

Lismore City Council

Financial Reports

for the year ended 30 June 2010

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



Lismore City Council

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



Lismore City Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2010

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



Lismore City Council

General Purpose Financial Statements

for the financial year ended 30 June 2010

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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 corporate of NSW, Australia - being constituted as a Local Government area by proclamation and is duly empowered by the Local Government Act (LGA) 1993 of NSW.

Council's Statutory Charter is specified in Section 8 of the LGA and includes;

- carrying out activities and providing goods, services & facilities appropriate to the current & future needs of the Local community and of the wider public
- responsibility for administering regulatory requirements under the LGA and other applicable legislation, &
- a role in the management, improvement and development of the resources of the local government area.

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

- (iii) All figures presented in these financial statements are presented in Australian Currency.
- (iv) These financial statements were authorised for issue by the Council on 26/10/10.
Council has the power to amend and reissue the financial statements.

Lismore City Council

General Purpose Financial Statements

for the financial year ended 30 June 2010

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 26 October 2010.

Jenny Dowell
MAYOR

Simon Clough
COUNCILLOR

Paul O'Sullivan
GENERAL MANAGER

Rino Santin
RESPONSIBLE ACCOUNTING OFFICER

Lismore City Council

Statement of Comprehensive Income
for the financial year ended 30 June 2010

\$ '000	Notes	Actual 2010	Actual 2009
Net Operating Result for the year (as per Income statement)		12,707	1,552
Other Comprehensive Income			
Gain (loss) on revaluation & impairment of I,PP&E	20b (ii)	174,205	7,086
Gain (loss) on revaluation of available-for-sale investments	20b (ii)	-	-
Gain (loss) on revaluation of other reserves	20b (ii)	-	-
Realised (gain) loss on available-for-sale investments recognised in P&L	20b (ii)	-	-
Realised (gain) loss from other reserves recognised in P&L	20b (ii)	-	-
Other Movements in Reserves (enter details here)	20b (ii)	-	-
De-recognition of land under roads		-	-
Adjustment to correct prior period depreciation errors		-	-
Total Other Comprehensive Income for the year		174,205	7,086
Total Comprehensive Income for the Year		186,912	8,638
Total Comprehensive Income attributable to Council		186,912	8,638
Total Comprehensive Income attributable to Minority Interests		-	-

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

Lismore City Council

Balance Sheet

as at 30 June 2010

\$ '000	Notes	Actual 2010	Actual 2009
ASSETS			
Current Assets			
Cash & Cash Equivalents	6a	37,988	19,300
Investments	6b	961	950
Receivables	7	13,957	8,178
Inventories	8	6,690	8,492
Other	8	44	22
Non-current assets classified as "held for sale"	22	-	-
Total Current Assets		59,640	36,942
Non-Current Assets			
Investments	6b	5,796	8,643
Receivables	7	2,131	3,959
Inventories	8	-	-
Infrastructure, Property, Plant & Equipment	9	992,620	807,770
Investments accounted for using the equity method	19	-	-
Investment Property	14	-	-
Intangible Assets	25	892	1,016
Non-current assets classified as "held for sale"	22	-	-
Other	8	-	-
Total Non-Current Assets		1,001,439	821,388
TOTAL ASSETS		1,061,079	858,330
LIABILITIES			
Current Liabilities			
Payables	10	12,798	7,213
Borrowings	0	2,209	2,024
Provisions	10	6,401	4,791
Liabilities associated with assets classified as "held for sale"	22	-	-
Total Current Liabilities		21,408	14,028
Non-Current Liabilities			
Payables	10	1,054	1,171
Borrowings	10	44,486	36,324
Provisions	10	3,033	2,621
Investments accounted for using the equity method	19	-	-
Liabilities associated with assets classified as "held for sale"	22	-	-
Total Non-Current Liabilities		48,573	40,116
TOTAL LIABILITIES		69,981	54,144
Net Assets		991,098	804,186
EQUITY			
Retained Earnings	20	621,008	608,301
Revaluation Reserves	20	370,090	195,885
Council Equity Interest		991,098	804,186
Minority Equity Interest		-	-
Total Equity		991,098	804,186

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

Lismore City Council

Statement of Changes in Equity
for the financial year ended 30 June 2010

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

\$ '000	Notes	Council				Total Equity
		Retained Earnings	Reserves (Refer 20b)	Equity Interest	Minority Interest	
2009						
Opening Balance (as per Last Year's Audited Accounts)		454,305	188,799	643,104	-	643,104
a. Correction of Prior Period Errors	20 (c)	152,444		152,444		152,444
b. Changes in Accounting Policies (prior year effects)	20 (d)	-		-		-
Revised Opening Balance (as at 1/7/08)		606,749	188,799	795,548	-	795,548
c. Net Operating Result for the Year		1,552	-	1,552	-	1,552
d. Other Comprehensive Income						
- Revaluations : IPP&E Asset Revaluation Rsve	20b (ii)		7,086	7,086		7,086
- Revaluations: Other Reserves	20b (ii)		-	-		-
- Transfers to Income Statement	20b (ii)		-	-		-
- Other Movements (enter details here)	20b (ii)		-	-		-
Other Comprehensive Income		-	7,086	7,086	-	7,086
Total Comprehensive Income (c&d)		1,552	7,086	8,638	-	8,638
e. Distributions to/(Contributions from) Minority Interests						
f. Transfers between Equity						
Equity - Balance at end of the reporting period		608,301	195,885	804,186	-	804,186

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

Lismore City Council

Statement of Cash Flows

for the financial year ended 30 June 2010

Budget 2010	\$ '000	Notes	Actual 2010	Actual 2009
Cash Flows from Operating Activities				
Receipts:				
35,127	Rates & Annual Charges		34,077	32,703
22,857	User Charges & Fees		24,029	23,409
1,010	Investment & Interest Revenue Received		1,604	1,034
19,470	Grants & Contributions		23,440	21,334
5,269	Other		13,541	9,532
Payments:				
(25,825)	Employee Benefits & On-Costs		(23,324)	(19,419)
(28,235)	Materials & Contracts		(34,406)	(35,550)
(2,920)	Borrowing Costs		(2,577)	(2,304)
(5,406)	Other		(8,671)	(13,389)
-	Net Cash from Boundary Adjustments		-	-
21,347	Net Cash provided (or used in) Operating Activities	1b	27,713	17,350
Cash Flows from Investing Activities				
Receipts:				
2,808	Sale of Investment Securities		3,469	11,662
	Sale of Investment Property		-	-
	Sale of Real Estate Assets		4,790	593
135	Sale of Infrastructure, Property, Plant & Equipment		245	421
	Sale of Interests in Joint Ventures & Associates		-	-
	Sale of Shares in Companies		-	-
	Sale of Interests in Joint Ventures & Associates		-	-
	Sale of Disposal Groups		-	-
	Deferred Debtors Receipts		378	393
	Distributions Received from Joint Ventures & Associates		-	-
	Other Investing Activity Receipts		-	-
Payments:				
	Purchase of Investment Securities		-	-
	Purchase of Investment Property		-	-
(33,548)	Purchase of Infrastructure, Property, Plant & Equipment		(28,145)	(24,603)
	Purchase of Real Estate Assets		(619)	43
	Purchase of Shares in Companies		-	-
	Purchase of Interests in Joint Ventures & Associates		-	-
	Deferred Debtors & Advances Made		-	-
	Contributions Paid to Joint Ventures & Associates		-	-
	Other Investing Activity Payments		-	-
(30,605)	Net Cash provided (or used in) Investing Activities		(19,882)	(11,491)
Cash Flows from Financing Activities				
Receipts:				
11,322	Proceeds from Borrowings & Advances		12,865	8,094
43	Other Financing Activity Receipts		-	-
Payments:				
(2,092)	Repayment of Borrowings & Advances		(2,008)	(1,908)

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

Lismore City Council

Statement of Cash Flows

for the financial year ended 30 June 2010

Budget			Actual	Actual
ale investments	\$ '000	Notes	0	0
	Repayment of Finance Lease Liabilities		-	-
	Distributions to Minority Interests		-	-
	Other Financing Activity Payments		-	-
<u>9,273</u>	Net Cash Flow provided (used in) Financing Activities		<u>10,857</u>	<u>6,186</u>
15	Net Increase/(Decrease) in Cash & Cash Equivalents		18,688	12,045
19,300	plus: Cash & Cash Equivalents - beginning of year	11a	19,300	7,255
<u>19,315</u>	Cash & Cash Equivalents - end of the year	11a	<u>37,988</u>	<u>19,300</u>
	Additional Information:			
	plus: Investments on hand - end of year	8b	6,757	9,593
	Total Cash, Cash Equivalents & Investments		<u>44,745</u>	<u>28,893</u>

Please refer to Note 11 for information on the following:

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

Lismore City Council

Notes to the Financial Statements for the financial year ended 30 June 2010

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Lismore City Council

Notes to the Financial Statements

for the financial year ended 30 June 2010

Note 1. Summary of Significant Accounting Policies

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

Under Australian Accounting Standards, 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,
- Urgent Issues Group Interpretations,
- the Local Government Act (1993) and Regulation, and
- the Local Government Code of Accounting Practice and Financial Reporting.

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

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

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

Examples include;

- excluding Local Government from applying AASB 120 (IAS 20) for Grant Accounting and AASB 118 (IAS 18) for Segment Reporting, &
- different requirements on (a) Impairment of Assets relating to Not-For-Profit AASB 136 (IAS 36) and (b) AASB 116 (IAS 16) regarding accounting for the Revaluation of Assets.

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

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

(iii) Basis of Accounting

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

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

(iv) Changes in Accounting Policies

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

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

(v) Critical Accounting Estimates

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

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

(vi) Financial Statements Presentation

The Council has applied the revised **AASB 101, Presentation of Financial Statements** which became effective on 1 January 2009.

Lismore City Council

Notes to the Financial Statements for the financial year ended 30 June 2010

Note 1. Summary of Significant Accounting Policies (continued)

The revised standard requires the separate presentation of a statement of comprehensive income and a statement of changes in equity.

All non-owner changes in equity must now be presented in the statement of comprehensive income.

As a consequence, the Council had to change the presentation of its financial statements.

Comparative information has been re-presented so that it is also in conformity with the revised standard.

(b) Revenue recognition

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

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

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

Revenue is measured on major income categories as follows:

Rates, Annual Charges, Grants and Contributions

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

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

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

Control over granted assets is normally obtained upon their receipt (or acquittal) or upon earlier

notification that a grant has been secured, and is valued at their fair value at the date of transfer.

Income 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.

Lismore City Council

Notes to the Financial Statements

for the financial year ended 30 June 2010

Note 1. Summary of Significant Accounting Policies (continued)

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

Sale of Infrastructure, Property, Plant and Equipment

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

Interest and Rents

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

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

(c) Principles of Consolidation

These financial statements incorporate **(i)** the assets and liabilities of Council and any entities (or operations) that it **controls** (as at 30/6/10) and **(ii)** all the related operating results (for the financial year ended the 30th June 2010).

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

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

(i) The Consolidated Fund

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

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

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

- General Purpose Operations
- Water Supply
- Sewerage Service

(ii) The Trust Fund

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

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

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

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

(iii) Joint Venture Entities

Jointly Controlled Assets & Operations

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

Jointly Controlled Entities

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

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

Lismore City Council

Notes to the Financial Statements for the financial year ended 30 June 2010

Note 1. Summary of Significant Accounting Policies (continued)

(iv) Associated Entities

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

Such entities are usually termed Associates.

(v) County Councils

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

- **Rous Water**
Provision of bulk water supplies, comprising 3 constituent Council members
- **Richmond Valley County Council**
Provision of flood mitigation services, comprising 3 constituent Council members
- **Far North Coast Weeds**
Provision of noxious weed eradication services, comprising 6 constituent Council members

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

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

(vi) Additional Information

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

(d) Leases

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

Finance Leases

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

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

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

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

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

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

Operating Leases

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

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

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

(e) Cash and Cash Equivalents

Cash and cash equivalents includes;

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

Lismore City Council

Notes to the Financial Statements for the financial year ended 30 June 2010

Note 1. Summary of Significant Accounting Policies (continued)

- bank overdrafts.

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

(f) Investments and Other Financial Assets

Council (in accordance with AASB 139) classifies each of its investments into one of the following categories for measurement purposes:

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

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

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

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

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

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

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

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

(ii) Loans and receivables

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

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

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

(iii) Held-to-maturity investments

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

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

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

(iv) Available-for-sale financial assets

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

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

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

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

Financial Assets – Reclassification

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

Lismore City Council

Notes to the Financial Statements

for the financial year ended 30 June 2010

Note 1. Summary of Significant Accounting Policies (continued)

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

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

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

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

General Accounting & Measurement of Financial Instruments:

(i) Initial Recognition

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

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

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

(ii) Subsequent Measurement

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

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

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

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

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

Impairment

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

In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered in determining whether the security is impaired.

If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit and loss - is removed from equity and recognised in the income statement.

Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

If there is evidence of impairment for any of Council's financial assets carried at amortised cost, the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, excluding future credit losses that have not been incurred. The cash flows are discounted at the financial asset's original effective interest rate. The loss is recognised in the income statement.

Lismore City Council

Notes to the Financial Statements for the financial year ended 30 June 2010

Note 1. Summary of Significant Accounting Policies (continued)

(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 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 Investment Order arising from the Cole Inquiry recommendations. Certain investments the Council holds are no longer prescribed (eg. managed funds, CDOs, and equity linked notes), however they have been retained under grandfathering provisions of the Order.

These will be disposed of when most financially advantageous to Council.

(g) Fair value estimation

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

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

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

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

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

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

These include reference to the fair values of recent arm's length transactions, involving the same instruments or other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values.

The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Council for similar financial instruments.

(h) Receivables

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

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

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

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

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

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

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

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

Lismore City Council

Notes to the Financial Statements
for the financial year ended 30 June 2010

Note 1. Summary of Significant Accounting Policies (continued)

(i) Inventories**Raw Materials and Stores, Work in Progress and Finished Goods**

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

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

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

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

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

Land Held for Resale/Capitalisation of Borrowing Costs

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

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

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

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

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

(j) Infrastructure, Property, Plant and Equipment (I,PP&E)**Acquisition of assets**

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

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

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

The only remaining asset class that is to be revalued in a future reporting period is;

- **2010/11:** Community land, land improvements, other structures and other assets

Until the designated future reporting periods, the above remaining asset class is stated at cost (or deemed cost) less accumulated depreciation and any accumulated impairment losses.

Initial Recognition

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

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

Lismore City Council

Notes to the Financial Statements

for the financial year ended 30 June 2010

Note 1. Summary of Significant Accounting Policies (continued)

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

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

Subsequent costs

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

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

Asset Revaluations (including Indexation)

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

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

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

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

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

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

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

Capitalisation Thresholds

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

Land

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

Plant & Equipment

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

Buildings & Land Improvements

Park Furniture & Equipment	> \$2,000
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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
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Lismore City Council

Notes to the Financial Statements

for the financial year ended 30 June 2010

Note 1. Summary of Significant Accounting Policies (continued)

Depreciation

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

Land is not depreciated.

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

Plant & Equipment

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

Other Equipment

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

Buildings

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

Stormwater Drainage

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

Transportation Assets

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

Water & Sewer Assets

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

Other Infrastructure Assets

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

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

Disposal and De-recognition

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

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

(k) Land

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

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

(l) Land under roads

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

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

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

Council will review the recognition of all land under roads when the valuation methodology has been determined by the industry and is, in the meantime, collecting the necessary physical data to undertake the valuation.

Lismore City Council

Notes to the Financial Statements for the financial year ended 30 June 2010

Note 1. Summary of Significant Accounting Policies (continued)

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

(p) Investment property

Investment property comprises land &/or buildings that are principally held for long-term rental yields, capital gains or both that is not occupied by Council.

Investment property is carried at fair value, representing an in-house valuation based on a discounted cash flow.

Annual changes in the fair value of Investment Properties are recorded in the Income Statement as part of "Other Income".

(q) 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.

Lismore City Council

Notes to the Financial Statements for the financial year ended 30 June 2010

Note 1. Summary of Significant Accounting Policies (continued)

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

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

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

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

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

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

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

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

These costs are charged to the income statement.

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

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

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

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

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

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

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

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

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

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

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

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

Lismore City Council

Notes to the Financial Statements for the financial year ended 30 June 2010

Note 1. Summary of Significant Accounting Policies (continued)

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

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

(s) Impairment of assets

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

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

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

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

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

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

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

(t) 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.

(u) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred.

Borrowings are subsequently measured at amortised cost.

Amortisation results in any difference between the proceeds (net of transaction costs) and the redemption amount being recognised in the Income Statement over the period of the borrowings using the effective interest method.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired.

Borrowings are classified as current liabilities unless the Council has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(v) Borrowing costs

Borrowing costs are expensed.

(w) 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.

Lismore City Council

Notes to the Financial Statements for the financial year ended 30 June 2010

Note 1. Summary of Significant Accounting Policies (continued)

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.

(x) Employee benefits

(i) Short Term Obligations

Short term employee benefit obligations include liabilities for wages and salaries (including non-monetary benefits), annual leave and vesting sick leave expected to be settled within the 12 months after the reporting period.

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

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

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

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

(ii) Other Long Term Obligations

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

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

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

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

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

(iii) Retirement benefit obligations

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

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

Defined Benefit Plans

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

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

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

Lismore City Council

Notes to the Financial Statements for the financial year ended 30 June 2010

Note 1. Summary of Significant Accounting Policies (continued)

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

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

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

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

Define 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 30/6/10.

(y) Self insurance

Council has determined to self-insure for various risks including public liability and professional indemnity.

A provision for self-insurance has been made to recognise outstanding claims the amount of which is detailed in Note 10.

Council also maintains cash and investments to meet expected future claims and these are detailed in Note 6(c).

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

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

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

Exceptions

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

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

(aa) Taxes

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

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

Goods & Services Tax (GST)

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

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

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

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

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

Lismore City Council

Notes to the Financial Statements

for the financial year ended 30 June 2010

Note 1. Summary of Significant Accounting Policies (continued)

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.

(ab) New accounting standards and UIG interpretations

Certain new (or amended) accounting standards and interpretations have been published that are not mandatory for reporting periods ending 30 June 2010.

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 and AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 (effective from 1 January 2013)

AASB 9 Financial Instruments addresses the classification and measurement of financial assets and is likely to affect Council's accounting for its financial assets.

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

Council is yet to assess its full impact.

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

Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognised directly in profit or loss.

Applicable to Local Government but no implications for Council;

AASB 2009-8 Amendments to Australian Accounting Standards – Group Cash-Settled Share-based Payment Transactions [AASB 2] (effective from 1 January 2010)

The amendments made by the AASB to AASB 2 confirm that an entity receiving goods or services in a group share-based payment arrangement must recognise an expense for those goods or services regardless of which entity in the group settles the transaction or whether the transaction is settled in shares or cash.

They also clarify how the group share-based payment arrangement should be measured, that is, whether it is measured as an equity- or a cash-settled transaction.

AASB 2009-10 Amendments to Australian Accounting Standards – Classification of Rights Issues [AASB 132] (effective from 1 February 2010)

In October 2009 the AASB issued an amendment to AASB 132 Financial Instruments: Presentation which addresses the accounting for rights issues that are denominated in a currency other than the functional currency of the issuer.

Provided certain conditions are met, such rights issues are now classified as equity regardless of the currency in which the exercise price is denominated. Previously, these issues had to be accounted for as derivative liabilities.

The amendment must be applied retrospectively in accordance with AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors.

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

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

Lismore City Council

Notes to the Financial Statements

for the financial year ended 30 June 2010

Note 1. Summary of Significant Accounting Policies (continued)

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

It permits entities to recognise an asset for a prepayment of contributions made to cover minimum funding requirements.

Council does not make any such prepayments. The amendment is therefore not expected to have any impact on Council.

AASB Interpretation 19 Extinguishing financial liabilities with equity instruments and AASB 2009-13 Amendments to Australian Accounting Standards arising from Interpretation 19 (effective from 1 July 2010)

AASB Interpretation 19 clarifies the accounting when an entity renegotiates the terms of its debt with the result that the liability is extinguished by the debtor issuing its own equity instruments to the creditor (debt for equity swap).

It requires a gain or loss to be recognised in profit or loss which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued.

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

None

Not applicable to Local Government per se;

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

In December 2009 the AASB issued a revised AASB 124 Related Party Disclosures. It is effective for accounting periods beginning on or after 1 January 2011 and must be applied retrospectively.

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

(ac) Rounding of amounts

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

(ad) 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.

(ae) 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 2010

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

\$ '000

Income, Expenses and Assets have been directly attributed to the following Functions / Activities.
Details of these Functions/Activities are provided in Note 2(b).

Functions/Activities	Income from Continuing Operations			Expenses from Continuing Operations			Operating Result from Continuing Operations			Grants included in Income from Continuing Operations		Total Assets held (Current & Non-current)	
	Original Budget	Actual	Actual	Original Budget	Actual	Actual	Original Budget	Actual	Actual	Actual	Actual	Actual	Actual
	2010	2010	2009	2010	2010	2009	2010	2010	2009	2010	2009	2010	2009
Governance	-	-	-	1,641	1,983	1,875	(1,641)	(1,983)	(1,875)	11,719	4,595	1,061,079	164,282
Administration	726	2,661	896	2,205	3,848	3,749	(1,479)	(1,187)	(2,853)		327		20,012
Public Order & Safety	419	422	990	1,527	1,596	1,541	(1,108)	(1,174)	(551)		398		1,772
Health	145	138	739	918	817	1,195	(773)	(679)	(456)		142		592
Environment	8,215	7,915	-	7,942	7,228	-	273	687	-		-		-
Community Services & Education	988	734	961	2,021	2,108	2,017	(1,033)	(1,374)	(1,056)		571		758
Housing & Community Amenities	1,721	1,752	8,150	3,772	3,496	9,022	(2,051)	(1,744)	(872)		185		33,148
Water Supplies	7,698	8,018	6,808	8,579	8,762	8,052	(881)	(744)	(1,244)		165		79,977
Sewerage Services	8,815	11,654	7,820	9,912	10,548	10,845	(1,097)	1,106	(3,025)		122		192,220
Recreation & Culture	6,766	12,277	2,967	14,655	15,880	9,857	(7,889)	(3,603)	(6,890)		635		43,191
Fuel & Energy	-	-	-	-	-	-	-	-	-		-		-
Agriculture	-	-	-	-	-	-	-	-	-		-		-
Mining, Manufacturing & Construction	6,864	7,055	7,987	6,537	7,243	9,405	327	(188)	(1,418)		120		8,874
Transport & Communication	13,168	18,391	15,585	17,344	20,794	19,925	(4,176)	(2,403)	(4,340)		1,824		298,296
Economic Affairs	625	634	958	2,549	4,118	3,615	(1,924)	(3,484)	(2,657)		170		15,208
Total Functions & Activities	56,150	71,651	53,861	79,602	88,421	81,098	(23,452)	(16,770)	(27,237)	11,719	9,254	1,061,079	858,330
Share of gains/(losses) in Associates & Joint Ventures (using the Equity Method)													
General Purpose Income ¹	28,333	29,477	28,789							6,552	7,932		
Operating Result from Continuing Operations	84,483	101,128	82,650	79,602	88,421	81,098	4,881	12,707	1,552	18,271	17,186	1,061,079	858,330

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 2010

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, together with related administration costs.

ADMINISTRATION

Costs not otherwise attributed to other functions / activities.

PUBLIC ORDER & SAFETY

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

HEALTH

Administration and inspection, immunisations, food control, insect/vermin control, noxious plants, health centres, other.

COMMUNITY SERVICES & EDUCATION

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

HOUSING & COMMUNITY AMENITIES

Housing, town planning, domestic waste management services, other waste management services, street cleaning, other sanitation and garbage, urban stormwater drainage, environmental protection, 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.

FUEL & ENERGY - Gas Supplies

MINING, MANUFACTURING & CONSTRUCTION

Building control, abattoirs, quarries and pits, other.

TRANSPORT & COMMUNICATION

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

ECONOMIC AFFAIRS

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

Lismore City Council

Notes to the Financial Statements
for the financial year ended 30 June 2010

Note 3. Income from Continuing Operations

\$ '000	Notes	Actual 2010	Actual 2009
(a). Rates & Annual Charges			
Ordinary Rates			
Residential		13,822	13,216
Farmland		3,654	3,496
Business		4,235	4,060
Total Ordinary Rates		21,711	20,772
Annual Charges (pursuant to s.496 & s.501)			
Domestic Waste Management Services		2,798	2,467
Stormwater Management Services		355	352
Water Supply Services		1,839	1,313
Sewerage Services		7,222	6,423
Waste Management Services (non-domestic)		380	354
Nimbin Transfer Station		35	32
Waste Reduction Charges		558	526
Total Annual Charges		13,187	11,467
TOTAL RATES & ANNUAL CHARGES		34,898	32,239

Council has used 2006 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 2010

Note 3. Income from Continuing Operations (continued)

\$ '000	Notes	Actual 2010	Actual 2009
(b). User Charges & Fees			
Specific User Charges (per s.502 - Specific "actual use" charges)			
Water Supply Services		5,790	4,826
Sewerage Services		191	232
Total User Charges		5,981	5,058
Other User Charges & Fees			
(i) Fees & Charges - Statutory & Regulatory Functions (per s608, 610A & 611)			
Building Services		688	594
Dog Registration Fees		30	54
Health Control		310	111
Planning Services		332	370
Private Works - Section 67		83	185
Section 603 Certificates		59	58
Total Fees & Charges - Statutory/Regulatory		1,502	1,372
(ii) Fees & Charges - Other (incl. General User Charges (per s.610C))			
Aerodrome		569	624
Art Gallery		3	8
Caravan Park		155	157
Child Care		373	382
Community Centres		11	10
Library		2	2
Parking Fees		99	42
Parks, Gardens & Lakes		81	92
Public Cemeteries		1,094	1,145
Quarry Revenues		6,182	7,212
Road Services		89	62
RTA Charges (State Roads not controlled by Council)		3,681	4,575
Sewerage Charges		1	18
Sporting Grounds		1,210	412
Swimming Pools		261	333
Tourism Services Charges		68	93
Waste Disposal		2,456	1,495
Water Charges		90	83
Waste Minimisation		2	185
Other		137	81
Total Fees & Charges - Other		16,564	17,011
TOTAL USER CHARGES & FEES		24,047	23,441

Lismore City Council

Notes to the Financial Statements
for the financial year ended 30 June 2010

Note 3. Income from Continuing Operations (continued)

\$ '000	Notes	Actual 2010	Actual 2009
(c). Interest & Investment Revenue (incl. losses)			
Interest & Dividends			
- Interest on Overdue Rates & Annual Charges		251	293
- Interest earned on Investments (interest & coupon payment income)		1,696	1,332
- Interest & Dividend Income - Other		-	18
Fair Value Adjustments			
- Fair Valuation movements in Investments (at FV or Held for Trading)		633	(2,359)
Fair Valuation of Financial Liabilities on recognition			
- Interest Free (or favourable) Loans & Advances Received		2,510	-
TOTAL INTEREST & INVESTMENT REVENUE		5,090	(716)
Interest Revenue is attributable to:			
Unrestricted Investments/Financial Assets:			
Overdue Rates & Annual Charges		161	174
General Council Cash & Investments		1,214	85
Restricted Investments/Funds - External:			
Development Contributions			
- Section 94		301	(329)
- Section 64		271	(433)
Water Fund Operations		62	67
Sewerage Fund Operations		3,081	(280)
Total Interest & Investment Revenue Recognised		5,090	(716)
(d). Other Revenues			
Rental Income - Other Council Properties		250	209
Parking Fines		159	183
Other Fines		122	10
Legal Fees Recovery - Rates & Charges (Extra Charges)		2	95
Commissions & Agency Fees		17	9
Insurance Claim Recoveries		730	1,014
Masters Games		16	121
Other Events		164	44
Recycling Income (non domestic)		486	422
Reservation & Registration Fees		78	-
Other - RTRL contributions by Member Councils		3,701	-
Other - Richmond Tweed Regional Library Equity*		5,196	-
Other		288	236
TOTAL OTHER REVENUE		11,209	2,343

* First year consolidation of Richmond Tweed Regional Library into Lismore City Council Financial Statements

Lismore City Council

Notes to the Financial Statements
for the financial year ended 30 June 2010

Note 3. Income from Continuing Operations (continued)

\$ '000	2010 Operating	2009 Operating	2010 Capital	2009 Capital
(e). Grants				
General Purpose (Untied)				
Financial Assistance - General Component	4,501	5,554	-	-
Financial Assistance - Local Roads Component	1,654	1,979	-	-
Pensioners' Rates Subsidies - General Component	397	399	-	-
Total General Purpose	6,552	7,932	-	-
Specific Purpose				
Pensioners' Rates Subsidies:				
- Water	125	163	-	-
- Sewerage	123	122	-	-
- Domestic Waste Management	87	80	-	-
Art Gallery	258	129	-	-
Child Care	320	431	-	-
Community Care	-	-	-	200
Community Services	83	140	-	-
Diesel Rebate	321	184	-	-
Fire Control	255	264	45	13
Health	39	160	140	-
Library Services	213	142	-	-
Natural Disaster Emergency Funding	4,619	1,673	-	-
Planning Services	25	221	-	-
Public Halls	-	140	-	-
Recreation & Culture	329	324	469	1,034
Road Safety Officer	132	192	-	-
Street Lighting	155	151	-	-
Transport (Roads to Recovery)	-	-	913	783
Transport (Other Roads & Bridges Funding)	-	-	2,905	2,585
Other	80	123	83	-
Total Specific Purpose	7,164	4,639	4,555	4,615
Total Grants	13,716	12,571	4,555	4,615
Grant Revenue is attributable to:				
- Commonwealth Funding	6,625	8,339	449	1,109
- State Funding	6,955	4,159	4,106	3,506
- Other Funding	136	73	-	-
	13,716	12,571	4,555	4,615

Lismore City Council

Notes to the Financial Statements
for the financial year ended 30 June 2010

Note 3. Income from Continuing Operations (continued)

\$ '000	2010 Operating	2009 Operating	2010 Capital	2009 Capital
(f). Contributions				
Developer Contributions:				
(s93 & s94 - EP&A Act, s64 of the NSW LG Act):				
S 94 - Contributions towards amenities/services	-	-	579	1,065
S 64 - Water Supply Contributions	-	-	200	189
S 64 - Sewerage Service Contributions	-	-	518	497
Total Developer Contributions	17	-	1,297	1,751
Other Contributions:				
Art Gallery	31	23	-	-
Dedications (other than by S94)	-	-	888	2,376
Recreation & Culture	-	-	18	65
RTA Contributions (Regional/Local, Block Grant)	1,332	1,196	2,457	1,061
Sewerage (excl. Section 64 contributions)	-	-	380	627
Water Supplies (excl. Section 64 contributions)	-	-	152	290
Other	34	22	-	30
Total Other Contributions	1,397	1,241	3,895	4,449
Total Contributions	1,397	1,241	5,192	6,200
TOTAL GRANTS & CONTRIBUTIONS	15,113	13,812	9,747	10,815

Lismore City Council

Notes to the Financial Statements
for the financial year ended 30 June 2010

Note 3. Income from Continuing Operations (continued)

\$ '000	Actual 2010	Actual 2009
(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	15,819	13,104
add: Grants and contributions recognised in the current period which have not been spent:	4,609	5,302
less: Grants and contributions recognised in a previous reporting period which have been spent in the current reporting period:	(4,481)	(2,587)
Net Increase (Decrease) in Restricted Assets during the Current Reporting Period	128	2,715
Unexpended at the Close of this Reporting Period and held as Restricted Assets	15,947	15,819
Comprising:		
- Specific Purpose Unexpended Grants	3,337	4,387
- Developer Contributions	12,610	11,432
	15,947	15,819

Lismore City Council

Notes to the Financial Statements
for the financial year ended 30 June 2010

Note 4. Expenses from Continuing Operations

\$ '000	Notes	Actual 2010	Actual 2009
(a) Employee Benefits & On-Costs			
Salaries and Wages		19,468	15,550
Travelling		3	6
Employee Leave Entitlements (ELE)		4,251	3,426
Superannuation		2,883	1,693
Workers' Compensation Insurance		783	719
Fringe Benefit Tax (FBT)		75	67
Payroll Tax		111	144
Training Costs (other than Salaries & Wages)		328	349
Purchases & Uniforms		24	-
Total Employee Costs		27,926	21,954
less: Capitalised Costs		(2,986)	(2,053)
TOTAL EMPLOYEE COSTS EXPENSED		24,940	19,901
Number of "Equivalent Full Time" Employees at year end		306	301
(b) Borrowing Costs			
(i) Interest Bearing Liability Costs			
Interest on Loans		2,605	2,276
Other Debts		7	28
Total Interest Bearing Liability Costs		2,612	2,304
Total Interest Bearing Liability Costs Expensed		2,612	2,304
(ii) Other Borrowing Costs			
Discount adjustments relating to movements in Provisions (other than ELE)			
- Remediation Liabilities	26	274	198
Total Other Borrowing Costs		274	198
TOTAL BORROWING COSTS EXPENSED		2,886	2,502

Lismore City Council

Notes to the Financial Statements
for the financial year ended 30 June 2010

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Actual 2010	Actual 2009
(c) Materials & Contracts			
Raw Materials & Consumables		34,817	33,514
Auditors Remuneration			
i. Audit Services - Council's Auditor		58	48
Legal Expenses:			
- Legal Expenses - Planning & Development		298	27
- Legal Expenses - Other		19	67
- Legal Expenses - Debt Recovery		2	99
Operating Leases:			
Operating Lease Rentals - Motor Vehicles ⁽¹⁾		484	-
Operating Lease Rentals - Other ⁽¹⁾		223	-
Total Materials & Contracts		35,901	33,755
less: Capitalised Costs		-	-
TOTAL MATERIALS & CONTRACTS		35,901	33,755

Lismore City Council

Notes to the Financial Statements
for the financial year ended 30 June 2010

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Impairment Costs		Depreciation/Amortisation	
		Actual 2010	Actual 2009	Actual 2010	Actual 2009
(d) Depreciation, Amortisation & Impairment					
Plant and Equipment		-	-	2,720	3,123
Office Equipment		-	-	460	296
Furniture & Fittings		-	-	21	5
Land Improvements (depreciable)		-	-	303	295
Buildings - Specialised		-	-	2,214	1,692
Other Structures		-	-	262	268
Infrastructure:					
- Roads, Bridges & Footpaths		-	-	4,793	5,265
- Stormwater Drainage		-	-	300	300
- Water Supply Network		-	-	2,418	2,348
- Sewerage Network		-	-	5,862	5,678
Other Assets					
- Heritage Collections		-	-	1	1
- Library Books		-	-	728	-
- Other		-	-	2	-
Asset Reinstatement Costs	9 & 26	-	-	160	396
Intangible Assets	25	-	-	124	102
Total Depreciation & Impairment Costs		-	-	20,368	19,769
less: Capitalised Costs		-	-	-	(379)
TOTAL DEPRECIATION & IMPAIRMENT COSTS EXPENSED		-	-	20,368	19,390

Lismore City Council

Notes to the Financial Statements
for the financial year ended 30 June 2010

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Actual 2010	Actual 2009
(e) Other Expenses			
Other Expenses for the year include the following:			
- NSW Fire Brigade Levy		264	260
- NSW Rural Fire Service Levy		200	169
- Emergency Services Levy		33	-
- Contributions : Far North Coast County Council (Nóxious Plants)		115	107
- Contributions : Richmond River County Council (Flood Mitigation)		409	274
- Contributions: Richmond Tweed Regional Library		-	1,106
Councillor Expenses - Mayoral Fee		46	45
Councillor Expenses - Councillors' Fees		170	158
Councillors' Expenses (incl. Mayor) - Other (excluding fees above)		105	140
Donations, Contributions & Assistance to other organisations (Section 3		192	190
Electricity & Heating		996	633
Insurance		927	872
Street Lighting		550	649
Telephone & Communications		319	217
Total Other Expenses		4,326	4,820
less: Capitalised Costs		-	-
TOTAL OTHER EXPENSES		4,326	4,820

Lismore City Council

Notes to the Financial Statements
for the financial year ended 30 June 2010

Note 5. Gains or Losses from the Disposal of Assets

\$ '000	Notes	Actual 2010	Actual 2009
Property (excl. Investment Property)			
Proceeds from Disposal		-	-
less: Carrying Amount of Property Assets Sold		-	(9)
Net Gain/(Loss) on Disposal		-	(9)
Plant & Equipment			
Proceeds from Disposal		245	421
less: Carrying Amount of P&E Assets Sold		(125)	(242)
Net Gain/(Loss) on Disposal		120	179
Infrastructure			
Proceeds from Disposal		-	-
less: Carrying Amount of Infrastructure Assets Sold		(447)	(528)
Net Gain/(Loss) on Disposal		(447)	(528)
Real Estate Assets Held For Sale			
Proceeds from Disposal		4,790	593
less: Carrying Amount of Real Estate Assets Sold		(3,439)	(249)
Net Gain/(Loss) on Disposal		1,351	344
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		1,024	(14)

Lismore City Council

Notes to the Financial Statements
for the financial year ended 30 June 2010

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

\$ '000	Notes	2010	2010	2009	2009
		Actual Current	Actual Non Current	Actual Current	Actual Non Current
Cash & Cash Equivalents (Note 6a)					
Cash on Hand and at Bank		189	-	226	-
Cash-Equivalent Assets ¹					
- Deposits at Call		11,059	-	8,074	-
- Short Term Deposits		26,740	-	11,000	-
Total Cash & Cash Equivalents		37,988	-	19,300	-
Investment Securities (Note 6b)					
- Managed Funds		-	1,988	-	2,695
- Long Term Deposits		-	-	-	-
- Equity Linked Notes		-	759	-	2,405
- NCD's, FRN's (with Maturities > 3 months)		-	-	950	-
- CDO's		961	2,276	-	2,715
- Other Long Term Maturity Financial Instruments		-	773	-	828
Total Investment Securities		961	5,796	950	8,643
TOTAL CASH ASSETS, CASH EQUIVALENTS & INVESTMENTS		38,949	5,796	20,250	8,643

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"		37,988	-	19,300	-
Investments					
a. "At Fair Value through the Profit & Loss"					
- "Designated at Fair Value on Initial Recognition" 6(b-i)		961	5,796	950	8,643
Investments		961	5,796	950	8,643

Lismore City Council

Notes to the Financial Statements
for the financial year ended 30 June 2010

Note 6b. Investments (continued)

\$ '000	2010		2009	
	Actual Current	Actual Non Current	Actual Current	Actual Non Current
Note 6(b-i)				
Reconciliation of Investments classified as "At Fair Value through the Profit & Loss"				
Balance at the Beginning of the Year	950	8,643	7,963	15,651
Adjustment on adoption of AASB 132/139			-	-
Revaluations (through the Income Statement)	183	450	64	(2,423)
Additions	-	-	11	3,642
Disposals (sales & redemptions)	(1,000)	(2,469)	(8,037)	(7,278)
Transfers between Current/Non Current	828	(828)	949	(949)
Balance at End of Year	961	5,796	950	8,643
Comprising:				
- Managed Funds	-	1,988	-	2,695
- Equity Linked Notes	-	759	-	2,405
- NCD's, FRN's (with Maturities > 3 months)	-	-	950	-
- CDO's	961	2,276	-	2,715
- Other Long Term Maturity Financial Assets	-	773	-	828
Total	961	5,796	950	8,643

Lismore City Council

Notes to the Financial Statements
for the financial year ended 30 June 2010

Note 6c. Restricted Cash, Cash Equivalents & Investments

\$ '000	2010	2010	2009	2009
	Actual Current	Actual Non Current	Actual Current	Actual Non Current
Total Cash, Cash Equivalents and Investment Securities	38,949	5,796	20,250	8,643
attributable to:				
External Restrictions (refer below)	28,446	5,796	14,237	8,643
Internal Restrictions (refer below)	10,503	-	5,686	-
Unrestricted	-	-	327	-
	38,949	5,796	20,250	8,643

2010 \$ '000	Opening Balance	Transfers to Restrictions	Transfers from Restrictions	Closing Balance
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Details of Restrictions

External Restrictions - Included in Liabilities				
Other	299	1,384	-	1,683
External Restrictions - Included in Liabilities	299	1,384	-	1,683
External Restrictions - Other				
Developer Contributions - General (D)	4,913	1,745	(837)	5,821
Developer Contributions - Water Fund (D)	904	38	-	942
Developer Contributions - Sewer Fund (D)	5,615	232	-	5,847
Specific Purpose Unexpended Grants (F)	4,386	-	(1,049)	3,337
Water Supplies (G)	-	2,203	-	2,203
Sewerage Services (G)	6,648	7,632	-	14,280
Domestic Waste Management (G)	115	58	(44)	129
External Restrictions - Other	22,581	11,908	(1,930)	32,559
Total External Restrictions	22,880	13,292	(1,930)	34,242

Lismore City Council

Notes to the Financial Statements
for the financial year ended 30 June 2010

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

2010 \$ '000	Opening Balance	Transfers to Restrictions	Transfers from Restrictions	Closing Balance
Internal Restrictions				
Employees Leave Entitlement	353	915	(11)	1,257
Specific Purpose Unexpended Loans (A)	1,414	2,290	(1,930)	1,774
Administrative Purposes	88	2,380	(1,353)	1,115
Aerodrome	55	1	(16)	40
Art Gallery	102	37	(18)	121
Child Care	25	1	(14)	12
Community Services	121	46	(87)	80
Economic Development & Tourism	410	230	(356)	284
Flood Mitigation	123	3	(30)	96
Information Services	404	198	(270)	332
Lawn Cemetery / Crematorium	8	199	(37)	170
Legal Expenses	55	162	(217)	-
NEWLOG	37	1	-	38
Parks & Reserves	163	210	(233)	140
Sustainable Development	301	1,495	(842)	954
Property Management	270	726	(559)	437
Richmond Tweed Regional Library	-	925	-	925
Remediation Programs	92	2	(35)	59
Special Projects	22	788	(687)	123
Sporting Grounds	10	3	-	13
Staff Development	24	59	-	83
Transport & Infrastructure	1,516	5,150	(4,994)	1,672
Waste Minimisation	93	11	-	104
Plant & Vehicle Replacement	-	6,054	(5,380)	674
Total Internal Restrictions	5,686	23,475	(18,658)	10,503
TOTAL RESTRICTIONS	28,566	36,767	(20,588)	44,745

- A** Loan moneys which must be applied for the purposes for which the loans were raised.
- B** Advances by the Roads and Traffic Authority for works on the State's classified roads.
- C** Self Insurance liability resulting from reported claims or incurred claims not yet reported.
- D** Development contributions which are not yet expended for the provision of services and amenities in accordance with contributions plans (refer Note 17).
- E** RTA Contributions which are not yet expended for the provision of services and amenities in accordance with those contributions.
- F** Grants which are not yet expended for the purposes for which the grants were obtained. (refer Note 1)
- G** Water, Sewerage, Domestic Waste Management (DWM) & other Special Rates/Levies/Charges are externally restricted assets and must be applied for the purposes for which they were raised.

Lismore City Council

Notes to the Financial Statements
for the financial year ended 30 June 2010

Note 7. Receivables

\$ '000	Notes	2010		2009	
		Current	Non Current	Current	Non Current
Purpose					
Rates & Annual Charges		2,952	1,028	1,193	1,966
Interest & Extra Charges		705	271	96	819
User Charges & Fees		472	-	383	-
Accrued Revenues					
- Interest on Investments		337	-	55	-
- Other Income Accruals		668	-	924	-
Deferred Debtors		155	225	384	374
Net GST Receivable		628	-	174	-
Loan to Sporting Club		56	64	43	106
Roads & Traffic Authority		4,481	-	1,654	-
Tender Deposits & Bonds		1,424	511	810	661
Miscellaneous Works & Services		2,161	-	2,522	-
Other Debtors		33	32	55	33
Total		14,072	2,131	8,293	3,959
less: Provision for Impairment					
User Charges & Fees		(115)	-	(115)	-
Total Provision for Impairment - Receivables		(115)	-	(115)	-
TOTAL NET RECEIVABLES		13,957	2,131	8,178	3,959
Externally Restricted Receivables					
Water Supply					
- Rates & Availability Charges		1,133	458	1,011	303
- Other		472	-	1,221	-
Sewerage Services					
- Rates & Availability Charges		332	115	611	-
- Other		50	-	605	-
Domestic Waste Management		170	22	8	76
Total External Restrictions		2,157	595	3,456	379
Internally Restricted Receivables		-	-	-	-
Unrestricted Receivables		11,800	1,536	4,722	3,580
TOTAL NET RECEIVABLES		13,957	2,131	8,178	3,959

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 is charged on overdue rates & charges at 9.00% (2009 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 2010

Note 8. Inventories & Other Assets

\$ '000	Notes	2010		2009	
		Current	Non Current	Current	Non Current
Inventories					
Real Estate for resale (refer below)		3,220	-	6,040	-
Stores & Materials		1,021	-	869	-
Trading Stock		2,449	-	1,583	-
Total Inventories		6,690	-	8,492	-
Other Assets					
Prepayments		44	-	22	-
Total Other Assets		44	-	22	-
TOTAL INVENTORIES & OTHER ASSETS		6,734	-	8,514	-
Details for Real Estate Development					
Residential		10	-	30	-
Industrial/Commercial		3,210	-	6,010	-
Total Real Estate for Resale		3,220	-	6,040	-
(Valued at the lower of cost and net realisable value)					
Represented by:					
Acquisition Costs		712	-	3,347	-
Development Costs		2,508	-	2,693	-
Total Costs		3,220	-	6,040	-
less: Provision for Under Recovery		-	-	-	-
Total Real Estate for Resale		3,220	-	6,040	-
Movements:					
Real Estate assets at beginning of the year		6,040	-	6,332	-
- Purchases and other costs		619	-	(43)	-
- WDV of Sales (exp)	5	(3,439)	-	(249)	-
Total Real Estate for Resale		3,220	-	6,040	-

Lismore City Council

Notes to the Financial Statements
for the financial year ended 30 June 2010

Note 8. Inventories & Other Assets (continued)

\$ '000	2010		2009	
	Current	Non Current	Current	Non Current
(i) Externally Restricted Assets				
Water				
Stores & Materials	250	-	242	-
Other	-	-	-	19
Total Water	250	-	242	19
Sewerage				
Stores & Materials	199	-	201	-
Other	-	-	-	1,267
Total Sewerage	199	-	201	1,267
Total Externally Restricted Assets	449	-	443	1,286
Total Internally Restricted Assets	-	-	-	-
Total Unrestricted Assets	(449)	-	(443)	(1,286)
TOTAL INVENTORIES & OTHER ASSETS	-	-	-	-

(ii) Other Disclosures**(a) 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;

	2010	2009
Real Estate for Resale	2,193	4,946
	2,193	4,946

Notes to the Financial Statements
for the financial year ended 30 June 2010

Note 9a. Infrastructure, Property, Plant & Equipment

	as at 30/6/2009				Asset Movements during the Reporting Period					as at 30/6/2010			
	At	At	Accumulated	Carrying	Asset	WDV	Depreciation	Adjustments	Revaluation	At	At	Accumulated	Carrying
	Cost	Fair Value	Deprec.	Value	Additions	of Asset Disposals	Expense	& Transfers	Increases to Equity (ARR)	Cost	Fair Value	Dep'n	Value
\$ '000													
Capital Work in Progress	6,640	-	-	6,640	11,228			(5,521)		12,347	-	-	12,347
Plant & Equipment	-	25,164	13,948	11,216	3,267	(125)	(2,719)			-	27,954	16,315	11,639
Office Equipment	-	3,430	2,619	811	501		(460)			-	5,400	4,548	852
Furniture & Fittings	-	374	371	3	176		(22)			-	599	442	157
Plant & Equipment (under Finance Lease)	-	-	-	-	-		-			-	-	-	-
Land:													
- Operational Land	-	31,925	-	31,925	590					-	32,515	-	32,515
- Community Land	4,429	-	-	4,429						-	4,429	-	4,429
- Land under Roads (pre 1/7/08)	-	-	-	-						-	-	-	-
- Land under Roads (post 30/6/08)	-	-	-	-						-	-	-	-
Land Improvements - non depreciable	-	-	-	-						-	-	-	-
Land Improvements - depreciable	16,185	-	6,565	9,620	172		(303)			16,358	-	6,869	9,489
Buildings - Non Specialised	-	530	-	530			-			-	530	-	530
Buildings - Specialised	-	83,882	26,510	57,372	858		(2,214)	19		-	85,438	29,403	56,035
Other Structures	13,182	-	3,727	9,455	927		(262)	54		14,162	-	3,988	10,174
Infrastructure:													
- Roads, Bridges, Footpaths	218,915	-	58,982	159,933	6,210		(4,793)	4,892	151,875	-	441,194	123,077	318,117
- Bulk Earthworks (non-depreciable)	255,554	-	-	255,554	58				5,800	-	261,412	-	261,412
- Stormwater Drainage	25,967	-	10,973	14,994	591		(300)	7	9,321	-	42,754	18,141	24,613
- Water Supply Network	-	138,458	66,091	72,367	1,565	(304)	(2,418)	18	2,148	-	143,484	70,108	73,376
- Sewerage Network	-	314,120	142,228	171,892	949	(143)	(5,862)	529	5,061	-	324,466	152,040	172,426
Other Assets:													
- Heritage Collections	83	-	10	73			(1)			82	-	10	72
- Library Books	-	-	-	-	3,985		(728)			10,859	-	7,602	3,257
- Other	-	-	-	-	254		(2)	2		256	-	2	254
Reinstatement, Rehabilitation & Restoration Assets (refer Note 26)													
- Tip Asset	1,513	-	800	713	121		(153)			1,635	-	954	681
- Quarry Asset	467	-	224	243	9		(7)			476	-	231	245
- Other Assets	-	-	-	-			-			-	-	-	-
TOTAL INFRASTRUCTURE, PROPERTY, PLANT & EQUIP.	542,935	597,883	333,048	807,770	31,461	(572)	(20,244)	-	174,205	56,175	1,370,175	433,730	992,620

Lismore City Council

Notes to the Financial Statements
for the financial year ended 30 June 2010

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

Class of Asset	Actual 2010				Actual 2009			
	At Cost	At Fair Value	A/Dep & Impairm't	Carrying Value	At Cost	At Fair Value	A/Dep & Impairm't	Carrying Value
Water Supply								
WIP	98			98	-	-	-	-
Plant & Equipment		812	526	286	704	-	480	224
Office Equipment	55		51	4	55	-	47	8
Furniture & Fittings				-	-	-	-	-
Land								
- Operational Land		1,208		1,208	-	1,208	-	1,208
- Community Land				-	-	-	-	-
- Improvements non-depreciable				-	-	-	-	-
- Improvements - depreciable				-	-	-	-	-
Buildings		451	178	273	-	451	168	283
Other Structures	33		10	23	33	-	10	23
Infrastructure		143,485	70,108	73,377	-	138,458	66,091	72,367
Total Water Supply	186	145,956	70,873	75,269	792	140,117	66,796	74,113
Sewerage Services								
WIP	5,276			5,276	-	-	-	-
Plant & Equipment		1,359	809	550	1,014	-	743	271
Office Equipment	88		88	-	88	-	88	-
Furniture & Fittings				-	-	-	-	-
Land								
- Operational Land		2,362		2,362	-	2,362	-	2,362
- Community Land				-	-	-	-	-
- Improvements non-depreciable				-	-	-	-	-
- Improvements - depreciable				-	-	-	-	-
Buildings		1,280	353	927	-	1,153	330	823
Other Structures	14		2	12	14	-	2	12
Infrastructure		324,466	152,040	172,426	-	314,120	142,228	171,892
Total Sewerage Services	5,378	329,467	153,292	181,553	1,116	317,635	143,391	175,360
Management								
Land								
- Operational Land		111		111	-	111	-	111
- Improvements - depreciable	1,422		220	1,202	1,328	-	199	1,129
Total Other Restrictions	1,422	111	220	1,313	1,328	111	199	1,240
TOTAL RESTRICTED I,PP&E	6,986	475,534	224,385	258,135	3,236	457,863	210,386	250,713

Lismore City Council

Notes to the Financial Statements
for the financial year ended 30 June 2010

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

\$ '000	Notes	Actual 2010	Actual 2009
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Council has recognised no impairment losses during the reporting period nor reversed any prior period losses.

Lismore City Council

Notes to the Financial Statements

for the financial year ended 30 June 2010

Note 10a. Payables, Borrowings & Provisions

\$ '000	Notes	2010		2009	
		Current	Non Current	Current	Non Current
Payables					
Goods & Services - operating expenditure		4,679	-	2,166	-
Goods & Services - capital expenditure		3,002	-	1,106	-
Payments Received In Advance		116	-	45	-
Accrued Expenses:					
- Other Expenditure Accruals		2,396	-	1,031	-
Security Bonds, Deposits & Retentions		1,423	510	810	661
Trustee Items		157	416	166	360
Contributions to Works		983	128	953	150
Other		42	-	936	-
Total Payables		12,798	1,054	7,213	1,171
Borrowings					
Loans - Secured ¹		2,209	44,486	2,024	36,324
Total Borrowings		2,209	44,486	2,024	36,324
Provisions					
Employee Benefits;					
Annual Leave		2,602	-	1,958	-
Long Service Leave		3,694	109	2,744	102
Leave in Lieu		58	-	43	-
Sub Total - Aggregate Employee Benefits		6,354	109	4,745	102
Asset Remediation/Restoration (Future Works) ²⁶		47	2,924	46	2,519
Total Provisions		6,401	3,033	4,791	2,621
Total Payables, Borrowings & Provisions		21,408	48,573	14,028	40,116

(i) Liabilities relating to Restricted Assets

	2010		2009	
	Current	Non Current	Current	Non Current
Externally Restricted Assets				
Domestic Waste Management	121	1	98	2
Water	427	2,539	341	975
Sewer	394	8,476	391	2,153
Other	1,683	-	299	-
Liabilities relating to externally restricted assets	2,625	11,016	1,129	3,130
Total Liabilities relating to restricted assets	2,625	11,016	1,129	3,130

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 2010

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

\$ '000	2010	2009
(ii) Current Liabilities not anticipated to be settled within the next 12 months		
The following Liabilities, even though classified as current, are not expected to be settled in the next 12 months.		
Provisions - Employees Benefits	4,101	2,911
	4,101	2,911

Note 10b. Description of and movements in Provisions

Class of Provision	2009		2010		Closing Balance as at 30/6/10
	Opening Balance as at 1/7/09	Additional Provisions	Decrease due to Payments	Remeasurement effects due to Discounting	
Annual Leave	1,958	2,104	(1,460)		2,602
Long Service Leave	2,846	1,618	(661)		3,803
Other Leave	43	192	(177)		58
Asset Remediation	2,565	406			2,971
TOTAL	7,412	4,320	(2,298)	=	9,434

- a. Employees Leave Entitlements & On-Costs represents those benefits accrued and payable and an estimate of those that will become payable in the future as a result of past service.
- b. Asset Remediation, Reinstatement & Restoration Provisions represent the Present Value estimate of future costs Council will incur in order to remove, restore & remediate assets &/or activities as a result of past operations.

Lismore City Council

Notes to the Financial Statements
for the financial year ended 30 June 2010

Note 11. Statement of Cash Flows - Additional Information

\$ '000	Notes	Actual 2010	Actual 2009
(a) Reconciliation of Cash Assets			
Total Cash & Cash Equivalent Assets	6a	37,988	19,300
BALANCE as per the STATEMENT of CASH FLOWS		37,988	19,300
(b) Reconciliation of Net Operating Result to Cash provided from Operating Activities			
Net Operating Result from Income Statement		12,707	1,552
Adjust for non cash items:			
Depreciation & Amortisation		20,368	19,390
Net Losses/(Gains) on Disposal of Assets		(1,024)	14
Non Cash Capital Grants and Contributions		(1,420)	(3,293)
Losses/(Gains) recognised on Fair Value Re-measurements through the P&L:			
- Investments classified as "@ Fair Value" or "Held for Trading"		(633)	2,359
Unwinding of Discount Rates on Reinstatement Provisions		309	198
+/- Movement in Operating Assets and Liabilities & Other Cash Items:			
Decrease/(Increase) in Receivables		(4,329)	796
Increase/(Decrease) in Provision for Doubtful Debts		-	76
Decrease/(Increase) in Inventories		(1,018)	(822)
Decrease/(Increase) in Other Current Assets		(22)	42
Increase/(Decrease) in Payables		2,513	(973)
Increase/(Decrease) in other accrued Expenses Payable		1,365	(414)
Increase/(Decrease) in Other Current Liabilities		(306)	(874)
Increase/(Decrease) in Employee Leave Entitlements		1,616	482
Increase/(Decrease) in Other Provisions		97	(1,183)
NET CASH PROVIDED FROM/(USED IN)			
OPERATING ACTIVITIES from the STATEMENT of CASH FLOWS		27,713	17,350

Lismore City Council

Notes to the Financial Statements
for the financial year ended 30 June 2010

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

\$ '000	Notes	Actual 2010	Actual 2009
(c) Non-Cash Investing & Financing Activities			
Other Dedications		-	3,293
Total Non-Cash Investing & Financing Activities		-	3,293
(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		62	62
Total Financing Arrangements		812	812

1. The Bank overdraft facility may be drawn at any time and may be terminated by the bank without notice.

Interest rates on overdrafts are Interest Rates on Loans & Other Payables are disclosed in Note 15.

(ii) Secured Loan Liabilities

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

(e) Net Cash Flows Attributable to Discontinued Operations

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

Lismore City Council

Notes to the Financial Statements

for the financial year ended 30 June 2010

Note 12. Commitments for Expenditure

\$ '000	Notes	Actual 2010	Actual 2009
(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			
Buildings, Pools & Other Structures		-	558
Flood Levy Construction		59	79
Total Commitments		59	637
These expenditures are payable as follows:			
Within the next year		59	637
Later than one year and not later than 5 years		-	-
Later than 5 years		-	-
Total Payable		59	637
Sources for Funding of Capital Commitments:			
Unrestricted General Funds		59	637
Total Sources of Funding		59	637
(b) Other Expenditure Commitments (exclusive of GST)			
Other Non Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:			
Audit Services		129	172
Management Contracts for Council Facilities		175	665
Remediation of former Gasworks Site		-	78
Other - Parks & Gardens Services		349	-
Total Commitments		653	915
These expenditures are payable as follows:			
Within the next year		334	405
Later than one year and not later than 5 years		319	510
Later than 5 years		-	-
Total Payable		653	915

Lismore City Council

Notes to the Financial Statements
for the financial year ended 30 June 2010

Note 12. Commitments for Expenditure (continued)

\$ '000	Notes	Actual 2010	Actual 2009
(c) Finance Lease Commitments			
Nil			
(d) Operating Lease Commitments (Non Cancellable)			
a. Commitments under Non Cancellable Operating Leases at the Reporting date, but not recognised as Liabilities are payable:			
Within the next year		645	566
Later than one year and not later than 5 years		566	818
Later than 5 years		-	-
Total Non Cancellable Operating Lease Commitments		1,211	1,384

b. Non Cancellable Operating Leases include the following assets:

Motor Vehicles, Heavy Plant, Office Rental.

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 2010

Note 12. Commitments for Expenditure (continued)

\$ '000	Notes	Actual 2010	Actual 2009
Conditions relating to Finance & Operating Leases:			
- All Finance & Operating Lease Agreement are secured only against the Leased Asset.			
- No Lease Agreements impose any financial restrictions on Council regarding future debt etc.			
(e) Investment Property Commitments			
Nil			
(f) Remuneration Commitments			
Commitments for the payment of salaries & other remuneration under long-term employment contracts in existence at reporting date but not recognised as liabilities are payable:			
Within the next year		548	416
Later than one year and not later than 5 years		800	931
Later than 5 years		-	-
Total Payable		1,348	1,347

(g) Investment in Associates / Joint Ventures - Commitments

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

Lismore City Council

Notes to the Financial Statements

for the financial year ended 30 June 2010

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

\$ '000	Amounts		Indicator	Prior Periods	
	2010	2010		2009	2008
1. Unrestricted Current Ratio					
Current Assets less all External Restrictions ⁽¹⁾	<u>26,395</u>	1.80 : 1		1.39	2.04
Current Liabilities less Specific Purpose Liabilities ^(2,3)	<u>14,682</u>				
2. Debt Service Ratio					
Debt Service Cost	<u>4,613</u>	5.57%		6.34%	5.33%
Revenue from Continuing Operations excluding Capital Items & Specific Purpose Grants/Contributions	<u>82,820</u>				
3. Rates & Annual Charges Coverage Ratio					
Rates & Annual Charges	<u>34,898</u>	34.51%		39.01%	42.68%
Revenue from Continuing Operations	<u>101,128</u>				
4. Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage					
Rates, Annual & Extra Charges Outstanding	<u>4,956</u>	12.63%		11.19%	10.89%
Rates, Annual & Extra Charges Collectible	<u>39,225</u>				
5. Building & Infrastructure Renewals Ratio					
Asset Renewals ⁽⁴⁾ [Buildings & Infrastructure]	<u>10,355</u>	66.43%		65.28%	109.38%
Depreciation, Amortisation & Impairment (Building & Infrastructure Assets)	<u>15,587</u>				

Notes

⁽¹⁾ Refer Notes 6-8 inclusive.

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

⁽²⁾ Refer to Note 10(a).⁽³⁾ Refer to Note 10(c) - excludes all payables & provisions not expected to be paid in the next 12 months (incl. ELE).⁽⁴⁾ Asset Renewals represent the replacement &/or refurbishment of existing assets to an equivalent capacity or performance as opposed to the acquisition of new assets (or the refurbishment of old assets) that increases capacity/performance.

Lismore City Council

Notes to the Financial Statements
for the financial year ended 30 June 2010

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

\$ '000	Water 2010	Sewer 2010	General 2010
1. Unrestricted Current Ratio			
<u>Current Assets less all External Restrictions⁽¹⁾</u>	4.34 : 1	37.72 : 1	1.81 : 1
Current Liabilities less Specific Purpose Liabilities ^(2,3)			
2. Debt Service Ratio			
<u>Debt Service Cost</u>	1.06%	2.39%	6.69%
Revenue from Continuing Operations excluding Capital Items & Specific Purpose Grants/Contributions			
3. Rates & Annual Charges Coverage Ratio			
<u>Rates & Annual Charges</u>	21.64%	62.86%	31.70%
Revenue from Continuing Operations			
4. Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage			
<u>Rates, Annual & Extra Charges Outstanding</u>	20.32%	5.98%	9.75%
Rates, Annual & Extra Charges Collectible			
5. Building & Infrastructure Renewals Ratio			
<u>Asset Renewals⁽⁴⁾ [Buildings & Infrastructure]</u>	64.46%	16.13%	107.79%
Depreciation, Amortisation & Impairment (Building & Infrastructure Assets)			

Notes

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

Lismore City Council

Notes to the Financial Statements
for the financial year ended 30 June 2010

Note 14. Investment Properties

\$ '000	Notes	Actual 2010	Actual 2009
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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 2010

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	
	2010	2009	2010	2009
Financial Assets				
Cash and Cash Equivalents	37,988	19,300	37,988	19,300
Investments				
- "Designated At Fair Value on Initial Recognition"	6,757	9,593	6,757	9,593
Receivables	16,088	12,137	15,505	12,138
Total Financial Assets	60,833	41,030	60,250	41,031
Financial Liabilities				
Payables	13,736	8,339	12,880	8,338
Loans / Advances	46,695	38,348	45,944	37,251
Total Financial Liabilities	60,431	46,687	58,824	45,589

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.

Lismore City Council

Notes to the Financial Statements

for the financial year ended 30 June 2010

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 Section manages its Cash & Investments portfolio with the assistance of independent advisors.

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

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

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

A further risk associated with Cash & Investments is credit risk - the risk that the counterparty (to an investment) 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 (during 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
2010				
Possible impact of a 10% movement in Market Values		676		(676)
Possible impact of a 1% movement in Interest Rates	447		(447)	
2009				
Possible impact of a 10% movement in Market Values	-	959	-	(959)
Possible impact of a 1% movement in Interest Rates	289	-	(289)	-

Lismore City Council

Notes to the Financial Statements
for the financial year ended 30 June 2010

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:

	2010	2010	2009	2009
	Rates & Annual Charges	Other Receivables	Rates & Annual Charges	Other Receivables
(i) Ageing of Receivables				
Current (not yet overdue)	678	10,963	353	7,421
Overdue	3,302	1,260	2,806	1,672
	<u>3,980</u>	<u>12,223</u>	<u>3,159</u>	<u>9,093</u>
(ii) Movement in Provision for Impairment of Receivables			2010	2009
Balance at the beginning of the year			115	39
+ new provisions recognised during the year				76
- amounts already provided for & written off this year				
- amounts provided for but recovered during the year				
- previous impairment losses reversed				
Balance at the end of the year			<u>115</u>	<u>115</u>

Lismore City Council

Notes to the Financial Statements
for the financial year ended 30 June 2010

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.

As well, payment terms can (in extenuating circumstances) be extended & overdraft facilities can be drawn down.

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

\$ '000	Subject to no maturity	payable in:						Total Cash Outflows	Actual Carrying Values
		≤ 1 Year	1-2 Yrs	2-3 Yrs	3-4 Yrs	4-5 Yrs	> 5 Yrs		
2010									
Trade/Other Payables	1,933	-	-	-	-	-	-	1,933	13,736
Loans & Advances	-	2,248	2,397	2,467	2,612	2,700	35,613	48,037	46,695
Lease Liabilities	-	-	-	-	-	-	-	-	-
Total Financial Liabilities	1,933	2,248	2,397	2,467	2,612	2,700	35,613	49,970	60,431
2009									
Trade/Other Payables	1,471	-	-	-	-	-	-	1,471	8,339
Loans & Advances	-	2,125	2,117	2,239	2,305	2,423	28,583	39,792	38,348
Total Financial Liabilities	1,471	2,125	2,117	2,239	2,305	2,423	28,583	41,263	46,687

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:

	2010		2009	
	Carrying Value	Average Interest Rate	Carrying Value	Average Interest Rate
Trade/Other Payables	13,736	0.0%	8,339	0.0%
Loans & Advances - Fixed Interest Rate	46,695	6.5%	38,348	6.8%
	<u>60,431</u>		<u>46,687</u>	

Lismore City Council

Notes to the Financial Statements

for the financial year ended 30 June 2010

Note 16. Material Budget Variations

\$ '000

Council's Original Financial Budget for 09/10 was incorporated as part of its Management Plan and was adopted by the Council on 09 June 2010.

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.

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

Note that for Variations: F = Favourable Budget Variation, U = Unfavourable Budget Variation

\$ '000	2010 Budget	2010 Actual	2010 Variance*		
REVENUES					
Rates & Annual Charges	35,127	34,898	(229)	(1%)	U
User Charges & Fees	22,857	24,047	1,190	5%	F
Interest & Investment Revenue	1,010	5,090	4,080	404%	F
Interest revenue was higher than budget estimates as a result of					
- Interest on Investments from Council's portfolio being greater than forecast by \$941,000 due to stronger interest rate and a higher portfolio balance than anticipated.					
- The fair value of Council's investments improved by \$633,000. This represents a recoupement of capital written down in prior years due to the Global Financial Crisis (GFC). These amounts cannot be budgeted for.					
- Interest foregone on an interest only loan received for the construction of the - Lismore Wastewater Southern Trunk Main \$2,510,300. This is non -cash and is to reflect the NPV of the interest only loan based on the term of the loan being 10 years with repayments spread over the period. The loan was only advised during the year					
Other Revenues	5,134	11,209	6,075	118%	F
- To comply with legislative requirements the operations of the Richmond Tweed Regional Library (RTRL) have been consolidated into the operations of Lismore City Council for the year ended 30-06-10. In accordance with AASB 107 the equity balance of RTRL at 01/07/09 is to be treated as Other Revenue, this amount was \$5,196,400					
- Council also received \$730,000 in relation to insurance claims that had not been forecast, this was in relation to the finalisation of storm and hail damage.					

Notes to the Financial Statements
for the financial year ended 30 June 2010

Note 16. Material Budget Variations (continued)

\$ '000	2010 Budget	2010 Actual	2010 Variance*		
Operating Grants & Contributions	9,509	15,113	5,604	59%	F
<p>Council received grants and contributions above original estimates for the following projects/works. These grant were advised during the year and were not available at the time of the preparation of the budgets.</p> <ul style="list-style-type: none"> - Recreation and Cultural - \$281,000. Major funding for the Splendid project - \$205,000 and the Creative Enterprise Hub project -\$50,000 - Natural Disaster Emergency Funding being for works associated with flood and storm restoration \$4,948,000 - Grants associated with Road Safety projects increased by \$89,000 - RTA Block grant funding was higher than estimated by \$165,000 					
Capital Grants & Contributions	10,711	9,747	(964)	(9%)	U
Net Gains from Disposal of Assets	135	1,024	889	659%	F
<p>Council made land sales in the year that were not originally anticipated. These sales realised a profit on sale of \$1,351,000</p> <p>These sales were offset by a write-off of infrastructure assets in Wastewater and Water of \$447,000. These assets are reviewed yearly as part of the preparation of the financial reports and vary from year to year. These amounts are not budgeted.</p>					
Share of Net Profits - Joint Ventures & Associates	-	-	-	0%	F
EXPENSES					
Employee Benefits & On-Costs	25,825	24,940	885	3%	F
Borrowing Costs	2,920	2,886	34	1%	F
Materials & Contracts	28,235	35,901	(7,666)	(27%)	U
<p>Council received increased funding from grants and contributions. This has resulted in increased expenditure for materials and contracts.</p> <p>The major additional grants were:</p> <ul style="list-style-type: none"> - Recreation and Cultural - \$281,000. Major funding for the Splendid project - \$205,000 and the Creative Enterprise Hub project -\$50,000 - Natural Disaster Emergency Funding being for works associated with flood and storm restoration \$4,948,000 - Grants associated with Road Safety projects increased by \$89,000 - RTA Block grant funding was higher than estimated by \$165,000 					
Depreciation & Amortisation	17,216	20,368	(3,152)	(18%)	U
<p>Council budgets are based on the audited financials reports available at the time of budget preparation. These reports did not include the Fair Value of buildings etc or the yearly indexation of Water and Wastewater infrastructure.</p>					
Impairment Expenses	-	-	-	0%	F

Lismore City Council

Notes to the Financial Statements

for the financial year ended 30 June 2010

Note 16. Material Budget Variations (continued)

\$ '000	2010 Budget	2010 Actual	2010 Variance*		
Other Expenses	5,406	4,326	1,080	20%	F
Expenses are overall lower than original estimates, however some areas have shown unfavourable variances:					
- Contributions are lower than original budgets due to the consolidation of the Richmond Tweed Regional Library into the Lismore City Council Financial Statements, this will have a favourable variance of \$1,167,000.					
This has been offset by higher contributions to Richmond River County Council of \$136,000.					
- Street lighting expenses show a fav variance of \$195,000 due to a revised pricing structure being implemented					
- Electricity cost show an unfav variance of \$209,000 being higher than estimated usage and unit charge rate					
- Levies imposed for Rural Fire services \$35,000 (unfav) and NSW Fire Services \$8,000 (unfav) were higher.					
- Council's insurance costs were higher than original estimates by \$32,000					
- Telephone costs have shown fav variance of \$70,000.					
Net Losses from Disposal of Assets	-	-	-	0%	F
Share of Net Losses - Joint Ventures & Associates	-	-	-	0%	F
Operating Result from Discontinued Operations	-	-	-	0%	F

Budget Variations relating to Council's Cash Flow Statement include:

Cash Flows from Operating Activities	21,347	27,713	6,366	29.8%	F
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The major variances are attributable to increases in Grants and Contributions received and the consolidation of Richmond Tweed Regional Library into Lismore City Council's Financial Statements as previously outlined.

Cash Flows from Investing Activities	(30,605)	(19,882)	10,723	(35.0%)	F
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This variance is mainly attributable to land sales made during the year that were not originally anticipated. Some investments also matured during the year due to market conditions, Council reviewing its portfolio and cash flow requirements. This has resulted in more inflows of fund than budgeted with these funds now being held as cash assets rather than investments.

Cash Flows from Financing Activities	9,273	10,857	1,584	17.1%	F
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Council received an Interest Free Loan of \$6 million from the Federal Government towards the Southern Trunk Main project which was not anticipated in the budget however the borrowing program was decreased during the year as the total funds anticipated were not required.

Lismore City Council

Notes to the Financial Statements
for the financial year ended 30 June 2010

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.

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Recreation & Community Facilities	1,357	132	-	86	(79)	-	1,496	1,100	(1,043)	1,553	-
Car Parking	27	15	-	2	-	-	44	351	(398)	(3)	-
Strategic Urban Roads	2,216	280	-	131	-	-	2,627	23,077	(22,714)	2,990	-
Rural Fire Services	76	5	-	5	-	-	86	17	(63)	40	-
Footpaths/Cycleways	180	27	-	11	-	-	218	250	(368)	100	-
S. E. S.	35	3	-	2	-	-	40	29	(38)	31	-
Nimbin Traffic Management	4	-	-	-	-	-	4	30	(34)	-	-
Rural Roads	1,005	263	-	63	(40)	-	1,291	1,751	(2,615)	427	-
S94 Contributions - under a Plan	4,900	725	-	300	(119)	-	5,806	26,605	(27,273)	5,138	-
S94A Levies - under a Plan	-	-	-	-	-	-	-	-	-	-	-
Total S94 Revenue Under Plans	4,900	725	-	300	(119)	-	5,806				
S94 not under Plans	13	-	-	1	-	-	14	-	-	14	-
S93F Planning Agreements	-	-	-	-	-	-	-	-	-	-	-
S64 Contributions	6,519	718	-	271	(718)	-	6,790	-	-	-	-
Total Contributions	11,432	1,443	-	572	(837)	-	12,610	26,605	(27,273)	5,152	-

S94 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	
Recreation & Community Facilities											
City Wide	337	46	-	22	(7)	-	398	669	(967)	100	-
Local:											
- Urban Catchment (East)	529	57	-	35	(4)	-	617	157	-	774	-
- Urban Catchment (West)	-	2	-	-	(2)	-	-	12	(12)	-	-
- Nimbin & District	8	2	-	-	(10)	-	-	9	-	9	-
- The Channon & District	1	-	-	-	-	-	1	-	-	1	-
- North East	13	1	-	-	-	-	14	15	(28)	1	-
- Clunes/Bexhill/Eltham	55	-	-	4	-	-	59	-	-	59	-
- South West	7	-	-	1	-	-	8	23	(27)	4	-
- South East	3	-	-	-	-	-	3	7	(9)	1	-
- Residential	213	10	-	13	(18)	-	218	146	-	364	-
- Industrial/Commercial	15	1	-	1	-	-	17	16	-	33	-
Urban Bushland	176	13	-	10	(38)	-	161	46	-	207	-
Total	1,357	132	-	86	(79)	-	1,496	1,100	(1,043)	1,553	-

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	
Car Parking											
Lismore CBD	27	4	-	2	-	-	33	20	(67)	(14)	-
Nimbin Village	-	11	-	-	-	-	11	331	(331)	11	-
Total	27	15	-	2	-	-	44	351	(398)	(3)	-

Notes to the Financial Statements
for the financial year ended 30 June 2010

Note 17. Statement of Developer Contributions (continued)

\$ '000

S94 CONTRIBUTIONS - UNDER A PLAN

Strategic Urban Roads

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Residential/Commercial/Industrial	2,216	280	-	131	-	-	2,627	23,077	(22,714)	2,990	-
Total	2,216	280	-	131	-	-	2,627	23,077	(22,714)	2,990	-

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	76	5	-	5	-	-	86	17	(63)	40	-
Total	76	5	-	5	-	-	86	17	(63)	40	-

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	71	10	-	6	-	-	87	162	(197)	52	-
Internal	109	17	-	5	-	-	131	79	(171)	39	-
Caniaba-Trunk	-	-	-	-	-	-	-	9	-	9	-
Total	180	27	-	11	-	-	218	250	(368)	100	-

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	35	3	-	2	-	-	40	29	(38)	31	-
Total	35	3	-	2	-	-	40	29	(38)	31	-

Nimbin Traffic Management

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

Rural Roads

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Rural	844	255	-	53	(40)	-	1,112	1,702	(2,344)	470	-
Village Rural Roads	161	8	-	10	-	-	179	49	(271)	(43)	-
Total	1,005	263	-	63	(40)	-	1,291	1,751	(2,615)	427	-

Lismore City Council

Notes to the Financial Statements
for the financial year ended 30 June 2010

Note 17. Statement of Developer Contributions (continued)

\$ '000

S94 CONTRIBUTIONS - NOT UNDER A PLAN

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Drainage	13	-	-	1	-	-	14	-	-	-	14
Total	13	-	-	1	-	-	14	-	-	-	14

CONTRIBUTION PLAN NUMBER 10 - Section 64

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Water Supplies:											
- Urban Reservoir	200	184	-	8	(184)	-	208	1,161	(1,369)	-	-
- Dunoon etc	329	-	-	14	-	-	343	383	(726)	-	-
- Clunes	309	-	-	13	-	-	322	1	(323)	-	-
- Nimbin & District	102	15	-	4	(15)	-	106	112	(218)	-	-
- Caniaba	(37)	1	-	-	(1)	-	(37)	39	(2)	-	-
sub total	903	200	-	39	(200)	-	942	1,696	(2,638)	-	-
Sewer Supplies:											
- Lismore	5,383	496	-	222	(496)	-	5,605	3,473	(9,078)	-	-
- Nimbin	233	22	-	10	(22)	-	243	180	(423)	-	-
- Caniaba	-	-	-	-	-	-	-	-	-	-	-
sub total	5,616	518	-	232	(518)	-	5,848	3,653	(9,501)	-	-
Total	6,519	718	-	271	(718)	-	6,790	5,349	(12,139)	-	-

Lismore City Council

Notes to the Financial Statements for the financial year ended 30 June 2010

Note 18. Contingencies & Other Assets/Liabilities Not Recognised

\$ '000

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

LIABILITIES NOT RECOGNISED:

1. Guarantees

(i) Defined Benefit Superannuation Contribution Plans

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

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

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

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

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

(ii) Statewide Limited

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

Membership includes the potential to share in either the net assets or liabilities of the fund depending on its past performance. Council's share of the Net Assets or Liabilities reflects 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 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 of APRA.

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

(iv) Sporting Club Guarantee

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

Lismore City Council

Notes to the Financial Statements
for the financial year ended 30 June 2010

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

\$ '000

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

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

2. Other Liabilities**(i) Gasworks Site**

Council entered into a voluntary agreement with the Dept of Environment, Climate Change and Water (DECCW) for the remediation of the Former Lismore Gasworks Site.

Civil works were contracted in 1999 with on-ground works substantially completed by 2002 however a final validation report remained outstanding following repeated requests of the contractor by Council and DECCW.

The Contract was formally terminated by Council 2009 and a third party was commissioned to undertake the required validation reporting. Reporting has now been completed and a site audit statement is anticipated to be issued for the site by the end of 2010 bringing the project to completion.

At balance date approximately \$50,000 is payable to the Site Auditor. Any further claims by the original contractor as a result of the contract termination will be subject to legal review

(ii) 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.

(iii) 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.

(iv) S94 Plans

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

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

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

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

Lismore City Council

Notes to the Financial Statements
for the financial year ended 30 June 2010

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

\$ '000

LIABILITIES NOT RECOGNISED (continued):**2. Other Liabilities** (Continued)**(v) Potential Land Acquisitions due to Planning Restrictions imposed by Council**

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

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

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

(vi) 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 reports.

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 updated Infringement Notices.

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

Lismore City Council

Notes to the Financial Statements for the financial year ended 30 June 2010

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.	

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

Council has no interest in any Subsidiaries.

19(b) Associated Entities & Joint Venture Entities

(i) ASSOCIATED ENTITIES

Council has no interest in any Associated Entities.

Lismore City Council

Notes to the Financial Statements
for the financial year ended 30 June 2010

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

\$ '000

19(c) Joint Venture Operations

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

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

(b) Council Assets employed in the Joint Venture Operation

	2010	2009
1. Blue Hills Residential Estate		
Councils own assets employed in the Operation		
Current Assets:		
Receivables	9	9
Inventories	10	30
Payables	-	(18)
Non-Current Assets		
Other	6	8
Total Net Assets - Council Owned	25	29
2. North East Weight of Loads Group		
Councils share of assets jointly owned with other partners		
Current Assets	40	39
Current Liabilities	(19)	(16)
Property, Plant & Equipment	19	17
Total Net Assets - Council & Jointly Owned	40	40
Total Net Assets Employed - Council & Jointly Owned	65	69

Lismore City Council

Notes to the Financial Statements

for the financial year ended 30 June 2010

Note 20. Equity - Retained Earnings and Revaluation Reserves

\$ '000	Notes	Actual 2010	Actual 2009
a. Retained Earnings			
Movements in Retained Earnings were as follows:			
Balance at beginning of Year (from previous years audited accounts)		455,857	454,305
a. Correction of Prior Period Errors	20 (c)	152,444	152,444
b. Changes in Accounting Policies (Prior Period Effects)	20 (d)	-	-
c. Other Comprehensive Income (excl. direct to Reserves transactions)		-	-
d. Net Operating Result for the Year		12,707	1,552
e. Distributions to/(Contributions from) Minority Interests		-	-
f. Transfers between Equity		-	-
g. Other Changes (disclosure required)		-	-
Balance at End of the Reporting Period		<u>621,008</u>	<u>608,301</u>
b. Reserves			
(i) Reserves are represented by:			
- Infrastructure, Property, Plant & Equipment Revaluation Reserve		370,090	195,885
Total		<u>370,090</u>	<u>195,885</u>
(ii). Reconciliation of movements in Reserves:			
Infrastructure, Property, Plant & Equipment Revaluation Reserve			
- Opening Balance		195,885	188,799
- Revaluations for the year	9(a)	174,205	7,086
- Balance at End of Year		<u>370,090</u>	<u>195,885</u>
TOTAL VALUE OF RESERVES		<u>370,090</u>	<u>195,885</u>

(iii). Nature & Purpose of Reserves

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

Lismore City Council

Notes to the Financial Statements

for the financial year ended 30 June 2010

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

\$ '000	Notes	Actual 2010	Actual 2009
c. Correction of Error/s relating to a Previous Reporting Period			
As part of Council's transition to measuring all it's I,PP&E at Fair Values, Council this year reviewed and brought to account Fair Values for the following Asset Classes:			
<ul style="list-style-type: none"> - Roads, Bridges, Footpaths - Bulk Earthworks (non-depreciable) - Stormwater Drainage 			
As part of that evaluation & measurement process, the remaining useful life of each asset has been reassessed to actual.			
This reassessment has resulted in a material difference as to where some assets actually sit in relation to their asset life cycle relative to what the value of accumulated depreciation in Council's Financial Reports had previously indicated.			
Council does not have sufficient and reliable information that will allow the restatement of information prior to 30/6/09 (the closing date for the comparative figures in this report).			
As a result, Council has adjusted the accumulated depreciation for the following asset classes as at 30/6/09 to reflect the correct value of accumulated depreciation;			
Roads, Bridges, Footpaths (increase)/decrease to accumulated depreciation		78,991	
Bulk Earthworks (non-depreciable) (increase)/decrease to accumulated depreciation		76,384	
Stormwater Drainage (increase)/decrease to accumulated depreciation		(2,931)	
This adjustment resulted in net increase of \$152,444 in Council's Accumulated Surplus as at 30/6/09.			
In accordance with AASB 108 - Accounting Policies, Changes in Accounting Estimates and Errors, the above Prior Period Errors have been recognised retrospectively.			
These amounted to the following Equity Adjustments:			
- Adjustments to Closing Equity - 30/6/09 (relating to adjustments for the 30/6/09 year end)		152,444	-
Total Prior Period Adjustments - Prior Period Errors		152,444	-

Lismore City Council

Notes to the Financial Statements
for the financial year ended 30 June 2010

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

\$ '000	Notes	Actual 2010	Actual 2009
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d. Voluntary Changes in Accounting Policies

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

Lismore City Council

Notes to the Financial Statements

for the financial year ended 30 June 2010

Note 21. "Held for Sale" Non Current Assets & Disposal Groups

\$ '000	2009	
	Current	Non Current

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

Note 22. Events occurring after Balance Sheet Date

Events that occur after the reporting date of 30 June 2010, up to and including the date when the financial statements are "authorised for issue" have been taken into account in preparing these statements.

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

Accordingly, the "authorised for issue" date is 26/10/10.

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

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

These financial statements (and the figures therein) incorporate all "adjusting events" that provided evidence of conditions that existed at 30 June 2010.

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

These financial statements (and figures therein) do not incorporate any "non adjusting events" that have occurred after 30 June 2010 and which are only indicative of conditions that arose after 30 June 2010.

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

Lismore City Council

Notes to the Financial Statements
for the financial year ended 30 June 2010

Note 23. Discontinued Operations

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

Note 24. Intangible Assets

\$ '000

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

	Actual 2010 Carrying Amount	Actual 2009 Carrying Amount
Intangible Assets are as follows;		
Opening Values:		
Gross Book Value (1/7)	1,220	1,022
Accumulated Amortisation & Impairment	(204)	(102)
Net Book Value - Opening Balance	1,016	920
Movements for the year		
- Purchases	-	198
- Amortisation charges	(124)	(102)
Closing Values:		
Gross Book Value (30/6)	1,220	1,220
Accumulated Amortisation & Impairment	(328)	(204)
<u>TOTAL INTANGIBLE ASSETS - NET BOOK VALUE</u> ¹	<u>892</u>	<u>1,016</u>

¹ The Net Book Value of Intangible Assets represent:

- Software	892	1,016
	892	1,016

Lismore City Council

Notes to the Financial Statements

for the financial year ended 30 June 2010

Note 25. 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	
		2010	2009
Quarry Operations	2041	862	755
Tip Operations	2013	2,109	1,810
Balance at End of the Reporting Period	10	<u>2,971</u>	<u>2,565</u>

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

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

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

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

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

Reconciliation of movement in Provision for year:

Balance at beginning of year	2,565	3,550
Amounts capitalised to new or existing assets:		
Effect of a change in discount rates used in PV calculations	36	-
Effect of a change in other calculation estimates used	97	(1,183)
Amortisation of discount (expensed to borrowing costs)	273	198
Total - Reinstatement, rehabilitation and restoration provision	<u>2,971</u>	<u>2,565</u>

Amount of Expected Reimbursements

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

Lismore City Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2010

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



Lismore City Council

Special Purpose Financial Statements

for the financial year ended 30 June 2010

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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

for the financial year ended 30 June 2010

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 26 October 2010.

Jenny Dowell
MAYOR

Simon Clough
COUNCILLOR

Paul O'Sullivan
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 2010

\$ '000	Actual 2010	Actual 2009	Actual 2008
Income from continuing operations			
Access charges	1,839	1,313	1,339
User charges	5,990	5,252	4,236
Interest	101	8	49
Grants and contributions provided for non capital purposes	127	165	113
Other income	90	-	-
Total income from continuing operations	8,148	6,738	5,737
Expenses from continuing operations			
Employee benefits and on-costs	1,251	1,075	1,153
Borrowing costs	71	26	1
Materials and contracts	1,582	1,766	1,510
Depreciation and impairment	2,533	2,502	2,331
Water purchase charges	3,643	3,139	2,667
Loss on sale of assets	281	102	470
Calculated taxation equivalents	-	48	8
Debt guarantee fee (if applicable)	76	30	-
Other expenses	14	9	62
Total expenses from continuing operations	9,451	8,697	8,202
Surplus (deficit) from Continuing Operations before capital amounts	(1,303)	(1,959)	(2,465)
Grants and contributions provided for capital purposes	352	480	838
Surplus (deficit) from Continuing Operations after capital amounts	(952)	(1,479)	(1,627)
Surplus (deficit) from Discontinued Operations	-	-	-
Surplus (deficit) from ALL Operations before tax	(952)	(1,479)	(1,627)
less: Corporate Taxation Equivalent (30%) [based on result before capital]	-	-	-
SURPLUS (DEFICIT) AFTER TAX	(952)	(1,479)	(1,627)
plus Opening Retained Profits	26,778	28,762	30,389
plus/less: Prior Period Adjustments	-	(575)	-
plus Adjustments for amounts unpaid:			
- Taxation equivalent payments	-	48	8
- Debt guarantee fees	76	30	-
- Corporate taxation equivalent	-	-	-
less:			
- Tax Equivalent Dividend paid	(8)	(8)	(8)
- Surplus dividend paid	-	-	-
Closing Retained Profits	25,894	26,778	28,762
Return on Capital %	-1.6%	-2.6%	-3.3%
Subsidy from Council	5,071	6,039	7,243
Calculation of dividend payable:			
Surplus (deficit) after tax	(952)	(1,479)	(1,627)
less: Capital grants and contributions (excluding developer contributions)	(152)	(290)	(567)
Surplus for dividend calculation purposes	-	-	-
Potential Dividend calculated from surplus	-	-	-

Lismore City Council

Income Statement of Council's Sewerage Business Activity

for the financial year ended 30 June 2010

\$ '000	Actual 2010	Actual 2009	Actual 2008
Income from continuing operations			
Access charges	7,454	6,344	6,160
User charges	25	111	483
Interest	3,313	(653)	(574)
Grants and contributions provided for non capital purposes	124	123	121
Other income	45	22	-
Total income from continuing operations	10,961	5,947	6,190
Expenses from continuing operations			
Employee benefits and on-costs	1,841	1,624	1,470
Borrowing costs	209	124	21
Materials and contracts	2,818	2,544	3,049
Depreciation and impairment	5,973	5,777	5,542
Loss on sale of assets	140	256	161
Calculated taxation equivalents	-	72	21
Debt guarantee fee (if applicable)	149	67	-
Other expenses	170	113	282
Total expenses from continuing operations	11,300	10,577	10,546
Surplus (deficit) from Continuing Operations before capital amounts	(339)	(4,630)	(4,356)
Grants and contributions provided for capital purposes	898	1,131	2,071
Surplus (deficit) from Continuing Operations after capital amounts	559	(3,499)	(2,285)
Surplus (deficit) from discontinued operations	-	-	-
Surplus (deficit) from ALL Operations before tax	559	(3,499)	(2,285)
less: Corporate Taxation Equivalent (30%) [based on result before capital]	-	-	-
SURPLUS (DEFICIT) AFTER TAX	559	(3,499)	(2,285)
plus Opening Retained Profits	64,232	67,041	69,326
plus/less: Prior Period Adjustments	-	575	-
plus Adjustments for amounts unpaid:			
- Taxation equivalent payments	-	72	21
- Debt guarantee fees	149	67	-
- Corporate taxation equivalent	-	-	-
less:			
- Tax Equivalent Dividend paid	(26)	(24)	(21)
- Surplus dividend paid	-	-	-
Closing Retained Profits	64,914	64,232	67,041
Return on Capital %	-0.1%	-2.6%	-2.5%
Subsidy from Council	9,389	14,221	15,597
Calculation of dividend payable:			
Surplus (deficit) after tax	559	(3,499)	(2,285)
less: Capital grants and contributions (excluding developer contributions)	(578)	(627)	(1,552)
Surplus for dividend calculation purposes	-	-	-
Potential Dividend calculated from surplus	-	-	-

Lismore City Council

Income Statement of Council's Other Business Activities

for the financial year ended 30 June 2010

\$ '000	Quarry		Waste Collection	
	Actual 2010	Actual 2009	Actual 2010	Actual 2009
Income from continuing operations				
Access charges	-	-	59	25
User charges	11,147	10,533	3,219	2,859
Interest	6	9	36	28
Grants and contributions provided for non capital purposes	150	120	87	80
Other income	72	70	-	-
Total income from continuing operations	11,375	10,732	3,401	2,992
Expenses from continuing operations				
Employee benefits and on-costs	646	707	609	559
Borrowing costs	320	204	46	50
Materials and contracts	9,808	10,365	2,696	2,177
Depreciation and impairment	280	367	-	-
Calculated taxation equivalents	73	76	30	28
Debt guarantee fee (if applicable)	55	61	20	22
Other expenses	106	70	-	-
Total expenses from continuing operations	11,288	11,850	3,401	2,836
Surplus (deficit) from Continuing Operations before capital amounts	87	(1,118)	-	156
Grants and contributions provided for capital purposes	-	-	-	-
Surplus (deficit) from Continuing Operations after capital amounts	87	(1,118)	-	156
Surplus (deficit) from discontinued operations	-	-	-	-
Surplus (deficit) from ALL Operations before tax	87	(1,118)	-	156
less: Corporate Taxation Equivalent (30%) [based on result before capital]	(26)	-	-	(47)
SURPLUS (DEFICIT) AFTER TAX	61	(1,118)	-	109
plus Opening Retained Profits	2,309	4,089	(208)	(503)
plus/less: Prior Period Adjustments	-	-	-	-
plus Adjustments for amounts unpaid:				
- Taxation equivalent payments	73	76	30	28
- Debt guarantee fees	55	61	20	22
- Corporate taxation equivalent	26	-	-	47
add:				
- Subsidy Paid/Contribution To Operations	(83)	(329)	(161)	159
less:				
- TER dividend paid	-	-	-	-
- Dividend paid	(395)	(470)	(150)	(70)
Closing Retained Profits	2,046	2,309	(469)	(208)
Return on Capital %	8.3%	-17.7%	n/a	n/a
Subsidy from Council	-	1,200	-	-

Lismore City Council

Income Statement of Council's Other Business Activities

for the financial year ended 30 June 2010

\$ '000	Waste Disposal		Koala Child Care Centre	
	Actual 2010	Actual 2009	Actual 2010	Actual 2009
Income from continuing operations				
User charges	3,982	2,840	246	226
Interest	24	15	-	-
Grants and contributions provided for non capital purposes	97	-	198	223
Other income	733	430	-	-
Total income from continuing operations	4,836	3,285	444	449
Expenses from continuing operations				
Employee benefits and on-costs	666	731	396	368
Borrowing costs	255	205	-	-
Materials and contracts	3,061	2,286	85	99
Depreciation and impairment	270	510	11	11
Calculated taxation equivalents	56	49	-	17
Debt guarantee fee (if applicable)	29	31	-	-
Other expenses	14	15	5	4
Total expenses from continuing operations	4,351	3,827	497	499
Surplus (deficit) from Continuing Operations before capital amounts	485	(542)	(53)	(50)
Grants and contributions provided for capital purposes	-	-	-	-
Surplus (deficit) from Continuing Operations after capital amounts	485	(542)	(53)	(50)
Surplus (deficit) from discontinued operations	-	-	-	-
Surplus (deficit) from ALL Operations before tax	485	(542)	(53)	(50)
less: Corporate Taxation Equivalent (30%) [based on result before capital]	(146)	-	-	-
SURPLUS (DEFICIT) AFTER TAX	340	(542)	(53)	(50)
plus Opening Retained Profits	2,933	3,271	326	330
plus/less: Prior Period Adjustments	-	-	-	-
plus Adjustments for amounts unpaid:				
- Taxation equivalent payments	56	49	-	17
- Debt guarantee fees	29	31	-	-
- Corporate taxation equivalent	146	-	-	-
add:				
- Subsidy Paid/Contribution To Operations	(54)	618	38	29
- Loan Repayment Crem	46	-	-	-
less:				
- Industry Property Loan	-	(444)	-	-
- Dividend paid	(100)	(50)	-	-
Closing Retained Profits	3,395	2,933	311	326
Return on Capital %	12.9%	-6.0%	-12.5%	-11.5%
Subsidy from Council	-	648	75	74

Lismore City Council

Income Statement of Council's Other Business Activities

for the financial year ended 30 June 2010

\$ '000	Lismore Memorial Gardens		Properties Held for Public Benefit (Commercial Properties)	
	Actual 2010	Actual 2009	Actual 2010	Actual 2009
Income from continuing operations				
User charges	538	579	-	-
Interest	3	-	2	-
Other income	-	-	215	256
Total income from continuing operations	541	579	217	256
Expenses from continuing operations				
Employee benefits and on-costs	157	148	34	29
Borrowing costs	38	30	-	-
Materials and contracts	242	345	133	242
Depreciation and impairment	33	34	106	44
Calculated taxation equivalents	4	9	-	24
Debt guarantee fee (if applicable)	12	-	24	-
Other expenses	9	10	3	-
Total expenses from continuing operations	495	576	300	339
Surplus (deficit) from Continuing Operations before capital amounts	46	3	(83)	(83)
Grants and contributions provided for capital purposes	-	-	-	-
Surplus (deficit) from Continuing Operations after capital amounts	46	3	(83)	(83)
Surplus (deficit) from discontinued operations	-	-	-	-
Surplus (deficit) from ALL Operations before tax	46	3	(83)	(83)
less: Corporate Taxation Equivalent (30%) [based on result before capital]	(14)	(1)	-	-
SURPLUS (DEFICIT) AFTER TAX	32	2	(83)	(83)
plus Opening Retained Profits	1,272	1,260	1,456	1,515
plus/less: Prior Period Adjustments	-	-	-	-
plus Adjustments for amounts unpaid:				
- Taxation equivalent payments	4	9	-	24
- Debt guarantee fees	12	-	24	-
- Corporate taxation equivalent	14	1	-	-
add:				
- Subsidy Paid/Contribution To Operations	165	-	19	-
less:				
- TER dividend paid	-	-	-	-
- Repayment of internal loan Waste Disposal	(46)	-	-	-
- Dividend paid	-	-	-	-
Closing Retained Profits	1,453	1,272	1,416	1,456
Return on Capital %	4.0%	1.6%	-3.0%	-2.8%
Subsidy from Council	22	83	224	248

Lismore City Council

Income Statement of Council's Other Business Activities

for the financial year ended 30 June 2010

\$ '000	Goonellabah Sports and Aquatic Centre		Real Estate	
	Actual 2010	Actual 2009	Actual 2010	Actual 2009
Income from continuing operations				
Profit from the sale of assets	-	-	804	-
Other income	8,881	-	-	107
Total income from continuing operations	8,881	-	804	107
Expenses from continuing operations				
Employee benefits and on-costs	96	-	-	-
Borrowing costs	691	-	-	-
Materials and contracts	1,313	-	292	-
Depreciation and impairment	158	-	-	-
Calculated taxation equivalents	45	-	-	-
Debt guarantee fee (if applicable)	305	-	232	-
Other expenses	180	-	-	-
Total expenses from continuing operations	2,788	-	524	-
Surplus (deficit) from Continuing Operations before capital amounts	6,093	-	280	107
Grants and contributions provided for capital purposes	-	-	-	-
Surplus (deficit) from Continuing Operations after capital amounts	6,093	-	280	107
Surplus (deficit) from discontinued operations	-	-	-	-
Surplus (deficit) from ALL Operations before tax	6,093	-	280	107
less: Corporate Taxation Equivalent (30%) [based on result before capital]	(1,828)	-	(84)	(32)
SURPLUS (DEFICIT) AFTER TAX	4,265	-	196	75
plus Opening Retained Profits	-	-	904	797
plus/less: Prior Period Adjustments	-	-	-	-
plus Adjustments for amounts unpaid:				
- Taxation equivalent payments	45	-	-	-
- Debt guarantee fees	305	-	232	-
- Corporate taxation equivalent	1,828	-	84	32
add:				
- Subsidy Paid/Contribution To Operations	-	-	-	-
less:				
- TER dividend paid	-	-	-	-
- Dividend paid	-	-	-	-
Closing Retained Profits	6,443	-	1,416	904
Return on Capital %	40.8%	n/a	n/a	n/a
Subsidy from Council	-	-	-	-

Lismore City Council

Balance Sheet of Council's Water Supply Business Activity
as at 30 June 2010

\$ '000	Actual 2010	Actual 2009
ASSETS		
Current Assets		
Cash and cash equivalents	-	375
Investments	2,203	-
Receivables	1,605	1,386
Inventories	250	242
Other	-	847
Total Current Assets	4,058	2,850
Non-Current Assets		
Investments	943	529
Receivables	456	303
Infrastructure, property, plant and equipment	75,269	74,113
Other	-	19
Total non-Current Assets	76,668	74,964
TOTAL ASSETS	80,726	77,814
LIABILITIES		
Current Liabilities		
Payables	60	52
Interest bearing liabilities	102	36
Provisions	365	288
Total Current Liabilities	527	376
Non-Current Liabilities		
Interest bearing liabilities	2,437	940
Provisions	2	2
Total Non-Current Liabilities	2,439	942
TOTAL LIABILITIES	2,966	1,318
NET ASSETS	77,760	76,496
EQUITY		
Retained earnings	25,894	26,778
Revaluation reserves	51,866	49,718
Council equity interest	77,760	76,496
Minority equity interest	-	-
TOTAL EQUITY	77,760	76,496

Lismore City Council

Balance Sheet of Council's Sewerage Business Activity
as at 30 June 2010

\$ '000	Actual 2010	Actual 2009
ASSETS		
Current Assets		
Investments	15,274	4,996
Receivables	382	605
Inventories	199	201
Total Current Assets	15,855	5,802
Non-Current Assets		
Investments	4,853	7,267
Receivables	115	610
Infrastructure, property, plant and equipment	181,553	175,360
Other	-	1,267
Total non-Current Assets	186,521	184,504
TOTAL ASSETS	202,376	190,306
LIABILITIES		
Current Liabilities		
Payables	112	92
Interest bearing liabilities	234	71
Provisions	279	223
Total Current Liabilities	625	386
Non-Current Liabilities		
Interest bearing liabilities	8,242	2,152
Provisions	3	5
Total Non-Current Liabilities	8,245	2,157
TOTAL LIABILITIES	8,870	2,543
NET ASSETS	193,506	187,763
EQUITY		
Retained earnings	64,914	64,232
Revaluation reserves	128,592	123,531
Council equity interest	193,506	187,763
Minority equity interest	-	-
TOTAL EQUITY	193,506	187,763

Lismore City Council

Balance Sheet of Council's Other Business Activities

as at 30 June 2010

\$ '000	Quarry		Waste Collection	
	Category 1		Category 2	
	Actual 2010	Actual 2009	Actual 2010	Actual 2009
ASSETS				
Current Assets				
Investments	36	-	165	454
Receivables	66	71	156	-
Inventories	2,449	1,696	-	-
Other	-	-	-	159
Total Current Assets	2,551	1,767	321	613
Non-Current Assets				
Receivables	133	192	-	-
Infrastructure, property, plant and equipment	4,888	5,157	-	-
Total Non-Current Assets	5,021	5,349	-	-
TOTAL ASSETS	7,572	7,116	321	613
LIABILITIES				
Current Liabilities				
Interest bearing liabilities	205	192	76	70
Provisions	186	164	137	98
Total Current Liabilities	391	356	213	168
Non-Current Liabilities				
Interest bearing liabilities	1,641	1,844	575	651
Provisions	818	711	2	2
Other Liabilities	2,676	1,896	-	-
Total Non-Current Liabilities	5,135	4,451	577	653
TOTAL LIABILITIES	5,526	4,807	790	821
NET ASSETS	2,046	2,309	(469)	(208)
EQUITY				
Retained earnings	2,046	2,309	(469)	(208)
Revaluation reserves	-	-	-	-
Council equity interest	2,046	2,309	(469)	(208)
Minority equity interest	-	-	-	-
TOTAL EQUITY	2,046	2,309	(469)	(208)

Lismore City Council

Balance Sheet of Council's Other Business Activities

as at 30 June 2010

\$ '000	Waste Disposal		Koala Child Care Centre	
	Category 2		Category 2	
	Actual 2010	Actual 2009	Actual 2010	Actual 2009
ASSETS				
Current Assets				
Investments	26	-	30	21
Receivables	7	6	-	-
Total Current Assets	33	6	30	21
Non-Current Assets				
Investments	-	129	-	-
Receivables	1,218	533	-	-
Infrastructure, property, plant and equipment	5,718	5,612	424	435
Total Non-Current Assets	6,936	6,274	424	435
TOTAL ASSETS	6,969	6,280	454	456
LIABILITIES				
Current Liabilities				
Interest bearing liabilities	46	43	-	-
Provisions	98	83	78	66
Total Current Liabilities	144	126	78	66
Non-Current Liabilities				
Interest bearing liabilities	936	1,025	-	-
Provisions	2,110	1,812	2	1
Other Liabilities	-	-	-	-
Total Non-Current Liabilities	3,046	2,837	2	1
TOTAL LIABILITIES	3,190	2,963	80	67
NET ASSETS	3,779	3,317	374	389
EQUITY				
Retained earnings	3,395	2,933	311	326
Revaluation reserves	384	384	63	63
Council equity interest	3,779	3,317	374	389
Minority equity interest	-	-	-	-
TOTAL EQUITY	3,779	3,317	374	389

Lismore City Council

Balance Sheet of Council's Other Business Activities

as at 30 June 2010

\$ '000	Lismore Memorial Gardens		Properties Held for Public Benefit (Commercial Properties)	
	Category 2		Category 2	
	Actual 2010	Actual 2009	Actual 2010	Actual 2009
ASSETS				
Current Assets				
Investments	159	8	120	-
Receivables	-	-	70	-
Total Current Assets	159	8	190	-
Non-Current Assets				
Infrastructure, property, plant and equipment	2,081	2,091	2,761	2,987
Total Non-Current Assets	2,081	2,091	2,761	2,987
TOTAL ASSETS	2,240	2,099	2,951	2,987
LIABILITIES				
Current Liabilities				
Payables	43	94	-	-
Interest bearing liabilities	14	14	-	-
Provisions	131	106	13	9
Total Current Liabilities	188	214	13	9
Non-Current Liabilities				
Interest bearing liabilities	377	390	-	-
Provisions	2	3	-	-
Total Non-Current Liabilities	379	393	-	-
TOTAL LIABILITIES	567	607	13	9
NET ASSETS	1,673	1,492	2,938	2,978
EQUITY				
Retained earnings	1,453	1,272	1,416	1,456
Revaluation reserves	220	220	1,522	1,522
Council equity interest	1,673	1,492	2,938	2,978
Minority equity interest	-	-	-	-
TOTAL EQUITY	1,673	1,492	2,938	2,978

Lismore City Council

Balance Sheet of Council's Other Business Activities
as at 30 June 2010

\$ '000	Goonellabah Sports and Aquatic Centre		Real Estate	
	Category 2		Category 2	
	Actual 2010	Actual 2009	Actual 2010	Actual 2009
ASSETS				
Current Assets				
Receivables	-	-	588	369
Inventories	-	-	-	3,172
Total Current Assets	-	-	588	3,541
Non-Current Assets				
Receivables	-	-	218	365
Inventories	-	-	2,893	-
Infrastructure, property, plant and equipment	16,617	-	-	-
Total Non-Current Assets	16,617	-	3,111	365
TOTAL ASSETS	16,617	-	3,699	3,906
LIABILITIES				
Current Liabilities				
Payables	-	-	63	782
Interest bearing liabilities	10,174	-	2,220	2,220
Provisions	-	-	-	-
Total Current Liabilities	10,174	-	2,283	3,002
Non-Current Liabilities				
Other Liabilities	-	-	-	-
Total Non-Current Liabilities	-	-	-	-
TOTAL LIABILITIES	10,174	-	2,283	3,002
NET ASSETS	6,443	-	1,416	904
EQUITY				
Retained earnings	6,443	-	1,416	904
Revaluation reserves	-	-	-	-
Council equity interest	6,443	-	1,416	904
Minority equity interest	-	-	-	-
TOTAL EQUITY	6,443	-	1,416	904

Lismore City Council

Special Purpose Financial Statements

for the financial year ended 30 June 2010

Contents of the Notes accompanying the Financial Statements

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2	Water Supply Business Best Practice Management disclosure requirements	95
3	Sewerage Business Best Practice Management disclosure requirements	97

Lismore City Council

Notes to the Special Purpose Financial Statements for the financial year ended 30 June 2010

Note 1. Significant Accounting Policies

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

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

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

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

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

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

National Competition Policy

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

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

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

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

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

Declared Business Activities

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

Category 1

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

- a. **Water**
Provision of safe drinking water to customers.
- b. **Sewer**
Provision of sewerage waste services to customers.
- c. **Quarries**
Supply of aggregate, road base & asphalt products.

Category 2

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

- a. **Waste Collection**
Provide domestic & commercial waste collection services to customers.
- b. **Waste Disposal**
Provide & maintain a safe area for disposing of waste.
- c. **Koala Child Care**
Provide quality long day child care services.
- d. **Crematorium**
Provide cremation and burial services.
- e. **Commercial Property Rentals**
Commercial property rentals.
- f. **Goonellabah Sports and Aquatic Centre**
Provide gym and swim facilities.

Lismore City Council

Notes to the Special Purpose Financial Statements for the financial year ended 30 June 2010

Note 1. Significant Accounting Policies (continued)

Monetary Amounts

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

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

(i) Taxation Equivalent Charges

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

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

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

Notional Rate Applied %

Corporate Income Tax Rate – 30%

Land Tax – The first \$376,000 of combined land values attracts 0%. From \$376,001 to \$2,299,000 the rate is 1.6% + \$100. For the remaining combined land value that exceeds \$2,299,000, a premium marginal rate of 2.0% applies.

Payroll Tax – 5.65% on the value of taxable salaries and wages in excess of \$638,000.

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

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

Income Tax

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

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

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

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

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

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

Local Government Rates & Charges

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

Lismore City Council

Notes to the Special Purpose Financial Statements for the financial year ended 30 June 2010

Note 1. Significant Accounting Policies (continued)

Loan & Debt Guarantee Fees

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

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

(ii) Subsidies

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

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

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

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

(iii) Return on Investments (Rate of Return)

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

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

The Rate of Return on Capital is calculated as follows:

Operating Result before Capital Income + Interest Expense

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

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 5.10% at 30/6/10.

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 2010 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

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

Lismore City Council

Notes to the Special Purpose Financial Statements
for the financial year ended 30 June 2010Note 2. Water Supply Business
Best Practice Management disclosure requirementsDollars Amounts shown below are in **WHOLE DOLLARS** (unless otherwise indicated) **2010****1. Calculation and Payment of Tax-Equivalents**

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

(i)	Calculated Tax Equivalents	76,000
(ii)	No of assessments multiplied by \$3/assessment	40,185
(iii)	Amounts payable for Tax Equivalents [lesser of (i) and (ii)]	40,185
(iv)	Amounts actually paid for Tax Equivalents	7,800

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	361,665
(iii)	Cumulative surplus before Dividends for the 3 years to 30 June 2010, less the cumulative dividends paid for the 2 years to 30 June 2008	(5,066,452)

2010 Surplus	(1,103,452)	2009 Surplus	(1,769,000)	2008 Surplus	(2,194,000)
		2009 Dividend	-	2008 Dividend	-

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	n/a
(v)	Dividend actually paid from surplus [refer below for required pre-dividend payment Criteria]	-

3. Required outcomes for 6 Criteria

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

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

Lismore City Council

Notes to the Special Purpose Financial Statements

for the financial year ended 30 June 2010

Note 2. Water Supply Business

Best Practice Management disclosure requirements (continued)

Dollars Amounts shown below are in WHOLE DOLLARS (unless otherwise indicated) 2010

National Water Initiative (NWI) Financial Performance Indicators

NWI F1	Total Revenue (Water) Total Income (w13) - Grants for the Acquisition of Assets (w11a) - Interest Income (w9)	\$'000	8,398
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)]	%	72.02%
NWI F9	Written Down Replacement Cost of Fixed Assets (Water) Written down current cost of system assets (w47)	\$'000	74,983
NWI F11	Operating Cost (OMA) (Water) Management Expenses (w1) + Operational & Maintenance Expenses (w2)	\$'000	6,498
NWI F14	Capital Expenditure (Water) Acquisition of fixed assets (w16)	\$'000	1,513
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)]	%	-0.84%
NWI F26	Capital Works Grants (Water) Grants for the Acquisition of Assets (w11a)	\$'000	-

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

Lismore City Council

Notes to the Special Purpose Financial Statements
for the financial year ended 30 June 2010Note 3. Sewerage Business
Best Practice Management disclosure requirements

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

2010

1. Calculation and Payment of Tax-Equivalents

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

(i) Calculated Tax Equivalents	149,000
(ii) No of assessments multiplied by \$3/assessment	35,547
(iii) Amounts payable for Tax Equivalents [lesser of (i) and (ii)]	35,547
(iv) Amounts actually paid for Tax Equivalents	25,700

2. Dividend from Surplus

(i) 50% of Surplus before Dividends [Calculated in accordance with Best Practice Management for Water Supply and Sewerage Guidelines]	-
(ii) No. of assessments x (\$30 less tax equivalent charges per assessment)	319,923
(iii) Cumulative surplus before dividends for the 3 years to 30 June 2010, less the cumulative dividends paid for the 2 years to 30 June 2008	(7,982,000)

2010 Surplus	(19,000)	2009 Surplus	(4,126,000)	2008 Surplus	(3,837,000)
		2009 Dividend	-	2008 Dividend	-

(iv) Maximum dividend from surplus [least of (i), (ii) and (iii) above]	n/a
(v) Dividend actually paid from surplus [refer below for required pre-dividend payment Criteria]	-

3. Required outcomes for 4 Criteria

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

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

Lismore City Council

Notes to the Special Purpose Financial Statements
for the financial year ended 30 June 2010

Note 3. Sewerage Business

Best Practice Management disclosure requirements (continued)

Dollars Amounts shown below are in WHOLE DOLLARS (unless otherwise indicated) 2010

National Water Initiative (NWI) Financial Performance Indicators

NWI F2	Total Revenue (Sewerage) Total Income (s14) - Grants for Acquisition of Assets (s12a) - Interest Income (s10)	\$'000	8,546
NWI F10	Written Down Replacement Cost of Fixed Assets (Sewerage) Written down current cost of system assets (s48)	\$'000	181,003
NWI F12	Operating Cost (Sewerage) Management Expenses (s1) + Operational & Maintenance Expenses (s2)	\$'000	4,855
NWI F15	Capital Expenditure (Sewerage) Acquisition of Fixed Assets (s17)	\$'000	5,655
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)]	%	-1.26%
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	16,523
NWI F8	Revenue from Community Service Obligations (Water & Sewerage) Community Service Obligations (NWI F25) x 100 divided by Total Income (NWI F3)	%	1.50%
NWI F16	Capital Expenditure (Water & Sewerage) Acquisition of Fixed Assets (w16 + s17)	\$'000	7,168
NWI F19	Economic Real Rate of Return (Water & Sewerage) [Total Income (w13 + s14) - Interest Income (w9 + s10) - Grants for acquisition of assets (w11a + s12a) - Operating Cost (NWI F11 + NWI F12) - Current cost depreciation (w3 + s3)] x 100 divided by [Written down replacement cost of fixed assets (NWI F9 + NWI F10) + Plant & equipment (w33b + s34b)]	%	-1.14%
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 2010

Note 3. Sewerage Business

Best Practice Management disclosure requirements (continued)

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

2010

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

NWI F22	Net Debt to Equity (Water & Sewerage) Overdraft (w36 + s37) + Borrowings (w38 + s39) - Cash & Investments (w30 + s31) x 100 divided by [Total Assets (w35 + s36) - Total Liabilities (w40 + s41)]	%	-4.52%
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)		-
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	(236)
NWI F25	Community Service Obligations (Water & Sewerage) Grants for Pensioner Rebates (w11b + s12b)	\$'000	248

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

Lismore City Council

SPECIAL SCHEDULES

for the year ended 30 June 2010

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



Lismore City Council

Special Schedules

for the financial year ended 30 June 2010

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Special Schedules¹		
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- Special Schedule No. 7	Condition of Public Works	115
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¹ Special Purpose Schedules are not audited.

Background

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

Lismore City Council

Special Schedule No. 1 - Net Cost of Services

for the financial year ended 30 June 2010

\$'000

Function or Activity	Expenses from continuing operations	Income from continuing operations		Net Cost of Services
		Non Capital	Capital	
Administration	5,831	2,661	-	(3,170)
Public Order and Safety				
Fire Service Levy, Fire Protection, Emergency Services	910	237	53	(620)
Animal Control	414	30	-	(384)
Other	272	102	-	(170)
Total Public Order & Safety	1,596	369	53	(1,174)
Health	817	-	138	(679)
Environment				
Noxious Plants and Insect/Vermin Control	7	-	-	(7)
Other Environmental Protection	1,056	245	-	(811)
Solid Waste Management	6,056	6,888	83	915
Drainage	-	-	345	345
Stormwater Management	109	354	-	245
Total Environment	7,228	7,487	428	687
Community Services and Education				
Administration & Education	386	18	-	(368)
Social Protection (Welfare)	688	8	-	(680)
Aged Persons and Disabled	27	13	-	(14)
Childrens Services	1,007	695	-	(312)
Total Community Services & Education	2,108	734	-	(1,374)
Housing and Community Amenities				
Public Cemeteries	1,056	1,107	-	51
Public Conveniences	90	-	-	(90)
Street Lighting	550	155	-	(395)
Town Panning	1,800	357	133	(1,310)
Total Housing and Community Amenities	3,496	1,619	133	(1,744)
Water Supplies	8,762	7,666	352	(744)
Sewerage Services	10,548	10,756	898	1,106

Lismore City Council

Special Schedule No. 1 - Net Cost of Services (continued)
 for the financial year ended 30 June 2010

\$'000

Function or Activity	Expenses from continuing operations	Income from continuing operations		Net Cost of Services
		Non Capital	Capital	
Recreation and Culture				
Public Libraries	6,085	9,504	-	3,419
Art Galleries	671	317	-	(354)
Community Centres and Halls	964	44	-	(920)
Other Cultural Services	48	2	-	(46)
Sporting Grounds and Venues	-	158	-	158
Swimming Pools	1,326	261	-	(1,065)
Parks & Gardens (Lakes)	4,107	416	487	(3,204)
Other Sport and Recreation	2,679	1,088	-	(1,591)
Total Recreation and Culture	15,880	11,790	487	(3,603)
Fuel & Energy	-	-	-	-
Agriculture	-	-	-	-
Mining, Manufacturing and Construction				
Building Control	1,176	686	-	(490)
Other Mining, Manufacturing & Construction	6,067	6,343	26	302
Total Mining, Manufacturing and Const.	7,243	7,029	26	(188)
Transport and Communication				
Urban Roads (UR) - Local	5,243	4,385	825	(33)
Urban Roads - Regional	155	-	1,832	1,677
Sealed Rural Roads (SRR) - Local	6,316	912	90	(5,314)
Sealed Rural Roads - Regional	1,389	-	456	(933)
Unsealed Rural Roads (URR) - Local	3,304	3,663	-	359
Bridges on SRR - Local	153	-	-	(153)
Bridges on URR - Local	294	-	-	(294)
Bridges on Regional Roads	-	-	1,267	1,267
Parking Areas	272	259	15	2
Footpaths	96	-	290	194
Aerodromes	759	588	-	(171)
Other Transport & Communication	2,813	1,352	2,457	996
Total Transport and Communication	20,794	11,159	7,232	(2,403)
Economic Affairs				
Camping Areas & Caravan Parks	186	155	-	(31)
Other Economic Affairs	3,932	479	-	(3,453)
Total Economic Affairs	4,118	634	-	(3,484)
Totals – Functions	88,421	61,904	9,747	(16,770)
General Purpose Revenues⁽¹⁾		29,477	-	29,477
Share of interests - joint ventures & associates using the equity method	-	-	-	-
NET OPERATING RESULT FOR YEAR	88,421	91,381	9,747	12,707

(1) Includes: Rates & Annual Charges (incl. Ex Gratia), Untied General Purpose Grants & Interest on Investments (excl. Restricted Assets)

Lismore City Council

Special Schedule No. 2(a) - Statement of Long Term Debt (all purpose)
for the financial year ended 30 June 2010

\$'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	-	-	-	3,525				35	32	3,493	3,525
Other State Government	-	-	-								
Public Subscription	-	-	-								
Financial Institutions	2,024	36,324	38,348	6,830	2,008			2,570	2,177	40,993	43,170
Other	-	-	-								
Total Loans	2,024	36,324	38,348	10,355	2,008	-	-	2,605	2,209	44,486	46,695
Other Long Term Debt											
Ratepayers Advances	-	-	-								
Government Advances	-	-	-								
Finance Leases	-	-	-								
Deferred Payments	-	-	-								
Total Long Term Debt	-	-	-	-	-	-	-	-	-	-	-
Total Debt	2,024	36,324	38,348	10,355	2,008	-	-	2,605	2,209	44,486	46,695

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 (as per the GPFS's).

Lismore City Council

Special Schedule No. 2(b) - Statement of Internal Loans [Section 410(3) LGA 1993] for the financial year ended 30 June 2010

\$'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		678	278
Water			
Sewer			
Domestic Waste Management			
Gas			
Other			
Totals		678	278

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

Details of Individual Internal Loans

Borrower (by purpose)	Lender (by purpose)	Date of Minister's Approval	Date Raised	Term (years)	Dates of Maturity	Rate of Interest	Amount Originally raised	Total repaid during year (Princ. & Int.)	Principal Outstanding at end of year
GF- Nimbin Security Cam	ELE Reserves			12	30/06/17	5.50%	70	8	43
GF - New Phone System	ELE Reserves			5	30/06/10	2.60%	198	42	-
Airport - Carpark	Blakebrook Quarry			8	30/06/12	5.00%	55	8	10
Airport - Building	Blakebrook Quarry			15	30/06/17	7.00%	189	20	101
Admin Airconditioning	ELE Reserves			7	30/06/15	10.00%	42	8	30
Lighting Upgrade	ELE Reserves			9	30/06/16	7.00%	53	8	40
Crem-Office Fitout	Waste			9	30/06/16	7.00%	60	10	43
Library Insulation	ELE Reserves			8	30/06/17	4.00%	11	1	11
Totals							678	105	278

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 2010

\$'000	Actuals 2010	Actuals 2009
A Expenses and Income		
Expenses		
1. Management expenses		
a. Administration	989	974
b. Engineering and Supervision	195	292
2. Operation and Maintenance expenses		
- Dams & Weirs		
a. Operation expenses	-	-
b. Maintenance expenses	-	-
- Mains		
c. Operation expenses	930	719
d. Maintenance expenses	-	-
- Reservoirs		
e. Operation expenses	14	11
f. Maintenance expenses	25	21
- Pumping Stations		
g. Operation expenses (excluding energy costs)	74	59
h. Energy costs	10	4
i. Maintenance expenses	18	16
- Treatment		
j. Operation expenses (excluding chemical costs)	-	-
k. Chemical costs	-	-
l. Maintenance expenses	-	-
- Other		
m. Operation expenses	323	232
n. Maintenance expenses	277	330
o. Purchase of water	3,643	3,139
3. Depreciation expenses		
a. System assets	2,418	2,366
b. Plant and equipment	115	136
4. Miscellaneous expenses		
a. Interest expenses	71	26
b. Revaluation Decrements	-	-
c. Other expenses	-	-
d. Tax Equivalent Dividends (actually paid)	-	-
5. Total expenses	9,102	8,325

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 2010

\$'000	Actuals 2010	Actuals 2009
Income		
6. Residential charges		
a. Access (including rates)	1,617	1,231
b. Usage charges	4,162	3,401
7. Non-residential charges		
a. Access (including rates)	467	356
b. Usage charges	1,583	1,295
8. Extra charges	-	-
9. Interest income	101	8
10. Other income	90	83
11. Grants		
a. Grants for acquisition of assets	-	-
b. Grants for pensioner rebates	125	163
c. Other grants	2	2
12. Contributions		
a. Developer charges	200	190
b. Developer provided assets	152	290
c. Other contributions	-	-
13. Total income	8,499	7,019
14. Gain or loss on disposal of assets	(281)	(102)
15. Operating Result	(884)	(1,408)
15a. Operating Result (less grants for acquisition of assets)	(884)	(1,408)

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 2010

\$'000	Actuals 2010	Actuals 2009
B Capital transactions		
Non-operating expenditures		
16. Acquisition of Fixed Assets		
a. Subsidised scheme	-	-
b. Other new system assets	-	-
c. Renewals	1,510	1,069
d. Plant and equipment	3	58
17. Repayment of debt		
a. Loans	14	24
b. Advances	-	-
c. Finance leases	-	-
18. Transfer to sinking fund	-	-
19. Totals	1,527	1,151
Non-operating funds employed		
20. Proceeds from disposal of assets	311	32
21. Borrowing utilised		
a. Loans	-	1,000
b. Advances	-	-
c. Finance leases	-	-
22. Transfer from sinking fund	-	-
23. Totals	311	1,032
C Rates and charges		
24. Number of assessments		
a. Residential (occupied)	11,809	11,714
b. Residential (unoccupied, ie. vacant lot)	267	264
c. Non-residential (occupied)	1,257	1,228
d. Non-residential (unoccupied, ie. vacant lot)	62	65
25. Number of ETs for which developer charges were received	67 ET	101 ET
26. Total amount of pensioner rebates (actual dollars)	\$ 226,100	\$ 230,500

Lismore City Council

Special Schedule No. 3 - Water Supply Cross Subsidies
for the financial year ended 30 June 2010

\$'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"/> Yes	<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"/> Yes	<input type="checkbox"/>	
b. Total cross-subsidy in water supply developer charges for 2009/10 (page 47 of Guidelines)			<input type="text"/>
** In accordance with page 9 of Developer Charges Guidelines for Water Supply, Sewerage and Stormwater, NSW Office of Water, December, 2002.			
29. Disclosure of cross-subsidies			
Total of cross-subsidies (27b +27c + 27d + 28b)			<input type="text"/>

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

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

Lismore City Council

Special Schedule No. 4 - Water Supply Balance Sheet

Includes INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.
as at 30 June 2010

\$'000	Actuals Current	Actuals Non Current	Actuals Total
ASSETS			
30. Cash and investments			
a. Developer charges	-	942	942
b. Special purpose grants	-	-	-
c. Accrued leave	-	-	-
d. Unexpended loans	-	-	-
e. Sinking fund	-	-	-
f. Other	-	2,203	2,203
31. Receivables			
a. Specific purpose grants	-	-	-
b. Rates and charges	1,133	458	1,591
c. Other	472	-	472
32. Inventories	250	-	250
33. Property, plant and equipment			
a. System assets	-	74,983	74,983
b. Plant and equipment	-	286	286
34. Other assets	-	-	-
35. Total assets	1,855	78,872	80,727
LIABILITIES			
36. Bank overdraft	-	-	-
37. Creditors	60	-	60
38. Borrowings			
a. Loans	-	2,539	2,539
b. Advances	-	-	-
c. Finance leases	-	-	-
39. Provisions			
a. Tax equivalents	-	-	-
b. Dividend	-	-	-
c. Other	367	-	367
40. Total liabilities	427	2,539	2,966
41. NET ASSETS COMMITTED	1,428	76,333	77,761
EQUITY			
42. Accumulated surplus			25,895
43. Asset revaluation reserve			51,866
44. TOTAL EQUITY			77,761
Note to system assets:			
45. Current replacement cost of system assets			145,279
46. Accumulated current cost depreciation of system assets			(70,296)
47. Written down current cost of system assets			74,983

Lismore City Council

Special Schedule No. 5 - Sewerage Income Statement

Includes ALL INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.
for the financial year ended 30 June 2010

\$'000	Actuals 2010	Actuals 2009
A Expenses and Income Expenses		
1. Management expenses		
a. Administration	767	874
b. Engineering and Supervision	486	477
2. Operation and Maintenance expenses		
- Mains		
a. Operation expenses	74	49
b. Maintenance expenses	676	600
- Pumping Stations		
c. Operation expenses (excluding energy costs)	49	38
d. Energy costs	115	100
e. Maintenance expenses	438	354
- Treatment		
f. Operation expenses (excl. chemical, energy, effluent & biosolids management costs)	899	619
g. Chemical costs	451	506
h. Energy costs	-	-
i. Effluent Management	109	141
j. Biosolids Management	122	79
k. Maintenance expenses	590	586
- Other		
l. Operation expenses	-	-
m. Maintenance expenses	79	71
3. Depreciation expenses		
a. System assets	5,862	5,700
b. Plant and equipment	111	77
4. Miscellaneous expenses		
a. Interest expenses	209	124
b. Revaluation Decrements	-	-
c. Other expenses	-	-
d. Tax Equivalent Dividends (actually paid)	-	-
5. Total expenses	11,037	10,395

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 2010

\$'000	Actuals 2010	Actuals 2009
Income		
6. Residential charges (including rates)	5,841	5,065
7. Non-residential charges		
a. Access (including rates)	1,446	1,279
b. Usage charges	-	-
8. Trade Waste Charges		
a. Annual Fees	191	232
b. Usage charges	-	-
c. Excess mass charges	-	-
d. Re-inspection fees	-	-
9. Extra charges	-	-
10. Interest income	3,313	(654)
11. Other income	45	90
12. Grants		
a. Grants for acquisition of assets	-	-
b. Grants for pensioner rebates	123	122
c. Other grants	1	1
13. Contributions		
a. Developer charges	519	504
b. Developer provided assets	380	627
c. Other contributions	-	-
14. Total income	<u>11,859</u>	<u>7,266</u>
15. Gain or loss on disposal of assets	(140)	(256)
16. Operating Result	<u>682</u>	<u>(3,385)</u>
16a. Operating Result (less grants for acquisition of assets)	682	(3,385)

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 2010

\$'000	Actuals 2010	Actuals 2009
B Capital transactions		
Non-operating expenditures		
17. Acquisition of Fixed Assets		
a. Subsidised scheme	-	-
b. Other new system assets	416	-
c. Renewals	4,869	1,807
d. Plant and equipment	370	100
18. Repayment of debt		
a. Loans	50	57
b. Advances	-	-
c. Finance leases	-	-
19. Transfer to sinking fund	-	-
20. Totals	5,705	1,964
Non-operating funds employed		
21. Proceeds from disposal of assets	7	28
22. Borrowing utilised		
a. Loans	2,180	1,000
b. Advances	-	-
c. Finance leases	-	-
23. Transfer from sinking fund	-	-
24. Totals	2,187	1,028
C Rates and charges		
25. Number of assessments		
a. Residential (occupied)	10,252	10,172
b. Residential (unoccupied, ie. vacant lot)	497	638
c. Non-residential (occupied)	1,011	1,012
d. Non-residential (unoccupied, ie. vacant lot)	89	87
26. Number of ETs for which developer charges were received	75 ET	110 ET
27. Total amount of pensioner rebates (actual dollars)	\$ 220,000	\$ 220,000

Lismore City Council

Special Schedule No. 5 - Sewerage Cross Subsidies
for the financial year ended 30 June 2010

\$'000	Yes	No	Amount
D Best practice annual charges and developer charges*			
28. Annual charges			
a. Does Council have best-practice sewerage annual charges, usage charges and trade waste fees & charges*?	<input type="checkbox"/>	<input type="checkbox"/>	
If Yes, go to 29a.			
If No, please report if council has removed land value from access charges (ie rates)?			
	<input type="checkbox"/>	<input type="checkbox"/>	
NB. Such charges for both residential customers and non-residential customers comply with section 4.2 & 4.3 of the Water Supply, Sewerage and Trade Waste Pricing Guidelines, NSW Office of Water, December, 2002. Such charges do not involve significant cross subsidies.			
b. Cross-subsidy to non-residential customers (page 45 of Guidelines)			<input type="text"/>
c. Cross-subsidy to trade waste discharges (page 46 of Guidelines)			<input type="text"/>
29. Developer charges			
a. Has council completed a sewerage Development Servicing** Plan?	<input type="checkbox"/>	<input type="checkbox"/>	
b. Total cross-subsidy in sewerage developer charges for 2009/10 (page 47 of Guidelines)			<input type="text"/>
** In accordance with page 9 of Developer Charges Guidelines for Water Supply, Sewerage and Stormwater, NSW Office of Water, December, 2002.			
30. Disclosure of cross-subsidies			
Total of cross-subsidies (28b + 28c + 29b)			<input type="text"/>

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

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

Lismore City Council

Special Schedule No. 6 - Sewerage Balance Sheet

Includes INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.
as at 30 June 2010

\$'000	Actuals Current	Actuals Non Current	Actuals Total
ASSETS			
31. Cash and investments			
a. Developer charges	994	4,853	5,847
b. Special purpose grants	-	-	-
c. Accrued leave	-	-	-
d. Unexpended loans	-	-	-
e. Sinking fund	-	-	-
f. Other	14,280	-	14,280
32. Receivables			
a. Specific purpose grants	-	-	-
b. Rates and charges	332	115	447
c. Other	50	-	50
33. Inventories	199	-	199
34. Property, plant and equipment			
a. System assets	-	181,003	181,003
b. Plant and equipment	-	550	550
35. Other assets	-	-	-
36. Total Assets	15,855	186,521	202,376
LIABILITIES			
37. Bank overdraft	-	-	-
38. Creditors	112	-	112
39. Borrowings			
a. Loans	-	8,476	8,476
b. Advances	-	-	-
c. Finance leases	-	-	-
40. Provisions			
a. Tax equivalents	-	-	-
b. Dividend	-	-	-
c. Other	282	-	282
41. Total Liabilities	394	8,476	8,870
42. NET ASSETS COMMITTED	15,461	178,045	193,506
EQUITY			
42. Accumulated surplus			64,914
44. Asset revaluation reserve			128,592
45. TOTAL EQUITY			193,506
Note to system assets:			
46. Current replacement cost of system assets			333,397
47. Accumulated current cost depreciation of system assets			(152,394)
48. Written down current cost of system assets			181,003

Lismore City Council

Notes to Special Schedule No.'s 3 & 5 for the financial year ended 30 June 2010

Administration ⁽¹⁾

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

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

Engineering and supervision ⁽¹⁾

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

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

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

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

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

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

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

Non-residential charges⁽²⁾ (items 7a, 7b of Special Schedules 3 and 5) include all income from non-residential charges separated into 7a Access Charges (including rates if applicable) and 7b Usage Charges.

Trade waste charges (item 8 of Special Schedule 5) include all income from trade waste charges separated into 8a Annual Fees, 8b Usage Charges and 8c Excess Mass Charges and 8d Re-inspection Fees.

Other income (items 10 and 11 of Special Schedules 3 and 5 respectively) include all income not recorded elsewhere.

Other contributions (items 12c and 13c of Special Schedules 3 and 5 respectively) include capital contributions for water supply or sewerage services received by Council under Section 565 of the Local Government Act.

Notes:

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

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

Lismore City Council

Special Schedule No. 8 - Financial Projections
as at 30 June 2010

\$'000	Actual ⁽¹⁾ 09/10	Forecast 10/11	Forecast 11/12	Forecast ⁽³⁾ 12/13	Forecast ⁽³⁾ 13/14
(i) RECURRENT BUDGET					
Income from continuing operations	101,128	86,808	85,394	88,241	91,255
Expenses from continuing operations	88,421	87,525	89,269	92,814	95,175
Operating Result from Continuing Operations	12,707	(717)	(3,875)	(4,573)	(3,920)
(ii) CAPITAL BUDGET					
New Capital Works ⁽²⁾	-	14,399	8,782	534	-
Replacement/Refurbishment of Existing Assets	23,096	21,457	18,583	21,176	23,744
Total Capital Budget	23,096	35,856	27,365	21,710	23,744
Funded by:					
- Loans	4,110	8,550	11,655	4,168	6,525
- Asset sales	245	874	677	565	538
- Reserves	11,294	9,230	3,352	2,545	4,977
- Grants/Contributions	5,273	11,116	4,887	4,684	6,005
- Recurrent revenue	2,174	6,086	6,794	9,748	5,699
	23,096	35,856	27,365	21,710	23,744

Notes:

(1) From 09/10 Income Statement.

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

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

Lismore City Council

FINANCIAL REPORTS REVIEW
for the year ended 30 June 2010

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



Overview

The 2009/10 Financial Reports have been prepared in accordance with applicable Australian Accounting Standards (including the Australian Accounting Interpretations), the Local Government Act (1993) and Regulations and the Local Government Code of Accounting Practice and Financial Reporting. The Local Government Code of Accounting Practice applies to NSW council's in respect of their general purpose financial reports, special purpose financial reports and special schedules.

The purpose of the 2009/10 Financial Reports Review is to provide commentary and interpretation on the reported results. It also provides other information in Part C which in some cases is not prescribed for the benefit of users.

The primary report used to convey the financial position of a council are the General Purpose Financial Statements (Part A). This report presents the financial information in a manner which "...provides the users with information about the reporting entity which is useful for making and evaluating decisions about the allocation of scarce resources..."

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

Finally, there are special schedules which provide information in a different format or for specific purposes which meets the needs of mainly government users. No additional information is provided on the special schedules, but on completion of the asset revaluing to Fair Value and completion of asset management plans, information regarding Special Schedule 7 – Condition of Public Works will be included.

Part A: General Purpose Financial Reports

1. Income Statement

The net operating result for 2009/10 is a \$12.707 million surplus. The following table displays the summarised information from 2007/08 to 2009/10:

Item	2009/10 (\$'000)	% Change	2008/09 (\$'000)	% Change	2007/08 (\$'000)
Revenues from continuing operations	101,268	+22.36%	82,650	+12.69%	72,979
Expenses from continuing operations	88,421	+9.03%	81,098	+10.44%	73,431
Net operating result for the year	12,707	+718.75%	1,552	+443.36%	(452)
Net operating result before capital grants and contributions	2,960	n/a	(9,263)	-15.18%	(8,042)

A summary of the movements follows:

Revenues from continuing operations being \$18.478 million with the major movements being:

- Increase in rates and annual charges \$2.6 million
- Increase in revenues from user fees and charges \$600k
- Increase in interest & investment return \$5.09 million compared to a loss in 2008/09 \$716k
- Increase in other revenues \$8.866 million predominately relating to RTRL.
- Increase in grants and contributions \$233k (capital decreased by \$1.06 million with operating increasing by \$1.3 million).

Expenses from continuing operations of \$7.323 million with the major movements being:

- Increase in employee benefits and on-cost \$5 million with RTRL being \$4.129 million
- Increase in borrowing costs \$380k
- Increase in materials and contracts by \$2.1 million
- Increase in depreciation and amortisation by \$978k
- Decrease in other expenses by \$494k
- Decrease in loss on interest and investments from \$716k in 2008/09 to a positive return of \$5 million

In general, revenues from continuing operations increased by 22.36% or \$18.478 million with expenses from continuing operations increasing by 9.03% or \$7.32 million. From a cash perspective, the change has been either funded or budgeted. The significant increase in revenues includes one-off adjustments for the introduction of Richmond Tweed Regional Libraries (RTRL) assets as at 01/07/09 of \$5.19 million and the Net Present Value (NPV) of \$2.51 million on a ten (10) year interest free loan from the NSW Treasury Corporation.

Council was required to fair value roads, roads related infrastructure and drainage in 2009/10. This increased their asset value and therefore it is expected that depreciation expenses will increase significantly next year as a result.

2. Balance Sheet

The Balance Sheet is used to summarise the total net assets under Council's control. As at 30 June 2010, total net assets were \$991.1 million. During 2009/10, net assets increased by \$339.3 million from \$651.7 million as reported in 2008/09. This movement comprised \$12.7 million increase attributable to continuing operations and \$326 million resulting from the revaluation of roads, roads related infrastructure and drainage. The revaluation movement includes two components:

1. \$152 million positive prior year adjustment to the Written Down Value (WDV) of assets as a result of assets being over depreciated; and
2. \$174 million for the net increase in fair valuation of assets

The major component of Council's net assets relates to infrastructure assets. Net infrastructure assets total \$850 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	702.6	123.1	579.5	17.5
Stormwater Drainage	42.7	18.1	24.6	42.3
Water Supply Network	143.5	70.1	73.4	48.9
Wastewater Services Network	324.5	152.0	172.5	46.8
Total Infrastructure Assets	1,213.3	363.3	850.0	29.9

3. Income from continuing operations (Note 3)

Income from continuing operations increased by \$18.48 million or 22.36% compared to 2008/09. A summary of the individual categories and comparisons for the last three years is provided below:

Type	2009/10 (\$'000)	% Change	2008/09 (\$'000)	% Change	2007/08 (\$'000)
Rates & Annual Charges	34,898	8.2	32,239	4	31,145
User Charges & Fees	24,047	2.5	23,441	8	21,746
Interest	5,090	n/a	0	n/a	0
Other revenues	11,209	478	2,343	49	1,570
Grants & Contributions – Operating	15,113	9.4	13,812	26	10,928
Grants & Contributions – Capital	9,747	(9.9)	10,815	42	7,590
Gain on Disposal of Assets	1,024	n/a	0	n/a	0
Total	101,128	22.3	82,650	13	72,979

- **Rates and Annual Charges** – Revenues from rates have increased by 4.5% which is in line with rate pegging and anticipated growth. Annual charges revenues have increased by 14.9% or \$1.7 million with the major areas being Wastewater \$800k, \$500 Water and Domestic Waste management charges, these increases are in line with the strategic plans adopted by Council.
- **User Charges & Fees** - Increased by 2.5% (\$600k) predominately due to:
 - The 2009/10 year was the first full year of operations for the Goonellabah Sports and Aquatic Centre therefore revenues increased by \$824k from 2008/09.
 - Decline in consolidated revenues for the Northern Rivers Quarry Group (NRQG) \$1.5 million. Consolidated revenue excludes internal sales to Council. Sales revenue before consolidation increased from the previous year by \$641k.
 - Specific User Charges increased by \$900k. – Mainly water user charges.

-
- Waste disposal revenues increased by \$1 million.
 - RTA ordered works declined by \$924k.

 - **Interest revenues** - The interest and investment return is comprised of interest on investments of \$2.66million, fair value adjustments on investments held of \$633k and the NPV impact of \$2.51 million on a ten year interest only loan received from NSW Treasury Corporation for Wastewater infrastructure.

 - **Other revenues** - includes a one-off recognition of Richmond Tweed Regional Library net assets at 01 July 2009 of \$5.19 million in accordance with Australian Accounting Standards. RTRL member council contributions of \$3.7 million have been received and as this is the first year of reporting it shows a favourable variance when compared to 2008/09.

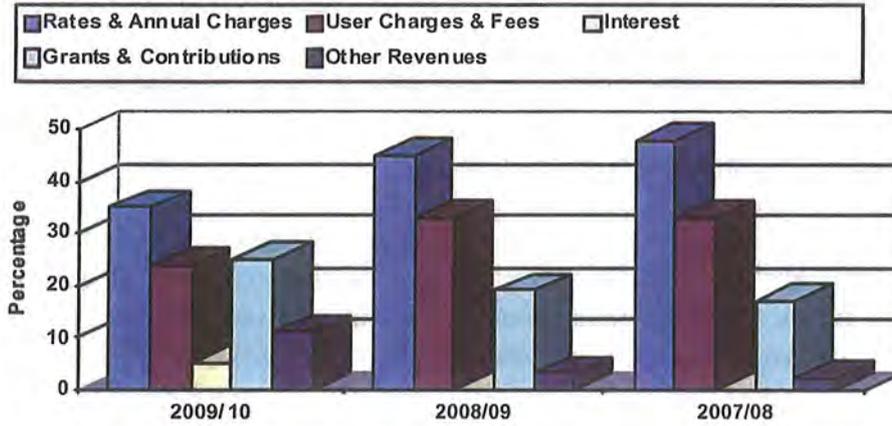
 - **Grants & Contributions operating** - Grants and contributions for operating purposes increased from 2009 by \$1.3 million. Natural Disaster grants for previous floods were received, an increase of \$2.9 million from 2009. This was offset by a decline in the Federal Assistance Grants of \$1.4 million as an 'advance' payment resulting in the 2009 being higher than usual. The balance of the increase comprises several new grants and an increase in recurring grants from 2009.

 - **Grants & Contributions capital** – Grants and contributions for capital purposes decreased from 2009 by \$1 million. Developer contributions (Section 94/64) were lower than previous years by \$500k with dedications other than Sec 94/64 declining by \$1.5 million.
 - Grant funding was received for the Woodlark Street revitalisation \$1.375 million (this was the second instalment of funding with \$1.375 million being received in 2009), cycleways \$263k, Nimbin Skate Park \$449k, waste performance management project \$80k and the GREENovation project \$140k. There was an over all decrease in funding of \$300k.
 - Roads to Recovery grants increased on previous years by \$150k and Regional Roads Grants increasing by \$1.3 million. The majority of the funding increase related to the RTA Blackspots Program.

 - **Gain on the disposal of Assets** – Overall, Council realised a gain on disposal of assets of \$1.024 million. This included a profit on sale of land of \$1.35 million, profit on sale of plant of \$120k and a write off of Water and Wastewater infrastructure of \$303k and \$144k respectively.

The following graph represents the main types of income from continuing operations expressed as a percentage of total continuing income for 2009/10, 2008/09 and 2007/08. It clearly supports Council's reliance on rates and annual charges.

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



4. Expenses from continuing operations (Note 4)

Expenses from continuing operations have increased by \$7.32m or 9.0% from 2008/09 to 2009/10. A summary of the individual categories and comparisons for the last three years is provided below:

Type	2009/10 (\$'000)	% Change	2008/09 (\$'000)	% Change	2007/08 (\$'000)
Employee Costs	24,940	25.3	19,901	7	18,599
Borrowing Costs	2,886	15.3	2,502	37	1,826
Materials & Contracts	35,901	6.4	33,755	9	30,968
Depreciation	20,368	5.0	19,390	24	15,652
Other	4,326	(10.2)	4,820	(2)	4,924
Loss on Disposal of Assets	-	n/a	14	(97)	557
Interest & Investment Losses	-	n/a	716	(21)	905
Total	88,421	9.0	81,098	10	73,431

This is the first year that the operating expenses for RTRL have been consolidated into the financial reports of Lismore City Council. These total \$4.79 million (excluding depreciation). Unfavourable variances compared to 2008/09 are shown for materials and contracts \$463k, employees benefits and on-cost \$4.129 million and other costs \$200k. In addition there is an increase in depreciation expenses of \$954k attributable to the RTRL.

- Employee costs have increased by \$5 million with the major movements being: salary and wages \$3.9 million, employee leave entitlements \$825k and superannuation contributions \$1.19 million.

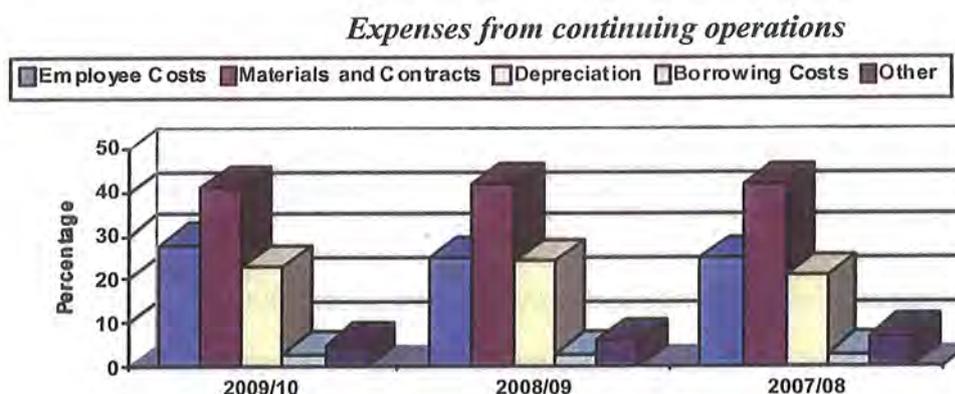
Superannuation costs have increased by \$1.19 million mainly due to the requirement of Council to increase funding for the Local Government Defined Benefit Scheme. This is as a result of the impact on their investment pool due to the Global Financial Crisis of \$762k. The inclusion of contributions for employees of RTRL has also contributed to the increase.

- Borrowing costs have increased by \$384k representing the full impact of loans drawn in 2008/09. Council's 2009/10 loan program was not finalised until June 2010 thus did not impact significantly in 2009/10. It is forecast that there will be a further increase in 2010/11 as the full impact of loans drawn in 2009/10 are realised.
- Material and Contracts increased by \$2.1million due to additional works being undertaken from grant funds, production costs increasing to generate higher revenues from user fees and

charges and carried forward works from 2009 being completed. Costs attributable to RTRL for materials and contracts were \$463k and are included in the increase from 2009.

- Depreciation has increased by \$978k with \$954k attributable to the inclusion of RTRL for the first reporting year.
- Other Expenses have decreased overall by \$494k. The major movements were increased costs due the inclusion of the RTRL \$200k, contribution to the flood mitigation \$135k and increased electricity due to an increased pricing structure \$363k. These increased costs have been offset by the consolidation requirement to eliminate the contribution made to RTRL by Lismore City Council in 2009/10 \$1.1 million.

The following graph represents the types of expenses from continuing operations expressed as a percentage of total continuing expenses for 2009/10, 2008/09 and 2007/08:



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

Council has total cash, cash equivalents and investments of \$44.745m as at 30 June 2010. Compared to 2008/09, this is an increase of \$15.852m. Typically, Council's total cash, cash equivalents and investments are reasonably stable, but can fluctuate depending on the timing of cash flows and investment decisions. The major movements in investments can be attributable to Council's loan program being drawn late in the year \$6.83 million, interest free loan from NSW Treasury Corp for the Southern Trunk Wastewater Main \$6 million, the realisation of land sales reducing internal loans from reserves \$3 million, and the inclusion of the Richmond Tweed Library investments \$900k.

Council is required to recognise investments held at 30 June each year at their market value. As with previous years volatility within financial markets continued, however this year the market value of investment increased by \$633,300. The market value gain has been assigned to Council's investments on a pro rata basis in line with the level of funds held in Reserves, Section 64 Funds and Section 94 Funds as a percentage of the total investments held. As a result, General Fund reserves were increased by \$178,600, Water Fund by \$23,000, Wastewater Fund by \$273,600 and Section 94 Funds by \$158,100.

The majority of funds are either restricted by external legislation e.g. developer contributions - Section 94 (\$5.821m) and Section 64 (\$6.789m), Wastewater Services (\$14.28m), Water Services (\$2.2m), Unexpended Grants (\$3.3m), Trust (\$1.683m) and Domestic Waste Collection (\$129k), or internal policy e.g. unexpended loans (\$1.774m) and reserves (\$8.729m).

6. Statement of performance measures (Note 13)

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

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

The following table is a summary of the key performance indicators from 2006/07 to 2009/10:

Performance Indicator	2009/10	2008/09	2007/08	2006/07
Unrestricted Current Ratio	1.80:1	1.39:1	2.04:1	2.57:1
Debt Service Ratio Percentage	5.57%	6.34%	5.33%	4.54%
Rate Coverage Ratio Percentage	34.51%	39.01%	42.68%	43.47%
Rates, Annual Charges, Interest and Extra Charges Outstanding Percentage	12.63%	11.19%	10.89%	10.23%
Building & Infrastructure Renewals Ratio	66.43%	65.28%	109.38%	n/a

Generally, Council's performance indicators are within acceptable ranges except for the Rates, Annual Charges, Interest and Extra Charges Outstanding Percentage. Action has already commenced in 2010/11 to improve this situation by Council resolving to sell property due to unpaid rates.

The liquidity position (Unrestricted Current Ratio) has improved from 1.39:1 to 1.80:1; this is partly due to Council's realisation of land sales and subsequent reduction in internal loans from reserves. This result is considered satisfactory to meet all current liabilities as and when required. In the 2010/11 year Council has resolved to fund its loan program from internal reserves which is anticipated to impact negatively on the current ratio in the short term.

The Debt Service Ratio, which was at 6.34% for 2008/09, has decreased to 5.53%. The movement can be attributed to a significant increase in Council's operating income with the major items being:

- Consolidation of RTRL into Lismore City Council's operations \$5.19 million
- Positive return on investments \$5 million (this includes market value adjustments \$633k, interest on investments \$2.66 million and NPV adjustment on loans \$2.5 million), and
- Realisation of profit on sale of assets \$1.02 million.

Council has resolved not to source external loan borrowings in 2010/11 which will have a positive impact on the debt service ratio in the short term.

Rates Coverage Ratio Percentage for 2009/10 when compared to 2008/09 shows a reduction in reliance upon rates and annual charges. This is as a result of the increase in fees and user charges and other income.

The Rate, Annual Charges, Interest and Extra Charges Outstanding percentage has remained above 10%. On a fund by fund basis the percentages are General Fund 10.38%, Water 17.58% and Wastewater Fund 5.53%. A comprehensive approach to debt recovery has been implemented with in-house collection initially and more difficult or non compliant cases being referred to a mercantile agent for legal proceedings. These actions should cause this indicator to improve in future years. Council's policy of not taking legal action against pensioners, except in extreme cases, does limit the opportunity to reduce this faster.

The Building & Infrastructure Renewals Ratio indicates that funds are not being expended in renewing existing assets at the same rate as depreciation. This needs to be considered as part of the Asset Management and Long Term Financial Plan integration.

Part B: Special Purpose Financial Reports

7. Return on Capital

Based on National Competition Policy guidelines, the following activities of Council have been nominated as business activities - Lismore Water, Lismore Wastewater, Northern Rivers Quarry & Asphalt (NRQA), Northern Rivers Waste – Collection and Disposal, Lismore Memorial Gardens, Koala Child Care Centre, Commercial Properties, Goonellabah Sports & Aquatic Centre (GSAC) and Industrial Estate Development.

National Competition Policy guidelines stipulate that Council must declare Water and Wastewater as business activities, even though there is some dispute as to whether these funds operate for commercial benefit or to ensure an essential service is provided at a reasonable cost. In regards to Northern Rivers Waste - Collection and Real Estate as they have no assets, a return on capital cannot be calculated (Real Estate held is classified as inventories as it is land held for resale). The other activities have been declared as they meet the criteria established for business activities, primarily because there are competitors in the market place for which Council actively competes for market share. In 2009/10 GSAC was included as a new business activity given this was the first full year of operations. The initial recognition of the assets and liabilities has resulted in a first year surplus on operations.

The following provides a summary of the return on capital for Council's business activities during 2009/10. Based on the summary and using the 10 Year Government Bond Rate as a guide, the NRQG, Northern Rivers Waste Disposal, Lismore Memorial Gardens and GSAC are returning a positive return on capital.

The return on GSAC is not indicative of its operational performance as it includes the one off adoption of the assets and liabilities in the 2009/10 year; this amount has been included as other income and totals \$7.182 million. There has been an improved performance from previous years for both the NRQG (2008/09 -17.7%) and Northern Rivers Waste disposal (2008/09 -6.0%).

Water & Wastewater have been significantly impacted by the increased depreciation expense associated with the fair value adjustment of assets in 2006/07, given the enormity of the increased depreciation costs it is not anticipated that these businesses will achieve an acceptable return in the medium term.

Business Unit	Return %
Goonellabah Sports and Aquatic Centre	40.8
Northern Rivers Waste – Disposal	12.9
Northern Rivers Quarry & Asphalt	8.3
Lismore Memorial Gardens	4.0
Wastewater	-0.1
Water	-1.6
Properties Held for Public Benefit	-3.0
Koala Child Care Centre	-12.5
Northern Rivers Waste – Collection	N/A
Real Estate	NA

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 2010 of 5.10%.

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	5,071	Northern Rivers Waste – Collection	-	Koala Child Care Centre	75
Wastewater	9,352	Northern Rivers Waste – Disposal	-	Lismore Memorial Gardens	22
Northern Rivers Quarry & Asphalt	-	Properties Held for Public Benefit	224	Real Estate	-
Goonellabah Sports and Aquatic Centre	-				

9. Loan Indebtedness

Council's overall loan debt increased during 2009/10 by \$8.347million to \$46.695 million. During the year, total borrowings of \$10,355 million were drawn with approximately 76.5% or \$7.925 million of these funds for the self funding activities; \$6.325 million Wastewater and \$1.6 million for Water construction programs. Included in the new loans drawn was an interest free loan of \$6 million from the NSW Treasury Corporation for Wastewater infrastructure. Accounting Standards require the loan be recorded at the Net Present Value (NPV) as the loan was interest free with a term of 10 years (the NPV of the loan calculated is \$3.525 million).

It is considered that the current level of debt is manageable, but this needs to be considered on an ongoing basis in light of all other expenditure commitments. Movements in total loan indebtedness by fund for 2009/10 follow:

Fund	Balance 30/6/09	New Loans Raised	Principal Repaid	Balance 30/6/10	Movement - Increase / (Decrease)
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
General	35,150	2,430	1,900	35,680	530
Wastewater	2,223	6,325	72	8,476	6,253
Water	975	1,600	36	2,539	1,564
Total	38,348	10,355	2,008	46,995	8,347

10. Internally Restricted Reserves

As at 30 June 2010, reserves totalled \$24.30 million, comprising \$15.5 million held as cash reserves, \$2.15 million as working capital and \$6.65 million in internal loans. The working capital portion represents amounts that were held as debtors as at year end but which form part of the operating result for 2010.

There has been an overall increase in reserves from 2008/09 of \$1.72 million with the major increase being the introduction of Richmond Tweed Regional Library \$925k, Wastewater \$465k and the realisation of profit on the sale of industrial land. The reserves are held in General, Wastewater and Water Funds being \$17.62 million \$5.98 million and \$702,600 respectively.

All reserves held at 30 June 2010 are deemed to be at an appropriate level given that they are either within a suitable range of the nominated funding level, are for a specific purpose or the variance is manageable.

A separate report on 2009/10 Reserves has also been submitted to Council for consideration.

11. Fleet Operations

Council's fleet operates as a self-funding entity in that as the fleet is used it is charged out at a pre-determined hire rate. The hire income is then used to offset the operating expenses incurred during the life of the fleet and to fund future replacements. A summary of performance over the last three years follows:

Item	2009/10 (\$'000)	2008/09 (\$'000)	2007/08 (\$'000)
Fleet Hire Income	6,167	5,936	5,900
Less:			
Operating Expenses	4,232	4,169	4,127
Depreciation	2,720	2,906	1,835
Operating Surplus / (Deficit)	(785)	(1,113)	(62)
Add-back depreciation	2,720	2,906	1,835
Cash Surplus / (Deficit)	1,935	1,793	1,773
Net Capital Replacement Cost	1,905	1,521	2,488

The result for 2009/10 shows an improvement in the operating surplus/(deficit) by \$328,000 compared to 2008/09. Fleet hire income has increased by \$231,000 due to increased works with operating expenses only increasing by \$63,000. Depreciation declined from 2008/09 by \$186,000. The Cash Surplus is in line with previous years.

The net capital replacement cost, which reflects purchase cost for new fleet less trade-in, has increased from the previous year with major fleet being replaced as planned in 2009/10. As a guide, the objective is to have the cash surplus and net capital replacement costs approximately the same, so that the average age of the fleet is maintained at a satisfactory level. This in turn saves time and costs as older machinery tends to breakdown more often and newer machinery has improved operating efficiency.

Approximately \$4.145 million is available for plant replacement at 30 June 2010.

12. Real Estate Development

Council is involved in three types of real estate development – residential, industrial and commercial.

The sale of the Goonellabah Town Centre site was the highlight of real estate development during 2009/10. A residual lot remains and an option to use this lot for community purposes is being investigated.

For industrial land, one (1) lot sold in the Krauss Avenue Estate. Of the remaining 6 lots, all but two (2) are under contract or in negotiations. Council also purchased land at the Lismore Regional Airport during 2009/10. This land is being subdivided with a large portion being retained for airport purposes and the balance is to be sold.

The residential development at Bristol Circuit in Goonellabah is a joint venture between Council, Chevina Pty Ltd and John Newton. Basically, Council receives a fixed amount for the land component and a half share of the profit after all development and sale costs are deducted. One (1) lot was available for sale during 2009/10 and it was sold.

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

Category	2009/10	2008/09	2007/08
<u>Residential Land</u>			
Opening Balance			
Land Value (\$)	59,394	89,460	89,460
Number of Lots	8	11	11
Sales			
Gross Sale Proceeds (\$)	41,061	155,344	0
Lots Sold	1	3	0
Add			
Development Costs (\$)	0	74,933	0
Lots Created	0	0	0
Closing Balance			
Land Value (\$)	24,817	59,394	89,460
Number of Lots	7	8	11
Profit / (Loss) (\$)	22,750	99,143	0
<u>Industrial Land</u>			
Opening Balance			
Land Value (\$)	3,181,943	3,644,725	3,149,035
Number of Lots	7	8	7
Sales			
Gross Sale Proceeds (\$)	910,000	350,000	0
Lots Sold	1	1	0
Add			
Development Costs (\$)	310,139	(219,908)	495,690
Lots Created	1		1
Closing Balance			

Land Value (\$)	3,183,518	3,181,943	3,644,725
Number of Lots	7	7	8
Profit / (Loss) (\$)	801,633	187,426	0
Commercial Land			
Opening Balance			
Land Value (\$)	3,238,261	3,089,556	3,089,556
Number of Lots	1	1	1
Sales			
Gross Sale Proceeds (\$)	3,650,000	0	0
Lots Sold	1	0	0
Add			
Development Costs (\$)	335,668	148,705	0
Lots Created	1	0	0
Closing Balance			
Land Value (\$)	401,988	3,238,261	3,089,556
Number of Lots	1	1	1
Profit / (Loss) (\$)	478,059	0	0

13. Northern Rivers Quarry & Asphalt

The operating result of the Northern Rivers Quarry & Asphalt has improved from a (\$1,063,000) loss in 2008/09 to a profit of \$106,800 in the 2009/10 year. There have been a number of contributing factors associated with improved trading result with the major items being:

- Improved weather from previous year has enabled a better production output. Last year rain prevented crushing due to material clogging up screens and crushers, and delayed restarting of crushing until material sufficiently dried.
- Management has taken steps to reduce overheads, realign costs of production to output and adopt a more effective management structure
- Key staffing positions were filled during the period.
- The cash position has been impacted negatively by higher stock levels on hand as at 30 June. This is a strategic position taken by management to meet future contract obligations.

As a direct result of the increased stock levels, the cash position has deteriorated to a deficit of \$2.676 million. The deficit is being funded by internal loans from Reserves and repayments will be made from anticipated future quarry profits. The loan will be repaid from future profits, however it is acknowledged that the business will require a significant overdraft to operate as key assets (stock levels and debtors) are typically high value (\$3.5 million as at 30 June 2010) and the annual dividend to General Fund (\$395,000 in 2009/10) is a cash withdrawal that is automatically deducted regardless of the overall Quarry cash position.

Item	2009/10	2008/09	2007/08
User Charges			
External Sales	6,405,200	7,199,500	5,614,200
Internal Sales	4,729,400	3,171,400	3,032,500
Miscellaneous Charges	197,700	319,700	181,800
Total Income	11,332,300	10,690,600	8,828,500
Less:			
Operating Expenses	10,886,800	11,428,600	9,070,700
Operating Surplus/(Deficit) before depreciation	445,500	(738,000)	(242,200)
Less:			
Depreciation	338,800	325,000	209,500
Operating Surplus/(Deficit)	106,700	(1,063,000)	(451,700)
Cost of Production Per Tonne	18.00	24.65	18.03

Adjust for other Cash and Non Cash Movements			
Add – Debtors Principal Repaid	43,400	41,300	32,700
Add – Depreciation (Non Cash)	338,800	325,000	209,500
Capital Purchases	-	(77,900)	(574,700)
Stock on Hand – (Non Cash)	(782,100)	(742,000)	46,000
Less – Dividend Paid	(395,000)	(470,000)	(370,000)
Less Interest on internal loans	(92,500)	-	-
Cash Movement Surplus/(Deficit)	(780,700)	(1,986,600)	(1,108,200)

14. Summary

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

The operating surplus for 2009/10 was positively impacted by several new grants, one-off adjustments for RTRL and the NPV of a ten year interest free loan for Wastewater. These are non-recurring, thus reducing Council's comparable income for 2010/11.

The impact of the revaluation of all infrastructure assets will result in increased depreciation expense. For roads, roads related infrastructure and drainage the increase for 2010/11 is anticipated to be approximately \$2.5 million. With rising depreciation costs and no commensurate additional income, future net operating result will deteriorate. This will highlight the limits on Council's capacity to provide more funding for asset management unless there are decreases in service levels for recurrent works and services, or significant additional income is received from State and/or Federal Governments.

To ensure financial sustainability, it remains essential for Council to continue to examine ways in which revenue can be increased, expenses decreased or a combination of both to deliver increased funding for asset management. The current development of integrated Asset Management Plans and a Long Term Financial Plan will assist in identifying requirements which can inform Council when considering future Community Strategic Plans and Delivery Plans.

Part D: Local Government Financial Health Checks

Revenue Sources

Indicator #1 – Revenue Sources

Indicator Title:

1.1 Sources of Total Revenue Before Capital, all funds

Indicator Definition:

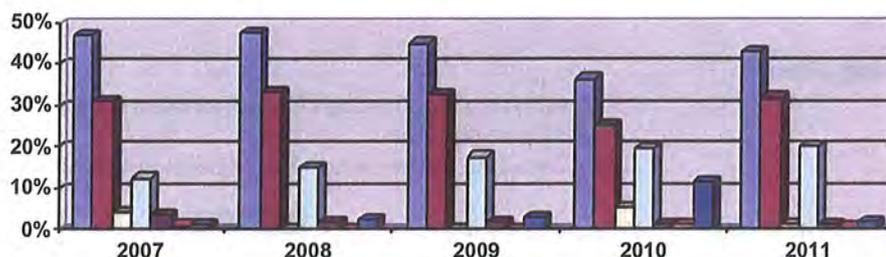
Ordinary Revenue classified by source

Indicator / Local Government Benchmark:

For Information Only

	June 2008 Actual \$'000	% Age of Total Revenue	June 2009 Actual \$'000	% Age of Total Revenue	June 2010 Actual \$'000	% Age of Total Revenue	June 2011 Forecast \$'000	% Age of Total Revenue
Rates & Charges	31,145	47.63	32,239	44.88	34,898	36.38	36,888	42.86
User Charges and Fees	21,746	33.26	23,441	32.63	24,047	25.07	27,386	31.82
Interest	0	0	0	0	2,090	5.31	1,285	1.49
Grants	9,733	14.88	12,571	17.50	18,271	19.04	17,286	20.09
Contributions	1,195	1.83	1,241	1.73	1,397	1.46	1,265	1.47
Profit on Sales of Assets	0	0	0	0	1,024	1.07	398	0.46
Other	1,570	2.4	2,343	3.26	11,209	11.68	1,550	1.80
Total Ordinary Revenue Before Capital	65,389	100.0	71,835	100.0	95,936	100.0	86,058	100.0

Commentary: The percentage of revenue derived from Rates and Charges is the most significant component of Council's revenue. Council should continue to pursue other funding sources to reduce the reliance on this source of income. For example grant funds should continue to be actively sought.



Cash / Liquidity Position

Indicator #2 – Cash / Liquidity Position

Indicator Title:

2.1 Unrestricted Current Ratio

Indicator Definition:

Current Asset less Externally Restricted Current Assets/Current Liabilities less Specific Purpose Current Liabilities

Indicator / Local Government Benchmark:

Greater than 2:1 - Acceptable

Between 1:1 and 2:1 – Requires Monitoring

Less than 1:1 – Corrective Action Required



	June 2008 Actual	June 2009 Actual	June 2010 Actual	June 2011 Forecast	June 2012 Forecast	June 2013 Forecast
General Fund	2.04	1.39	1.81	1.68	2.04	3.04

Commentary: Council's liquidity has improved from 2009 and is expected to remain constant in 2011 with improvements forecast for 2012 and 2013. Continued monitoring is required.

Indicator Title:**2.2 Available Cash Position, General funds as W&WW externally restricted****Indicator Definition:**

- a) Available Cash Assets
 b) Unrestricted Available Cash Assets
 a) Cash Assets less Externally Restricted Assets
 b) Unrestricted Available Cash Assets less Internally restricted Assets

Indicator / Local Government Benchmark: For Information Only

	June 2008 Actual \$'000	June 2009 Actual \$'000	June 2010 Actual \$'000	June 2011 Forecast \$'000	June 2012 Forecast \$'000	June 2013 Forecast \$'000
a)	19,956	13,859	26,395	20,446	19,397	19,946
b)	-	-	-	-	-	-

Commentary: Council's liquidity has improved from 2009 and is expected to remain constant in 2011 with improvements forecast for 2012 and 2013. Continued monitoring is required.

Indicator Title:**2.3 Availability of Cash Assets as a % of Total Revenue****Indicator Definition:**

- a) Available Cash Assets
 b) Unrestricted Available Cash Assets
 a) Available cash Assets / Ordinary Revenue before Capital
 b) Unrestricted Available Cash Assets / Ordinary Revenue before Capital

Indicator / Local Government Benchmark: For Information Only

	June 2008 Actual	June 2009 Actual	June 2010 Actual	June 2011 Forecast	June 2012 Forecast	June 2013 Forecast
a)	12.00%	19.29%	27.51%	23.76%	22.5%	21.85%
b)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Commentary: Council is in a healthy position in relation to liquidity.

Operating Result**Indicator #3 – Operating Result****Indicator Title:****3.1 Result from Continuing Operations before Capital Grants and Contributions****Indicator Definition:***Total Continuing Revenues less Total Continuing Expenses***Indicator / Local Government Benchmark:**

- No action required*
Position needs monitoring
Corrective action required



	June 2008 Actual \$'000	June 2009 Actual \$'000	June 2010 Actual \$'000	June 2011 Forecast \$'000
General Fund	-1,222	-2,859	4,413	-8,760
Water Fund	-2,464	-1,888	-1,236	-807
Wastewater Fund	-4,356	-4,516	-217	-2,576
All Funds	-8,042	-9,263	2,960	-12,143

Commentary:

Council's increase in operating result is mainly attributable to the consolidation of Richmond Tweed Regional Library into Lismore City Council's Financial Reports, improvement in investment returns due to an increase in market value of investments, profit on sale of land and the net Present Value impact of an interest free loan. These are one off events for 2009/10 and are not expected to continue in future years.

Asset Condition Management

Indicator #4 – Asset Condition Management

Indicator Title:

- a. Renewal
- b. Maintenance / Maintenance Required
- c. Asset Life Position

Indicator Definition:

- a. Capital Expenditure on Existing Assets / Annual Depreciation
- b. Actual Maintenance Expended / Maintenance Level Required to Achieve Useful Life
- c. Accumulated Depreciation / Total Depreciable Asset Value

Indicator / Local Government Benchmark:

- a & b 1 to 1 – Satisfactory
- Less than 1:1 – Requires monitoring
- c For Information Only



		June 2008 Actual \$'000	June 2009 Actual \$'000	June 2010 Actual \$'000	June 2011 Forecast \$'000
General Fund	a	2.87	2.29	2.02	1.24
Water Fund	a	0.81	0.46	0.62	0.91
Wastewater Fund	a	0.68	0.32	0.83	2.22
All Funds	a	1.83	1.5	1.51	1.44
General Fund	b	1.33	0.75	0.75	0.75
Water Fund	b	0.89	1.10	1.09	1.09
Wastewater Fund	b	1.04	0.94	0.93	0.93
All Funds	b	1.16	0.85	0.85	0.85
General Fund	c	40.44%	40.27%	22.08%	23.31%
Water Fund	c	46.47%	47.73%	48.86%	49.84%
Wastewater Fund	c	43.73%	45.28%	46.86%	46.79%
All Funds	c	37.09%	37.00%	28.24%	31.37%

Commentary: From a financial perspective, Council's financial indicators are close to the mark. However, this may not be reflected 'on the ground' with the age and condition of assets varying from these average figures across the local government area. On completion of the asset management plan, better information relating to the condition of public works will be available to more accurately assess Council's infrastructure situation.

Debt Service Ratio

Indicator #5 – Debt Service Ratio

Indicator Title:

5.1 Debt Service Ratio

Indicator Definition:

5.1 Gross Debt Service Costs / Total Revenue from Ordinary Activities

Indicator / Local Government Benchmark:

- 5.1 <10% - Satisfactory
- 10% - 15% - Requires Monitoring
- >15% - Corrective Action Required



	June 2008 Actual	June 2009 Actual	June 2010 Actual	June 2011 Forecast	June 2012 Forecast	June 2013 Forecast
5.1	5.33%	6.34%	5.57%	7.20%	8.30%	9.05%

Commentary: Council's level of debt service is satisfactory and is reflective of a council that is well developed as opposed to being relatively new and experiencing significant growth. There has been a marked reduction in the 2010 ratio due to the inclusion of the following one off items into Council revenues: first time consolidation of Richmond Tweed Regional Library into Lismore City Council's Financial Reports and the NPV of a ten year interest free loan. These are one off events for 2009/10 and are not expected to continue in future years, thus the ratio has shown an increase in 2011 onwards. Continued monitoring is required.

Receivables Management

Indicator #6 – Receivables Management

Indicator Title:

6.1 Outstanding Rates and Charges

Indicator Definition:

6.1 Total Outstanding Rates Charges & Fees / Rates Charges and Fees Annual Income plus Arrears

Indicator / Local Government Benchmark:

6.1 <6% - Satisfactory
6% - 10% - Requires Monitoring
>10% - Corrective Action Required



	June 2008 Actual	June 2009 Actual	June 2010 Actual	June 2011 Forecast	June 2012 Forecast	June 2013 Forecast
6.1	10.89%	11.19%	12.63%	11.57%	11.40%	11.40%

Commentary: Management continues to be proactive in debt recovery including the appointment of Executive Collections as collection agent for Council. Management is continuing to implement actions to recover debts in a timely manner and it is anticipated that the level will decline in 2011 year onwards. The anomaly here is that outstanding rates and charges accrue interest at a rate of 9.0%, which is more than the interest earned on investments or the cost of borrowing funds. The above indicator bases the forecasts on trends of the previous years as well as taking into account continuing actions to reduce outstanding debts and therefore reflects the anticipated actual result.

Re-Votes of Expenditure

Indicator #7 – Re-Votes of Expenditure

Indicator Title:

Re-Votes of Expenditure

Indicator Definition:

Re-votes / Total Expenses

Indicator / Local Government Benchmark:

<2% - Acceptable
2% to 5% - Requires Monitoring
>5% - Corrective Action Required



June 2007	June 2008	June 2009	June 2010
6.90%	10.30%	12.90%	5.80%

Commentary: For each year shown above, the level of expenditure has increased above the original vote by the percentage shown due to circumstances throughout the year that is there has been additional expenditure allocated throughout the year.

In 209/10 additional expenditure has been and is associated with

- additional grants for new projects such as Splendour in the Grass
- increased ordered works from the RTA
- additional schedule of works for water and wastewater upgrades
- The roll forward of unexpended grants and reserves from 2008/09.

Although it is considered the percentage of vote adjustments is in excess of an acceptable level these costs could not have been accurately determine at the time of the preparation of the 2009/10 budget in April 2009.

Accuracy / timeliness of financial data / budget / compliance

Indicator #8 – Management Practices

Indicator Title:

Accuracy / Timeliness of Financial Data / Budget / Compliance

Indicator Definition:

As Indicated Below

Indicator / Local Government Benchmark:

8 to 9 Achieved – Acceptable

5 to 7 Achieved – Requires Monitoring

4 or Less Achieved – Corrective Action Required



	June 2007	June 2008	June 2009	June 2010
1. Financial Bottom Line (before capital matched to forecasts to a level of + or – 10%)	No	No	No	No
2. Receipt of an unqualified Audit Report	Yes	No	No	Yes
3. Statements lodged to meet compliance deadline.	Yes	Yes	Yes	Yes
4. Do you report monthly to management within 5 days of month end?	Yes	Yes	Yes	Yes
5. Do you report quarterly statutory within 21 days of quarter end.	No	No	No	No
6. Do you report annual statutory within 21 days of year-end.	No	No	No	No
7. Do budgets incorporate a 3-year plan where the 2 nd year becomes the base for the following year?	Yes	Yes	Yes	Yes
8. Rigour of budget review and then ongoing monthly/quarterly budget to actual results analysis.	Yes	Yes	Yes	Yes
9. Does RAO formally report to Council on the sign off of Financial Statements – Sec. 413?	Yes	Yes	Yes	Yes
	6	5	5	6

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

Conclusion

In relation to measuring Council’s ‘financial health’ against the indicators prescribed, Council is in a reasonable position. However, there is room for improvement in the following areas:

- Continuing to provide funding to maintain ageing infrastructure assets
- Continue to be vigilant in recovering debts and limit exposure to bad debts
- Improve the budgeting process in relation to forecasting grants or additional revenue that may be received and spent during the year
- Reduce the timeframe for providing financial information to management and Council.

