Held for Public Benefit (Commercial Properties)

Commercial property rentals

Lismore City Council

Notes to the Special Purpose Financial Statements

for the financial year ended 30 June 2014

Note 1. Significant Accounting Policies

f. Goonellabah Sports and Aquatic Centre

Provide gym and swim facilities

Monetary Amounts

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

As required by the NSW Office of Water (Department of Primary Industries) the amounts shown in Note 2 and Note 3 are disclosed in whole dollars.

(i) Taxation Equivalent Charges

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

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

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

Notional Rate Applied %

Corporate Income Tax Rate – 30%

Land Tax – The first **\$412,000** of combined land values attracts **0%**. From \$412,001 to \$2,519,000 the rate is **1.6% + \$100**. For the remaining combined land value that exceeds \$2,519,000, a premium marginal rate of **2.0%** applies.

Payroll Tax – **5.45%** on the value of taxable salaries and wages in excess of \$750,000.

In accordance with the 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 each reported Business Activity.

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 General Purpose Financial Statements.

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

Lismore City Council

Notes to the Special Purpose Financial Statements

for the financial year ended 30 June 2014

Note 1. Significant Accounting Policies

Local Government Rates & Charges

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

Loan & Debt Guarantee Fees

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

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

(ii) Subsidies

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

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

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

The overall effect of subsidies is contained within the Income Statement of each reported Business Activity.

(iii) Return on Investments (Rate of Return)

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

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

The Rate of Return on Capital is calculated as follows:

Operating Result before Capital Income + Interest Expense

Written Down Value of I,P,P&E as at 30 June

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 3.56% at 30/6/14.

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 2014 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 the payment.

Lismore City Council

Notes to the Special Purpose Financial Statements for the financial year ended 30 June 2014

Note 2. Water Supply Business Best Practice Management disclosure requirements

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

2014

1. Calculation and Payment of Tax-Equivalents

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

(i)	Calculated Tax Equivalents	211,000
(ii)	No of assessments multiplied by \$3/assessment	40,845
(iii)	Amounts payable for Tax Equivalents [lesser of (i) and (ii)]	40,845
(iv)	Amounts actually paid for Tax Equivalents	8,411

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	367,605												
(iii)	Cumulative surplus before Dividends for the 3 years to 30 June 2014, less the cumulative dividends paid for the 2 years to 30 June 2013 & 30 June 2012	(4,561,000)												
<table border="1"> <tr> <td>2014 Surplus</td> <td>(707,000)</td> <td>2013 Surplus</td> <td>(1,519,000)</td> <td>2012 Surplus</td> <td>(2,335,000)</td> </tr> <tr> <td></td> <td></td> <td>2013 Dividend</td> <td>-</td> <td>2012 Dividend</td> <td>-</td> </tr> </table>			2014 Surplus	(707,000)	2013 Surplus	(1,519,000)	2012 Surplus	(2,335,000)			2013 Dividend	-	2012 Dividend	-
2014 Surplus	(707,000)	2013 Surplus	(1,519,000)	2012 Surplus	(2,335,000)									
		2013 Dividend	-	2012 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]	N/A
(iii)	Sound Water Conservation and Demand Management implemented	NO
(iv)	Sound Drought Management implemented	YES
(v)	Complete Performance Reporting Form (by 15 September each year)	YES
(vi)	a. Integrated Water Cycle Management Evaluation	NO
	b. Complete and implement Integrated Water Cycle Management Strategy	NO

Lismore City Council

Notes to the Special Purpose Financial Statements
for the financial year ended 30 June 2014Note 2. Water Supply Business
Best Practice Management disclosure requirements (continued)

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

2014

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) - Aboriginal Communities W&S Program Income (w10a)	\$'000	10,814
NWI F4	Revenue from Residential Usage Charges (Water) Income from Residential Usage Charges (w6b) x 100 divided by the sum of [Income from Residential Usage Charges (w6a) + Income from Residential Access Charges (w6b)]	%	69.67%
NWI F9	Written Down Replacement Cost of Fixed Assets (Water) Written down current cost of system assets (w47)	\$'000	75,388
NWI F11	Operating Cost (OMA) (Water) Management Expenses (w1) + Operational & Maintenance Expenses (w2)	\$'000	8,809
NWI F14	Capital Expenditure (Water) Acquisition of fixed assets (w16)	\$'000	2,289
NWI F17	Economic Real Rate of Return (Water) [Total Income (w13) - Interest Income (w9) - Grants for acquisition of assets (w11a) - Operating Costs (NWI F11) - Current Cost Depreciation (w3)] x 100 divided by [Written Down Current Cost of System Assets (w47) + Plant & Equipment (w33b)]	%	0.20%
NWI F26	Capital Works Grants (Water) Grants for the Acquisition of Assets (w11a)	\$'000	357

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

Lismore City Council

Notes to the Special Purpose Financial Statements for the financial year ended 30 June 2014

Note 3. Sewerage Business Best Practice Management disclosure requirements

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

2014

1. Calculation and Payment of Tax-Equivalents

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

(i) Calculated Tax Equivalents	165,000
(ii) No of assessments multiplied by \$3/assessment	36,456
(iii) Amounts payable for Tax Equivalents [lesser of (i) and (ii)]	36,456
(iv) Amounts actually paid for Tax Equivalents	29,747

2. Dividend from Surplus

(i) 50% of Surplus before Dividends [Calculated in accordance with Best Practice Management for Water Supply and Sewerage Guidelines]	107,950
(ii) No. of assessments x (\$30 less tax equivalent charges per assessment)	328,104
(iii) Cumulative surplus before dividends for the 3 years to 30 June 2014, less the cumulative dividends paid for the 2 years to 30 June 2013 & 30 June 2012	(1,528,100)

2014 Surplus	215,900	2013 Surplus	(29,000)	2012 Surplus	(1,715,000)
		2013 Dividend	-	2012 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]	NO
Complying charges (a) Residential [Item 2(c) in Table 1]	YES
(b) Non Residential [Item 2(c) in Table 1]	NO
(c) Trade Waste [Item 2(d) in Table 1]	NO
DSP with Commercial Developer Charges [Item 2(e) in Table 1]	YES
Liquid Trade Waste Approvals & Policy [Item 2(f) in Table 1]	NO
(iii) Complete Performance Reporting Form (by 15 September each year)	YES
(iv) a. Integrated Water Cycle Management Evaluation	NO
b. Complete and implement Integrated Water Cycle Management Strategy	NO

Lismore City Council

Notes to the Special Purpose Financial Statements
for the financial year ended 30 June 2014Note 3. Sewerage Business
Best Practice Management disclosure requirements (continued)

Dollars Amounts shown below are in WHOLE DOLLARS (unless otherwise indicated) 2014

National Water Initiative (NWI) Financial Performance Indicators

NWI F2	Total Revenue (Sewerage) Total Income (s14) - Grants for Acquisition of Assets (s12a) - Interest Income (s10) - Aboriginal Communities W&S Program Income (w10a)	\$'000	10,768
NWI F10	Written Down Replacement Cost of Fixed Assets (Sewerage) Written down current cost of system assets (s48)	\$'000	188,544
NWI F12	Operating Cost (Sewerage) Management Expenses (s1) + Operational & Maintenance Expenses (s2)	\$'000	5,941
NWI F15	Capital Expenditure (Sewerage) Acquisition of Fixed Assets (s17)	\$'000	2,657
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)]	%	0.21%
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	20,892
NWI F8	Revenue from Community Service Obligations (Water & Sewerage) Community Service Obligations (NWI F25) x 100 divided by Total Income (NWI F3)	%	1.22%
NWI F16	Capital Expenditure (Water & Sewerage) Acquisition of Fixed Assets (w16 + s17)	\$'000	4,946
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)]	%	0.21%
NWI F20	Dividend (Water & Sewerage) Dividend paid from surplus (2(v) of Note 2 + 2(v) of Note 3)	\$'000	-
NWI F21	Dividend Payout Ratio (Water & Sewerage) Dividend (NWI F20) x 100 divided by Net Profit after tax (NWI F24)	%	0.00%

Lismore City Council

Notes to the Special Purpose Financial Statements
for the financial year ended 30 June 2014Note 3. Sewerage Business
Best Practice Management disclosure requirements (continued)

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

2014

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

NWI F22	Net Debt to Equity (Water & Sewerage) Overdraft (w36 + s37) + Borrowings (w38 + s39) - Cash & Investments (w30 + s31) x 100 divided by [Total Assets (w35 + s36) - Total Liabilities (w40 + s41)]	%	-1.40%
NWI F23	Interest Cover (Water & Sewerage) Earnings before Interest & Tax (EBIT) divided by Net Interest Earnings before Interest & Tax (EBIT): Operating Result (w15a + s16a) + Interest expense (w4a + s4a) - Interest Income (w9 + s10) - Gain/Loss on disposal of assets (w14 + s15) + Miscellaneous Expenses (w4b + w4c + s4b + s4c) Net Interest: Interest Expense (w4a + s4a) - Interest Income (w9 + s10)		> 100
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	(151)
NWI F25	Community Service Obligations (Water & Sewerage) Grants for Pensioner Rebates (w11b + s12b)	\$'000	255

- 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.



SPECIAL SCHEDULES

**For the year ended
30 June 2014**

Lismore City Council

Special Schedules

for the financial year ended 30 June 2014

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¹ Special Schedules are not audited (with the exception of Special Schedule 9).

Background

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

Lismore City Council

Special Schedule No. 1 - Net Cost of Services

for the financial year ended 30 June 2014

\$'000

Function or Activity	Expenses from Continuing Operations	Income from continuing operations		Net Cost of Services
		Non Capital	Capital	
Governance	499	-	-	(499)
Administration	2,277	1,279	205	(793)
Public Order and Safety				
Fire Service Levy, Fire Protection, Emergency Services	1,199	3	7	(1,189)
Beach Control	-	-	-	-
Enforcement of Local Govt. Regulations	-	-	-	-
Animal Control	551	58	-	(493)
Other	542	-	-	(542)
Total Public Order & Safety	2,292	61	7	(2,224)
Health	975	420	-	(555)
Environment				
Noxious Plants and Insect/Vermin Control	-	-	-	-
Other Environmental Protection	361	50	-	(311)
Solid Waste Management	10,097	9,046	516	(535)
Street Cleaning	-	-	-	-
Drainage	-	-	13	13
Stormwater Management	80	-	-	(80)
Total Environment	10,538	9,096	529	(913)
Community Services and Education				
Administration & Education	185	226	-	41
Social Protection (Welfare)	654	2	-	(652)
Aged Persons and Disabled	7	4	-	(3)
Children's Services	114	2	-	(112)
Total Community Services & Education	960	234	-	(726)
Housing and Community Amenities				
Public Cemeteries	921	1,077	-	156
Public Conveniences	-	-	-	-
Street Lighting	522	167	-	(355)
Town Planning	1,942	679	46	(1,217)
Other Community Amenities	-	-	-	-
Total Housing and Community Amenities	3,385	1,923	46	(1,416)
Water Supplies	11,490	10,612	385	(493)
Sewerage Services	10,991	11,182	220	411

Lismore City Council

Special Schedule No. 1 - Net Cost of Services (continued)

for the financial year ended 30 June 2014

\$'000

Function or Activity	Expenses from Continuing Operations	Income from continuing operations		Net Cost of Services
		Non Capital	Capital	
Recreation and Culture				
Public Libraries	6,784	5,224	177	(1,383)
Museums	-	-	-	-
Art Galleries	653	127	-	(526)
Community Centres and Halls	600	6	-	(594)
Performing Arts Venues	-	-	-	-
Other Performing Arts	-	-	-	-
Other Cultural Services	-	-	-	-
Sporting Grounds and Venues	-	62	-	62
Swimming Pools	1,122	291	-	(831)
Parks & Gardens (Lakes)	3,738	270	55	(3,413)
Other Sport and Recreation	3,929	1,808	142	(1,979)
Total Recreation and Culture	16,826	7,788	374	(8,664)
Fuel & Energy	-	-	-	-
Agriculture	-	-	-	-
Mining, Manufacturing and Construction				
Building Control	1,196	774	-	(422)
Other Mining, Manufacturing & Construction	7,364	8,730	34	1,400
Total Mining, Manufacturing and Const.	8,560	9,504	34	978
Transport and Communication				
Urban Roads (UR) - Local	9,874	3,708	260	(5,906)
Urban Roads - Regional	342	176	5,967	5,801
Sealed Rural Roads (SRR) - Local	3,044	493	167	(2,384)
Sealed Rural Roads (SRR) - Regional	3,074	1,590	457	(1,027)
Unsealed Rural Roads (URR) - Local	1,787	1,995	42	250
Unsealed Rural Roads (URR) - Regional	-	-	-	-
Bridges on UR - Local	-	-	-	-
Bridges on SRR - Local	310	-	32	(278)
Bridges on URR - Local	575	-	-	(575)
Bridges on Regional Roads	-	-	-	-
Parking Areas	258	331	-	73
Footpaths	134	-	112	(22)
Aerodromes	682	433	-	(249)
Other Transport & Communication	3,422	23	909	(2,490)
Total Transport and Communication	23,502	8,749	7,946	(6,807)
Economic Affairs				
Camping Areas & Caravan Parks	(5)	23	-	28
Other Economic Affairs	4,913	483	190	(4,240)
Total Economic Affairs	4,908	506	190	(4,212)
Totals – Functions	97,203	61,354	9,936	(25,913)
General Purpose Revenues ⁽²⁾		29,355		29,355
Share of interests - joint ventures & associates using the equity method	-	104		104
NET OPERATING RESULT ⁽¹⁾	97,203	90,813	9,936	3,546

(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) & Interest on overdue Rates & Annual Charges

Lismore City Council

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

for the financial year ended 30 June 2014

\$'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	40	3,382	3,422		40			260	42	3,340	3,382
Other State Government	-	-	-							-	-
Public Subscription	-	-	-							-	-
Financial Institutions	5,821	40,306	46,127	4,050	5,813			3,025	3,177	41,187	44,364
Other	-	-	-							-	-
Total Loans	5,861	43,688	49,549	4,050	5,853	-	-	3,285	3,219	44,527	47,746
Other Long Term Debt											
Ratepayers Advances	-	-	-							-	-
Government Advances	-	-	-							-	-
Finance Leases	-	-	-							-	-
Deferred Payments	-	-	-							-	-
Total Long Term Debt	-	-	-	-	-	-	-	-	-	-	-
Total Debt	5,861	43,688	49,549	4,050	5,853	-	-	3,285	3,219	44,527	47,746

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 2014

\$'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 2014

\$'000	Actuals 2014	Actuals 2013
A Expenses and Income Expenses		
1. Management expenses		
a. Administration	1,451	1,163
b. Engineering and Supervision	363	435
2. Operation and Maintenance expenses		
- Dams & Weirs		
a. Operation expenses	-	-
b. Maintenance expenses	-	-
- Mains		
c. Operation expenses	1,437	1,326
d. Maintenance expenses	-	-
- Reservoirs		
e. Operation expenses	12	31
f. Maintenance expenses	22	37
- Pumping Stations		
g. Operation expenses (excluding energy costs)	17	76
h. Energy costs	100	32
i. Maintenance expenses	18	14
- Treatment		
j. Operation expenses (excluding chemical costs)	-	-
k. Chemical costs	-	-
l. Maintenance expenses	-	-
- Other		
m. Operation expenses	296	424
n. Maintenance expenses	226	324
o. Purchase of water	4,867	4,776
3. Depreciation expenses		
a. System assets	1,736	1,704
b. Plant and equipment	114	106
4. Miscellaneous expenses		
a. Interest expenses	449	293
b. Revaluation Decrements	-	-
c. Other expenses	-	-
d. Impairment - System assets	-	-
e. Impairment - Plant and equipment	-	-
f. Aboriginal Communities Water & Sewerage Program	-	-
g. Tax Equivalent Dividends (actually paid)	-	-
5. Total expenses	11,108	10,741

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 2014

\$'000	Actuals 2014	Actuals 2013
Income		
6. Residential charges		
a. Access (including rates)	2,383	2,131
b. Usage charges	5,474	4,860
7. Non-residential charges		
a. Access (including rates)	672	601
b. Usage charges	2,024	1,798
8. Extra charges	-	-
9. Interest income	238	329
10. Other income	96	53
10a. Aboriginal Communities Water and Sewerage Program	-	-
11. Grants		
a. Grants for acquisition of assets	357	-
b. Grants for pensioner rebates	132	150
c. Other grants	4	5
12. Contributions		
a. Developer charges	29	96
b. Developer provided assets	-	123
c. Other contributions	-	-
13. Total income	<u>11,409</u>	<u>10,146</u>
14. Gain (or loss) on disposal of assets	(448)	(652)
15. Operating Result	<u>(147)</u>	<u>(1,247)</u>
15a. Operating Result (less grants for acquisition of assets)	(504)	(1,247)

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 2014

\$'000	Actuals 2014	Actuals 2013
B Capital transactions		
Non-operating expenditures		
16. Acquisition of Fixed Assets		
a. New Assets for Improved Standards	-	-
b. New Assets for Growth	-	-
c. Renewals	2,233	1,910
d. Plant and equipment	56	66
17. Repayment of debt		
a. Loans	189	127
b. Advances	-	-
c. Finance leases	-	-
18. Transfer to sinking fund	-	-
19. Totals	2,478	2,103
Non-operating funds employed		
20. Proceeds from disposal of assets	-	-
21. Borrowing utilised		
a. Loans	500	2,600
b. Advances	-	-
c. Finance leases	-	-
22. Transfer from sinking fund	-	-
23. Totals	500	2,600
C Rates and charges		
24. Number of assessments		
a. Residential (occupied)	11,840	11,420
b. Residential (unoccupied, ie. vacant lot)	215	207
c. Non-residential (occupied)	1,508	1,884
d. Non-residential (unoccupied, ie. vacant lot)	52	53
25. Number of ETs for which developer charges were received	48 ET	70 ET
26. Total amount of pensioner rebates (actual dollars)	\$ 231,465	\$ 228,716

Lismore City Council

Special Schedule No. 3 - Water Supply Cross Subsidies

for the financial year ended 30 June 2014

\$'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 2013/14 (page 47 of Guidelines)			<input type="text" value="-"/>
** In accordance with page 9 of Developer Charges Guidelines for Water Supply, Sewerage and Stormwater, NSW Office of Water, December, 2002.			
29. Disclosure of cross-subsidies			
Total of cross-subsidies (27b +27c + 27d + 28b)			<input type="text" value="-"/>

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

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

Lismore City Council

Special Schedule No. 4 - Water Supply Statement of Financial Position

Includes INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.
as at 30 June 2014

\$'000	Actuals Current	Actuals Non Current	Actuals Total
ASSETS			
30. Cash and investments			
a. Developer charges	-	-	-
b. Special purpose grants	-	-	-
c. Accrued leave	-	-	-
d. Unexpended loans	-	-	-
e. Sinking fund	-	-	-
f. Other	2,809	547	3,356
31. Receivables			
a. Specific purpose grants	-	-	-
b. Rates and Availability Charges	460	287	747
c. User Charges	1,029	641	1,670
d. Other	749	61	810
32. Inventories	299	-	299
33. Property, plant and equipment			
a. System assets	-	75,388	75,388
b. Plant and equipment	-	557	557
34. Other assets	-	-	-
35. Total assets	<u>5,346</u>	<u>77,481</u>	<u>82,827</u>
LIABILITIES			
36. Bank overdraft	-	-	-
37. Creditors	119	-	119
38. Borrowings			
a. Loans	219	6,859	7,078
b. Advances	-	-	-
c. Finance leases	-	-	-
39. Provisions			
a. Tax equivalents	-	-	-
b. Dividend	-	-	-
c. Other	14	318	332
40. Total liabilities	<u>352</u>	<u>7,177</u>	<u>7,529</u>
41. NET ASSETS COMMITTED	<u>4,994</u>	<u>70,304</u>	<u>75,298</u>
EQUITY			
42. Accumulated surplus			21,654
43. Asset revaluation reserve			53,644
44. TOTAL EQUITY			<u>75,298</u>
Note to system assets:			
45. Current replacement cost of system assets			125,909
46. Accumulated current cost depreciation of system assets			(50,521)
47. Written down current cost of system assets			<u>75,388</u>

Lismore City Council

Special Schedule No. 5 - Sewerage Service Income Statement

Includes ALL INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.
for the financial year ended 30 June 2014

\$'000	Actuals 2014	Actuals 2013
A Expenses and Income Expenses		
1. Management expenses		
a. Administration	1,086	990
b. Engineering and Supervision	466	396
2. Operation and Maintenance expenses		
- Mains		
a. Operation expenses	96	81
b. Maintenance expenses	1,135	1,228
- Pumping Stations		
c. Operation expenses (excluding energy costs)	40	45
d. Energy costs	184	244
e. Maintenance expenses	422	441
- Treatment		
f. Operation expenses (excl. chemical, energy, effluent & biosolids management costs)	678	859
g. Chemical costs	352	336
h. Energy costs	304	102
i. Effluent Management	125	190
j. Biosolids Management	369	187
k. Maintenance expenses	579	590
- Other		
l. Operation expenses	-	-
m. Maintenance expenses	105	115
3. Depreciation expenses		
a. System assets	4,200	3,962
b. Plant and equipment	227	239
4. Miscellaneous expenses		
a. Interest expenses	592	590
b. Revaluation Decrements	-	-
c. Other expenses	-	-
d. Impairment - System assets	-	-
e. Impairment - Plant and equipment	-	-
f. Aboriginal Communities Water & Sewerage Program	-	-
g. Tax Equivalents Dividends (actually paid)	-	-
5. Total expenses	10,960	10,595

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 2014

\$'000	Actuals 2014	Actuals 2013
Income		
6. Residential charges (including rates)	8,236	7,780
7. Non-residential charges		
a. Access (including rates)	1,977	1,832
b. Usage charges	-	-
8. Trade Waste Charges		
a. Annual Fees	145	153
b. Usage charges	-	-
c. Excess mass charges	-	-
d. Re-inspection fees	-	-
9. Extra charges	-	-
10. Interest income	825	1,398
11. Other income	59	82
11a. Aboriginal Communities Water & Sewerage Program	-	-
12. Grants		
a. Grants for acquisition of assets	-	-
b. Grants for pensioner rebates	123	124
c. Other grants	9	5
13. Contributions		
a. Developer charges	190	370
b. Developer provided assets	29	640
c. Other contributions	-	-
14. Total income	<u>11,593</u>	<u>12,384</u>
15. Gain (or loss) on disposal of assets	(242)	(1,021)
16. Operating Result	<u>391</u>	<u>768</u>
16a. Operating Result (less grants for acquisition of assets)	391	768

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 2014

\$'000	Actuals 2014	Actuals 2013
B Capital transactions		
Non-operating expenditures		
17. Acquisition of Fixed Assets		
a. New Assets for Improved Standards	-	-
b. New Assets for Growth	961	1,414
c. Renewals	1,571	5,113
d. Plant and equipment	125	292
18. Repayment of debt		
a. Loans	190	198
b. Advances	-	-
c. Finance leases	-	-
19. Transfer to sinking fund	-	-
20. Totals	2,847	7,017
Non-operating funds employed		
21. Proceeds from disposal of assets	-	-
22. Borrowing utilised		
a. Loans	900	-
b. Advances	-	-
c. Finance leases	-	-
23. Transfer from sinking fund	-	-
24. Totals	900	-
C Rates and charges		
25. Number of assessments		
a. Residential (occupied)	10,655	10,537
b. Residential (unoccupied, ie. vacant lot)	395	419
c. Non-residential (occupied)	1,017	1,023
d. Non-residential (unoccupied, ie. vacant lot)	85	84
26. Number of ETs for which developer charges were received	23 ET	45 ET
27. Total amount of pensioner rebates (actual dollars)	\$ 223,800	\$ 222,364

Lismore City Council

Special Schedule No. 5 - Sewerage Cross Subsidies

for the financial year ended 30 June 2014

\$'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" value="NO"/>	
If Yes, go to 29a. If No, please report if council has removed land value from access charges (ie rates)?	<input type="checkbox" value="YES"/>	<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)			886,854
c. Cross-subsidy to trade waste discharges (page 46 of Guidelines)			250,000
29. Developer charges			
a. Has council completed a sewerage Development Servicing** Plan?	<input type="checkbox" value="YES"/>	<input type="checkbox"/>	
b. Total cross-subsidy in sewerage developer charges for 2012/13 (page 47 of Guidelines)			-
** 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)			1,136,854

* 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 Service Statement of Financial Position

Includes INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.
as at 30 June 2014

\$'000	Actuals Current	Actuals Non Current	Actuals Total
ASSETS			
31. Cash and investments			
a. Developer charges	-	-	-
b. Special purpose grants	-	-	-
c. Accrued leave	-	-	-
d. Unexpended loans	-	-	-
e. Sinking fund	-	-	-
f. Other	13,432	2,752	16,184
32. Receivables			
a. Specific purpose grants	-	-	-
b. Rates and Availability Charges	577	154	731
c. User Charges	27	-	27
d. Other	550	146	696
33. Inventories	283	-	283
34. Property, plant and equipment			
a. System assets	-	188,544	188,544
b. Plant and equipment	-	-	-
35. Other assets	-	-	-
36. Total Assets	<u>14,869</u>	<u>191,596</u>	<u>206,465</u>
LIABILITIES			
37. Bank overdraft	-	-	-
38. Creditors	370	-	370
39. Borrowings			
a. Loans	249	8,402	8,651
b. Advances	-	-	-
c. Finance leases	-	-	-
40. Provisions			
a. Tax equivalents	-	-	-
b. Dividend	-	-	-
c. Other	301	-	301
41. Total Liabilities	<u>920</u>	<u>8,402</u>	<u>9,322</u>
42. NET ASSETS COMMITTED	<u>13,949</u>	<u>183,194</u>	<u>197,143</u>
EQUITY			
42. Accumulated surplus			62,513
44. Asset revaluation reserve			134,630
45. TOTAL EQUITY			<u>197,143</u>
Note to system assets:			
46. Current replacement cost of system assets			313,573
47. Accumulated current cost depreciation of system assets			(125,029)
48. Written down current cost of system assets			<u>188,544</u>

Lismore City Council

Notes to Special Schedule No.'s 3 & 5

for the financial year ended 30 June 2014

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.

Impairment Losses (item 4d & 4e of Special Schedules 3 and 5) are to be used when the carrying amount of an asset exceeds its recoverable amount.

Aboriginal Communities Water and Sewerage Program (item 4f of Special Schedules 3 and 5) is to be used when operation and maintenance work has been undertaken on behalf of the Aboriginal Communities Water and Sewerage Program. Similarly, income for item 11a of Special Schedule 3 and item 12a of Special Schedule 5 are for services provided to the Aboriginal Communities Water and Sewerage Program and is not part of Council's water supply and sewerage revenue.

Residential charges ⁽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. 7 - Report on Infrastructure Assets

as at 30 June 2014

\$'000

Asset Class	Asset Category	Estimated cost to bring up to a satisfactory standard ⁽¹⁾	Required ⁽²⁾ Annual Maintenance	Actual ⁽³⁾ Maintenance 2013/14	Written Down Value (WDV) ⁽⁴⁾	Assets in Condition as a % of WDV ^{(4), (5)}				
						1	2	3	4	5
Buildings	Council Offices / Administration Centres	314	284	218	34,680	50%	30%	20%	0%	0%
	Council Works Depot	306	279	213	5,595	40%	30%	20%	10%	0%
	Council Public Halls	430	391	299	12,716	35%	20%	20%	20%	5%
	Libraries	69	62	48	3,484	0%	76%	0%	0%	24%
	Other Buildings	11	10	8	447	100%	0%	0%	0%	0%
	Specialised Buildings									
	Council Houses	11	10	8	546	0%	100%	0%	0%	0%
	Toilet Blocks/Amenities	978	887	681	3,222	40%	30%	20%	5%	5%
	Art Gallery	86	78	60	1,167	0%	0%	100%	0%	0%
	sub total	2,205	2,001	1,535	61,857	41.7%	30.4%	20.1%	5.3%	2.6%
Other Structures	Other Structures	***	1,306	1,266	6,494	***	***	***	***	***
	sub total	-	1,306	1,266	6,494	0.0%	0.0%	0.0%	0.0%	0.0%
Roads	Sealed Roads Surface	500	750	550	18,315	41%	23%	26%	8%	2%
	Sealed Roads Structure	2,408	8,755	7,948	267,454	43%	34%	17%	4%	2%
	Unsealed Roads	158	518	1,127	4,789	40%	30%	20%	5%	5%
	Bridges	1,798	5,876	464	44,153	40%	30%	20%	5%	5%
	Footpaths	264	864	134	14,093	41%	41%	16%	1%	1%
	Kerb and Gutter	53	173	133	24,913	40%	30%	20%	5%	5%
	sub total	5,181	16,936	10,356	373,717	42.2%	32.9%	18.0%	4.3%	2.6%

Lismore City Council

Special Schedule No. 7 - Condition of Public Works (continued)
as at 30 June 2014

\$'000

Asset Class	Asset Category	Estimated cost to bring up to a satisfactory standard ⁽¹⁾	Required ⁽²⁾ Annual Maintenance	Actual ⁽³⁾ Maintenance 2013/14	Written Down Value (WDV) ⁽⁴⁾	Assets in Condition as a % of WDV ^{(4), (5)}				
						1	2	3	4	5
Water Supply Network	Dams/Weirs	***	***	***	616	***	***	***	***	***
	Mains	6,844	5,829	5,533	58,649	44%	32%	21%	2%	1%
	Reservoirs	1,080	912	896	3,158	15%	51%	23%	6%	5%
	Pumping Station/s	720	608	597	768	33%	24%	30%	8%	5%
	Treatment	***	***	***	53	***	***	***	***	***
	Buildings	***	***	***	228	***	***	***	***	***
	Meters	350	250	215	4,901	***	***	***	***	***
	Other	***	***	***	3,949	***	***	***	***	***
	sub total	8,994	7,599	7,241	72,322	36.7%	28.4%	18.4%	2.0%	14.6%
Sewerage Network	Mains	3,085	6,161	6,063	104,759	30%	54%	14%	2%	0%
	Pumping Station/s	215	430	904	26,035	5%	34%	55%	5%	1%
	Treatment	3,875	7,737	3,155	36,660	7%	63%	25%	3%	2%
	Buildings	***	***	***	1,151	***	***	***	***	100%
	Tunnels	***	***	***	11,052	***	***	***	***	100%
	Other	***	***	***	26	***	***	***	***	100%
		sub total	7,175	14,328	10,122	179,683	18.3%	36.8%	16.3%	1.9%

Special Schedules 2014

Lismore City Council

Special Schedule No. 7 - Condition of Public Works (continued) as at 30 June 2014

\$'000

Asset Class	Asset Category	Estimated cost to bring up to a satisfactory standard ⁽¹⁾	Required Annual Maintenance ⁽²⁾	Actual Maintenance 2013/14 ⁽³⁾	Written Down Value (WDV) ⁽⁴⁾	Assets in Condition as a % of WDV ^{(4), (5)}				
						1	2	3	4	5
Stormwater Drainage	Stormwater Drainage Assets	254	1,155	446	49,198	***	***	***	***	100%
	sub total	254	1,155	446	49,198	0.0%	0.0%	0.0%	0.0%	0.0%
Open Space/ Recreational Assets	Swimming Pools	***	***	738	4,499	***	***	***	***	100%
	Other Open Spaces	***	3,356	3,373	9,624	***	***	***	***	100%
	sub total	-	3,356	4,111	14,123	0.0%	0.0%	0.0%	0.0%	100.0%
	TOTAL - ALL ASSETS	23,809	46,681	35,077	757,394	32.4%	33.1%	17.3%	3.3%	11.7%

*** No Data Available

Notes:

- (1). Satisfactory is defined as "satisfying expectations or needs, leaving no room for complaint, causing satisfaction, adequate".
The estimated cost to bring assets to a satisfactory standard is the amount of money that is required to be spent on an asset to ensure that it is in a satisfactory standard.
This estimated cost should not include any planned enhancements (ie.to heighten, intensify or improve the facilities).
- (2). Required Annual Maintenance is "what should be spent to maintain assets in a satisfactory standard.
- (3). Actual Maintenance is what has been spent in the current year to maintain the assets.
Actual Maintenance may be higher or lower than the required annual maintenance due to the timing of when the maintenance actually occurs.
- (4). Written Down Value is in accordance with Note 9 of Council's General Purpose Financial Statements
- (5). **Infrastructure Asset Condition Assessment "Key"**

1	Excellent	No work required (normal maintenance)
2	Good	Only minor maintenance work required
3	Average	Maintenance work required
4	Poor	Renewal required
5	Very Poor	Urgent renewal/upgrading required

Lismore City Council

Special Schedule No. 7 - Report on Infrastructure Assets (continued)
for the financial year ended 30 June 2014

\$ '000	Amounts 2014	Indicator 2014	Prior Periods 2013 2012	
Infrastructure Asset Performance Indicators Consolidated				
1. Building and Infrastructure Renewals Ratio				
Asset Renewals (Building and Infrastructure) ⁽¹⁾	<u>13,423</u>	76.67%	71.31%	52.66%
Depreciation, Amortisation & Impairment	<u>17,508</u>			
2. Infrastructure Backlog Ratio				
Estimated Cost to bring Assets to a Satisfactory Condition	<u>23,809</u>	0.03	0.03	0.03
Total value ⁽²⁾ of Infrastructure, Building, Other Structures & depreciable Land Improvement Assets	<u>767,531</u>			
3. Asset Maintenance Ratio				
Actual Asset Maintenance	<u>35,077</u>	0.75	0.88	0.84
Required Asset Maintenance	<u>46,681</u>			
4. Capital Expenditure Ratio				
Annual Capital Expenditure	<u>27,265</u>	1.22	1.17	1.01
Annual Depreciation	<u>22,287</u>			

Notes

⁽¹⁾ 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.

⁽²⁾ Written down value

Lismore City Council

Special Schedule No. 7 - Report on Infrastructure Assets (continued)
for the financial year ended 30 June 2014

\$ '000	Water 2014	Sewer 2014	General ⁽¹⁾ 2014
Infrastructure Asset Performance Indicators By Fund			
1. Building and Infrastructure Renewals Ratio			
<u>Asset Renewals (Building and Infrastructure) ⁽¹⁾</u>	98.21%	11.54%	96.90%
Depreciation, Amortisation & Impairment			
prior period:	123.95%	52.23%	69.98%
2. Infrastructure Backlog Ratio			
<u>Estimated Cost to bring Assets to a Satisfactory Condition</u>			
Total value ⁽³⁾ of Infrastructure, Building, Other Structures & Depreciable Land Improvement Assets	0.12	0.04	0.01
prior period:	0.12	0.04	0.02
3. Asset Maintenance Ratio			
<u>Actual Asset Maintenance</u>			
Required Asset Maintenance	0.95	0.71	0.72
prior period:	0.98	0.98	0.79
4. Capital Expenditure Ratio			
<u>Annual Capital Expenditure</u>			
Annual Depreciation	0.98	0.55	1.44
prior period:	0.69	1.37	1.17

Notes

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

⁽²⁾ 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.

⁽³⁾ Written down value

Lismore City Council

Special Schedule No. 8 - Financial Projections

as at 30 June 2014

\$'000	Actual ⁽¹⁾ 13/14	Forecast ⁽³⁾ 14/15	Forecast ⁽³⁾ 15/16	Forecast ⁽³⁾ 16/17	Forecast ⁽³⁾ 17/18	Forecast ⁽³⁾ 18/19	Forecast ⁽³⁾ 19/20	Forecast ⁽³⁾ 20/21	Forecast ⁽³⁾ 21/22	Forecast ⁽³⁾ 22/23	Forecast ⁽³⁾ 23/24
(i) OPERATING BUDGET											
Income from continuing operations	100,749	97,486	102,551	103,752	109,965	113,884	116,883	123,755	127,043	134,271	130,315
Expenses from continuing operations	97,203	93,975	96,070	99,542	101,884	104,228	107,502	110,866	113,340	115,959	118,824
Operating Result from Continuing Operations	3,546	3,511	6,481	4,210	8,081	9,656	9,381	12,889	13,703	18,312	11,491
(ii) CAPITAL BUDGET											
New Capital Works ⁽²⁾	305	-	-	-	-	-	-	-	-	-	-
Replacement/Refurbishment of Existing Assets	30,114	38,113	43,808	34,411	27,373	27,096	44,091	39,673	28,173	36,302	25,057
Total Capital Budget	30,419	38,113	43,808	34,411	27,373	27,096	44,091	39,673	28,173	36,302	25,057
Funded by:											
- Loans	4,050	14,450	18,789	12,669	1,076	3,563	13,304	4,563	-	-	-
- Asset sales	792	1,198	1,351	886	1,120	1,150	1,304	838	711	809	809
- Reserves	2,034	2,447	2,339	1,275	1,795	439	8,623	7,032	410	3,892	269
- Grants/Contributions	9,936	10,494	9,244	9,303	9,362	9,423	9,485	9,548	9,613	9,680	9,748
- Recurrent revenue	13,607	9,524	12,085	10,278	14,020	12,521	11,375	17,692	17,439	21,921	14,231
	30,419	38,113	43,808	34,411	27,373	27,096	44,091	39,673	28,173	36,302	25,057

Notes:

- (1) From 13/14 Income Statement.
- (2) New Capital Works are major non-recurrent projects, eg new Leisure Centre, new Library, new Swimming pool etc.
- (3) Financial projections should be in accordance with Council's Integrated Planning and Reporting framework.

Lismore City Council

Special Schedule No. 9 - Permissible Income Calculation

for the financial year ended 30 June 2015

\$'000		Calculation 2013/14	Calculation 2014/15
Notional General Income Calculation ⁽¹⁾			
Last Year Notional General Income Yield	a	25,343	26,237
Plus or minus Adjustments ⁽²⁾	b	(25,343)	84
Notional General Income	c	<u>-</u>	<u>26,321</u>
Permissible Income Calculation			
Special variation percentage ⁽³⁾	d	3.82%	0.00%
or Rate peg percentage	e	3.40%	2.30%
or Crown land adjustment incl. rate peg percentage	f	0.00%	0.00%
less expiring Special variation amount	g	(106)	-
plus Special variation amount	h=(c+g)xd	(4)	-
or plus Rate peg amount	i = c x e	-	605
or plus Crown land adjustment and rate peg amount	j = c x f	-	-
sub-total	k = (c+g+h+i+j)	<u>(110)</u>	<u>26,926</u>
plus (or minus) last year's Carry Forward Total	l	(1)	(26,348)
less Valuation Objections claimed in the previous year	m	-	-
sub-total	n = (l + m)	<u>(1)</u>	<u>(26,348)</u>
Total Permissible income	o = k + n	<u>(111)</u>	<u>578</u>
less Notional General Income Yield	p	26,237	26,927
Catch-up or (excess) result	q = o - p	<u>(26,348)</u>	<u>(26,349)</u>
plus Income lost due to valuation objections claimed ⁽⁴⁾	r	-	-
less Unused catch-up ⁽⁵⁾	s	-	-
Carry forward to next year	t = q + r - s	<u>(26,348)</u>	<u>(26,349)</u>

Notes

- ¹ The Notional General Income will not reconcile with rate income in the financial statements in the corresponding year. The statements are reported on an accrual accounting basis which include amounts that relate to prior years' rates income.
- ² Adjustments account for changes in the number of assessments and any increase or decrease in land value occurring during the year. The adjustments are called "supplementary valuations" as defined in the Valuation of Land Act 1916.
- ³ The Special Variation Percentage is inclusive of the Rate Peg percentage and where applicable crown land adjustment.
- ⁴ Valuation objections are unexpected changes in land values as a result of land owners successfully objecting to the land value issued by the Valuer-General. Councils can claim the value of the income lost due to valuation objections in any single year.
- ⁵ Unused catch-up amounts will be deducted if they are not caught up within 2 years. Usually councils will have a nominal carry forward figure. These amounts can be adjusted for in setting the rates in a future year.



LISMORE CITY COUNCIL
SPECIAL SCHEDULE NO 9
INDEPENDENT AUDITORS' REPORT

REPORT ON SPECIAL SCHEDULE NO 9

We have audited the accompanying special purpose financial statement comprising the reconciliation of total permissible general income (Special Schedule No. 9) of Lismore City Council for the year ending 30 June 2015.

Responsibility of Council for Special Schedule No. 9

The Council is responsible for the preparation and fair presentation of Special Schedule No. 9 in accordance with the Local Government Code of Accounting Practice and Financial Reporting (Guidelines) Update No. 22. This responsibility includes the maintenance of adequate accounting records and internal controls designed to prevent and detect fraud and error; designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of Special Schedule No. 9 that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on Special Schedule No. 9 based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether Special Schedule No. 9 is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in Special Schedule No. 9. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of Special Schedule No. 9, whether due to fraud or error. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of Special Schedule No. 9.

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, there is an unavoidable risk that some material misstatements may not be detected, even though the audit is properly planned and performed in accordance with Australian Auditing Standards.

In making our risk assessments, we consider internal controls relevant to the entity's preparation of Special Schedule No. 9 in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

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



Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements.

Audit Opinion

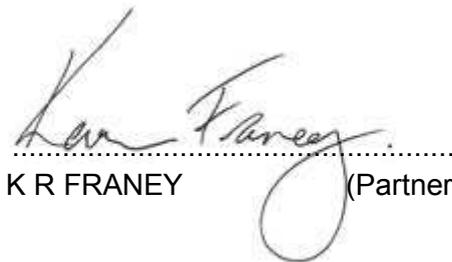
In our opinion, Special Schedule No. 9 of Lismore City Council for 2014/15 is properly drawn up in accordance with the requirements of the Office of Local Government and in accordance with the books and records of the Council.

Basis of Accounting

Without modifying our opinion, we advise that this schedule has been prepared for distribution to the Office of Local Government for the purposes of confirming that Council's reconciliation of Council's total permissible general income is presented fairly. As a result, the schedule may not be suitable for another purpose.

THOMAS NOBLE & RUSSELL CHARTERED ACCOUNTANTS

Per:

A handwritten signature in cursive script, appearing to read 'K R Franey', is written over a horizontal dotted line. The signature is positioned to the left of the printed name and title.

K R FRANEY (Partner)

Dated at Lismore this 21st day of October 2014



FINANCIAL REPORTS REVIEW

**For the year ended
30 June 2014**

Overview

The 2013/14 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 all 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 2013/14 Financial Reports Review is to provide commentary and interpretation on the reported results.

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. However, additional information is provided in relation to the Special Schedule 7 – Infrastructure Asset Performance Indicators.

Part A: General Purpose Financial Statements

1. Income Statement

The net operating result for 2013/14 is a \$3.546 million surplus. The following table displays the summarised information from 2011/12 to 2013/14:

Item	2013/14 (\$'000)	% Change	2012/13 (\$'000)	% Change	2011/12 (\$'000)
Income from continuing operations	100,749	-2.32%	103,142	8.32%	95,217
Expenses from continuing operations	97,203	-4.74%	102,039	3.16%	98,909
Net operating result for the year	3,546	221.49%	1,103	129.88%	(3,692)
Net operating result before capital grants and contributions	(6,390)	17.61%	(7,758)	26.06%	(10,493)

A summary of the major movements follows:

For income from continuing operations:

- Increase in user charges & fees \$1.177 million.
- Increase in rates & annual charges \$2.187 million.
- Decrease in interest & investment revenues \$1.586 million.
- Decrease in grants & contributions for operating purposes \$4.764 million.
- Increase in grants & contributions for capital purposes \$1.075 million.

For expenses from continuing operations:

- Decrease in employee benefits & on-costs \$1.492 million.
- Decrease in materials & contracts by \$4.139 million.
- Increase in depreciation & amortisation by \$1.222 million.

In general, income from continuing operations decreased by 2.32% or \$2.393 million with expenses from continuing operations also decreasing by 4.74% or \$4.836 million.

The significant decrease in expenses reflects the fact that for 2012/13 expenses for materials & contracts and employee benefits & on-costs were inflated due to significant additional works undertaken for Road & Maritime Services (RMS) works and increased Northern River Quarry & Asphalt operations.

2. Statement of Financial Position

The Statement of Financial Position is used to summarise the total net assets (assets – liabilities = net assets/equity) under Council's control. As at 30 June 2014, total net assets were \$1.154 billion. During 2013/14, net assets decreased by \$7.756 million from \$1.162 billion in 2012/13. The main contributor to the decrease was the net revaluation decrement of \$11.302 million of Infrastructure, Property, Plant & Equipment for 2013/14 and in particular the results of the revaluation of both transport and stormwater infrastructure assets. This decrease is partially offset by the Net Operating Result for the year of a \$3.546 million surplus.

The major component of Council's net assets is infrastructure assets. Net infrastructure assets total \$947.8 million and include the following categories and amounts:

Infrastructure Assets	At Fair Value (FV) (\$m)	Accumulated Depreciation (\$m)	Written Down Value (\$m)	Accumulated Depreciation / At FV %
Roads, Bridges, Footpaths & Earthworks	800.1	167.5	632.6	20.9
Stormwater Drainage	74.9	25.7	49.2	34.3
Water Supply Network	122.7	50.4	72.3	41.1
Wastewater Services Network	303.2	123.6	179.6	40.8
Swimming Pools	5.1	0.6	4.5	11.8
Other Open Space/Recreational Assets	17.2	7.6	9.6	44.2
Total Infrastructure Assets	1,323.2	375.4	947.8	28.4

3. Income from continuing operations (Note 3)

Income from continuing operations decreased by \$2.39 million or 2.32% compared to 2012/13. A summary of the individual categories and comparisons for the last three years is provided below:

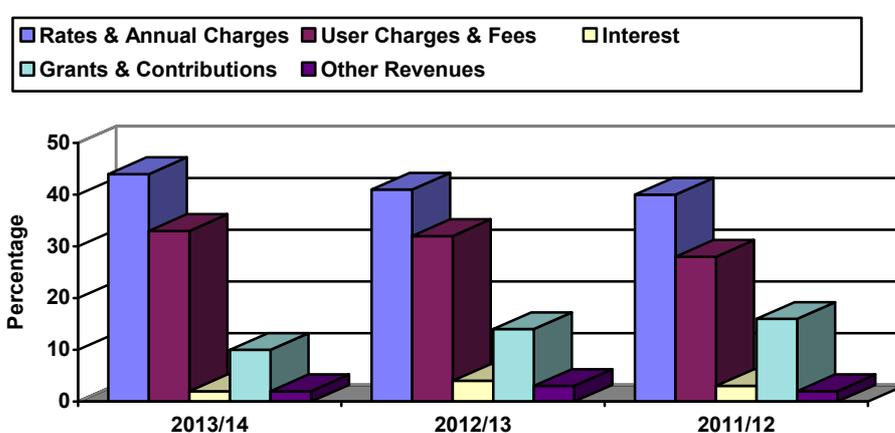
Type	2013/14 (\$'000)	% Change	2012/13 (\$'000)	% Change	2011/12 (\$'000)
Rates & Annual Charges	43,562	5.3	41,375	4.5	39,603
User Charges & Fees	33,038	3.7	31,861	14.2	27,906
Interest	2,135	(42.6)	3,721	42.7	2,607
Other revenues	2,432	(19.4)	3,018	66.9	1,808
Grants & Contributions – Operating	9,542	(33.3)	14,306	13.3	16,492
Grants & Contributions – Capital	9,936	12.1	8,861	30.3	6,801
Gain on Disposal of Assets	0	n/a	0	n/a	0
Net share of interests in Joint Ventures & Associated Entities using the equity method	104	n/a	0	n/a	0
Total	100,749	(2.3)	103,142	8.3	95,217

- **Rates & Annual Charges** – Income from rates have increased by 4.01% which is in line with rate pegging and anticipated growth. Annual charges have increased by 7.08% or \$1.2 million with the major areas being Wastewater \$590,000, Water \$340,000 and Domestic Waste Management \$214,000. These increases are in line with the expectations from the 1 Year Plan – 2013/14.
- **User Charges & Fees** – Increased by 3.7% or \$1.18 million. The major movements in these incomes were attributable to an increase in Waste Disposal charges \$1.6 million, an increase in Water Supply service charges \$756,000, a decrease in Northern Rivers Quarry & Asphalt fees \$1.04 million and a decrease in Roads and Maritime Services (RMS) charges of \$473,000 for works on roads undertaken on State Roads not controlled by Council.
- **Interest** – The interest and investment return comprises interest on investments of \$1.4 million and market value adjustments on investments held of \$345,000. There has been an overall decrease in investment returns of \$1.6 million compared to 2012/13. This is mainly attributable to a decrease in the carrying value of the investment portfolio and reduced interest rates available in the market place.
- **Other revenues** – The major movement from 2012/13 is a reduced income generated from recycling operations \$711,000.

- **Grants & Contributions - Operating** – Grants and contributions for operating purposes decreased from 2012/13 by \$4.76 million. The major movement is a decrease in the Financial Assistance Grants of \$2.25 million. This relates to the timing of payment from the Commonwealth. Previously, 50% of the next year’s entitlement was paid in advance. For 2013/14, the Commonwealth ceased this practice. A decrease in Road Toll Response and Black Spot funding from the RMS \$1.4 million was also a major factor.
- **Grants & Contributions - Capital** – Grants and contributions for capital purposes increased from 2013 by \$1.08 million. Developer contributions (Section 94/64) decreased from last year by \$689,000 with other contributions also decreasing by \$958,000. However, grant funding increased by \$2.56 million mainly due to the grant funds received for the Building Better Regional Cities project \$5.013 million.

The following graph represents the main types of income from continuing operations expressed as a percentage of total continuing for 2013/14, 2012/13 and 2011/12. It clearly shows Council’s reliance on Rates & 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 \$4.84 million or 4.74% from 2012/13 to 2013/14. A summary of the individual categories and comparisons for the last three years is provided below:

Type	2013/14 (\$'000)	% Change	2012/13 (\$'000)	% Change	2011/12 (\$'000)
Employee Costs	28,693	(4.9)	30,185	7.4	28,094
Borrowing Costs	3,700	3.5	3,574	3.4	3,457
Materials & Contracts	35,318	(10.5)	39,457	8.4	36,411
Depreciation	22,287	5.8	21,065	(9.4)	23,251
Other	4,882	(0.7)	4,914	10.8	4,435
Loss on Disposal of Assets	2,323	(18.3)	2,844	(12.8)	3,261
Total	97,203	(4.7)	102,039	3.2	98,909

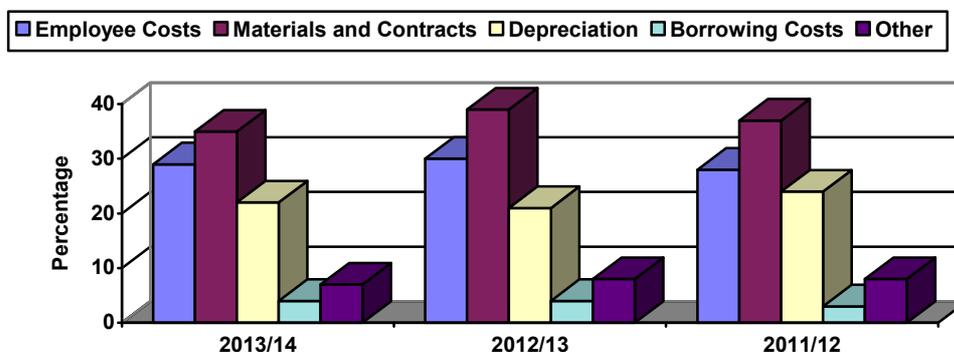
A decrease compared to 2012/13 is shown for Employee Costs of \$1.49 million. The majority of this decrease was a result of an increase in the employee costs being capitalised costs for infrastructure related works and a decrease in the workers compensation premium due to successful risk management strategies resulting in a significant rebate.

A decrease is also shown for Materials & Contracts of \$4.14 million. Materials & Contracts was high in the 2012/13 year due to increased operations at Northern Rivers Quarry & Asphalt and Ordered Works on State Roads for the RMS.

An increase compared to 2012/13 is shown for Depreciation of \$1.22 million. The main reason for the increase is the application of the reassessed depreciation from the buildings revaluation completed in 2012/13.

The following graph represents the types of expenses from continuing operations expressed as a percentage of total continuing expenses for 2013/14, 2012/13 and 2011/12:

Expenses from continuing operations



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

Council has total cash, cash equivalents and investments of \$34.85 million as at 30 June 2014. Compared to 2012/13, this is a decrease of \$4.17 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 movement can be attributable to Council's decision to payout a loan of \$3m during the 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 during 2013/14. Based on market values, the book value of Council's investments has increased by approximately \$345,000.

For 30 June 2014, all cash, cash equivalents and investments are either restricted by external legislation e.g. developer contributions - Section 94 (\$4.58 million), Wastewater Services (\$16.18 million), Water Supply Services (\$3.36 million), Unexpended Grants (\$4.16 million), Stormwater Management (\$752,000) and Trust Fund (\$785,000), or by Council's internal policy e.g. unexpended loans (\$600,000) and internal reserves (\$4.43 million).

6. Statement of performance measurements (Note 13)

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

- a) Operating Performance Ratio – This ratio measures a Council's achievement of containing operating expenditure within operating revenue. The benchmark is greater than 0%.
- b) Own Source Operating Revenue Ratio – This ratio measures fiscal flexibility. It measures a council's reliance on external funding sources such as operating grants and contributions. Council's financial flexibility improves the higher the level of its own source revenue. The benchmark is greater than 60%.
- c) Unrestricted Current Ratio – This ratio represents a Council's ability to meet short term obligations as they fall due. It is the total cash or cash convertible assets available to meet liabilities within the next twelve months, or current period, expressed on a dollar for dollar basis excluding assets and liabilities. The benchmark is greater than 1.5.
- d) Debt Service Cover Ratio – This ratio measures the availability of operating cash to service debt including interest, principal and lease payments. The benchmark is greater than 2.

- e) Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage – This ratio is to assess the impact of uncollected rates and annual charges on liquidity and the adequacy of recovery efforts. This percentage is based on the amount outstanding as a percentage of the amount to be collected for rates and annual charges for the current year and outstanding from previous years.
- f) Cash Expenses Cover Ratio – This liquidity ratio indicated the number of months a Council can continue paying for its immediate expenses without additional cash inflows. The benchmark is greater than 3 months.

The following table is a summary of the key performance indicators from 2011/12 to 2013/14:

Performance Indicator	2013/14	2012/13	2011/12
Operating Performance Ratio	-5.00%	-7.18%	-8.22%
Own Source Operating Revenue Ratio	80.58%	77.16%	75.53%
Unrestricted Current Ratio	1.72:1	1.68:1	2.25:1
Debt Service Cover Ratio	2.25	2.93	3.40
Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage	11.45%	11.62%	11.59%
Cash Expense Cover Ratio	4.65	5.09	5.59

Generally, Council's performance indicators are within acceptable ranges except for a) Operating Performance Ratio and e) Rates, Annual Charges Interest and Extra Charges Outstanding Percentage. Commentary on all performance indicator results is provided below:-

- a) Operating Performance Ratio – Unfavourable. The result is below the benchmark. On review, the trend is of improving results and this reflects the financial sustainability and infrastructure assets focus adopted by Council in Imagine Lismore.
- b) Own Source Operating Revenue – Favourable. The result is above the benchmark and has improved over the last three years.
- c) Unrestricted Current Ratio – Favourable. This result is above the benchmark. While it has improved from 1.68:1 to 1.72:1, this is mainly attributable to the repayment of a \$3 million loan in 2013/14 that reduces the amount of current liabilities used to calculate this ratio.
- d) Debt Service Cover Ratio – Favourable. This result is above the benchmark. While it has decreased in 2013/14, this is mainly attributable to the repayment of a \$3 million loan in that it inflated repayment costs.
- e) Rates, Annual Charges, Interest and Extra Charges Outstanding Percentage – Unfavourable. This result is above the benchmark, but for 2013/14 there has been a small overall decrease. On a fund by fund basis the percentages are Rates 9.86%, Water 23.29% and Wastewater 12.12%. A comprehensive approach to debt recovery has been implemented and continued positive results are anticipated over time.
- f) Cash Expenses Cover Ratio – Favourable. This result is above the benchmark

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 - Water, Wastewater, Quarry (NRQ&A), Waste Collection, Waste Disposal, Real Estate, Lismore Memorial Gardens, Properties Held for Public Benefit (Commercial Properties) and Goonellabah Sports & Aquatic Centre (GSAC).

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 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 2013/14:

Business Unit	Return % 2013/14	Return % 2012/13
Water	-0.4	-1.8
Wastewater	0.3	0.1
NRQ&A	18.6	8.1
Waste Collection	N/A	N/A
Waste Disposal	-0.9	4.5
Real Estate	N/A	N/A
Lismore Memorial Gardens	6.1	10.6
Commercial Properties	-0.4	-3.1
GSAC	-4.6	-7.3

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 2014 of 3.56%.

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	2,991	Waste Collection	-	Lismore Memorial Gardens	-
Wastewater	6,083	Waste Disposal	423	Commercial Properties	169
NRQ&A	-	Real Estate	43	GSAC	1,516

Part C: Special Schedules

9. Infrastructure Asset Performance Indicators

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

- a) Building and Infrastructure Renewals Ratio – To assess the rate at which these assets are being renewed against the rate at which they are depreciating.
- b) Infrastructure Backlog Ratio – To show what proportion the backlog is against the total value of infrastructure.
- c) Asset Maintenance Ratio – To compare actual versus required annual asset maintenance. A ratio of above 1.0 indicates that Council is investing enough funds within the year to stop the Infrastructure Backlog from growing.

- d) Capital Expenditure Ratio – To indicate the extent to which Council is forecasting to expand its asset base with capital expenditure spent on both new assets, and replacement and renewal of existing assets. The benchmark is greater than 1.1.

The following table is a summary of the key performance indicators from 2011/12 to 2013/14:

Performance Indicator	2013/14	2012/13	2011/12
Building and Infrastructure Renewals Ratio	76.67%	71.31%	52.66%
Infrastructure Backlog Ratio	0.03	0.03	0.03
Asset Maintenance Ratio	0.75	0.88	0.84
Capital Expenditure Ratio	1.22	1.17	1.01

Council's performance indicators are general not within acceptable ranges except for d) Capital Expenditure Ratio

Commentary on all performance indicator results is provided below:-

- a) Building and Infrastructure Renewals Ratio – Unfavourable. The result is below the benchmark of 100% which indicates that funds are not being expended in renewing existing assets at the same rate as depreciation. This is being address with the integration of the Asset Management Plans and the Long Term Financial Plan.
- b) Infrastructure Backlog Ratio – Unfavourable. Council has an infrastructure backlog of 3% of its total asset value.
- c) Asset Maintenance Ratio – Unfavourable. This result is below the benchmark of 1.0. This has decreased in 2013/14 which means that Council is not investing enough funds within the year to stop the Infrastructure Backlog from growing.
- d) Capital Expenditure Ratio – Favourable. The result is above the benchmark of 1.1 which means Council is forecasting to expand its asset base with capital being spent on new assets as well as replacement and renewal of existing assets.

10. Summary

Council remains in a sound financial position with cash, cash equivalents and investments at reasonable levels, key performance indicators mostly within acceptable ranges and liabilities such as loans at a manageable level.

The operating result for 2013/14 has shown an improvement from the previous year due primarily to an increase in user charges & fees incomes, and a decrease in employee costs and materials & contracts.

As at 30 June 2014, Council's net infrastructure assets totalled \$947.8 million. To provide adequate funding to replace this infrastructure as and when required, Council must achieve a surplus 'Net operating result for the year before capital grants and contributions'.

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 a broad range of works and services on an ongoing basis.

It is considered essential that the actions planned in the Long Term Financial Plan 2014-2024 be implements to move Council towards financial sustainability and to provide increased funding for asset management requirements.