

# Lismore City Council

GENERAL PURPOSE FINANCIAL REPORT  
for the year ended 30 June 2008

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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 Report for the financial year ended 30 June 2008

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### Overview

- (i) This Financial Report covers 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 nature of Council's operations and its principal activities are provided in Note 2(b).

- (iii) All figures presented in this Financial Report represent Australian Currency.
- (iv) This Financial Report was authorised for issue by the Council on 21/10/2008. Council has the power to amend and reissue the financial report.
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**LISMORE CITY COUNCIL  
INDEPENDENT AUDIT REPORT**

**Report on the Financial Report**

We have audited the accompanying financial report of Lismore City Council (the Council), which comprises the balance sheet as at 30 June 2008, the income statement, statement of changes in equity and cash flow statement for the year then ended, a summary of significant accounting policies, other explanatory notes and the statement by Councillors' and Management.

**Councils' Responsibility for the Financial Report**

The Council is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Local Government Act 1993. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

**Auditor's Responsibility**

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

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

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

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

**Independence**

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

**Qualified Audit Opinion**

In our opinion, except for the effects on the financial statements of the matter referred to in the paragraph below titled Basis for Qualified Auditor's Opinion:

- (a) the Council's accounting records have been kept in accordance with the requirements of the Local Government Act 1993, Chapter 13 part 3 Division 2; and



- (b) the financial report:
  - (i) has been presented in accordance with the requirements of this Division;
  - (ii) is consistent with the Council's accounting records;
  - (iii) presents fairly the Council's financial position as at 30 June 2008, the results of its operations and its cash flows for the year then ended; and
  - (iv) are in accordance with applicable Accounting Standards, Interpretations and other mandatory professional reporting requirements in Australia.
- (c) all information relevant to the conduct of the audit has been obtained; and
- (d) there are no material deficiencies in the accounting records or financial report that have come to light during the course of the audit.

This opinion must be read in conjunction with the rest of our audit report.

### **Basis for Qualified Auditor's Opinion**

Since July 2007, global financial markets have experienced a period of high volatility led by events in the US housing market, particularly sub prime loans, which has impacted the value, recoverability, liquidity, cash flows and rates of return of many financial assets including, but not limited to Collateralised Debt Obligations (CDOs), Equity Linked Notes (ELNs) and certain other Managed Funds.

At 30 June 2008, Lismore City Council's investment securities totalling \$23.614 million included securities that have been impacted by this market volatility. The impact on individual securities varies depending on their degree of exposure to affected markets.

At balance date Council's investment portfolio included CDO securities totalling \$5.195 million. Many of these securities do not have market values that are independently quoted and they are not widely traded. Independent market valuations are not readily available and in many cases, values are assessed based on estimates from issuers and/or valuation models for which there is limited market evidence available to verify their reasonableness. Further, the ongoing volatility of financial markets creates greater uncertainty to the valuation process and determination of future cash flows that can be attributed to these securities.

These circumstances have resulted in our inability to obtain sufficient and appropriate audit evidence to satisfy ourselves as to the fair value and recoverability of at least \$5.195 million of Council's total investment securities.

Lismore, 23 October 2008

### **THOMAS NOBLE & RUSSELL CHARTERED ACCOUNTANTS**



.....  
D H SINGH (Partner)  
Registered Company Auditor

Lismore, 23 October 2008

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

Dear Councillors

We advise that we have completed our audit of the Council's general purpose and special purpose financial reports for the year ended, 30 June 2008 under section 417 of the Local Government Act 1993.

In accordance with that section we now report on the conduct of the audit.

## 1. AUDITORS' RESPONSIBILITIES

In order that Councillors may appreciate our responsibilities as auditors, we take this opportunity to briefly discuss the scope of our audit.

In accordance with our contractual arrangements with Council we have undertaken to perform an attest (risk based) audit. The definition of an attest audit is:

*"the minimum audit work necessary to enable an opinion to be expressed as to whether the financial statements are presented fairly in accordance with the requirements of the Local Government Act 1993, Australian Accounting Standards and Accounting Concepts so as to present a view which is consistent with an understanding of the Council's financial position, the results of its operations and its cash flows."*

### Forming an opinion

Our function as auditors is to examine the general purpose and special purpose (National Competition Policy) financial reports presented to us by the Council. Our audit responsibility does not extend to

- the original budget information included in the income statement, cash flow statement, Note 2(a) and Note 16 budget variation explanations in the general purpose financial report;
- information presented at Note 17 to the general purpose financial statements relating to projected future contributions, cost of works and over/(under) funding and
- the best practice disclosures in Notes 2 & 3 to the special purpose financial report.



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Standards Legislation

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

As auditors of Council we are not required to:

- Review and assess the adequacy of Council's:
  - management plans;
  - quarterly budget reviews;
  - insurance cover; and
  - infrastructure improvement / maintenance planning and monitoring.
  
- Form an opinion on, or advise Council on the probity of its decisions, however we ensure that the financial effect of Council's decisions are adequately disclosed in the general purpose and special purpose financial reports in accordance with applicable Accounting Standards.

The responsibility of the above-mentioned rests with Council.

## **2. FINANCIAL MANAGEMENT PRACTICES**

In accordance with the requirements of the local government act and regulations Council must prepare detailed budgets for all operations. As part of the budgetary process Council is responsible for authorising all expenditures and variations to budget.

The quarterly review of Council's budget progress is a very important process in ensuring that the financial targets established by Council are met. We are aware that Council and management place a high level of importance in ensuring that budgets are complied with. To further preserve or improve Council's financial position, all decisions need to be made with due consideration of any and all financial impacts and there needs to be a continued level of accountability and responsibility by senior management and Council.

## **3. OPERATING RESULT**

Council's deficit from ordinary activities for the year ended 30th June 2008 was **\$(452,000)** and represents a decrease of \$11,249,000 on the surplus in 2007 of \$10,797,000. Depreciation increased by \$5,831,000 as a result of water and sewer infrastructure assets being revalued last year and those assets being depreciated for the full year this year based on the revalued amounts. The surplus from ordinary activities before depreciation and profit / (loss) on sale of assets has decreased by \$7,060,000 from \$15,227,000 to \$8,167,000. This decrease was primarily due to a decrease in investment income (\$3,539,000) and the timing of receipt of RTA income and special grants and their subsequent expenditure (approximately \$3,000,000).

Council's financial result can be summarised as follows:-

	2005 \$'000	2006 \$'000	2007 \$'000	2008 \$'000
Revenues from ordinary activities	51,352	57,668	62,906	65,389
Expenses from ordinary activities	(38,993)	(45,530)	(47,679)	(57,222)
Result from ordinary activities before depreciation	12,359	12,138	15,227	8,167
Less Depreciation	(9,351)	(10,072)	(9,821)	(15,652)
Result from ordinary activities before capital amounts	3,008	2,066	5,406	(7,485)
Capital grants and contributions	6,262	9,960	4,744	7,590
Gain / (loss) on disposal of assets	(73)	1,221	647	(557)
Surplus from all activities	9,197	13,247	10,797	(452)

Variations to 2007 by Income/Expenditure

### Revenue

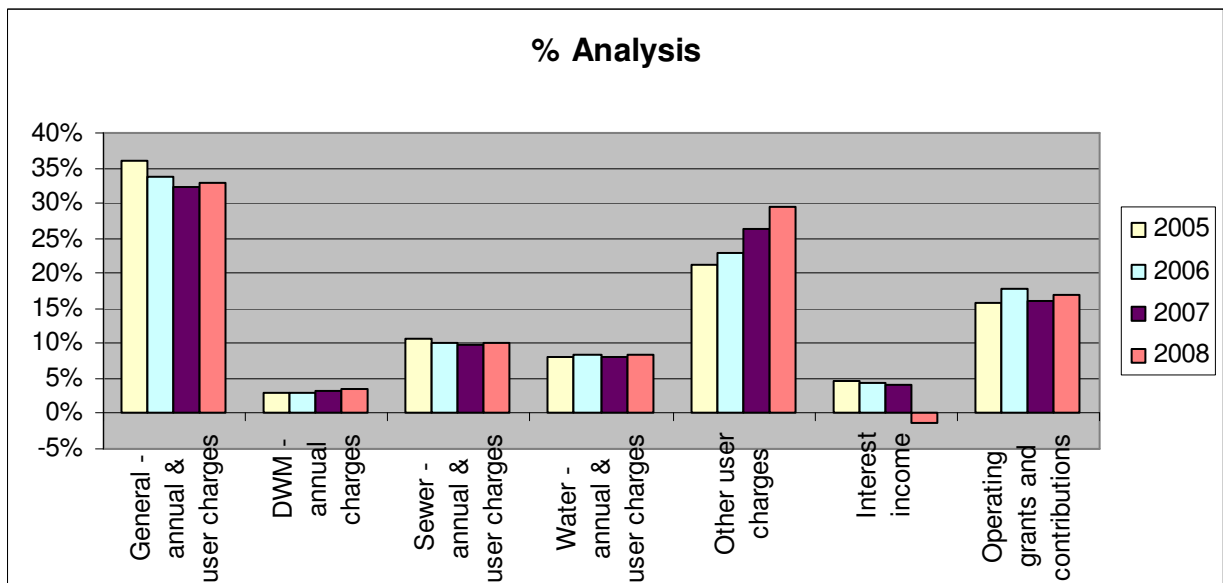
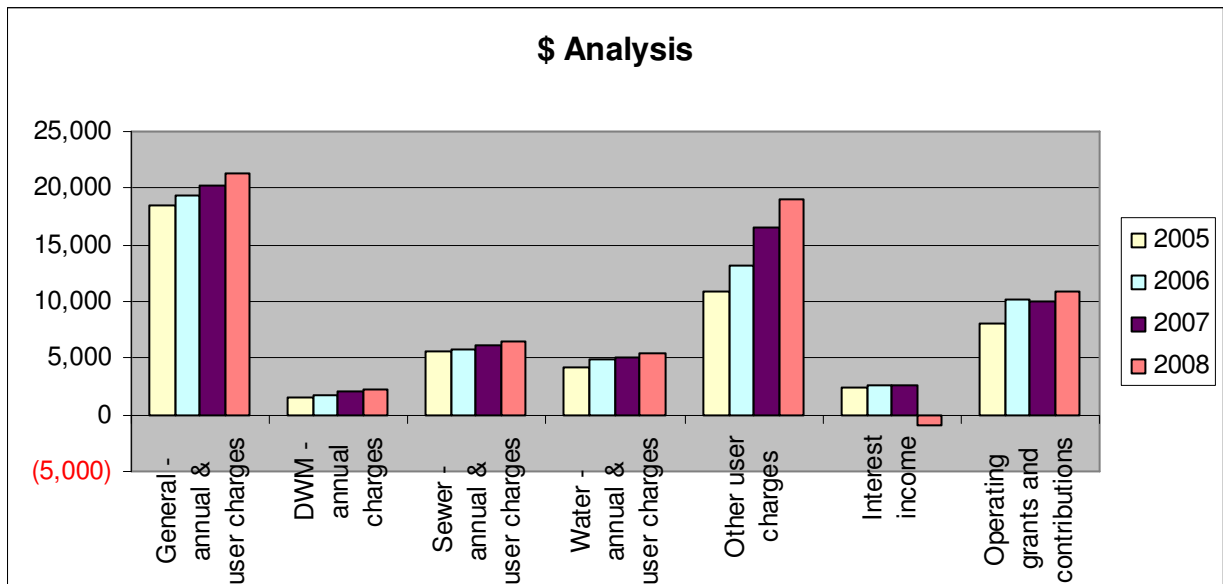
- *Increased rates and annual charges income \$1,455,000*  
Ordinary rates increased by the originally budgeted 3.4% rate pegged limit and other rates and annual charges and increased in accordance with Council's adopted rating structure and population growth in the Council rating area. The increases were - General rates - \$784,000, DWM & Waste reduction annual charges - \$269,000, and sewer annual charges - \$345,000;
- *Increased private works charges \$234,000*  
Private works income increased due to demand by local developers;
- *Increased quarry user charges \$1,329,000*  
Quarry charges increased from September 2007, when Council commenced operating Ballina Council quarries under a ten year lease agreement;
- *Decreased RTA charges \$657,000*  
There was a decrease in requests from the RTA for works on State roads during the year;
- *Increased waste disposal charges \$312,000*  
Waste disposal charges increased due to the utilisation of the facility;
- *Decreased investment income \$3,539,000*  
Whilst there was a \$53,000 increase in interest and investment income Council also booked a \$3,666,000 fair value adjustment during the year. The fair value adjustment is a direct result of the downturn in the financial credit markets in the United State sub-prime mortgage market. See Section 5.1.2 for further analysis;
- *Increased other income \$720,000*  
Recycling income increased by \$261,000 at the Revolve Centre and the 2008 year contained a \$512,000 increase due to insurance claims caused by the severe storm activity; and
- *Increased operating grants & contributions \$852,000*  
The 2008 year included a grant of \$1,683,000 for Natural Disaster funding after sever storm activity in January 2008, however RTA contributions decreased by \$895,000.

### Expenditure

- *Increased employee costs \$927,000*  
Salary wages and associated costs before capitalised wages increased by \$1,800,000 due to award and classification changes, and an increase in employees, however there was a \$873,000 increase in the amount of employee costs capitalised for capital works;

- **Increased borrowing costs \$319,000**  
Borrowing costs increased due to the borrowings by council in recent financial years (refer also to Section 5.3 of this report).
- **Increased materials and contracts costs \$6,673,000**  
Materials and contracts increased in line with general price rises and increased service levels, in particular quarry operating costs increased by approximately \$1,000,000 from September 2007 after Council commenced the operations of Ballina quarries, Natural disaster expenditure and expenditure of carryover funds for RTA works. Additional carry over works for which funds were treated as income in the previous year but the funds were expended in the current year totalled almost \$3,000,000;
- **Increased depreciation costs \$5,831,000**  
As a result of the revaluation of water and sewer infrastructure assets last year water infrastructure assets depreciation increased by \$1,707,000 and sewer infrastructure assets depreciation increased by \$3,885,000. These assets are indexed each year. Buildings were revalued to their fair values at the end of the current year and thus the depreciation for these assets will increase next year.

### 3.1 Analysis of income sources



Council's relative reliance on other user charges has increased on a long term trending basis. The 2008 result was impacted by user charges for works requested by the RTA and Council's quarrying operations.



### 3.2 Capital Grants and Contributions

Capital grants received during the year amounted to \$1,647,000 and largely consisted of grants under the Roads to Recovery scheme and bridge replacement grants.

Capital contributions received during the year amounted to \$5,943,000. This can be broken down as follows:-

	2005	2006	2007	2008
	\$'000	\$'000	\$'000	\$'000
Non cash developer contributions	1,193	4,252	1,056	3,475
Section 94 Contributions - cash	1,597	1,628	1,196	822
Section 64 Contributions - cash	1,125	858	493	591
RTA Contributions	452	938	569	1,055
Sewer	-	-	340	-
Other contributions	247	273	80	-
<b>TOTAL</b>	<b>4,614</b>	<b>7,949</b>	<b>3,734</b>	<b>5,943</b>

Capital grants and contributions (such as developer dedications) are dependent upon factors beyond Council's control.

At 30th June, 2008 Council held \$5,204,000 as a restricted asset for S.94 contributions and \$6,952,000 as a restricted asset for S.64 contributions. Unexpended S.94 and S.64 contributions comprised:

	2005	2006	2007	2008
	\$'000	\$'000	\$'000	\$'000
Open Space	1,964	2,176	2,459	2,023
Community Facilities (1)	491	-	-	-
Car Parking	-	10	32	28
Urban Arterial Roads	412	1,171	1,859	1,850
Rural Roads	1,364	1,398	1,365	1,023
Bushfire Services	46	61	76	75
SES	26	22	29	31
Footpaths / Cycleways	70	118	156	157
Drainage	12	13	13	13
Other	-	-	1	-
<b>Restricted Assets S94</b>	<b>4,385</b>	<b>4,969</b>	<b>5,990</b>	<b>5,200</b>
Sewer S64 (2)	4,277	5,173	5,304	5,989
Water S64	2,270	2,567	2,849	963
	<b>10,932</b>	<b>12,709</b>	<b>14,143</b>	<b>12,152</b>

(1) The Community Facilities Plan was combined with the Open Space plan during the 2008 year.

(2) Includes \$1,000,000 current receivable for Sewer S.64 funds at 30<sup>th</sup> June 2004 to 30<sup>th</sup> June 2008, being a debenture held at Summerland Credit Union Limited.

### 3.3 Profit / (Loss) on Disposal of Assets

Councils profit / (loss) on disposal of assets comprise the following items:

	2005	2006	2007	2008
	\$'000	\$'000	\$'000	\$'000
Infrastructure assets replaced/scrapped				
- Transport & Drainage	(2)	(5)	2	(323)
- Water	(35)	(42)	(48)	(508)
- Sewer	(53)	(54)	(14)	(165)
Profit on sale of plant and equipment	358	280	46	269
Profit on sale of real estate assets held for resale	12	1,042	538	67
Profit/(Loss) on sale of other property	(353)	-	123	103
	<b>(73)</b>	<b>1,221</b>	<b>647</b>	<b>(557)</b>

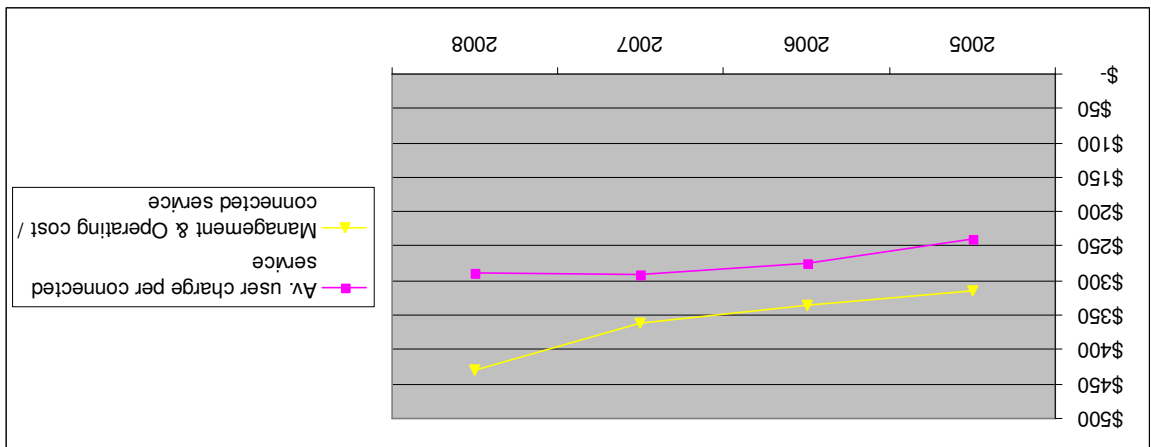
#### 4.1 Water Supplies

##### (i) Operating Result

Water supply activities can be summarised as follows:-

	2008	2007	2006	2005
Rates and service availability charges	\$1,584,000	\$1,459,000	\$1,430,000	\$1,267,000
User charges	3,543	3,717	3,482	3,013
Interest/Investment	50	222	223	259
Other	276	143	105	183
Grants - Capital	-	-	8	8
- Operating	114	104	129	121
Capital Contributions	838	227	2,030	553
Total Revenue	6,405	5,872	7,407	5,404
Management Expenses	1,343	1,098	1,061	1,074
Purchase of Water	2,667	2,190	2,184	1,943
Operating Costs	1,210	1,324	1,009	939
Other	-	15	19	22
Depreciation	2,341	625	1,060	746
Loss/(Gain) on Disposal of Assets	470	54	18	35
Interest	-	6	13	18
Total Expenses	8,031	5,312	5,364	4,777
Net Operating Result	(1,626)	560	2,043	627

Key Indicators	2008	2007	2006	2005
User charge per kilolitre	\$1.35	\$1.22	\$1.11	93¢
Fixed charge per residential service	\$100.00	\$100.00	\$100.00	\$92.40
Rous Water head meter readings - Consumption of water (kilolitres - April to March)	3,246,719	3,430,429	3,752,924	3,773,167
Average user charge per connected service	\$289	\$292	\$274	\$240
Management & Operating cost / connected service	\$430	\$362	\$335	\$315



##### (ii)

##### Explanations for Variances

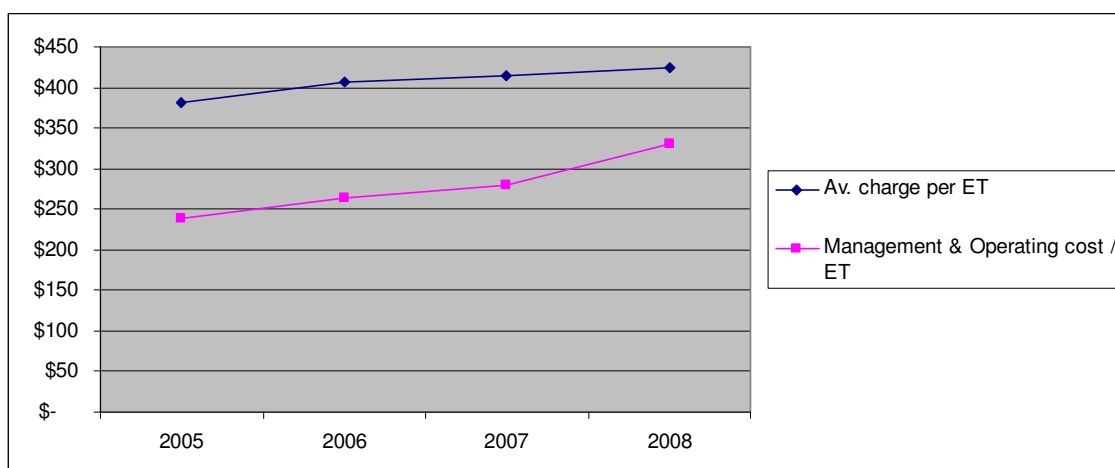
- Water user charges have increased despite a reduction in the water consumed due to an increase in the rate per kilolitre charged to consumers;
- Other income sources have remained steady apart from capital grants and contributions which are dependent upon factors beyond Councils control;
- Purchase of water from the bulk supplier increased by \$477,000; and
- Depreciation increased by \$1,716,000 due to the depreciation being based on revalued asset bases from 1<sup>st</sup> July 2007.

## 4.2 Wastewater Services

### (i) Operating Result

Wastewater activities can be summarised as follows:-

	2005	2006	2007	2008
	\$'000	\$'000	\$'000	\$'000
Rates and service availability charges	5,288	5,639	5,924	6,058
User charges	276	197	246	230
Interest/Investment	379	502	736	(574)
Other	243	46	130	252
Grants - Capital	9	205	50	0
- Operating	119	119	118	121
Capital Contributions	919	1,588	718	2071
<b>Total Revenue</b>	<b>7,233</b>	<b>8,296</b>	<b>7,922</b>	<b>8,158</b>
Management Expenses	666	730	929	1,307
Operating Costs	2,654	2,936	3,080	3,413
Other	27	28	28	-
Depreciation	1,604	1,647	1,651	5,541
Loss/(Gain) on Disposal of Assets	53	53	14	161
Interest	35	17	5	21
<b>Total Expenses</b>	<b>5,039</b>	<b>5,411</b>	<b>5,707</b>	<b>10,443</b>
<b>Net Operating Result</b>	<b>2,194</b>	<b>2,885</b>	<b>2,215</b>	<b>(2,285)</b>
<b>Key Indicators</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>
Av. charge per ET	\$381	\$407	\$414	\$424
Management & Operating cost / ET	\$239	\$265	\$280	\$330



### (ii) Explanation for Variances

- Interest income decreased by \$1,310,000 due to the decline in investment returns (inclusive of fair value adjustments);
- Capital grants and contributions increased by \$1,353,000 however are dependent upon factors beyond Councils control;
- Management and operating costs have increased by \$711,000 across all areas. Restructure of the Council staffing and a re-allocation of Activity Based Costing charges were contributing factors in the increased costs; and
- Depreciation increased by \$1,716,000 due to the depreciation being based on revalued asset bases from 1st July 2007.

### 4.3 National Competition Policy Reporting Requirements

Under the National Competition guidelines Council is required to apply taxation equivalent principles to each business similar to those that would apply if they were operating in the commercial sector. Council declared business activities have been reported with operating details and assets disclosed on a gross basis in Council's special purpose financial report. Each activity has a required rate of return on its activities that is calculated as the operating result plus interest expense divided by the written down value of property, plant & equipment. Where the return on investment is below the required rate of return, the difference is disclosed as a subsidy. Dividends represent funds used from the relevant business activity for other functions of Council.

A summary of the financial performance of Council's declared business activities is detailed below:

Activity	Revenue from Ordinary Activities \$'000	Expenses from Ordinary Activities \$'000	Result prior to capital amounts \$'000	Return on capital %	Subsidy \$'000	Dividends Paid \$'000
<b>2007/08</b>						
Water	5,737	8,202	(2,465)	(3.30)	N/A	8
Wastewater	6,190	10,546	(4,356)	(2.50)	N/A	21
Quarry	8,889	9,286	(397)	(3.50)	608	538
Waste Collection	2,657	2,626	31	*	-	-
Waste Disposal	3,525	2,601	924	16.60	0	651
Koala	397	450	(53)	(12.10)	81	-
Crematorium	510	543	(33)	(1.10)	154	252
Properties	251	277	(26)	(0.9)	120	81
Industrial Land Development	67	-	67	n/a	-	-
<b>2006/07</b>						
Water	5,660	5,124	536	0.70	N/A	192
Wastewater	7,196	5,719	1,477	0.90	N/A	33
Quarry	8,426	7,954	472	9.50	-	1,458
Waste Collection	2,540	2,338	202	*	-	-
Waste Disposal	2,381	1,732	649	22.10	-	314
Koala	358	446	(88)	(23.20)	112	-
Crematorium	577	532	45	2.40	73	14
Properties	173	173	-	-	95	-

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

The special purpose financial report was issued with an unqualified audit report indicating that the financial report as presented in summary format above was a true and fair representation of the results and financial position of the declared business activities under the National Competition reporting requirements.

Commencing in the 2004/05 year, Council is permitted to pay an annual dividend from its water supply or sewerage business surplus. 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 was submitted to the Department of Energy, Utilities and Sustainability for approval before the dividend from the surplus was paid. Dividends in future years may be limited due to the expected increased depreciation charges for water and sewer infrastructure assets as previously mentioned.

Quarry operations revenue increased by \$463,000 however quarry costs increased by \$1,332,000 resulting in a decrease in the operating result of \$869,000. Additionally, the quarry operations paid a \$538,000 dividend to general fund in accordance with Council resolutions.

Tip disposal operations result improved by \$275,000 and this operation paid a \$651,000 dividend to general fund in accordance with Council resolutions.

Council also nominated Industrial Land Development as a business activity commencing in the 2007/08 year.

## 5. STATEMENT OF FINANCIAL POSITION

### 5.1 Net Current Assets

#### 5.1.2 Cash and Investments

Council has net current assets of \$17,824,000 at 30th June 2008. Net current assets, however contains \$1,936,000 externally restricted cash and investments in the form of special purpose grants, developers contributions and restricted water, DWM and sewer funds.

In addition Council has allocated \$13,282,000 current cash and investments as internally restricted to fund long term commitments and carry-over works programs. These internal reserves are detailed in Note 6 of Councils general purpose financial report and included \$6,825,000 in unexpended loans primarily for the Goonellabah Recreation Centre development.

After funding internal and external restrictions Council has no unrestricted cash.

Council's investment securities are recognised and accounted for at their fair value. The impacts of the credit crisis over the last year has resulted in Council recognising significant reductions in the value of its investments. Whilst Council has complied with the Minister's Investment Order issued under Section 625 of the Local Government Act 1993 the impact of the US sub-prime mortgage led credit crisis has impacted investments held during the financial year. A summary of Council's investment securities is as follows:

#### Investments analysis (current & non-current)

	<b>2008</b>
	<b>\$'000</b>
Opening balance of investments at fair value	13,772
Investments purchased	19,906
Investments sold	<b>(6,398)</b>
Fair value adjustments	<b><u>(3,666)</u></b>
Closing balance of investments at fair value	<b><u>23,614</u></b>

#### Closing balance of investments at fair value comprises:

Equity Linked Notes	2,310
Managed funds	11,138
FRNs	4,117
CDOs	5,195
Other	854
	<u>23,614</u>
Deposits at call & TDs	<u>7,255</u>
	<b><u>30,869</u></b>

## Security of Investments

It should be noted that a proportion of Council's investments are capital protected on their maturity. This means that the capital is protected to the extent that the financial institution has the capacity to repay the invested money. Capital is not protected if the investment is sold before its maturity. Collateralised Debt Obligations (CDO's) are not capital protected and the return to Council on their maturity is largely dependent on the number of defaults occurring in the underlying "basket" of securities comprising the investment.

## Liquidity

Based on information provided by Council management, which has not been subject to audit, the maturity profile of investments held at balance date should not materially impact Council's budgeted operations for the 2008 / 2009 financial year from a liquidity perspective.

## Post Balance Date Events

Subsequent to 30<sup>th</sup> June 2008, some Councils were affected by the decline in the US investment market due to the impact of the sub-prime debt collapse. This may impact the 2008/09 result for some Councils depending on the rate of recovery from the initial impact in July through to September 2008.

### 5.1.3 Current Receivables/Payables

Net current assets include \$2,872,000 externally restricted receivables, inventories and prepayments and \$1,370,000 creditors, provisions and borrowings relating to water, sewerage and domestic waste management.

Council's current receivables have increased from \$6,608,000 as at 30th June 2007 to \$10,064,000 at the 30th June 2008. The major components of the balances at the end of the financial year were:

	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Rates, etc	1,665	1,490	1,701	2,195
Deposits & bonds	422	455	226	768
Subordinated debt (non current from 2007 & prior)	-	-	-	1,000
PWD and RTA	1,089	1,363	2,114	3,170
Private Works	1,947	964	1,697	2,135
Accrued income	176	298	140	327
Other	45	308	463	554
Net GST Receivable	401	379	297	(46)
Provision for Doubtful Debts	(35)	(35)	(30)	(39)
	<u>5,710</u>	<u>5,222</u>	<u>6,608</u>	<u>10,064</u>

Current payables increased by \$4,823,000 due to the timing of cheque runs for creditors and the level of capital works under progress at the end of the year.

## 5.2 Non-Current Assets and Liabilities

Council has a net non-current asset position of \$625,280,000 which consists largely of property, plant and equipment, water and sewer infrastructure, Council controlled road and drainage infrastructure, loans, and provisions for employee entitlements and infrastructure rehabilitation.

### 5.2.1 Property, Plant and Equipment

During the year Council capitalised the following property, plant and equipment:

	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Non-cash Developer Contributions</b>				
Roads and Drainage Network	742	1,812	754	1,157
Water Supply Network	142	1,787	96	567
Sewerage Network	193	954	340	1,751
<b>Non-cash Grants/contributions</b>				
PWD - Water	17	7	0	0
PWD - Sewer	20	31	0	0
Bushfire equipment	0	211	0	0
<b>Council Constructed / Purchased Assets</b>				
Assets under construction			1,145	7,483
Land and Buildings	8,646	4,547	1,888	1,417
Plant and Equipment	3,062	2,538	2,508	3,289
Roads and Drainage Network	7,887	8,993	9,438	6,487
Other infrastructure, Parks, Gardens & Sporting Fields	862	773	2,782	3,741
Water Supply Network	1,311	1,567	1,894	1,261
Sewerage Network	1,489	1,159	1,939	1,981
	<u>24,371</u>	<u>24,379</u>	<u>22,784</u>	<u>29,134</u>
Plus Intangibles - Software			1,022	0
			<u>23,806</u>	<u>29,134</u>
<b>Assets under construction</b>				
Goonellabah Sports & Aquatic Centre				4,879
Transport & Drainage infrastructure			1,145	1,944
Water infrastructure				42
Sewer infrastructure				617
			<u>1,145</u>	<u>7,482</u>

As illustrated previously, Council capitalises on average, \$25,000,000 million in infrastructure, property, plant and equipment each financial year. Asset management is an important part of Council's operations. Council's infrastructure assets represent the largest item on Council's balance sheet and in most cases, the depreciation expense attaching to Council's assets represents Council's largest expense item in the income statement.

## **Asset Revaluations for 2008**

During the 2008 year all Councils were required to revalue their land buildings assets to fair value and were required to perform an annual desktop revaluation of water and sewer infrastructure assets. The increment was credited to the Asset Revaluation Reserve (\$10,583,000 for land assets, \$14,710,000 for building assets, \$3,408,000 for water infrastructure and \$8,129,000 for sewer infrastructure assets).

These assets will be reported at their fair values in all future reporting periods. Future depreciation charges will be based upon the revised costs and based upon the remaining useful lives of the various assets. It is important that Council regularly re-assess the remaining useful lives of assets and their condition in future revaluations. The depreciation charge should reflect the consumption of the asset over its useful life. Fair value reporting of assets will require adequate internal resources in order to ensure the information from asset management reporting systems is accurate, timely and reflects the consumption of the assets.

## **Asset Revaluations for 2009**

Council is required to revalue its other structures, roads and drainage assets during the year ending 30 June 2009 and community land in 2010. The revaluation of these assets is a large and complex process with the final result being the establishment of an accurate and detailed asset register that will ensure best practice asset management is adopted and adhered to into the future.

It is important that Council creates a detailed project plan to ensure the completeness and accuracy of these revaluations. A detailed document should be prepared that addresses, as a minimum:

- the methodology for identify all assets under Council's control,
- the methodology used to value each asset, and
- the creation of condition assessment models that will allow for identification of each asset's remaining useful life and the ongoing assessment of its performance.

Asset accounting and management policies should also be refined or established to assist asset management and financial reporting practices.

### **7.2.2 Infrastructure planning**

Asset management initiatives such as regular revaluations and regular re-assessment of remaining useful lives will result in better financial planning based on an improved understanding of the cost of maintaining each asset throughout its useful life. We also note that the Department of Local Government has announced its intention to introduce fair-value accounting for roads & drainage assets in the 2009 financial year and operational land in 2010. Earlier adoption is encouraged by the Department of Local Government.

Council needs to continue to adopt improved asset management practices to:

- provide improved financial reporting,
- ensure maintenance expenditure satisfies asset usage patterns, and
- improve asset replacement and maintenance budgeting.

Asset management is an important part of Council's operations. Council's infrastructure assets represent the largest item on Council's balance sheet and the depreciation expense attaching to Council's assets represents one of the largest expense items in the income statement. To ensure that accurate budgeting for maintenance and resulting financial reporting is achieved, Council needs to perform regular condition assessments for each asset to determine their remaining service potential to the organisation.

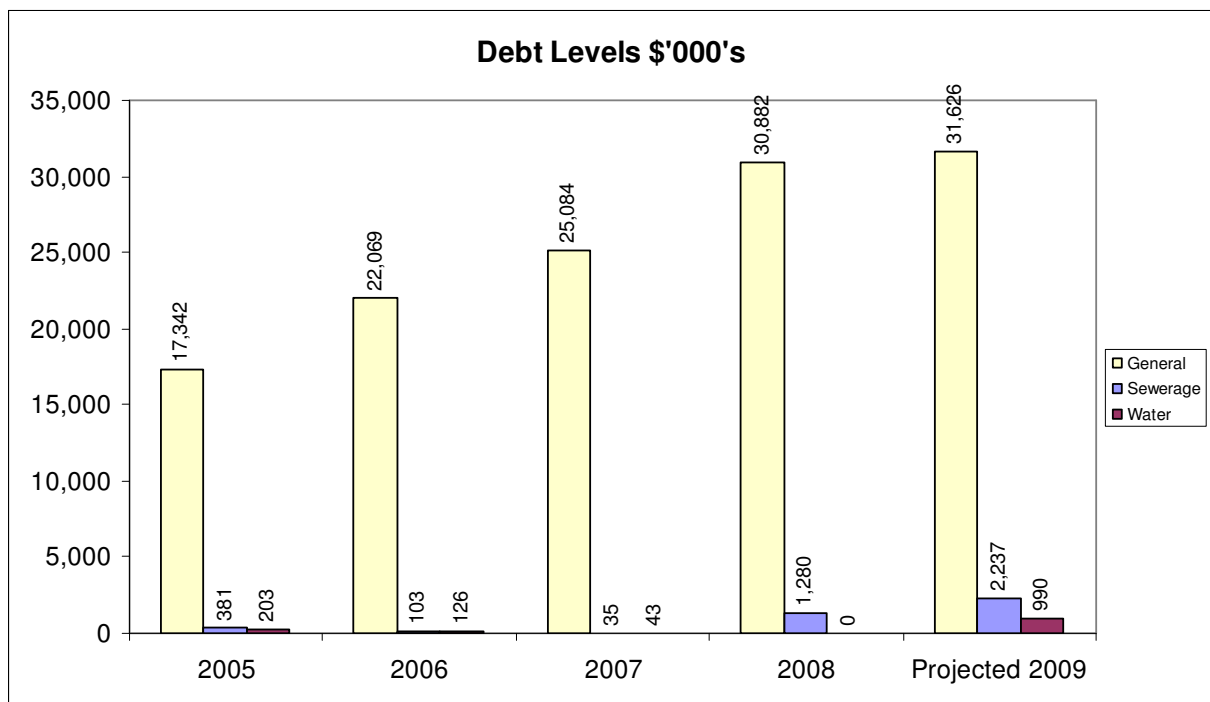


## Infrastructure information

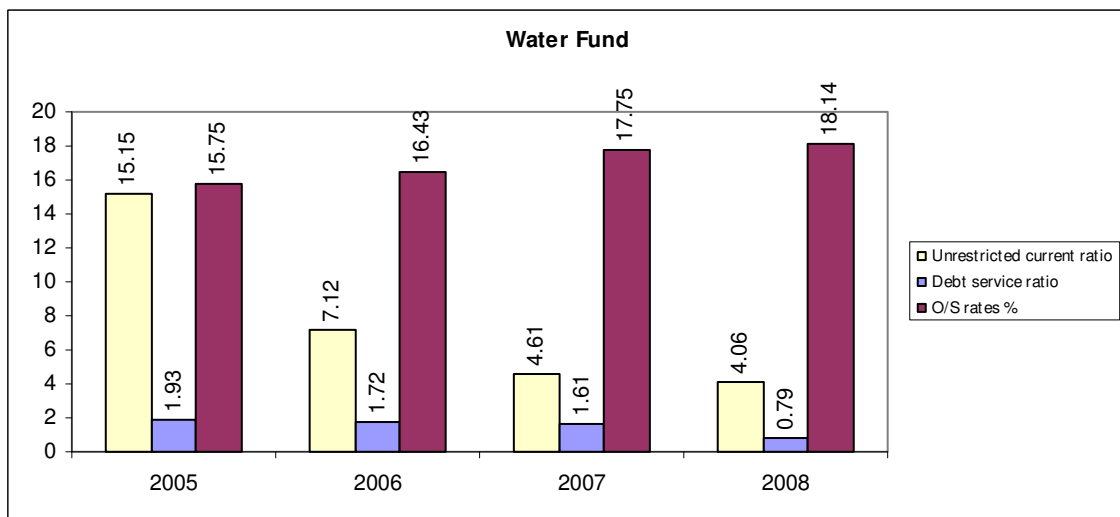
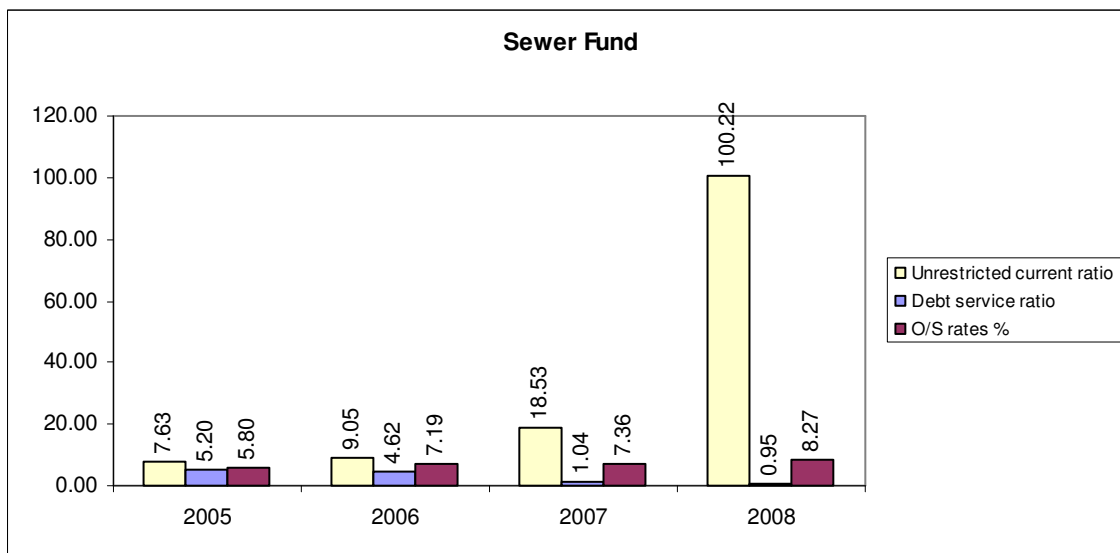
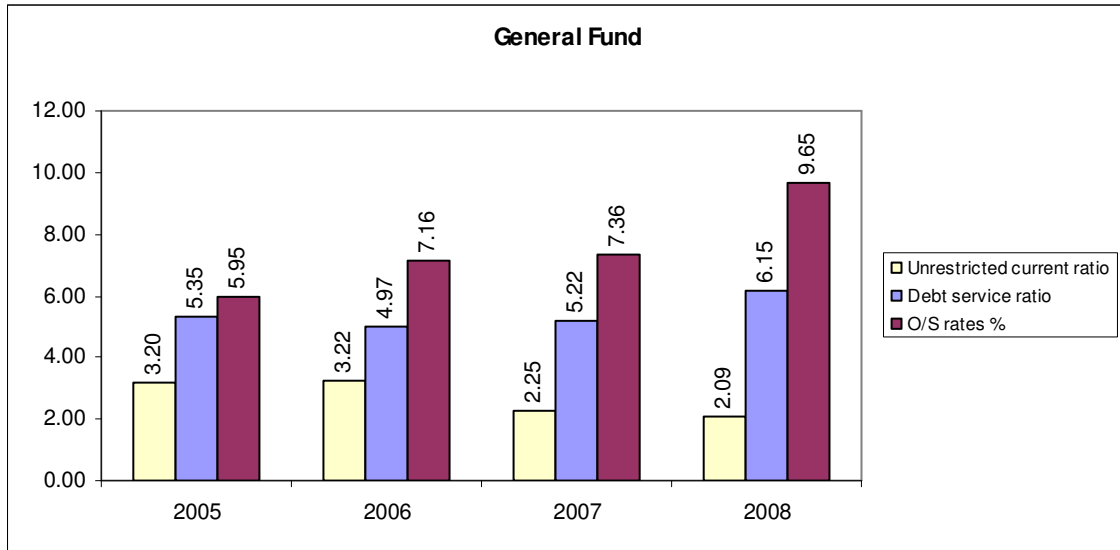
As at 30 June 2008 Council has estimated that it would cost approximately \$161,743,000 to rehabilitate its infrastructure assets to a "satisfactory standard", excluding water and sewer infrastructure. Estimated annual costs to maintain infrastructure at this "satisfactory standard" is estimated to be \$17,301,000 per annum. Council currently spends \$14,837,000 per annum on maintaining its infrastructure assets. These figures have been assessed by Council staff and are unaudited. Council should continue to monitor the status of its infrastructure, particularly noting that infrastructure is susceptible to rapid deterioration if an adequate level of maintenance is not expended each year.

### 5.3 Loans

Council's overall debt position has increased during the 2007/08 year by \$7,000,000. During the year Councils' debt levels increased to fund the Goonellabah Sports & Aquatic Centre - \$3,400,000, Bridges - \$2,000,000, Memorial gardens land - \$273,000, Waste Transfer Station - \$1,065,000, other general fund assets - \$501,000 and Sewer infrastructure- \$1,280,000. In the 2009 financial year, Council has budgeted to make loan principal repayments of \$1,755,000 whilst borrowing a further \$1,000,000 for sewer fund infrastructure assets, \$1,000,000 for water fund infrastructure assets, and \$1,424,000 for the Goonellabah Sports & Aquatic Centre and \$1,090,000 for other general fund assets. Council should continue to monitor its general fund debt levels to ensure that loans are self funding or alternatively that general fund has sufficient surpluses to absorb the debt servicing requirements of such loans.



## 6. PERFORMANCE INDICATORS



### ***Unrestricted Current Ratio***

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

- planning and budgetary controls
- cash management and the timing of cash flows
- the level of internally restricted assets
- credit management policies and economic circumstances

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

We note that the unrestricted current ratio for water and sewer activities may fluctuate significantly. Large fluctuations can be caused by the low levels of liabilities (if any). Yearly fluctuations will result from the build up of internal reserves and the impact of debt levels and will continue to fluctuate in the future as further funds are collected and expended on infrastructure improvements. The ratios of these funds should be considered in light of the long term financial planning for these funds.

Council's general fund unrestricted current ratio has declined from 2.25 to 2.09. Whilst the ratio has decreased the quantity of net unrestricted net current assets has increased by \$2,531,000. Whilst unrestricted current assets have increased, unrestricted liabilities have increased by a lesser extent.

### ***Debt Service Ratio***

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

- the rate of new development in the shire
- Council's debt policy
- interest rate movements and loan terms
- capital investment strategies and capital contributions policies
- the level of cash reserves available to reduce the level of borrowings
- the state of Council's infrastructure / age of assets.

Council's debt service ratio for general fund has increased due to an increase in debt levels for the last couple of years (refer further to Section 5.3 of this report). Water fund and sewer fund debt service ratios will increase over the next couple of years in accordance with its loan program and capital works programs.

### ***Rates and Annual Charges Outstanding***

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

- Council's rates and charges policy
- credit management policies
- the socio-economic characteristics of the area
- environmental factors influencing ratepayers ability to satisfy their obligations.

Council's rates and annual charges outstanding have increased for all funds.

## **7. OTHER MATTERS**

### **7.1 Internal Control Environment**

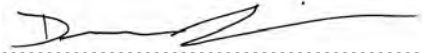
No significant breakdowns of internal control were encountered during the course of our audit nor did we become aware of the existence of items comprising material error, sufficient to cause us to issue a qualified audit opinion.

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

Yours faithfully

**THOMAS NOBLE & RUSSELL**

Per:



.....  
D H SINGH (Partner)  
Registered Company Auditor

# Lismore City Council

## General Purpose Financial Report

for the financial year ended 30 June 2008

### 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 Report has 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, this Report:**


- presents 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 this Report false or misleading in any way.**

**Signed in accordance with a resolution of Council made on 21 October 2008.**



Jenny Dowell  
MAYOR



Vanessa Grindon-Ekins  
COUNCILLOR



Paul O'Sullivan  
GENERAL MANAGER



Rino Santin  
RESPONSIBLE ACCOUNTING OFFICER

## Lismore City Council

## Income Statement

for the financial year ended 30 June 2008

Budget <sup>(1)</sup> 2008	\$ '000	Notes	Actual 2008	Actual 2007
<b>Income from Continuing Operations</b>				
<b>Revenue:</b>				
30,777	Rates & Annual Charges	3a	31,145	29,690
16,812	User Charges & Fees	3b	21,746	19,656
2,753	Interest & Investment Revenue	3c	-	2,634
290	Other Revenues	3d	1,570	850
9,070	Grants & Contributions provided for Operating Purposes	3e,f	10,928	10,076
6,992	Grants & Contributions provided for Capital Purposes	3e,f	7,590	4,744
<b>Other Income:</b>				
3,237	Net gains from the disposal of assets	5	-	647
-	Share of interests in Joint Ventures & Associated Entities using the Equity Method	19	-	-
<b>69,931</b>	<b>Total Income from Continuing Operations</b>		<b>72,979</b>	<b>68,297</b>
<b>Expenses from Continuing Operations</b>				
15,430	Employee Benefits & On-Costs	4a	18,599	17,672
2,054	Borrowing Costs	4b	1,826	1,507
25,386	Materials & Contracts	4c	30,968	24,295
10,445	Depreciation & Amortisation	4d	15,652	9,821
-	Impairment	4d	-	-
4,806	Other Expenses	4e	4,924	4,205
-	Interest & Investment Losses	3c	905	-
-	Net Losses from the Disposal of Assets	5	557	-
-	Share of interests in Joint Ventures & Associates using the Equity Method	19	-	-
<b>58,121</b>	<b>Total Expenses from Continuing Operations</b>		<b>73,431</b>	<b>57,500</b>
<b>11,810</b>	<b>Operating Result from Continuing Operations</b>		<b>(452)</b>	<b>10,797</b>
<b>Discontinued Operations</b>				
-	Net Profit/(Loss) from Discontinued Operations	24	-	-
<b>11,810</b>	<b>Net Operating Result for the Year</b>		<b>(452)</b>	<b>10,797</b>
11,810	Net Operating Result attributable to Council		(452)	10,797
-	Net Operating Result attributable to Minority Interests		-	-
<b>4,818</b>	<b>Net Operating Result for the year before Grants and Contributions provided for Capital Purposes</b>		<b>(8,042)</b>	<b>6,053</b>

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

## Lismore City Council

## Balance Sheet

as at 30 June 2008

\$ '000	Notes	Actual 2008	Actual 2007
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash & Cash Equivalents	6a	7,255	19,963
Investments	6b	7,963	-
Receivables	7	10,064	6,608
Inventories	8	7,962	7,085
Other	8	64	127
<b>Total Current Assets</b>		<b>33,308</b>	<b>33,783</b>
<b>Non-Current Assets</b>			
Investments	6b	15,651	13,772
Receivables	7	3,338	4,840
Inventories	8	-	-
Infrastructure, Property, Plant & Equipment	9	641,474	592,655
Investments Accounted for using the equity method	19	-	-
Investment Property	14	-	-
Intangible Assets	25	920	1,022
Other	8	-	-
<b>Total Non-Current Assets</b>		<b>661,383</b>	<b>612,289</b>
<b>TOTAL ASSETS</b>		<b>694,691</b>	<b>646,072</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Payables	10	9,403	4,580
Borrowings	10	1,755	1,621
Provisions	10	4,326	4,327
<b>Total Current Liabilities</b>		<b>15,484</b>	<b>10,528</b>
<b>Non-Current Liabilities</b>			
Payables	10	2,107	3,552
Borrowings	10	30,407	23,541
Provisions	10	3,589	1,725
Investments Accounted for using the equity method	19	-	-
<b>Total Non-Current Liabilities</b>		<b>36,103</b>	<b>28,818</b>
<b>TOTAL LIABILITIES</b>		<b>51,587</b>	<b>39,346</b>
<b>Net Assets</b>		<b>643,104</b>	<b>606,726</b>
<b>EQUITY</b>			
Retained Earnings	20	454,305	454,757
Revaluation Reserves	20	188,799	151,969
Council Equity Interest		643,104	606,726
Minority Equity Interest		-	-
<b>Total Equity</b>		<b>643,104</b>	<b>606,726</b>

## Lismore City Council

Statement of Changes in Equity  
for the financial year ended 30 June 2008

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council Equity Interest	Minority Interest	Total Equity
<b>2008</b>						
<b>Opening Balance</b> (as per Last Year's Audited Accounts)		454,757	151,969	<b>606,726</b>	-	<b>606,726</b>
a. Correction of Prior Period Errors	20 (c)	-		-		-
b. Changes in Accounting Policies (prior year effects)	20 (d)	-		-		-
<b>Revised Opening Balance</b> (as at 1/7/07)		<b>454,757</b>	<b>151,969</b>	<b>606,726</b>	-	<b>606,726</b>
c. Current Year Income & Expenses Recognised direct to Equity						
- Transfers to/(from) Asset Revaluation Reserve	20b (ii)		36,830	<b>36,830</b>		<b>36,830</b>
- Transfers to/(from) Other Reserves	20b (ii)		-	-		-
- Other Income/Expenses recognised	20b (ii)		-	-		-
- Other Adjustments	20b (ii)			-		-
<b>Net Income Recognised Directly in Equity</b>		-	<b>36,830</b>	<b>36,830</b>	-	<b>36,830</b>
d. Net Operating Result for the Year		(452)		(452)	-	(452)
<b>Total Recognised Income &amp; Expenses</b> (c&d)		<b>(452)</b>	<b>36,830</b>	<b>36,378</b>	-	<b>36,378</b>
e. Distributions to/(Contributions from) Minority Interests				-	-	-
f. Transfers between Equity		-	-	-	-	-
<b>Equity - Balance at end of the reporting period</b>		<b>454,305</b>	<b>188,799</b>	<b>643,104</b>	-	<b>643,104</b>
<b>2007</b>						
<b>Opening Balance</b> (as per Last Year's Audited Accounts)		449,475	-	<b>449,475</b>	-	<b>449,475</b>
a. Correction of Prior Period Errors	20 (c)	(5,515)	-	(5,515)	-	(5,515)
b. Changes in Accounting Policies (prior year effects)	20 (d)	-	-	-	-	-
<b>Revised Opening Balance</b> (as at 1/7/06)		<b>443,960</b>	-	<b>443,960</b>	-	<b>443,960</b>
c. Current Year Income & Expenses Recognised direct to Equity						
- Transfers to/(from) Asset Revaluation Reserve	20b (ii)	-	151,969	<b>151,969</b>	-	<b>151,969</b>
- Transfers to/(from) Other Reserves	20b (ii)	-	-	-	-	-
- Other Income/Expenses recognised	20b (ii)	-	-	-	-	-
- Other Adjustments	20b (ii)	-	-	-	-	-
<b>Net Income Recognised Directly in Equity</b>		-	<b>151,969</b>	<b>151,969</b>	-	<b>151,969</b>
d. Net Operating Result for the Year		10,797	-	<b>10,797</b>	-	<b>10,797</b>
<b>Total Recognised Income &amp; Expenses</b> (c&d)		<b>10,797</b>	<b>151,969</b>	<b>162,766</b>	-	<b>162,766</b>
e. Distributions to/(Contributions from) Minority Interests				-	-	-
f. Transfers between Equity		-	-	-	-	-
<b>Equity - Balance at end of the reporting period</b>		<b>454,757</b>	<b>151,969</b>	<b>606,726</b>	-	<b>606,726</b>



## Lismore City Council

## Cash Flow Statement

for the financial year ended 30 June 2008

Budget 2008	\$ '000	Notes	Actual 2008	Actual 2007
<b>Cash Flows from Operating Activities</b>				
<b>Receipts:</b>				
30,777		Rates & Annual Charges	30,608	29,325
16,812		User Charges & Fees	24,213	21,605
2,753		Interest & Investment Revenue Received	2,762	2,803
16,062		Grants & Contributions	14,953	13,775
290		Other	2,273	3,450
<b>Payments:</b>				
(15,430)		Employee Benefits & On-Costs	(18,592)	(17,418)
(25,386)		Materials & Contracts	(35,712)	(31,606)
(2,054)		Borrowing Costs	(1,770)	(1,662)
(4,806)		Other	(2,322)	(6,110)
-		Net Cash from Boundary Adjustments	-	-
<b>19,018</b>		<b>Net Cash provided (or used in) Operating Activities</b>	<b>16,413</b>	<b>14,162</b>
<b>Cash Flows from Investing Activities</b>				
<b>Receipts:</b>				
-		Sale of Investment Securities	-	5,629
-		Sale of Investment Property	-	-
-		Sale of Real Estate Assets	67	1,127
3,237		Sale of Infrastructure, Property, Plant & Equipment	567	401
-		Sale of Interests in Joint Ventures & Associates	-	-
-		Sale of Shares in Companies	-	-
-		Deferred Debtors Receipts	450	258
-		Sale of Interests in Joint Ventures & Associates	-	-
-		Sale of Disposal Groups	-	-
-		Distributions Received from Joint Ventures & Associates	-	-
-		Other Investing Activity Receipts	-	-
<b>Payments:</b>				
-		Purchase of Investment Securities	(13,508)	-
-		Purchase of Investment Property	-	-
(35,233)		Purchase of Infrastructure, Property, Plant & Equipment	(23,194)	(21,982)
-		Purchase of Real Estate Assets	(503)	(1,723)
-		Purchase of Shares in Companies	-	-
-		Deferred Debtors & Advances Made	-	(885)
-		Purchase of Interests in Joint Ventures & Associates	-	-
-		Contributions Paid to Joint Ventures & Associates	-	-
-		Other Investing Activity Payments	-	-
<b>(31,996)</b>		<b>Net Cash provided (or used in) Investing Activities</b>	<b>(36,121)</b>	<b>(17,175)</b>

## Lismore City Council

## Cash Flow Statement

for the financial year ended 30 June 2008

Budget 2008	\$ '000	Notes	Actual 2008	Actual 2007
<b>Cash Flows from Financing Activities</b>				
<b>Receipts:</b>				
15,011		Proceeds from Borrowings & Advances	8,519	4,121
33		Other Financing Activity Receipts	-	-
<b>Payments:</b>				
(1,671)		Repayment of Borrowings & Advances	(1,519)	(1,257)
-		Repayment of Finance Lease Liabilities	-	-
-		Distributions to Minority Interests	-	-
-		Other Financing Activity Payments	-	-
<u>13,373</u>		<b>Net Cash Flow provided (used in) Financing Activities</b>	<u>7,000</u>	<u>2,864</u>
395		<b>Net Increase/(Decrease) in Cash &amp; Cash Equivalents</b>	(12,708)	(149)
19,963	plus:	<b>Cash &amp; Cash Equivalents - beginning of year</b>	19,963	20,112
<u>20,358</u>		<b>Cash &amp; Cash Equivalents - end of the year</b>	<u>7,255</u>	<u>19,963</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 2008

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## Lismore City Council

### Notes to the Financial Statements

for the financial year ended 30 June 2008

#### Note 1. Summary of Significant Accounting Policies

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

Under Australian Equivalents to International Financial Reporting Standards (AIFRS), 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 reports.

##### (a) Basis of preparation

###### (i) Background

This financial report is a general purpose financial report which has been prepared in accordance with;

- applicable Australian equivalents to International Financial Reporting Standards (AIFRSs),
- other authoritative pronouncements of the Australian Accounting Standards Board,
- Urgent Issues Group Interpretations,
- the Local Government Act (1993) and Regulations and
- the Local Government Code of Accounting Practice and Financial Reporting.

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

Australian Accounting Standards (AASB's) include Australian equivalents to International Financial Reporting Standards (IFRS's).

Because AASB's are sector neutral, some standards either (i) 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 (ii) 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) IAS 116 (IAS 16) regarding accounting for the Revaluation of Assets.

**Accordingly in preparing this Financial Report and Accompanying Notes, Council has been unable to comply fully with International Accounting Standards, but has complied fully with Australian Accounting Standards.**

Under the Local Government Act, 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) Application of AAS 27

Council is required to comply with AAS 27 – "Financial Reporting by Local Government", and where AAS 27 conflicts with AIFRS, the requirements of AAS 27 have been applied.

Where AAS 27 makes reference to another Australian accounting standard, the new Australian IFRS equivalent standards will apply and in particular any specific "not for profit" reporting requirements.

###### (iv) Basis of Accounting

These financial statements have been prepared on an **historical cost basis** 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.

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

###### (v) 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 reports.

## Lismore City Council

### Notes to the Financial Statements

for the financial year ended 30 June 2008

#### Note 1. Summary of Significant Accounting Policies (continued)

##### (vi) Critical Accounting Estimates

The preparation of this financial report (and financial statements) in conformity with AIFRS requires the use of certain critical accounting estimates.

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

##### (b) Revenue recognition

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 doubtful debts on rates 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, and (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 contributions required from developers under the provisions of S94 of the EPA Act 1991.

Whilst Council generally incorporates these amounts as part of Development Consents Orders, 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 or 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 doubtful debt is recognised when collection in full is no longer probable.

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

##### Sale of Infrastructure, Property, Plant and Equipment

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

## Lismore City Council

### Notes to the Financial Statements

for the financial year ended 30 June 2008

#### Note 1. Summary of Significant Accounting Policies (continued)

##### 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 Reports incorporate (i) the assets and liabilities of Council and any entities (or operations) that it **controls** (as at 30/6/08) and (ii) all the related operating results (for the financial year ended the 30th June 2008).

The Financial Reports 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 reports.

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

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

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

###### Jointly Controlled Entities

The interest in a Joint Venture Partnership is 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 reserves is recognised in reserves in the balance sheet.

Details relating to such Entities and Partnerships (where applicable) are set out in Note 19.

##### (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 "significantly 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.

Such entities are usually termed "Associates".

## Lismore City Council

### Notes to the Financial Statements

for the financial year ended 30 June 2008

#### Note 1. Summary of Significant Accounting Policies (continued)

##### (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 Finance or Operating Leases.

##### 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 other long term payables.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding.

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

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

##### Operating Leases

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

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

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

##### (e) Cash and Cash Equivalents

Cash and cash equivalents includes;

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

Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

##### (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**,



## Lismore City Council

### Notes to the Financial Statements

for the financial year ended 30 June 2008

#### Note 1. Summary of Significant Accounting Policies (continued)

- **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.

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 are financial assets held for trading.

A financial asset is classified in this category if 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 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 are 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.

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.

#### **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.



## Lismore City Council

### Notes to the Financial Statements

for the financial year ended 30 June 2008

#### Note 1. Summary of Significant Accounting Policies (continued)

##### (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.

The fair values of quoted investments are based on current bid prices. 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.

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.

##### (iii) Types of Investments

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

##### (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.

Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

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

## Lismore City Council

### Notes to the Financial Statements

for the financial year ended 30 June 2008

#### Note 1. Summary of Significant Accounting Policies (continued)

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 provision for doubtful debts.

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 Councils policy.

A provision for doubtful 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.

##### (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 Department of Local Government.

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

- **Investment Properties** which are valued at Fair Value – refer Note 1(k), and
- **Water and Sewerage Networks** which are carried at Fair Value (generally based upon Depreciated Replacement Cost).
- **Operational Land** (External Valuation)
- **Buildings – Specialised/Non Specialised** (External Valuation)

## Lismore City Council

### Notes to the Financial Statements

for the financial year ended 30 June 2008

#### Note 1. Summary of Significant Accounting Policies (continued)

- **Plant and Equipment** (as approximated by depreciated historical cost)

The remaining asset classes to be revalued in future reporting periods include;

- **2008/09:** Roads, bridges, footpaths and drainage, land improvements, other structures and other assets
- **2009/10:** Community land

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

#### Initial Recognition

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

Where settlement of any part of an assets cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of recognition to arrive at fair value.

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

Where infrastructure, property, plant and equipment assets are acquired for no cost or for an amount other than cost, the assets are recognised in the financial report 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

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 recognising profit or loss, the 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.

#### Capitalisation Thresholds

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

<b>Land</b>	
- council land	100% Capitalised
- open space	100% Capitalised

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

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

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

Other Structures	> \$2,000
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<b>Water &amp; Sewer Assets</b>	
Reticulation extensions	> \$5,000
Other	> \$5,000

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

## Lismore City Council

### Notes to the Financial Statements

for the financial year ended 30 June 2008

#### Note 1. Summary of Significant Accounting Policies (continued)

<b>Transport Assets</b>	
Road construction & reconstruction	> \$10,000
Reseal/Re-sheet & major repairs:	> \$10,000
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Bridge construction & reconstruction	> \$10,000

#### Depreciation

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

Land is not depreciated.

The range of estimated useful lives for Councils assets 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
- 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
<hr/>	
- Bridge : Concrete	100 years
- Bridge : Other	50 years
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- Road Pavements	60 years
- Kerb, Gutter & Paths	40 years

##### Water & Sewer Assets

- Dams and reservoirs	80 to 100 years
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- 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 if 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 (p) 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) 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.

## Lismore City Council

### Notes to the Financial Statements

for the financial year ended 30 June 2008

#### Note 1. Summary of Significant Accounting Policies (continued)

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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.

#### (l) 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.

A working party of interested representatives from both State and Local Government is being formed to

consider the accounting issues related to the Crown Reserves, with the intention of developing a consistent approach to their recognition and future accounting treatment across both tiers of government.

#### (m) Rural Fire Service assets

Under section 119 of the Rural Fire Services 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 Reports.

#### (n) Investment property

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

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

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

Full revaluations are carried out every three years with an appropriate index utilised each year in between the full revaluations.

#### (o) Land

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

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

#### (p) Land under roads

Council has elected not to recognise land under roads in accordance with the deferral arrangements available to it under AASB 1045.

These deferral arrangements cease to apply as of 1 July 2008.

#### (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.



## Lismore City Council

### Notes to the Financial Statements

for the financial year ended 30 June 2008

#### Note 1. Summary of Significant Accounting Policies (continued)

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

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

Costs are estimated on the basis of a closure plan.

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

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

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

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

This amortisation of the discount is shown as a borrowing cost.

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 Councils provisions relating to Close Down, Restoration and Remediation costs can be found at Note 21.

#### **(r) Non-current assets held for sale**

Non-current assets are classified as held for sale and stated at the lower of their carrying amount and 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

## Lismore City Council

### Notes to the Financial Statements

for the financial year ended 30 June 2008

#### Note 1. Summary of Significant Accounting Policies (continued)

replacement assets were already purchased and accounted for as at 30 June.

For any assets classified as “Non Current Assets Held for Sale”, an impairment loss is recognised where the assets carrying value is greater than its fair value less costs to sell.

Non-current assets 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.

#### (s) Impairment of assets

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.

Assets that have an indefinite useful life are not subject to amortisation and 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 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 incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed.

The capitalisation rate used to determine the amount of borrowing costs to be capitalised is the weighted average interest rate applicable to the Council's outstanding borrowings during the year.

#### (w) Provisions

Provisions for legal claims and service warranties 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 2008

#### Note 1. Summary of Significant Accounting Policies (continued)

##### (x) Employee benefits

###### (i) Wages & salaries, annual leave and sick leave

Liabilities for wages and salaries (including non-monetary benefits), annual leave and vesting sick leave, are recognised in the provision for employee benefits in respect of employees' services up to the reporting date.

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

Calculations therefore incorporate (where the leave is expected to be paid more than 12 months after the reporting date) the use of discounted cash flows.

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) Long service leave

The liability for long service leave is recognised in the provision for employee benefits in respect of services provided by employees up to the reporting date.

Long Service Leave is 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.

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.

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, Councils contributions to the scheme have been recognised as an expense and disclosed as part of Superannuation Expenses at Note 4(a).



## Lismore City Council

### Notes to the Financial Statements

for the financial year ended 30 June 2008

#### Note 1. Summary of Significant Accounting Policies (continued)

The last valuation of the Scheme was performed by Mr Martin Stevenson BSc, FIA, FIAA on 19<sup>th</sup> June 2007 and covers the period ended 30 June 2006.

This valuation found that the Schemes assets were \$3,291.1 million and its past service liabilities were \$2,980.3 million, giving it a Surplus of \$310.8 million.

The existence of this surplus has resulted in Councils contributing during the 07/08 year at half the normal level of contributions.

The financial position of the Scheme is monitored annually and as a result of subsequent investment market conditions Councils will be required to contribute at the full 'notional' contribution rate from 1 July, 2008.

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 arising from the payment of employee benefits in future periods – including Superannuation and Workers Compensation expenses which will be payable upon the future payment of some Leave Liabilities accrued as at 30/6/08.

#### (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 Note10.

Council also maintains cash and investments to meet expected future claims and these are detailed in Note6(c).

#### (z) Allocation between current and non-current

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 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 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 Statement of Cash Flows 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 2008

#### 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.

Accordingly, 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 taxation authority.

#### (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 2008.

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

#### Applicable to Local Government with the implications:

- Revised AASB 101 Presentation of Financial Statements and AASB 2007-8 Amendments to Australian Accounting Standards arising from AASB 101 and AASB 2007-10 Further Amendments to Australian Accounting Standards arising from AASB 101

- AASB 1051 Land Under Roads,

AASB 1051 will allow Council to recognise or not recognise land under roads acquired before 30 June 2008.

Council will be required to nominate whether to recognise Land under roads (acquired after 30 June 2008) or to exclude these Assets from recognition.

This Standard could have a significant impact on the Council's Balance Sheet depending on Council's accounting policy choice.

- AASB 1052 Disaggregated Disclosures,

AASB 1052 requires disclosure of financial information by function or activity.

Council already provides this information in Note 2(a) so there will be no additional impact on the financial statements.

- AASB 1004 Contributions (revised),

AASB 1004 requires contributions made to Council to be recognised at fair value when they are controlled and to be appropriately disclosed.

Council already accounts for contributions in this manner so there will be no additional impact on the financial statements.

- AASB 2007-9 Amendments to Australian Accounting Standards arising from the review of AAS 27, AAS 29 and AAS 31, Council will no longer apply AAS 27 from 1 July 2008 due to its withdrawal. Council currently applies AIFRS (but with AAS 27 taking precedence).

The withdrawal of AAS 27 will see specific paragraphs transferred to existing AIFRS, and accordingly there is little impact from its withdrawal.

#### Applicable to Local Government but no implications for Council;

- Revised AASB 123 Borrowing Costs and AASB 2007-6 Amendments to Australian Accounting Standards arising from AASB 123 [AASB 1, AASB 101, AASB 107, AASB 111, AASB 116 & AASB 138 and Interpretations 1 & 12]

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

- AASB-I 12 Service Concession Arrangements, AASB 2007-1 Amendments to Australian Accounting Standards arising from AASB Interpretation 12, revised UIG 4 Determining whether an Arrangement contains a Lease and revised UIG 129 Service Concession Arrangements: Disclosures
- ASB-I 13 Customer Loyalty Programmes

## Lismore City Council

### Notes to the Financial Statements

for the financial year ended 30 June 2008

#### Note 1. Summary of Significant Accounting Policies (continued)

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- AASB-I 14 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

##### **Not applicable to Local Government per se;**

- AASB 8 Operating Segments and AASB 2007-3 Amendments to Australian Accounting Standards arising from AASB 8
- AASB 1049 Whole of Government and General Government Sector Financial Reporting
- AASB 1050 Administered Items
- Interpretation 1038 Contributions by Owners Made to Wholly-Owned Public Sector Entities (revised)

Council has not adopted any of these standards early.

##### **(ac) Rounding of amounts**

Unless otherwise indicated, amounts in the financial report 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 this Financial Report and/or the Notes.

##### **(ae) Disclaimer**

Nothing contained within this report 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 2008

### Note 2(a). Functions / Activities - Financial Disclosures

Functions/Activities	Income, Expenses and Assets have been directly attributed to the following Functions / Activities. Details of these Functions/Activities are provided in Note 2(b).												
	Income from Continuing Operations			Expenses from Continuing Operations			Operating Result from Continuing Operations			Grants included in Income from Continuing Operations		Total Assets held (Current & Non-current)	
	Original Budget 2008	Actual 2008	Actual 2007	Original Budget 2008	Actual 2008	Actual 2007	Original Budget 2008	Actual 2008	Actual 2007	Actual 2008	Actual 2007	Actual 2008	Actual 2007
Governance	-	-	-	-	1,717	1,549	-	(1,717)	(1,549)	2,923	784	11,648	-
Administration	3,485	894	602	6,243	4,024	2,234	(2,758)	(3,130)	(1,632)	225	194	19,695	18,629
Public Order & Safety	216	243	355	1,303	1,419	1,291	(1,087)	(1,176)	(936)	167	310	1,744	1,650
Health	176	656	954	1,527	1,357	1,247	(1,351)	(701)	(293)	-	391	583	551
Community Services & Education	820	973	848	1,568	1,747	1,473	(748)	(774)	(625)	519	487	746	706
Housing & Community Amenities	6,852	7,877	6,413	8,701	10,386	8,830	(1,849)	(2,509)	(2,417)	263	217	32,622	30,856
Water Supplies	5,829	6,290	5,748	5,779	7,810	5,037	50	(1,520)	711	113	103	78,709	74,449
Sewerage Services	7,468	8,109	7,886	4,760	10,012	5,319	2,708	(1,903)	2,567	120	168	189,172	178,933
Recreation & Culture	2,198	1,400	1,354	7,136	8,256	7,633	(4,938)	(6,856)	(6,279)	146	179	42,506	40,205
Fuel & Energy	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Mining, Manufacturing & Construction	6,012	6,403	4,728	5,783	5,779	4,503	229	624	225	10	-	8,733	8,260
Transport & Communication	7,697	13,020	11,782	13,632	18,563	16,467	(5,935)	(5,543)	(4,685)	927	282	293,566	277,676
Economic Affairs	568	715	1,076	1,689	2,361	1,917	(1,121)	(1,646)	(841)	18	95	14,967	14,157
<b>Total Functions &amp; Activities</b>	<b>41,321</b>	<b>46,580</b>	<b>41,746</b>	<b>58,121</b>	<b>73,431</b>	<b>57,500</b>	<b>(16,800)</b>	<b>(26,851)</b>	<b>(15,754)</b>	<b>5,431</b>	<b>3,210</b>	<b>694,691</b>	<b>646,072</b>
Share of gains/(losses) in Associates & Joint Ventures (using the Equity Method)		-	-		-	-	-	-	-		-	-	-
General Purpose Income <sup>1</sup>	28,610	26,399	26,551				28,610	26,399	26,551	5,949	5,697		-
<b>Operating Result from Continuing Operations</b>	<b>69,931</b>	<b>72,979</b>	<b>68,297</b>	<b>58,121</b>	<b>73,431</b>	<b>57,500</b>	<b>11,810</b>	<b>(452)</b>	<b>10,797</b>	<b>11,380</b>	<b>8,907</b>	<b>694,691</b>	<b>646,072</b>

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

## Lismore City Council

### Notes to the Financial Statements for the financial year ended 30 June 2008

#### Note 2(b). Components of Functions / Activities

**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 2008

## Note 3. Income from Continuing Operations

\$ '000	Notes	Actual 2008	Actual 2007
<b>(a). Rates &amp; Annual Charges</b>			
<b>Ordinary Rates</b>			
Residential		12,715	12,164
Farmland		3,412	3,235
Business		3,932	3,876
<b>Total Ordinary Rates</b>		<b>20,059</b>	<b>19,275</b>
<b>Special Rates</b>			
<b>Total Special Rates</b>		<b>-</b>	<b>-</b>
<b>Annual Charges</b> (pursuant to s.496 & s.501)			
Domestic Waste Management Services		2,295	2,125
Stormwater Management Services		350	260
Water Supply Services		1,339	1,422
Sewerage Services		6,218	5,873
Waste Management Services (non-domestic)		349	303
Nimbin Transfer Station		31	27
Waste Reduction Charges		504	405
<b>Total Annual Charges</b>		<b>11,086</b>	<b>10,415</b>
<b>TOTAL RATES &amp; ANNUAL CHARGES</b>		<b>31,145</b>	<b>29,690</b>

Council has used 2008 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 2008

## Note 3. Income from Continuing Operations (continued)

\$ '000	Notes	Actual 2008	Actual 2007
<b>(b). User Charges &amp; Fees</b>			
<b>Specific User Charges</b> (per s.502 - Specific "actual use" charges)			
Water Supply Services		4,017	3,649
Sewerage Services		331	247
<b>Total User Charges</b>		<b>4,348</b>	<b>3,896</b>
<b>Other User Charges &amp; Fees</b>			
<b>(i) Fees &amp; Charges - Statutory &amp; Regulatory Functions</b> (per s608, 610A & 611)			
Building Services		718	760
Health Control		98	261
Planning Services		420	335
Private Works - Section 67		290	56
Section 603 Certificates		69	73
Dog Registration Fees		33	22
<b>Total Fees &amp; Charges - Statutory/Regulatory</b>		<b>1,628</b>	<b>1,507</b>
<b>(ii) Fees &amp; Charges - Other (incl. General User Charges</b> (per s.610C))			
Aerodrome Charge		657	625
Art Gallery		8	33
Caravan Parks		129	120
Child Care		340	348
Community Centres		10	10
Library		2	3
NEWLOG Joint Venture		44	43
Parks, Gardens & Lakes		95	73
Parking Fees		41	-
Public Cemeteries		1,014	1,065
Quarry Revenues		5,330	4,001
Road Services		314	7
RTA Charges (State Roads not controlled by Council)		4,913	5,570
Sewerage Charges		152	140
Sporting Grounds		162	149
Swimming Pools		304	307
Tourism Services Charge		68	42
Waste Disposal		1,790	1,478
Water Charges		105	127
Waste Minimisation		176	-
Other		116	112
<b>Total Fees &amp; Charges - Other</b>		<b>15,770</b>	<b>14,253</b>
<b>TOTAL USER CHARGES &amp; FEES</b>		<b>21,746</b>	<b>19,656</b>

## Lismore City Council

Notes to the Financial Statements  
for the financial year ended 30 June 2008

## Note 3. Income from Continuing Operations (continued)

\$ '000	Notes	Actual 2008	Actual 2007
<b>(c). Interest &amp; Investment Revenue (incl. losses)</b>			
Interest on Overdue Rates & Annual Charges		253	176
Interest earned on Investments (interest & coupon payment income)		2,508	2,532
Fair Valuation Movements in Investments (unrealised capital gains/(losses))		(3,666)	(74)
<b><u>TOTAL INTEREST &amp; INVESTMENT REVENUE</u></b>		<b><u>(905)</u></b>	<b><u>2,634</u></b>
<b>Interest Revenue is attributable to:</b>			
<b>Unrestricted Investments/Financial Assets:</b>			
Overdue Rates & Annual Charges		167	176
General Council Cash & Investments		391	891
<b>Restricted Investments/Funds - External:</b>			
Development Contributions			
- Section 94		(939)	367
- Section 64		374	495
Water Fund Operations		40	30
Sewerage Fund Operations		(938)	411
<b>Restricted Investments/Funds - Internal:</b>			
Internally Restricted Assets		-	264
<b>Total Interest &amp; Investment Revenue Recognised</b>		<b><u>(905)</u></b>	<b><u>2,634</u></b>
<b>(d). Other Revenues</b>			
Rental Income - Other Council Properties		167	201
Parking Fines		108	74
Other Fines		10	4
Legal Fees Recovery - Rates & Charges (Extra Charges)		57	-
Commissions & Agency Fees		13	9
Insurance Claim Recoveries		596	84
Masters Games		18	114
Other Events		15	36
Recycling Income (non domestic)		508	247
Other		78	80
<b><u>TOTAL OTHER REVENUE</u></b>		<b><u>1,570</u></b>	<b><u>850</u></b>



## Lismore City Council

Notes to the Financial Statements  
for the financial year ended 30 June 2008

## Note 3. Income from Continuing Operations (continued)

\$ '000	2008 Operating	2007 Operating	2008 Capital	2007 Capital
<b>(e). Grants</b>				
<b>General Purpose (Untied)</b>				
Financial Assistance - General Component	4,109	3,927	-	-
Financial Assistance - Local Roads Component	1,447	1,380	-	-
Pensioners' Rates Subsidies - General Component	393	390	-	-
<b>Total General Purpose</b>	<b>5,949</b>	<b>5,697</b>	<b>-</b>	<b>-</b>
<b>Specific Purpose</b>				
Pensioners' Rates Subsidies:				
- Water	112	103	-	-
- Sewerage	120	118	-	-
- Domestic Waste Management	78	65	-	-
Sewerage Services	-	-	-	50
Aerodrome	-	-	-	21
Art Gallery	70	102	-	-
Child Care	399	331	-	-
Community Services	224	157	-	-
Diesel Rebate	187	50	-	-
Fire Control	193	164	-	-
Flood Mitigation	-	-	-	146
Health	89	391	-	-
Library Services	220	119	-	-
Planning Services	80	152	-	-
Road Safety Officer	62	40	-	-
Street Lighting Subsidy	147	143	-	-
Transport (Roads to Recovery)	-	-	783	783
Transport (Other Roads & Bridges Funding)	-	-	790	-
Natural Disaster Emergency Funding	1,683	-	-	-
Other	120	266	74	10
<b>Total Specific Purpose</b>	<b>3,784</b>	<b>2,200</b>	<b>1,647</b>	<b>1,010</b>
<b>Total Grants</b>	<b>9,733</b>	<b>7,897</b>	<b>1,647</b>	<b>1,010</b>
<b>Grant Revenue is attributable to:</b>				
- Commonwealth Funding	6,333	6,552	783	804
- State Funding	3,327	1,345	790	206
- Other Funding	73	-	74	-
	<b>9,733</b>	<b>7,897</b>	<b>1,647</b>	<b>1,010</b>

## Lismore City Council

Notes to the Financial Statements  
for the financial year ended 30 June 2008

## Note 3. Income from Continuing Operations (continued)

\$ '000	2008 Operating	2007 Operating	2008 Capital	2007 Capital
<b>(f). Contributions</b>				
<b>Developer Contributions:</b>				
<b>(s93 &amp; s94 - EP&amp;A Act, s64 of the NSW LG Act):</b>				
S 94 - Contributions towards amenities/services	-	-	822	1,196
S 64 - Water Supply Contributions	-	-	271	115
S 64 - Sewerage Service Contributions	-	-	320	378
<b>Total Developer Contributions</b>	17 -	-	<b>1,413</b>	<b>1,689</b>
<b>Other Contributions:</b>				
Art Gallery	24	9	-	18
Dedications (other than by S94)	-	-	1,157	1,056
Parks, Gardens & Lakes	-	40	-	10
Road Safety Program	-	28	-	-
RTA Contributions (Regional/Local, Block Grant)	1,162	2,057	1,055	569
Sewerage (excl. Section 64 contributions)	-	-	1,751	340
Sporting Grounds	-	13	-	-
Tourism	-	13	-	-
Water Supplies (excl. Section 64 contributions)	-	-	567	95
Waste	-	-	-	-
Other	9	20	-	(43)
<b>Total Other Contributions</b>	<b>1,195</b>	<b>2,179</b>	<b>4,530</b>	<b>2,045</b>
<b>Total Contributions</b>	<b>1,195</b>	<b>2,179</b>	<b>5,943</b>	<b>3,734</b>
<b>TOTAL GRANTS &amp; CONTRIBUTIONS</b>	<b>10,928</b>	<b>10,076</b>	<b>7,590</b>	<b>4,744</b>

## Lismore City Council

Notes to the Financial Statements  
for the financial year ended 30 June 2008

## Note 3. Income from Continuing Operations (continued)

\$ '000	Actual 2008	Actual 2007
<b>(g). Restrictions relating to Grants and Contributions</b>		
<b>Certain grants &amp; contributions are obtained by Council on condition that they be spent in a specified manner:</b>		
Unexpended at the Close of the Previous Reporting Period	15,109	13,975
<b>add:</b> Grants and contributions recognised in the current period which have not been spent:	2,163	3,431
<b>less:</b> Grants and contributions recognised in a previous reporting period which have been spent in the current reporting period:	(4,168)	(2,297)
<b>Net Increase (Decrease) in Restricted Assets during the Current Reporting Period</b>	<b>(2,005)</b>	<b>1,134</b>
<b>Unexpended at the Close of this Reporting Period and held as Restricted Assets</b>	<b>13,104</b>	<b>15,109</b>
<b>Comprising:</b>		
- Specific Purpose Unexpended Grants	952	966
- Developer Contributions	12,152	14,143
- Other Contributions	-	-
	<b>13,104</b>	<b>15,109</b>

## Lismore City Council

Notes to the Financial Statements  
for the financial year ended 30 June 2008

## Note 4. Expenses from Continuing Operations

\$ '000	Notes	Actual 2008	Actual 2007
<b>(a) Employee Benefits &amp; On-Costs</b>			
Salaries and Wages		15,165	14,310
Travelling		4	66
Employee Leave Entitlements (ELE)		2,821	2,273
Superannuation		1,328	1,190
Workers' Compensation Insurance		783	738
Fringe Benefit Tax (FBT)		76	(9)
Payroll Tax		118	200
Training Costs (other than Salaries & Wages)		457	185
<b>Total Employee Costs</b>		<b>20,752</b>	<b>18,952</b>
less: Capitalised Costs		(2,153)	(1,280)
<b>TOTAL EMPLOYEE COSTS EXPENSED</b>		<b>18,599</b>	<b>17,672</b>
Number of "Equivalent Full Time" Employees at year end		294	289
<b>(b) Borrowing Costs</b>			
<b>(i) Interest Bearing Liability Costs</b>			
Interest on Loans		1,702	1,431
Other Debts		18	-
<b>Total Interest Bearing Liability Costs</b>		<b>1,720</b>	<b>1,431</b>
less: Capitalised Costs		-	-
<b>Total Interest Bearing Liability Costs Expensed</b>		<b>1,720</b>	<b>1,431</b>
<b>(ii) Other Borrowing Costs</b>			
Discount adjustments relating to movements in Provisions (other than ELE)			
- Remediation Liabilities	21	106	76
<b>Total Other Borrowing Costs</b>		<b>106</b>	<b>76</b>
<b>TOTAL BORROWING COSTS EXPENSED</b>		<b>1,826</b>	<b>1,507</b>

## Lismore City Council

Notes to the Financial Statements  
for the financial year ended 30 June 2008

## Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Actual 2008	Actual 2007
<b>(c) Materials &amp; Contracts</b>			
Raw Materials & Consumables		30,831	24,160
Auditors Remuneration			
- Council's Auditor:			
i. Audit Services		64	43
Legal Expenses - Planning & Development		43	9
Legal Expenses - Other		20	66
Legal Expenses - Debt Recovery		10	17
<b>Total Materials &amp; Contracts</b>		<b>30,968</b>	<b>24,295</b>
less: Capitalised Costs		-	-
<b>TOTAL MATERIALS &amp; CONTRACTS</b>		<b>30,968</b>	<b>24,295</b>

## Lismore City Council

Notes to the Financial Statements  
for the financial year ended 30 June 2008

## Note 4. Expenses from Continuing Operations (continued)

\$ '000	Depreciation/Amortisation		Impairment Costs	
	Actual 2008	Actual 2007	Actual 2008	Actual 2007
<b>(d) Depreciation, Amortisation &amp; Impairment</b>				
Plant and Equipment	2,256	1,863	-	-
Office Equipment	184	163	-	-
Furniture & Fittings	4	-	-	-
Property, Plant & Equipment - Leased	-	-	-	-
Land Improvements (depreciable)	290	298	-	-
Buildings - Non Specialised	-	-	-	-
Buildings - Specialised	489	408	-	-
Other Structures	131	199	-	-
Infrastructure:				
- Roads, Bridges & Footpaths	4,429	4,790	-	-
- Stormwater Drainage	287	289	-	-
- Water Supply Network	2,261	554	-	-
- Sewerage Network	5,471	1,586	-	-
Other Assets				
- Heritage Collections	1	1	-	-
Asset Reinstatement Costs	9 & 22 151	109	-	-
Intangible Assets	25 102	-	-	-
<b>Total Depreciation &amp; Impairment Costs</b>	<b>16,056</b>	<b>10,259</b>	<b>-</b>	<b>-</b>
less: Capitalised Costs	(404)	(438)		
<b><u>TOTAL DEPRECIATION &amp; IMPAIRMENT COSTS EXPENSED</u></b>	<b><u>15,652</u></b>	<b><u>9,821</u></b>	<b><u>-</u></b>	<b><u>-</u></b>

## Lismore City Council

Notes to the Financial Statements  
for the financial year ended 30 June 2008

## Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Actual 2008	Actual 2007
<b>(e) Other Expenses</b>			
Other Expenses for the year include the following:			
Contributions to Other Levels of Government			
- NSW Fire Brigade Levy		246	241
- NSW Rural Fire Service Levy		189	155
- Contributions: Far North Coast County Council (Noxious Plants)		103	101
- Contributions: Richmond River County Council (Flood Mitigation)		291	285
- Contributions: Tweed Regional Library		1,064	1,000
Councillor Expenses - Mayoral Fee		43	40
Councillor Expenses - Councillors Fees		174	166
Councillors Expenses (incl. Mayor) - Other (excluding fees above)		108	39
Donations, Contributions & Assistance to other organisations (Section 356)		254	213
Electricity & Heating		814	633
Insurance		713	612
Street Lighting		678	587
Telephone & Communications		247	135
<b>Total Other Expenses</b>		<b>4,924</b>	<b>4,205</b>
less: Capitalised Costs		-	-
<b><u>TOTAL OTHER EXPENSES</u></b>		<b><u>4,924</u></b>	<b><u>4,205</u></b>



## Lismore City Council

Notes to the Financial Statements  
for the financial year ended 30 June 2008

## Note 5. Gains or Losses on Disposal of Assets

\$ '000	Notes	Actual 2008	Actual 2007
<b>Property</b> (excl. Investment Property)			
Proceeds from Disposal		152	133
less: Carrying Amount of Property Assets Sold		(49)	(10)
<b>Net Gain/(Loss) on Disposal</b>		<b>103</b>	<b>123</b>
<b>Plant &amp; Equipment</b>			
Proceeds from Disposal		415	266
less: Carrying Amount of P&E Assets Sold		(146)	(220)
<b>Net Gain/(Loss) on Disposal</b>		<b>269</b>	<b>46</b>
<b>Infrastructure</b>			
Proceeds from Disposal		-	2
less: Carrying Amount of Infrastructure Assets Sold		(996)	(62)
<b>Net Gain/(Loss) on Disposal</b>		<b>(996)</b>	<b>(60)</b>
<b>Real Estate Assets Held For Sale</b>			
Proceeds from Disposal		67	1,127
less: Carrying Amount of Real Estate Assets Sold		-	(589)
<b>Net Gain/(Loss) on Disposal</b>		<b>67</b>	<b>538</b>
<b>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</b>		<b>(557)</b>	<b>647</b>

## Lismore City Council

Notes to the Financial Statements  
for the financial year ended 30 June 2008

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

\$ '000	2008		2007	
	Actual Current	Actual Non Current	Actual Current	Actual Non Current
<b>Cash &amp; Cash Equivalents (Note 6a)</b>				
Cash on Hand and at Bank	63	-	662	-
Cash-Equivalent Assets <sup>1</sup>				
- Deposits at Call	5,192	-	599	-
- Managed Funds	-	-	18,702	-
- Short Term Deposits	2,000	-	-	-
<b>Total Cash &amp; Cash Equivalents</b>	<b>7,255</b>	<b>-</b>	<b>19,963</b>	<b>-</b>
<b>Investment Securities (Note 6b)</b>				
- Managed Funds	4,050	7,088	-	-
- Equity Linked Notes	-	2,310	-	1,007
- NCD's, FRN's (with Maturities > 3 months)	2,923	1,194	-	4,033
- CDO's	990	4,205	-	8,732
- Other Long Term Maturity Financial Instruments	-	854	-	-
<b>Total Investment Securities</b>	<b>7,963</b>	<b>15,651</b>	<b>-</b>	<b>13,772</b>
<b>TOTAL CASH ASSETS, CASH EQUIVALENTS &amp; INVESTMENTS</b>	<b>15,218</b>	<b>15,651</b>	<b>19,963</b>	<b>13,772</b>

<sup>1</sup> 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"	<u>7,255</u>	<u>-</u>	<u>19,963</u>	<u>-</u>
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**Investments**

a. "At Fair Value through the Profit & Loss"				
- "Designated At Fair Value on Initial Recognition" 6(b-i)	7,963	15,651	-	13,772
<b>Investments</b>	<b>7,963</b>	<b>15,651</b>	<b>-</b>	<b>13,772</b>

## Lismore City Council

Notes to the Financial Statements  
for the financial year ended 30 June 2008

## Note 6b. Investments (continued)

\$ '000	2008	2008	2007	2007
	Actual Current	Actual Non Current	Actual Current	Actual Non Current
<b>Note 6(b-i)</b>				
<b>Reconciliation of Investments classified as "At Fair Value through the Profit &amp; Loss"</b>				
Balance at the Beginning of the Year	-	13,772	-	16,475
Adjustment on adoption of AASB 132/139	-	-	-	-
Revaluations (through the Income Statement)	(362)	(3,304)	-	(74)
Additions	9,271	2,623	-	18,521
Disposals (sales & redemptions)	(5,002)	(1,396)	-	(21,150)
Transfers between Current/Non Current	4,056	3,956	-	-
<b>Balance at End of Year</b>	<b>7,963</b>	<b>15,651</b>	<b>-</b>	<b>13,772</b>
<b>Comprising:</b>				
- Managed Funds	4,050	7,088	-	-
- Equity Linked Notes	-	2,310	-	1,007
- NCD's, FRN's (with Maturities > 3 months)	2,923	1,194	-	4,003
- CDO's	990	4,205	-	8,732
- Other Long Term Maturity Financial Assets	-	854	-	-
<b>Total</b>	<b>7,963</b>	<b>15,651</b>	<b>-</b>	<b>13,742</b>
<b>Note 6(b-ii)</b>				
<b>Reconciliation of Investments classified as "Held to Maturity"</b>				
Balance at the Beginning of the Year	-	-	-	3,000
Disposals (sales & redemptions)	-	-	-	(3,000)
<b>Balance at End of Year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

## Lismore City Council

Notes to the Financial Statements  
for the financial year ended 30 June 2008

## Note 6c. Restricted Cash, Cash Equivalents &amp; Investments

\$ '000	2008	2008	2007	2007
	Actual Current	Actual Non Current	Actual Current	Actual Non Current
Total Cash, Cash Equivalents and Investment Securities	15,218	15,651	19,963	13,772
<b>attributable to:</b>				
External Restrictions (refer below)	1,936	15,651	13,500	9,313
Internal Restrictions (refer below)	13,282	-	6,463	4,459
Unrestricted	0	-	0	-
	<b>15,218</b>	<b>15,651</b>	<b>19,963</b>	<b>13,772</b>

2008	Opening	Transfers to	Transfers from	Closing
\$ '000	Balance	Restrictions	Restrictions	Balance

## Details of Restrictions

**External Restrictions - Included in Liabilities**

Other	1,552	-	(661)	891
<b>External Restrictions - Included in Liabilities</b>	<b>1,552</b>	<b>-</b>	<b>(661)</b>	<b>891</b>

**External Restrictions - Other**

Developer Contributions - General (D)	6,990	(836)	(953)	5,201
Developer Contributions - Water Fund (D)	2,849	-	(1,886)	963
Developer Contributions - Sewer Fund (D)	4,304	1,684	-	5,988
Specific Purpose Unexpended Grants (F)	966	-	(14)	952
Sewerage Services (G)	5,979	-	(2,455)	3,524
Domestic Waste Management (G)	173	45	(150)	68
<b>External Restrictions - Other</b>	<b>21,261</b>	<b>893</b>	<b>(5,458)</b>	<b>16,696</b>
<b>Total External Restrictions</b>	<b>22,813</b>	<b>893</b>	<b>(6,119)</b>	<b>17,587</b>

## Lismore City Council

Notes to the Financial Statements  
for the financial year ended 30 June 2008

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

2008 \$ '000	Opening Balance	Transfers to Restrictions	Transfers from Restrictions	Closing Balance
<b>Internal Restrictions</b>				
Specific Purpose Unexpended Loans (A)	4,360	8,519	(6,054)	6,825
Administrative Purposes	200	115	(116)	199
Aerodrome	180	6	(82)	104
Art Gallery	74	-	-	74
Child Care	6	16	-	22
Community Facilities	926	397	(623)	700
Community Services	102	26	(33)	95
Economic Development & Tourism	505	368	(413)	460
Employee Leave Entitlements	750	103	(223)	630
Flood Mitigation	267	6	(233)	40
Information Services	956	233	(476)	713
Lawn Cemetery / Crematorium	-	60	-	60
Legal Expenses	50	2	(20)	32
NEWLOG	30	3	-	33
Other Waste Services	499	1,478	(1,660)	317
Parks & Reserves	371	734	(951)	154
Planning Services	692	456	(532)	616
Plant Operations	-	3,655	(3,655)	-
Property Management	99	7,763	(7,142)	720
Quarry Management	33	1,227	(1,169)	91
Records Management	47	19	(66)	-
Remediation Programs	92	4	(5)	91
Special Projects	402	428	(397)	433
Sporting Grounds	36	6	-	42
Staff Development	19	111	(34)	96
Transport & Infrastructure	180	6,502	(6,003)	679
Waste Minimisation	43	30	(20)	53
<b>Total Internal Restrictions</b>	<b>10,922</b>	<b>32,267</b>	<b>(29,907)</b>	<b>13,282</b>
<b>TOTAL RESTRICTIONS</b>	<b>33,735</b>	<b>33,160</b>	<b>(36,026)</b>	<b>30,869</b>

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 2008

## Note 7. Receivables

\$ '000	2008		2007	
	Current	Non Current	Current	Non Current
<b>Purpose</b>				
Rates & Annual Charges	1,866	1,757	1,245	1,859
Interest & Extra Charges	67	100	57	201
User Charges & Fees	262	-	399	-
Accrued Revenues				
- Interest on Investments	194	-	86	-
- Other Income Accruals	133	-	54	-
Deferred Debtors	405	746	463	1,138
Net GST Receivable	(46)	-	297	-
Loan to Sporting Club	41	145	-	186
Roads & Traffic Authority	3,170	-	2,114	-
Tender Deposits & Bonds	768	558	226	423
Miscellaneous Works & Services	2,135	-	1,697	33
Subordinated Debt	1,000	-	-	1,000
Other Debtors	108	32	-	-
<b>Total</b>	<b>10,103</b>	<b>3,338</b>	<b>6,638</b>	<b>4,840</b>
<b>less: Provision for Impairment</b>				
User Charges & Fees	(39)	-	(30)	-
<b>Total Provision for Impairment - Receivables</b>	<b>(39)</b>	<b>-</b>	<b>(30)</b>	<b>-</b>
<b>TOTAL NET RECEIVABLES</b>	<b>10,064</b>	<b>3,338</b>	<b>6,608</b>	<b>4,840</b>
<b>Externally Restricted Receivables</b>				
<b>Water Supply</b>				
- Rates & Availability Charges	863	261	419	-
- Other	262	-	366	-
<b>Sewerage Services</b>				
- Rates & Availability Charges	226	333	403	-
- Other	1,110	-	-	1,000
<b>Domestic Waste Management</b>				
	32	295	37	212
<b>Total External Restrictions</b>	<b>2,493</b>	<b>889</b>	<b>1,225</b>	<b>1,212</b>
<b>Internally Restricted Receivables</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Unrestricted Receivables</b>	<b>7,571</b>	<b>2,449</b>	<b>5,383</b>	<b>3,628</b>
<b>TOTAL NET RECEIVABLES</b>	<b>10,064</b>	<b>3,338</b>	<b>6,608</b>	<b>4,840</b>

**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 10.00% (2007 9.00%).  
Generally all other receivables are non interest bearing.
- (iv) Please refer to Note 15 for issues concerning Credit Risk and Fair Value disclosures.

## Lismore City Council

Notes to the Financial Statements  
for the financial year ended 30 June 2008

## Note 8. Inventories &amp; Other Assets

\$ '000	2008		2007	
	Current	Non Current	Current	Non Current
<b>Inventories</b>				
Real Estate for resale (refer below)	6,332	-	5,829	-
Stores & Materials	789	-	663	-
Trading Stock	841	-	593	-
<b>Total Inventories</b>	<b>7,962</b>	<b>-</b>	<b>7,085</b>	<b>-</b>
<b>Other Assets</b>				
Prepayments	64	-	127	-
<b>Total Other Assets</b>	<b>64</b>	<b>-</b>	<b>127</b>	<b>-</b>
<b><u>TOTAL INVENTORIES &amp; OTHER ASSETS</u></b>	<b><u>8,026</u></b>	<b><u>-</u></b>	<b><u>7,212</u></b>	<b><u>-</u></b>
<b>Details for Real Estate Development</b>				
Residential	16	-	16	-
Industrial/Commercial	6,316	-	5,813	-
<b>Total Real Estate for Resale</b>	<b>6,332</b>	<b>-</b>	<b>5,829</b>	<b>-</b>
(Valued at the lower of cost and net realisable value)				
<b>Represented by:</b>				
Acquisition Costs	3,220	-	3,220	-
Development Costs	3,112	-	2,609	-
<b>Total Costs</b>	<b>6,332</b>	<b>-</b>	<b>5,829</b>	<b>-</b>
less: Provision for Under Recovery	-	-	-	-
<b>Total Real Estate for Resale</b>	<b>6,332</b>	<b>-</b>	<b>5,829</b>	<b>-</b>
<b>Movements:</b>				
Real Estate assets at beginning of the year	5,829	-	4,695	-
- Purchases and other costs	503	-	1,723	-
- WDV of Sales (recognised as exp's)	-	-	(589)	-
<b>Total Real Estate for Resale</b>	<b>6,332</b>	<b>-</b>	<b>5,829</b>	<b>-</b>



## Lismore City Council

Notes to the Financial Statements  
for the financial year ended 30 June 2008

## Note 8. Inventories &amp; Other Assets (continued)

\$ '000	2008		2007	
	Current	Non Current	Current	Non Current
<b>(i) Externally Restricted Assets</b>				
<b>Water</b>				
Stores & Materials	226	-	228	-
<b>Total Water</b>	<b>226</b>	<b>-</b>	<b>228</b>	<b>-</b>
<b>Sewerage</b>				
Stores & Materials	153	-	128	-
Prepayments	-	-	-	-
<b>Total Sewerage</b>	<b>153</b>	<b>-</b>	<b>128</b>	<b>-</b>
<b>Total Externally Restricted Assets</b>	<b>379</b>	<b>-</b>	<b>356</b>	<b>-</b>
<b>Total Internally Restricted Assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Unrestricted Assets</b>	<b>7,647</b>	<b>-</b>	<b>6,856</b>	<b>-</b>
<b>TOTAL INVENTORIES &amp; OTHER ASSETS</b>	<b>8,026</b>	<b>-</b>	<b>7,212</b>	<b>-</b>

**(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;

	2008	2007
Real Estate for Resale	5,087	4,381
	<b>5,087</b>	<b>4,381</b>

Notes to the Financial Statements  
for the financial year ended 30 June 2008

Note 9a. Infrastructure, Property, Plant & Equipment

S '000	as at 30/6/2007					Asset Movements during the Reporting Period														as at 30/6/2008					
	At	At	Accumulated	Carrying	Asset Additions	WDV-Asset Disposals	Depreciation Expense	Impairment - Loss to P/L	Impairment - Loss to Equity	Impairment - Reversal to P/L	Impairment - Reversal to Equity	Adjustments & Transfers	Trfs from/(to) - Amalgamations	Trfs from/(to) - "Held for Sale" category	Trfs from/(to) Inv. Properties	Revaluation Decrements to P&L	Revaluation Decrements to Equity (ARR)	Reversal of prior period Revaluation Decrements to the P&L	Revaluation Increments to Equity (ARR)	At	At	Accumulated	Carrying		
	Cost	Fair Value	Deprec.	Impairment																Value	Cost	Fair Value	Dep'n	Impairment	Value
Capital Work in Progress	1,145	-	-	-	1,145	7,483															7,726	-	-	-	7,726
Plant & Equipment	23,288	-	11,643	-	11,645	2,919	(146)	(2,256)	-												24,687	-	12,525	-	12,162
Office Equipment	2,653	-	2,143	-	510	370		(184)	-												3,019	-	2,323	-	696
Furniture & Fittings	372	-	363	-	9	-		(4)	-												372	-	367	-	5
Plant & Equipment (under Finance Lease)	-	-	-	-	-	-		-	-												-	-	-	-	-
<b>Land:</b>																									
- Operational	20,350	-	-	-	20,350	804																			
- Community	4,478	-	-	-	4,478	-	(49)														10,583	31,737	-	-	31,737
- Land under Roads	-	-	-	-	-	-															4,429	-	-	-	4,429
Land Improvements - non depreciable	-	-	-	-	-	-															-	-	-	-	-
Land Improvements - depreciable	15,081	-	5,984	-	9,097	401		(290)	-												15,478	-	6,270	-	9,208
Buildings - Non Specialised	-	-	-	-	-	-		-	-				530								-	1,120	590	-	530
Buildings - Specialised	39,665	-	9,575	-	30,090	613		(489)	-				(896)								14,710	-	68,254	24,226	44,028
Other Structures	10,763	-	3,241	-	7,522	1,589		(131)	-				123								12,561	-	3,458	-	9,103
<b>Infrastructure:</b>																									
- Roads, Bridges, Footpaths	207,166	-	128,420	-	78,746	5,773	(323)	(4,429)	-				1,145								213,666	-	132,754	-	80,912
- Bulk Earthworks (non-depreciable)	253,328	-	76,382	-	176,946	1,256			-												254,586	-	76,384	-	178,202
- Stormwater Drainage	24,533	-	7,454	-	17,079	615		(287)	-												25,148	-	7,741	-	17,407
- Water Supply Network	-	127,082	57,931	-	69,151	1,828	(508)	(2,261)	-												3,408	133,783	62,165	-	71,618
- Sewerage Network	-	286,893	122,017	-	164,876	3,732	(165)	(5,471)	-												8,129	304,063	132,962	-	171,101
<b>Other Assets:</b>																									
- Heritage Collections	83	-	8	-	75	-		(1)	-												83	-	9	-	74
- Library Books	-	-	-	-	-	-		-	-												-	-	-	-	-
- Other	-	-	-	-	-	-		-	-												-	-	-	-	-
<b>Restatement, Rehabilitation &amp; Restoration Assets (refer Note 21):</b>																									
- Tip Asset	593	-	336	-	257	1,430		(99)	-												2,023	-	435	-	1,588
- Quarry Asset	818	-	139	-	679	321		(52)	-												1,139	-	191	-	948
- Other Assets	-	-	-	-	-	-		-	-												-	-	-	-	-
<b>TOTAL INFRASTRUCTURE, PROPERTY, PLANT &amp; EQUIP.</b>	<b>604,316</b>	<b>413,975</b>	<b>425,636</b>	<b>-</b>	<b>592,655</b>	<b>29,134</b>	<b>(1,191)</b>	<b>(15,954)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>36,830</b>	<b>564,917</b>	<b>538,957</b>	<b>462,400</b>	<b>-</b>	<b>641,474</b>

## Lismore City Council

Notes to the Financial Statements  
for the financial year ended 30 June 2008Note 9b. Infrastructure, Property, Plant & Equipment  
that is Externally Restricted

\$ '000 Class of Asset	Actual 2008				Actual 2007			
	At Cost	At Fair Value	A/Dep & Impair'm't	Carrying Value	At Cost	At Fair Value	A/Dep & Impair'm't	Carrying Value
<b>Water Supply</b>								
Plant & Equipment	726	-	403	323	736	-	417	319
Office Equipment	55	-	39	16	41	-	39	2
Furniture & Fittings	-	-	-	-	-	-	-	-
Land								
- Operational Land	-	1,208	-	1,208	81	-	-	81
- Community Land	-	-	-	-	-	-	-	-
- Improvements non-depreciable	-	-	-	-	-	-	-	-
- Improvements - depreciable	-	-	-	-	-	-	-	-
Buildings	-	451	158	293	432	-	73	359
Other Structures	650	-	9	641	33	-	8	25
Infrastructure	1,828	131,955	62,165	71,618	-	127,083	57,931	69,152
<b>Total Water Supply</b>	<b>3,259</b>	<b>133,614</b>	<b>62,774</b>	<b>74,099</b>	<b>1,323</b>	<b>127,083</b>	<b>58,468</b>	<b>69,938</b>
<b>Sewerage Services</b>								
Plant & Equipment	882	-	642	240	860	-	595	265
Office Equipment	88	-	88	-	88	-	84	4
Furniture & Fittings	-	-	-	-	-	-	-	-
Land								
- Operational Land	-	2,362	-	2,362	503	-	-	503
- Community Land	-	-	-	-	-	-	-	-
- Improvements non-depreciable	-	-	-	-	-	-	-	-
- Improvements - depreciable	-	-	-	-	-	-	-	-
Buildings	-	1,153	307	846	428	-	74	354
Other Structures	56	-	1	55	14	-	2	12
Infrastructure	3,732	300,331	132,962	171,101	-	286,893	122,017	164,876
<b>Total Sewerage Services</b>	<b>4,758</b>	<b>303,846</b>	<b>134,000</b>	<b>174,604</b>	<b>1,893</b>	<b>286,893</b>	<b>122,772</b>	<b>166,014</b>
<b>Domestic Waste Management</b>								
Plant & Equipment	-	-	-	-	-	-	-	-
Land								
- Operational Land	111	-	-	111	111	-	-	111
- Community Land	-	-	-	-	-	-	-	-
- Improvements non-depreciable	-	-	-	-	-	-	-	-
- Improvements - depreciable	1,229	-	180	1,049	1,289	-	15	1,274
Buildings	-	-	-	-	-	-	-	-
Other Assets	-	-	-	-	-	-	-	-
<b>Total DWM</b>	<b>1,340</b>	<b>-</b>	<b>180</b>	<b>1,160</b>	<b>1,400</b>	<b>-</b>	<b>15</b>	<b>1,385</b>
<b>TOTAL RESTRICTED I,PP&amp;E</b>	<b>9,357</b>	<b>437,460</b>	<b>196,954</b>	<b>249,863</b>	<b>4,616</b>	<b>413,976</b>	<b>181,255</b>	<b>237,337</b>

## Lismore City Council

Notes to the Financial Statements  
for the financial year ended 30 June 2008

## Note 10a. Payables, Borrowings &amp; Provisions

\$ '000	Notes	2008		2007	
		Current	Non Current	Current	Non Current
<b>Payables</b>					
Goods & Services - Operating		3,139	-	2,491	-
Goods & Services - Capital Expenditure		1,971	-	-	-
Payments Received In Advance		32	-	12	-
Accrued Expenses;					
- Other Expenditure Accruals		1,445	-	466	-
Security Bonds, Deposits & Retentions		768	558	226	423
Trustee Items		176	325	247	921
Contributions to Works		877	290	78	279
Other		995	934	1,060	1,929
<b>Total Payables</b>		<b>9,403</b>	<b>2,107</b>	<b>4,580</b>	<b>3,552</b>
<b>Borrowings</b>					
Loans - Secured <sup>1</sup>		1,755	30,407	1,621	23,541
<b>Total Borrowings</b>		<b>1,755</b>	<b>30,407</b>	<b>1,621</b>	<b>23,541</b>
<b>Provisions</b>					
<b>Employee Benefits;</b>					
Annual Leave		1,796	-	1,609	-
Long Service Leave		2,436	85	2,669	31
Leave In Lieu		48	-	49	-
Sub Total - Aggregate Employee Benefits		4,280	85	4,327	31
Asset Remediation/Restoration (Future Works) <sup>21</sup>		46	3,504	-	1,694
<b>Total Provisions</b>		<b>4,326</b>	<b>3,589</b>	<b>4,327</b>	<b>1,725</b>
<b>Total Payables, Borrowings &amp; Provisions</b>		<b>15,484</b>	<b>36,103</b>	<b>10,528</b>	<b>28,818</b>

## (i) Liabilities relating to Restricted Assets

	2008		2007	
	Current	Non Current	Current	Non Current
<b>Externally Restricted Assets</b>				
Domestic Waste Management	86	-	83	-
Water	333	-	306	-
Sewer	60	1,251	267	370
Other	891	-	-	-
Liabilities relating to externally restricted assets	1,370	1,251	656	370
<b>Total Liabilities relating to restricted assets</b>	<b>1,370</b>	<b>1,251</b>	<b>656</b>	<b>370</b>

<sup>1</sup> 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 2008

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

\$ '000

## (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.

	<b>2008</b>	<b>2007</b>
Provisions - Employees Benefits	<u>2,622</u>	<u>2,451</u>
	<b>2,622</b>	<b>2,451</b>

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

Class of Provision	2007		2008			Closing Balance as at 30/6/08
	Opening Balance as at 1/7/07	Additional Provisions	Decrease due to Payments	Remeasurement effects due to Discounting	Unused amounts reversed	
Annual Leave	1,609	1,508	(1,321)	-	-	1,796
Long Service Leave	2,700	16	(195)	-	-	2,521
Other Leave	49	(1)	-	-	-	48
Asset Remediation	1,694	1,919	-	(63)	-	3,550
<b>TOTAL</b>	<b>6,052</b>	<b>3,442</b>	<b>(1,516)</b>	<b>(63)</b>	<b>-</b>	<b>7,915</b>

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 2008

## Note 11. Cash Flow Statement - Additional Information

\$ '000	Notes	Actual 2008	Actual 2007
<b>(a) Reconciliation of Cash Assets</b>			
Total Cash & Cash Equivalent Assets	6a	7,255	19,963
Less Bank Overdraft	10	-	-
<b>BALANCES as per CASH FLOW STATEMENT</b>		<b>7,255</b>	<b>19,963</b>
<b>(b) Reconciliation of Net Operating Result to Cash provided from Operating Activities</b>			
<b>Net Operating Result from Income Statement</b>		<b>(452)</b>	<b>10,797</b>
<b>Adjust for non cash items:</b>			
Depreciation & Amortisation		15,652	9,821
Losses/(Gains) recognised on Fair Value Re-measurements through the P&L			
- Investments classified as "@ Fair Value" or "Held for Trading"		3,666	74
Unwinding of Discount Rates on Reinstatement Provisions		56	(169)
Net Losses/(Gains) on Disposal of Assets		557	(647)
Non Cash Capital Grants and Contributions		(3,565)	(1,056)
<b>+/- Movement in Operating Assets and Liabilities &amp; Other Cash Items:</b>			
Decrease/(Increase) in Receivables		(2,413)	(927)
Increase/(Decrease) in Provision for Doubtful Debts		9	(5)
Decrease/(Increase) in Inventories		(374)	(180)
Decrease/(Increase) in Other Current Assets		63	69
Increase/(Decrease) in Payables		648	(1,909)
Increase/(Decrease) in other accrued Expenses Payable		979	71
Increase/(Decrease) in Other Current Liabilities		(220)	(1,876)
Increase/(Decrease) in Employee Leave Entitlements		7	254
Increase/(Decrease) in Other Provisions		1,800	(155)
<b>NET CASH PROVIDED FROM/(USED IN) OPERATING ACTIVITIES from CASH FLOW STATEMENT</b>		<b>16,413</b>	<b>14,162</b>

## Lismore City Council

Notes to the Financial Statements  
for the financial year ended 30 June 2008

## Note 11. Cash Flow Statement - Additional Information (continued)

\$ '000	Notes	Actual 2008	Actual 2007
<b>(c) Non-Cash Investing &amp; Financing Activities</b>			
Other Dedications		3,565	1,056
<b>Total Non-Cash Investing &amp; Financing Activities</b>		<b>3,565</b>	<b>1,056</b>
<b>(d) Financing Arrangements</b>			
<b>(i) Unrestricted access was available at balance date to the following lines of credit:</b>			
Bank Overdraft Facilities <sup>1</sup>		750	750
Credit Cards / Purchase Cards		62	62
<b>Total Financing Arrangements</b>		<b>812</b>	<b>812</b>

1. The Bank overdraft facility may be drawn at any time and may be terminated by the bank without notice.  
Interest rates on overdrafts are Interest Rates on Loans & 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 2008

## Note 12. Commitments for Expenditure

\$ '000	Notes	Actual 2008	Actual 2007
<b>(a) Capital Commitments (exclusive of GST)</b>			
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:			
<b>Infrastructure, Property, Plant &amp; Equipment</b>			
Buildings, Pools & Other Structures		10,090	13,082
Plant & Equipment		-	3,483
Flood Levy Construction		96	275
Infrastructure - Water		975	-
Infrastructure - Wastewater		713	-
<b>Total Commitments</b>		<b>11,874</b>	<b>16,840</b>
<b>These expenditures are payable as follows:</b>			
Within the next year		11,874	10,500
Later than one year and not later than 5 years		-	6,340
Later than 5 years		-	-
<b>Total Payable</b>		<b>11,874</b>	<b>16,840</b>
<b>Sources for Funding of Capital Commitments:</b>			
Unrestricted General Funds		4,051	4,933
Sect 64 & 94 Funds/Reserves		2,627	374
Internally Restricted Reserves		50	4,908
Unexpended Loans		5,146	6,625
<b>Total Sources of Funding</b>		<b>11,874</b>	<b>16,840</b>
<b>(b) Other Expenditure Commitments (exclusive of GST)</b>			
Other Non Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:			
Cleaning Services		231	231
Audit Services		215	42
Management Contracts for Council Facilities		370	831
Remediation of former Gasworks Site		78	78
Security Services		245	245
<b>Total Commitments</b>		<b>1,139</b>	<b>1,427</b>
<b>These expenditures are payable as follows:</b>			
Within the next year		827	976
Later than one year and not later than 5 years		312	451
Later than 5 years		-	-
<b>Total Payable</b>		<b>1,139</b>	<b>1,427</b>



## Lismore City Council

## Notes to the Financial Statements

for the financial year ended 30 June 2008

## Note 12. Commitments for Expenditure (continued)

\$ '000	Notes	Actual 2008	Actual 2007
<b>(c) Finance Lease Commitments</b>			
Nil			
<b>(d) Operating Lease Commitments (Non Cancellable)</b>			
<b>a. Commitments under Non Cancellable Operating Leases at the Reporting date, but not recognised as Liabilities are payable:</b>			
Within the next year		628	442
Later than one year and not later than 5 years		546	368
Later than 5 years		-	-
<b>Total Non Cancellable Operating Lease Commitments</b>		<b>1,174</b>	<b>810</b>

**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 2008

## Note 12. Commitments for Expenditure (continued)

\$ '000	Notes	Actual 2008	Actual 2007
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**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	368	507
Later than one year and not later than 5 years	482	838
Later than 5 years	-	-
<b>Total Payable</b>	<b>850</b>	<b>1,345</b>

**(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 2008

## Note 13. Statement of Performance Measurement

\$ '000	Amounts 2008	Indicator 2008	Prior Periods 2007    2006	
<b>1. Unrestricted Current Ratio</b>				
Current Assets less all External Restrictions <sup>(1)</sup>	<u>23,413</u>	2.04 : 1	2.57	3.20
Current Liabilities less Specific Purpose Liabilities <sup>(2,3)</sup>	<u>11,492</u>			
<b>2. Debt Service Ratio</b>				
Debt Service Cost	<u>3,221</u>	5.33%	4.54%	4.77%
Revenue from Continuing Operations excluding Capital Items & Specific Purpose Grants/Contributions	<u>60,410</u>			
<b>3. Rates &amp; Annual Charges Coverage Ratio</b>				
Rates & Annual Charges	<u>31,145</u>	42.68%	43.47%	47.70%
Revenue from Continuing Operations	<u>72,979</u>			
<b>4. Rates, Annual Charges, Interest &amp; Extra Charges Outstanding Percentage</b>				
Rates, Annual & Extra Charges Outstanding	<u>3,790</u>	10.89%	10.23%	9.75%
Rates, Annual & Extra Charges Collectible	<u>34,817</u>			
<b>5. Building &amp; Infrastructure Renewals Ratio</b>				
Asset Renewals <sup>(4)</sup>	<u>14,150</u>	109.38%	n/a	n/a
Depreciation, Amortisation & Impairment (Building & Infrastructure Assets)	<u>12,937</u>			

## Notes

<sup>(1)</sup> Refer Notes 6-8 inclusive.

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

<sup>(2)</sup> Refer to Note 10(a).

<sup>(3)</sup> Refer to Note 10(c) - excludes all ELE not expected to be paid in the next 12 months.

<sup>(4)</sup> Asset Renewals represents Capital Expenditure on the replacement, refurbishment or upgrade to an existing Asset/s.

## Lismore City Council

### Notes to the Financial Statements for the financial year ended 30 June 2008

#### Note 14. Investment Properties

\$ '000	Actual 2008	Actual 2007
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Council has not classified any Land or Buildings as "Investment Properties"

#### Note 15. Financial Risk Management

##### Risk Management

Council's activities expose it to a variety of financial risks including (i) price risk, (ii) credit risk, (iii) liquidity risk and (iv) 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	
	2008	2007	2008	2007
<b>Financial Assets</b>				
Cash and Cash Equivalents	7,255	19,963	7,255	19,963
Investments				
- "Designated At Fair Value on Initial Recognition"	23,614	13,772	23,614	13,772
Receivables	13,402	11,448	13,402	11,448
<b>Total Financial Assets</b>	<b>44,271</b>	<b>45,183</b>	<b>44,271</b>	<b>45,183</b>
<b>Financial Liabilities</b>				
Payables	11,478	8,120	11,426	8,120
Loans / Advances	32,162	25,162	33,558	25,356
<b>Total Financial Liabilities</b>	<b>43,640</b>	<b>33,282</b>	<b>44,984</b>	<b>33,476</b>

Fair Value is determined as follows:

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

## Lismore City Council

### Notes to the Financial Statements

for the financial year ended 30 June 2008

#### 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 it's Cash & Investments portfolio with the assistance of independent advisors.

Council has an Investment Policy which complies with the Local Government Act & Ministers Investment Order. This Policy is regularly reviewed by Council and it's staff and an Investment Report is tables 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 its 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
<b>2008</b>				
Impact of a 10% movement in Market Values	-	2,264	-	(2,264)
Impact of a 1% movement in Interest Rates	317	-	(319)	-
<b>2007</b>				
Impact of a 10% movement in Market Values	-	3,030	-	(3,030)
Impact of a 1% movement in Interest Rates	332	-	(329)	-

## Lismore City Council

### Notes to the Financial Statements for the financial year ended 30 June 2008

#### 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.

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:

	2008	2008	2007	2007
	Rates & Annual Charges	Other Receivables	Rates & Annual Charges	Other Receivables
<b>(i) Aging of Receivables</b>				
Current (not yet overdue)	883	8,085	810	6,951
Overdue	2,740	1,733	2,294	1,423
	<u>3,623</u>	<u>9,818</u>	<u>3,104</u>	<u>8,374</u>
<b>(ii) Movement in Provision for Impairment of Receivables</b>			2008	2007
Balance at the beginning of the year			30	30
+ new provisions recognised during the year			39	-
- previous impairment losses reversed			(30)	-
<b>Balance at the end of the year</b>			<u>39</u>	<u>30</u>

## Lismore City Council

Notes to the Financial Statements  
for the financial year ended 30 June 2008

## Note 15. Financial Risk Management (continued)

\$ '000

## (c) Payables &amp; 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 and 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		
<b>2008</b>									
Trade/Other Payables	1,326	-	-	-	-	-	-	1,326	11,478
Loans & Advances	-	1,838	1,884	1,917	2,012	2,061	23,993	33,705	32,162
<b>Total Financial Liabilities</b>	<b>1,326</b>	<b>1,838</b>	<b>1,884</b>	<b>1,917</b>	<b>2,012</b>	<b>2,061</b>	<b>23,993</b>	<b>35,031</b>	<b>43,640</b>
<b>2007</b>									
Trade/Other Payables	649	-	-	-	-	-	-	649	8,120
Loans & Advances	-	1,520	1,538	1,550	1,564	1,635	17,355	25,162	25,162
<b>Total Financial Liabilities</b>	<b>649</b>	<b>1,520</b>	<b>1,538</b>	<b>1,550</b>	<b>1,564</b>	<b>1,635</b>	<b>17,355</b>	<b>25,811</b>	<b>33,282</b>

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:

	2008		2007	
	Carrying Value	Average Interest Rate	Carrying Value	Average Interest Rate
Trade/Other Payables	11,478	0.0%	8,120	0.0%
Loans & Advances - Fixed Interest Rate	32,162	6.7%	25,162	6.4%
	<u>43,640</u>		<u>33,282</u>	

## Lismore City Council

Notes to the Financial Statements  
for the financial year ended 30 June 2008

## Note 16. Material Budget Variations

\$ '000

Council's Original Financial Budget for 07/08 was incorporated as part of its Management Plan and was adopted by the Council on 21 June 2007.

While the Income Statement included in this General Purpose Financial Report must disclose the Original Budget adopted by Council, the Local Government Act permits Council to review its Financial Budget on a Quarterly Basis, so that it is able to manage the various movements in 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	2008 Budget	2008 Actual	2008 Variance*		
<b>REVENUES</b>					
<b>Rates &amp; Annual Charges</b>	<b>30,777</b>	<b>31,145</b>	<b>368</b>	1.2%	<b>F</b>
<b>User Charges &amp; Fees</b>	<b>16,812</b>	<b>21,746</b>	<b>4,934</b>	29%	<b>F</b>
Additional revenue in relation to Ordered Works - RTA \$3.655 million, conversion of lease reserves on roads miscellaneous private works \$255k, building service income \$135, funds in relation bridge works performed \$115k, revenue from waste water service \$284k.					
<b>Interest &amp; Investment Revenue</b>	<b>2,753</b>	<b>(905)</b>	<b>(3,658)</b>	(133%)	<b>U</b>
Includes market revaluation of investments of \$3.2million to market value, and also reduction in original interest due to delayed loan borrowing program and subsequent use of Council cash reserves to facilitate capital project program. This delayed borrowing reduced interest payable on loans.					
<b>Other Revenues</b>	<b>290</b>	<b>1,570</b>	<b>1,280</b>	441%	<b>F</b>
Includes insurance refunds for storm damage \$580k Recycling revenues from sales of metal and scrap greater than budgeted \$260k Parking fines classified as user charges in original budgets \$106					
<b>Operating Grants &amp; Contributions</b>	<b>9,070</b>	<b>10,928</b>	<b>1,858</b>	20%	<b>F</b>
Includes contribution from RTA in relation to Storm and Flood damage in 2007/08 of \$1.9million this was not budgeted for.					
<b>Capital Grants &amp; Contributions</b>	<b>6,992</b>	<b>7,590</b>	<b>598</b>	9%	<b>F</b>
<b>Net Gains from Disposal of Assets</b>	<b>3,237</b>	<b>-</b>	<b>(3,237)</b>	(100%)	<b>U</b>
Original vote included budget for sale of land, expected to be finalised in 2009.					
<b>Share of Net Profits - Joint Ventures &amp; Associates</b>	<b>-</b>	<b>-</b>	<b>-</b>	0%	<b>F</b>



## Lismore City Council

## Notes to the Financial Statements

for the financial year ended 30 June 2008

## Note 16. Material Budget Variations (continued)

\$ '000	2008 Budget	2008 Actual	2008 Variance*		
<b>EXPENSES</b>					
<b>Employee Benefits &amp; On-Costs</b>	15,430	18,599	(3,169)	(21%)	<b>U</b>
Salary and wages higher than original vote due to higher superannuation and associated employee oncosts. Wages and salaries in original vote were incorrectly estimated, the operating surplus of Council still within the proposed estimates only th categorisation between materials and contract and employee benefits					
<b>Borrowing Costs</b>	2,054	1,826	228	11%	<b>F</b>
Delayed loan borrowing program and subsequent use of Council cash reserves to facilitate capital project program, his delayed borrowing reduced interest payable on loans.					
<b>Materials &amp; Contracts</b>	25,386	30,968	(5,582)	(22%)	<b>U</b>
The was increased works associated with flood damage in 2008, increased ordered works with RTA, new quarry being brought on line and additional Increase costs in building repairs associated with Storm damage and hail storm in 2008					
<b>Depreciation &amp; Amortisation</b>	10,445	15,652	(5,207)	(50%)	<b>U</b>
Reflective of new fair value of Wastewater, and Water network assets. This were brought to account at fair value in 2007 with depreciation on new values brought to account in 2008.					
<b>Impairment Expenses</b>	-	-	-	0%	<b>F</b>
<b>Other Expenses</b>	4,806	4,924	(118)	(2%)	<b>U</b>
<b>Net Losses from Disposal of Assets</b>	-	557	(557)	0%	<b>U</b>
Original vote included a profit on sale of assets, due to inclusion of fair value of assets in Water and Wastewater and adjustments on disposal Council incurred an overall loss					
<b>Share of Net Losses - Joint Ventures &amp; Associates</b>	-	-	-	0%	<b>F</b>
<b>Operating Result from Discontinued Operations</b>	-	-	-	0%	<b>F</b>

## Lismore City Council

Notes to the Financial Statements  
for the financial year ended 30 June 2008

## Note 17. Statement of Developer Contributions

\$ '000

Under Section 94 & Section 94A of the Environmental Planning and Assessment Act 1979, a Council may require (i) the payment of a monetary contribution or dedication of land or (ii) a % levy on the value of development, in relation to development works that are subject to a development consent issued by Council.

These developer contributions (under S94) or developer levies (under S94A) must be spent specifically for the purpose they were levied and any interest applicable to unspent funds must be attributed to the funds and also spent in accordance with the purpose levied.

As well, Council may under Section 93F enter into a Planning Agreement with Developers under which the developer is required to either dedicate land free of cost, pay a monetary contribution, or provide any other material public benefit (or any combination of the three) to be used for or applied towards a public purpose.

S94F funds are also required to be spent on the public purposes nominated within each individual Planning Agreement.

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 use by their nature and must be spent for the specific purposes raised.

## SUMMARY OF CONTRIBUTIONS &amp; LEVIES

PURPOSE	Opening Balance	Received during Year		Interest earned in Yr	Exp. during Yr	Internal Borrowing (to)/from	Held as Restricted Asset	Projections		
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding
Rec. & Community Facilities	2,458	186	-	(620)	(2)	-	2,022	2,186	(2,223)	1,985
Car Parking	32	-	-	(4)	-	-	28	64	(93)	(1)
Strategic Urban Roads	1,859	273	-	(180)	(102)	-	1,850	14,827	(21,726)	(5,049)
Rural Fire Services	76	8	-	(9)	-	-	75	74	(53)	96
Footpaths/Cycleways	156	18	-	(17)	-	-	157	228	(298)	87
S.E.S.	29	5	-	(3)	-	-	31	65	(45)	51
Nimbin Traffic Mgmt	1	1	-	-	-	-	2	3	(29)	(24)
Rural Roads	1,365	331	-	(106)	(568)	-	1,022	1,534	(2,556)	-
<b>S94 Contributions - under a Plan</b>	<b>5,976</b>	<b>822</b>	<b>-</b>	<b>(939)</b>	<b>(672)</b>	<b>-</b>	<b>5,187</b>	<b>18,981</b>	<b>(27,023)</b>	<b>(2,855)</b>
<b>Total S94 Revenue Under Plans</b>	<b>5,976</b>	<b>822</b>	<b>-</b>	<b>(939)</b>	<b>(672)</b>	<b>-</b>	<b>5,187</b>	<b>18,981</b>	<b>(27,023)</b>	<b>(2,855)</b>
S94 not under Plans	13	-	-	-	-	-	13	-	-	13
S64 Contributions	8,154	591	-	374	(2,167)	-	6,952	-	-	6,952
<b>Total Contributions</b>	<b>14,143</b>	<b>1,413</b>	<b>-</b>	<b>(565)</b>	<b>(2,839)</b>	<b>-</b>	<b>12,152</b>	<b>18,981</b>	<b>(27,023)</b>	<b>4,110</b>

## Lismore City Council

Notes to the Financial Statements  
for the financial year ended 30 June 2008

## Note 17. Statement of Developer Contributions (continued)

\$ '000

**S94 CONTRIBUTIONS - UNDER A PLAN**

Contribution Plan Number 1 - Recreation & Community Facilities							Projections			
PURPOSE	Opening Balance	Received during Year		Interest earned in Yr	Exp. during Yr	Internal Borrowing (to)/from	Held as Restricted Asset	Future income	Exp still outstanding	Over or (under) Funding
		Cash	Non Cash							
<b>City Wide</b>	432	70		(58)	-		444	676	(945)	175
<b>Local:</b>										
- Urban Catchment (East)	1,493	68		(484)	-		1,077	1,063	(715)	1,425
Urban Catchment (West)	-	2		-	(2)		-	31		31
- Nimbin & District	-	4		-	-		4	16	(20)	-
- The Channon & District	1	-		-			1		(9)	(8)
- North East	9	6		(2)	-		13	18	(24)	7
- Clunes/Bexhill/Eltham	63	1		(7)	-		57	12	(55)	14
- South West	9	-		(2)	-		7	6	(23)	(10)
- South East	3	-		-	-		3	2	(8)	(3)
<b>Street Trees:</b>										
- Residential	217	14		(26)	-		205	143	(269)	79
- Industrial/Commercial	16	1		(2)	-		15	18	(40)	(7)
<b>Urban Bushland</b>	215	20		(39)	-		196	201	(115)	282
<b>Total</b>	<b>2,458</b>	<b>186</b>	<b>-</b>	<b>(620)</b>	<b>(2)</b>	<b>-</b>	<b>2,022</b>	<b>2,186</b>	<b>(2,223)</b>	<b>1,985</b>

Contribution Plan Number 2 - Car Parking							Projections			
PURPOSE	Opening Balance	Received during Year		Interest earned in Yr	Exp. during Yr	Internal Borrowing (to)/from	Held as Restricted Asset	Future income	Exp still outstanding	Over or (under) Funding
		Cash	Non Cash							
Lismore CBD	32	1		(4)	-		29	64	(93)	-
<b>Total</b>	<b>32</b>	<b>1</b>	<b>-</b>	<b>(4)</b>	<b>-</b>	<b>-</b>	<b>29</b>	<b>64</b>	<b>(93)</b>	<b>-</b>

Contribution Plan Number 3 - Strategic Urban Roads							Projections			
PURPOSE	Opening Balance	Received during Year		Interest earned in Yr	Exp. during Yr	Internal Borrowing (to)/from	Held as Restricted Asset	Future income	Exp still outstanding	Over or (under) Funding
		Cash	Non Cash							
Residential/Commercial/Industrial	1,859	273		(180)	(102)		1,850	14,827	(21,726)	(5,049)
<b>Total</b>	<b>1,859</b>	<b>273</b>	<b>-</b>	<b>(180)</b>	<b>(102)</b>	<b>-</b>	<b>1,850</b>	<b>14,827</b>	<b>(21,726)</b>	<b>(5,049)</b>

Contribution Plan Number 4 - Rural Fire Services							Projections			
PURPOSE	Opening Balance	Received during Year		Interest earned in Yr	Exp. during Yr	Internal Borrowing (to)/from	Held as Restricted Asset	Future income	Exp still outstanding	Over or (under) Funding
		Cash	Non Cash							
All areas	76	8		(9)	-		75	74	(53)	96
<b>Total</b>	<b>76</b>	<b>8</b>	<b>-</b>	<b>(9)</b>	<b>-</b>	<b>-</b>	<b>75</b>	<b>74</b>	<b>(53)</b>	<b>96</b>

## Lismore City Council

Notes to the Financial Statements  
for the financial year ended 30 June 2008

## Note 17. Statement of Developer Contributions (continued)

\$ '000

Contribution Plan Number 5 - Footpaths/Cycleways							Projections			
PURPOSE	Opening Balance	Received during Year		Interest earned in Yr	Exp. during Yr	Internal Borrowing (to)/from	Held as Restricted Asset	Future income	Exp still outstanding	Over or (under) Funding
		Cash	Non Cash							
Urban Area							-			-
Trunk	49	13		(6)	-		56	98	(68)	86
Internal	106	5		(11)	-		100	130	(230)	0
<b>Total</b>	<b>156</b>	<b>18</b>	<b>-</b>	<b>(17)</b>	<b>-</b>	<b>-</b>	<b>157</b>	<b>228</b>	<b>(298)</b>	<b>87</b>

Contribution Plan Number 6 - S.E.S.							Projections			
PURPOSE	Opening Balance	Received during Year		Interest earned in Yr	Exp. during Yr	Internal Borrowing (to)/from	Held as Restricted Asset	Future income	Exp still outstanding	Over or (under) Funding
		Cash	Non Cash							
All areas	29	5		(3)	-		31	65	(45)	51
<b>Total</b>	<b>29</b>	<b>5</b>	<b>-</b>	<b>(3)</b>	<b>-</b>	<b>-</b>	<b>31</b>	<b>65</b>	<b>(45)</b>	<b>51</b>

Contribution Plan Number 7 - Nimbin Traffic Management							Projections			
PURPOSE	Opening Balance	Received during Year		Interest earned in Yr	Exp. during Yr	Internal Borrowing (to)/from	Held as Restricted Asset	Future income	Exp still outstanding	Over or (under) Funding
		Cash	Non Cash							
Residential/Commercial/Industrial	1	1		-			2	3	(29)	(24)
<b>Total</b>	<b>1</b>	<b>1</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2</b>	<b>3</b>	<b>(29)</b>	<b>(24)</b>

Contribution Plan Number 8 - Rural Roads							Projections			
PURPOSE	Opening Balance	Received during Year		Interest earned in Yr	Exp. during Yr	Internal Borrowing (to)/from	Held as Restricted Asset	Future income	Exp still outstanding	Over or (under) Funding
		Cash	Non Cash							
Rural	1,235	305		(89)	(568)		883	1,460	(2,343)	-
Village Rural Roads	130	26		(17)	-		139	74	(213)	-
<b>Total</b>	<b>1,365</b>	<b>331</b>	<b>-</b>	<b>(106)</b>	<b>(568)</b>	<b>-</b>	<b>1,022</b>	<b>1,534</b>	<b>(2,556)</b>	<b>-</b>

## S94 CONTRIBUTIONS - NOT UNDER A PLAN

							Projections			
PURPOSE	Opening Balance	Received during Year		Interest earned in Yr	Exp. during Yr	Internal Borrowing (to)/from	Held as Restricted Asset	Future income	Exp still outstanding	Over or (under) Funding
		Cash	Non Cash							
Drainage	13						13			13
<b>Total</b>	<b>13</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>13</b>	<b>-</b>	<b>-</b>	<b>13</b>

## Lismore City Council

Notes to the Financial Statements  
for the financial year ended 30 June 2008

## Note 17. Statement of Developer Contributions (continued)

\$ '000

**S64 Contributions**

## Contribution Plan Number 10 - Section 64

PURPOSE	Opening Balance	Received during Year		Interest earned in Yr	Exp. during Yr	Internal Borrowing (to)/from	Held as Restricted Asset	Projections		
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding
<b>Water Supplies:</b>										
- Urban Reservoir	1,842	103		51	(1,784)		212	970	(1,182)	-
- Dunoon etc	660	145		45	(500)		350	403	(753)	-
- Clunes	305	-		23			328	156	(484)	-
- Nimbin & District	79	23		7			109	169	(278)	-
- Caniaba	(37)	-		-			(37)	201	(164)	-
<b>sub total</b>	<b>2,849</b>	<b>271</b>	<b>-</b>	<b>126</b>	<b>(2,284)</b>	<b>-</b>	<b>962</b>	<b>1,899</b>	<b>(2,861)</b>	<b>-</b>
<b>Sewer Supplies:</b>										
- Lismore	5,106	284		352			5,742	2,990	(8,732)	-
- Nimbin	199	36		13			248	448	(696)	-
<b>sub total</b>	<b>5,305</b>	<b>320</b>	<b>-</b>	<b>365</b>	<b>-</b>	<b>-</b>	<b>5,990</b>	<b>3,438</b>	<b>(9,428)</b>	<b>-</b>
<b>Total</b>	<b>8,154</b>	<b>591</b>	<b>-</b>	<b>491</b>	<b>(2,284)</b>	<b>-</b>	<b>6,952</b>	<b>5,337</b>	<b>(12,289)</b>	<b>-</b>

## Lismore City Council

### Notes to the Financial Statements for the financial year ended 30 June 2008

#### 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) 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.

###### (ii) 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.

###### StateCover Limited (Continued)

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

###### (iii) 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.

###### (iv) Other Guarantees

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

##### 2. Other Liabilities

###### (i). Gasworks Site

Council has a voluntary agreement with the Dept. of Environment and Conservation (DEC) for the Gasworks site.

Contractors were contracted in 1999 to undertake the works. In 2005 Council repudiated the Contract due to the contractors inability to provide a validation report. The DEC issued an order on the contractor to produce the validation report & they have since complied.

At balance date, approximately \$78,000 is payable to the contractor for works completed and an independent environmental audit is yet to commence

###### (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.

## Lismore City Council

### Notes to the Financial Statements for the financial year ended 30 June 2008

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

\$ '000

##### LIABILITIES NOT RECOGNISED: (continued)

##### 2. Other Liabilities (continued)

##### (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 94/94A Contributions upon various development across the Council area through the required Contributions Plans.

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

As well, these Plans indicate proposed future expenditure to be undertaken by Council, which will be funded by making levies and receipting funds in future years.

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

##### ASSETS NOT RECOGNISED:

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

Council participates in an employer sponsored Defined Benefit superannuation Scheme, and makes contributions as determined by the Superannuations Trustees.

The Local Government Superannuation Scheme however, has advised that it is unable to provide Council with an accurate estimate of its share of the Defined Benefit Schemes assets and liabilities in accordance with AASB 119.

The Schemes most recent full actuarial review indicated that the Net Assets of the Scheme were more than sufficient to meet the accrued benefits of the Schemes defined benefit member category.

Council has not recorded any asset in these Financial Reports to represent any future economic benefit relating to the Scheme's Financial Position, nor has it recorded any movements in the Schemes Financial Position in these Accounts.

Accordingly, contributions made to the defined benefit scheme are recognised as an expense when they become payable - similar to accounting for a defined contributions plan.

##### (ii) Land Under Roads

As permitted under AASB 1045 and in accordance with DLG recommendations, Council has not brought to account in these Reports the value of Land Under Roads.

This is due to the divergence of opinion as to what value should be ascribed to such assets.

At present, the transitional period for deferral of recognition ends on 1 July, 2008.

## Lismore City Council

### Notes to the Financial Statements for the financial year ended 30 June 2008

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

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\$ '000

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##### **ASSETS NOT RECOGNISED:**

##### **(iii) 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.

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.



## Lismore City Council

### Notes to the Financial Statements for the financial year ended 30 June 2008

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

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\$ '000

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

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##### **Subsidiaries**

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

**Note 19(a)**

##### **Associated Entities & Joint Venture Entities**

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

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

##### **Joint Venture Operations**

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

**Note 19(c)**

##### **Subsidiaries, Associated Entities and Joint Ventures Not Recognised**

**Note 19(d)**

## Lismore City Council

Notes to the Financial Statements  
for the financial year ended 30 June 2008Note 19. Controlled Entities, Associated Entities &  
Interests in Joint Ventures (Continued)

\$ '000

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

Council has no interest in any Subsidiaries.

## 19(b) Associated Entities &amp; Joint Venture Entities

Council has no interest in any Associated Entities &amp; Joint Venture Entities.

## 19(c) Joint Venture Operations

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

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

## (b) Council Assets employed in the Joint Venture Operation

	2008	2007
<b>1. North East Weight of Loads Group:</b>		
<b>Councils share of assets jointly owned with other partners</b>		
Current Assets	36	36
Current Liabilities	(14)	(12)
Property, Plant & Equipment	16	10
<b>Total Assets - Council &amp; Jointly Owned</b>	<b>38</b>	<b>34</b>
<b>2. Blue Hills Residential Estate:</b>		
<b>Councils own assets employed in the Operation</b>		
<b>Current Assets:</b>		
Receivables	12	12
Other Assets	16	16
<b>Non-Current Assets</b>		
Other Assets	12	12
<b>Total Assets - Council Owned</b>	<b>40</b>	<b>40</b>
<b>Total Net Assets Employed - Council &amp; Jointly Owned</b>	<b>40</b>	<b>40</b>

## Lismore City Council

Notes to the Financial Statements  
for the financial year ended 30 June 2008

## Note 20. Equity - Retained Earnings and Revaluation Reserves

\$ '000	Notes	Actual 2008	Actual 2007
<b>a. Retained Earnings</b>			
<b>Movements in Retained Earnings were as follows:</b>			
Balance at beginning of Year (from previous years audited accounts)		454,757	449,475
a. Correction of Prior Period Errors		-	(5,515)
b. Changes in Accounting Policies (Prior Period Effects)		-	-
c. Current Year Income & Expenses Recognised direct to Equity excluding direct to Reserves transactions		-	-
d. Net Operating Result for the Year		(452)	10,797
e. Distributions to/(Contributions from) Minority Interests		-	-
f. Transfers between Equity		-	-
<b>Balance at End of the Reporting Period</b>		<u><u>454,305</u></u>	<u><u>454,757</u></u>
<b>b. Reserves</b>			
<b>(i) Reserves are represented by:</b>			
- Infrastructure, Property, Plant & Equipment Reserve		<u>188,799</u>	<u>151,969</u>
<b>Total</b>		<u><u>188,799</u></u>	<u><u>151,969</u></u>
<b>(ii). Reconciliation of movements in Reserves:</b>			
<b>Infrastructure, Property, Plant &amp; Equipment Reserve</b>			
- Opening Balance		151,969	-
- Revaluations for the year	9(a)	<u>36,830</u>	<u>151,969</u>
<b>- Balance at End of Year</b>		<u><u>188,799</u></u>	<u><u>151,969</u></u>
<b>TOTAL VALUE OF RESERVES</b>		<u><u>188,799</u></u>	<u><u>151,969</u></u>

**(iii). Nature & Purpose of Reserves****Infrastructure, Property, Plant & Equipment Revaluation Reserve**

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

## Lismore City Council

### Notes to the Financial Statements for the financial year ended 30 June 2008

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

\$ '000	Notes	Actual 2008	Actual 2007
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#### c. Correction of Error/s relating to a Previous Reporting Period

Council revalued it's Water & Sewer Infrastructure for the 06/07 YE.

This reassessment resulted in a material difference as to where some assets actually sat in with respect to their asset life cycle relative to what the value of accumulated depreciation in Council's Financial Reports had previously indicated.

Council did not have sufficient and reliable information that would allow the restatement of information prior to 30/6/06 (the closing date for the comparative figures in last year's report).

As a result, Council adjusted the accumulated depreciation for the Asset Classes below as at 30/6/06 to reflect the correct value of accumulated depreciation;

- Water & Sewer Infrastructure	(5,515)
(increase)/decrease to accumulated depreciation	

This adjustment resulted in a net (decrease) in Council's Accumulated Surplus as at 30/6/06.

#### 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 2008

#### Note 21. 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	
		2008	2007
Quarry Operations	2026	1,353	977
Tip Operations	2012	2,197	717
<b>Balance at End of the Reporting Period</b>	10	<b>3,550</b>	<b>1,694</b>

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 and
- anticipated remediation works based upon EPA guidelines.

#### Reconciliation of movement in Provision for year:

Balance at beginning of year	1,694	2,018
Amounts capitalised to new or existing assets:		
- Quarry Operations	(78)	-
- Tip Operations	1,175	-
Effect of a change in discount rates used in PV calculations	(63)	(268)
Effect of a revision regarding the Effective Life of the Operations	-	(155)
Effect of a change in other calculation estimates used	716	-
Amortisation of discount (expensed to borrowing costs)	106	99
Expenditure incurred attributable to Provisions	-	-
<b>Total - Reinstatement, rehabilitation and restoration provision</b>	<b>3,550</b>	<b>1,694</b>

#### 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

Notes to the Financial Statements  
for the financial year ended 30 June 2008

## Note 22. Non Current Assets/Liabilities classified as "Held for Sale"

\$ '000	2008		2007	
	Current	Non Current	Current	Non Current

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

## Lismore City Council

### Notes to the Financial Statements

for the financial year ended 30 June 2008

#### Note 23. Events occurring after Balance Sheet Date

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Events that occur after the reporting date of 30 June, 2008, up to and including the date when the financial report is “authorised for issue” have been taken into account in preparing this financial report.

Council has adopted the date of receipt of the Auditors’ Report as the appropriate “authorised for issue” date relating to this General Purpose Financial Report.

Accordingly, the ‘authorised for issue’ date is 21/10/08.

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 reports (and the figures therein) incorporate all “adjusting events” that provided evidence of conditions that existed at 30 June, 2008.

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

These financial reports (and figures therein) do not incorporate any “non adjusting events” that have occurred after 30 June, 2008 and which are only indicative of conditions that arose after 30 June, 2008. Subsequent to balance date there has been a deterioration in the fair value of Council’s investment securities arising from the financial credit crisis. As at 30 September, 2008 the value of Council’s investment portfolio is estimated to have fallen, after considering redemptions and new investments, by \$910,826 to \$32,608,373.

Council has adopted a hold to maturity approach in an effort to minimize any realised capital losses on investments.

## Lismore City Council

Notes to the Financial Statements  
for the financial year ended 30 June 2008

## Note 24. Discontinued Operations

\$ '000	Actual 2008	Actual 2007
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Council has not classify any of its Operations as "Discontinued".

## Note 25. Intangible Assets

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

	Actual 2008 Carrying Amount	Actual 2007 Carrying Amount
<b>Intangible Assets are as follows;</b>		
<b>Opening Values:</b>		
Gross Book Value (1/7)	1,022	-
Accumulated Amortisation & Impairment	-	-
<b>Net Book Value - Opening Balance</b>	<b>1,022</b>	<b>-</b>
<b>Movements for the year</b>		
- Purchases	-	1,022
- Amortisation charges	(102)	-
<b>Closing Values:</b>		
Gross Book Value (30/6)	1,022	1,022
Accumulated Amortisation & Impairment	(102)	-
<b><u>TOTAL INTANGIBLE ASSETS - NET BOOK VALUE</u></b>	<b><u>920</u></b>	<b><u>1,022</u></b>

<sup>1</sup> The Net Book Value of Intangible Assets represent:

- Software	920	1,022
	<b>920</b>	<b>1,022</b>



# Lismore City Council

SPECIAL PURPOSE FINANCIAL REPORTS  
for the year ended 30 June 2008

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



## Lismore City Council

### Special Purpose Financial Reports for the financial year ended 30 June 2008

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#### Background

(i) These Special Purpose Financial Reports have been prepared for the use by both Council and the Department 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 reports 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).

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

**Report on the Financial Report**

We have audited the accompanying special purpose financial report of Lismore City Council (the Council), which comprises the balance sheet as at 30 June 2008, the income statement for the year then ended, a summary of significant accounting policies, other explanatory notes and the statement by Councillors' and Management.

**Councils' Responsibility for the Financial Report**

The Council is responsible for the preparation and fair presentation of the financial report in accordance with the Local Government Act 1993 and has determined that the accounting policies described in note 1 to the financial statements, which form part of the financial report, are appropriate to meet the financial reporting requirements of Department of Local Government. The Council's responsibility also includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

**Auditor's Responsibility**

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement. Our audit responsibility does not extend to the best practice management disclosures in note 2 and note 3, and accordingly, we do not express an opinion on such.

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

The financial report has been prepared for distribution to the Council and the Department of Local Government for the purpose of fulfilling the requirements of National Competition Policy reporting. We disclaim any assumption of responsibility for any reliance on this report or on the financial report to which it relates to any person other than the Council or the Department of Local Government, or for any purpose other than that for which it was prepared. Our audit did not include an analysis of the prudence of business decisions made by Council or management.

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

**Independence**

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



### **Qualified Audit Opinion**

In our opinion, except for the effects on the financial statements of the matter referred to in the paragraph below titled Basis for Qualified Auditor's Opinion, the special purpose financial report of Lismore City Council:

- (a) has been prepared in accordance with the requirements of those applicable Accounting Standards detailed in note 1 and the Local Government Code of Accounting Practice and Financial Reporting;
- (b) is consistent with the Council's accounting records; and
- (c) presents fairly, in all material respects, the financial position of Council's nominated Business Activities and the results of their operations.

### **Basis for Qualified Auditor's Opinion**

Since July 2007, global financial markets have experienced a period of high volatility led by events in the US housing market, particularly sub prime loans, which has impacted the value, recoverability, liquidity, cash flows and rates of return of many financial assets including, but not limited to Collateralised Debt Obligations (CDOs), Equity Linked Notes (ELNs) and certain other Managed Funds.

At 30 June 2008, Lismore City Council's investment securities totalling \$23.614 million which included securities that have been impacted by this market volatility. The impact on individual securities varies depending on their degree of exposure to affected markets.

At balance date Council's investment portfolio included CDO securities totalling \$5.195 million. A proportion of these investments are held by Council's business activities. Many of these securities do not have market values that are independently quoted and they are not widely traded.

Independent market valuations are not readily available and in many cases, values are assessed based on estimates from issuers and/or valuation models for which there is limited market evidence available to verify their reasonableness. Further, the ongoing volatility of financial markets creates greater uncertainty to the valuation process and determination of future cash flows that can be attributed to these securities.

These circumstances have resulted in our inability to obtain sufficient and appropriate audit evidence to satisfy ourselves as to the fair value and recoverability of at least \$5.195 million of Council's total investment securities.

Lismore, 23 October 2008

**THOMAS NOBLE & RUSSELL  
CHARTERED ACCOUNTANTS**

D H SINGH (Partner)  
Registered Company Auditor

# Lismore City Council

## Special Purpose Financial Reports

for the financial year ended 30 June 2008

### Statement by Councillors and Management

made pursuant to the Local Government Code of Accounting Practice and Financial Reporting

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


- The NSW Government Policy Statement "Application of National Competition Policy to Local Government"
- The Department 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 Department of Water and Energy Best-Practice Management of Water and Sewerage Guidelines.

**To the best of our knowledge and belief, these Reports:**

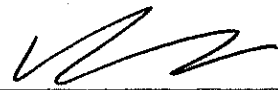
- Present fairly the Operating Result and Financial Position for each of Council's declared Business Activities for the year, and
- Accord with Council's accounting and other records.

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

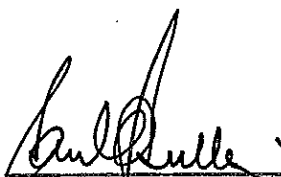
**Signed in accordance with a resolution of Council made on 21 October 2008.**



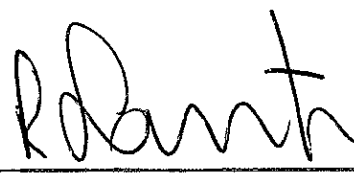
Jenny Dowell  
MAYOR



Vanessa Grindon-Ekins  
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 2008

\$ '000	Actual 2008	Actual 2007	Actual 2006
<b>Income from continuing operations</b>			
Access charges	1,339	1,459	1,410
User charges	4,236	3,717	3,503
Fees	-	-	-
Interest	49	222	223
Grants and contributions provided for non capital purposes	113	119	144
Profit from the sale of assets	-	-	-
Other income	-	143	107
<b>Total income from continuing operations</b>	<b>5,737</b>	<b>5,660</b>	<b>5,387</b>
<b>Expenses from continuing operations</b>			
Employee benefits and on-costs	1,153	894	885
Borrowing costs	1	6	13
Materials and contracts	1,510	1,284	957
Depreciation and impairment	2,331	625	1,060
Water purchase charges	2,667	2,190	2,185
Loss on sale of assets	470	58	29
Calculated taxation equivalents	8	8	-
Debt guarantee fee (if applicable)	-	4	1
Other expenses	62	55	48
<b>Total expenses from continuing operations</b>	<b>8,202</b>	<b>5,124</b>	<b>5,178</b>
<b>Surplus (deficit) from Continuing Operations before capital amounts</b>	<b>(2,465)</b>	<b>536</b>	<b>209</b>
Grants and contributions provided for capital purposes	838	212	2,019
<b>Surplus (deficit) from Continuing Operations after capital amounts</b>	<b>(1,627)</b>	<b>748</b>	<b>2,228</b>
Surplus (deficit) from Discontinued Operations	-	-	-
<b>Surplus (deficit) from ALL Operations before tax</b>	<b>(1,627)</b>	<b>748</b>	<b>2,228</b>
less: Corporate Taxation Equivalent (30%) [based on result before capital]	-	(161)	(63)
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>(1,627)</b>	<b>587</b>	<b>2,165</b>
plus Opening Retained Profits	30,389	35,295	33,265
plus/less: Prior Period Adjustments (re-assessment of I,PP&E useful lives)	-	(5,466)	-
plus Adjustments for amounts unpaid:			
- Taxation equivalent payments	8	8	-
- Debt guarantee fees	-	4	1
- Corporate taxation equivalent	-	161	63
less:			
- Tax Equivalent Dividend paid	(8)	(8)	-
- Surplus dividend paid	-	(192)	(199)
<b>Closing Retained Profits</b>	<b>28,762</b>	<b>30,389</b>	<b>35,295</b>
<b>Return on Capital %</b>	<b>-3.3%</b>	<b>0.8%</b>	<b>0.7%</b>
<b>Subsidy from Council</b>	<b>7,243</b>	<b>3,829</b>	<b>-</b>
<b>Calculation of dividend payable:</b>			
Surplus (deficit) after tax	(1,627)	587	2,165
less: Capital grants and contributions (excluding developer contributions)	(838)	(116)	(2,019)
<b>Surplus for dividend calculation purposes</b>	<b>-</b>	<b>471</b>	<b>146</b>
<b>Potential Dividend calculated from surplus</b>	<b>-</b>	<b>236</b>	<b>73</b>

## Lismore City Council

Income Statement of Council's Sewerage Business Activity  
for the financial year ended 30 June 2008

\$ '000	Actual 2008	Actual 2007	Actual 2006
<b>Income from continuing operations</b>			
Access charges	6,160	5,923	5,638
User charges	483	374	244
Liquid Trade Waste Charges	-	-	-
Fees	-	-	-
Interest	(574)	765	502
Grants and contributions provided for non capital purposes	121	118	119
Profit from the sale of assets	-	2	2
Other income	-	14	-
<b>Total income from continuing operations</b>	<b>6,190</b>	<b>7,196</b>	<b>6,505</b>
<b>Expenses from continuing operations</b>			
Employee benefits and on-costs	1,470	1,345	1,291
Borrowing costs	21	5	17
Materials and contracts	3,049	2,434	2,110
Depreciation and impairment	5,542	1,651	1,646
Loss on sale of assets	161	14	53
Calculated taxation equivalents	21	19	-
Debt guarantee fee (if applicable)	-	3	1
Other expenses	282	267	261
<b>Total expenses from continuing operations</b>	<b>10,546</b>	<b>5,738</b>	<b>5,379</b>
<b>Surplus (deficit) from Continuing Operations before capital amounts</b>	<b>(4,356)</b>	<b>1,458</b>	<b>1,126</b>
Grants and contributions provided for capital purposes	2,071	768	1,793
<b>Surplus (deficit) from Continuing Operations after capital amounts</b>	<b>(2,285)</b>	<b>2,226</b>	<b>2,919</b>
Surplus (deficit) from discontinued operations	-	-	-
<b>Surplus (deficit) from ALL Operations before tax</b>	<b>(2,285)</b>	<b>2,226</b>	<b>2,919</b>
less: Corporate Taxation Equivalent (30%) [based on result before capital]	-	(437)	(338)
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>(2,285)</b>	<b>1,789</b>	<b>2,581</b>
plus Opening Retained Profits	69,326	67,160	64,273
plus/less: Prior Period Adjustments	-	(49)	-
adjustments for amounts unpaid:			
- Taxation equivalent payments	21	19	-
- Debt guarantee fees	-	3	1
- Corporate taxation equivalent	-	437	338
less:			
- Tax Equivalent Dividend paid	(21)	(19)	-
- Surplus dividend paid	-	(14)	(33)
<b>Closing Retained Profits</b>	<b>67,041</b>	<b>69,326</b>	<b>67,160</b>
<b>Return on Capital %</b>	<b>-2.5%</b>	<b>0.9%</b>	<b>2.0%</b>
<b>Subsidy from Council</b>	<b>15,597</b>	<b>8,913</b>	<b>-</b>
<b>Calculation of dividend payable:</b>			
Surplus (deficit) after tax	(2,285)	1,789	2,581
less: Capital grants and contributions (excluding developer contributions)	(2,071)	(390)	(1,793)
<b>Surplus for dividend calculation purposes</b>	<b>-</b>	<b>1,399</b>	<b>788</b>
<b>Potential Dividend calculated from surplus</b>	<b>-</b>	<b>699</b>	<b>394</b>

## Lismore City Council

## Income Statement of Council's Other Business Activities

for the financial year ended 30 June 2008

\$ '000	Quarry		Waste Collection	
	Actual 2008	Actual 2007	Actual 2008	Actual 2007
<b>Income from continuing operations</b>				
Access charges	-	-	384	333
User charges	8,723	8,369	2,301	2,140
Fees	-	-	-	-
Interest	39	57	(106)	2
Grants and contributions provided for non capital purposes	98	-	78	65
Profit from the sale of assets	-	-	-	-
Other income	29	-	-	-
<b>Total income from continuing operations</b>	<b>8,889</b>	<b>8,426</b>	<b>2,657</b>	<b>2,540</b>
<b>Expenses from continuing operations</b>				
Employee benefits and on-costs	879	792	569	582
Borrowing costs	185	76	55	10
Materials and contracts	7,860	6,912	1,950	1,736
Depreciation and impairment	123	103	-	-
Loss on sale of assets	-	-	-	-
Calculated taxation equivalents	78	71	26	-
Debt guarantee fee (if applicable)	60	-	26	-
Other expenses	101	-	-	10
<b>Total expenses from continuing operations</b>	<b>9,286</b>	<b>7,954</b>	<b>2,626</b>	<b>2,338</b>
<b>Surplus (deficit) from Continuing Operations before capital amounts</b>	<b>(397)</b>	<b>472</b>	<b>31</b>	<b>202</b>
Grants and contributions provided for capital purposes	-	-	-	-
<b>Surplus (deficit) from Continuing Operations after capital amounts</b>	<b>(397)</b>	<b>472</b>	<b>31</b>	<b>202</b>
Surplus (deficit) from discontinued operations	-	-	-	-
<b>Surplus (deficit) from ALL Operations before tax</b>	<b>(397)</b>	<b>472</b>	<b>31</b>	<b>202</b>
less: Corporate Taxation Equivalent (30%) [based on result before capital]	-	(142)	(9)	(61)
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>(397)</b>	<b>330</b>	<b>22</b>	<b>141</b>
plus Opening Retained Profits	4,886	5,801	(586)	(788)
plus/less: Prior Period Adjustments	-	-	-	-
plus Adjustments for amounts unpaid:				
- Taxation equivalent payments	78	71	26	-
- Debt guarantee fees	60	-	26	-
- Corporate taxation equivalent	-	142	9	61
add:				
- Subsidy Paid/Contribution To Operations	(52)	(291)	-	-
less:				
- TER dividend paid	-	-	-	-
- Dividend paid	(486)	(1,167)	-	-
<b>Closing Retained Profits</b>	<b>4,089</b>	<b>4,886</b>	<b>(503)</b>	<b>(586)</b>
Return on Capital %	-3.5%	9.5%	n/a	n/a
Subsidy from Council	608	-	-	-



## Lismore City Council

## Income Statement of Council's Other Business Activities

for the financial year ended 30 June 2008

\$ '000	Waste Disposal		Koala Child Care Centre	
	Actual 2008	Actual 2007	Actual 2008	Actual 2007
<b>Income from continuing operations</b>				
Access charges	-	-	-	-
User charges	2,875	2,373	198	195
Fees	-	-	-	-
Interest	44	8	-	-
Grants and contributions provided for non capital purposes	42	-	199	163
Profit from the sale of assets	-	-	-	-
Other income	564	-	-	-
<b>Total income from continuing operations</b>	<b>3,525</b>	<b>2,381</b>	<b>397</b>	<b>358</b>
<b>Expenses from continuing operations</b>				
Employee benefits and on-costs	714	479	352	322
Borrowing costs	55	46	-	-
Materials and contracts	1,651	1,147	74	114
Depreciation and impairment	166	60	5	5
Loss on sale of assets	-	-	-	-
Calculated taxation equivalents	-	-	15	-
Debt guarantee fee (if applicable)	-	-	-	-
Other expenses	15	-	4	5
<b>Total expenses from continuing operations</b>	<b>2,601</b>	<b>1,732</b>	<b>450</b>	<b>446</b>
<b>Surplus (deficit) from Continuing Operations before capital amounts</b>	<b>924</b>	<b>649</b>	<b>(53)</b>	<b>(88)</b>
Grants and contributions provided for capital purposes	-	-	-	-
<b>Surplus (deficit) from Continuing Operations after capital amounts</b>	<b>924</b>	<b>649</b>	<b>(53)</b>	<b>(88)</b>
Surplus (deficit) from discontinued operations	-	-	-	-
<b>Surplus (deficit) from ALL Operations before tax</b>	<b>924</b>	<b>649</b>	<b>(53)</b>	<b>(88)</b>
less: Corporate Taxation Equivalent (30%) [based on result before capital]	(277)	(195)	-	-
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>647</b>	<b>454</b>	<b>(53)</b>	<b>(88)</b>
plus Opening Retained Profits	2,998	2,389	326	357
plus/less: Prior Period Adjustments	-	-	-	-
plus Adjustments for amounts unpaid:				
- Taxation equivalent payments	-	-	15	-
- Debt guarantee fees	-	-	-	-
- Corporate taxation equivalent	277	195	-	-
add:				
- Subsidy Paid/Contribution To Operations	427	297	42	57
less:				
- TER dividend paid	-	-	-	-
- Industrial Property Loan	(1,037)	(314)	-	-
- Dividend paid	(41)	(23)	-	-
<b>Closing Retained Profits</b>	<b>3,271</b>	<b>2,998</b>	<b>330</b>	<b>326</b>
<b>Return on Capital %</b>	<b>16.6%</b>	<b>22.1%</b>	<b>-12.1%</b>	<b>-23.2%</b>
<b>Subsidy from Council</b>	<b>-</b>	<b>-</b>	<b>81</b>	<b>112</b>

## Lismore City Council

## Income Statement of Council's Other Business Activities

for the financial year ended 30 June 2008

\$ '000	Crematorium		Commercial Properties	
	Actual 2008	Actual 2007	Actual 2008	Actual 2007
<b>Income from continuing operations</b>				
Access charges	-	-	-	-
User charges	510	575	-	-
Fees	-	-	-	-
Interest	-	2	-	-
Grants and contributions provided for non capital purposes	-	-	-	-
Profit from the sale of assets	-	-	-	-
Other income	-	-	251	173
<b>Total income from continuing operations</b>	<b>510</b>	<b>577</b>	<b>251</b>	<b>173</b>
<b>Expenses from continuing operations</b>				
Employee benefits and on-costs	174	142	6	6
Borrowing costs	10	-	-	-
Materials and contracts	304	362	235	132
Depreciation and impairment	21	20	8	8
Loss on sale of assets	-	-	-	-
Calculated taxation equivalents	8	-	24	24
Debt guarantee fee (if applicable)	13	-	-	-
Other expenses	13	8	4	3
<b>Total expenses from continuing operations</b>	<b>543</b>	<b>532</b>	<b>277</b>	<b>173</b>
<b>Surplus (deficit) from Continuing Operations before capital amounts</b>	<b>(33)</b>	<b>45</b>	<b>(26)</b>	<b>-</b>
Grants and contributions provided for capital purposes	-	-	-	-
<b>Surplus (deficit) from Continuing Operations after capital amounts</b>	<b>(33)</b>	<b>45</b>	<b>(26)</b>	<b>-</b>
Surplus (deficit) from discontinued operations	-	-	-	-
<b>Surplus (deficit) from ALL Operations before tax</b>	<b>(33)</b>	<b>45</b>	<b>(26)</b>	<b>-</b>
less: Corporate Taxation Equivalent (30%) [based on result before capital]	-	(14)	-	-
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>(33)</b>	<b>32</b>	<b>(26)</b>	<b>-</b>
plus Opening Retained Profits	1,524	1,221	1,598	1,564
plus/less: Prior Period Adjustments	-	-	-	-
plus Adjustments for amounts unpaid:				
- Taxation equivalent payments	8	-	24	24
- Debt guarantee fees	13	-	-	-
- Corporate taxation equivalent	-	14	-	-
add:				
- Subsidy Paid/Contribution To Operations	(252)	272	(81)	10
less:				
- TER dividend paid	-	-	-	-
- Dividend paid	-	(14)	-	-
<b>Closing Retained Profits</b>	<b>1,260</b>	<b>1,524</b>	<b>1,515</b>	<b>1,598</b>
<b>Return on Capital %</b>	<b>-1.1%</b>	<b>2.4%</b>	<b>-0.9%</b>	<b>0.0%</b>
<b>Subsidy from Council</b>	<b>154</b>	<b>73</b>	<b>219</b>	<b>95</b>

## Lismore City Council

## Income Statement of Council's Other Business Activities

for the financial year ended 30 June 2008

\$ '000	Real Estate	
	Actual 2008	Actual 2007
<b>Income from continuing operations</b>		
Access charges	-	-
User charges	-	-
Fees	-	-
Interest	-	-
Grants and contributions provided for non capital purposes	-	-
Profit from the sale of assets	67	210
Other income	-	-
<b>Total income from continuing operations</b>	<b>67</b>	<b>210</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	-	-
Borrowing costs	-	-
Materials and contracts	-	-
Depreciation and impairment	-	-
Loss on sale of assets	-	-
Calculated taxation equivalents	-	-
Debt guarantee fee (if applicable)	-	-
Other expenses	-	-
<b>Total expenses from continuing operations</b>	<b>-</b>	<b>-</b>
<b>Surplus (deficit) from Continuing Operations before capital amounts</b>	<b>67</b>	<b>210</b>
Grants and contributions provided for capital purposes	-	-
<b>Surplus (deficit) from Continuing Operations after capital amounts</b>	<b>67</b>	<b>210</b>
Surplus (deficit) from discontinued operations	-	-
<b>Surplus (deficit) from ALL Operations before tax</b>	<b>67</b>	<b>210</b>
less: Corporate Taxation Equivalent (30%) [based on result before capital]	(20)	(63)
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>47</b>	<b>147</b>
plus Opening Retained Profits	730	520
plus/less: Prior Period Adjustments	-	-
plus Adjustments for amounts unpaid:		
- Taxation equivalent payments	-	-
- Debt guarantee fees	-	-
- Corporate taxation equivalent	20	63
<b>add:</b>		
- Subsidy Paid/Contribution To Operations	-	-
<b>less:</b>		
- TER dividend paid	-	-
- Dividend paid	-	-
<b>Closing Retained Profits</b>	<b>797</b>	<b>730</b>
<b>Return on Capital %</b>	<b>n/a</b>	<b>n/a</b>
<b>Subsidy from Council</b>	<b>-</b>	<b>-</b>

## Lismore City Council

Balance Sheet of Council's Water Supply Business Activity  
as at 30 June 2008

\$ '000	Actual 2008	Actual 2007
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	(9)	(3)
Investments	963	1,681
Receivables	1,125	419
Inventories	226	228
Other	3	366
Non-current assets classified as held for sale	-	-
<b>Total Current Assets</b>	<b>2,308</b>	<b>2,691</b>
<b>Non-Current Assets</b>		
Investments	259	1,168
Receivables	-	-
Inventories	-	-
Infrastructure, property, plant and equipment	74,098	69,937
Investments accounted for using equity method	-	-
Investment property	-	-
Other	-	-
<b>Total non-Current Assets</b>	<b>74,357</b>	<b>71,105</b>
<b>TOTAL ASSETS</b>	<b>76,665</b>	<b>73,796</b>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Payables	70	-
Interest bearing liabilities	-	43
Provisions	253	260
<b>Total Current Liabilities</b>	<b>323</b>	<b>303</b>
<b>Non-Current Liabilities</b>		
Payables	-	-
Interest bearing liabilities	-	-
Provisions	2	-
<b>Total Non-Current Liabilities</b>	<b>2</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>	<b>325</b>	<b>303</b>
<b>NET ASSETS</b>	<b>76,340</b>	<b>73,493</b>
<b>EQUITY</b>		
Retained earnings	28,762	30,389
Revaluation reserves	47,578	43,104
Council equity interest	76,340	73,493
Minority equity interest	-	-
<b>TOTAL EQUITY</b>	<b>76,340</b>	<b>73,493</b>

## Lismore City Council

Balance Sheet of Council's Sewerage Business Activity  
as at 30 June 2008

\$ '000	Actual 2008	Actual 2007
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	(21)	50
Investments	5,204	7,217
Receivables	1,336	-
Inventories	153	128
Other	-	-
Non-current assets classified as held for sale	-	-
<b>Total Current Assets</b>	<b>6,672</b>	<b>7,395</b>
<b>Non-Current Assets</b>		
Investments	5,329	5,016
Receivables	333	403
Inventories	-	-
Infrastructure, property, plant and equipment	174,605	166,014
Investments accounted for using equity method	-	-
Investment property	-	-
Other	-	-
<b>Total non-Current Assets</b>	<b>180,267</b>	<b>171,433</b>
<b>TOTAL ASSETS</b>	<b>186,939</b>	<b>178,828</b>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Payables	(166)	370
Interest bearing liabilities	33	35
Provisions	193	232
<b>Total Current Liabilities</b>	<b>60</b>	<b>637</b>
<b>Non-Current Liabilities</b>		
Payables	-	-
Interest bearing liabilities	1,247	-
Provisions	4	-
<b>Total Non-Current Liabilities</b>	<b>1,251</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>	<b>1,311</b>	<b>637</b>
<b>NET ASSETS</b>	<b>185,628</b>	<b>178,191</b>
<b>EQUITY</b>		
Retained earnings	67,041	69,326
Revaluation reserves	118,587	108,865
Council equity interest	185,628	178,191
Minority equity interest	-	-
<b>TOTAL EQUITY</b>	<b>185,628</b>	<b>178,191</b>

## Lismore City Council

## Balance Sheet of Council's Other Business Activities

as at 30 June 2008

\$ '000	Quarry		Waste Collection	
	Category 1		Category 2	
	Actual 2008	Actual 2007	Actual 2008	Actual 2007
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and cash equivalents	-	-	-	-
Investments	91	1,239	386	360
Receivables	60	51	-	-
Inventories	869	594	-	-
Other	-	-	-	-
Non-current assets classified as held for sale	-	-	-	-
<b>Total Current Assets</b>	<b>1,020</b>	<b>1,884</b>	<b>386</b>	<b>360</b>
<b>Non-Current Assets</b>				
Investments	-	-	-	-
Receivables	261	323	-	-
Inventories	-	-	-	-
Infrastructure, property, plant and equipment	6,136	5,753	-	-
Investments accounted for using equity method	-	-	-	-
Investment property	-	-	-	-
Other	-	-	-	-
<b>Total Non-Current Assets</b>	<b>6,397</b>	<b>6,076</b>	<b>-</b>	<b>-</b>
<b>TOTAL ASSETS</b>	<b>7,417</b>	<b>7,960</b>	<b>386</b>	<b>360</b>
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Payables	-	-	-	-
Interest bearing liabilities	156	146	67	62
Provisions	166	97	99	95
<b>Total Current Liabilities</b>	<b>322</b>	<b>243</b>	<b>166</b>	<b>157</b>
<b>Non-Current Liabilities</b>				
Payables	-	-	-	-
Interest bearing liabilities	1,697	1,854	721	788
Provisions	1,309	977	2	1
Other Liabilities	-	-	-	-
<b>Total Non-Current Liabilities</b>	<b>3,006</b>	<b>2,831</b>	<b>723</b>	<b>789</b>
<b>TOTAL LIABILITIES</b>	<b>3,328</b>	<b>3,074</b>	<b>889</b>	<b>946</b>
<b>NET ASSETS</b>	<b>4,089</b>	<b>4,886</b>	<b>(503)</b>	<b>(586)</b>
<b>EQUITY</b>				
Retained earnings	4,089	4,886	(503)	(586)
Revaluation reserves	-	-	-	-
Council equity interest	<b>4,089</b>	<b>4,886</b>	<b>(503)</b>	<b>(586)</b>
Minority equity interest	-	-	-	-
<b>TOTAL EQUITY</b>	<b>4,089</b>	<b>4,886</b>	<b>(503)</b>	<b>(586)</b>

## Lismore City Council

## Balance Sheet of Council's Other Business Activities

as at 30 June 2008

\$ '000	Waste Disposal		Koala Child Care Centre	
	Category 2		Category 2	
	Actual 2008	Actual 2007	Actual 2008	Actual 2007
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and cash equivalents	-	-	-	-
Investments	48	312	10	3
Receivables	-	-	-	-
Inventories	-	-	-	-
Other	-	-	-	-
Non-current assets classified as held for sale	-	-	-	-
<b>Total Current Assets</b>	<b>48</b>	<b>312</b>	<b>10</b>	<b>3</b>
<b>Non-Current Assets</b>				
Investments	-	-	-	-
Receivables	1,037	315	-	-
Inventories	-	-	-	-
Infrastructure, property, plant and equipment	5,902	3,147	437	379
Investments accounted for using equity method	-	-	-	-
Investment property	-	-	-	-
Other	-	-	-	-
<b>Total Non-Current Assets</b>	<b>6,939</b>	<b>3,462</b>	<b>437</b>	<b>379</b>
<b>TOTAL ASSETS</b>	<b>6,987</b>	<b>3,774</b>	<b>447</b>	<b>382</b>
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Payables	-	-	-	-
Interest bearing liabilities	40	-	-	-
Provisions	69	59	53	56
<b>Total Current Liabilities</b>	<b>109</b>	<b>59</b>	<b>53</b>	<b>56</b>
<b>Non-Current Liabilities</b>				
Payables	-	-	-	-
Interest bearing liabilities	1,025	-	-	-
Provisions	2,198	717	1	-
Other Liabilities	-	-	-	-
<b>Total Non-Current Liabilities</b>	<b>3,223</b>	<b>717</b>	<b>1</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>	<b>3,332</b>	<b>776</b>	<b>54</b>	<b>56</b>
<b>NET ASSETS</b>	<b>3,655</b>	<b>2,998</b>	<b>393</b>	<b>326</b>
<b>EQUITY</b>				
Retained earnings	3,271	2,998	330	326
Revaluation reserves	384	-	63	-
Council equity interest	<b>3,655</b>	<b>2,998</b>	<b>393</b>	<b>326</b>
Minority equity interest	-	-	-	-
<b>TOTAL EQUITY</b>	<b>3,655</b>	<b>2,998</b>	<b>393</b>	<b>326</b>

## Lismore City Council

## Balance Sheet of Council's Other Business Activities

as at 30 June 2008

\$ '000	Crematorium		Commercial Properties	
	Category 2		Category 2	
	Actual 2008	Actual 2007	Actual 2008	Actual 2007
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and cash equivalents	-	-	-	9
Investments	60	-	-	-
Receivables	-	-	58	74
Inventories	-	-	-	-
Other	-	-	-	-
Non-current assets classified as held for sale	-	-	-	-
<b>Total Current Assets</b>	<b>60</b>	<b>-</b>	<b>58</b>	<b>83</b>
<b>Non-Current Assets</b>				
Investments	-	-	-	-
Receivables	-	-	-	-
Inventories	-	-	-	-
Infrastructure, property, plant and equipment	2,037	1,887	2,987	1,520
Investments accounted for using equity method	-	-	-	-
Investment property	-	-	-	-
Other	-	-	-	-
<b>Total Non-Current Assets</b>	<b>2,037</b>	<b>1,887</b>	<b>2,987</b>	<b>1,520</b>
<b>TOTAL ASSETS</b>	<b>2,097</b>	<b>1,887</b>	<b>3,045</b>	<b>1,603</b>
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Payables	105	-	-	-
Interest bearing liabilities	12	272	-	-
Provisions	94	90	8	5
<b>Total Current Liabilities</b>	<b>211</b>	<b>362</b>	<b>8</b>	<b>5</b>
<b>Non-Current Liabilities</b>				
Payables	-	-	-	-
Interest bearing liabilities	404	-	-	-
Provisions	2	1	-	-
Other Liabilities	-	-	-	-
<b>Total Non-Current Liabilities</b>	<b>406</b>	<b>1</b>	<b>-</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>	<b>617</b>	<b>363</b>	<b>8</b>	<b>5</b>
<b>NET ASSETS</b>	<b>1,480</b>	<b>1,524</b>	<b>3,037</b>	<b>1,598</b>
<b>EQUITY</b>				
Retained earnings	1,260	1,524	1,515	1,598
Revaluation reserves	220	-	1,522	-
Council equity interest	<b>1,480</b>	<b>1,524</b>	<b>3,037</b>	<b>1,598</b>
Minority equity interest	-	-	-	-
<b>TOTAL EQUITY</b>	<b>1,480</b>	<b>1,524</b>	<b>3,037</b>	<b>1,598</b>



## Lismore City Council

## Balance Sheet of Council's Other Business Activities

as at 30 June 2008

\$ '000	Real Estate	
	Category 2	
	Actual 2008	Actual 2007
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	-	-
Investments	-	-
Receivables	392	418
Inventories	3,395	2,972
Other	-	-
Non-current assets classified as held for sale	-	-
<b>Total Current Assets</b>	<b>3,787</b>	<b>3,390</b>
<b>Non-Current Assets</b>		
Investments	-	-
Receivables	734	1,126
Inventories	-	-
Infrastructure, property, plant and equipment	-	-
Investments accounted for using equity method	-	-
Investment property	-	-
Other	-	-
<b>Total Non-Current Assets</b>	<b>734</b>	<b>1,126</b>
<b>TOTAL ASSETS</b>	<b>4,521</b>	<b>4,516</b>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Payables	3,724	3,786
Interest bearing liabilities	-	-
Provisions	-	-
<b>Total Current Liabilities</b>	<b>3,724</b>	<b>3,786</b>
<b>Non-Current Liabilities</b>		
Payables	-	-
Interest bearing liabilities	-	-
Provisions	-	-
Other Liabilities	-	-
<b>Total Non-Current Liabilities</b>	<b>-</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>	<b>3,724</b>	<b>3,786</b>
<b>NET ASSETS</b>	<b>797</b>	<b>730</b>
<b>EQUITY</b>		
Retained earnings	797	730
Revaluation reserves	-	-
Council equity interest	<b>797</b>	<b>730</b>
Minority equity interest	-	-
<b>TOTAL EQUITY</b>	<b>797</b>	<b>730</b>

# Lismore City Council

## Special Purpose Financial Reports for the financial year ended 30 June 2008

### Contents of the Notes accompanying the Financial Statements

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2	Water Supply Business Best Practice Management disclosure requirements	90
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## Lismore City Council

### Notes to the Special Purpose Financial Reports

for the financial year ended 30 June 2008

#### Note 1. Significant Accounting Policies

These financial statements are Special Purpose Financial Reports (SPFR's) prepared for use by the Council, the Department of Local Government and the Department of Water & Energy.

For the purposes of these statements, the council's activities (listed herein) are based upon them not being reporting entities.

This special purpose financial report, unless otherwise stated, has been prepared in accordance with;

- applicable Australian Accounting Standards,
- other authoritative pronouncements of the Australian Accounting Standards Board,
- Urgent Issues Group Consensus Views,
- the Local Government Act and Regulations,
- the Local Government Code of Accounting Practice and Financial Reporting, and
- the Local Government Asset Accounting Manual.

The statements are also prepared on an accruals basis. They are based on historic costs and do not take into account changing money values or, except where specifically stated, current values of non-current assets.

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 Department 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.

#### Monetary Amounts

Amounts shown in the financial statements are in Australian currency and rounded to the nearest one

## Lismore City Council

### Notes to the Special Purpose Financial Reports

for the financial year ended 30 June 2008

#### Note 1. Significant Accounting Policies (continued)

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 Department of Water & Energy, some amounts shown in Notes 2 and Note 3 are shown in whole dollars.

##### (i) Taxation Equivalent Charges

Council is liable to pay various taxes and financial duties. Where this is the case, they are disclosed as a cost of operations (General Purpose Financial Report) just like all other costs.

However, where council does not pay some taxes which are generally paid by private sector businesses, such as income tax, these equivalent tax payments have been applied to all council nominated business activities and are reflected in the SPFR.

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 – **1.6% + \$100** on combined land values above \$359,000

Payroll Tax – **6%** on Salaries and Wages in excess of \$600,000

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

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

Achievement of substantial compliance against the guidelines for Best Practice Management of Water

Supply and Sewerage is not a prerequisite for the payment of the tax equivalent charges, however the payment must not exceed \$3 per assessment.

##### Income Tax

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

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

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

Since the 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 the GPFR.

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 for all Category 1 businesses have been applied to all assets owned or exclusively used by the business activity.

##### Loan & Debt Guarantee Fees

The debt guarantee fee is designed to ensure that council business activities face "true" commercial borrowing costs in line with private sector competitors. In order to calculate a debt guarantee fee, council has determined what the differential borrowing rate would have been between the

## Lismore City Council

### Notes to the Special Purpose Financial Reports

for the financial year ended 30 June 2008

#### Note 1. Significant Accounting Policies (continued)

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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.

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 6.45% at 30/6/08.

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 50% of this surplus in any one year, or the number of water supply or sewerage assessments at 30 June 2008 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 Department of Water & Energy prior to making the dividend and only after the Department has approved its payment.

## Lismore City Council

Notes to the Special Purpose Financial Reports  
for the financial year ended 30 June 2008Note 2. Water Supply Business  
Best Practice Management disclosure requirements

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

2008

**1. Calculation and Payment of Tax-Equivalents**

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

(i)	Calculated Tax Equivalents	8,000
(ii)	No of assessments multiplied by \$3/assessment	39,594
(iii)	Amounts payable for tax-equivalents [lesser of (i) and (ii)]	8,000
(iv)	Amounts actually paid for Tax Equivalents	-

**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	387,940
(iii)	Cumulative surplus before Dividends for the 3 years to 30 June 2008, less the cumulative dividends paid for the 2 years to 30 June 2007	226,500

2008 Surplus	-	2007 Surplus	471,200	2006 Surplus	146,300
		2007 Dividend	192,000	2006 Dividend	199,000

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

**3. Required outcomes for 7 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)	Integrated Water Cycle Management Evaluation	YES
(vii)	Complete and implement Integrated Water Cycle Management Strategy	YES

## Lismore City Council

Notes to the Special Purpose Financial Reports  
for the financial year ended 30 June 2008Note 2. Water Supply Business  
Best Practice Management disclosure requirements (continued)

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Dollars Amounts shown below are in WHOLE DOLLARS (unless otherwise indicated) 2008


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**National Water Initiative (NWI) Financial Performance Indicators**

<b>NWI F1</b>	Total Revenue (Water) Total Revenue (w13) - Grants for the Acquisition of Assets (w11a) - Interest Income (w9)	\$'000	6,355
<b>NWI F4</b>	Revenue from Residential Usage Charges (Water) Income from Residential Usage Charges (w6b) x 100 divided by the sum of [Income from Residential Usage Charges (w6a) + Income from Residential Access Charges (w6b)]	%	67.62%
<b>NWI F9</b>	Written Down Replacement Cost of Fixed Assets (Water) Written down current cost of system assets (w47)	\$'000	73,777
<b>NWI F11</b>	Operating Cost (OMA) (Water) Management Expenses (w1) + Operational & Maintenance Expenses (w2)	\$'000	5,220
<b>NWI F14</b>	Capital Expenditure (Water) Acquisition of fixed assets (w16)	\$'000	3,259
<b>NWI F17</b>	Economic Real Rate of Return (Water) [Total Income (w13) - Interest Income (w9) - Grants for acquisition of assets (w11a) - Total Cost (NWI F11) - Current Cost Depreciation (w3)] x 100 divided by [Written Down Current Cost of System Assets (w47) + Plant & Equipment (w33b)]	%	-1.63%
<b>NWI F26</b>	Capital Works Grants (Water) Grants for the Acquisition of Assets (w11a)	\$'000	-

- Notes:
- References to w (eg. w12) refer to item numbers within Special Schedules No. 3 & 4 of Council's Annual Financial Reporting.
  - 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 Reports  
for the financial year ended 30 June 2008Note 3. Sewerage Business  
Best Practice Management disclosure requirements

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

2008

**1. Calculation and Payment of Tax-Equivalents**

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

(i) Calculated Tax Equivalents	21,000
(ii) No of assessments multiplied by \$3/assessment	34,935
(iii) Amounts payable for Tax Equivalents [lesser of (i) and (ii)]	21,000
(iv) Amounts actually paid for Tax Equivalents	

**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)	328,350
(iii) Cumulative surplus before dividends for the 3 years to 30 June 2008, less the cumulative dividends paid for the 2 years to 30 June 2007	2,139,800

2008 Surplus	-	2007 Surplus	1,398,600	2006 Surplus	788,200
		2007 Dividend	14,000	2006 Dividend	33,000

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

**3. Required outcomes for 5 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) Integrated Water Cycle Management Evaluation	YES
(v) Complete and implement Integrated Water Cycle Management Strategy	YES



## Lismore City Council

Notes to the Special Purpose Financial Reports  
for the financial year ended 30 June 2008Note 3. Sewerage Business  
Best Practice Management disclosure requirements (continued)

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Dollars Amounts shown below are in WHOLE DOLLARS (unless otherwise indicated) 2008

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**National Water Initiative (NWI) Financial Performance Indicators**

<b>NWI F2</b>	Total Revenue (Sewerage) Total Income (s14) - Grants for Acquisition of Assets (s12a) - Interest Income (s10)	\$'000	8,732
<b>NWI F10</b>	Written Down Replacement Cost of Fixed Assets (Sewerage) Written down current cost of system assets (s48)	\$'000	174,365
<b>NWI F12</b>	Operating Cost (Sewerage) Management Expenses (s1) + Operational & Maintenance Expenses (s2)	\$'000	4,720
<b>NWI F15</b>	Capital Expenditure (Sewerage) Acquisition of Fixed Assets (s17)	\$'000	4,758
<b>NWI F18</b>	Economic Real Rate of Return (Sewerage) [Total Income (s14) - Interest Income (s10) - Grants for acquisition of Assets (s12a) - Operating cost (NWI F12) - Current cost depreciation (s3)] x 100 divided by [Written down current cost (ie. WDCC) of System Assets (s48) + Plant & Equipment (s34b)]	%	-0.88%
<b>NWI F27</b>	Capital Works Grants (Sewerage) Grants for the Acquisition of Assets (12a)	\$'000	-

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

<b>NWI F3</b>	Total Income (Water & Sewerage) Total Income (w13 + s14) + Gain/Loss on disposal of assets (w14 + s15) minus Grants for acquisition of assets (w11a + s12a) - Interest Income (w9 + s10)	\$'000	14,456
<b>NWI F8</b>	Revenue from Community Service Obligations (Water & Sewerage) Community Service Obligations (NWI F25) x 100 divided by Total Income (NWI F3)	%	1.60%
<b>NWI F13</b>	Operating Cost (OMA) (Water & Sewerage) Operating Cost (Water & Sewerage) (NWI F11 + NWI F12)	\$'000	9,940
<b>NWI F16</b>	Capital Expenditure (Water & Sewerage) Acquisition of Fixed Assets (w16 + s17)	\$'000	8,017
<b>NWI F19</b>	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)]	%	-1.10%
<b>NWI F20</b>	Dividend (Water & Sewerage) Dividend paid from surplus (2(v) of Note 2 + 2(v) of Note 3)	\$'000	-
<b>NWI F21</b>	Dividend Payout Ratio (Water & Sewerage) Dividend (NWI F20) x 100 divided by Net Profit after tax (NWI F24)	\$'000	-

## Lismore City Council

Notes to the Special Purpose Financial Reports  
for the financial year ended 30 June 2008Note 3. Sewerage Business  
Best Practice Management disclosure requirements (continued)

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

2008

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

<b>NWI F22</b>	Net Debt to Equity (Water & Sewerage) Overdraft (w36 + s37) + Borrowings (w38 + s39) - Cash & Investments (w30 + s31) x 100 divided by [Total Assets (w35 + s36) - Total Liabilities (w40 + s41)]	%	<input type="text" value="-3.89%"/>
<b>NWI F23</b>	Interest Cover (Water & Sewerage) Earnings before Interest & Tax (EBIT) divided by Net Interest  Earnings before Interest & Tax (EBIT): <input type="text" value="2,735"/> Operating Result (w15a + s16a) + Interest expense (w4a + s4a) - Interest Income (w9 + s10) - Gain/Loss on disposal of assets (w14 + s15)  Net Interest: <input type="text" value="545"/> Interest Expense (w4a + s4a) - Interest Income (w9 + s10)		<input type="text" value="-"/>
<b>NWI F24</b>	Net Profit After Tax (Water & Sewerage) Surplus before dividends (w15a + s16a) - Tax equivalents paid (Note 2-1(iv) + Note 3-1(iv))	\$'000	<input type="text" value="(3,911)"/>
<b>NWI F25</b>	Community Service Obligations (Water & Sewerage) Grants for Pensioner Rebates (w11b + s12b)	\$'000	<input type="text" value="232"/>

- Notes:
- References to w (eg. s12) refer to item numbers within Special Schedules No. 5 & 6 of Council's Annual Financial Reporting.
  - 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 2008

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*"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 2008

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<sup>1</sup> Special Purpose Schedules are not audited.

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#### Background

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

- the NSW Grants Commission
- the Australian Bureau of Statistics (ABS),
- the Department of Energy, Utilities & Sustainability (DEUS), and
- the Department 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 specific service financial activities.
-

## Lismore City Council

Special Schedule No. 1 - Net Cost of Services  
for the financial year ended 30 June 2008

\$'000

Function or Activity	Expenses from continuing operations		Income from continuing operations			Net Cost of Services	
	Expenses	Group Totals	Non Capital Revenues	Capital Revenues	Group Totals	Net Cost	Group Totals
<b>Governance</b>	1,717	<b>1,717</b>			-	(1,717)	<b>(1,717)</b>
<b>Administration</b>							
Corporate Support	1,577		440			(1,137)	
Engineering and Works	2,447		380	74		(1,993)	
Other Support Services		<b>4,024</b>			<b>894</b>	-	<b>(3,130)</b>
<b>Public Order and Safety</b>							
Contributions to Fire Service Levy						-	
Fire Protection – Other	766		197	13		(556)	
Animal Control	236		33			(203)	
Beach Control						-	
Enforcement of Local Govt Regs						-	
Emergency Services	112					(112)	
Other	305	<b>1,419</b>			<b>243</b>	(305)	<b>(1,176)</b>
<b>Health</b>							
Administration and Inspection	1,254		656			(598)	
Immunisations						-	
Food Control	103					(103)	
Insect/Vermin Control						-	
Noxious Plants						-	
Health Centres						-	
Other		<b>1,357</b>			<b>656</b>	-	<b>(701)</b>
<b>Community Services and Education</b>							
Administration	667		214			(453)	
Family Day Care						-	
Child Care	917		739			(178)	
Youth Services	38		13			(25)	
Other Families and Children						-	
Aged and Disabled	22		5			(17)	
Migrant Services						-	
Aboriginal Services	103					(103)	
Other Community Services						-	
Education		<b>1,747</b>	2		<b>973</b>	2	<b>(774)</b>

## Lismore City Council

Special Schedule No. 1 - Net Cost of Services (continued)  
for the financial year ended 30 June 2008

\$'000

Function or Activity	Expenses from continuing operations		Income from continuing operations			Net Cost of Services	
	Expenses	Group Totals	Non Capital Revenues	Capital Revenues	Group Totals	Net Cost	Group Totals
<b>Housing and Community Amenities</b>							
Housing						-	
Town Planning	2,036		496	190		(1,350)	
Domestic Waste Management	1,380		2,397			1,017	
Other Waste Management	4,156		3,411			(745)	
Street Cleaning						-	
Other Sanitation and Garbage Drainage	900			369		(531)	
Stormwater Management						-	
Environmental Protection	751					(751)	
Public Cemeteries	1,096		1,014			(82)	
Public Conveniences	67					(67)	
Other Community Amenities		<b>10,386</b>			<b>7,877</b>	-	<b>(2,509)</b>
<b>Water Supplies</b>	7,810	<b>7,810</b>	5,452	838	<b>6,290</b>	(1,520)	<b>(1,520)</b>
<b>Sewerage Services</b>	10,012	<b>10,012</b>	6,038	2,071	<b>8,109</b>	(1,903)	<b>(1,903)</b>
<b>Recreation and Culture</b>							
Public Libraries	1,407		223			(1,184)	
Museums						-	
Art Galleries	506		121			(385)	
Community Centres	279		5			(274)	
Public Halls	587		442			(145)	
Other Cultural Services						-	
Swimming Pools	1,351		304			(1,047)	
Sporting Grounds			173			173	
Parks and Gardens (Lakes)	3,645		84	25		(3,536)	
Other Sport and Recreation	481	<b>8,256</b>	23		<b>1,400</b>	(458)	<b>(6,856)</b>
<b>Fuel and Energy</b>							
Gas Supplies	-					-	-
<b>Mining, Manufacturing and Construction</b>							
Building Control	1,119		716			(403)	
Abattoirs						-	
Quarries and Pits	4,660		5,640	47		1,027	
Other		<b>5,779</b>			<b>6,403</b>	-	<b>624</b>

## Lismore City Council

Special Schedule No. 1 - Net Cost of Services (continued)  
for the financial year ended 30 June 2008

\$'000

Function or Activity	Expenses from continuing operations		Income from continuing operations			Net Cost of Services	
	Expenses	Group Totals	Non Capital Revenues	Capital Revenues	Group Totals	Net Cost	Group Totals
<b>Transport and Communication</b>							
Urban Roads (UR) - Local	4,460		198	699		(3,563)	
Urban Roads - Regional						-	
Sealed Rural Roads (SRR) - Local	1,976		182	956		(838)	
Sealed Rural Roads - Regional	1,600					(1,600)	
Unsealed Rural Roads (URR) - Local	1,926		281			(1,645)	
Unsealed Rural Roads - Regional						-	
Bridges on UR - Local						-	
Bridges on UR - Regional	326			675		349	
Bridges on SRR - Local						-	
Bridges on SRR - Regional						-	
Bridges on URR - Local						-	
Bridges on URR - Regional						-	
Footpaths	42		139	18		115	
Aerodromes	783		671			(112)	
Parking Areas	247		150			(97)	
Bus Shelters and Services			90			90	
Water Transport	1					(1)	
RTA Works (State)	6,524		7,199	1,615		2,290	
Street Lighting	678		147			(531)	
Other		18,563			13,020	-	(5,543)
<b>Economic Affairs</b>							
Camping Areas						-	
Caravan Parks	128		130			2	
Tourism and Area Promotion	689		128			(561)	
Industrial Development Promotion	1,096		63			(1,033)	
Saleyards and Markets			2			2	
Real Estate Development	59					(59)	
Commercial Nurseries						-	
Other Business Undertakings	389	2,361	392		715	3	(1,646)
<b>Totals – Functions</b>		73,431	38,990	7,590	46,580		(26,851)
<b>General Purpose Revenues<sup>(1)</sup></b>			26,399		26,399	26,399	26,399
<b>Share of interests - joint ventures &amp; associates using the equity method</b>		-			-	-	-
<b>NET OPERATING RESULT FOR YEAR</b>		73,431	65,389	7,590	72,979	(452)	(452)

Notes:

(1) Includes: Rates &amp; Annual Charges (incl. Ex Gratia), Non Capital General Purpose Grants &amp; 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 2008

\$'000

Classification of Debt	Principal outstanding at beginning of the year			New Loans raised during the year	Debt redemption during the year		Transfers to Sinking Funds	Interest applicable for Year	Principal outstanding at the end of the year		
	Current	Non Current	Total		From Revenue	Sinking Funds			Current	Non Current	Total
<b>Loans (by Source)</b>											
Commonwealth Government	-	-	-						-	-	-
Treasury Corporation	-	-	-						-	-	-
Other State Government	-	-	-						-	-	-
Public Subscription	-	-	-						-	-	-
Financial Institutions	1,621	23,541	25,162	8,519	1,519			1,702	1,755	30,407	32,162
Other	-	-	-						-	-	-
<b>Total Loans</b>	<b>1,621</b>	<b>23,541</b>	<b>25,162</b>	<b>8,519</b>	<b>1,519</b>	<b>-</b>	<b>-</b>	<b>1,702</b>	<b>1,755</b>	<b>30,407</b>	<b>32,162</b>
<b>Other Long Term Debt</b>											
Ratepayers Advances	-	-	-						-	-	-
Government Advances	-	-	-						-	-	-
Finance Leases	-	-	-						-	-	-
Deferred Payments	-	-	-						-	-	-
<b>Total Long Term Debt</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Debt</b>	<b>1,621</b>	<b>23,541</b>	<b>25,162</b>	<b>8,519</b>	<b>1,519</b>	<b>-</b>	<b>-</b>	<b>1,702</b>	<b>1,755</b>	<b>30,407</b>	<b>32,162</b>

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 GPFR'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 2008

\$'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	512		
Water			
Sewer			
Domestic Waste Management			
Gas			
Other			
<b>Totals</b>	<b>512</b>	<b>-</b>	<b>-</b>

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

#### Details of Individual Internal Loans

Borrower (by purpose)	Lender (by purpose)	Date of Minister's Approval	Date Raised	Term (years)	Dates of Maturity	Rate of Interest	Amount Originally raised	Total repaid during year (Princ. & Int.)	Principal Outstanding at end of year
GF - Nimbin Security Camera	ELE Reserves			12	30/06/17	5.50%	70		
GF - New Phone System	ELE Reserves			5	30/06/10	2.60%	198		
Airport - Building	Blakebrook Quarry			8	30/06/12	5.00%	55		
Airport - Carpark	Blakebrook Quarry			15	30/06/17	7.00%	189		
<b>Totals</b>							<b>512</b>	<b>-</b>	<b>-</b>

## 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 2008

\$'000	Actuals 2008	Actuals 2007
<b>A Expenses and Income Expenses</b>		
<b>1. Management expenses</b>		
a. Administration	857	887
b. Engineering and Supervision	486	211
<b>2. Operation and Maintenance</b>		
<b>- Dams &amp; Weirs</b>		
a. Operation expenses	-	-
b. Maintenance expenses	-	-
<b>- Mains</b>		
c. Operation expenses	770	609
d. Maintenance expenses	-	-
<b>- Reservoirs</b>		
e. Operation expenses	37	-
f. Maintenance expenses	29	19
<b>- Pumping Stations</b>		
g. Operation expenses (excluding energy costs)	3	-
h. Energy costs	55	54
i. Maintenance expenses	18	37
<b>- Treatment</b>		
j. Operation expenses (excluding energy costs)	-	-
k. Chemical costs	-	-
l. Maintenance expenses	-	-
<b>- Other</b>		
m. Operation expenses	131	276
n. Maintenance expenses	167	127
o. Purchase of water	2,667	2,392
<b>3. Depreciation</b>		
a. System assets	2,268	427
b. Plant and equipment	73	198
<b>4. Miscellaneous expenses</b>		
a. Interest expenses	-	6
b. Revaluation Decrements	-	-
c. Other expenses	-	15
d. Tax Equivalent Dividends (actually paid)	-	-
<b>5. Total expenses</b>	<b>7,561</b>	<b>5,258</b>

## 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 2008

\$'000	Actuals 2008	Actuals 2007
<b>Income</b>		
<b>6. Residential charges</b>		
a. Access (including rates)	1,229	1,132
b. User charges	2,566	2,739
<b>7. Non-residential charges</b>		
a. Access (including rates)	355	327
b. User charges	977	978
<b>8. Extra charges</b>	-	-
<b>9. Interest income</b>	50	222
<b>10. Other income</b>	276	143
<b>11. Grants</b>		
a. Grants for acquisition of assets	-	-
b. Grants for pensioner rebates	112	101
c. Other grants	2	3
<b>12. Contributions</b>		
a. Developer charges	271	-
b. Developer provided assets	567	96
c. Other contributions	-	131
<b>13. Total income</b>	<u>6,405</u>	<u>5,872</u>
<b>14. Gain or loss on disposal of assets</b>	(470)	(54)
<b>15. Operating Result</b>	<u>(1,626)</u>	<u>560</u>
<b>15a. Operating Result (less grants for acquisition of assets)</b>	(1,626)	560

## 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 2008

\$'000	Actuals 2008	Actuals 2007
<b>B Capital transactions</b>		
<b>Non-operating expenditures</b>		
<b>16. Acquisition of Fixed Assets</b>		
a. Subsidised scheme	-	-
b. Other new system assets	-	237
c. Renewals	1,828	1,798
d. Plant and equipment	1,431	128
<b>17. Repayment of debt</b>		
a. Loans	43	83
b. Advances	-	-
c. Finance leases	-	-
<b>18. Transfer to sinking fund</b>	-	-
<b>19. Totals</b>	<b>3,302</b>	<b>2,246</b>
<b>Non-operating funds employed</b>		
<b>20. Proceeds from disposal of assets</b>	55	-
<b>21. Borrowing utilised</b>		
a. Loans	-	-
b. Advances	-	-
c. Finance leases	-	-
<b>22. Transfer from sinking fund</b>	-	-
<b>23. Totals</b>	<b>55</b>	<b>-</b>
<b>C Rates and charges</b>		
<b>24. Number of assessments</b>		
a. Residential (occupied)	11,608	11,539
b. Residential (unoccupied)	300	299
c. Non-residential (occupied)	1,227	1,189
d. Non-residential (unoccupied)	63	72
<b>25. Number of ETs for which developer charges were received</b>	108 ET	81 ET
<b>26. Total amount (actual dollars) of pensioner rebates</b>	\$ 230,000	\$ 217,000

## Lismore City Council

Special Schedule No. 3 - Water Supply Cross Subsidies  
for the financial year ended 30 June 2008

\$'000	Yes	No	Amount
<b>D Best practice annual charges and developer charges*</b>			
<b>27. Annual charges</b>			
<b>a.</b> Does Council have best-practice water supply annual charges and usage charges*?	<input type="checkbox"/>	<input type="checkbox"/>	
If Yes, go to 28a.			
If No, please report if council has removed <b>land value</b> from access charges (ie rates)?			
	<input type="checkbox"/>	<input type="checkbox"/>	
<b>NB.</b> Such charges for both residential customers and non-residential customers comply with section 3.2 of Water Supply, Sewerage and Trade Waste Pricing Guidelines, Department of Water & Energy, December, '2002. Such charges do not involved significant cross subsidies.			
<b>b.</b> Cross-subsidy <b>from</b> residential customers using less than allowance (page 25 of Guidelines)			<input type="text"/>
<b>c.</b> Cross-subsidy <b>to</b> non-residential customers (page 24 of Guidelines)			<input type="text"/>
<b>d.</b> Cross-subsidy <b>to</b> large connections in unmetered supplies (page 26 of Guidelines)			<input type="text"/>
<b>28. Developer charges</b>			
<b>a.</b> Has council completed a water supply Development Servicing** Plan?	<input type="checkbox"/>	<input type="checkbox"/>	
<b>b.</b> Total cross-subsidy in water supply developer charges for 2007/08 (page 47 of Guidelines)			<input type="text"/>
** In accordance with page 9 of Developer Charges Guidelines for Water Supply, Sewerage and Stormwater, Department of Water and Energy, Dec 2002.			
<b>29. Disclosure of cross-subsidies</b>			
<b>Total of cross-subsidies (27b +27c + 27d + 28b)</b>			<input type="text" value="-"/>

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

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

## Lismore City Council

## Special Schedule No. 4 - Water Supply Balance Sheet

Includes INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.  
as at 30 June 2008

\$'000	Actuals Current	Actuals Non Current	Actuals Total
<b>ASSETS</b>			
<b>30. Cash and investments</b>			
a. Developer charges		963	963
b. Special purpose grants	-		-
c. Accrued leave	-		-
d. Unexpended loans	-		-
e. Sinking fund	-		-
f. Other			-
<b>31. Receivables</b>			
a. Specific purpose grants	-		-
b. Rates and charges	863	261	1,124
c. Other	262		262
<b>32. Inventories</b>	226		226
<b>33. Property, plant and equipment</b>			
a. System assets		73,777	73,777
b. Plant and equipment		323	323
<b>34. Other assets</b>			-
<b>35. Total assets</b>	<b>1,351</b>	<b>75,324</b>	<b>76,675</b>
<b>LIABILITIES</b>			
<b>36. Bank overdraft</b>	8		8
<b>37. Creditors</b>	70		70
<b>38. Borrowings</b>			
a. Loans			-
b. Advances			-
c. Finance leases			-
<b>39. Provisions</b>			
a. Tax equivalents			-
b. Dividend			-
c. Other	255		255
<b>40. Total liabilities</b>	<b>333</b>	<b>-</b>	<b>333</b>
<b>41. NET ASSETS COMMITTED</b>	<b>1,018</b>	<b>75,324</b>	<b>76,342</b>
<b>EQUITY</b>			
<b>42. Accumulated surplus</b>			28,763
<b>43. Asset revaluation reserve</b>			47,579
<b>44. TOTAL EQUITY</b>			<b>76,342</b>
<b>Note to system assets:</b>			
<b>45. Current replacement cost</b> of system assets			136,148
<b>46. Accumulated current cost</b> depreciation of system assets			(62,371)
<b>47. Written down current cost</b> of system assets			73,777

## 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 2008

\$'000	Actuals 2008	Actuals 2007
<b>A Expenses and Income Expenses</b>		
<b>1. Management expenses</b>		
a. Administration	888	501
b. Engineering and Supervision	419	428
<b>2. Operation and Maintenance</b>		
<b>- Mains</b>		
a. Operation expenses	80	141
b. Maintenance expenses	748	716
<b>- Pumping Stations</b>		
c. Operation expenses (excluding energy costs)	15	23
d. Energy costs	95	71
e. Maintenance expenses	482	333
<b>- Treatment</b>		
f. Operation expenses (excl. chemical, energy, effluent & biosolids management costs)	550	336
g. Chemical costs	475	327
h. Energy costs	174	196
i. Effluent Management	94	50
j. Biosolids Management	159	217
k. Maintenance expenses	541	343
<b>- Other</b>		
l. Operation expenses	-	313
m. Maintenance expenses	-	14
<b>3. Depreciation</b>		
a. System assets	5,480	1,565
b. Plant and equipment	61	86
<b>4. Miscellaneous expenses</b>		
a. Interest expenses	21	5
b. Revaluation Decrements	-	-
c. Other expenses	-	28
d. Tax Equivalent Dividends (actually paid)	-	-
<b>5. Total expenses</b>	<b>10,282</b>	<b>5,693</b>

## 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 2008

\$'000	Actuals 2008	Actuals 2007
<b>Income</b>		
<b>6. Residential charges</b> (including rates)	5,466	4,615
<b>7. Non-residential charges</b>		
a. Access (including rates)	592	1,309
b. User charges		-
<b>8. Trade Waste Charges</b>		
a. Annual Fees	230	246
b. User charges		-
c. Excess mass charges & re-inspection fees		-
<b>9. Extra charges</b>		-
<b>10. Interest income</b>	(574)	736
<b>11. Other income</b>	252	130
<b>12. Grants</b>		
a. Grants for acquisition of assets	-	50
b. Grants for pensioner rebates	120	117
c. Other grants	1	1
<b>13. Contributions</b>		
a. Developer charges	320	-
b. Developer provided assets	-	339
c. Other contributions	1,751	379
<b>14. Total income</b>	<u>8,158</u>	<u>7,922</u>
<b>15. Gain or loss on disposal of assets</b>	(161)	(14)
<b>16. Operating Result</b>	<u>(2,285)</u>	<u>2,215</u>
<b>16a. Operating Result (less grants for acquisition of assets)</b>	(2,285)	2,165



## 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 2008

\$'000	Actuals 2008	Actuals 2007
<b>B Capital transactions</b>		
<b>Non-operating expenditures</b>		
<b>17. Acquisition of Fixed Assets</b>		
a. Subsidised scheme	-	95
b. Other new system assets	-	231
c. Renewals	3,732	1,953
d. Plant and equipment	1,026	64
<b>18. Repayment of debt</b>		
a. Loans	35	68
b. Advances	-	-
c. Finance leases	-	-
<b>19. Transfer to sinking fund</b>	-	-
<b>20. Totals</b>	<b>4,793</b>	<b>2,411</b>
<b>Non-operating funds employed</b>		
<b>21. Proceeds from disposal of assets</b>	4	2
<b>22. Borrowing utilised</b>		
a. Loans	280	-
b. Advances	-	-
c. Finance leases	-	-
<b>23. Transfer from sinking fund</b>	-	-
<b>24. Totals</b>	<b>284</b>	<b>2</b>
<b>C Rates and charges</b>		
<b>25. Number of assessments</b>		
a. Residential (occupied)	10,126	10,056
b. Residential (unoccupied)	400	393
c. Non-residential (occupied)	1,022	1,014
d. Non-residential (unoccupied)	97	87
<b>26. Number of ETs for which developer charges were received</b>	106 ET	79 ET
<b>27. Total amount (actual dollars) of pensioner rebates</b>	\$ 220,000	\$ 208,000

## Lismore City Council

Special Schedule No. 5 - Sewerage Cross Subsidies  
for the financial year ended 30 June 2008

\$'000	Yes	No	Amount
<b>D Best practice annual charges and developer charges*</b>			
<b>28. Annual charges</b>			
<b>a.</b> 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 <b>land value</b> from access charges (ie rates)?			
	<input type="checkbox"/>	<input type="checkbox"/>	
<b>NB.</b> 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, Department of Water and Energy, December, 2002. Such charges do not involve significant cross subsidies.			
<b>b.</b> Cross-subsidy to non-residential customers (page 45 of Guidelines)			<input type="text"/>
<b>c.</b> Cross-subsidy to trade waste discharges (page 46 of Guidelines)			<input type="text"/>
<b>29. Developer charges</b>			
<b>a.</b> Has council completed a sewerage Development Servicing** Plan?	<input type="checkbox"/>	<input type="checkbox"/>	
<b>b.</b> Total cross-subsidy in sewerage developer charges for 2007/08 (page 47 of Guidelines)			<input type="text"/>
** In accordance with page 9 of Developer Charges Guidelines for Water Supply, Sewerage and Stormwater, Department of Water & Energy , Dec 2002.			
<b>30. Disclosure of cross-subsidies</b>			
<b>Total of cross-subsidies (28b + 28c + 29b)</b>			<input type="text" value="-"/>

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

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

## Lismore City Council

## Special Schedule No. 6 - Sewerage Balance Sheet

Includes INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.  
as at 30 June 2008

\$'000	Actuals Current	Actuals Non Current	Actuals Total
<b>ASSETS</b>			
<b>31. Cash and investments</b>			
a. Developer charges	659	5,329	5,988
b. Special purpose grants			-
c. Accrued leave			-
d. Unexpended loans			-
e. Sinking fund			-
f. Other	4,524		4,524
<b>32. Receivables</b>			
a. Specific purpose grants			-
b. Rates and charges	226	333	559
c. Other	1,110		1,110
<b>33. Inventories</b>	153		153
<b>34. Property, plant and equipment</b>			
a. System assets		174,365	174,365
b. Plant and equipment		240	240
<b>35. Other assets</b>			-
<b>36. Total Assets</b>	<u>6,672</u>	<u>180,267</u>	<u>186,939</u>
<b>LIABILITIES</b>			
<b>37. Bank overdraft</b>			-
<b>38. Creditors</b>	(166)		(166)
<b>39. Borrowings</b>			
a. Loans	33	1,247	1,280
b. Advances			-
c. Finance leases			-
<b>40. Provisions</b>			
a. Tax equivalents			-
b. Dividend			-
c. Other	193	4	197
<b>41. Total Liabilities</b>	<u>60</u>	<u>1,251</u>	<u>1,311</u>
<b>42. NET ASSETS COMMITTED</b>	<u>6,612</u>	<u>179,016</u>	<u>185,628</u>
<b>EQUITY</b>			
<b>42. Accumulated surplus</b>			67,041
<b>44. Asset revaluation reserve</b>			118,587
<b>45. TOTAL EQUITY</b>			<u>185,628</u>
<b>Note to system assets:</b>			
<b>46. Current replacement cost</b> of system assets			307,723
<b>47. Accumulated current cost</b> depreciation of system assets			(133,358)
<b>48. Written down current cost</b> of system assets			<u>174,365</u>

## Lismore City Council

### Notes to Special Schedule No.'s 3 & 5 for the financial year ended 30 June 2008

#### Administration <sup>(1)</sup>

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

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

#### Engineering and supervision <sup>(1)</sup>

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

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

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

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

**Other expenses** (item 4b of Special Schedules 3 and 5) include all expenses not recorded elsewhere.

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

**Non-residential charges** <sup>(2)</sup> (items 7a, 7b of Special Schedules 3 and 5) include all income from non-residential charges separated into 7a Access Charges (including rates if applicable) and 7b User 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 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:

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

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







## Lismore City Council

## Special Schedule No. 8 - Financial Projections

as at 30 June 2008

\$ million	Actual <sup>(1)</sup> 07/08	Forecast 08/09	Forecast 09/10	Forecast <sup>(3)</sup> 10/11
<b>(i) RECURRENT BUDGET</b>				
Income from continuing operations	73.0	57.5	59.8	61.7
Expenses from continuing operations	73.4	50.0	50.8	51.6
<b>Operating Result from Continuing Operations</b>	<b>- 0.5</b>	<b>7.5</b>	<b>9.0</b>	<b>10.1</b>
<b>(ii) CAPITAL BUDGET</b>				
New Capital Works <sup>(2)</sup>	5.0	10.0	-	-
Replacement/Refurbishment of Existing Assets	24.1	10.0	5.8	5.7
<b>Total Capital Budget</b>	<b>29.1</b>	<b>20.0</b>	<b>5.8</b>	<b>5.7</b>
<b>Funded by:</b>				
- Loans	6.0	5.3	-	-
- Asset sales	-	3.5	0.2	0.2
- Reserves	8.1	-	1.7	1.9
- Grants/Contributions	10.5	4.3	1.4	1.5
- Recurrent revenue	4.5	6.9	2.5	2.1
- Other	-	-	-	-
	<b>29.1</b>	<b>20.0</b>	<b>5.8</b>	<b>5.7</b>

**Notes:**

(1) From 07/08 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.



**COUNCIL OF THE CITY  
OF LISMORE**

**2007/08  
FINANCIAL  
REPORTS REVIEW**

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## **Overview**

The 2007/08 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 2007/08 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 reports used to convey the financial position of a council are the General Purpose Financial Reports (Part A). These reports present 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 Reports (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.

## **Qualified Financial Audit Reports**

Council is required to have its financial reports independently audited. The auditor is required to express an opinion on the financial reports based on the audit as to the whether the reports are free of material misstatement.

For the 2007/08 Financial Reports, the auditor has provided a Qualified Independent Audit Report. The qualification specifically relates to investments held at the June 30 that have been impacted by the volatility within the financial markets over the past twelve months. Council's investment portfolio at June 30 includes Collateralised Debt Obligation (CDO) instruments which do not have a current active trading market and therefore cannot be independently valued. This lack of independent valuation has resulted in the Auditor qualifying their Independent Audit Report as an assurance can not be provided that the 2007/08 Financial Reports are not materially misstated in regards to the carrying value of investments.

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## **Part A: General Purpose Financial Reports**

### ***1. Income Statement***

The net operating result for 2007/08 is a \$452,000 deficit. The following table displays the summarised information from 2005/06 to 2007/08:-

<b>Item</b>	<b>2007/08 (\$'000)</b>	<b>% Change</b>	<b>2006/07 (\$'000)</b>	<b>% Change</b>	<b>2005/06 (\$'000)</b>
Revenues from continuing operations	72,979	6.86%	68,297	(1%)	68,849
Expenses from continuing operations	73,431	28%	57,500	3%	55,602
<b>Net operating result for the year</b>	<b>(452)</b>	<b>-104%</b>	<b>10,797</b>	<b>(18%)</b>	<b>13,247</b>
<b>Net operating result before capital grants and contributions</b>	<b>(8,042)</b>	<b>-363.4%</b>	<b>3,053</b>	<b>84%</b>	<b>3,287</b>

The net operating result for the year of a \$452,000 deficit is an \$11.25m reduction from the 2006/07 operating surplus.

The major changes effecting the reduction in the net operating result were:-

- Interest and Investment Losses shows an expense of \$905,000 compared to revenue of \$2.63m for 2006/07. The revenue streams from investments (interest received) in 2007/08 was \$2.76m, an increase of 4.8% however there was a adjustment in the market value of investments of a negative \$3.66m. The adjustment in market values is required in accordance with accounting standards and represents the value of investments if they were realised at the reporting date instead of being held to maturity date. The amounts have been netted in accordance with reporting requirements which has distorted the comparison of revenues between years.
- A substantial increase in depreciation expenses of \$5.831m attributable to the increase in the fair value of Water and Wastewater assets bought to account at the end of the previous financial year.
- Works completed in 2007/08 have been funded from revenues received in the preceding year. Approximately \$3,000,000 held as working capital and unexpended grants was carried forward into 2007/08 resulting in operating expenses increasing while revenues not.

In general, revenues from continuing operations increased by 6.86% or \$4.7m however, expenses from continuing operations increased by 28% or \$15.931m. From a cash perspective, this change has been either funded or budgeted.

The 2007/08 reporting period includes increased depreciation expenses which are considerable higher than in previous years. It is anticipated that this trend will continue for the next two years as the fair value of all Council's assets are brought to account in accordance with the Department of Local Government requirements. Once asset management plans are completed for all infrastructure Council will need to consider how it will fund the required works. It is likely to be beyond Council's financial capacity and will require significant contribution from other tiers of government.

## 2. Balance Sheet

The Balance Sheet is used to summarise the total net assets under Council's control. As at June 30, 2008, total net assets were \$642m. During 2007/08, net assets increased by \$36.4m with \$452,000 decrease attributable to continuing operations and \$36.8m increase attributable to the revaluation of water, wastewater, land and building assets.

The revaluation of land & building assets for June 30, 2008 is part of the continuation of fair value for all non current assets mandated by the Department of Local Government. Fair value is defined as being the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. This is not necessarily the market-selling price of the asset, but rather the maximum value that Council would rationally pay to acquire an asset all things reasonably considered. The results from the revaluation are summarised below:-

Infrastructure Assets	Replacement Cost (\$m)	Accumulated Depreciation (\$m)	Fair Value (\$m)	Total Net Asset Increment (\$m)
<b>Fair Value</b>				
- Land	36.2	0	36.2	10.6
- Buildings	69.4	24.8	44.6	14.7
<b>Total Land and Buildings</b>	<b>105.6</b>	<b>24.8</b>	<b>80.8</b>	<b>25.3</b>
Total Land and Buildings (Pre Fair Value)	65.5	10	55.5	NA
<b>Total Increases</b>	<b>40.1</b>	<b>14.8</b>	<b>25.3</b>	<b>NA</b>

The major component of Council's net assets relates to infrastructure assets. Net infrastructure assets total \$519.2m and include the following categories and amounts:

Infrastructure Assets	At Cost (\$m)	Accumulated Depreciation (\$m)	Written Down Value (\$m)	At Cost/ Accumulated Depreciation %
Roads, Bridges, Footpaths & Earthworks	468.2	209.1	259.1	44
Stormwater Drainage	25.1	7.7	17.4	30
Water Supply Network	133.8*	62.1	71.6**	46
Sewerage Network	304.0*	133.0	171.1**	44
<b>Total Infrastructure Assets</b>	<b>931.1</b>	<b>411.9</b>	<b>519.2</b>	<b>44</b>

\* Replacement Costs

\*\* Fair Value

The Roads, Bridges, Footpaths & Earthworks and Stormwater Drainage and Other Structures components will also be revalued at fair value by June 30, 2009.

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

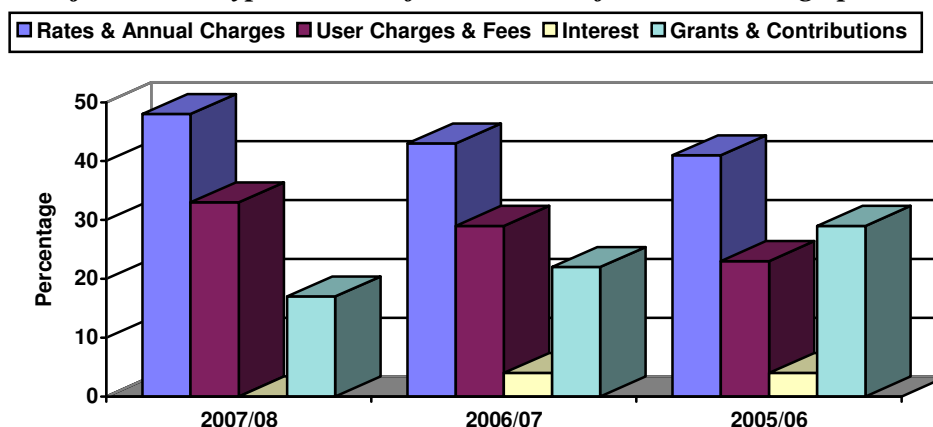
Income from continuing operations increase by \$4.682m or 6.86% compared to 2006/07. A summary of the individual categories and comparisons for the last three years is provided below:

Type	2007/08 (\$'000)	% Change	2006/07 (\$'000)	% Change	2005/06 (\$'000)
Rates & Annual Charges	31,145	5	29,690	6	28,093
User Charges & Fees	21,746	11	19,656	23	15,974
Interest	0	n/a	2,634	5	2,510
Other revenues	1,570	85	850	-1	868
Grants & Contributions – Operating	10,928	27	10,076	-1	10,223
Grants & Contributions – Capital	7,590	20	4,744	-52	9,960
Gain on Disposal of Assets	0	n/a	647	-47	1,221
<b>Total</b>	<b>72,979</b>	<b>6.8</b>	<b>68,297</b>	<b>1</b>	<b>68,849</b>

- User Charges & Fees have increased by 11% (\$2.09m) predominately due to increased Quarry sales \$1.329m (this includes revenues associated with the leasing of a new leased quarry \$1m)
- Other revenues increased by 84.7% or \$.73m and with the majority being attributable to insurance claims received for damage to Council Buildings as a result of storms \$.5m. The increase in insurance revenues was offset by increased costs of repairs to Council buildings with the costs of repairs being in excess of revenues received.
- Grants & Contributions – Capital increased by 59.9% or \$2.84m with RTA contributions increasing by \$.5m; non cash dedications of sewerage assets increasing by \$1.5m and non cash dedications of water assets increasing by \$.6m.
- Interest revenues for the year amounted to \$2.76m, but a market value write off of investments for \$3.666m has reduced this to a loss of \$905,000. This loss is reflected in expenses from continuing operations.

The following graph represents the main types of income from continuing operations expressed as a percentage of total continuing income 2007/08, 2006/07 and 2005/06:

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



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

Expenses from continuing operations increased by \$17.8m or 32% from 2006/07 to 2007/08. A summary of the individual categories and comparisons for the last three years:

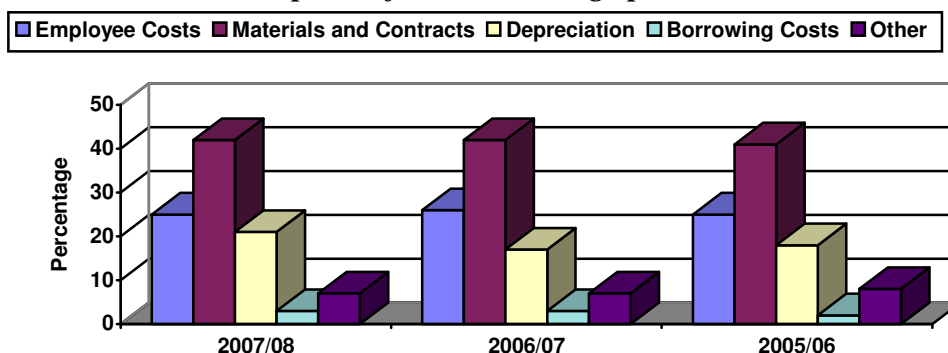
Type	2007/08 (\$'000)	% Change	2006/07 (\$'000)	% Change	2005/06 (\$'000)
Employee Costs	18,599	5	17,672	3	17,080
Borrowing Costs	1,826	15	1,507	15	1,309
Materials & Contracts	30,968	27	24,295	7	22,793
Depreciation	15,652	58	9,821	-2	10,072
Other	4,924	17	4,205	-2	4,348
Loss on Disposal of Assets	557	n/a	0	0	0
Interest & Investment Losses	905	n/a	0	0	0
<b>Total</b>	<b>73,431</b>	<b>32</b>	<b>55,602</b>	<b>15</b>	<b>48,417</b>

- Employee costs have increased in line with initial wage/salary growth projections.
- Materials and Contracts have shown a marked increase from previous years and can be attributed to increased quarry production costs \$1.4m (with \$1m associated with the new leased quarry), works associated with damage caused by the three natural disasters in 2008 \$2.6m, and increased ordered works from the RTA \$1.5m. These amounts were associated with increased sales revenue, insurance revenues and grants received..
- Depreciation has increased by \$5.8 million and is directly attributable to the fair value adjustment to Water and Wastewater assets in 2006/07. In accordance with DLG directive all Water and Wastewater infrastructure assets were adjusted to fair value, with the resulting impact being an increase in the depreciable value of the asset and therefore an increase in depreciation expenses for future years. It is anticipated that this trend of increasing depreciation costs will continue over the next two years as all non current assets are recognised at their fair value (buildings in 2007/08 and roads, footpaths, drainage and other structures in 2008/09).
- A Loss on Disposal of Assets of \$0.5m has also been recognised. The majority of this relates to the replacement of water and wastewater infrastructure assets being replaced and fully depreciated.
- In regards to Interest & Investment Losses, Council is required to report investments at their market value as at June 30 each year. This valuation is based on their estimated value at that date and is not reflective of the expected capital return if held to maturity. In accordance with requirements, a \$3.66m decline in the fair value of investments is reported. Throughout the year Council still received an income streams from these investments totalling \$2.7m which when netted against this adjustments results in an interest and investment loss of \$.9m.

Investment markets around the world have been extremely turbulent over the preceding twelve months. This volatility and uncertainty has eroded the confidence and operations of investment and credit markets which in turn has reduced the market value (fair value) of investments. The majority of investment products have maintained their interest payments over the reporting period, however if markets further tighten and volatility persists, it will effect future income streams from investments and their market value.

The following graph represents the types of expenses from continuing operations expressed as a percentage of total continuing expenses for 2007/08, 2006/07 and 2005/06:

### *Expenses from continuing operations*



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

Council has total cash, cash equivalents and investments of \$30.87m as at June 30, 2008. Compared to 2006/07, this is a decrease of \$2.9m. 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.

Investments held are recorded at their fair value and therefore include the fair value adjustment referred to above of a negative \$3.66m.

All funds are either restricted by external legislation e.g. developer contributions - Section 94 (\$5.2 m) and Section 64 (\$6.9m), Wastewater Services (\$3.5m), Unexpended Grants (\$952,000), Trust (\$891,000) and Domestic Waste Collection (\$68,000) or internal policy e.g. unexpended loans (\$5.8m) and reserves.

### **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 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.

<b>Performance Indicator</b>	<b>2007/08</b>	<b>2006/07</b>	<b>2005/06</b>	<b>2004/05</b>
Unrestricted Current Ratio	2.04:1	2.57:1	3.20:1	3.30:1
Debt Service Ratio Percentage	5.33%	4.54%	4.77%	5.14%
Rate Coverage Ratio Percentage	42.68%	43.47%	47.70%	46.25%
Rates, Annual Charges, Interest and Extra Charges Outstanding Percentage	10.89%	10.23%	9.75%	8.45%
Building & Infrastructure Renewals Ratio	109.38%	n/a	n/a	n/a

Council's performances indicators are overall within acceptable levels however do require further monitoring. Although there has been a small decline in Council's liquidity position (Unrestricted Current Ratio), it is still satisfactory to meet all current liabilities as and when required.

The Debt Service Ratio, which was at 4.54% for 2006/07, has increased to 5.33%. This increase is anticipated and attributed to the full impact of repayments from the 2006/07 borrowing program. This ratio will increase as repayments from the 2007/08 borrowing program (\$8.419m) and future program impact.

Rates Coverage Ratio Percentage for 2007/08 when compared to 2006/07 shows a reduction in reliance upon rates and annual charges. This is as a result of the increase in fees and user charges.

The Rate, Annual Charges, Interest and Extra Charges Outstanding percentage has remained above 10%. 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 will cause this indicator to improve in future years.

The Building & Infrastructure Renewals Ratio indicates that funds are being expended to renewing existing assets in excess of their rate of depreciation. This ratio will dramatically change when all infrastructure assets are fair valued and depreciation costs based on current replacement costs.

## **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, Northern Rivers Waste – Collection and Disposal, Lismore Memorial Gardens, Koala Child Care Centre, Commercial Properties 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, as it has no assets, a return on capital cannot be calculated. The other activities have been declared as they meet the criteria established for business activities, primarily because there are competitors in the market place for which Council actively competes for market share.

The following provides a summary of the return on capital for Council's business activities during 2007/08. Based on the summary and using the 10 Year Government Bond Rate as a guide, only the Northern Rivers Waste – Disposal is returning an acceptable result. Water & Wastewater have been significantly impacted by the increased depreciation expense associated with the fair adjustment of assets in 2006/07, given the enormity of the increased depreciation costs is not anticipated that these



units will achieve an acceptable return in the medium term. Based on these results, a review of the financial plans for these business units would be appropriate to ensure expectations are achievable.

Business Unit	Return %	Business Unit	Return	Business Unit	Return
Water	-3.3	Northern Rivers Waste – Collection	n/a	Koala Child Care Centre	-12.1
Wastewater	-2.5	Northern Rivers Waste – Disposal	16.6	Lismore Memorial Gardens	-1.1
Northern Rivers Quarry & Asphalt	-3.5	Properties Held for Public Benefit	7.0	Real Estate	n/a

### ***8. Subsidy from Council***

Council is deemed to have made a subsidy to a business unit if the capital return is less than the 'risk free rate'. The risk free rate is considered to be equivalent to the 10 Year Government Bond Rate applicable at June 30, 2008 of 6.45%.

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	7,243	Northern Rivers Waste – Collection	n/a	Koala Child Care Centre	81
Wastewater	15,597	Northern Rivers Waste – Disposal	-	Lismore Memorial Gardens	154
Northern Rivers Quarry & Asphalt	608	Properties Held for Public Benefit	-	Real Estate	n/a

### **Part C: Management Information**

The financial reports are useful in respect to the fact that they provide financial information on Council's consolidated performance and position. The purpose of this section is to provide information on specific aspects of Council's operations in more detail which is not readily available in the financial reports.

### ***9. Loan Indebtedness***

Council's overall loan debt increased during 2007/08 by \$7m to \$32.2m. During the year, total borrowings of \$8.5m were drawn with approximately 13% or \$1.1m of these funds for the self funding activities - Waste Service Material Recovery Facility 15% and \$1.3m for Wastewater construction programs.

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 2007/08 follow:

<b>Fund</b>	<b>Balance 30/6/07</b>	<b>New Loans Raised</b>	<b>Principal Repaid</b>	<b>Balance 30/6/08</b>	<b>Movement - Increase / (Decrease)</b>
<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
General	25,085	7,239	1,441	30,883	5,798
Wastewater	35	1,280	35	1,280	1,245
Water	43	0	43	0	(43)
<b>Total</b>	<b>25,163</b>	<b>8,519</b>	<b>1,519</b>	<b>32,163</b>	<b>7,000</b>

### ***10. Reserve Funds***

As at June 30, 2008, the calculated reserves totalled \$11.9m, comprising \$11.1 held as cash reserves and \$.8m as working capital. The working capital portion represents amounts that were held as outstanding debtors as at the June 30, 2008. There has been an over all decrease in reserves from 2006/07 of \$6.08m which is consistent with the reserves being used for the purpose they were collected or the funds being used as an 'internal loan' for industrial and commercial development. The reserves are held in General and Wastewater Funds being \$7,381,400 million and \$4,524,024 million respectively.

While there are reserves for general and wastewater fund, there are no unrestricted cash reserves held in water fund. While this is a concern, water fund has approximately \$1.4 million in outstanding debtors at June 30. A concerted effort to recover all debts will be maintained and this will result in a large proportion of this amount and other working capital being converted to cash.

All reserves held at June 30, 2008 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 descriptive report on reserve funds has also been submitted to Council for consideration.

### ***11. Plant Operations***

Council's plant fleet operates as a self-funding entity in that as plant 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 plant and fund future replacements. A summary of performance over the last three years follows: -

<b>Item</b>	<b>2007/08 (\$'000)</b>	<b>2006/07 (\$'000)</b>	<b>2005/06 (\$'000)</b>
Plant Hire Income	5,900	5,558	5,561
<b>Less:</b>			
Operating Expenses	4,127	3,677	3,952
Depreciation	1,835	1,445	1,451
<b>Operating Surplus / (Deficit)</b>	<b>(62)</b>	<b>436</b>	<b>158</b>
Add-back depreciation	1,835	1,445	1,451
<b>Cash Surplus / (Deficit)</b>	<b>1,773</b>	<b>1,881</b>	<b>1,609</b>
<b>Net Capital Replacement Cost</b>	<b>2,488</b>	<b>1,746</b>	<b>930</b>

The result for 2007/08 shows a decline in the cash surplus/ (deficit) by (5.7%) or (\$108,000) compared to 2006/07 with the main reason being an increase in operating expenses. The workshop operations are currently being reviewed.

The net capital replacement cost, which reflects purchase cost for new plant less trade-in, has significantly increased from previous years with major plant being replaced as planned in 2007/08. 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 \$3.65million is available for plant replacement at June 30, 2008.

## ***12. Real Estate Development***

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

The residential development 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. No lots were available for sale during 2007/08 however 5 will be fully developed and released for sale during 2008/09. Expectations are that all land will be developed and sold within the next two years.

For industrial land, the one developed lot is under contract in the Centennial Industrial Estate and all but one lot in the Airport Industrial Estate are under contract or in negotiations.

In 2005/06 Council acquired commercial land in the Goonellabah Town Centre precinct. The payment for acquisition is on a deferred settlement basis over a four year period. This land is actively being reclassified and then promoted for sale.

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

<b>Category</b>	<b>2007/08</b>	<b>2006/07</b>	<b>2005/06</b>
<b><u>Residential Land</u></b>			
<b>Opening Balance</b>			
Land Value (\$)	89,460	135,260	26,748
Number of Lots	11	12	17
<b>Sales</b>			
Gross Sale Proceeds (\$)	0	43,398	237,637
Lots Sold	0	1	5
<b>Add</b>			
Development Costs (\$)	0	0	190,049
Lots Created	0	0	0
<b>Closing Balance</b>			
Land Value (\$)	89,460	89,460	135,260
Number of Lots	11	11	12
<b>Profit / (Loss) (\$)</b>	<b>0</b>	<b>25,822</b>	<b>145,349</b>
<b><u>Industrial Land</u></b>			
<b>Opening Balance</b>			
Land Value (\$)	3,149,035	2,006,521	461,548
Number of Lots	7	8	12
<b>Sales</b>			
Gross Sale Proceeds (\$)	0	1,257,964	2,267,552
Lots Sold	0	1	4

<b>Add</b>			
Development Costs (\$)	495,690	1,769,034	2,889,218
Lots Created	1	0	0
<b>Closing Balance</b>			
Land Value (\$)	3,644,725	3,149,035	2,006,521
Number of Lots	8	7	8
<b>Profit / (Loss) (\$)</b>	<b>0</b>	<b>429,557</b>	<b>897,367</b>
<b>Commercial Land</b>			
<b>Opening Balance</b>			
Land Value (\$)	3,089,556	3,135,250	0
Number of Lots	1	1	0
<b>Sales</b>			
Gross Sale Proceeds (\$)	0	0	0
Lots Sold	0	0	0
<b>Add</b>			
Acquisition Costs (\$)	0	(45,694)	3,135,250
Lots Created	0	0	0
<b>Closing Balance</b>			
Land Value (\$)	3,089,556	3,089,556	3,135,250
Number of Lots	1	1	1
<b>Profit / (Loss) (\$)</b>	<b>0</b>	<b>0</b>	<b>0</b>

### 13. Northern River Quarry Operations

Northern Rivers Quarry has had a decrease in the cash surplus of \$978,000 from 2006/07. There have been of number of contributing factors associated with decline with the major items being:

- Higher levels of rainfall in the year have resulted in a reduction in demand for quarry production thus resulting in higher unit production costs.
- During 2007/08, new production was required as a result of leasing the Tuckombil and Stokers Quarry at Alstonville. These quarries produced a break even result. To meet demand additional time for the mobile crushing unit was required which diverted it away from Blakebrook Quarry. This required the existing inefficient crushing plant to be operated for a full twelve months as well the hiring external plant to service demand. This resulted in higher production costs and therefore a lower profit margin.

Quarry Management are reviewing production practices in order to reduce costs and increase profits. It is also anticipated that the Tuckombil and Stokers Quarry will contribute a positive cash result in future years and this coupled with a reduction of production costs at Blakebrook will place Council in a solid market position to generate consistent profits going forward.

Item	2007/08	2006/07	2005/06
<b>User Charges</b>			
External Sales	2,606,232	1,999,807	1,410,099
Internal Sales	1,894,391	1,721,661	2,365,114
Miscellaneous Charges	162,960	453,321	81,765
<b>Total Income</b>	<b>4,613,104</b>	<b>3,856,978</b>	<b>3,856,978</b>
<b>Less:</b>			
Operating Expenses	5,152,457	3,735,196	3,522,764
Depreciation	65,629	63,853	55,200
<b>Operating Surplus/(Deficit)</b>	<b>(604,982)</b>	<b>375,740</b>	<b>279,014</b>
Add-back depreciation	65,629	63,853	55,200
<b>Cash Surplus/(Deficit)</b>	<b>(539,353)</b>	<b>439,593</b>	<b>334,214</b>
<b>Cost of Production Per Tonne</b>	<b>18.03</b>	<b>10.64</b>	<b>10.46</b>

### 14. Summary

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Generally, Council remains in a sound financial position with cash, cash equivalents and investments remaining relatively stable and liabilities such as loans at a manageable level. To ensure long term financial viability, it remains essential for Council to continue to examine ways in which revenue can be increased, expenses decreased or a combination of both to meet anticipated asset management demands.

During 2008/09, Council's investment portfolio and investment income stream will be challenged as financial market volatility continues. This will result in Council reviewing its future works program that is linked to this income stream. The value of investments may deteriorate in the short term due to this market volatility; however, advice received suggests that provided the underlying assets of Council's investments remain sound, the majority of Council's capital should be recouped on maturity.

The impact of the revaluation of water and wastewater network infrastructure assets to fair value in 2006/07 has resulted in a marked decline in the operating result with an additional \$5.8m being added to depreciation expenses. This is not unexpected. With land and buildings to be adjusted to fair value in the current year and with all Council's other infrastructure assets to be valued on a fair value basis by June 30, 2009, Council's net operating result after that time will deteriorate. The development and implementation of long term asset management and associated financial plans will be required to rationalise Council's forward outlook and strategies.

## 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:*

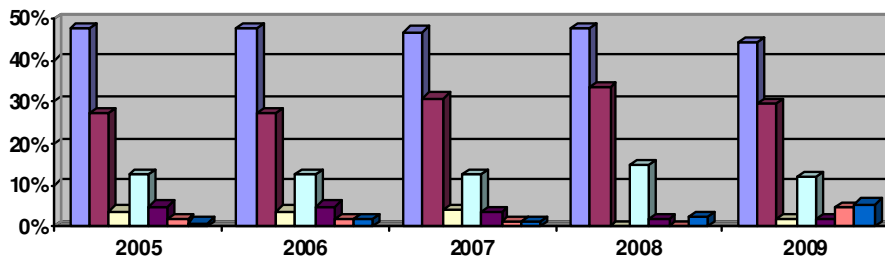
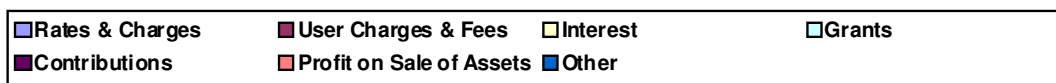
*Ordinary Revenue classified by source*

*Indicator / Local Government Benchmark:*

*For Information Only*

	June 2006 Actual \$'000	% Age of Total Revenue	June 2007 Actual \$'000	% Age of Total Revenue	June 2008 Actual \$'000	% Age of Total Revenue	June 2009 Forecast \$'000	% Age of Total Revenue
<b>Rates &amp; Charges</b>	28,093	47.71	29,690	46.72	31,145	47.63	32,886	44.25
<b>User Charges and Fees</b>	15,974	27.13	13,656	30.93	21,746	33.26	22,047	29.67
<b>Interest</b>	2,241	3.80	2,634	4.14	0	0	1,476	1.99
<b>Grants</b>	7,283	12.37	7,897	12.43	9,733	14.88	8,756	11.78
<b>Contributions</b>	2,940	4.99	2,179	3.43	1,195	1.83	1,540	2.07
<b>Profit on Sales of Assets</b>	1,221	2.07	647	1.01	0	0	3,486	4.69
<b>Other</b>	1,137	1.93	850	1.34	1,570	2.4	4,120	5.54
<b>Total Ordinary Revenue Before Capital</b>	<b>58,889</b>	<b>100.0</b>	<b>58,889</b>	<b>100.0</b>	<b>65,389</b>	<b>100.0</b>	<b>74,311</b>	<b>100.0</b>

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 2006 Actual	June 2007 Actual	June 2008 Actual	June 2009 Forecast	June 2010 Forecast	June 2011 Forecast
<b>General Fund</b>	<b>3.20</b>	<b>2.57</b>	<b>2.04</b>	<b>2.67</b>	<b>3.09</b>	<b>3.78</b>

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

**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 2006 Actual \$'000	June 2007 Actual \$'000	June 2008 Actual \$'000	June 2009 Forecast \$'000	June 2010 Forecast \$'000	June 2011 Forecast \$'000
a)	18,096	19,105	22,282	24,806	23,136	21,180
b)	-	-	-	-	-	-

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

**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 2006 Actual	June 2007 Actual	June 2008 Actual	June 2009 Forecast	June 2010 Forecast	June 2011 Forecast
a)	31.38%	30.06%	34.08%	33.38%	27.67%	26.87%
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 2006 Actual \$'000	June 2007 Actual \$'000	June 2008 Actual \$'000	June 2009 Forecast \$'000
General Fund	1,644	3,824	-1,222	-547
Water Fund	126	444	-2,464	-2,084
Wastewater Fund	1,517	1,785	-4,356	-4,905
All Funds	3,287	6,053	-8,042	-7,536

Commentary:

Council's decrease in operating result is mainly attributable to the increased depreciation in relation to Fair Value reporting for assets. The development and implementation of long term asset management and associated financial plans will be required to rationalise Council's forward outlook and strategies.

## Asset Condition Management

### Indicator #4 – Asset Condition Management

**Indicator Title:** a. Renewal

Indicator Definition:

**b. Maintenance / Maintenance Required**

**c. Asset Life Position**

- 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 2006 Actual \$'000	June 2007 Actual \$'000	June 2008 Actual \$'000	June 2009 Forecast \$'000
General Fund	a	2.18	2.28	2.87	2.48
Water Fund	a	2.13	3.42	0.81	0.61
Wastewater Fund	a	2.19	1.22	0.68	0.75
All Funds	a	2.17	2.18	1.83	1.54
General Fund	b	0.97	0.83	1.33	1.33
Water Fund	b	0.56	0.74	0.89	0.89
Wastewater Fund	b	0.51	0.57	1.04	1.04
All Funds	b	0.73	0.71	1.16	1.16
General Fund	c	40.87%	40.66%	40.44%	40.43%
Water Fund	c	34.82%	45.59%	46.47%	47.62%
Wastewater Fund	c	41.93%	42.53%	43.73%	45.26%
All Funds	c	40.63%	41.80%	37.09%	42.69%

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 2006 Actual	June 2007 Actual	June 2008 Actual	June 2009 Forecast	June 2010 Forecast	June 2011 Forecast
5.1	4.77%	4.54%	5.33%	6.28%	6.40%	6.07%

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.

**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 2006 Actual	June 2007 Actual	June 2008 Actual	June 2009 Forecast	June 2010 Forecast	June 2011 Forecast
6.1	9.75%	10.23%	10.89%	10.29%	10.18%	10.18%

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 2009 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 2005	June 2006	June 2007	June 2008
12.81%	15.53%	9.82%	7.93%

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 2007/08 additional expenditure has been and is associated with


- new funding received in relation to the natural disasters of 2008 \$2million
- additional grants for new projects such as the Living Library
- increased ordered works from the RTA
- additional schedule of works for water and wastewater upgrades
- the production costs associated with in relation the new lease for Tuckombil and Stokers Quarry at Alstonville
- The roll forward of unexpended grants and reserves from 2006/07.

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 2007/08 budget in April 2007.

**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



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**4 or Less Achieved – Corrective Action Required**



	<u>June 2005</u>	<u>June 2006</u>	<u>June 2007</u>	<u>June 2008</u>
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	Yes	Yes	Yes
3. Statements lodged to meet compliance deadline.	Yes	Yes	Yes	Yes
4. Do you report monthly to management within 5 days of month end?	No	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 <sup>nd</sup> 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
	<b>5</b>	<b>6</b>	<b>6</b>	<b>6</b>

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.