



LISMORE CITY COUNCIL FINANCIAL REPORTS

FOR THE YEAR ENDED

30 JUNE 2017

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



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GENERAL PURPOSE

FINANCIAL STATEMENTS

**For the year ended
30 June 2017**

Lismore City Council

General Purpose Financial Statements for the year ended 30 June 2017

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Overview

- (i) These financial statements are General Purpose Financial Statements and cover the operations for Lismore City Council.
- (ii) Lismore City Council is a body politic of NSW, Australia – being constituted as a local government area by proclamation and is duly empowered by the *Local Government Act 1993* (LGA).

Council's Statutory Charter is detailed in Paragraph 8 of the LGA and includes giving Council;

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

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

- (iii) All figures presented in these financial statements are presented in Australian currency.
- (iv) These financial statements were authorised for issue by the Council on 17 October 2017. Council has the power to amend and reissue these financial statements.
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INDEPENDENT AUDITOR'S REPORT

Report on the general purpose financial statements

Lismore City Council

To the Councillors of the Lismore City Council

Opinion

I have audited the accompanying financial statements of Lismore City Council (the Council), which comprise the statement of financial position as at 30 June 2017, the income statement, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the Statement by Councillors and Management.

In my opinion,

- 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 (the Division)
- the financial statements:
 - have been presented, in all material respects, in accordance with the requirements of this Division
 - are consistent with the Council's accounting records
 - present fairly, in all material respects, the financial position of the Council as at 30 June 2017, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- all information relevant to the conduct of the audit has been obtained
- no material deficiencies in the accounting records or financial statements have come to light during the audit.

My opinion should be read in conjunction with the rest of this report.

Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under the standards are described in the 'Auditor's Responsibilities for the Audit of the Financial Statements' section of my report.

I am independent of the Council in accordance with the requirements of the:

- Australian Auditing Standards
- Accounting Professional and Ethical Standards Board's APES 110 'Code of Ethics for Professional Accountants' (APES 110).

I have fulfilled my other ethical responsibilities in accordance with APES 110.

Parliament promotes independence by ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of councils
- precluding the Auditor-General from providing non-audit services.

I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Other Matter

The financial statements of the Council for the year ended 30 June 2016 were audited by another auditor who expressed an unmodified opinion on that financial statement on 19 October 2016.

The Councillors' Responsibility for the Financial Statements

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

In preparing the financial statements, the Councillors must assess the Council's ability to continue as a going concern except where the Council will be dissolved or amalgamated by an Act of Parliament. The assessment must disclose, as applicable, matters related to going concern and the appropriateness of using the going concern basis of accounting.

Auditor's Responsibility for the Audit of the Financial Statements

My objectives are to:

- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on the financial statements.

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/ar3.pdf. The description forms part of my auditor's report.

My opinion does *not* provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- on the Original Budget information included in the Income Statement, Statement of Cash Flows, Note 2(a) and Note 16 budget variation explanations
- on the attached Special Schedules
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.



Karen Taylor
Director, Financial Audit Services

17 October 2017
SYDNEY

Mr Isaac Smith
Mayor
Lismore City Council
PO Box 23A
LISMORE NSW 2480

Contact: Karen Taylor
Phone no: 02 9275 7311
Our ref: D1726771/1754

17 October 2017

Dear Mr Mayor

**Report on the Conduct of the Audit
for the year ended 30 June 2017
Lismore City Council**

I have audited the general purpose financial statements of Lismore City Council (the Council) for the year ended 30 June 2017 as required by s415 of the *Local Government Act 1993* (the Act).

I expressed an unmodified opinion on the Council's general purpose financial statements.

This Report on the Conduct of the Audit (the Report) for the Council for the year ended 30 June 2017 is issued in accordance with section 417 of the Act. This Report should be read in conjunction with my audit opinion on the general purpose financial statements issued under section 417(2) of the Act.

SIGNIFICANT AUDIT ISSUES AND OBSERVATIONS

I identified the following significant audit issues and observations during my audit of the Council's financial statements. These issues and observations were addressed as part of my audit.

Accounting for the Effects of the Natural Disaster March 2017

As part of the audit we considered the financial impact of the damage caused by the March 2017 flooding. I reviewed the way in which Council:

- identified and quantified assets which were impaired
- accounted for the impact of impairment and other costs in the financial report.

Council has identified land slips damaging its road network however at the date of this report the cost of repairing these assets is not quantified. Council has engaged geotechnical experts to evaluate each land slip and the cost of rehabilitation / replacement. Council has identified \$8.8 million of other infrastructure assets that are impaired out of its \$1.3 billion of infrastructure, property, plant and equipment. This is not material and has not recognised in the 2017 financial report. This has no impact on my audit opinion,

Council has lodged a claim for emergency works totalling \$2.3 million as well as a claim for infrastructure and other damage for \$14.7 million after 30 June 2017. These claims are subject to approval by the funding bodies and will be recognised as revenue in the 2018 financial year. These claims are disclosed as contingent assets in the general purpose financial statements.

INCOME STATEMENT

Operating result

	2017 \$'000	2016 \$'000	Variance %
Rates and annual charges revenue	49,563	47,343	4.7 ↑
Grants and contributions revenue	31,017	24,920	24.5 ↑
Operating result for the year	18,732	13,926	34.5 ↑
Net operating result before capital amounts	4,502	3,391	32.8 ↑

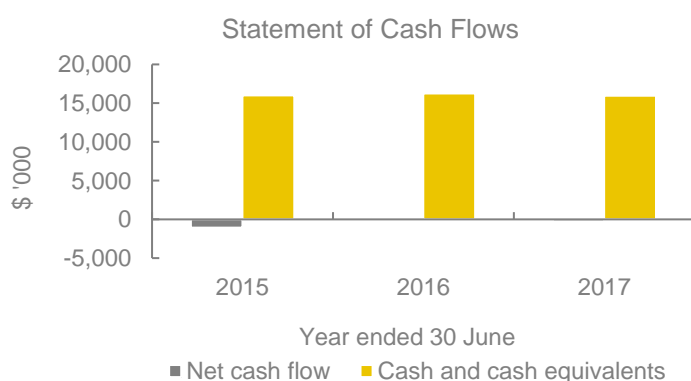
Council's consolidated operating result for the year has increased from \$13.9 million in 2016 to \$18.7 million in 2017. The key drivers increasing the overall operating result include:

- rates revenue increasing by rate pegging and a special rate variation of 1.8 per cent
- receipt in advance of \$2.9 million for the 2017-18 financial assistance grant
- increase in capital grants of \$3.7 million to fund several projects including the Regional Art Gallery & Quadrangle development, roadworks and the Regional Airport upgrade.

STATEMENT OF CASH FLOWS

The Statement of Cash Flows shows the inflows and outflows of cash during the financial year. The adjacent graph shows that closing cash and cash equivalent assets and net cash flows are consistent prior years. Key cash inflows and outflows for the year include:

- increased operating cash flows of \$8.7 million due to growth in rate revenues and grant funding as noted above
- an additional \$9.3 million invested in infrastructure, property, plant and equipment compared to 2016
- using \$31 million borrowings to fund capital works
- investing \$28 million in term deposits which do not satisfy the definition of cash and cash equivalents, but will increase investment returns.



FINANCIAL POSITION

Cash and Investments

Restricted Cash and Investments	2017	2016	Commentary
	\$'000	\$'000	
External restrictions	57,773	31,750	Externally restricted balances include unexpended specific loans, unexpended grants, developer contributions and domestic waste management charges.
Internal restrictions	8,186	6,499	Remaining balances are internally restricted in accordance with Council's reserves policy and are largely restricted for forward plans, carried forward works, and employee leave entitlements.
Unrestricted	--	--	Council has no unrestricted cash.
Cash and investments	65,959	38,249	

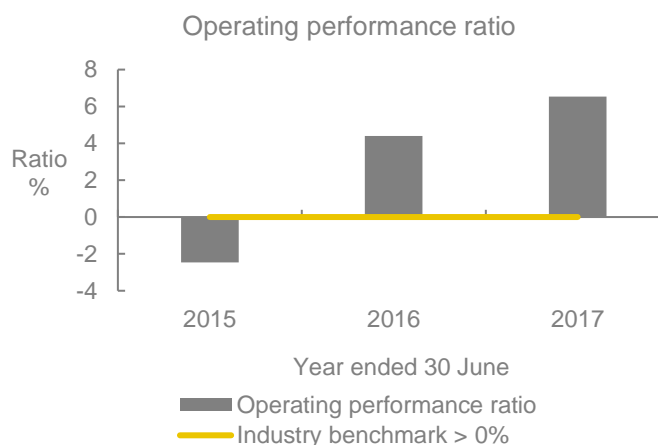
PERFORMANCE RATIOS

The definition of each ratio analysed below (except for the 'building and infrastructure renewals ratio') is included in Note 13 of the Council's audited general purpose financial statements. The 'building and infrastructure renewals ratio' is defined in Council's unaudited Special Schedule 7.

Operating performance ratio

Council's operating performance ratio increased on the prior year and exceeds the industry benchmark. The improved ratio is largely attributable to the receipt of the \$2.9 million financial assistance grant in advance and growth in rates and annual charges revenue of \$2.2 million whilst operating expenses have remained relatively static compared to the prior year.

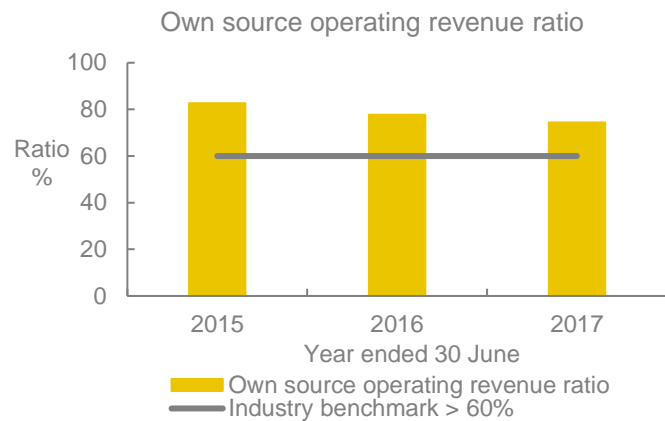
The 'operating performance ratio' measures how well Council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by the Office of Local Government (OLG) is greater than zero per cent.



Own source operating revenue ratio

Council continues to exceed the industry benchmark. The ratio for the current year has reduced from prior years due to increased operating and capital grant funding as described earlier in this report.

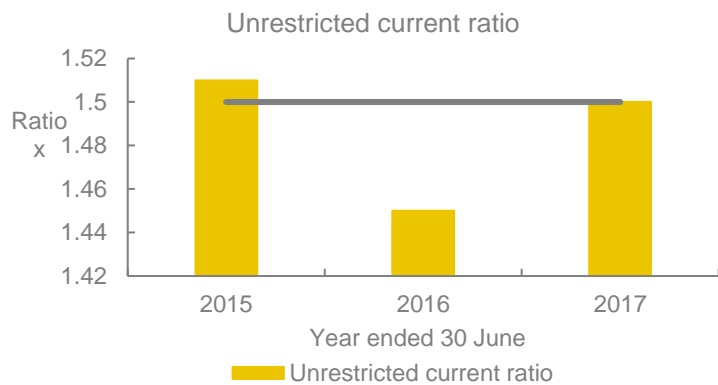
The 'own source operating revenue ratio' measures Council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by OLG is greater than 60 per cent.



Unrestricted current ratio

Council's unrestricted current ratio has increased marginally from 1.45 in 2016 to 1.5 as at 30 June 2017. This means that Council has \$1.50 in current liquid assets for every \$1 of current liability.

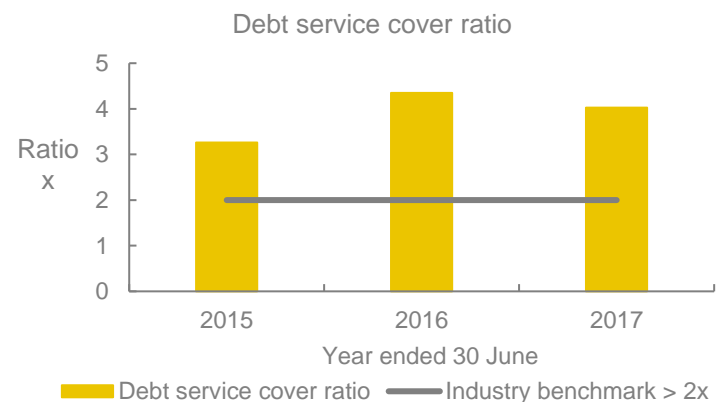
The 'unrestricted current ratio' is specific to local government and represents Council's ability to meet its short-term obligations as they fall due. The benchmark set by OLG is greater than 1.5 times.



Debt service cover ratio

Council's debt service cover ratio exceeds the industry benchmark. The decrease in the ratio from the prior year is influenced by higher debt service costs for the \$31 million borrowings drawn down in August 2016.

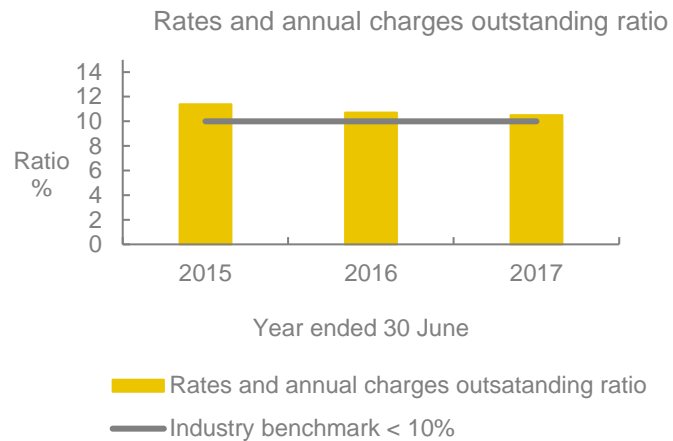
The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by OLG is greater than two times.



Rates and annual charges outstanding ratio

Council is not achieving the industry benchmark for this ratio but continues to improve by focusing on improving its debt collection processes.

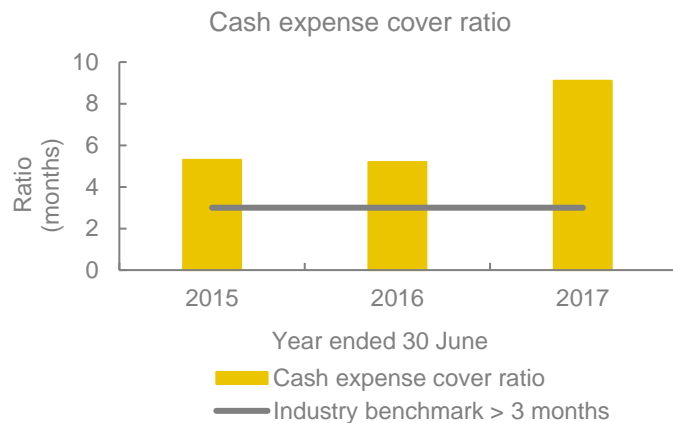
The 'rates and annual charges outstanding ratio' assesses the impact of uncollected rates and annual charges on Council's liquidity and the adequacy of debt recovery efforts. The benchmark set by OLG is less than 10 per cent for rural councils.



Cash expense cover ratio

This ratio has significantly increased since the prior year as Council's investments have been inflated by unspent borrowings of \$21 million.

This liquidity ratio indicates the number of months the Council can continue paying for its immediate expenses without additional cash inflow. The benchmark set by OLG is greater than three months.

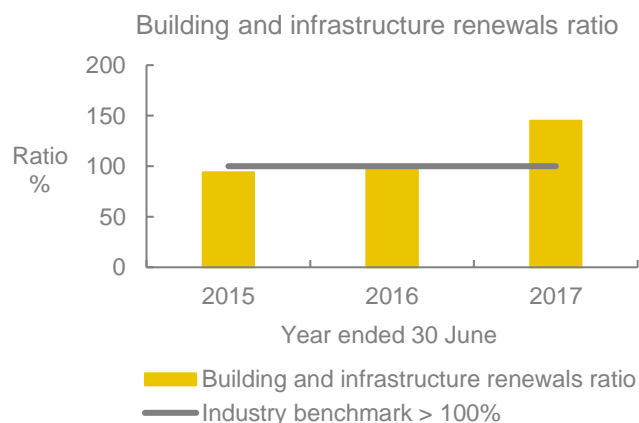


Building and infrastructure renewals ratio

The graph indicates that Council's capital works expenditure on renewing existing building and infrastructure assets has kept pace with their related depreciation.

The 'building and infrastructure renewals ratio' assesses the rate at which these assets are being renewed against the rate at which they are depreciating. The benchmark set by OLG is greater than 100 per cent.

This ratio is sourced from Council's Special Schedule 7 which has not been audited.



OTHER MATTERS

New accounting standards implemented

AASB 124 'Related Party Disclosures'

Effective for annual reporting periods beginning on or 1 July 2016

AASB 2015-6 extended the scope of AASB 124 to not-for-profit public sector entities. Council's financial statements disclosed the:

- compensation paid to key management personnel
- nature of related party relationships
- amount and nature of related party transactions, outstanding balances and commitments and outstanding balances (including commitments).

Legislative compliance

My audit procedures did not identify any instances of non-compliance with legislative requirements or a material deficiency in the Council's accounting records or financial reports. The Council's:

- accounting records were maintained in a manner and form to allow the general purpose financial statements to be prepared and effectively audited
- staff provided all accounting records and information relevant to the audit.



Karen Taylor
Director, Financial Audit Services

Lismore City Council

General Purpose Financial Statements for the year ended 30 June 2017

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

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

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

To the best of our knowledge and belief, these financial statements:

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

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

Signed in accordance with a resolution of Council made on 17 October 2017.



Isaac Smith
Mayor



Vanessa Ekins
Councillor



Gary Murphy
General Manager



Rino Santin
Responsible Accounting Officer

Lismore City Council

Income Statement

for the year ended 30 June 2017

Budget ¹ 2017	\$ '000	Notes	Actual 2017	Actual 2016
Income from continuing operations				
<i>Revenue:</i>				
49,299	Rates and annual charges	3a	49,563	47,343
32,261	User charges and fees	3b	32,567	32,558
1,193	Interest and investment revenue	3c	2,171	1,720
5,637	Other revenues	3d	5,639	5,464
11,061	Grants and contributions provided for operating purposes	3e,f	16,787	14,385
10,472	Grants and contributions provided for capital purposes	3e,f	14,230	10,535
<i>Other income:</i>				
–	Net gains from the disposal of assets	5	–	–
–	Net share of interests in joint ventures and associates using the equity method	19	–	–
109,923	Total income from continuing operations		120,957	112,005
Expenses from continuing operations				
39,063	Employee benefits and on-costs	4a	34,179	32,065
3,935	Borrowing costs	4b	3,640	3,074
24,927	Materials and contracts	4c	35,883	35,757
21,677	Depreciation and amortisation	4d	20,845	20,885
–	Impairment	4d	–	–
5,373	Other expenses	4e	5,199	5,233
	Interest and investment losses	3c	–	–
1,563	Net losses from the disposal of assets	5	2,479	1,003
	Net share of interests in joint ventures and associates using the equity method	19	–	62
96,538	Total expenses from continuing operations		102,225	98,079
13,385	Operating result from continuing operations		18,732	13,926
Discontinued operations				
	Net profit/(loss) from discontinued operations	24	–	–
13,385	Net operating result for the year		18,732	13,926
13,385	Net operating result attributable to Council		18,732	13,926
	Net operating result attributable to non-controlling interests		–	–
2,913	Net operating result for the year before grants and contributions provided for capital purposes		4,502	3,391

¹ Original budget as approved by Council – refer Note 16

Lismore City Council

Statement of Comprehensive Income
for the year ended 30 June 2017

\$ '000	Notes	Actual 2017	Actual 2016
Net operating result for the year (as per Income Statement)		18,732	13,926
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of I,PP&E	20b (ii)	216,378	28,615
Total items which will not be reclassified subsequently to the operating result		216,378	28,615
Amounts which will be reclassified subsequently to the operating result when specific conditions are met			
Nil		-	-
Total other comprehensive income for the year		216,378	28,615
Total comprehensive income for the year		235,110	42,541
Total comprehensive income attributable to Council		235,110	42,541
Total comprehensive income attributable to non-controlling interests		-	-

Lismore City Council

Statement of Financial Position

as at 30 June 2017

\$ '000	Notes	Actual 2017	Actual 2016
ASSETS			
Current assets			
Cash and cash equivalents	6a	15,959	16,249
Investments	6b	46,000	17,000
Receivables	7	17,865	14,960
Inventories	8	4,690	5,042
Other	8	15	115
Total current assets		84,529	53,366
Non-current assets			
Investments	6b	4,000	5,000
Receivables	7	2,493	3,001
Inventories	8	183	183
Infrastructure, property, plant and equipment	9	1,333,974	1,098,585
Intangible assets	25	218	329
Total non-current assets		1,340,868	1,107,098
TOTAL ASSETS		1,425,397	1,160,464
LIABILITIES			
Current liabilities			
Payables	10	12,148	9,576
Income received in advance	10	–	–
Borrowings	10	4,583	3,573
Provisions	10	8,008	8,237
Total current liabilities		24,739	21,386
Non-current liabilities			
Borrowings	10	65,589	39,645
Provisions	10	2,188	1,662
Total non-current liabilities		67,777	41,307
TOTAL LIABILITIES		92,516	62,693
Net assets		1,332,881	1,097,771
EQUITY			
Retained earnings	20	482,964	464,232
Revaluation reserves	20	849,917	633,539
Council equity interest		1,332,881	1,097,771
Non-controlling equity interests		–	–
Total equity		1,332,881	1,097,771

Lismore City Council

Statement of Changes in Equity

for the year ended 30 June 2017

2017							2016						
\$ '000	Notes	Retained earnings	Asset	Other	Non-	Total equity	Retained earnings	Asset	Other	Non-	Total equity		
			revaluation reserve	reserves	controlling interest			revaluation reserve	reserves	controlling interest			
			(Refer 20b)	(Refer 20b)				(Refer 20b)	(Refer 20b)				
Opening balance (as per last year's audited accounts)		464,232	633,539	–	1,097,771	–	1,097,771	450,306	604,924	–	1,055,230	–	1,055,230
a. Correction of prior period errors	20 (c)	–	–	–	–	–	–	–	–	–	–	–	–
b. Changes in accounting policies (prior year effects)	20 (d)	–	–	–	–	–	–	–	–	–	–	–	–
Revised opening balance		464,232	633,539	–	1,097,771	–	1,097,771	450,306	604,924	–	1,055,230	–	1,055,230
c. Net operating result for the year		18,732			18,732	–	18,732	13,926	–	–	13,926	–	13,926
d. Other comprehensive income													
– Revaluations: IPP&E asset revaluation rsve	20b (ii)		216,378		216,378		216,378	–	28,615	–	28,615	–	28,615
– Revaluations: other reserves	20b (ii)			–	–	–	–	–	–	–	–	–	–
– Transfers to Income Statement	20b (ii)			–	–	–	–	–	–	–	–	–	–
– Impairment (loss) reversal relating to I,PP&E	20b (ii)		–		–	–	–	–	–	–	–	–	–
– Joint ventures and associates	19b	–			–	–	–	–	–	–	–	–	–
– Other reserves movements	20b (ii)		–	–	–	–	–	–	–	–	–	–	–
– Other movements	20a	–			–	–	–	–	–	–	–	–	–
Other comprehensive income		–	216,378	–	216,378	–	216,378	–	28,615	–	28,615	–	28,615
Total comprehensive income (c&d)		18,732	216,378	–	235,110	–	235,110	13,926	28,615	–	42,541	–	42,541
e. Distributions to/(contributions from) non-controlling interests					–	–	–	–	–	–	–	–	–
f. Transfers between equity		–	–	–	–	–	–	–	–	–	–	–	–
Equity – balance at end of the reporting period		482,964	849,917	–	1,332,881	–	1,332,881	464,232	633,539	–	1,097,771	–	1,097,771

Lismore City Council

Statement of Cash Flows

for the year ended 30 June 2017

Budget 2017	\$ '000	Notes	Actual 2017	Actual 2016
Cash flows from operating activities				
Receipts:				
49,022	Rates and annual charges		49,098	47,339
32,249	User charges and fees		34,975	35,047
1,094	Investment and interest revenue received		2,198	1,809
21,533	Grants and contributions		27,723	22,031
–	Bonds, deposits and retention amounts received		267	–
6,031	Other		7,752	9,326
Payments:				
(39,085)	Employee benefits and on-costs		(34,344)	(32,062)
(25,010)	Materials and contracts		(41,548)	(44,458)
(3,935)	Borrowing costs		(3,601)	(2,305)
–	Bonds, deposits and retention amounts refunded		–	(24)
(5,372)	Other		(3,625)	(6,585)
36,527	Net cash provided (or used in) operating activities	11b	38,895	30,118
Cash flows from investing activities				
Receipts:				
	Sale of investment securities		–	16,000
	Sale of real estate assets		–	1,815
1,006	Sale of infrastructure, property, plant and equipment		1,315	1,298
	Deferred debtors receipts		6	8
Payments:				
	Purchase of investment securities		(28,000)	(15,434)
(56,898)	Purchase of infrastructure, property, plant and equipment		(39,460)	(30,107)
	Purchase of real estate assets		–	(14)
(55,892)	Net cash provided (or used in) investing activities		(66,139)	(26,434)
Cash flows from financing activities				
Receipts:				
31,121	Proceeds from borrowings and advances		31,121	–
Payments:				
(4,343)	Repayment of borrowings and advances		(4,167)	(3,451)
26,778	Net cash flow provided (used in) financing activities		26,954	(3,451)
7,413	Net increase/(decrease) in cash and cash equivalents		(290)	233
9,284	Plus: cash and cash equivalents – beginning of year	11a	16,249	16,016
16,697	Cash and cash equivalents – end of the year	11a	15,959	16,249

This statement should be read in conjunction with the accompanying notes.

Lismore City Council

Statement of Cash Flows

for the year ended 30 June 2017

Budget			Actual	Actual
le investments	\$ '000	Notes	-	-
Additional Information:				
plus: Investments on hand – end of year		6b	50,000	22,000
Total cash, cash equivalents and investments			65,959	38,249

Please refer to Note 11 for information on the following:

- Non-cash financing and investing activities
- Financing arrangements
- Net cash flow disclosures relating to any discontinued operations

Lismore City Council

Notes to the Financial Statements

for the year ended 30 June 2017

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Lismore City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Australian Accounting Interpretations, the Local Government Act 1993 (NSW) and Regulations, and the Local Government Code of Accounting Practice and Financial Reporting. Council is a not for-profit entity for the purpose of preparing these financial statements.

(i) New and amended standards adopted by Council

AASB 124 Related Party Disclosures was adopted during the year, the impact of this standard had no impact on reporting financial position or performance, however note 28 has been added.

(ii) Early adoption of standards

Council has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 1 July 2016.

(iii) Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain financial assets and liabilities and certain classes of property, plant and equipment and investment property.

(iv) Significant accounting estimates and judgements

The preparation of financial statements 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.

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

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year include:

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

Significant judgements in applying the Council's accounting policies

- (i) Impairment of Receivables

Council has made a significant judgement about the impairment of a number of its receivables in Note 7.

(b) Revenue recognition

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

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

Revenue is measured at the fair value of the consideration received or receivable. Revenue is measured on major income categories as follows:

(i) Rates, annual charges, grants and contributions

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

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

Lismore City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

rateable property or, where earlier, upon receipt of the rates.

Control over granted assets/contributed 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.

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 un-discharged at reporting date, the unused grant or contribution is disclosed in Note 3(g). The note also discloses the amount of unused grant or contribution from prior years that was expended on Council's operations during the current year.

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

(ii) User charges and fees

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

(iii) 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.

(iv) Interest

Interest income is recognised using the effective interest rate at the date that interest is earned.

(v) Rent

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

(vi) Dividend income

Revenue is recognised when the Council's right to receive the payment is established, which is generally when shareholders approve the dividend.

(vii) Other income

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

(c) Principles of consolidation

(i) The Consolidated Fund

In accordance with the provisions of Section 409(1) of the Local Government Act 1993 (NSW), 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.

Cash and other assets of the following entities have been included as part of the Consolidated Fund:

- General purpose operations
- Water service
- Sewerage service

(ii) The Trust Fund

In accordance with the provisions of Section 411 of the Local Government Act 1993 (NSW) (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) County Councils

Council is a member of the following county council (which are bodies incorporated under the *Local Government Act*):

▪ Rous County Council

- Provision of bulk water supplies
- Provision of flood mitigation services
- Provision of noxious weed eradication services

Lismore City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

The governing body of the county council is responsible for managing its own affairs.

Council is of the opinion that it neither controls nor significantly influences the above county council and accordingly this entity has not been consolidated or otherwise included within these financial statements.

(iv) Interests in other entities

Subsidiaries

Council has no interest in any subsidiaries.

Joint arrangements

Council has an interest in a joint arrangement, North East Waste Forum, which is responsible for exercising waste and resource management strategies for the region, however the value of the interest in this arrangement is not material to warrant disclosure at Note 19 to the Financial Statements.

Joint operations

Council has an interest in two joint operations, North East Weight of Loads Group (NEWLOG) and Blue Hills Residential Estate. NEWLOG is responsible for reducing damage to council roads and Blue Hills Residential Estate is responsible for the development and sale of lands.

In relation to its joint operations, where the venturer has the rights to the individual assets and obligations arising from the arrangement, the Council has recognised:

- its assets, including its share of any assets held jointly
- its liabilities, including its share of any liabilities incurred jointly
- its share of the revenue from the sale of the output by the joint operation
- its expenses, including its share of any expenses incurred jointly.

These figures are incorporated into the relevant line item in the primary statements.

(d) Leases

Leases of property, plant and equipment where Council, as lessee, 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 fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. 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.

The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that Council will obtain ownership at the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to Council as lessee 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 where Council is a lessor is recognised as income on a straight-line basis over the lease term.

(e) Impairment of assets

Intangible assets that have an indefinite useful life or are not yet available for use are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired.

Other assets are tested 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 the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely

Lismore City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(f) Cash and cash equivalents

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

Bank overdrafts are shown within borrowings in current liabilities on the Statement of Financial Position.

(g) Inventories

(i) Raw materials and stores, work in progress and finished goods

Raw materials and stores, work in progress and finished goods are 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 basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts.

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.

(ii) Inventory held for distribution

Inventory held for distribution is held at cost, adjusted where applicable for any loss of service potential.

(iii) 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.

(h) Non-current assets (or disposal groups) held for sale and discontinued operations

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use.

They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets; assets arising from employee benefits; financial assets; and investment properties that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement. An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of de-recognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Lismore City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

(i) Investments and other financial assets

Classification

Council classifies its financial assets in the following categories: financial assets at fair value through profit or loss; loans and receivables; held-to-maturity investments; and available-for-sale financial assets.

The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, 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. Assets in this category are classified as current assets.

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

Loans and receivables are included in other receivables (note 8) and receivables (note 7) in the Statement of Financial Position.

Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Receivables are generally due for settlement within 30 days.

Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

(iii) Held-to-maturity investments

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

amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale.

Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the reporting date, that 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. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the reporting date.

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.

Recognition and de-recognition

Regular purchases and sales of financial assets are recognised on trade-date: the date on which Council commits to purchase or sell the asset.

Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement.

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

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

Subsequent measurement

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

Lismore City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

Changes in the fair value of other monetary and non-monetary securities classified as available-for-sale are recognised in equity.

Impairment

Council assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired.

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

In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the assets are impaired.

Assets carried at amortised cost

For loans and receivables the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate.

The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Council may measure impairment on the basis of an instrument's fair value using an observable market price.

Collectability of receivables is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of receivables) is used when there is objective evidence that Council will not be able to collect all amounts due according to the original terms of the receivables.

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or

financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The amount of the impairment loss is recognised in the income statement within other expenses. When a receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the income statement.

Investment Policy

Council has an approved investment policy complying with Section 625 of the Local Government Act 1993 (NSW) and Clause 212 of the Local Government (General) Regulation 2005 (NSW).

Investments are placed and managed in accordance with that policy and having particular regard to authorised investments prescribed under the Ministerial Local Government Investment Order. Council maintains an investment policy that complies with the Act and ensures that it, or its representatives, exercise the care, diligence and skill that a prudent person would exercise in investing Council funds.

Council amended its policy following revisions to the Ministerial Local Government Investment Order (the Order) arising from the Cole Inquiry recommendations.

(j) Fair value estimation – financial instruments

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

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

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. Council uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date.

Lismore City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

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. 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.

(k) Infrastructure, property, plant and equipment (IPPE)

Council's assets have been progressively revalued to fair value in accordance with a staged implementation advised by the Office of Local Government. At reporting date, the following classes of IPPE were stated at their fair value:

Externally valued:

- Plant and equipment
- Operational land
- Community land
- Land improvements
- Buildings – specialised/non-specialised
- Other structures
- Roads assets including roads, bridges and footpaths
- Bulk earthworks
- Stormwater drainage
- Water and sewerage networks
- Swimming pools
- Other open space/recreational assets
- Other infrastructure
- Other assets

Non-specialised assets with short useful lives are measured at depreciated historical cost as an approximation of fair value. Council has assessed that any difference between fair value and depreciated historical cost is unlikely to be material.

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

For all other asset classes, Council assesses at each reporting date whether there is any indication that a revalued asset's carrying amount may differ

materially from that which would be determined if the asset were revalued at the reporting date. If any such indication exists, Council determines the asset's fair value and revalue the asset to that amount. Full revaluations are undertaken for all assets on a five-year cycle.

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 relating to that asset class, the increase is first recognised as profit or loss.

Decreases that reverse previous increases of assets in the same class are first charged against revaluation reserves directly in equity to the extent of the remaining reserve attributable to the class; all other decreases are charged to the Income Statement.

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.

Depreciation

Land is not depreciated.

Depreciation on other assets is calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives as follows:

Plant and 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 equipment	5 to 8 years
- Other plant and equipment	5 to 15 years

Other equipment

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

Buildings

- Buildings: masonry	50 to 100 years
- Buildings: other	20 to 40 years

Lismore City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

Water and sewer assets

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

Stormwater assets

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

Transportation assets

- Sealed roads: surface	12 to 25 years
- Sealed roads: base	45 to 75 years
- Sealed roads: sub base	90 to 150 years
- Unsealed roads	55 years
- Bridge: concrete	100 years
- Bridge: other	60 years
- Kerb, gutter and footpaths	50 to 100 years

Other infrastructure assets

- Bulk earthworks	Infinite
- Swimming pools	40 years
- Other open space/ recreational assets	20 years
- Other infrastructure	50 years

Library Resources

7 years
(excluding periodicals and eResources)

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

(l) Payables

These amounts represent liabilities for goods and services provided to the Council prior to the end of financial year that are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(m) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in

the income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the Statement of Financial Position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in other income or finance cost.

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

(n) 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.

(o) Provisions

Provisions are recognised when Council has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure

Lismore City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

(p) Employee benefits

(i) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be wholly settled within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled.

The liability for annual leave and accumulating sick leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

(ii) Other long-term employee benefit obligations

The liability for long service leave and annual leave that is not expected to be wholly settled within 12 months after the end of the period in which the employees render the related service is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period 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 end of the reporting period on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

The obligations are presented as current liabilities in the Statement of Financial Position if the Council does not have an unconditional right to defer settlement for at least 12 months after the reporting date, regardless of when the actual settlement is expected to occur.

(iii) Retirement benefit obligations

All employees of the Council are entitled to benefits on retirement, disability or death. Council contributes to various defined benefit plans and defined contribution plans on behalf of its employees.

Defined Benefit Plans

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

The present value of the defined benefit obligation is based on expected future payments that 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 accounts for its obligations to defined benefit plans on the same basis as its obligations to defined contribution plans, i.e. as an expense when it becomes payable.

Defined Contribution Plans

Contributions to defined contribution plans are recognised as an expense as they become payable. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(q) Land under roads

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

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

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

Lismore City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

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

(r) Self-insurance

Council does not self-insure.

(s) Intangible assets

IT development and software

Costs incurred in developing products or systems and costs incurred in acquiring software and licenses that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to software and systems. Costs capitalised include external direct costs of materials and service, direct payroll, and payroll related costs of employees' time spent on the project. Amortisation is calculated on a straight line basis over periods generally ranging from three to five years.

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

(t) 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 to the reserves are recognised within Council's Income Statement.

(u) Rural fire service assets

Under section 119 of the Rural Fire Services Act 1997 (NSW), "*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".

Until such time as discussions on this matter have concluded and the legislation changed, Council will recognise rural fire service assets including land, buildings, plant and vehicles.

(v) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to the taxation authority is included with other receivables or payables in the Statement of Financial Position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which that are recoverable from, or payable to the taxation authority are presented as operating cash flows.

(w) New accounting standards and interpretations issued not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for the current reporting period and which have not been applied.

As at the date of authorisation of the financial statements, the standards and interpretations listed below were in issue but not yet effective.

Effective for annual reporting periods beginning on or after 1 January 2018

AASB 9 Financial Instruments and Associated Amending Standards

Significant revisions to the classification and measurement of financial assets, reducing the number of categories and simplifying the measurement choices, including the removal of impairment testing of assets measured at fair value. The amortised cost model is available for debt assets

Lismore City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

meeting both business model and cash flow characteristics tests. All investments in equity instruments using AASB 9 are to be measured at fair value.

Amends measurement rules for financial liabilities that the entity elects to measure at fair value through profit and loss. Changes in fair value attributable to changes in the entity's own credit risk are presented in other comprehensive income.

Impairment of assets is now based on expected losses in AASB 9 which requires councils to measure:

The 12-month expected credit losses (expected credit losses that result from those default events on the financial instrument that are possible within 12 months after the reporting date) of full lifetime expected credit losses (expected credit losses that result from all possible default events over the life of the financial instrument).

Council is yet to undertake a detailed assessment of the impact of AASB 9.

Effective for annual reporting periods beginning on or after 1 January 2019

AASB 16 Leases

AASB 16 will result in most of the operating leases of an entity being brought onto the statement of financial position. There are limited exceptions relating to short-term leases and low-value assets which may remain off the balance sheet.

The calculation of the lease liability will take into account appropriate discount rates, assumptions about the lease term, and increases in lease payments.

A corresponding right to use assets will be recognised, which will be amortised over the term of the lease. Rent expense will no longer be shown. The profit and loss impact of the leases will be through amortisation and interest charges.

AASB 15 Revenue from Contracts with Customers, and associated amending standards

AAASB 15 introduces a five-step process for revenue recognition, with the core principle of the new standard being for entities to recognise revenue

to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the entity expects to be entitled in exchange for those goods and services.

Accounting policy changes will arise in the timing of revenue recognition, treatment of contracts costs, and contracts which contain a financing element.

AASB 15 will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (for example, service revenue and contract modifications), and improve guidance for multiple-element arrangements.

AASB 1058 Income of Not-for-Profit Entities

AASB 1058 supersedes all the income recognition requirements relating to councils, previously in AASB 1004 Contribution. The timing of income recognition depends on whether such a transaction gives rise to a liability or other performance obligation (a promise to transfer a good or service), or a contribution by owners, related to an asset (such as cash or another asset) received by an entity.

AASB 1058 applies when a council receives volunteer services or enters into other transactions in which the consideration to acquire an asset is significantly less than the fair value of the asset, and where the council's objective is principally to enable the asset to further the council's objectives. In cases where the council enters into other transactions, the council recognises and measures the asset at fair value in accordance with the applicable Australian Accounting Standard (eg AASB 116 Property, Plant and Equipment).

Upon initial recognition of the asset, this standard requires council to consider whether any other financial statement elements, (called 'related amounts') should be recognised in accordance with the applicable Accounting Standard, such as:

- (a) contributions by owners
- (b) revenue, or a contract liability arising from a contract with a customer
- (c) a lease liability
- (d) a financial instrument
- (e) a provision.

If the transaction is a transfer of a financial asset to enable Council to acquire or construct a recognisable non-financial asset to be controlled by Council (ie an

Lismore City Council

Notes to the Financial Statements for the year ended 30 June 2017

Note 1. Summary of significant accounting policies (continued)

in-substance acquisition of a non-financial asset), the council recognises a liability for the excess of the fair value of the transfer over any related amounts recognised.

Council will recognise income as it satisfies under the transfer similarly to income recognition in relation to performance obligations under AASB 15.

If the transaction does not enable council to acquire or construct a recognisable non-financial asset to be controlled by Council, then any excess of the initial carrying amount of the recognised asset over the related amounts is recognised as income.

The full impact of these standards has yet to be ascertained or quantified but will range from additional and/or revised disclosures to changes in how certain transactions and balances are accounted for.

(x) Rounding of amounts

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

(y) Comparative figures

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

(z) Disclaimer

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

Lismore City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 2(a). Council functions/activities – financial information

Functions/activities	Income, expenses and assets have been directly attributed to the following functions/activities. Details of these functions/activities are provided in Note 2(b).												
	Income from continuing operations			Expenses from continuing operations			Operating result from continuing operations			Grants included in income from continuing operations		Total assets held (current & non-current)	
	Original budget 2017	Actual 2017	Actual 2016	Original budget 2017	Actual 2017	Actual 2016	Original budget 2017	Actual 2017	Actual 2016	Actual 2017	Actual 2016	Actual 2017	Actual 2016
Governance		–	–	791	804	568	(791)	(804)	(568)	–	–	40,170	36,758
Administration	708	2,230	2,236	2,993	3,064	794	(2,285)	(834)	1,442	235	271	80,167	72,691
Public order and safety	290	197	204	2,120	2,117	2,316	(1,830)	(1,920)	(2,112)			4,032	3,656
Health	464	489	446	1,064	1,096	976	(600)	(607)	(530)	11		1,347	1,221
Environment	14,650	14,765	13,307	13,177	16,175	12,915	1,473	(1,410)	392	960	475	–	–
Community services and education	24	29	43	907	952	782	(883)	(923)	(739)	26	40	1,725	1,564
Housing and community amenities	2,051	2,404	2,855	3,882	3,608	3,456	(1,831)	(1,204)	(601)	226	275	75,421	68,387
Water supplies	13,346	14,753	12,579	11,884	12,270	11,642	1,462	2,483	937	263	120	178,392	86,141
Sewerage services	13,034	14,560	13,712	12,883	12,594	10,770	151	1,966	2,942	137	132	298,105	213,582
Recreation and culture	10,615	11,085	8,943	17,307	18,101	18,135	(6,692)	(7,016)	(9,192)	3,016	559	98,274	89,109
Fuel and energy		–	–		–	–	–	–	–			–	–
Agriculture		–	–		–	–	–	–	–			–	–
Mining, manufacturing and construction	7,067	6,614	6,701	6,421	6,788	7,290	646	(174)	(589)	397	367	20,190	18,307
Transport and communication	13,457	15,997	16,907	19,880	21,573	25,176	(6,423)	(5,576)	(8,269)	9,490	8,409	592,970	537,671
Economic affairs	514	481	531	3,229	3,083	3,197	(2,715)	(2,602)	(2,666)	5		34,604	31,377
Total functions and activities	76,220	83,604	78,464	96,538	102,225	98,017	(20,318)	(18,621)	(19,553)	14,766	10,648	1,425,397	1,160,464
Share of gains/(losses) in associates and joint ventures (using the equity method)		–	–		–	62	–	–	(62)		–	–	–
General purpose income ¹	33,703	37,353	33,541				33,703	37,353	33,541	9,401	6,471		–
Operating result from continuing operations	109,923	120,957	112,005	96,538	102,225	98,079	13,385	18,732	13,926	24,167	17,119	1,425,397	1,160,464

1. Includes: rates and annual charges (incl. ex-gratia), untied general purpose grants and unrestricted interest and investment income.

Lismore City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 2(b). Council functions/activities – component descriptions

Details relating to the Council's functions/activities as reported in Note 2(a) are as follows:

GOVERNANCE

Includes costs relating to 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, public disclosure (e.g. GIPA), and legislative compliance.

ADMINISTRATION

Includes corporate support and other support services, engineering works, and any Council policy compliance.

PUBLIC ORDER AND SAFETY

Includes Council's fire and emergency services levy, fire protection, emergency services, enforcement of regulations and animal control.

HEALTH

Includes immunisation, food control, health centres etc.

ENVIRONMENT

Includes noxious plants and insect/vermin control; other environmental protection; solid waste management, including domestic waste; other waste management; other sanitation; and garbage, street cleaning, drainage and stormwater management.

COMMUNITY SERVICES AND EDUCATION

Includes administration and education; social protection (welfare); migrant, Aboriginal and other community services and administration (excluding accommodation – as it is covered under 'housing and community amenities'); youth services; aged and disabled persons services and children's' services.

HOUSING AND COMMUNITY AMENITIES

Includes public cemeteries; public conveniences; street lighting; town planning; other community amenities, including housing development and accommodation for families and children, aged persons, disabled persons, migrants and Indigenous persons.

WATER SERVICES

SEWER SERVICES

RECREATION AND CULTURE

Includes public libraries; museums; art galleries; community centres and halls, including public halls and performing arts venues; sporting grounds and venues; swimming pools; parks; gardens; lakes; and other sporting, recreational and cultural services.

MINING, MANUFACTURING AND CONSTRUCTION

Includes building control, quarries and pits, mineral resources, and abattoirs.

TRANSPORT AND COMMUNICATION

Urban local, urban regional, includes sealed and unsealed roads, bridges, footpaths, parking areas, and aerodromes.

ECONOMIC AFFAIRS

Includes camping areas and caravan parks; tourism and area promotion; industrial development promotion; sale yards and markets; real estate development; commercial nurseries; and other business undertakings.

Lismore City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 3. Income from continuing operations

\$ '000	Notes	Actual 2017	Actual 2016
(a) Rates and annual charges			
Ordinary rates			
Residential		17,683	16,905
Farmland		4,394	4,237
Business		5,313	5,324
Total ordinary rates		27,390	26,466
Annual charges (pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Domestic waste management services		4,443	4,286
Stormwater management services		380	368
Water supply services		3,913	3,619
Sewerage services		11,935	11,239
Waste management services (non-domestic)		604	533
Nimbin transfer station		54	54
Waste minimisation		844	778
Total annual charges		22,173	20,877
TOTAL RATES AND ANNUAL CHARGES		49,563	47,343

Council has used 2016 year valuations provided by the NSW Valuer General in calculating its rates.

Lismore City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 3. Income from continuing operations (continued)

\$ '000	Notes	Actual 2017	Actual 2016
(b) User charges and fees			
Specific user charges (per s.502 – specific 'actual use' charges)			
Water supply services		9,189	8,094
Sewerage services		275	215
Total user charges		9,464	8,309
Other user charges and fees			
(i) Fees and charges – statutory and regulatory functions (per s.608)			
Building regulation		860	756
Dog registration fees		173	179
Health control		463	432
Planning services		495	427
Section 603 certificates		87	79
Other		50	37
Total fees and charges – statutory/regulatory		2,128	1,910
(ii) Fees and charges – other (incl. general user charges (per s.608))			
Aerodrome		261	314
Art gallery		7	17
Caravan park		25	24
Community centres		7	6
Library		4	4
Parking fees		189	93
Parks, gardens and lakes		203	226
Public cemeteries		1,076	1,012
Quarry revenues		5,210	5,479
RMS (formerly RTA) charges (state roads not controlled by Council)		2,117	4,043
Road services		57	59
RTRL contributions by member councils		4,830	4,801
Share cropping		20	13
Sporting grounds		1,734	1,667
Strategic planning		1	65
Swimming pools		308	314
Tourism service charges		72	72
Water charges		146	161
Waste disposal		4,158	3,719
Other		550	250
Total fees and charges – other		20,975	22,339
TOTAL USER CHARGES AND FEES		32,567	32,558

Lismore City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 3. Income from continuing operations (continued)

\$ '000	Notes	Actual 2017	Actual 2016
(c) Interest and investment revenue (including losses)			
Interest			
– Interest on overdue rates and annual charges (incl. special purpose rates)		370	401
– Interest earned on investments (interest and coupon payment income)		1,801	1,319
TOTAL INTEREST AND INVESTMENT REVENUE		2,171	1,720
Interest revenue is attributable to:			
Unrestricted investments/financial assets:			
Overdue rates and annual charges (general fund)		370	401
General Council cash and investments		192	203
Restricted investments/funds – external:			
Development contributions			
– Section 94		135	141
Water fund operations		311	280
Sewerage fund operations		1,163	695
Total interest and investment revenue recognised		2,171	1,720
(d) Other revenues			
Rental income – other council properties		364	337
Fines – parking		109	130
Fines – other		97	104
Class Action Recovery		–	1,110
Commissions and agency fees		47	42
Insurance claim recoveries		525	4
Master games		71	64
Other events		124	3
Private works		117	238
Recycling income (non-domestic)		3,308	2,947
Reservation and registration fees		89	89
Other		788	396
TOTAL OTHER REVENUE		5,639	5,464

Lismore City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 3. Income from continuing operations (continued)

\$ '000	2017 Operating	2016 Operating	2017 Capital	2016 Capital
(e) Grants				
General purpose (untied)				
Financial assistance – general component	6,190	4,218	–	–
Financial assistance – local roads component	2,766	1,827	–	–
Pensioners' rates subsidies – general component	445	426	–	–
Total general purpose	9,401	6,471	–	–
Specific purpose				
Pensioners' rates subsidies:				
– Water	259	117	–	–
– Sewerage	132	126	–	–
– Domestic waste management	88	84	–	–
Art gallery	97	101	–	–
Community services	26	39	–	–
Diesel rebate	609	567	–	–
Environmental protection	61	27	–	–
Library services	122	316	–	–
Natural disaster emergency funding	1,748	1,710	–	–
Other domestic waste management	–	–	852	356
Recreation and culture	–	–	2,790	139
Street lighting	167	167	–	–
Transport (roads to recovery)	2,037	2,522	–	–
Transport (other roads and bridges funding)	268	15	4,750	4,162
Other - Airport	–	–	686	–
Other	74	165	–	35
Total specific purpose	5,688	5,956	9,078	4,692
Total grants	15,089	12,427	9,078	4,692
Grant revenue is attributable to:				
– Commonwealth funding	11,620	9,235	2,565	–
– State funding	3,469	3,192	6,513	4,692
– Other funding	–	–	–	–
	15,089	12,427	9,078	4,692

Lismore City Council

Notes to the Financial Statements
for the year ended 30 June 2017

Note 3. Income from continuing operations (continued)

\$ '000	2017 Operating	2016 Operating	2017 Capital	2016 Capital
(f) Contributions				
Developer contributions:				
(s93 & s94 – EP&A Act, s64 of the LGA):				
S 94 – contributions towards amenities/services	–	–	609	1,126
S 64 – water supply contributions	–	–	117	141
S 64 – sewerage service contributions	–	–	490	653
Total developer contributions	17 –	–	1,216	1,920
Other contributions:				
Art gallery	97	36	–	–
Dedications (other than by S94)	–	–	3,543	2,889
Library	32	28	93	97
Recreation and culture	–	–	110	721
RMS contributions (regional roads, block grant)	1,560	1,889	136	136
Other	9	5	54	80
Total other contributions	1,698	1,958	3,936	3,923
Total contributions	1,698	1,958	5,152	5,843
TOTAL GRANTS AND CONTRIBUTIONS	16,787	14,385	14,230	10,535

Lismore City Council

Notes to the Financial Statements
for the year ended 30 June 2017

Note 3. Income from continuing operations (continued)

\$ '000	Actual 2017	Actual 2016
(g) Unspent grants and contributions		
Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner:		
Unexpended at the close of the previous reporting period	6,530	5,877
Add: grants and contributions recognised in the current period but not yet spent:	1,713	2,503
Less: grants and contributions recognised in a previous reporting period now spent:	(1,964)	(1,850)
Net increase (decrease) in restricted assets during the period	(251)	653
Unexpended and held as restricted assets	6,279	6,530
Comprising:		
– Specific purpose unexpended grants	1,517	1,794
– Developer contributions	4,762	4,736
	6,279	6,530

Lismore City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 4. Expenses from continuing operations

\$ '000	Notes	Actual 2017	Actual 2016
(a) Employee benefits and on-costs			
Salaries and wages		28,190	25,585
Employee leave entitlements (ELE)		5,321	5,388
Superannuation		3,377	3,428
Workers' compensation insurance		704	548
Fringe benefit tax (FBT)		52	50
Payroll tax		112	172
Training costs (other than salaries and wages)		283	316
Total employee costs		38,039	35,487
Less: capitalised costs		(3,860)	(3,422)
TOTAL EMPLOYEE COSTS EXPENSED		34,179	32,065
Number of 'full-time equivalent' employees (FTE) at year end		432	432
(b) Borrowing costs			
(i) Interest bearing liability costs			
Interest on loans		3,589	2,939
Other debts		12	65
Total interest bearing liability costs		3,601	3,004
Total interest bearing liability costs expensed		3,601	3,004
(ii) Other borrowing costs			
Discount adjustments relating to movements in provisions (other than ELE)		–	–
– Remediation liabilities	26	39	70
Total other borrowing costs		39	70
TOTAL BORROWING COSTS EXPENSED		3,640	3,074

Lismore City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Actual 2017	Actual 2016
(c) Materials and contracts			
Raw materials and consumables		35,526	35,183
Auditors remuneration ⁽¹⁾		87	94
Legal expenses:			
– Legal expenses: planning and development		75	348
– Legal expenses: debt recovery		83	22
Operating leases:			
– Operating lease rentals: minimum lease payments ⁽²⁾		112	110
Total materials and contracts		35,883	35,757
Less: capitalised costs		–	–
TOTAL MATERIALS AND CONTRACTS		35,883	35,757
1. Auditor remuneration			
a. During the year, the following fees were incurred for services provided:			
(i) Audit and other assurance services			
– Audit and review of financial statements: LCC (Auditor General)		72	72
– Audit and review of financial statements: RTRL (TNR)		13	9
– Other audit and assurance services:			
2016 - Review of Asset Management Preparedness (TNR)		–	13
2017 - audit of Grant Acquittals (TNR)		2	–
Remuneration for audit and other assurance services		87	94
Total Auditor remuneration		87	94
2. Operating lease payments are attributable to:			
Computers		112	110
		112	110

Lismore City Council

Notes to the Financial Statements
for the year ended 30 June 2017

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Actual 2017	Actual 2016
(d) Depreciation, amortisation and impairment			
Depreciation and amortisation			
Plant and equipment		3,354	3,067
Office equipment		144	170
Furniture and fittings		23	20
Land improvements (depreciable)		936	338
Infrastructure:			
– Buildings – non-specialised		36	31
– Buildings – specialised		826	796
– Other structures		300	169
– Roads		6,624	7,284
– Bridges		869	876
– Footpaths		201	189
– Stormwater drainage		813	782
– Water supply network		1,734	1,679
– Sewerage network		4,280	4,225
– Swimming pools		68	238
– Other open space/recreational assets		80	151
Other assets			
– Library books		389	719
– Other		22	7
Asset reinstatement costs	9 & 26	(18)	(10)
Intangible assets	25	164	154
Total gross depreciation and amortisation costs		20,845	20,885
Total depreciation and amortisation costs		20,845	20,885

Lismore City Council

Notes to the Financial Statements
for the year ended 30 June 2017

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Actual 2017	Actual 2016
(e) Other expenses			
Bad and doubtful debts		12	–
Contributions/levies to other levels of government		–	–
– Emergency services levy (includes FRNSW, SES, and RFS levies)		85	78
– Rous County Council		432	425
– NSW fire brigade levy		452	443
– NSW rural fire service levy		274	224
Councillor expenses – mayoral fee		54	54
Councillor expenses – councillors' fees		200	201
Councillors' expenses (incl. mayor) – other (excluding fees above)		153	118
Donations, contributions and assistance to other organisations (Section 356)		212	208
Election expenses		236	–
Electricity and heating		1,359	1,292
Insurance		1,086	1,148
Legal Costs on Investment Recoveries		–	456
Street lighting		298	236
Telephone and communications		346	350
Total other expenses		5,199	5,233
Less: capitalised costs		–	–
<u>TOTAL OTHER EXPENSES</u>		<u>5,199</u>	<u>5,233</u>

Lismore City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 5. Gains or losses from the disposal of assets

\$ '000	Notes	Actual 2017	Actual 2016
Property (excl. investment property)			
Proceeds from disposal – property		299	609
Less: carrying amount of property assets sold/written off		(305)	(386)
Net gain/(loss) on disposal		(6)	223
Plant and equipment			
Proceeds from disposal – plant and equipment		1,016	689
Less: carrying amount of plant and equipment assets sold/written off		(1,006)	(636)
Net gain/(loss) on disposal		10	53
Infrastructure			
Proceeds from disposal – infrastructure		–	–
Less: carrying amount of infrastructure assets sold/written off		(2,402)	(1,666)
Net gain/(loss) on disposal		(2,402)	(1,666)
Real estate assets held for sale			
Proceeds from disposal – real estate assets		–	1,815
Less: carrying amount of real estate assets sold/written off		–	(1,428)
Net gain/(loss) on disposal		–	387
Other (Heritage Collections)			
Proceeds from disposal – Other (Heritage Collections)		–	–
Less: carrying amount of Other (Heritage Collections) assets sold/w/off		(5)	–
Net gain/(loss) on disposal		(5)	–
Other (Other Structures)			
Proceeds from disposal – Other (Other Structures)		–	–
Less: carrying amount of Other (Other Structures) assets sold/written off		(26)	–
Net gain/(loss) on disposal		(26)	–
Other (Land Improvements-Depreciable)			
Proceeds from disposal – Other (Land Improvements-Depreciable)		–	–
Less: carrying amount of Other (Land Improvements-Depreciable) asset:		(50)	–
Net gain/(loss) on disposal		(50)	–
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		(2,479)	(1,003)

Lismore City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 6a. – Cash assets and Note 6b. – investments

\$ '000	Notes	2017	2017	2016	2016
		Actual Current	Actual Non-current	Actual Current	Actual Non-current
Cash and cash equivalents (Note 6a)					
Cash on hand and at bank		690	–	474	–
Cash-equivalent assets ¹					
– Deposits at call		11,269	–	10,775	–
– Short-term deposits		4,000	–	5,000	–
Total cash and cash equivalents		15,959	–	16,249	–
Investments (Note 6b)					
– Long term deposits		46,000	4,000	17,000	5,000
Total investments		46,000	4,000	17,000	5,000
TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS		61,959	4,000	33,249	5,000

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

Cash, cash equivalents and investments were classified at year end in accordance with AASB 139 as follows:

Cash and cash equivalents

a. 'At fair value through the profit and loss'		15,959	–	16,249	–
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Investments

a. 'At fair value through the profit and loss'					
– 'Designated at fair value on initial recognition'	6(b-i)	46,000	4,000	17,000	5,000
Investments		46,000	4,000	17,000	5,000

Refer to Note 27. Fair value measurement for information regarding the fair value of investments held.

Lismore City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 6c. Restricted cash, cash equivalents and investments – details

\$ '000	2017 Actual Current	2017 Actual Non-current	2016 Actual Current	2016 Actual Non-current
Total cash, cash equivalents and investments	61,959	4,000	33,249	5,000
attributable to:				
External restrictions (refer below)	53,773	4,000	26,750	5,000
Internal restrictions (refer below)	8,186	–	6,499	–
Unrestricted	–	–	–	–
	61,959	4,000	33,249	5,000

2017 \$ '000	Opening balance	Transfers to restrictions	Transfers from restrictions	Closing balance
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Details of restrictions

External restrictions – included in liabilities

Other – Art gallery gift account	679		(649)	30
Other – trust account	981	75		1,056
Other - Flood Appeal	–	470		470
External restrictions – included in liabilities	1,660	545	(649)	1,556

External restrictions – other

Developer contributions – general (D)	4,736	1,351	(1,325)	4,762
Specific purpose unexpended grants (F)	1,538	–	(436)	1,102
Water supplies (G)	2,237	6,374	–	8,611
Water supplies – employee leave entitlements (G)	96		(16)	80
Sewerage services (G)	19,107	20,021	–	39,128
Sewerage services – employee leave entitlements (G)	82	4		86
Domestic waste management (G)	908		(37)	871
Stormwater management (G)	1,123	265		1,388
Other – waste minimisation	263		(74)	189
External restrictions – other	30,090	28,015	(1,888)	56,217
Total external restrictions	31,750	28,560	(2,537)	57,773

Lismore City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 6c. Restricted cash, cash equivalents and investments – details (continued)

2017 \$ '000	Opening balance	Transfers to restrictions	Transfers from restrictions	Closing balance
Internal restrictions				
Annual Budget or LTFP Provision	2,058	588		2,646
Held for Other Parties	910	45		955
SRV Related	140	259		399
Carry Forward & Revote Works	598	581	–	1,179
Other Council Resolutions	–	196		196
Specific purpose unexpended loans (A)	185	341		526
Employees leave entitlement	2,205		(348)	1,857
RTRL – employee leave entitlements	403	25		428
Total internal restrictions	6,499	2,035	(348)	8,186
TOTAL RESTRICTIONS	38,249	30,595	(2,885)	65,959

- A** Loan moneys which must be applied for the purposes for which the loans were raised.
- B** Advances by roads and maritime services for (RMS) works on the State's classified roads.
- C** Self insurance liability resulting from reported claims or incurred claims not yet reported.
- D** Development contributions which are not yet expended for the provision of services and amenities in accordance with contributions plans (refer Note 17).
- E** RMS contributions which are not yet expended for the provision of services and amenities in accordance with those contributions.
- F** Grants which are not yet expended for the purposes for which the grants were obtained. (refer Note 1 (b))
- G** Water, sewerage, domestic waste management (DWM) and other special rates/levies/charges are externally restricted assets and must be applied for the purposes for which they were raised.
- H** Council has \$5.461 million in internal borrowings from funds that would otherwise have been classified as Internal Restrictions. As they are internal borrowings, they are eliminated from reporting in accordance with Australian Accounting Standards. The borrowings have been used for various purposes and will be repaid in accordance with loan repayment schedules, linked asset sales, profit generation or as cashflow permits.

Lismore City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 7. Receivables

\$ '000	Notes	2017		2016	
		Current	Non-current	Current	Non-current
Purpose					
Rates and annual charges		3,967	1,202	3,237	1,467
Interest and extra charges		532	147	592	447
User charges and fees		2,538	881	2,172	818
Accrued revenues					
– Interest on investments		750	–	417	–
Deferred debtors		8	249	7	256
Loans to sporting clubs		–	–	3	–
Miscellaneous works and services		3,414	–	2,324	–
Net GST receivable		1,234	–	914	–
Other debtors – RTRL		6	–	2	–
Roads and maritime services		3,149	–	3,235	–
Tender deposits and bonds		1,880	–	1,613	–
Other debtors		437	14	494	13
Total		17,915	2,493	15,010	3,001
Less: provision for impairment					
User charges and fees		(50)	–	(50)	–
Total provision for impairment – receivables		(50)	–	(50)	–
TOTAL NET RECEIVABLES		17,865	2,493	14,960	3,001
Externally restricted receivables					
Water supply					
– Rates and availability charges		932	381	676	371
– Other		2,538	881	2,172	1,008
Sewerage services					
– Rates and availability charges		1,287	336	522	436
– Other		–	–	522	–
Domestic waste management		326	89	296	127
Total external restrictions		5,083	1,687	4,188	1,942
Unrestricted receivables		12,782	806	10,772	1,059
TOTAL NET RECEIVABLES		17,865	2,493	14,960	3,001

Notes on debtors above:

- (i) Rates and annual charges outstanding are secured against the property.
- (ii) Doubtful rates debtors are provided for where the value of the property is less than the debt outstanding.
An allowance for other doubtful debts is made when there is objective evidence that a receivable is impaired.
- (iii) Interest was charged on overdue rates and charges at 8.50% (2016 8.50%).
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 year ended 30 June 2017

Note 8. Inventories and other assets

\$ '000	Notes	2017		2016	
		Current	Non-current	Current	Non-current
(a) Inventories					
(i) Inventories at cost					
Real estate for resale (refer below)		1,265	183	1,265	183
Stores and materials		1,149	–	1,188	–
Trading stock		2,276	–	2,589	–
TOTAL INVENTORIES		4,690	183	5,042	183
(b) Other assets					
Prepayments		15	–	115	–
TOTAL OTHER ASSETS		15	–	115	–
Externally restricted assets					
Water					
Stores and materials		326	–	266	–
Total water		326	–	266	–
Sewerage					
Stores and materials		274	–	288	–
Total sewerage		274	–	288	–
Total externally restricted assets		600	–	554	–
Total internally restricted assets		–	–	–	–
Total unrestricted assets		4,105	183	4,603	183
TOTAL INVENTORIES AND OTHER ASSETS		4,705	183	5,157	183

Lismore City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 8. Inventories and other assets (continued)

\$ '000	2017		2016	
	Current	Non-current	Current	Non-current
(i) Other disclosures				
(a) Details for real estate development				
Residential	–	173	–	173
Industrial/commercial	1,265	10	1,265	10
Total real estate for resale	1,265	183	1,265	183
(Valued at the lower of cost and net realisable value)				
Represented by:				
Acquisition costs	36	6	36	6
Development costs	1,229	177	1,229	177
Total costs	1,265	183	1,265	183
Less: provision for under recovery	–	–	–	–
Total real estate for resale	1,265	183	1,265	183
Movements:				
Real estate assets at beginning of the year	1,265	183	2,699	163
– Purchases and other costs	–	–	4	10
– WDV of sales (expense)	–	–	(1,428)	–
– Transfer between current/non-current	–	–	(10)	10
Total real estate for resale	1,265	183	1,265	183

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

The following inventories and other assets, even though classified as current are not expected to be recovered in the next 12 months;

	2017	2016
Real estate for resale	1,079	1,136
	1,079	1,136

Lismore City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 9a. Infrastructure, property, plant and equipment

Asset class \$ '000	as at 30/6/2016			Asset movements during the reporting period								as at 30/6/2017		
	Gross carrying amount	Accumulated depreciation and	Net carrying amount	Additions renewals	Additions new assets	Carrying value of disposals	Depreciation expense	Impairment loss (recognised in P/L)	WIP transfers	Adjustments and transfers	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and	Net carrying amount
Capital work in progress	10,467	–	10,467	9,043	7,624				(8,811)			18,323	–	18,323
Plant and equipment	40,896	21,138	19,758	3,187	16	(1,006)	(3,354)	–		10		39,485	20,874	18,611
Office equipment	6,421	5,928	493	68			(144)	–				6,489	6,072	417
Furniture and fittings	644	538	106	36			(23)	–				680	561	119
Plant and equipment (under finance lease)	–	–	–				–	–				–	–	–
Land:														
– Operational land	77,915	–	77,915			(306)				(1,102)		76,507	–	76,507
– Community land	27,357	–	27,357		660					1,102	2,660	31,779	–	31,779
– Land under roads (pre 1/7/08)	–	–	–									–	–	–
– Land under roads (post 30/6/08)	31	–	31		3							34	–	34
Land improvements – non-depreciable	8,197	–	8,197									8,197	–	8,197
Land improvements – depreciable	25,828	9,886	15,942	109	256	(50)	(936)	–	2,014			28,104	10,769	17,335
Infrastructure:														
– Buildings	–	–	–				–	–				–	–	–
– Buildings – non-specialised	2,325	617	1,708				(36)	–				2,325	653	1,672
– Buildings – specialised	75,657	15,419	60,238	302	1,209		(826)	–	50			77,218	16,245	60,973
– Other structures	14,122	5,151	8,971	221	886	(18)	(300)	–	64			15,264	5,440	9,824
– Roads	349,636	176,440	173,196	8,572	2,143	(487)	(6,624)	–	1,677		3,875	366,018	183,666	182,352
– Bridges	81,405	34,374	47,031	1,085			(869)	–	323		1,295	85,095	36,230	48,865
– Footpaths	16,824	1,912	14,912	149	349	(67)	(201)	–			348	17,627	2,137	15,490
– Other road assets	–	–	–				–	–				–	–	–
– Bulk earthworks (non-depreciable)	314,554	–	314,554	307		(74)		–			7,549	322,336	–	322,336
– Stormwater drainage	78,454	27,840	50,614	406	102	(11)	(813)	–			694	80,036	29,044	50,992
– Water supply network	128,334	54,071	74,263	1,564	1,563	(756)	(1,734)	–	1,760		97,206	266,959	93,093	173,866
– Sewerage network	316,090	133,333	182,757	1,546	832	(1,006)	(4,280)	–	2,923		102,751	458,471	172,948	285,523
– Swimming pools	5,738	1,873	3,865				(68)	–				5,737	1,940	3,797
– Other open space/recreational assets	1,742	703	1,039	49		(8)	(80)	–				1,776	776	1,000
– Other infrastructure	–	–	–				–	–				–	–	–
Other assets:														
– Heritage collections	1,957	–	1,957			(5)	–	–				1,952	–	1,952
– Lending and reference collection	4,270	2,224	2,046		675		(389)	–				4,945	2,613	2,332
– Other	863	276	587	55			(22)	–				918	298	620
Reinstatement, rehabilitation and restoration assets (refer Note 26):														
– Tip assets	270	–	270					–				270	–	270
– Quarry assets	403	92	311				18	–		459		863	75	788
– Other assets	–	–	–				–	–				–	–	–
TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIP.	1,590,400	491,815	1,098,585	26,699	16,318	(3,794)	(20,681)	–	–	469	216,378	1,917,408	583,434	1,333,974

Renewals are defined as the replacement of existing assets (as opposed to the acquisition of new assets).

Refer to Note 27. Fair value measurement for information regarding the fair value of other infrastructure, property, plant and equipment.

Lismore City Council

Notes to the Financial Statements
for the year ended 30 June 2017

Note 9b. Externally restricted infrastructure, property, plant and equipment

\$ '000 Class of asset	Actual 2017			Actual 2016		
	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount
Water supply						
WIP	1,789		1,789	2,209	–	2,209
Plant and equipment	1,290	788	502	1,175	567	608
Office equipment	63	63	–	63	63	–
Furniture and fittings			–	–	–	–
Land						
– Operational land	2,221		2,221	2,221	–	2,221
– Community land			–	–	–	–
– Improvements non-depreciable			–	–	–	–
– Improvements – depreciable			–	–	–	–
Buildings	24	10	14	24	10	14
Other structures			–	–	–	–
Infrastructure	266,959	93,093	173,866	128,334	54,071	74,263
Other assets			–	–	–	–
Total water supply	272,346	93,954	178,392	134,026	54,711	79,315
Sewerage services						
WIP	6,178		6,178	3,584	–	3,584
Plant and equipment	1,442	1,032	410	1,388	1,055	333
Office equipment	148	148	–	148	148	–
Furniture and fittings			–	–	–	–
Land						
– Operational land	5,291		5,291	5,291	–	5,291
– Community land			–	–	–	–
– Improvements non-depreciable			–	–	–	–
– Improvements – depreciable			–	–	–	–
Buildings	908	206	702	858	197	661
Other structures			–	–	–	–
Infrastructure	458,471	172,947	285,524	316,090	133,333	182,757
Other assets			–	–	–	–
Total sewerage services	472,438	174,333	298,105	327,359	134,733	192,626
TOTAL RESTRICTED I,PP&E	744,784	268,287	476,497	461,385	189,444	271,941

Lismore City Council

Notes to the Financial Statements for the year ended 30 June 2017

Note 9c. Infrastructure, property, plant and equipment – current year impairments

\$ '000	Notes	Actual 2017	Actual 2016
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Council has recognised no impairment losses during the reporting period nor reversed any prior period losses.

Lismore City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 10a. Payables, borrowings and provisions

\$ '000	Notes	2017		2016	
		Current	Non-current	Current	Non-current
Payables					
Goods and services – operating expenditure		4,028	–	3,559	–
Goods and services – capital expenditure		3,414	–	2,629	–
Accrued expenses:					
– Other expenditure accruals		1,267	–	793	–
Security bonds, deposits and retentions		1,880	–	1,613	–
Contribution to works		1,056	–	982	–
Other		503	–	–	–
Total payables		12,148	–	9,576	–
Borrowings					
Loans – secured ¹		4,583	65,589	3,573	39,645
Total borrowings		4,583	65,589	3,573	39,645
Provisions					
Employee benefits:					
Annual leave		2,970	–	3,004	–
Long service leave		4,777	314	4,992	226
Other leave		75	–	79	–
Sub-total – aggregate employee benefits		7,822	314	8,075	226
Asset remediation/restoration (future works)	26	186	1,874	162	1,436
Total provisions		8,008	2,188	8,237	1,662
TOTAL PAYABLES, BORROWINGS AND PROVISIONS					
		24,739	67,777	21,386	41,307
(i) Liabilities relating to restricted assets					
		2017		2016	
		Current	Non-current	Current	Non-current
Externally restricted assets					
Water		893	12,111	581	6,374
Sewer		1,668	27,727	627	7,852
Domestic waste management		144	11	166	4
Other		1,556	–	1,660	–
Liabilities relating to externally restricted assets		4,261	39,849	3,034	14,230
Total liabilities relating to restricted assets		4,261	39,849	3,034	14,230
Total liabilities relating to unrestricted assets		20,478	27,928	18,352	27,077
TOTAL PAYABLES, BORROWINGS AND PROVISIONS		24,739	67,777	21,386	41,307

¹. Loans are secured over the general rating income of Council

Disclosures on liability interest rate risk exposures, fair value disclosures and security can be found in Note 15.

Lismore City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 10a. Payables, borrowings and provisions (continued)

\$ '000	Actual 2017	Actual 2016
(ii) Current liabilities not anticipated to be settled within the next twelve months		
The following liabilities, even though classified as current, are not expected to be settled in the next 12 months.		
Provisions – employees benefits	4,801	5,291
Payables – security bonds, deposits and retentions	1,880	1,613
	6,681	6,904

Note 10b. Description of and movements in provisions

Nil

Class of provision	2016		2017			Closing balance as at 30/6/17
	Opening balance as at 1/7/16	Additional provisions	Decrease due to payments	Remeasurement effects due to discounting	Unused amounts reversed	
Asset remediation	1,598	462				2,060
TOTAL	9,899	297	–	–	–	10,196

- a. Asset remediation, reinstatement and restoration provisions represent the present value estimate of future costs Council will incur in order to remove, restore and remediate assets and/or activities as a result of past operations.

Lismore City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 11. Statement of cash flows – additional information

\$ '000	Notes	Actual 2017	Actual 2016
(a) Reconciliation of cash assets			
Total cash and cash equivalent assets	6a	15,959	16,249
Less bank overdraft	10	–	–
Balance as per the Statement of Cash Flows		15,959	16,249
(b) Reconciliation of net operating result to cash provided from operating activities			
Net operating result from Income Statement		18,732	13,926
Adjust for non-cash items:			
Depreciation and amortisation		20,845	20,885
Net losses/(gains) on disposal of assets		2,479	1,003
Non-cash capital grants and contributions		(3,294)	(2,889)
Unwinding of discount rates on reinstatement provisions		39	769
Share of net (profits) or losses of associates/joint ventures		–	62
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		(2,403)	572
Increase/(decrease) in provision for doubtful debts		–	(70)
Decrease/(increase) in inventories		352	(47)
Decrease/(increase) in other assets		100	49
Increase/(decrease) in payables		469	(2,622)
Increase/(decrease) in other accrued expenses payable		474	(1,161)
Increase/(decrease) in other liabilities		844	131
Increase/(decrease) in employee leave entitlements		(165)	3
Increase/(decrease) in other provisions		423	(493)
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		38,895	30,118

Lismore City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 11. Statement of cash flows – additional information (continued)

\$ '000	Notes	Actual 2017	Actual 2016
(c) Non-cash investing and financing activities			
Other dedications		3,294	2,889
Total non-cash investing and financing activities		3,294	2,889
(d) Financing arrangements			
(i) Unrestricted access was available at balance date to the following lines of credit:			
Bank overdraft facilities ⁽¹⁾		750	750
Credit cards/purchase cards		250	250
Total financing arrangements		1,000	1,000

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 and 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

Council does not have any discontinued operations in the current financial year.

Lismore City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 12. Commitments for expenditure

\$ '000	Notes	Actual 2017	Actual 2016
(a) Capital commitments (exclusive of GST)			
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:			
Property, plant and equipment			
Plant and equipment - Truck & Trailers		1,900	–
South Lismore Sewerage Treatment Plant		16,278	–
Nimbin Water Treatment Plant		1,372	–
Lismore Art Gallery development		331	–
Total commitments		19,881	–
These expenditures are payable as follows:			
Within the next year		19,881	–
Later than one year and not later than 5 years		–	–
Later than 5 years		–	–
Total payable		19,881	–
Sources for funding of capital commitments:			
Unrestricted general funds		1,127	–
Future grants and contributions		285	–
Externally restricted reserves		894	–
Internally restricted reserves		773	–
Unexpended loans		16,802	–
Total sources of funding		19,881	–
(b) Finance lease commitments			
Nil			
(c) Operating lease commitments (non-cancellable)			
a. Commitments under non-cancellable operating leases at the reporting date, but not recognised as liabilities are payable:			
Within the next year		211	179
Later than one year and not later than 5 years		198	260
Later than 5 years		–	–
Total non-cancellable operating lease commitments		409	439
b. Non-cancellable operating leases include the following assets:			
Light plant and office rentals.			
Contingent rentals may be payable depending on the condition of items or usage during the lease term.			

Notes to the Financial Statements

for the year ended 30 June 2017

Note 12. Commitments for expenditure (continued)

\$ '000	Notes	Actual 2017	Actual 2016
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Conditions relating to operating leases:

- Operating lease agreements are secured only against the leased asset except for office rentals.
- No lease agreements impose any financial restrictions on Council regarding future debt etc.

(d) Investment property commitments

Nil

(e) Investment in joint operations – commitments

For capital commitments and other commitments relating to investments in joint operations, refer to Note 19 (c)

Lismore City Council

Notes to the Financial Statements
for the year ended 30 June 2017

Note 13a(i). Statement of performance measurement – indicators (consolidated)

\$ '000	Amounts 2017	Indicator 2017	Prior periods		Benchmark
			2016	2015	
Local government industry indicators – consolidated					
1. Operating performance ratio					
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions less operating expenses	<u>6,981</u>	6.54%	4.39%	-2.46%	>0.00%
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	<u>106,727</u>				
2. Own source operating revenue ratio					
Total continuing operating revenue ⁽¹⁾ excluding all grants and contributions	<u>89,940</u>	74.36%	77.75%	82.61%	>60.00%
Total continuing operating revenue ⁽¹⁾	<u>120,957</u>				
3. Unrestricted current ratio					
Current assets less all external restrictions ⁽²⁾	<u>23,994</u>	1.50x	1.45x	1.51x	>1.5x
Current liabilities less specific purpose liabilities ^(3, 4)	<u>15,993</u>				
4. Debt service cover ratio					
Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation	<u>31,466</u>	4.03x	4.35x	3.26x	>2x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	<u>7,807</u>				
5. Rates, annual charges, interest and extra charges outstanding percentage					
Rates, annual and extra charges outstanding	<u>5,848</u>	10.50%	10.71%	11.38%	< 5% Metro
Rates, annual and extra charges collectible	<u>55,676</u>				<10% Rural
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	<u>65,959</u>	9.07 mths	5.2 mths	5.3 mths	> 3 mths
Payments from cash flow of operating and financing activities	<u>7,274</u>				

Notes

- ⁽¹⁾ Excludes fair value adjustments and reversal of revaluation decrements, net gain/(loss) on sale of assets and the net share of interests in joint ventures and associates.
- ⁽²⁾ Refer Notes 6-8 inclusive.
Also excludes any real estate and land for resale not expected to be sold in the next 12 months.
- ⁽³⁾ Refer to Note 10(a).
- ⁽⁴⁾ Refer to Note 10(a)(ii) – excludes all payables and provisions not expected to be paid in the next 12 months (incl. ELE).

Lismore City Council

Notes to the Financial Statements
for the year ended 30 June 2017

Note 13b. Statement of performance measurement – indicators (by fund)

\$ '000	Water 2017	Sewer 2017	General ^b 2017	Benchmark
Local government industry indicators – by fund				
1. Operating performance ratio				
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions less operating expenses	17.32%	17.25%	2.64%	>0.00%
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	prior period: 11.28%	16.74%	1.08%	
2. Own source operating revenue ratio				
Total continuing operating revenue ⁽¹⁾ excluding all grants and contributions	91.59%	91.77%	68.66%	>60.00%
Total continuing operating revenue ⁽¹⁾	prior period: 96.00%	88.57%	73.19%	
3. Unrestricted current ratio				
Current assets less all external restrictions ⁽²⁾	13.40x	23.02x	1.50x	>1.5x
Current liabilities less specific purpose liabilities ^(3, 4)	prior period: 8.85x	28.73x	1.45x	
4. Debt service cover ratio				
Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation	4.99x	4.30x	3.75x	>2x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	prior period: 5.09x	7.82x	3.63x	
5. Rates, annual charges, interest and extra charges outstanding percentage				
Rates, annual and extra charges outstanding	24.46%	13.33%	7.43%	< 5% Metro
Rates, annual and extra charges collectible	prior period: 24.49%	12.97%	7.95%	<10% Rural
6. Cash expense cover ratio				
Current year's cash and cash equivalents plus all term deposits	10.26	58.36	3.09	> 3 mths
Payments from cash flow of operating and financing activities	prior period: 2.91 mths	32.86 mths	2.78 mths	

Notes

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

(5) General fund refers to all of Council's activities except for its water and sewer activities which are listed separately.

Lismore City Council

Notes to the Financial Statements for the year ended 30 June 2017

Note 14. Investment properties

\$ '000	Notes	Actual 2017	Actual 2016
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Council has not classified any land or buildings as 'investment properties'.

Lismore City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 15. Financial risk management

\$ '000

Risk management

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

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

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

Financial risk management is carried out by Council's finance section under policies approved by the Council.

A comparison by category of the carrying amounts and fair values of Council's financial assets and financial liabilities recognised in the financial statements is presented below.

	Carrying value		Fair value	
	2017	2016	2017	2016
Financial assets				
Cash and cash equivalents	15,959	16,249	15,959	16,249
Investments				
– 'Designated at fair value on initial recognition'	50,000	22,000	50,000	22,000
Receivables	20,358	17,961	20,354	17,961
Total financial assets	86,317	56,210	86,313	56,210
Financial liabilities				
Payables	12,148	9,576	11,649	9,576
Loans/advances	70,172	43,218	75,070	41,944
Total financial liabilities	82,320	52,794	86,719	51,520

Fair value is determined as follows:

- **Cash** and **cash equivalents, receivables, payables** – are estimated to be the carrying value that approximates market value.
- **Borrowings** and **held-to-maturity** investments – are based upon estimated future cash flows discounted by the current mkt interest rates applicable to assets and liabilities with similar risk profiles, unless quoted market prices are available.
- Financial assets classified (i) '**at fair value through profit and loss**' or (ii) '**available-for-sale**' – are based upon quoted market prices (in active markets for identical investments) at the reporting date or independent valuation.

Refer to Note 27. Fair value measurement for information regarding the fair value of financial assets and liabilities.

Lismore City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 15. Financial risk management (continued)

\$ '000

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

Council's finance area manages the cash and Investments portfolio with the assistance of independent advisors.

Council has an investment policy which complies with the *Local Government Act 1993* and Minister's investment order. This policy is regularly reviewed by Council and its staff and an investment report is tabled before Council a monthly basis setting out the portfolio breakup and its performance.

The risks associated with the investments held are:

- **Price risk** – the risk that the capital value of Investments may fluctuate due to changes in market prices, whether 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.
- **Interest rate risk** – the risk that movements in interest rates could affect returns and income.
- **Credit risk** – the risk that the investment counterparty will not complete their obligations particular to a financial instrument, resulting in a financial loss to Council – be it of a capital or income nature.

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

Council also seeks advice from independent advisers before placing any funds in cash equivalents and investments.

(a) Market risk – price risk and interest rate risk

The following represents a summary of the sensitivity of Council's Income Statement and accumulated surplus (for the reporting period) due to a change in either the price of a financial asset or the interest rates applicable.

It is assumed that the change in interest rates would have been constant throughout the reporting period.

	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
2017				
Possible impact of a 10% movement in market values	5,000	5,000	(5,000)	(5,000)
Possible impact of a 1% movement in interest rates	160	160	(160)	(160)
2016				
Possible impact of a 10% movement in market values	2,200	2,200	(2,200)	(2,200)
Possible impact of a 1% movement in interest rates	162	162	(162)	(162)

Lismore City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 15. Financial risk management (continued)

\$ '000

(b) Credit risk

Council's major receivables comprise (i) rates and annual charges and (ii) user charges and fees.

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

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

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

There are no significant concentrations of credit risk, whether through exposure to individual customers, specific industry sectors and/or regions.

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:

	2017	2017	2016	2016
	Rates and annual charges	Other receivables	Rates and annual charges	Other receivables
(i) Ageing of receivables – %				
Current (not yet overdue)	0%	94%	0%	81%
Overdue	100%	6%	100%	19%
	100%	100%	100%	100%
(ii) Ageing of receivables – value				
Rates and annual charges	Rates and annual charges *	Other receivables	Rates and annual charges	Other receivables
Current	Current	Current	Current	Current
< 1 year overdue	0 – 30 days overdue	0 – 30 days overdue	0 – 30 days overdue	0 – 30 days overdue
1 – 2 years overdue	31 – 60 days overdue	31 – 60 days overdue	31 – 60 days overdue	31 – 60 days overdue
2 – 5 years overdue	61 – 90 days overdue	61 – 90 days overdue	61 – 90 days overdue	61 – 90 days overdue
> 5 years overdue	> 91 days overdue	> 91 days overdue	> 91 days overdue	> 91 days overdue
	5,169	15,239	4,704	13,307

* No ageing information is available for Rates & Annual Charges

Lismore City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 15. Financial risk management (continued)

\$ '000

(c) Liquidity risk

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

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

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

The contractual undiscounted cash outflows (ie. principal and interest) of Council's payables and borrowings are set out in the maturity table below:

\$ '000	Subject to no maturity	payable in:						Total cash outflows	Actual carrying values
		≤ 1 Year	1-2 Yrs	2-3 Yrs	3-4 Yrs	4-5 Yrs	> 5 Yrs		
2017									
Trade/other payables	12,148							12,148	12,148
Loans and advances		4,775	4,988	7,916	4,655	4,826	46,324	73,484	70,172
Total financial liabilities	12,148	4,775	4,988	7,916	4,655	4,826	46,324	85,632	82,320
2016									
Trade/other payables	9,576	–	–	–	–	–	–	9,576	9,576
Loans and advances	–	3,786	3,519	3,693	6,581	3,279	24,950	45,808	43,218
Total financial liabilities	9,576	3,786	3,519	3,693	6,581	3,279	24,950	55,384	52,794

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

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

	2017		2016	
	Carrying value	Average interest rate	Carrying value	Average interest rate
Trade/other payables	12,148	0.00%	9,576	0.00%
Loans and advances – fixed interest rate	70,172	4.72%	43,218	5.99%
	<u>82,320</u>		<u>52,794</u>	

Lismore City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 16. Material budget variations

\$ '000

Council's original financial budget for 16/17 was adopted by the Council on 20 June 2016.

While the Income Statement included in this General Purpose Financial Report must disclose the original budget adopted by Council, the *Local Government Act 1993* requires Council to review its financial budget on a quarterly basis, so that it is able to manage the various variations between actuals versus budget that invariably occur throughout the year.

This note sets out the details of **material variations** between Council's original budget and its actual results for the year as per the Income Statement – even though such variations may have been adjusted for during each quarterly budget review.

Note that for variations* of budget to actual :

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

F = Favourable budget variation, **U** = Unfavourable budget variation

\$ '000	2017 Budget	2017 Actual	2017 ----- Variance* -----		
REVENUES					
Rates and annual charges	49,299	49,563	264	1%	F
User charges and fees	32,261	32,567	306	1%	F
Interest and investment revenue	1,193	2,171	978	82%	F
The investment portfolio maintained a higher balance throughout the year due to a number of major capital projects being delayed or final costs being lower than original estimates. Council has a larger portfolio to invest due to the lower than budgeted works programme. The return achieved was also better than anticipated as the interest rate remained relatively stable over the year.					
Other revenues	5,637	5,639	2	0%	F
Operating grants and contributions	11,061	16,787	5,726	52%	F
Council received 50% - \$2.958 million of the 2018 Financial Assistance Grant in advance in June 2017. This was not advised until June 2017 and therefore not budgeted. Council received natural disaster funding for previous flood events \$1.748 million. Revenues were also greater than budget for the diesel rebate scheme \$221,000 and the Pensioner rebates subsidy \$178,000.					
Capital grants and contributions	10,472	14,230	3,758	36%	F
Non cash dedications were greater than budget by \$2.9 million. Sec 64 and Sec 94 contributions were greater than budget by \$294,000 and \$291,000 respectively. Council received additional DA Contributions to works of \$426,000.					

Lismore City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 16. Material budget variations (continued)

\$ '000	2017 Budget	2017 Actual	2017 Variance*		
EXPENSES					
Employee benefits and on-costs	39,063	34,179	4,884	13%	F
Council capitalised \$3.86 million in employee costs as they were incurred in delivery of assets on the ground. The level of cost capitalised will vary from year to year depending on the level of capital works undertaken by staff and contractors. Employee budgeted cost for wages are estimated based on previous years and projections. Council budgets at a task - project level thus the split between wages and materials will vary on the scope of works.					
Borrowing costs	3,935	3,640	295	7%	F
Materials and contracts	24,927	35,883	(10,956)	(44%)	U
Employee budgeted cost for wages are estimated based on previous years and projections. Council budgets at a task - project level thus the split between wages and materials will vary on the scope of works. Council experienced a significant flood event in 2017 which resulted in additional cost being incurred, \$4.1 million. These costs are subject to a Natural Disaster and insurance claim which will be finalised in 2018.					
Depreciation and amortisation	21,677	20,845	832	4%	F
Other expenses	5,373	5,199	174	3%	F
Net losses from disposal of assets	1,563	2,479	(916)	(59%)	U
Council's budgeted loss/profit on disposal of assets is based on an average over the past five years as it is not able to determine the figure with current systems. The actual loss on assets disposed will vary based on the timing of the asset and at what stage it is in its life cycle. For 2016/17 the major variances were Road Infrastructure fav \$800k, Wastewater and Water infrastructure was (\$755k) and unfav (\$556) respectively. Plant profit was unfav \$254.					

Lismore City Council

Notes to the Financial Statements
for the year ended 30 June 2017

Note 16. Material budget variations (continued)

\$ '000	2017 Budget	2017 Actual	2017 Variance*		
Budget variations relating to Council's Cash Flow Statement include:					
Cash flows from operating activities	36,527	38,895	2,368	6.5%	F
Council received additional income in the year from FAGS \$3 million, natural disaster \$1.78 million rebates \$400k, DA contributions \$426K, insurance receipts \$500k, interest revenues \$900k and donations for the flood event \$500k. There has been increased cost associated with the flood event however overall there is a favourable impact on receipts associated with operations.					
Cash flows from investing activities	(55,892)	(66,139)	(10,247)	18.3%	U
Council borrowed \$30m at the beginning of the year to fund major capital works program in Water and Wastewater. Major works have been delayed or deferred and final cost has come below original estimate forecasts. This has enabled Council the capacity to maintain its high cash level and not sell or redeem its securities. There is a \$13million fav variance to budgeted purchase of IPP&E.					
Cash flows from financing activities	26,778	26,954	176	0.7%	F

Lismore City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 17. Statement of developer contributions

\$ '000

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

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

SUMMARY OF CONTRIBUTIONS AND LEVIES

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Emergency Services	203	7	–	3	(24)	–	189	–
Community Services & Facilities	232	22	–	7	–	–	261	–
Public Domain Facilities	25	21	–	1	–	–	47	–
Open Space & Recreation Facilities	969	65	–	28	(29)	–	1,033	–
Cycleways Facilities	237	8	–	7	–	–	252	–
Rural North & South Traffic Management Facilities	1,285	104	–	31	(600)	–	820	–
Urban Traffic Management Facilities	706	296	–	25	–	–	1,027	–
Carparking	70	–	–	2	–	–	72	–
Stormwater	(82)	2	–	–	–	–	(80)	–
Street Trees	251	10	–	6	(59)	–	208	–
Heavy Haulage	840	68	–	25	–	–	933	–
Section 94 Plan Administration	–	6	–	–	(6)	–	–	–
S94 contributions – under a plan	4,736	609	–	135	(718)	–	4,762	–
S94A levies – under a plan	–	–	–	–	–	–	–	–
Total S94 revenue under plans	4,736	609	–	135	(718)	–	4,762	–
S64 contributions	–	607	–	–	(607)	–	–	–
Total contributions	4,736	1,216	–	135	(1,325)	–	4,762	72

Lismore City Council

Notes to the Financial Statements
for the year ended 30 June 2017

Note 17. Statement of developer contributions (continued)

\$ '000

S94 CONTRIBUTIONS – UNDER A PLAN

Emergency Services

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Bushfire	113	4		3	(24)		96	
SES	90	3					93	
Total	203	7	–	3	(24)	–	189	–

Community Services & Facilities

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
CBD, North & South	232	22		7			261	
Total	232	22	–	7	–	–	261	–

Public Domain Facilities

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Lismore CBD-Residential	25	21		1			47	
Lismore CBD-Commercial	–						–	
Total	25	21	–	1	–	–	47	–

Lismore City Council

Notes to the Financial Statements
for the year ended 30 June 2017

Note 17. Statement of developer contributions (continued)

\$ '000

S94 CONTRIBUTIONS – UNDER A PLAN

Open Space & Recreation Facilities

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Tucki Tucki - Residential	668	27		19	(29)		685	
Lismore Park	301	38		9			348	
Total	969	65	–	28	(29)	–	1,033	–

Cycleways Facilities

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Cycleways	237	8		7			252	
Total	237	8	–	7	–	–	252	–

Rural North & South Traffic Management Facilities

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Rural - North	336	81		12			429	
Rural - South	949	23		19	(600)		391	
Total	1,285	104	–	31	(600)	–	820	–

Lismore City Council

Notes to the Financial Statements
for the year ended 30 June 2017

Note 17. Statement of developer contributions (continued)

\$ '000

S94 CONTRIBUTIONS – UNDER A PLAN

Urban Traffic Management Facilities

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Residential/Commercial/Industrial	706	296		25			1,027	
Total	706	296	–	25	–	–	1,027	–

Carparking

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Lismore & Nimbin	70			2			72	
Total	70	–	–	2	–	–	72	–

Stormwater

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Residential	(82)	2					(80)	
Total	(82)	2	–	–	–	–	(80)	–

Street Trees

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Residential/Commercial/Industrial	251	10		6	(59)		208	
Total	251	10	–	6	(59)	–	208	75 –

Lismore City Council

Notes to the Financial Statements
for the year ended 30 June 2017

Note 17. Statement of developer contributions (continued)

\$ '000

S94 CONTRIBUTIONS – UNDER A PLAN

Section 94 Plan Administration

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Residential/Commercial/Industrial	–	6			(6)		–	
Total	–	6	–	–	(6)	–	–	–

Heavy Haulage

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Rural - Quarries	840	68		25			933	
Total	840	68	–	25	–	–	933	–

S64 contributions

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Water Supplies	–						–	
- Urban Reservoir	–	117			(117)		–	
Sewer Supplies							–	
- Lismore	–	490			(490)		–	
Total	–	607	–	–	(607)	–	–	–

Lismore City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 18. Contingencies and other assets/liabilities not recognised

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

LIABILITIES NOT RECOGNISED:

1. Guarantees

(i) Defined Benefit Superannuation Contribution Plans

Council participates in a defined benefits superannuation scheme called the Local Government Superannuation Scheme – Pool B (Scheme). The Pooled Employers form a sub-group of the Scheme with over 170 employers supporting over 9,300 employees and ex-employees.

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

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

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

The standard employer contributions were determined using the new entrant rate method under which a contribution rate sufficient to fund total benefits over the working life of a typical new entrant is calculated. The current standard employer contribution rates are:

The additional lump sum contribution for each Pooled Employer is a share of the total additional contributions of \$40 million per annum from 1 July 2016 for 4 years to 30 June 2020. These additional lump sum contributions are used to fund the deficit of assets to accrued liabilities as at 30 June 2016.

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

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

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

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

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

The expected contribution to the Scheme for the next annual reporting period is \$764,290.56.

The estimated employer reserves financial position for the Pooled Employers at 30 June 2017 is:

Employer Reserves only*	\$millions	Asset Coverage
Assets	1,754.4	
Vested Benefits	1,775.9	98.8%

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

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

Investment return	6.5% per annum
Salary inflation*	3.5% per annum
Increase in CPI	2.5% per annum

* Plus promotional increases

Lismore City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 18. Contingencies and other assets/liabilities not recognised (continued)

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

The implications are that additional contributions are estimated to remain in place until 30 June 2020 (i.e. \$1,089,000).

It is estimated that Council's level of participation in the Scheme compared with other participating Pooled Employers is 0.87%.

(ii) Statewide Mutual Limited

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

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

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

(iii) StateCover Mutual Limited

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

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

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

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

(iv) Other Guarantees

A bank guarantee for \$260,125 has been issued to John Holland Pty Ltd. This is security for road works undertaken on the Pacific Highway – Devil's Pulpit – Upgrade. The termination date is 30 November 2018.

A bank guarantee for \$916,500 has been issued to the NSW Department of Planning and Environment for a bond for the rehabilitation/biodiversity offsets and conservation works relating to the Blakebrook Quarry project

2. Other Liabilities

(i) Third Party Claims

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

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

(ii) NORPOOL Insurance Claim

For the period 31/12/93 - 30/6/97, the firm HIH was the underwriter for NORPOOL in respect to claims from \$100,000 to \$20M. The collapse of HIH leaves NORPOOL & ultimately Council exposed to such claims.

A similar situation arises in respect to claims between \$2M and \$20M for the period 30/6/97 - 30/6/99. For the period 30/6/97 - 30/6/00, a London firm, Independent Insurance Company Ltd, provided coverage for 50% of any claim up to \$2M. This company has been placed in liquidation.

At this stage, Council is unaware of any outstanding claims relating to these periods of insurances. The liability period extends to 30 June 2021.

(iii) S94 Plans

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

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

Lismore City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 18. Contingencies and other assets/liabilities not recognised (continued)

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

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

(iv) Potential Land Acquisitions

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

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

(v) Richmond Tweed Regional Library

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

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

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

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

(vi) Ground Contamination

Council is aware of an issue at one of its stockpile sites in North Lismore where ground contamination has been identified. The contamination is primarily asbestos. Council has received a report from a suitable expert on options to remediate the site.

There are a number of options available of varying complexity and scope and these range in cost from approximately \$504,000 to \$702,000.

Negotiations with the NSW EPA are in progress regarding the most suitable way forward, however are being complicated by two separate issues. The land in question is Crown Land and subject to both an Indigenous Land Rights Claim and a Native Title Claim. Whilst the relevant process to resolve these claims are in progress, Council is very limited in what it can do on the site, and is unable to progress with at least one of the options (the most cost effective) to remediate the site. Council continues to negotiate with Department of Primary Industries – Lands and NSW EPA on a suitable way forward.

ASSETS NOT RECOGNISED:

(i) Land Under Roads

As permitted under AASB 1051, Council has elected not to bring to account Land under Roads that it owned or controlled up to & including 30/6/08.

(ii) Infringement Notices/Fines

Fines & penalty income, the result of Council issuing Infringement Notices is followed up and collected by the State Debt Recovery Office.

Council's Revenue Recognition Policy for such income is to account for it as revenue on receipt. Accordingly, at year end, there are potential fines and penalty income due to Council from issued but unpaid Infringement Notices.

(iii) Natural Disaster Claims

In March 2017, the Lismore LGA experienced a flood event triggered by ex-Tropical Cyclone Debbie which damaged a portion of infrastructure and other essential public assets. The majority of these assets continue to be functional with an immaterial value of assets being impaired.

Council has lodged claims with the NSW Government for funding under the Natural Disaster Assistance Scheme for \$2.3 million for emergency clean up and \$14.7 million to assist with restoring damaged infrastructure and other assets. Further claims will be lodged for assessment as geo-technical information comes available. Council anticipates that these funding applications will be approved and repairs and remediation works will be conducted in the 2018 financial year.

Lismore City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 19. Interests in other entities

\$ '000

Council's objectives can and in some cases are best met through the use of separate entities and 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 council's (i) interest and (ii) control and the type (form) of entity/operation, as follows;

Controlled entities (subsidiaries)

Note 19(a)

Operational arrangements where Council's control (but not necessarily interest) exceeds 50%.

Joint ventures and associates

Note 19(b)

Joint ventures are operational arrangements where the parties that have joint control have rights to the net assets of the arrangement.

Associates are separate entities where Council has significant influence over the operations (but neither controls nor jointly controls them).

Joint operations

Note 19(c)

Operational arrangements where the parties that have joint control have rights to specific assets and obligations for specific liabilities relating to the arrangement rather than a right to the net assets of the arrangement.

Unconsolidated structured entities

Note 19(d)

Unconsolidated structured entities represent "special vehicles" that Council has an interest in but which are not controlled by Council and therefore not consolidated as a subsidiary, joint arrangement or associate. Attributes of structured entities include restricted activities, a narrow and well-defined objective and insufficient equity to finance its activities without financial support.

Subsidiaries, joint arrangements and associates not recognised

Note 19(e)

Lismore City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 19. Interests in other entities (continued)

\$ '000

Accounting recognition:

(i) Subsidiaries disclosed under Note 19(a) and joint operations disclosed at Note 19(c) are accounted for on a 'line by line' consolidation basis within the Income Statement and Statement of Financial Position.

(ii) Joint ventures and associates as per Note 19(b) are accounted for using the equity accounting method and are disclosed as a 1 line entry in both the Income Statement and Statement of Financial Position.

(a) Controlled entities (subsidiaries) – being entities and operations controlled by Council

Council has no interest in any controlled entities (subsidiaries).

(b) Joint ventures and associates

Council has no material interest in any joint ventures and associates. (refer Note 1)

Lismore City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 19. Interests in other entities (continued)

\$ '000

(c) Joint operations

(a) Council is involved in the following joint operations (JO's)

Name of joint operation	Principal activity	Place of business	Interest in ownership		Interest in voting	
			2017	2016	2017	2016
Blue Hills Residential Estate	Development & Sale of Land	Goonellabah	50%	50%	50%	50%
North East Weight of Loads Group	Reduce Damage to Council Roads	Ballina	15%	15%	13%	13%

(b) Council assets employed in the joint operations

2017 2016

Council's own assets employed in the operations

Blue Hills Residential Estate

Current assets:

Inventories	15	15
Other assets	9	9
Total assets – Council owned	24	24

Council's share of assets jointly owned with other partners

North East Weight of Loads Group

Current assets	31	44
Current liabilities	(26)	(25)
Property, plant and equipment	14	3

Total net assets employed – Council and jointly owned

43 46

(d) Unconsolidated structured entities

Council has no unconsolidated structured entities

Lismore City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 20. Retained earnings, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors

\$ '000	Notes	Actual 2017	Actual 2016
Movements in retained earnings were as follows:			
Balance at beginning of year (from previous years audited accounts)		464,232	450,306
d. Net operating result for the year		18,732	13,926
Balance at end of the reporting period		482,964	464,232
(b) Revaluation reserves			
(i) Reserves are represented by:			
– Infrastructure, property, plant and equipment revaluation reserve		849,917	633,539
Total		849,917	633,539
(ii) Reconciliation of movements in reserves:			
Infrastructure, property, plant and equipment revaluation reserve			
– Opening balance		633,539	604,924
– Revaluations for the year	9(a)	216,378	28,615
– Balance at end of year		849,917	633,539
TOTAL VALUE OF RESERVES		849,917	633,539

(iii) Nature and purpose of reserves**Infrastructure, property, plant and equipment revaluation reserve**

– The infrastructure, property, plant and 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 year ended 30 June 2017

Note 20. Retained earnings, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)

\$ '000	Notes	Actual 2017	Actual 2016
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(c) Correction of error/s relating to a previous reporting period

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

(d) Voluntary changes in accounting policies

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

(e) Changes in accounting estimates

Council made no changes in accounting estimates during the year.

Lismore City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 21. Financial result and financial position by fund

\$ '000

Income Statement by fund \$ '000	Actual 2017	Actual 2017	Actual 2017
	Water	Sewer	General¹
Continuing operations			
Income from continuing operations			
Rates and annual charges	4,131	12,050	33,382
User charges and fees	9,322	268	23,444
Interest and investment revenue	311	1,163	697
Other revenues	146	62	5,431
Grants and contributions provided for operating purposes	263	137	16,387
Grants and contributions provided for capital purposes	1,015	1,077	12,138
Total income from continuing operations	15,188	14,757	91,479
Expenses from continuing operations			
Employee benefits and on-costs	2,206	2,222	29,751
Borrowing costs	592	1,156	1,892
Materials and contracts	1,691	3,620	25,814
Depreciation and amortisation	1,884	4,363	14,598
Other expenses	5,315	429	4,680
Net losses from the disposal of assets	747	971	761
Total expenses from continuing operations	12,435	12,761	77,496
Operating result from continuing operations	2,753	1,996	13,983
Discontinued operations			
Net profit/(loss) from discontinued operations	–	–	–
Net operating result for the year	2,753	1,996	13,983
Net operating result attributable to each council fund	2,753	1,996	13,983
Net operating result attributable to non-controlling interests	–	–	–
Net operating result for the year before grants and contributions provided for capital purposes	1,738	919	1,845

¹ General fund refers to all Council's activities other than Water and Sewer.

NB. All amounts disclosed above are gross – that is, they include internal charges and recoveries made between the funds.

Lismore City Council

Notes to the Financial Statements
as at 30 June 2017

Note 21. Financial result and financial position by fund (continued)

\$ '000

Statement of Financial Position by fund \$ '000	Actual 2017	Actual 2017	Actual 2017
	Water	Sewer	General ¹
ASSETS			
Current assets			
Cash and cash equivalents	2,162	956	12,841
Investments	6,012	35,888	4,100
Receivables	3,470	1,287	13,108
Inventories	326	274	4,090
Other	–	–	15
Total current assets	11,970	38,405	34,154
Non-current assets			
Investments	517	2,370	1,113
Receivables	1,262	336	895
Inventories	–	–	183
Infrastructure, property, plant and equipment	178,392	298,105	857,477
Intangible assets	–	–	218
Total non-current assets	180,171	300,811	859,886
TOTAL ASSETS	192,141	339,216	894,040
LIABILITIES			
Current liabilities			
Payables	134	311	11,703
Income received in advance	–	–	–
Borrowings	494	1,091	2,998
Provisions	265	266	7,477
Total current liabilities	893	1,668	22,178
Non-current liabilities			
Borrowings	12,109	27,706	25,774
Provisions	2	21	2,165
Total non-current liabilities	12,111	27,727	27,939
TOTAL LIABILITIES	13,004	29,395	50,117
Net assets	179,137	309,821	843,923
EQUITY			
Retained earnings	25,421	66,805	390,738
Revaluation reserves	153,716	243,016	453,185
Council equity interest	179,137	309,821	843,923
Non-controlling interests	–	–	–
Total equity	179,137	309,821	843,923

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

NB. All amounts disclosed above are gross – that is, they include internal receivables and payables between the funds.

Lismore City Council

Notes to the Financial Statements

for the year ended 30 June 2017

\$ '000

Note 22. 'Held for sale' non-current assets and disposal groups

Council did not classify any non-current assets or disposal groups as 'held for sale'.

Note 23. Events occurring after the reporting date

Events that occur between the end of the reporting period (30 June 2017) and the date when the financial statements are 'authorised for issue' have been taken into account in preparing these statements.

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

Accordingly, the 'authorised for issue' date is 17/10/17.

Events that occur after the reporting period represent one of two types:

(i) Events that provide evidence of conditions that existed at the reporting period

These financial statements (and the figures therein) incorporate all 'adjusting events' that provided evidence of conditions that existed at 30 June 2017.

(ii) Events that provide evidence of conditions that arose after the reporting period

These financial statements (and figures therein) do not incorporate any 'non-adjusting events' that have occurred after 30 June 2017 and which are only indicative of conditions that arose after 30 June 2017.

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

Note 24. Discontinued operations

Council has not classified any of its operations as 'discontinued'.

Lismore City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 25. Intangible assets

\$ '000	Actual 2017	Actual 2016
Intangible assets represent identifiable non-monetary assets without physical substance.		
Intangible assets are as follows:		
Opening values:		
Gross book value (1/7)	1,563	1,467
Accumulated amortisation (1/7)	(1,234)	(1,080)
Accumulated impairment (1/7)	–	–
Net book value – opening balance	329	387
Movements for the year		
– Purchases	53	96
– Amortisation charges	(164)	(154)
Closing values:		
Gross book value (30/6)	1,616	1,563
Accumulated amortisation (30/6)	(1,398)	(1,234)
<u>TOTAL INTANGIBLE ASSETS – NET BOOK VALUE</u> ¹	<u>218</u>	<u>329</u>

¹ The net book value of intangible assets represent:

– Software	218	329
	<u>218</u>	<u>329</u>

Lismore City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 26. Reinstatement, rehabilitation and 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	
		2017	2016
Quarry Operations	2041	1,850	1,352
Tip Operations	2018	210	246
Balance at end of the reporting period	10(a)	2,060	1,598

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

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

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

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

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

Reconciliation of movement in provision for year:

Balance at beginning of year	1,598	1,322
Amounts capitalised to new or existing assets:		
Effect of a change in discount rates used in PV calculations	–	699
Effect of a change in other calculation estimates used	423	(493)
Amortisation of discount (expensed to borrowing costs)	39	70
Expenditure incurred attributable to provisions	–	–
Total – reinstatement, rehabilitation and restoration provision	2,060	1,598

Provisions for close down and restoration and for environmental clean up costs – tips and quarries

Lismore City Council

Notes to the Financial Statements for the year ended 30 June 2017

Note 26. Reinstatement, rehabilitation and restoration liabilities

\$ '000

Restoration

Close down and restoration costs include the dismantling and demolition of infrastructure and the removal of residual materials and remediation of disturbed areas. Estimated close down and restoration costs are provided for in the accounting period when the obligation arising from the related disturbance occurs, whether this occurs during the development or during the operation phase, based on the net present value of estimated future costs.

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

Other movements in the provisions for close down and restoration 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.

Rehabilitation

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

Provision is made for the estimated present value of the costs of environmental clean up obligations outstanding at the reporting date. These costs are charged to the Income Statement. Movements in the environmental clean up provisions are presented as an operating cost, except for the unwinding 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.

Lismore City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 27. Fair value measurement

\$ '000

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

- Infrastructure, property, plant and equipment
- Financial assets and liabilities

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

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

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

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

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

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

2017	Date of latest valuation	Fair value measurement hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Recurring fair value measurements					
Financial assets					
Investments					
– 'Designated at fair value on initial recognition'	30/06/17	–	50,000	–	50,000
Total financial assets		–	50,000	–	50,000

Lismore City Council

Notes to the Financial Statements
for the year ended 30 June 2017

Note 27. Fair value measurement

\$ '000

2017	Date of latest valuation	Fair value measurement hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Recurring fair value measurements					
Infrastructure, property, plant and equipment					
Plant & Equipment	30/06/17	—	—	18,611	18,611
Office Equipment	30/06/17	—	—	417	417
Furniture & Fittings	30/06/17	—	—	119	119
Operational Land	30/06/17	—	76,507	—	76,507
Community Land	30/06/17	—	—	31,779	31,779
Land Under Roads (Post 30/06/08)	30/06/17	—	—	34	34
Land Improvement (Non-Depreciable)	30/06/17	—	—	8,197	8,197
Land Improvement (Depreciable)	30/06/17	—	—	17,335	17,335
Buildings - Non Specialised	30/06/17	—	—	1,672	1,672
Buildings - Specialised	30/06/17	—	—	60,973	60,973
Other Structures	30/06/17	—	—	9,824	9,824
Roads	30/06/17	—	—	183,009	183,009
Bridges	30/06/17	—	—	48,881	48,881
Footpaths	30/06/17	—	—	15,493	15,493
Bulk Earthworks (Non-Depreciable)	30/06/17	—	—	322,336	322,336
Stormwater Drainage	30/06/17	—	—	51,008	51,008
Water Supply Network	30/06/17	—	—	173,866	173,866
Sewerage Network	30/06/17	—	—	285,523	285,523
Swimming Pools	30/06/17	—	—	3,797	3,797
Other Open Space/Recreational Assets	30/06/17	—	—	1,000	1,000
Heritage Collection	30/06/17	—	—	1,952	1,952
Library Books	30/06/17	—	—	2,332	2,332
Other	30/06/17	—	—	620	620
Tip Assets	30/06/17	—	—	270	270
Quarry Assets	30/06/17	—	—	788	788
Total infrastructure, property, plant and equipment		—	76,507	1,239,836	1,316,343

Lismore City Council

Notes to the Financial Statements
for the year ended 30 June 2017

Note 27. Fair value measurement

\$ '000

2016	Date of latest valuation	Fair value measurement hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Recurring fair value measurements					
Financial assets					
Investments					
– ‘Designated at fair value on initial recognition’	30/06/16	–	22,000	–	22,000
Total financial assets		–	22,000	–	22,000
Infrastructure, property, plant and equipment					
Plant & Equipment	30/06/16	–	–	19,758	19,758
Office Equipment	30/06/16	–	–	493	493
Furniture & Fittings	30/06/16	–	–	106	106
Operational Land	30/06/13	–	77,915	–	77,915
Community Land	30/06/16	–	–	27,357	27,357
Land Under Roads (Post 30/06/08)	30/06/16	–	–	31	31
Land Improvement (Non-Depreciable)	30/06/16	–	–	8,197	8,197
Land Improvement (Depreciable)	30/06/16	–	–	15,942	15,942
Buildings - Non Specialised	30/06/13	–	–	1,708	1,708
Buildings - Specialised	30/06/13	–	–	60,238	60,238
Other Structures	30/06/16	–	–	8,971	8,971
Roads	30/06/15	–	–	173,196	173,196
Bridges	30/06/15	–	–	47,031	47,031
Footpaths	30/06/15	–	–	14,912	14,912
Bulk Earthworks (Non-Depreciable)	30/06/15	–	–	314,554	314,554
Stormwater Drainage	30/06/14	–	–	50,614	50,614
Water Supply Network	30/06/12	–	–	74,263	74,263
Sewerage Network	30/06/12	–	–	182,757	182,757
Swimming Pools	30/06/16	–	–	3,864	3,864
Other Open Space/Recreational Assets	30/06/16	–	–	1,040	1,040
Heritage Collection	30/06/16	–	–	1,957	1,957
Library Books	30/06/16	–	–	2,046	2,046
Other	30/06/16	–	–	587	587
Tip Assets	30/06/16	–	–	270	270
Quarry Assets	30/06/16	–	–	311	311
Total infrastructure, property, plant and equipment		–	77,915	1,010,203	1,088,118

Lismore City Council

Notes to the Financial Statements for the year ended 30 June 2017

Note 27. Fair value measurement (continued)

\$ '000

(2) Transfers between level 1 and level 2 fair value hierarchies

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

(3) Valuation techniques used to derive level 2 and level 3 fair values

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

The fair valuation techniques Council has employed while utilising level 2 and level 3 inputs are as follows:

Infrastructure, property, plant and equipment (IPP&E)

Plant & Equipment, Office Equipment and Furniture & Fittings

These asset categories include:

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

Office Equipment – Computer equipment

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

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

Operational Land

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

Community Land

Assets within the "Community Land" class are:

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

Council's community land is valued on the Unimproved Capital Value (UCV), provided by the Valuer General and revalued at 30 June 2016.

These rates are not considered to be observable market evidence and as such they have been classified as Level 3. Valuation techniques remain the same for this reporting period.

Lismore City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 27. Fair value measurement (continued)

\$ '000

Land Under Roads (post 30/6/08)

Land under roads is land under roadways and road reserves including land under footpaths, nature strips and median strips. Council has elected not to recognise land under roads acquired before 1 July 2008 in accordance with AASB 1051. Land under roads acquired after 1 July 2008 is recognised in accordance with AASB 116 – Property, Plant and Equipment and Council recognised this asset for the first time in financial year 2010/11. The Land under Roads was valued in accordance with AASB 116, the Code of Accounting Practice and Financial Reporting June 2017. Values were determined using the Englobo methodology. This asset class is classified as Level 3 asset as significant inputs used in the Englobo valuation methodology are unobservable. Valuation techniques remained the same for this reporting period.

Land Improvements Non-Depreciable

The land improvements non-depreciable asset class consists of the runway earthworks for the Lismore Regional Airport. The last revaluation was completed by Jeff Roorda & associates in 2015/16. The Cost approach was adopted to value these assets. Some of the significant inputs considered in the valuation of these assets are remaining useful life, pattern of consumption, dimensions, components and type of assets. This asset class is categorised as Level 3 as some of the above-mentioned inputs used in the valuation of these assets require significant professional judgement and are therefore unobservable. Valuation techniques remained

Land Improvements Depreciable

The land improvements asset class consists of landscaping, mounding and land improvement assets surrounding buildings. The last revaluation was completed by Jeff Roorda & Associates in 2015/16. The Cost approach was adopted to value these assets. Some of the significant inputs considered in the valuation of these assets are remaining useful life, pattern of consumption, dimensions, components and type of assets. This asset class is categorised as Level 3 as some of the above-mentioned inputs used in the valuation of these assets require significant professional judgement and are therefore unobservable. Valuation techniques remained the same for this reporting period.

Buildings - Non Specialised and Specialised

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

Other Structures

The other structure asset class consists of garages, gazebos, shelters, fencing, lighting, etc. assets. The last revaluation was completed by Jeff Roorda & Associates in 2015/16 and the cost approach was adopted to value these assets. Some of the significant inputs considered in the valuation of these assets are remaining useful life, pattern of consumption, dimensions, components and type of assets. This asset class is categorised as Level 3 as some of the above-mentioned inputs used in the valuation of these assets require significant professional judgement and are therefore unobservable. Valuation techniques remained the same for this reporting period.

Lismore City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 27. Fair value measurement (continued)

\$ '000

Roads

Council's roads are componentised into the pavement, surface, base, sub base, seal and major culverts. The last revaluation was completed by Jeff Roorda & Associates Pty Ltd in 2014/15. The cost approach was adopted to value Council roads. Some of the significant inputs considered in the valuation of these assets are remaining useful life, pattern of consumption, dimensions, components and type of road. This asset class is categorised as Level 3 as some of the above-mentioned inputs used in the valuation of these assets require significant professional judgement and are therefore unobservable. Valuation techniques remained the same for this reporting period.

Bridges

Council's bridges register consists of all vehicle access bridges. The last revaluation was completed by Jeff Roorda & Associates Pty Ltd in 2014/15. The cost approach was adopted to value Council bridges. Some of the significant inputs considered in the valuation of these assets are remaining useful life, pattern of consumption, dimensions, components and type of bridge. This asset class is categorised as Level 3 as some of the above-mentioned inputs used in the valuation of these assets require significant professional judgement and are therefore unobservable. Valuation techniques remained the same for this reporting period.

Footpaths

Council's footpath register consists of all pedestrian walkways and cycleways within the Council area. The last revaluation was completed by Jeff Roorda & Associates Pty Ltd in 2014/15. The cost approach was adopted to value Council footpaths. Some of the significant inputs considered in the valuation of these assets are remaining useful life, pattern of consumption, dimensions, components and type of footpath. This asset class is categorised as Level 3 as some of the above-mentioned inputs used in the valuation of these assets require significant professional judgement and are therefore unobservable. Valuation techniques remained the same for this reporting period.

Bulk Earthworks

Council's bulk earthworks are located within the road reserve of all Council roads. The last revaluation was completed by Jeff Roorda & Associates Pty Ltd in 2014/15. The cost approach was adopted to value these assets. Some of the significant inputs considered in the valuation of these assets are remaining useful life, pattern of consumption, dimensions, components and type of assets. This asset class is categorised as Level 3 as some of the above-mentioned inputs used in the valuation of these assets require significant professional judgement and are therefore unobservable. Valuation techniques remained the same for this reporting period.

Stormwater Drainage

The Stormwater Drainage asset class consists of Council's pits, pipes, culverts, channels and treatment devices. The last revaluation was completed by Jeff Roorda & Associates Pty Ltd in 2014/15. The cost approach was adopted to value Council stormwater drainage. Some of the significant inputs considered in the valuation of these assets are remaining useful life, pattern of consumption, dimensions, components and type of stormwater drainage. This asset class is categorised as Level 3 as some of the above-mentioned inputs used in the valuation of these assets require significant professional judgement and are therefore unobservable. Valuation techniques remained the same for this reporting period.

Lismore City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 27. Fair value measurement (continued)

\$ '000

Water Supply Network

The Water Supply Network asset class comprise reservoirs, pumping stations and water pipelines. The Network is revalued every five years with the last revaluation being undertaken by Council and peer reviewed by Jeff Roorda & Associates Pty Ltd in 2016/17. The cost approach was adopted to value these assets. Some of the significant inputs considered in the valuation of these assets are remaining useful life, pattern of consumption, dimensions, components and type of assets. This asset class is categorised as Level 3 as some of the above-mentioned inputs used in the valuation of these assets require significant professional judgement and are therefore unobservable. These assets are indexed each year in line with the NSW Reference Rates Manual as publish by the Office of Water. There has been no change to the valuation process during the reporting period.

Sewerage Network

The Sewerage Network assets within this class comprise treatment works, pumping stations and, sewerage mains. The Network is revalued every five years with the last revaluation being undertaken by Council and peer reviewed by Jeff Roorda & Associates Pty Ltd in 2016/17. The Cost approach was adopted to value these assets. Some of the significant inputs considered in the valuation of these assets are remaining useful life, pattern of consumption, dimensions, components and type of assets. This asset class is categorised as Level 3 as some of the above mentioned inputs used in the valuation of these assets require significant professional judgement and are therefore Unobservable. These assets are indexed each year in line with the NSW Reference Rates Manual as publish by the Office of Water. There has been no change to the valuation process during the reporting period.

Swimming Pools

The last revaluation was completed by Jeff Roorda & Associates in 2015/16 and the cost approach was adopted to value these assets. Some of the significant inputs considered in the valuation of these assets are remaining useful life, pattern of consumption, dimensions, components and type of assets.

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

Open Space / Recreational

The Open Space/Recreation assets within this class comprise playground equipment, equipment and landscaping. The last revaluation was completed by Jeff Roorda & Associates in 2015/16 and the cost approach was adopted to value these assets. Some of the significant inputs considered in the valuation of these assets are remaining useful life, pattern of consumption, dimensions, components and type of assets.

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

Swimming Pools

The last revaluation was completed by Jeff Roorda & Associates in 2015/16 and the cost approach was adopted to value these assets. This asset category comprises art works. The last revaluation was completed by McWilliam & Associates Pty Ltd in 2012/13 and the fair retail replacement value method was adopted to value these assets,

Library Books

This asset category comprises of assets such as library books, CD's and DVD's.

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

Lismore City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 27. Fair value measurement (continued)

\$ '000

Other

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

Tip Assets

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

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

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

Quarry Assets

There are 6 quarries located within the local government area. These facilities encompass quarry operations currently in use as well as old unused facilities currently being used for stockpiling. It has been recognised that there will be significant costs associated with the closure and post closure management of the quarry sites. Closure of the quarry sites will involve a wide range of activities including the establishment of open woodland/forest across the quarry benches and provision of access areas into the pits once completed. It will also include decommissioning and removing of infrastructure and equipment that will not be required post closure, and fencing of sensitive infrastructure. An Evaluation of costs for Quarry Closures and Post Closure Management Plan is reviewed annually. The key unobservable inputs are the discount rate, cost escalation rate, actual timing of costs and future environmental management requirements. There has been a small decrease in the value of future funds required for remediation during the reporting period.

Lismore City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 27. Fair value measurement (continued)

\$ '000

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

a. The following tables present the changes in level 3 fair value asset classes.

	Plant & Equipment	Office Equipment	Furniture & Fittings	Community Land	Total
Opening balance – 1/7/15	17,808	458	79	27,357	45,702
Purchases (GBV)	5,652	205	47	–	5,904
Disposals (WDV)	(635)	–	–	–	(635)
Depreciation and impairment	(3,067)	(170)	(20)	–	(3,257)
Closing balance – 30/6/16	19,758	493	106	27,357	47,714
Transfers from/(to) another asset class	10	–	–	418	428
Purchases (GBV)	3,203	68	36	661	3,968
Disposals (WDV)	(1,006)	–	–	–	(1,006)
Depreciation and impairment	(3,354)	(144)	(23)	–	(3,521)
Revaluation increment to Equity	–	–	–	3,343	3,343
Closing balance – 30/6/17	18,611	417	119	31,779	50,926

Lismore City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 27. Fair value measurement (continued)

\$ '000

(4). Fair value measurements using significant unobservable inputs (level 3) (continued)**a. The following tables present the changes in level 3 fair value asset classes.** (continued)

	Land Under Roads (Post 30/6/08)	Land Impro- vements (De- preciable)	Buildings Non- Specialised	Buildings- Specialised	Total
Opening balance – 1/7/15	31	10,086	1,739	59,767	71,623
Transfers from/(to) another asset class	–	1,726	–	–	1,726
Purchases (GBV)	–	298	–	1,274	1,572
Disposals (WDV)	–	–	–	(7)	(7)
Depreciation and impairment	–	(338)	(31)	(796)	(1,165)
Revaluation increment to Equity	–	4,170	–	–	4,170
Closing balance – 30/6/16	31	15,942	1,708	60,238	77,919
Transfers from/(to) another asset class	–	2,014	–	50	2,064
Purchases (GBV)	3	365	–	1,511	1,879
Disposals (WDV)	–	(50)	–	–	(50)
Depreciation and impairment	–	(936)	(36)	(826)	(1,798)
Closing balance – 30/6/17	34	17,335	1,672	60,973	80,014

Lismore City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 27. Fair value measurement (continued)

\$ '000

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

a. The following tables present the changes in level 3 fair value asset classes. (continued)

	Other Structures	Roads	Bridges	Footpaths	Total
Opening balance – 1/7/15	6,636	163,426	46,405	14,204	230,671
Transfers from/(to) another asset class	197	1,512	–	–	1,709
Purchases (GBV)	–	11,243	–	508	11,751
Disposals (WDV)	–	(807)	–	(58)	(865)
Depreciation and impairment	(169)	(7,284)	(876)	(189)	(8,518)
Revaluation increment to Equity	2,307	5,106	1,502	447	9,362
Closing balance – 30/6/16	8,971	173,196	47,031	14,912	244,110
Transfers from/(to) another asset class	64	1,677	323	–	2,064
Purchases (GBV)	1,107	10,715	1,085	498	13,405
Disposals (WDV)	(18)	(487)	–	(67)	(572)
Depreciation and impairment	(300)	(5,967)	(853)	(198)	(7,318)
Revaluation increment to Equity	–	3,875	1,295	348	5,518
Closing balance – 30/6/17	9,824	183,009	48,881	15,493	257,207

Lismore City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 27. Fair value measurement (continued)

\$ '000

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

a. The following tables present the changes in level 3 fair value asset classes. (continued)

	Bulk Earthworks (Non-Deprec)	Stormwater Drainage	Water Supply Network	Sewerage Network	Total
Opening balance – 1/7/15	304,520	50,050	72,775	183,044	610,389
Transfers from/(to) another asset class	–	–	–	203	203
Purchases (GBV)	576	603	2,707	1,241	5,127
Disposals (WDV)	–	(3)	(607)	(191)	(801)
Depreciation and impairment	–	(782)	(1,679)	(4,225)	(6,686)
Revaluation Increments to Equity	9,458	746	1,067	2,685	13,956
Closing balance – 30/6/16	314,554	50,614	74,263	182,757	622,188
Transfers from/(to) another asset class	–	–	1,760	2,923	4,683
Purchases (GBV)	307	508	3,127	2,378	6,320
Disposals (WDV)	(74)	(11)	(756)	(1,006)	(1,847)
Depreciation and impairment	–	(797)	(1,734)	(4,280)	(6,811)
Revaluation Increments to Equity	7,549	694	97,206	102,751	208,200
Closing balance – 30/6/17	322,336	51,008	173,866	285,523	832,733

Lismore City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 27. Fair value measurement (continued)

\$ '000

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

a. The following tables present the changes in level 3 fair value asset classes. (continued)

	Swimming Pools	Other Open Space & Recreation Assets	Heritage Collection	Library Books	Total
Opening balance – 1/7/15	4,435	9,618	67	2,092	16,212
Transfers from/(to) another asset class	(238)	(8,197)	–	–	(8,435)
Purchases (GBV)	–	200	–	673	873
Disposals (WDV)	–	–	–	(719)	(719)
Depreciation and impairment	–	(151)	–	–	(151)
Revaluation Increment to Equity	(332)	(431)	1,890	–	1,127
Closing balance – 30/6/16	3,865	1,039	1,957	2,046	8,907
Purchases (GBV)	–	49	–	675	724
Disposals (WDV)	–	(8)	(5)	–	(13)
Depreciation and impairment	(68)	(80)	–	(389)	(537)
Closing balance – 30/6/17	3,797	1,000	1,952	2,332	9,081

Lismore City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 27. Fair value measurement (continued)

\$ '000

(4). Fair value measurements using significant unobservable inputs (level 3) (continued)**a. The following tables present the changes in level 3 fair value asset classes.** (continued)

	Other	Tip Assets	Quarry Assets	Land Improvements Non-Depreciable	Total
Opening balance – 1/7/15	412	270	71	–	753
Transfers from/(to) another asset class	43	–	230	–	273
Purchases (GBV)	139	–	–	–	139
Depreciation and impairment	(7)	–	10	–	3
Revaluation Increments to Equity	–	–	–	8,197	8,197
Closing balance – 30/6/16	587	270	311	8,197	9,365
Transfers from/(to) another asset class	–	–	459	–	459
Purchases (GBV)	55	–	–	–	55
Depreciation and impairment	(22)	–	18	–	(4)
Closing balance – 30/6/17	620	270	788	8,197	9,875

(5). Highest and best use

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

Lismore City Council

Notes to the Financial Statements for the year ended 30 June 2017

Note 28. Related party disclosures

\$ '000

a. Key management personnel

Key management personnel (KMP) of the council are those persons having the authority and responsibility for planning, directing and controlling the activities of the council, directly or indirectly. KMP for the council are considered to include Councillors (including the Mayor), General Manager, Executive Directors and staff members acting in the position of General Manager or Executive Director.

The aggregate amount of KMP compensation included in the Income Statement is:

	Actual
	2017
Compensation:	
Short-term benefits	960
Post-employment benefits	65
Other long-term benefits	7
Total	1,032

b. Other transactions with KMP and their related parties

Council has determined that transactions at arm's length between KMP and Council as part of Council delivering public service objectives (e.g. access to library or Council swimming pool by KMP) will not be disclosed. There has not been any material transactions between KMP or their related parties and Council during the financial year.

KMP and their related parties attend various functions from time to time as part of their position held within Council. Tickets, meals and small tokens of appreciation that are provided at these functions are considered immaterial and will not be disclosed.



SPECIAL PURPOSE

FINANCIAL STATEMENTS

**For the year ended
30 June 2017**

Lismore City Council

Special Purpose Financial Statements

for the year ended 30 June 2017

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Background

- (i) These Special Purpose Financial Statements have been prepared for the use by both Council and the Office 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 and 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 more than \$2 million that Council has formally declared as a business activity (defined as Category 1 activities).
- (iv) In preparing these financial statements for Council's self-classified Category 1 businesses and ABS-defined activities, councils must **(a)** adopt a corporatisation model and **(b)** apply full cost attribution including tax-equivalent regime payments and debt guarantee fees (where the business benefits from Council's borrowing position by comparison with commercial rates).
-

INDEPENDENT AUDITOR'S REPORT
Report on the special purpose financial statement
Lismore City Council

To the Councillors of the Lismore City Council

Opinion

I have audited the accompanying special purpose financial statements (the financial statements) of Lismore City Council's (the Council) Declared Business Activities, which comprise the statement of financial position of each Declared Business Activity as at 30 June 2017, the income statement of each Declared Business Activity for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information for the Business Activities declared by Council, and the Statement by Councillors and Management.

The Declared Business Activities of the Council are:

- Water Supply
- Sewerage
- Quarry
- Waste Disposal
- Lismore Crematorium
- Goonellabah Sports & Aquatic Centre - Gymnasium
- Goonellabah Sports & Aquatic Centre – Learn to Swim.

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Council's declared Business Activities as at 30 June 2017, and their financial performance for the year then ended, in accordance with the Australian Accounting Standards described in Note 1 and the Local Government Code of Accounting Practice and Financial Reporting (LG Code).

My opinion should be read in conjunction with the rest of this report and in particular, the Emphasis of Matter referring to the basis of accounting.

Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under the standards are described in the 'Auditor's Responsibilities for the Audit of the Financial Statements' section of my report.

I am independent of the Council in accordance with the requirements of the:

- Australian Auditing Standards
- Accounting Professional and Ethical Standards Board's APES 110 'Code of Ethics for Professional Accountants' (APES 110).

I have fulfilled my other ethical responsibilities in accordance with APES 110.

Emphasis of Matter - Basis of Accounting

Without modifying my opinion, I draw attention to Note (1) to the financial statements which describes the basis of accounting. The financial statements have been prepared for the purpose of fulfilling Council's financial reporting responsibilities under the LG Code. As a result, the financial statements may not be suitable for another purpose.

Other Matter

The financial statements of the Council for the year ended 30 June 2016 were audited by another auditor who expressed an unmodified opinion on that financial statement on 19 October 2016.

The Councilors' Responsibility for the Financial Statements

The Councilors are responsible for the preparation and fair presentation of the financial statements and for determining that the accounting policies, described in Note 1 to the financial statements, are appropriate to meet the requirements in the LG Code. The Councilors' responsibility also includes such internal control as the Councilors determine is necessary to enable the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Councilors must assess the Council's ability to continue as a going concern except where the Council will be dissolved or amalgamated by an Act of Parliament. The assessment must disclose, as applicable, matters related to going concern and the appropriateness of using the going concern basis of accounting, as it affects the Council's Declared Business Activities.

Auditor's Responsibility for the Audit of the Financial Statements

My objectives are to:

- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on the financial statements.

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at:
http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf.

The description forms part of my auditor's report.

My opinion does not provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.



Karen Taylor

Director, Financial Audit Services

17 October 2017
SYDNEY

Lismore City Council

Special Purpose Financial Statements for the year ended 30 June 2017

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

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

- the NSW Government Policy Statement 'Application of National Competition Policy to Local Government',
- the Division of Local Government Guidelines 'Pricing and Costing for Council Businesses – A Guide to Competitive Neutrality',
- the Local Government Code of Accounting Practice and Financial Reporting,
- the NSW Office of Water Best-Practice Management of Water and Sewerage Guidelines.

To the best of our knowledge and belief, these financial statements:

- present fairly the operating result and financial position for each of Council's declared business activities for the year, and
- accord with Council's accounting and other records.

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

Signed in accordance with a resolution of Council made on 17 October 2017.



Isaac Smith
Mayor



Vanessa Ekins
Councillor



Gary Murphy
General Manager



Rino Santin
Responsible Accounting Officer

Lismore City Council

Income Statement of Council's Water Supply Business Activity

for the year ended 30 June 2017

\$ '000	Actual 2017	Actual 2016
Income from continuing operations		
Access charges	4,131	3,879
User charges	9,322	8,183
Interest	311	280
Grants and contributions provided for non-capital purposes	263	120
Other income	146	162
Total income from continuing operations	14,173	12,624
Expenses from continuing operations		
Employee benefits and on-costs	2,206	2,048
Borrowing costs	592	423
Materials and contracts	1,691	1,698
Depreciation and impairment	1,884	1,821
Water purchase charges	5,225	5,136
Loss on sale of assets	747	594
Calculated taxation equivalents	30	7
Debt guarantee fee (if applicable)	198	205
Other expenses	90	68
Total expenses from continuing operations	12,663	12,000
Surplus (deficit) from continuing operations before capital amounts	1,510	624
Grants and contributions provided for capital purposes	1,015	401
Surplus (deficit) from continuing operations after capital amounts	2,525	1,025
Surplus (deficit) from discontinued operations	–	–
Surplus (deficit) from all operations before tax	2,525	1,025
Less: corporate taxation equivalent (30%) [based on result before capital]	(453)	(187)
SURPLUS (DEFICIT) AFTER TAX	2,072	838
Plus opening retained profits	22,675	21,445
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	30	7
– Debt guarantee fees	198	205
– Corporate taxation equivalent	453	187
Less:		
– Tax equivalent dividend paid	(7)	(7)
Closing retained profits	25,421	22,675
Return on capital %	1.2%	1.3%
Subsidy from Council	2,144	531
Calculation of dividend payable:		
Surplus (deficit) after tax	2,072	838
Less: capital grants and contributions (excluding developer contributions)	(898)	–
Surplus for dividend calculation purposes	1,174	838
Potential dividend calculated from surplus	587	419

Lismore City Council

Income Statement of Council's Sewerage Business Activity

for the year ended 30 June 2017

\$ '000	Actual 2017	Actual 2016
Income from continuing operations		
Access charges	12,050	11,352
User charges	268	193
Interest	1,163	695
Grants and contributions provided for non-capital purposes	137	132
Other income	62	80
Total income from continuing operations	13,680	12,452
Expenses from continuing operations		
Employee benefits and on-costs	2,222	2,189
Borrowing costs	1,156	597
Materials and contracts	3,620	3,512
Depreciation and impairment	4,363	4,298
Loss on sale of assets	971	277
Calculated taxation equivalents	16	29
Debt guarantee fee (if applicable)	143	151
Other expenses	429	411
Total expenses from continuing operations	12,920	11,464
Surplus (deficit) from continuing operations before capital amounts	760	988
Grants and contributions provided for capital purposes	1,077	1,456
Surplus (deficit) from continuing operations after capital amounts	1,837	2,444
Surplus (deficit) from discontinued operations	–	–
Surplus (deficit) from all operations before tax	1,837	2,444
Less: corporate taxation equivalent (30%) [based on result before capital]	(228)	(296)
SURPLUS (DEFICIT) AFTER TAX	1,609	2,148
Plus opening retained profits	64,839	62,244
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	16	29
– Debt guarantee fees	143	151
– Corporate taxation equivalent	228	296
Less:		
– Tax equivalent dividend paid	(29)	(29)
Closing retained profits	66,806	64,839
Return on capital %	0.6%	0.8%
Subsidy from Council	5,179	2,249
Calculation of dividend payable:		
Surplus (deficit) after tax	1,609	2,148
Less: capital grants and contributions (excluding developer contributions)	(587)	–
Surplus for dividend calculation purposes	1,022	2,148
Potential dividend calculated from surplus	511	1,074

Lismore City Council

Income Statement of Council's Other Business Activities

for the year ended 30 June 2017

\$ '000	Quarry		Waste Disposal	
	Category 1		Category 1	
	Actual 2017	Actual 2016	Actual 2017	Actual 2016
Income from continuing operations				
Access charges	–	–	6,785	5,952
User charges	10,770	11,384	–	–
Grants and contributions provided for non-capital purposes	390	360	–	–
Other income	5	21	4,615	4,596
Total income from continuing operations	11,165	11,765	11,400	10,548
Expenses from continuing operations				
Employee benefits and on-costs	1,572	1,684	2,298	2,088
Borrowing costs	680	593	160	176
Materials and contracts	8,858	9,534	10,159	7,099
Depreciation and impairment	203	61	290	225
Calculated taxation equivalents	117	117	133	121
Debt guarantee fee (if applicable)	71	85	98	108
Other expenses	31	60	96	9
Total expenses from continuing operations	11,532	12,134	13,234	9,826
Surplus (deficit) from continuing operations before capital amounts	(367)	(369)	(1,834)	722
Grants and contributions provided for capital purposes	–	–	852	390
Surplus (deficit) from continuing operations after capital amounts	(367)	(369)	(982)	1,112
Surplus (deficit) from discontinued operations	–	–	–	–
Surplus (deficit) from all operations before tax	(367)	(369)	(982)	1,112
Less: corporate taxation equivalent (30%) [based on result before capital]	–	–	–	(217)
SURPLUS (DEFICIT) AFTER TAX	(367)	(369)	(982)	895
Plus opening retained profits	1,846	2,344	8,258	7,489
Plus/less: other adjustments (Asset incorrect recognition 2016)	(75)	–	–	–
Plus adjustments for amounts unpaid:				
– Taxation equivalent payments	117	117	133	121
– Debt guarantee fees	71	85	98	108
– Corporate taxation equivalent	–	–	–	217
Add:				
– Subsidy paid/contribution to operations	–	–	663	–
Less:				
– Dividend paid	–	(331)	–	(572)
Closing retained profits	1,592	1,846	8,170	8,258
Return on capital %	5.0%	3.8%	-13.3%	7.2%
Subsidy from Council	–	–	1,973	–

Lismore City Council

Income Statement of Council's Other Business Activities

for the year ended 30 June 2017

	Lismore Crematorium Category 2		Goonellabah Sports & Aquatic Centre - Gymnasium Category 2	
	Actual 2017	Actual 2016	Actual 2017	Actual 2016
\$ '000				
Income from continuing operations				
Fees	370	397	648	566
Other income	–	–	–	27
Total income from continuing operations	370	397	648	593
Expenses from continuing operations				
Employee benefits and on-costs	193	95	323	98
Materials and contracts	181	185	621	788
Depreciation and impairment	6	2	–	–
Other expenses	–	–	–	11
Total expenses from continuing operations	380	282	944	897
Surplus (deficit) from continuing operations before capital amounts	(10)	115	(296)	(304)
Grants and contributions provided for capital purposes	–	–	–	–
Surplus (deficit) from continuing operations after capital amounts	(10)	115	(296)	(304)
Surplus (deficit) from discontinued operations	–	–	–	–
Surplus (deficit) from all operations before tax	(10)	115	(296)	(304)
Less: corporate taxation equivalent (30%) [based on result before capital]	–	(35)	–	–
SURPLUS (DEFICIT) AFTER TAX	(10)	81	(296)	(304)
Plus opening retained profits	912	797	–	–
Plus adjustments for amounts unpaid:				
– Corporate taxation equivalent	–	35	–	–
Add:				
– Subsidy paid/contribution to operations	–	–	296	304
Less:				
– Dividend paid	(767)	–	–	–
Closing retained profits	135	912	–	–
Return on capital %	-3.0%	35.3%	n/a	n/a
Subsidy from Council	18	–	296	304

Lismore City Council

Income Statement of Council's Other Business Activities

for the year ended 30 June 2017

Goonellabah Sports
& Aquatic Centre -
Learn to Swim
Category 2

\$ '000	Actual 2017	Actual 2016
Income from continuing operations		
Fees	589	591
Total income from continuing operations	589	591
Expenses from continuing operations		
Employee benefits and on-costs	425	53
Materials and contracts	331	666
Other expenses	–	10
Total expenses from continuing operations	756	729
Surplus (deficit) from continuing operations before capital amounts	(167)	(138)
Grants and contributions provided for capital purposes	–	–
Surplus (deficit) from continuing operations after capital amounts	(167)	(138)
Surplus (deficit) from discontinued operations	–	–
Surplus (deficit) from all operations before tax	(167)	(138)
Less: corporate taxation equivalent (30%) [based on result before capital]	–	–
SURPLUS (DEFICIT) AFTER TAX	(167)	(138)
Add:		
– Subsidy paid/contribution to operations	167	138
Closing retained profits	–	–
Return on capital %	n/a	n/a
Subsidy from Council	167	138

Lismore City Council

Statement of Financial Position – Council's Water Supply Business Activity
as at 30 June 2017

\$ '000	Actual 2017	Actual 2016
ASSETS		
Current assets		
Cash and cash equivalents	2,162	991
Investments	6,012	1,037
Receivables	3,470	2,846
Inventories	326	266
Total current assets	11,970	5,140
Non-current assets		
Investments	517	305
Receivables	1,262	1,380
Infrastructure, property, plant and equipment	178,392	79,315
Total non-current assets	180,171	81,000
TOTAL ASSETS	192,141	86,140
LIABILITIES		
Current liabilities		
Payables	134	50
Borrowings	494	241
Provisions	265	290
Total current liabilities	893	581
Non-current liabilities		
Borrowings	12,109	6,364
Provisions	2	10
Total non-current liabilities	12,111	6,374
TOTAL LIABILITIES	13,004	6,955
NET ASSETS	179,137	79,185
EQUITY		
Retained earnings	25,421	22,675
Revaluation reserves	153,716	56,510
Council equity interest	179,137	79,185
Non-controlling equity interest	–	–
TOTAL EQUITY	179,137	79,185

Lismore City Council

Statement of Financial Position – Council's Sewerage Business Activity
as at 30 June 2017

\$ '000	Actual 2017	Actual 2016
ASSETS		
Current assets		
Cash and cash equivalents	956	8,151
Investments	35,888	8,530
Receivables	1,287	1,043
Inventories	274	288
Total current Assets	38,405	18,012
Non-current assets		
Investments	2,370	2,508
Receivables	336	436
Infrastructure, property, plant and equipment	298,105	192,625
Total non-current assets	300,811	195,569
TOTAL ASSETS	339,216	213,581
LIABILITIES		
Current liabilities		
Payables	311	105
Borrowings	1,091	283
Provisions	266	239
Total current liabilities	1,668	627
Non-current liabilities		
Borrowings	27,706	7,834
Provisions	21	17
Total non-current liabilities	27,727	7,851
TOTAL LIABILITIES	29,395	8,478
NET ASSETS	309,821	205,103
EQUITY		
Retained earnings	66,805	64,838
Revaluation reserves	243,016	140,265
Council equity interest	309,821	205,103
Non-controlling equity interest	–	–
TOTAL EQUITY	309,821	205,103

Lismore City Council

Statement of Financial Position – Council's Other Business Activities

as at 30 June 2017

\$ '000	Quarry		Waste Disposal	
	Category 1		Category 1	
	Actual 2017	Actual 2016	Actual 2017	Actual 2016
ASSETS				
Current assets				
Investments	–	185	810	650
Receivables	1,380	1,240	–	–
Inventories	2,433	2,804	–	–
Total Current Assets	3,813	4,229	810	650
Non-current assets				
Infrastructure, property, plant and equipment	6,208	5,956	12,556	12,508
Total non-current assets	6,208	5,956	12,556	12,508
TOTAL ASSETS	10,021	10,185	13,366	13,158
LIABILITIES				
Current liabilities				
Borrowings	190	174	331	330
Provisions	231	313	400	267
Total current liabilities	421	487	731	597
Non-current liabilities				
Borrowings	1,117	1,315	2,632	3,030
Provisions	1,811	1,314	81	137
Other Liabilities	4,910	5,053	–	–
Total non-current liabilities	7,838	7,682	2,713	3,167
TOTAL LIABILITIES	8,259	8,169	3,444	3,764
NET ASSETS	1,762	2,016	9,922	9,394
EQUITY				
Retained earnings	1,592	1,846	8,170	8,258
Revaluation reserves	170	170	1,752	1,136
Council equity interest	1,762	2,016	9,922	9,394
Non-controlling equity interest	–	–	–	–
TOTAL EQUITY	1,762	2,016	9,922	9,394

Lismore City Council

Statement of Financial Position – Council's Other Business Activities

as at 30 June 2017

	Lismore Crematorium		Goonellabah Sports & Aquatic Centre - Gymnasium	
	Category 2		Category 2	
\$ '000	Actual 2017	Actual 2016	Actual 2017	Actual 2016
ASSETS				
Current assets				
Receivables	–	782	–	–
Total Current Assets	–	782	–	–
Non-current assets				
Infrastructure, property, plant and equipment	335	326	–	–
Total non-current assets	335	326	–	–
TOTAL ASSETS	335	1,108	–	–
LIABILITIES				
Current liabilities				
Provisions	64	61	–	–
Total current liabilities	64	61	–	–
Non-current liabilities				
Provisions	2	1	–	–
Total non-current liabilities	2	1	–	–
TOTAL LIABILITIES	66	62	–	–
NET ASSETS	269	1,046	–	–
EQUITY				
Retained earnings	135	912	–	–
Revaluation reserves	134	134	–	–
Council equity interest	269	1,046	–	–
Non-controlling equity interest	–	–	–	–
TOTAL EQUITY	269	1,046	–	–

Lismore City Council

Statement of Financial Position – Council's Other Business Activities

as at 30 June 2017

Goonellabah Sports &
Aquatic Centre - Learn to
Swim
Category 2

\$ '000	Actual 2017	Actual 2016
ASSETS		
Current assets		
Cash and cash equivalents	-	-
Investments	-	-
Receivables	-	-
Inventories	-	-
Other	-	-
Non-current assets classified as held for sale	-	-
Total Current Assets	-	-
Non-current assets		
Investments	-	-
Receivables	-	-
Inventories	-	-
Infrastructure, property, plant and equipment	-	-
Investments accounted for using equity method	-	-
Investment property	-	-
Intangible assets	-	-
Other	-	-
Total non-current assets	-	-
TOTAL ASSETS	-	-
LIABILITIES		
Current liabilities		
Bank overdraft	-	-
Payables	-	-
Income received in advance	-	-
Borrowings	-	-
Provisions	-	-
Total current liabilities	-	-
Non-current liabilities		
Payables	-	-
Income received in advance	-	-
Borrowings	-	-
Provisions	-	-
Other Liabilities	-	-
Total non-current liabilities	-	-
TOTAL LIABILITIES	-	-
NET ASSETS	-	-
EQUITY		
Retained earnings	-	-
Revaluation reserves	-	-
Other reserves	-	-
Council equity interest	-	-
Non-controlling equity interest	-	-
TOTAL EQUITY	-	-

Lismore City Council

Special Purpose Financial Statements

for the year ended 30 June 2017

Contents of the notes accompanying the financial statements

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3	Sewerage Business Best-Practice Management disclosure requirements	127

Lismore City Council

Notes to the Special Purpose Financial Statements for the year ended 30 June 2017

Note 1. Significant accounting policies

A statement summarising the supplemental accounting policies adopted in the preparation of the Special Purpose Financial Statements (SPFS) for National Competition Policy (NCP) reporting purposes follows.

These financial statements are SPFS prepared for use by Council and the Office of Local Government. For the purposes of these statements, the Council is a non-reporting not-for-profit entity.

The figures presented in these SPFS have been prepared in accordance with:

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

The disclosures in these SPFS have been prepared in accordance with:

- the Local Government Act 1993 (NSW),
- the Local Government (General) Regulation, and
- the Local Government Code of Accounting Practice and Financial Reporting.

The statements are 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' in 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 NSW government policy statement titled 'Application of National Competition Policy to Local Government'.

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

The pricing and costing guidelines outline the process for identifying and allocating costs to activities and provide a standard for 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 and Costing for Council Businesses – A Guide to Competitive Neutrality*, Council has declared that the following are to be considered as business activities:

Category 1

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

a. Water

Provision of safe drinking water to customers

b. Wastewater

Provision of sewerage services to customers

c. Quarries

Supply of aggregate, road base and asphalt products

Category 2

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

a. Lismore Memorial Gardens

Provide cremation services

b. Goonellabah Sports and Aquatic Centre – Learn to Swim

Provide learn to swim classes

c. Goonellabah Sports and Aquatic Centre - Gymnasium

Provide gym facilities

Lismore City Council

Notes to the Special Purpose Financial Statements for the year ended 30 June 2017

Note 1. Significant accounting policies (continued)

Monetary amounts

Amounts shown in the financial statements are in Australian currency and rounded to the nearest thousand dollars, except for Note 2 (Water Supply Best-Practice Management Disclosures) and Note 3 (Sewerage Best-Practice Management Disclosures).

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

(i) Taxation-equivalent charges

Council is liable to pay various taxes and financial duties. Where this is the case, they are disclosed as a cost of operations 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 Special Purpose Financial Statements.

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

Notional rate applied (%)

Corporate income tax rate – 30%

Land tax – the first \$549,000 of combined land values attracts 0%. For the combined land values in excess of \$549,001 up to \$3,357,000 the rate is 1.6% + \$100. For the remaining combined land value that exceeds \$3,357,000 a premium marginal rate of 2.0% applies.

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

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

The payment of taxation equivalent charges, referred to in the Guidelines to as a 'dividend for taxation equivalent', may be applied for any purpose allowed under the *Local Government Act, 1993*.

Achievement of substantial compliance to the Guidelines 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 activities.

Whilst income tax is not a specific cost for the purpose of pricing a good or service, it needs to be taken into account 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 gain/ (loss) from ordinary activities before capital amounts has been achieved.

Since the taxation equivalent is notional – that is, it is payable to 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 SPFS.

The rate applied of 30% may not be the equivalent company tax rate prevalent at reporting date. No adjustments have been made for variations that have occurred during the year.

Local government rates and charges

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

Loan and debt guarantee fees

Lismore City Council

Notes to the Special Purpose Financial Statements for the year ended 30 June 2017

Note 1. Significant accounting policies (continued)

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

In order to calculate a debt guarantee fee, Council has determined what the differential borrowing rate would have been between the commercial rate and 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 when 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 Council in any given financial year.

The overall effect of subsidies is contained within the Income Statement of each reported business activity.

(iii) Return on investments (rate of return)

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

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

The actual rate of return achieved by each business activity is disclosed at the foot of each respective Income Statement.

The rate of return is calculated as follows:

Operating result before capital income + interest expense

Written down value of I,PP&E as at 30 June

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 2.38% at 30/6/17.

(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.

Each dividend must be calculated and approved in accordance with the Best-Practice Management of Water Supply and Sewerage Guidelines (Guidelines) and must not exceed:

- (i) 50% of this surplus in any one year, or
- (ii) the number of water supply or sewerage assessments at 30 June 2017 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

In accordance with the Guidelines a Dividend Payment form, Statement of Compliance, Unqualified Independent Financial Audit Report and Compliance Audit Report are required to be submitted to the NSW Department of Primary Industries and Water prior to making the dividend and only after it has been approved the payment.

Lismore City Council

Notes to the Special Purpose Financial Statements for the year ended 30 June 2017

Note 2. Water supply business best-practice management disclosure requirements

Dollars amounts shown below are in whole dollars (unless otherwise indicated)

2017

1. Calculation and payment of tax-equivalents

[all local government local water utilities must pay this dividend for tax equivalents]

(i)	Calculated tax equivalents	228,000
(ii)	Number of assessments multiplied by \$3/assessment	41,178
(iii)	Amounts payable for tax equivalents [lesser of (i) and (ii)]	41,178
(iv)	Amounts actually paid for tax equivalents	6,957

2. Dividend from surplus

(i)	50% of surplus before dividends [calculated in accordance with Best-Practice Management for Water Supply and Sewerage Guidelines]	587,000
(ii)	Number of assessments multiplied by \$30/assessment, less tax equivalent charges/assessment	370,602
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2017, less the cumulative dividends paid for the 2 years to 30 June 2016 and 30 June 2015	2,279,400

2017 Surplus	1,174,000	2016 Surplus	837,800	2015 Surplus	267,600
		2016 Dividend	–	2015 Dividend	–

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	370,602
(v)	Dividend actually paid from surplus [refer below for required pre-dividend payment criteria]	–
(vi)	Are the overhead reallocation charges to the water business fair and reasonable? ^a	YES

3. Required outcomes for 6 criteria

[to be eligible for the payment of a 'dividend from surplus', all the criteria below need a 'YES']

(i)	Completion of strategic business plan (including financial plan)	YES
(ii)	Full cost recovery, without significant cross subsidies [refer item 2 (a) in table 1 on page 22 of the Best-Practice Guidelines]	YES
	– Complying charges [item 2 (b) in table 1]	YES
	– DSP with commercial developer charges [item 2 (e) in table 1]	YES
	– If dual water supplies, complying charges [item 2 (g) in table 1]	NO
(iii)	Sound water conservation and demand management implemented	YES
(iv)	Sound drought management implemented	YES
(v)	Complete performance reporting form (by 15 September each year)	YES
(vi)	a. Integrated water cycle management evaluation	NO
	b. Complete and implement integrated water cycle management strategy	NO

Lismore City Council

Notes to the Special Purpose Financial Statements
for the year ended 30 June 2017Note 2. Water supply business
best-practice management disclosure requirements (continued)

Dollars amounts shown below are in whole dollars (unless otherwise indicated)

2017

National Water Initiative (NWI) financial performance indicators

NWI F1	Total revenue (water) Total income (w13) – grants for the acquisition of assets (w11a) – interest income (w9) – Aboriginal Communities W&S Program income (w10a)	\$'000	14,877
NWI F4	Revenue from residential usage charges (water) Income from residential usage charges (w6b) x 100 divided by the sum of [income from residential usage charges (w6a) + income from residential access charges (w6b)]	%	44.61%
NWI F9	Written down replacement cost of fixed assets (water) Written down current cost of system assets (w47)	\$'000	177,890
NWI F11	Operating cost (OMA) (water) Management expenses (w1) + operational and maintenance expenses (w2)	\$'000	9,219
NWI F14	Capital expenditure (water) Acquisition of fixed assets (w16)	\$'000	3,576
NWI F17	Economic real rate of return (water) [total income (w13) – interest income (w9) – grants for acquisition of assets (w11a) – operating costs (NWI F11) – current cost depreciation (w3)] x 100 divided by [written down current cost of system assets (w47) + plant and equipment (w33b)]	%	2.12%
NWI F26	Capital works grants (water) Grants for the acquisition of assets (w11a)	\$'000	–

- Notes:
- References to w (e.g. w12) refer to item numbers within Special Schedules 3 and 4 of Council's Annual Financial Statements.
 - The NWI performance indicators are based upon the National Performance Framework Handbook for Urban Performance Reporting Indicators and Definitions.
- a refer to 3.2 (2) on page 15 of the Best-Practice Management of Water Supply and Sewerage Guidelines, 2007

Lismore City Council

Notes to the Special Purpose Financial Statements for the year ended 30 June 2017

Note 3. Sewerage business best-practice management disclosure requirements

Dollars amounts shown below are in whole dollars (unless otherwise indicated)

2017

1. Calculation and payment of tax-equivalents

[all local government local water utilities must pay this dividend for tax equivalents]

(i)	Calculated tax equivalents	159,000
(ii)	Number of assessments multiplied by \$3/assessment	36,561
(iii)	Amounts payable for tax equivalents [lesser of (i) and (ii)]	36,561
(iv)	Amounts actually paid for tax equivalents	29,196

2. Dividend from surplus

(i)	50% of surplus before dividends [calculated in accordance with Best-Practice Management for Water Supply and Sewerage Guidelines]	511,000
(ii)	Number of assessments x (\$30 less tax equivalent charges per assessment)	329,049
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2017, less the cumulative dividends paid for the 2 years to 30 June 2016 and 30 June 2015	3,129,600

2017 Surplus	1,022,000	2016 Surplus	2,147,600	2015 Surplus	(40,000)
		2016 Dividend	—	2015 Dividend	—

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	329,049
(v)	Dividend actually paid from surplus [refer below for required pre-dividend payment criteria]	—
(vi)	Are the overhead reallocation charges to the sewer business fair and reasonable? ^a	YES

3. Required outcomes for 4 criteria

[to be eligible for the payment of a 'dividend from surplus', all the criteria below need a 'YES']

(i)	Completion of strategic business plan (including financial plan)	YES
(ii)	Pricing with full cost-recovery, without significant cross subsidies [refer item 2 (a) in table 1 on page 22 of the Best-Practice Guidelines]	NO
	Complying charges (a) Residential [item 2 (c) in table 1]	YES
	(b) Non-residential [item 2 (c) in table 1]	NO
	(c) Trade waste [item 2 (d) in table 1]	NO
	DSP with commercial developer charges [item 2 (e) in table 1]	YES
	Liquid trade waste approvals and policy [item 2 (f) in table 1]	NO
(iii)	Complete performance reporting form (by 15 September each year)	YES
(iv)	a. Integrated water cycle management evaluation	NO
	b. Complete and implement integrated water cycle management strategy	NO

Lismore City Council

Notes to the Special Purpose Financial Statements
for the year ended 30 June 2017Note 3. Sewerage business
best-practice management disclosure requirements (continued)

Dollars amounts shown below are in whole dollars (unless otherwise indicated)

2017

National Water Initiative (NWI) financial performance indicators

NWI F2	Total revenue (sewerage) Total income (s14) – grants for acquisition of assets (s12a) – interest income (s10) – Aboriginal Communities W&S Program income (w10a)	\$'000	13,593
NWI F10	Written down replacement cost of fixed assets (sewerage) Written down current cost of system assets (s48)	\$'000	298,105
NWI F12	Operating cost (sewerage) Management expenses (s1) + operational and maintenance expenses (s2)	\$'000	6,299
NWI F15	Capital expenditure (sewerage) Acquisition of fixed assets (s17)	\$'000	7,517
NWI F18	Economic real rate of return (sewerage) [total income (s14) – interest income (s10) – grants for acquisition of assets (s12a) – operating cost (NWI F12) – current cost depreciation (s3)] x 100 divided by [written down current cost (i.e. WDCC) of system assets (s48) + plant and equipment (s34b)]	%	0.98%
NWI F27	Capital works grants (sewerage) Grants for the acquisition of assets (12a)	\$'000	–

National Water Initiative (NWI) financial performance indicators
Water and sewer (combined)

NWI F3	Total income (water and 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	26,752
NWI F8	Revenue from community service obligations (water and sewerage) Community service obligations (NWI F25) x 100 divided by total income (NWI F3)	%	1.46%
NWI F16	Capital expenditure (water and sewerage) Acquisition of fixed assets (w16 + s17)	\$'000	11,093
NWI F19	Economic real rate of return (water and 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 and equipment (w33b + s34b)]	%	1.41%
NWI F20	Dividend (water and sewerage) Dividend paid from surplus (2 (v) of Note 2 + 2 (v) of Note 3)	\$'000	–
NWI F21	Dividend payout ratio (water and sewerage) Dividend (NWI F20) x 100 divided by net profit after tax (NWI F24)	%	0.00%

Lismore City Council

Notes to the Special Purpose Financial Statements
for the year ended 30 June 2017Note 3. Sewerage business
best-practice management disclosure requirements (continued)

Dollars amounts shown below are in whole dollars (unless otherwise indicated)

2017

National Water Initiative (NWI) financial performance indicators
Water and sewer (combined)

NWI F22	Net debt to equity (water and sewerage) Overdraft (w36 + s37) + borrowings (w38 + s39) – cash and investments (w30 + s31) x 100 divided by [total assets (w35 + s36) – total liabilities (w40 + s41)]	%	<input type="text" value="-1.33%"/>
NWI F23	Interest cover (water and sewerage) Earnings before interest and tax (EBIT) divided by net interest Earnings before interest and tax (EBIT): <input type="text" value="6,705"/> Operating result (w15a + s16a) + interest expense (w4a + s4a) – interest income (w9 + s10) – gain/loss on disposal of assets (w14 + s15) + miscellaneous expenses (w4b + w4c + s4b + s4c) Net interest: <input type="text" value="274"/> Interest expense (w4a + s4a) – interest income (w9 + s10)		<input type="text" value="24.47"/>
NWI F24	Net profit after tax (water and sewerage) Surplus before dividends (w15a + s16a) – tax equivalents paid (Note 2-1 (iv) + Note 3-1 (iv))	\$'000	<input type="text" value="4,677"/>
NWI F25	Community service obligations (water and sewerage) Grants for pensioner rebates (w11b + s12b)	\$'000	<input type="text" value="391"/>

- Notes:
- References to w (eg. s12) refer to item numbers within Special Schedules 5 and 6 of Council's Annual Financial Statements.
 - The NWI performance indicators are based upon the National Performance Framework Handbook for Urban Performance Reporting Indicators and Definitions.
- a refer to 3.2 (2) on page 15 of the Best-Practice Management of Water Supply and Sewerage Guidelines, 2007



SPECIAL SCHEDULES

**For the year ended
30 June 2017**

Lismore City Council

Special Schedules

for the year ended 30 June 2017

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¹ Special Schedules are not audited (with the exception of Special Schedule 8).

Background

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

Lismore City Council

Special Schedule 1 – Net Cost of Services
for the year ended 30 June 2017

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
Governance	804	–	–	(804)
Administration	3,064	2,224	6	(834)
Public order and safety				
Fire service levy, fire protection, emergency services	1,358	3	8	(1,347)
Beach control	–	–	–	–
Enforcement of local government regulations	–	–	–	–
Animal control	298	186	–	(112)
Other	461	–	–	(461)
Total public order and safety	2,117	189	8	(1,920)
Health	1,096	489	–	(607)
Environment				
Noxious plants and insect/vermin control	–	–	–	–
Other environmental protection	386	122	–	(264)
Solid waste management	15,354	13,544	852	(958)
Street cleaning	–	–	–	–
Drainage	–	–	247	247
Stormwater management	435	–	–	(435)
Total environment	16,175	13,666	1,099	(1,410)
Community services and education				
Administration and education	465	27	–	(438)
Social protection (welfare)	365	–	–	(365)
Aged persons and disabled	20	–	–	(20)
Children's services	102	2	–	(100)
Total community services and education	952	29	–	(923)
Housing and community amenities				
Public cemeteries	970	1,100	–	130
Public conveniences	–	–	–	–
Street lighting	542	167	–	(375)
Town planning	2,096	722	415	(959)
Other community amenities	–	–	–	–
Total housing and community amenities	3,608	1,989	415	(1,204)
Water supplies	12,270	13,738	1,015	2,483
Sewerage services	12,594	13,483	1,077	1,966

Lismore City Council

Special Schedule 1 – Net Cost of Services (continued)
for the year ended 30 June 2017

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
Recreation and culture				
Public libraries	6,835	5,474	92	(1,269)
Museums	–	–	–	–
Art galleries	592	107	62	(423)
Community centres and halls	724	7	–	(717)
Performing arts venues	–	–	–	–
Other performing arts	–	–	–	–
Other cultural services	–	–	–	–
Sporting grounds and venues	–	–	–	–
Swimming pools	1,070	308	–	(762)
Parks and gardens (lakes)	4,960	175	103	(4,682)
Other sport and recreation	3,920	1,967	2,790	837
Total recreation and culture	18,101	8,038	3,047	(7,016)
Fuel and energy	–	–	–	–
Agriculture	–	–	–	–
Mining, manufacturing and construction				
Building control	1,663	1,006	–	(657)
Other mining, manufacturing and construction	5,125	5,608	–	483
Total mining, manufacturing and const.	6,788	6,614	–	(174)
Transport and communication				
Urban roads (UR) – local	7,158	2,173	733	(4,252)
Urban roads – regional	175	1,202	4,750	5,777
Sealed rural roads (SRR) – local	4,821	1,399	891	(2,531)
Sealed rural roads (SRR) – regional	1,578	2,664	–	1,086
Unsealed rural roads (URR) – local	3,786	46	359	(3,381)
Unsealed rural roads (URR) – regional	–	350	–	350
Bridges on UR – local	–	–	–	–
Bridges on SRR – local	564	–	–	(564)
Bridges on URR – local	1,063	–	–	(1,063)
Bridges on regional roads	–	–	–	–
Parking areas	230	299	–	69
Footpaths	142	–	8	(134)
Aerodromes	468	277	686	495
Other transport and communication	1,588	24	136	(1,428)
Total transport and communication	21,573	8,434	7,563	(5,576)
Economic affairs				
Camping areas and caravan parks	41	50	–	9
Other economic affairs	3,042	431	–	(2,611)
Total economic affairs	3,083	481	–	(2,602)
Totals – functions	102,225	69,374	14,230	(18,621)
General purpose revenues ⁽¹⁾		37,353		37,353
Share of interests – joint ventures and associates using the equity method	–	–		–
NET OPERATING RESULT ⁽²⁾	102,225	106,727	14,230	18,732

(1) Includes: rates and annual charges (including ex gratia, excluding water and sewer), non-capital general purpose grants, interest on investments (excluding externally restricted assets) and interest on overdue rates and annual charges (2) As reported in the Income Statement

Lismore City Council

Special Schedule 2(a) – Statement of Long Term Debt (all purpose)

for the year ended 30 June 2017

\$'000

Classification of debt	Principal outstanding at beginning of the year			New loans raised during the year	Debt redemption during the year		Transfers to sinking funds	Interest applicable for year	Principal outstanding at the end of the year		
	Current	Non-current	Total		From revenue	Sinking funds			Current	Non-current	Total
Loans (by source)											
Commonwealth Government	–	–	–								
Treasury corporation	49	3,245	3,294	30,761	644			1,078	1,269	32,142	33,411
Other State Government		–	–							–	–
Public subscription		–	–							–	–
Financial institutions	3,524	36,400	39,924	360	3,523			2,511	3,314	33,447	36,761
Other	–	–	–							–	–
Total loans	3,573	39,645	43,218	31,121	4,167	–	–	3,589	4,583	65,589	70,172
Other long term debt											
Ratepayers advances	–	–	–							–	–
Government advances	–	–	–							–	–
Finance leases	–	–	–							–	–
Deferred payments	–	–	–							–	–
Total long term debt	–	–	–	–	–	–	–	–	–	–	–
Total debt	3,573	39,645	43,218	31,121	4,167	–	–	3,589	4,583	65,589	70,172

Notes: excludes (i) internal loans and (ii) principal inflows/outflows relating to loan re-financing.

This schedule is prepared using the **face value** of debt obligations, rather than **fair value** (which are reported in the GPFS).

Lismore City Council

Special Schedule 2(b) – Statement of Internal Loans [Section 410(3) of the *Local Government Act 1993*]
for the year ended 30 June 2017

\$'000

Summary of internal loans

Borrower (by purpose)	Amount originally raised	Total repaid during the year (principal and interest)	Principal outstanding at end of year
General			
Water			
Sewer			
Domestic waste management			
Gas			
Other			
Totals	-	-	-

Note: the summary of internal loans (above) represents the total of Council's internal loans categorised according to the borrower.

Details of individual internal loans

Borrower (by purpose)	Lender (by purpose)	Date of minister's approval	Date raised	Term (years)	Dates of maturity	Rate of interest	Amount originally raised	Total repaid during year (princ. and int.)	Principal outstanding at end of year
Totals							-	-	-

Lismore City Council

Special Schedule 3 – Water Supply Income Statement

Includes all internal transactions, i.e. prepared on a gross basis
for the year ended 30 June 2017

\$'000	Actuals 2017	Actuals 2016
A Expenses and income		
Expenses		
1. Management expenses		
a. Administration	1,259	1,293
b. Engineering and supervision	399	443
2. Operation and maintenance expenses		
– dams and weirs		
a. Operation expenses	–	–
b. Maintenance expenses	–	–
– Mains		
c. Operation expenses	1,061	858
d. Maintenance expenses	–	–
– Reservoirs		
e. Operation expenses	12	13
f. Maintenance expenses	6	15
– Pumping stations		
g. Operation expenses (excluding energy costs)	4	6
h. Energy costs	72	68
i. Maintenance expenses	23	17
– Treatment		
j. Operation expenses (excluding chemical costs)	–	–
k. Chemical costs	–	–
l. Maintenance expenses	–	–
– Other		
m. Operation expenses	337	367
n. Maintenance expenses	821	740
o. Purchase of water	5,225	5,136
3. Depreciation expenses		
a. System assets	1,735	1,682
b. Plant and equipment	149	139
4. Miscellaneous expenses		
a. Interest expenses	592	423
b. Revaluation decrements	–	–
c. Other expenses	–	–
d. Impairment – system assets	–	–
e. Impairment – plant and equipment	–	–
f. Aboriginal Communities Water and Sewerage Program	–	–
g. Tax equivalents dividends (actually paid)	–	–
5. Total expenses	11,695	11,200

Lismore City Council

Special Schedule 3 – Water Supply Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis
for the year ended 30 June 2017

\$'000	Actuals 2017	Actuals 2016
Income		
6. Residential charges		
a. Access (including rates)	3,125	2,934
b. Usage charges	2,517	5,974
7. Non-residential charges		
a. Access (including rates)	1,006	945
b. Usage charges	6,805	2,209
8. Extra charges	–	–
9. Interest income	311	280
10. Other income	146	161
10a. Aboriginal Communities Water and Sewerage Program	–	–
11. Grants		
a. Grants for acquisition of assets	–	–
b. Grants for pensioner rebates	259	117
c. Other grants	4	4
12. Contributions		
a. Developer charges	117	141
b. Developer provided assets	898	259
c. Other contributions	–	–
13. Total income	<u>15,188</u>	<u>13,024</u>
14. Gain (or loss) on disposal of assets	(747)	(594)
15. Operating result	<u>2,746</u>	<u>1,230</u>
15a. Operating result (less grants for acquisition of assets)	2,746	1,230

Lismore City Council

Special Schedule 3 – Water Supply Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis
for the year ended 30 June 2017

\$'000	Actuals 2017	Actuals 2016
B Capital transactions		
Non-operating expenditures		
16. Acquisition of fixed assets		
a. New assets for improved standards	–	–
b. New assets for growth	–	–
c. Renewals	2,936	4,116
d. Plant and equipment	640	316
17. Repayment of debt	357	258
18. Totals	3,933	4,690
Non-operating funds employed		
19. Proceeds from disposal of assets	–	–
20. Borrowing utilised	6,355	–
21. Totals	6,355	–
C Rates and charges		
22. Number of assessments		
a. Residential (occupied)	11,867	11,810
b. Residential (unoccupied, ie. vacant lot)	150	162
c. Non-residential (occupied)	1,661	1,649
d. Non-residential (unoccupied, ie. vacant lot)	48	48
23. Number of ETs for which developer charges were received	47 ET	76 ET
24. Total amount of pensioner rebates (actual dollars)	\$ 233,494	\$ 234,995

Lismore City Council

Special Schedule 4 – Water Supply Statement of Financial Position

Includes internal transactions, i.e. prepared on a gross basis
as at 30 June 2017

\$'000	Actuals Current	Actuals Non-current	Actuals Total
ASSETS			
25. Cash and investments			
a. Developer charges	–	–	–
b. Special purpose grants	–	–	–
c. Accrued leave	–	–	–
d. Unexpended loans	–	–	–
e. Sinking fund	–	–	–
f. Other	8,174	517	8,691
26. Receivables			
a. Specific purpose grants	–	–	–
b. Rates and availability charges	932	381	1,313
c. User charges	2,157	881	3,038
d. Other	381	–	381
27. Inventories	326	–	326
28. Property, plant and equipment			
a. System assets	–	177,890	177,890
b. Plant and equipment	–	502	502
29. Other assets	–	–	–
30. Total assets	<u>11,970</u>	<u>180,171</u>	<u>192,141</u>
LIABILITIES			
31. Bank overdraft	–	–	–
32. Creditors	134	–	134
33. Borrowings	494	12,109	12,603
34. Provisions			
a. Tax equivalents	–	–	–
b. Dividend	–	–	–
c. Other	265	2	267
35. Total liabilities	<u>893</u>	<u>12,111</u>	<u>13,004</u>
36. NET ASSETS COMMITTED	<u>11,077</u>	<u>168,060</u>	<u>179,137</u>
EQUITY			
37. Accumulated surplus			25,421
38. Asset revaluation reserve			153,716
39. Other reserves			–
40. TOTAL EQUITY			<u>179,137</u>
Note to system assets:			
41. Current replacement cost of system assets			271,057
42. Accumulated current cost depreciation of system assets			(93,167)
43. Written down current cost of system assets			<u>177,890</u>

Lismore City Council

Special Schedule 5 – Sewerage Service Income Statement

Includes all internal transactions, i.e. prepared on a gross basis
for the year ended 30 June 2017

\$'000	Actuals 2017	Actuals 2016
A Expenses and income		
Expenses		
1. Management expenses		
a. Administration	1,551	1,279
b. Engineering and supervision	443	494
2. Operation and maintenance expenses		
– mains		
a. Operation expenses	13	13
b. Maintenance expenses	956	984
– Pumping stations		
c. Operation expenses (excluding energy costs)	49	33
d. Energy costs	188	141
e. Maintenance expenses	474	366
– Treatment		
f. Operation expenses (excl. chemical, energy, effluent and biosolids management costs)	917	843
g. Chemical costs	486	551
h. Energy costs	196	241
i. Effluent management	84	101
j. Biosolids management	132	310
k. Maintenance expenses	579	600
– Other		
l. Operation expenses	–	–
m. Maintenance expenses	231	158
3. Depreciation expenses		
a. System assets	4,288	4,246
b. Plant and equipment	75	80
4. Miscellaneous expenses		
a. Interest expenses	1,156	597
b. Revaluation decrements	–	–
c. Other expenses	–	–
d. Impairment – system assets	–	–
e. Impairment – plant and equipment	–	–
f. Aboriginal Communities Water and Sewerage Program	–	–
g. Tax equivalents dividends (actually paid)	–	–
5. Total expenses	11,818	11,037

Lismore City Council

Special Schedule 5 – Sewerage Service Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis
for the year ended 30 June 2017

\$'000	Actuals 2017	Actuals 2016
Income		
6. Residential charges (including rates)	9,640	9,195
7. Non-residential charges		
a. Access (including rates)	2,410	2,157
b. Usage charges	–	–
8. Trade waste charges		
a. Annual fees	269	193
b. Usage charges	–	–
c. Excess mass charges	–	–
d. Re-inspection fees	–	–
9. Extra charges	–	–
10. Interest income	1,163	695
11. Other income	60	79
11a. Aboriginal Communities Water and Sewerage Program	–	–
12. Grants		
a. Grants for acquisition of assets	–	–
b. Grants for pensioner rebates	132	126
c. Other grants	5	7
13. Contributions		
a. Developer charges	490	653
b. Developer provided assets	–	–
c. Other contributions	587	804
14. Total income	<u>14,756</u>	<u>13,909</u>
15. Gain (or loss) on disposal of assets	(971)	(277)
16. Operating result	<u>1,967</u>	<u>2,595</u>
16a. Operating result (less grants for acquisition of assets)	1,967	2,595

Lismore City Council

Special Schedule 5 – Sewerage Service Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis
for the year ended 30 June 2017

\$'000	Actuals 2017	Actuals 2016
B Capital transactions		
Non-operating expenditures		
17. Acquisition of fixed assets		
a. New assets for improved standards	5,486	1,614
b. New assets for growth	–	–
c. Renewals	1,866	2,204
d. Plant and equipment	165	63
18. Repayment of debt	668	297
19. Totals	8,185	4,178
Non-operating funds employed		
20. Proceeds from disposal of assets	–	–
21. Borrowing utilised	21,348	–
22. Totals	21,348	–
C Rates and charges		
23. Number of assessments		
a. Residential (occupied)	10,762	10,761
b. Residential (unoccupied, ie. vacant lot)	319	317
c. Non-residential (occupied)	1,015	1,013
d. Non-residential (unoccupied, ie. vacant lot)	91	90
24. Number of ETs for which developer charges were received	43 ET	93 ET
25. Total amount of pensioner rebates (actual dollars)	\$ 229,911	\$ 228,872

Lismore City Council

Special Schedule 6 – Sewerage Service Statement of Financial Position

Includes internal transactions, i.e. prepared on a gross basis
as at 30 June 2017

\$'000	Actuals Current	Actuals Non-current	Actuals Total
ASSETS			
26. Cash and investments			
a. Developer charges	–	–	–
b. Special purpose grants	–	–	–
c. Accrued leave	–	–	–
d. Unexpended loans	–	–	–
e. Sinking fund	–	–	–
f. Other	36,844	2,370	39,214
27. Receivables			
a. Specific purpose grants	–	–	–
b. Rates and availability charges	1,287	336	1,623
c. User charges	–	–	–
d. Other	–	–	–
28. Inventories	274	–	274
29. Property, plant and equipment			
a. System assets	–	298,105	298,105
b. Plant and equipment	–	–	–
30. Other assets	–	–	–
31. Total assets	<u>38,405</u>	<u>300,811</u>	<u>339,216</u>
LIABILITIES			
32. Bank overdraft	–	–	–
33. Creditors	311	–	311
34. Borrowings	1,091	27,706	28,797
35. Provisions			
a. Tax equivalents	–	–	–
b. Dividend	–	–	–
c. Other	266	21	287
36. Total liabilities	<u>1,668</u>	<u>27,727</u>	<u>29,395</u>
37. NET ASSETS COMMITTED	<u>36,737</u>	<u>273,084</u>	<u>309,821</u>
EQUITY			
38. Accumulated surplus			66,805
39. Asset revaluation reserve			243,016
40. Other reserves			–
41. TOTAL EQUITY			<u>309,821</u>
Note to system assets:			
42. Current replacement cost of system assets			472,438
43. Accumulated current cost depreciation of system assets			(174,333)
44. Written down current cost of system assets			<u>298,105</u>

Lismore City Council

Notes to Special Schedules 3 and 5

for the year ended 30 June 2017

Administration ⁽¹⁾

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

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

Engineering and supervision ⁽¹⁾

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

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

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

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

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

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

Impairment losses (item 4d and 4e of Special Schedules 3 and 5) are to be used when the carrying amount of an asset exceeds its recoverable amount (refer to page D-31).

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

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

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

Trade waste charges (item 8 of Special Schedule 5) include all income from trade waste charges separated into 8a annual fees, 8b usage charges and 8c excess mass charges and 8d re-inspection fees.

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

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

Notes:

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

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

Lismore City Council

Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2017

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2016/17 Required maintenance ^a	2016/17 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Buildings	Buildings	3,681	3,681	709	371	62,645	79,542	42%	40%	11%	4%	3%
	Sub-total	3,681	3,681	709	371	62,645	79,542	42.0%	40.0%	11.0%	4.0%	3.0%
Other structure	Other structures	1,926	1,926	201	***	9,824	15,264	9%	42%	45%	3%	1%
	Sub-total	1,926	1,926	201	–	9,824	15,264	9.0%	42.0%	45.0%	3.0%	1.0%
Roads	Sealed roads	54,648	54,648	4,257	3,933	176,393	345,215	11%	23%	36%	12%	18%
	Unsealed roads	4,897	4,897	616	1,254	4,948	16,684	0%	0%	30%	57%	13%
	Bridges	9,637	9,637	336	378	48,865	84,521	35%	32%	18%	15%	0%
	Footpaths	759	759	168	141	15,490	17,627	40%	39%	11%	9%	1%
	Other road assets	1,349	1,349	280	184	1,011	4,118	10%	11%	17%	62%	0%
	Bulk earthworks					322,336	322,336	100%				0%
	Sub-total	71,290	71,290	5,657	5,890	569,043	790,501	50.3%	14.4%	18.6%	8.6%	8.2%

Lismore City Council

Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2017 (continued)

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2016/17 Required maintenance ^a	2016/17 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost					
								1	2	3	4	5	
Water supply network													
	Water supply network	23,630	23,630	1,792	1,814	173,866	266,895	34%	44%	13%	6%	3%	
	Sub-total	23,630	23,630	1,792	1,814	173,866	266,895	34.0%	44.0%	13.0%	6.0%	3.0%	
Sewerage network													
	Sewerage network	59,639	59,639	2,503	1,988	285,523	456,861	33%	38%	16%	4%	9%	
	Sub-total	59,639	59,639	2,503	1,988	285,523	456,861	33.0%	38.0%	16.0%	4.0%	9.0%	

Lismore City Council

Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2017 (continued)

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2016/17 Required maintenance ^a	2016/17 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Stormwater drainage	Stormwater drainage	5,217	5,217	258	279	50,992	80,036	13%	55%	27%	5%	0%
	Sub-total	5,217	5,217	258	279	50,992	80,036	13.0%	55.0%	27.0%	5.0%	0.0%
Open space/recreational assets	Swimming pools	478	478	***	***	3,797	5,737	2%	84%	0%	10%	4%
	Other Open Space/Recreation	326	326	***	***	1,000	1,776	13%	36%	34%	10%	7%
	Sub-total	804	804	–	–	4,797	7,513	4.6%	72.7%	8.0%	10.0%	4.7%

Lismore City Council

Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2017 (continued)

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2016/17 Required maintenance ^a	2016/17 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Land Improvements	Depreciable land improvements	3,699	3,699	***	***	17,335	28,104	6%	44%	43%	7%	0%
	Non-depreciable land improvements					8,197	8,197	100%				0%
	Sub-total	3,699	3,699	–	–	25,532	36,301	27.2%	34.1%	33.3%	5.4%	0.0%
	TOTAL – ALL ASSETS	169,886	169,886	11,120	10,342	1,182,222	1,732,913	40.1%	29.1%	17.6%	6.5%	6.7%

Notes:

a Required maintenance is the amount identified in Council's asset management plans.

*** Data is not available

Infrastructure asset condition assessment 'key'

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

Lismore City Council

Special Schedule 7 – Report on Infrastructure Assets (continued)
for the year ended 30 June 2017

\$ '000	Amounts	Indicator	Prior periods	
	2017	2017	2016	2015
Infrastructure asset performance indicators * consolidated				
1. Infrastructure renewals ratio				
Asset renewals ⁽¹⁾	<u>22,937</u>	144.89%	98.21%	94.11%
Depreciation, amortisation and impairment	<u>15,831</u>			
2. Infrastructure backlog ratio				
Estimated cost to bring assets to a satisfactory standard	<u>169,886</u>	19.95%	21.55%	23.64%
Net carrying amount of infrastructure assets	<u>851,689</u>			
3. Asset maintenance ratio				
Actual asset maintenance	<u>10,342</u>	0.93	0.99	0.98
Required asset maintenance	<u>11,120</u>			
4. Cost to bring assets to agreed service level				
Estimated cost to bring assets to an agreed service level set by Council	<u>169,886</u>	9.80%	0.00%	0.00%
Gross replacement cost	<u>1,732,913</u>			

Notes

* All asset performance indicators are calculated using the asset classes identified in the previous table.

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

Lismore City Council

Special Schedule 7 – Report on Infrastructure Assets (continued)
for the year ended 30 June 2017

\$ '000	Water 2017	Sewer 2017	General ⁽¹⁾ 2017
Infrastructure asset performance indicators by fund			
1. Infrastructure renewals ratio			
Asset renewals ⁽²⁾	154.38%	82.50%	170.41%
Depreciation, amortisation and impairment			
prior period:	185.77%	48.76%	104.10%
2. Infrastructure backlog ratio			
Estimated cost to bring assets to a satisfactory standard	13.59%	20.89%	22.08%
Net carrying amount of infrastructure assets			
prior period:	16.70%	16.17%	25.10%
3. Asset maintenance ratio			
Actual asset maintenance	1.01	0.79	0.96
Required asset maintenance			
prior period:	0.83	0.75	1.12
4. Cost to bring assets to agreed service level			
Estimated cost to bring assets to an agreed service level set by Council	8.85%	13.05%	8.58%
Gross replacement cost			

Notes

- (1) General fund refers to all of Council's activities except for its water and sewer activities which are listed separately.
- (2) Asset renewals represent the replacement and/or refurbishment of existing assets to an equivalent capacity/performance as opposed to the acquisition of new assets (or the refurbishment of old assets) that increases capacity/performance.

Lismore City Council

Special Schedule 8 – Permissible Income Calculation

for the year ended 30 June 2018

\$'000		Calculation 2016/17	Calculation 2017/18
Notional general income calculation ⁽¹⁾			
Last year notional general income yield	a	27,642	28,665
Plus or minus adjustments ⁽²⁾	b	28	133
Notional general income	c = (a + b)	27,670	28,798
Permissible income calculation			
Special variation percentage ⁽³⁾	d	3.60%	0.00%
Or rate peg percentage	e	0.00%	1.50%
Or crown land adjustment (incl. rate peg percentage)	f	0.00%	0.00%
Less expiring special variation amount	g	–	–
Plus special variation amount	h = d x (c – g)	996	–
Or plus rate peg amount	i = c x e	–	432
Or plus Crown land adjustment and rate peg amount	j = c x f	–	–
Sub-total	k = (c + g + h + i + j)	28,666	29,230
Plus (or minus) last year's carry forward total	l	(1)	0
Less valuation objections claimed in the previous year	m	–	–
Sub-total	n = (l + m)	(1)	0
Total permissible income	o = k + n	28,665	29,230
Less notional general income yield	p	28,665	29,230
Catch-up or (excess) result	q = o – p	0	0
Plus income lost due to valuation objections claimed ⁽⁴⁾	r	–	–
Less unused catch-up ⁽⁵⁾	s	–	–
Carry forward to next year	t = q + r – s	0	0

Notes

- (1) The notional general income will not reconcile with rate income in the financial statements in the corresponding year. The statements are reported on an accrual accounting basis which include amounts that relate to prior years' rates income.
- (2) Adjustments account for changes in the number of assessments and any increase or decrease in land value occurring during the year. The adjustments are called 'supplementary valuations' as defined in the *Valuation of Land Act 1916*.
- (3) The 'special variation percentage' is inclusive of the rate peg percentage and where applicable Crown land adjustment.
- (4) Valuation objections are unexpected changes in land values as a result of land owners successfully objecting to the land value issued by the Valuer-General. Councils can claim the value of the income lost due to valuation objections in any single year.
- (5) Unused catch-up amounts will be deducted if they are not caught up within 2 years. Usually councils will have a nominal carry forward figure. These amounts can be adjusted for in setting the rates in a future year.
- (6) Carry forward amounts which are in excess (an amount that exceeds the permissible income) require ministerial approval by order published in the *NSW Government Gazette* in accordance with section 512 of the *Local Government Act 1993*. The OLG will extract these amounts from Council's Special Schedule 8 in the financial data return (FDR) to administer this process.

INDEPENDENT AUDITOR'S REPORT

Special Schedule No. 8

Lismore City Council

To the Councillors of Lismore City Council

Opinion

I have audited the accompanying special purpose financial statement comprising the reconciliation of total permissible general income (Special Schedule No. 8) of Lismore City Council (the Council) for the year ending 30 June 2018.

In my opinion, Special Schedule No. 8 of Lismore City Council for 30 June 2018 is prepared, in all material respects in accordance with the requirements of the Local Government Code of Accounting Practice and Financial Reporting (LG Code) issued by the Office of Local Government (OLG), and is in accordance with the books and records of the Council.

My opinion should be read in conjunction with the rest of this report, and in particular the Emphasis of Matter paragraph, which describes the basis of accounting.

Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under the standards are described in the 'Auditor's Responsibilities for the Audit of Special Schedule No.8' section of my report.

I am independent of the Council in accordance with the requirements of the:

- Australian Auditing Standards
- ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 'Code of Ethics for Professional Accountants' (APES 110).

I have fulfilled my other ethical responsibilities in accordance with APES 110.

Parliament promotes independence by ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of councils
- precluding the Auditor-General from providing non-audit services.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Emphasis of Matter - Basis of Accounting

Without modifying my opinion, I draw attention to the notes and explanations in Special Schedule No. 8 that instruct councils in its preparation so it complies with OLG's requirements as described in the LG Code. As a result, Special Schedule No. 8 may not be suitable for another purpose.

Other Matter

Special Schedule No.8 of the Council for the year ended 30 June 2017 was audited by another auditor who expressed an unmodified opinion on Special Schedule No. 8 on 19 October 2016.

Councillors' Responsibility for Special Schedule No. 8

The Councillors of the Council are responsible for the preparation of Special Schedule No. 8 in accordance with the LG Code. The Councillors' responsibility also includes such internal control as the Councillors determine is necessary to enable the preparation of Special Schedule No. 8 that is free from material misstatement, whether due to fraud or error.

In preparing Special Schedule No.8, the Councillors must assess the Council's ability to continue as a going concern except where the Council will be dissolved or amalgamated by an Act of Parliament. The assessment must disclose, as applicable, matters related to going concern and the appropriateness of using the going concern basis of accounting.

Auditor's Responsibility for the Audit of Special Schedule No. 8

My objectives are to:

- obtain reasonable assurance whether Special Schedule No. 8 as a whole is free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on Special Schedule No.8.

A description of my responsibilities for the audit of Special Schedule No.8 is located at the Auditing and Assurance Standards Board website at http://www.anasb.gov.au/auditors_responsibilities/ar8.pdf. The description forms part of my auditor's report.

My opinion does not provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- about the security and controls over the electronic publication of the audited Special Schedule No.8 on any website where they may be presented
- about any other information which may have been hyperlinked to/from Special Schedule No.8.



Karen Taylor
Director, Financial Audit Services

27 October 2017
SYDNEY