

Lismore City Council

Financial Reports

for the year ended 30 June 2009

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



Lismore City Council

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



Lismore City Council

GENERAL PURPOSE FINANCIAL REPORTS
for the year ended 30 June 2009

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



Lismore City Council

General Purpose Financial Report for the financial year ended 30 June 2009

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Overview

- (i) This Financial Report covers the consolidated operations for Lismore City Council.
- (ii) Lismore City Council is a body corporate of NSW, Australia - being constituted as a Local Government area by proclamation and is duly empowered by the Local Government Act (LGA) 1993 of NSW.

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

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

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

- (iii) All figures presented in this Financial Report represent Australian Currency.
- (iv) This Financial Report was authorised for issue by the Council on 20/10/09. Council has the power to amend and reissue the financial report.
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**LISMORE CITY COUNCIL
GENERAL PURPOSE FINANCIAL REPORT
INDEPENDENT AUDIT REPORT**

Matters Relating to the Electronic Presentation of the Audited Financial Report

This audit report relates to the general purpose financial report of Lismore City Council for the year ended 30 June 2009 included on Council's web site. The Council is responsible for the integrity of its web site. We have not been engaged to report on the integrity of the Council's web site. The audit report refers only to the statements named below. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements.

If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial report presented on this web site.

Report on the Financial Report

We have audited the accompanying financial report of Lismore City Council (the Council), which comprises the balance sheet as at 30 June 2009, the income statement, statement of changes in equity and cash flow statement for the year then ended, a summary of significant accounting policies, other explanatory notes and the statement by Councillors' and Management.

Councils' Responsibility for the Financial Report

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

Auditor's Responsibility

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

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

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

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



Independence

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

Qualified Audit Opinion

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

- a) The Council's accounting records have been kept in accordance with the requirements of the Local Government Act 1993, Chapter 13 part 3 Division 2;
- b) The financial report:
 - i. Has been presented in accordance with the requirements of this Division;
 - ii. Is consistent with the Council's accounting records;
 - iii. Presents fairly the Council's financial position as at 30 June 2009, the results of its operations and its cash flows for the year then ended; and
 - iv. Are in accordance with applicable Accounting Standards, Interpretations and other mandatory professional reporting requirements in Australia;
- c) All information relevant to the conduct of the audit has been obtained; and
- d) There are no material deficiencies in the accounting records or financial report that have come to light during the course of the audit.

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

Basis for Qualified Auditor's Opinion

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

At 30 June 2009, Lismore City Council's investment securities totalling \$28.893 million included securities that have been impacted by this market volatility. The impact on individual securities varies depending on their degree of exposure to affected markets.

At balance date Council's investment portfolio included CDO securities totalling \$2.715 million. Many of these securities do not have market values that are independently quoted and they are not widely traded. Independent market valuations are not readily available and in many cases, values are assessed based on estimates from issuers and/or valuation models for which there is limited market evidence available to verify their reasonableness. Further, the ongoing volatility of financial markets creates greater uncertainty to the valuation process and determination of future cash flows that can be attributed to these securities.

These circumstances have resulted in our inability to obtain sufficient and appropriate audit evidence to satisfy ourselves as to the fair value and recoverability of at least \$2.715 million of Council's total investment securities.

Lismore, 26 October 2009

THOMAS NOBLE & RUSSELL CHARTERED ACCOUNTANTS

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



Lismore, 26 October 2009

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

Dear Councillors

We advise that we have completed our audit of the Council's general purpose and special purpose financial reports for the year ended, 30 June 2009 under section 417 of the Local Government Act 1993.

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

1. AUDITORS' RESPONSIBILITIES

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

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

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

Forming an opinion

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

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

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



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

As auditors of Council we are not required to:

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

The responsibility of the above-mentioned rests with Council.

2. FINANCIAL MANAGEMENT PRACTICES

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

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

3. OPERATING RESULT

Council's surplus from ordinary activities for the year ended 30 June 2009 was \$1,552,000 and represents an improvement of \$2,004,000 on the deficit in 2008 of \$452,000. The surplus from ordinary activities before depreciation and profit / (loss) on sale of assets has increased by \$1,974,000 from \$8,167,000 to \$10,141,000.

Council's financial result can be summarised as follows:

	2005	2006	2007	2008	2009
	\$'000	\$'000	\$'000	\$'000	\$'000
Revenues from ordinary activities	51,352	57,668	62,906	65,389	71,835
Expenses from ordinary activities	(38,993)	(45,530)	(47,679)	(57,222)	(61,694)
Result from ordinary activities before depreciation	12,359	12,138	15,227	8,167	10,141
Less Depreciation	(9,351)	(10,072)	(9,821)	(15,652)	(19,390)
Result from ordinary activities before capital amounts	3,008	2,066	5,406	(7,485)	(9,249)
Capital grants and contributions	6,262	9,960	4,744	7,590	10,815
Gain / (loss) on disposal of assets	(73)	1,221	647	(557)	(14)
Surplus from all activities	9,197	13,247	10,797	(452)	1,552

Variations to 2008 by Income / Expenditure

Income

- *Increased rates and annual charges income \$1,094,000*
Ordinary rates increased by the originally budgeted 3.2% rate pegged limit and other rates and annual charges and increased in accordance with Council's adopted rating structure and population growth in the Council rating area. The increases were - General Rates - \$713,000, DWM & Waste reduction annual charges - \$172,000 and sewer annual charges \$205,000;
- *Increased user charges and fees \$1,695,000*
 - *Increased water user charges \$809,000*
Water user charges rate increased from \$1.35/Kl to \$1.7/Kl however, water usage remained similar to the previous year;
 - *Decreased Building and Planning income \$175,000*
Income from these sources reduced because of reduced activity;
 - *Increased quarry user charges \$1,882,000*
Quarry charges increased due to price increases and a doubling of sales from former Ballina Shire Council quarries;
 - *Decreased RTA charges \$338,000*
There was a decrease in requests from the RTA for works on State roads during the year;
 - *Decreased waste disposal charges \$295,000*
Waste disposal charges decreased due to reduced utilisation of the facility and reduced income from recycling activities;
- *Decreased investment income \$189,000*
There was a \$1,165,000 decrease in interest due to reduction in interest rates and Council also booked a \$1,307,000 increase in the fair value adjustment to investments during the year. The fair value adjustment is a direct result of the downturn in the financial credit markets. See Section 4.1.1 of this report for further analysis;
- *Increased other income \$773,000*
Other income included a \$418,000 increase in insurance claims caused by the severe flooding and storm activity compared to the storm activity related claims in the previous year; and
- *Increased operating grants and contributions \$2,838,000*
The 2009 year included a grant of \$1,673,000 for Natural Disaster funding after severe storm activity and flooding in the previous year. Claims for the May 2009 flood are in the process of being finalised. Financial Assistance grants for the September 2009 quarter were received in June 2009 (this has been restricted internally for expenditure in 2009/10).

Expenditure

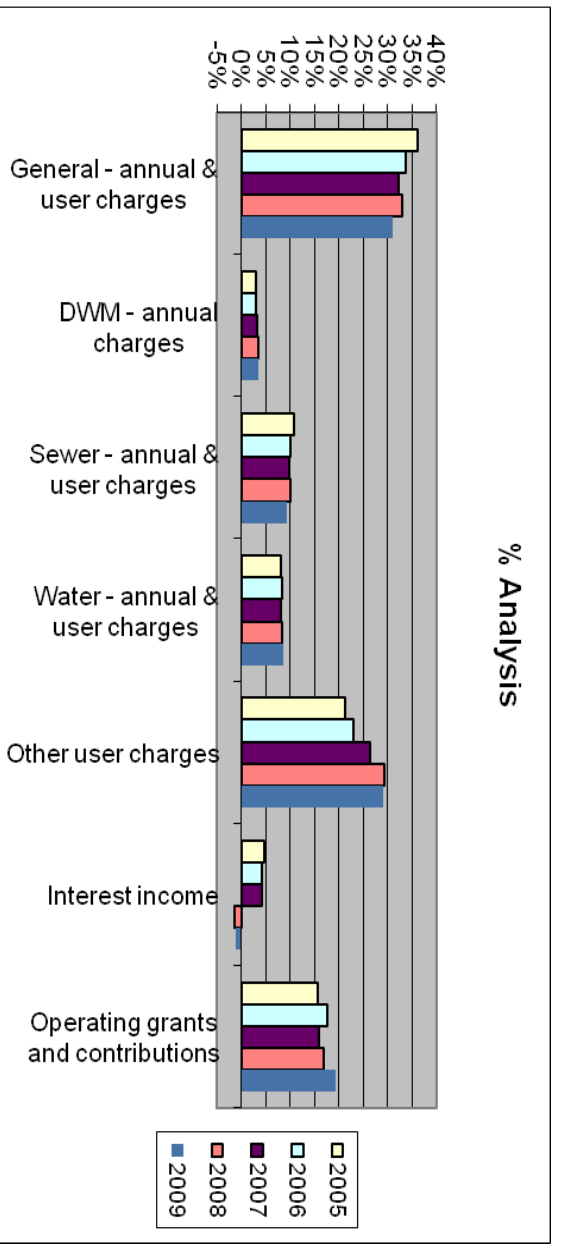
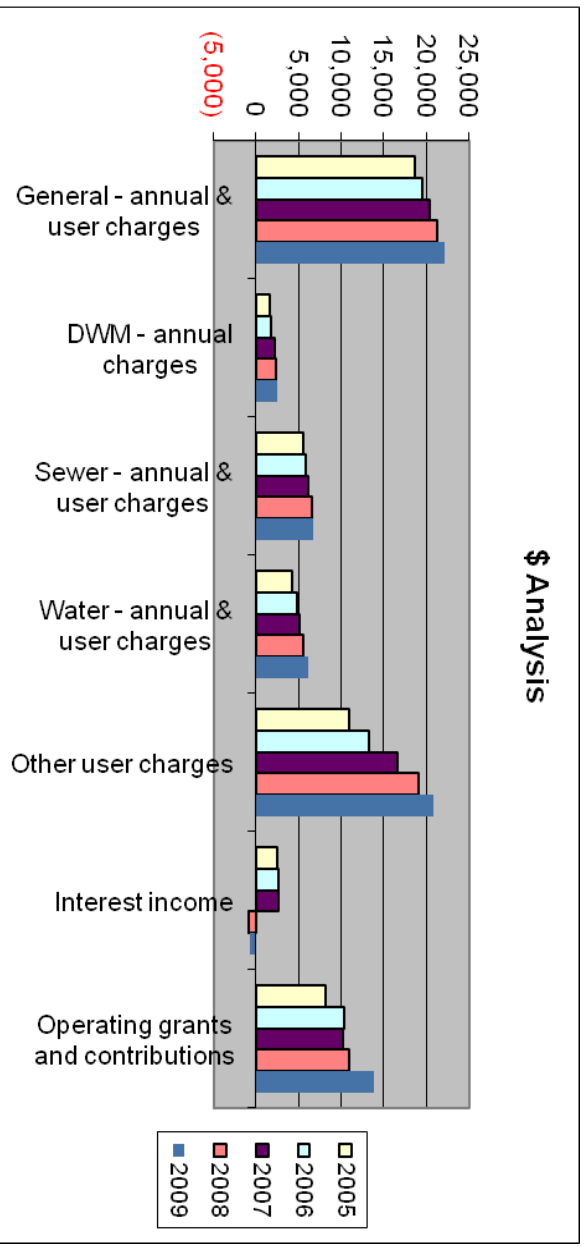
- *Increased employee costs \$1,302,000*
Salary wages and associated costs before capitalised wages increased by \$990,000 due to award and classification changes, and an increase in employees. In addition, there was a \$365,000 increase in the superannuation commitments for defined benefits fund employees;
- *Increased borrowing costs \$584,000*
Borrowing costs increased due to the borrowings by council in recent financial years (refer also to Section 4.4 of this report);

- *Increased materials and contracts costs \$2,787,000*
- Materials and contracts increased in line with general price rises and increased service levels, in particular quarry operating costs increased by approximately \$2,000,000 and Natural disaster emergency expenditure was incurred in May 2009;

➤ *Increased depreciation costs \$3,738,000*

Depreciation increased by \$3,738,000 as a result of a re-assessment of remaining useful lives of plant & equipment and some roads assets. In addition, building assets are being depreciated for the full year this year based on higher amounts as these assets were revalued in the 2008 year.

3.1 Analysis of income sources



Industry averages for 'General - Annual and User Charges' tends to be in the range of 25% to 35%, e.g. Coffs Harbour 26-28%, Port Macquarie 31-33% and Tweed 29-31%.

Council's relative reliance on other user charges has increased on a long term trending basis.



3.2 Capital Grants and Contributions

Capital grants received during the year amounted to \$4,615,000 and largely consisted of grants for Woodlark Street revitalisation - \$1,375,000, grants under the Roads to Recovery scheme - \$783,000, timber bridge replacement grants \$1,210,000, Homeless Shelter grant - \$200,000 and grant for the Goonellabah Youth Plaza -\$684,000.

Capital contributions received during the year amounted to \$6,200,000. This can be broken down as follows:

	2005	2006	2007	2008	2009
	\$'000	\$'000	\$'000	\$'000	\$'000
Non cash developer contributions	1,193	4,252	1,056	3,475	3,293
Section 94 Contributions - cash	1,597	1,628	1,196	822	1,065
Section 64 Contributions - cash	1,125	858	493	591	686
RTA Contributions	452	938	569	1,055	1,061
Sewer - Other	-	-	340	-	-
Other contributions	247	273	80	-	95
TOTAL	4,614	7,949	3,734	5,943	6,200

At 30 June, 2009, Council held \$4,914,000 as a restricted asset for S.94 contributions and \$6,519,000 as a restricted asset for S.64 contributions. Unexpended S.94 and S.64 contributions comprised:

	2005	2006	2007	2008	2009
	\$'000	\$'000	\$'000	\$'000	\$'000
Open Space	1,964	2,176	2,459	2,023	1,357
Community Facilities (1)	491	-	-	-	-
Car Parking	-	10	32	28	27
Urban Arterial Roads	412	1,171	1,859	1,850	2,216
Rural Roads	1,364	1,398	1,365	1,023	1,005
Bushfire Services	46	61	76	75	76
SES	26	22	29	31	35
Footpaths / Cycleways	70	118	156	157	181
Drainage	12	13	13	13	13
Other	-	-	1	0	4
Restricted Assets S94	4,385	4,969	5,990	5,200	4,914
Sewer S64 (2)	4,277	5,173	5,304	5,989	5,616
Water S64	2,270	2,567	2,849	963	903
	10,932	12,709	14,143	12,152	11,433

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

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

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



3.3 Profit / (Loss) on Disposal of Assets

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

	2005 \$'000	2006 \$'000	2007 \$'000	2008 \$'000	2009 \$'000
Infrastructure assets replaced / scrapped					
- Transport & Drainage	(2)	(5)	2	(323)	(132)
- Water	(35)	(42)	(48)	(508)	(112)
- Sewer	(53)	(54)	(14)	(165)	(284)
Profit on sale of plant and equipment	358	280	46	269	179
Profit on sale of real estate assets	12	1,042	538	67	344
Profit/(Loss) on sale of other property	(353)	-	123	103	(9)
	<u>(73)</u>	<u>1,221</u>	<u>647</u>	<u>(557)</u>	<u>(14)</u>

Profit on the sale of three residential blocks and one industrial block resulted in a profit of \$344,000.



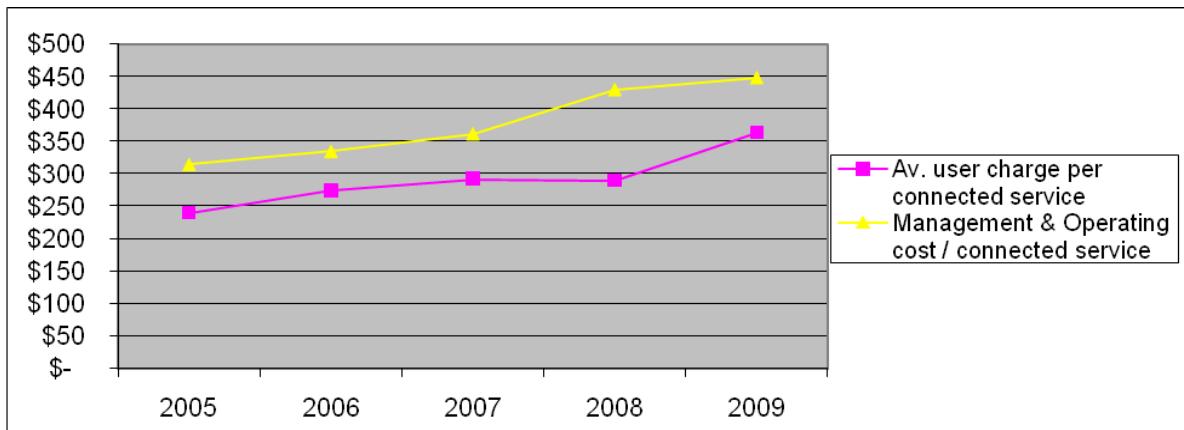
3.4 Water Supplies

(i) Operating Result

Water supply activities can be summarised as follows:

	2005	2006	2007	2008	2009
	\$'000	\$'000	\$'000	\$'000	\$'000
Rates and service availability charges	1,267	1,430	1,459	1,584	1,587
User charges	3,013	3,482	3,717	3,543	4,696
Interest/Investment	259	223	222	50	8
Other	183	105	143	276	83
Grants - Capital	8	8	-	-	0
- Operating	121	129	104	114	165
Capital Contributions	553	2,030	227	838	480
Total Revenue	5,404	7,407	5,872	6,405	7,019
Management Expenses	1,074	1,061	1,098	1,343	1,266
Purchase of Water	1,943	2,184	2,190	2,667	3,139
Operating Costs	939	1,009	1,324	1,210	1,392
Other	22	19	15	-	0
Depreciation	746	1,060	625	2,341	2,502
Loss/(Gain) on Disposal of Assets	35	18	54	470	102
Interest	18	13	6	-	26
Total Expenses	4,777	5,364	5,312	8,031	8,427
Net Operating Result	627	2,043	560	(1,626)	(1,408)

Key Indicators	2005	2006	2007	2008	2009
User charge per kilolitre	93¢	\$1.11	\$1.22	\$1.35	\$1.70
Fixed charge per residential service	\$92.40	\$100.00	\$100.00	\$100.00	\$100.00
Rous Water head meter readings - Consumption of water (kilolitres - April to March)	3,773,167	3,752,924	3,430,429	3,246,719	3,254,907
Av. user charge per connected service	\$240	\$274	\$292	\$289	\$363
Management & Operating cost / connected service	\$315	\$335	\$362	\$430	\$448



(ii) Explanations for Variances

- Water user charges have increased from \$1.35/kl to \$1.70/kl whilst consumption remained similar to the previous year;
- Other income sources have remained steady apart from capital grants and contributions which are dependent upon factors beyond Councils control;
- Purchase of water from the bulk supplier increased by \$472,000; and
- Depreciation increased by \$161,000 due to the annual indexation of these assets.

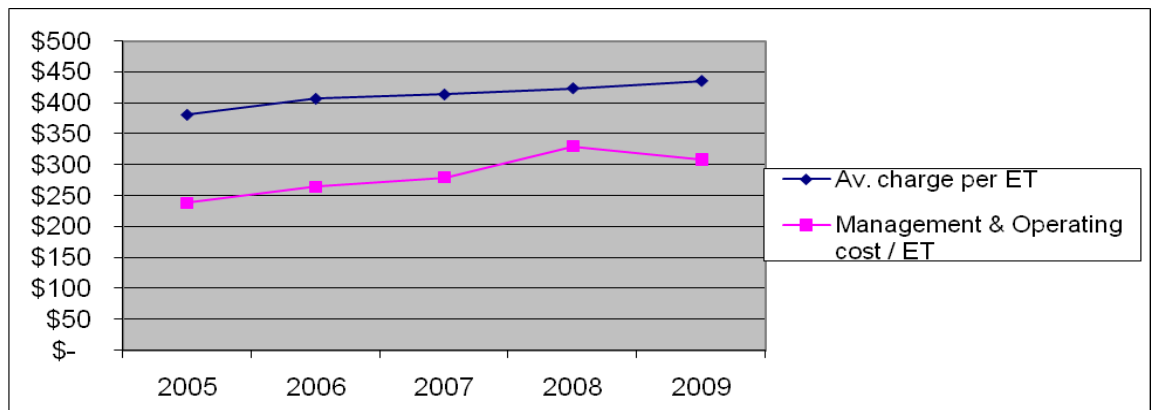


3.5 Wastewater Services

(i) **Operating Result**

Wastewater activities can be summarised as follows:

	2005	2006	2007	2008	2009
	\$'000	\$'000	\$'000	\$'000	\$'000
Rates and service availability charges	5,288	5,639	5,924	6,058	6,344
User charges	276	197	246	230	232
Interest/Investment	379	502	736	(574)	(654)
Other	243	46	130	252	90
Grants - Capital	9	205	50	-	-
- Operating	119	119	118	121	123
Capital Contributions	919	1,588	718	2,071	1,131
Total Revenue	7,233	8,296	7,922	8,158	7,266
Management Expenses	666	730	929	1,307	1,351
Operating Costs	2,654	2,936	3,080	3,413	3,143
Other	27	28	28	-	-
Depreciation	1,604	1,647	1,651	5,541	5,777
Loss/(Gain) on Disposal of Assets	53	53	14	161	256
Interest	35	17	5	21	124
Total Expenses	5,039	5,411	5,707	10,443	10,651
Net Operating Result	2,194	2,885	2,215	(2,285)	(3,385)
Key Indicators	2005	2006	2007	2008	2009
Av. charge per ET	\$381	\$407	\$414	\$424	436
Management & Operating cost / ET	\$239	\$265	\$280	\$330	309



(ii) **Explanation for Variances**

- Capital grants and contributions decreased by \$940,000 however, are dependent upon factors beyond Councils control;
- Operating costs decreased by \$270,000 across all areas; and
- Depreciation increased by \$236,000 due to the annual indexation of these assets.



3.6 National Competition Policy Reporting Requirements

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

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

Activity	Revenue from Ordinary Activities \$'000	Expenses from Ordinary Activities \$'000	Result prior to capital amounts \$'000	Return on capital %	Subsidy \$'000	Dividends Paid \$'000
2008/09						
Water	6,738	8,697	(1,959)	(2.6)	6,039	8
Wastewater	6,275	10,905	(4,630)	(2.6)	14,221	24
Quarry	10,732	11,850	(1,118)	(17.7)	1,200	799
Waste Collection	2,992	2,836	156	*	-	-
Waste Disposal	3,285	3,827	(542)	(6.0)	648	-
Koala Daycare	449	499	(50)	(11.5)	74	-
Crematorium	579	576	3	1.6	83	-
Properties	256	339	(83)	(2.8)	248	-
Industrial Land Development	107	-	107	**	-	-

2007/08						
Water	5,737	8,202	(2,465)	(3.3)	7,243	8
Wastewater	6,190	10,546	(4,356)	(2.5)	15,597	21
Quarry	8,889	9,286	(397)	(3.5)	608	538
Waste Collection	2,657	2,626	31	*	-	-
Waste Disposal	3,525	2,601	924	16.6	-	651
Koala Daycare	397	450	(53)	(12.1)	81	-
Crematorium	510	543	(33)	(1.1)	154	252
Properties	251	277	(26)	(0.9)	219	81
Industrial Land Development	67	-	67	**	-	-

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

** The activity does not have a return on capital as all assets are held as inventory items.

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

Commencing in the 2004/05 year, Council is permitted to pay an annual dividend from its water supply or sewerage business surplus. In accordance with the guidelines for Best Practice Management of Water Supply and Sewerage, a Dividend Payment form, Statement of Compliance, unqualified independent Financial Audit Report and Compliance Audit Report was submitted to the Department of Energy, Utilities and Sustainability for approval before the dividend from the surplus was paid. Dividends in future years may be limited due to the expected increased depreciation charges for water and sewer infrastructure assets as previously mentioned.



Under the National Competition Policy reporting framework Council is to recognise the difference between the actual rate of return and the required rate of return as a notional. Notional subsidies are not actual subsidy payments and are notional in nature only.

Quarry operations revenue increased by \$1,843,000 however, quarry costs increased by \$2,564,000 resulting in a decrease in the operating result of \$721,000 from a \$397,000 deficit to a \$1,118,000 deficit. Additionally, the quarry operations paid a \$799,000 dividend (\$538,000 in 2008) to general fund in accordance with Council resolutions. The operating loss incurred by Quarry activities was due to a number of factors which have been reported to Council. Council should ensure that all commercial activities incorporate sound financial management practices in order to be sustainable in the short term to the long term. We understand that this activity has recently appointed a quarry manager, is currently undergoing an internal business review and may be subject to an external review. Council should be mindful of utilising reserves for purposes other than for which they were established. In particular quarry cash reserves will be required to fund rehabilitation provisions in the future if the businesses are to be sustainable in the long term.

Waste disposal operations result declined from a \$924,000 surplus to a \$542,000 deficit. This loss was caused by an increase in costs for the transfer stations as they were operating for the full year this year and an increase in recycling costs and reductions in revenues at the disposal site and for recycling materials.



4. STATEMENT OF FINANCIAL POSITION

4.1 Net Current Assets

4.1.1 Cash and Investments

Council has net current assets of \$22,914,000 at 30 June 2009. Net current assets, however, contains \$14,238,000 externally restricted cash and investments in the form of special purpose grants, developers contributions and restricted water, DWM and sewer funds.

In addition Council has allocated \$5,689,000 current cash and investments as internally restricted to fund long term commitments and carry-over works programs. These internal reserves are detailed in Note 6 of Councils general purpose financial report. Council Internal reserves declined by \$7,593,000 during the year with a \$5,411,000 reduction related to the utilisation of unexpended loans for the Goonellabah Sports and Aquatic Centre. In addition, the reduction in cash reserves has also been caused by some reserves funding their working capital requirements via internal loans. This included the Financial Assistance Grant for the September quarter received in advance in June 2009. Council should be mindful of utilising reserves for purposes other than for which they were established. We understand that with the commencement of grants funded works from Natural Disaster events in May 2009, that Council will allow other recurrent income to become available to replenish internal cash reserves.

After funding internal and external restrictions Council has \$323,000 in unrestricted cash and investments as a working capital buffer.

Qualified Audit Opinion for 2009

At 30 June 2009, Council's investment portfolio totalled \$28,893,000 which consisted of securities that have been impacted by market volatility over the last twenty four months. The impact on individual securities varies depending on their degree of exposure to affected markets.

At balance date Council's investment portfolio included CDO securities totalling \$2,715,000. Many of these securities do not have market values that are independently quoted and they are not widely traded at this point in time. In many cases investment fair values are assessed based on estimates from issuers and/or valuation models for which there is limited market evidence available to verify their reasonableness. Further, the ongoing volatility of financial markets creates greater uncertainty to the valuation process and determination of future cash flows that can be attributed to these securities.

These circumstances have resulted in our inability to obtain sufficient and appropriate audit evidence to satisfy ourselves as to the fair value and recoverability of at least \$2,715,000 of Council's total investment portfolio.

The qualified audit report issued for 2009 is not unique to Lismore City Council and replicates the audit opinion issued on the 2008 financial report.



Qualified audit opinions have been issued for other local government authorities carrying investments where their valuation at 30 June 2009 has been difficult to calibrate to a functional market. The approach to auditing investments and the issue of qualified audit reports where necessary is in accordance with directives from the NSW Local Government Auditors Association and has been discussed with the Local Government Finance Professionals Association and the NSW Department of Local Government.

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

Investments analysis	2008	2009
	\$'000	\$'000
Opening balance of investments at fair value	13,772	23,614
Investments purchased	19,906	3,653
Investments sold	(6,398)	(15,315)
Fair value adjustments	(3,666)	(2,359)
Closing balance of investments at fair value	<u>23,614</u>	<u>9,593</u>
Closing balance of investments at fair value comprises:		
Equity Linked Notes	2,310	2,405
Managed funds	11,138	2,695
FRNs	4,117	950
CDOs	5,195	2,715
Other	854	828
	<u>23,614</u>	<u>9,593</u>
Deposits at call & TDs	<u>7,255</u>	<u>19,300</u>
	<u>30,869</u>	<u>28,893</u>

Security of Investments

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

Liquidity

Based on information provided by Council management, which has not been subject to audit, the maturity profile of investments held at balance date should not materially impact Council's budgeted operations for the 2009/10 financial year from a liquidity perspective. The timing of discretionary capital works (not grant funded) is dependent upon the maturity of investments and the use of internal reserves.



4.1.2 Current Receivables / Payables

Net current assets include \$443,000 externally restricted receivables, inventories and prepayments and \$1,129,000 creditors, provisions and borrowings relating to water, sewerage and domestic waste management.

Council's current receivables have decreased from \$10,064,000 as at 30 June 2008 to \$8,178,000 at 30 June 2009. The major components of the balances at the end of the financial year were:

	2005	2006	2007	2008	2009
	\$'000	\$'000	\$'000	\$'000	\$'000
Rates, etc	1,665	1,490	1,701	2,195	1,672
Deposits & bonds	422	455	226	768	810
Sub-ordinated debt	-	-	-	1,000	-
PWD and RTA	1,089	1,363	2,114	3,170	1,654
Private Works	1,947	964	1,697	2,135	2,522
Accrued income	176	298	140	327	979
Other	45	308	463	554	482
Net GST Receivable	401	379	297	(46)	174
Provision for Doubtful Debts	(35)	(35)	(30)	(39)	(115)
	5,710	5,222	6,608	10,064	8,178

Current payables decreased by \$2,190,000 due to the timing of cheque runs for creditors and the level of capital works under progress at the end of the year.

4.2 Non-Current Assets and Liabilities

Council has a net non-current asset position of \$628,828,000 which consists largely of property, plant and equipment, water and sewer infrastructure, Council controlled road and drainage infrastructure, loans, and provisions for employee entitlements and infrastructure rehabilitation.

4.2.1 Property, Plant and Equipment

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

	2005	2006	2007	2008	2009
	\$'000	\$'000	\$'000	\$'000	\$'000
Non-cash Developer Contributions					
Roads and Drainage Network	742	1,812	754	1,157	2,376
Water Supply Network	142	1,787	96	567	290
Sewerage Network	193	954	340	1,751	627
Non-cash Grants/contributions					
PWD - Water	17	7	0	0	0
PWD - Sewer	20	31	0	0	0
Bushfire equipment	0	211	0	0	0
Council Constructed / Purchased Assets					
Assets under construction	0	0	1,145	7,483	6,640
Land and Buildings	8,646	4,547	1,888	1,417	10,024
Plant and Equipment	3,062	2,538	2,508	3,289	2,833
Roads and Drainage Network	7,887	8,993	9,438	6,487	3,038
Other Infrastructure	862	773	2,782	3,741	1,269
Water Supply Network	1,311	1,567	1,894	1,261	737
Sewerage Network	1,489	1,159	1,939	1,981	563
	24,371	24,379	22,784	29,134	28,397
Plus Intangibles - Software			1,022	0	198
			23,806	29,134	28,595



Assets under construction comprises:	2007	2008	2009
	\$'000	\$'000	\$'000
Goonellabah Sports & Aquatic Centre	0	4,879	0
Timber Bridges	0	0	3,530
Transport & Drainage infrastructure	1,145	1,944	1,644
Water infrastructure	0	42	18
Sewer infrastructure	0	617	1,273
Other assets	0	0	175
	<u>1,145</u>	<u>7,482</u>	<u>6,640</u>

As illustrated previously, Council capitalises on average, \$25-\$30 million in infrastructure, property, plant and equipment each financial year. Asset management is an important part of Council's operations. Council's infrastructure assets represent the largest item on Council's balance sheet and in most cases, the depreciation expense attaching to Council's assets represents Council's largest expense item in the income statement.

Asset Revaluations for 2010

Council is required to revalue its roads and drainage assets during the year ending 30 June 2010. This revaluation was originally intended for the 2009 year however was delayed by the Department of Local Government. Council is progressing well in the revaluation process for Transport infrastructure assets.

The NSW Department of Local Government has released a document that establishes milestones relating to the revaluation of roads and drainage infrastructure. As part of our audit process we enquired as to Council's progress on satisfying these milestones relating to the revaluation of roads and drainage infrastructure assets. Our discussions and observations have noted that Council has:

- Identified all roads, bridges, drainage and other related infrastructure under Council's control;
- Prepared a valuation methodology for each asset type;
- Recognised material components of assets that may have a different useful life so they may be depreciated more accurately; and
- Commenced planning for the update of policies and procedures to support accounting and asset management processes.

At this stage it is planned that this asset class will be ready for audit prior to the end of the 2009 calendar year.

Asset Management Systems

The revaluation of water and sewer assets in 2007 and land and building assets in 2008 year was a large and complex process. Council needs to capture this information in a centralised and detailed asset management system that will ensure best practice processes for asset management are adopted and adhered to into the future. Most valuation data and asset data of prior year valuations is held in multiple systems and/or spreadsheets.

It is important that Council also regularly re-assess the remaining useful lives of assets and their condition in future revaluations. The depreciation charge should reflect the consumption of the asset over its useful life. Fair value reporting of assets will require adequate internal resources in order to ensure the information from asset management reporting systems is accurate, timely and reflects the consumption of the assets.



Integrated Planning and Reporting Framework and Asset Management

The Integrated Planning and Reporting Framework (IPAR) has been developed as part of the Local Government Reform Program and proposes changes to the Local Government Act 1993 to improve council's long term community, financial and asset planning.

The key drivers for changing the current planning and reporting framework include: increased expectations on local government, innovation of some councils with positive effects, recent findings from reviews of council strategic performance, and the need for improved asset management and long term financial planning.

Under the IPAR framework each Council is to prepare an Asset Management Strategy to provide a clear direction for asset management. The development of an Asset Management Strategy will enable council to illustrate how its asset portfolio supports the service delivery needs of its community into the future.

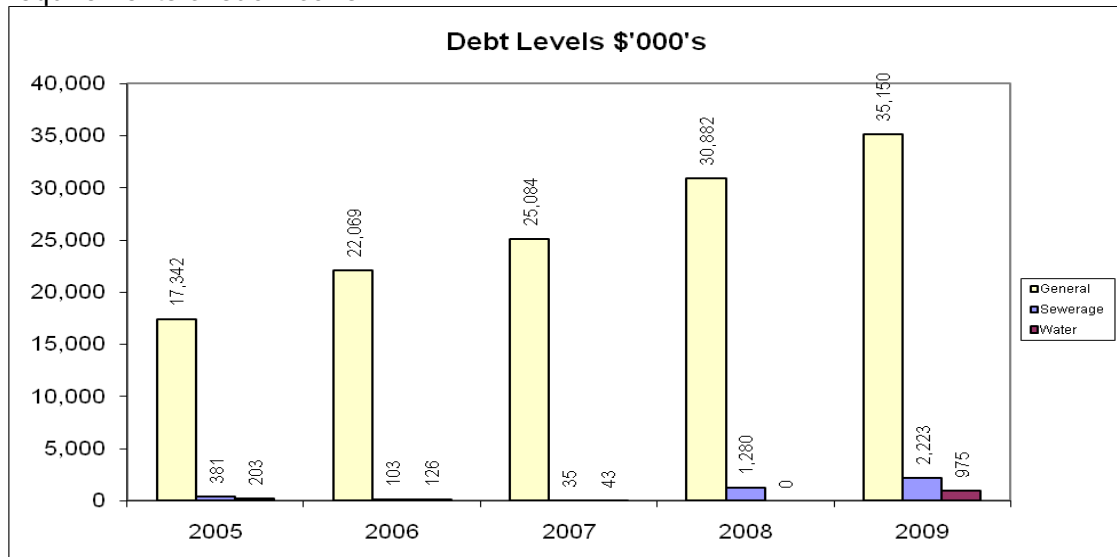
An Asset Management Policy must also be prepared which sets the framework for the preparation of Council's Asset Management Strategy and Asset Management Plan/s. An Asset Management Plan is a long term plan that outlines the asset activities for each service and outlines actions and resources to provide a defined level of service in the most cost efficient way.

Council has developed its Strategic Plan and is now preparing its Delivery Plan which is expected to be completed by 1st July 2010. Under Council's structure, the service levels will be addressed in the operational plans. Council expects to have an asset management plan for sealed roads completed by December 2009. The development of these plans is scheduled to be ahead of statutory requirements for such plans.

4.3 Loans

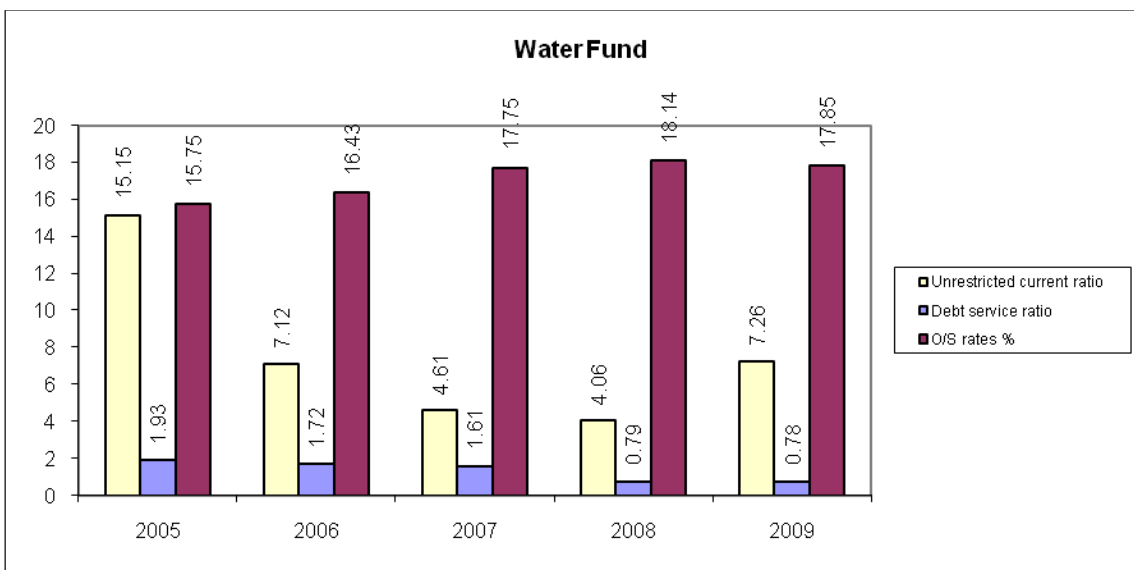
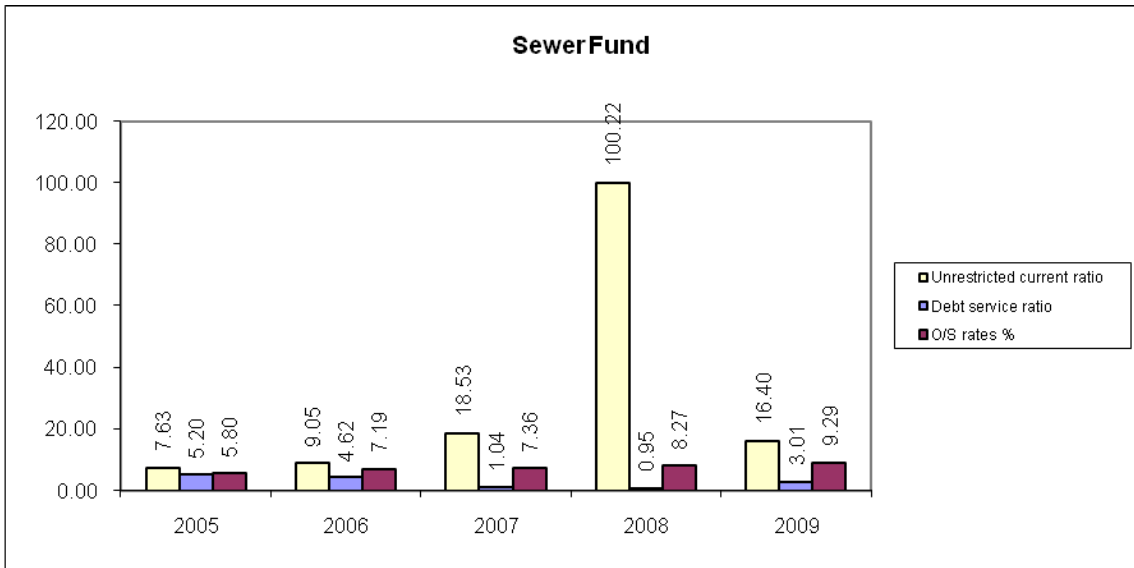
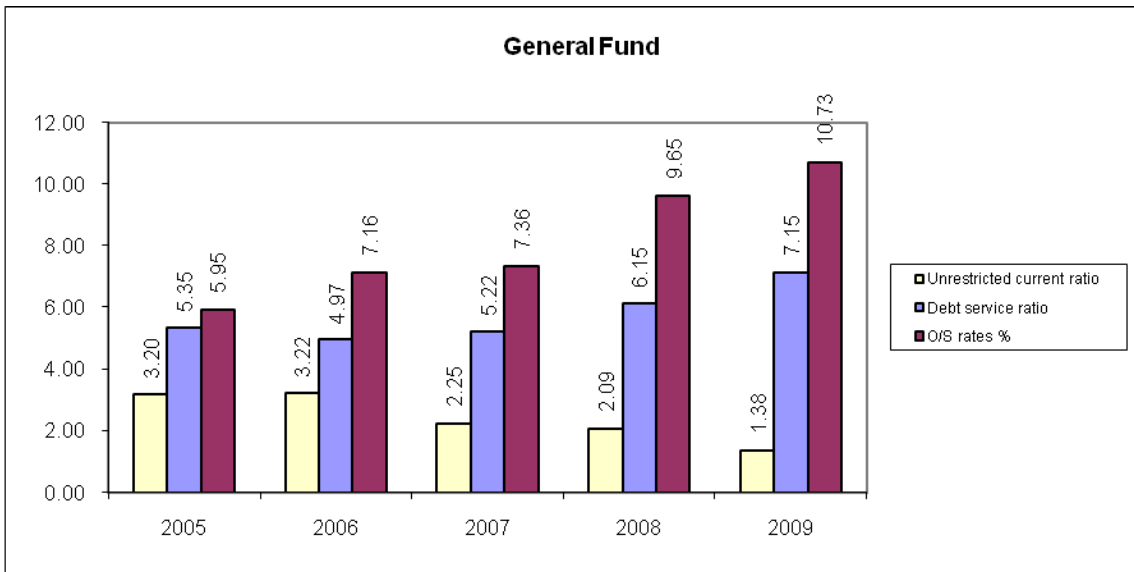
Council's overall debt position has increased during the 2008/09 year by \$6,186,000. During the year repaid \$1,908,000 in debt and borrowed a further \$8,094,000. New borrowings were used for industrial land development - \$3,000,000, water fund - \$1,000,000, sewer fund - \$1,000,000, Goonellabah Sports Centre - \$2,294,000 and other general fund assets - \$800,000. Council is projecting to repay \$2,024,000 in debt next financial year, and borrow a further \$8,694,000 next year for water fund - \$1,600,000, sewer fund \$2,800,000, bridges \$2,500,000, Woodlark Street revitalisation - \$1,000,000, and the balance for other general fund assets.

Council should continue to monitor its general fund debt levels to ensure that loans are self funding or alternatively that general fund has sufficient surpluses to absorb the debt servicing requirements of such loans.





5. PERFORMANCE INDICATORS



These ratios have been calculated by Council staff from the final audited figures.

Unrestricted Current Ratio

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

- Planning and budgetary controls;
- Cash management and the timing of cash flows;
- The level of internally restricted assets;
- Credit management policies and economic circumstances;

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

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

Council's consolidated unrestricted current ratio has declined from 2.04 to 1.39. Council's general fund unrestricted current ratio has declined from 2.09 to 1.38. This ratio is approaching minimum levels for the Local Government sector. Whilst unrestricted current assets have decreased, unrestricted liabilities have decreased by a lesser extent.

Debt Service Ratio

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

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

Council's debt service ratio for general fund has increased due to an increase in debt levels for the last couple of years (refer further to Section 4.3 of this report). Water fund and sewer fund debt service ratios will increase over the next couple of years in accordance with its loan program and capital works program.



Rates and Annual Charges Outstanding

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

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

Council's rates and annual charges outstanding have slightly increased for Council as a whole.

6. OTHER MATTERS

6.1 Internal Control Environment

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

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

Yours faithfully

THOMAS NOBLE & RUSSELL

Per:

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

Lismore City Council

General Purpose Financial Report for the financial year ended 30 June 2009

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

The attached General Purpose Financial Report has been prepared in accordance with:

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

To the best of our knowledge and belief, this Report:

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

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

Signed in accordance with a resolution of Council made on 20 October 2009.



Jenny Dowell
MAYOR



Isaac Smith
COUNCILLOR



Paul O'Sullivan
GENERAL MANAGER



Rino Santin
RESPONSIBLE ACCOUNTING OFFICER

Lismore City Council

Income Statement

for the financial year ended 30 June 2009

Budget ⁽¹⁾			Actual	Actual
2009	\$ '000	Notes	2009	2008
Income from Continuing Operations				
Revenue:				
32,887	Rates & Annual Charges	3a	32,239	31,145
21,662	User Charges & Fees	3b	23,441	21,746
1,476	Interest & Investment Revenue	3c	-	-
1,005	Other Revenues	3d	2,343	1,570
10,296	Grants & Contributions provided for Operating Purposes	3e,f	13,812	10,928
4,496	Grants & Contributions provided for Capital Purposes	3e,f	10,815	7,590
Other Income:				
3,486	Net gains from the disposal of assets	5	-	-
	Net Share of interests in Joint Ventures & Associated Entities using the Equity Method	19	-	-
75,308	Total Income from Continuing Operations		82,650	72,979
Expenses from Continuing Operations				
18,995	Employee Benefits & On-Costs	4a	19,901	18,599
2,431	Borrowing Costs	4b	2,502	1,826
30,915	Materials & Contracts	4c	33,755	30,968
17,319	Depreciation & Amortisation	4d	19,390	15,652
	Impairment	4d	-	-
5,200	Other Expenses	4e	4,820	4,924
	Interest & Investment Losses	3c	716	905
	Net Losses from the Disposal of Assets	5	14	557
	Net Share of interests in Joint Ventures & Associated Entities using the Equity Method	19	-	-
74,860	Total Expenses from Continuing Operations		81,098	73,431
448	Operating Result from Continuing Operations		1,552	(452)
Discontinued Operations				
	Net Profit/(Loss) from Discontinued Operations	23	-	-
448	Net Operating Result for the Year		1,552	(452)
448	Net Operating Result attributable to Council		1,552	(452)
	Net Operating Result attributable to Minority Interests		-	-
(4,048)	Net Operating Result for the year before Grants and Contributions provided for Capital Purposes		(9,263)	(8,042)

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

Lismore City Council

Balance Sheet

as at 30 June 2009

\$ '000	Notes	Actual 2009	Actual 2008
ASSETS			
Current Assets			
Cash & Cash Equivalents	6a	19,300	7,255
Investments	6b	950	7,963
Receivables	7	8,178	10,064
Inventories	8	8,492	7,962
Other	8	22	64
Total Current Assets		36,942	33,308
Non-Current Assets			
Investments	6b	8,643	15,651
Receivables	7	3,959	3,338
Infrastructure, Property, Plant & Equipment	9	655,326	641,474
Intangible Assets	24	1,016	920
Total Non-Current Assets		668,944	661,383
TOTAL ASSETS		705,886	694,691
LIABILITIES			
Current Liabilities			
Payables	10	7,213	9,403
Borrowings	10	2,024	1,755
Provisions	10	4,791	4,326
Total Current Liabilities		14,028	15,484
Non-Current Liabilities			
Payables	10	1,171	2,107
Borrowings	10	36,324	30,407
Provisions	10	2,621	3,589
Total Non-Current Liabilities		40,116	36,103
TOTAL LIABILITIES		54,144	51,587
Net Assets		651,742	643,104
EQUITY			
Retained Earnings	20	455,857	454,305
Revaluation Reserves	20	195,885	188,799
Council Equity Interest		651,742	643,104
Minority Equity Interest		-	-
Total Equity		651,742	643,104

Lismore City Council

Statement of Changes in Equity
for the financial year ended 30 June 2009

\$ '000	Notes	Council				
		Retained Earnings	Reserves (Refer 20b)	Equity Interest	Minority Interest	Total Equity
2009						
Opening Balance (as per Last Year's Audited Accounts)		454,305	188,799	643,104	-	643,104
a. Correction of Prior Period Errors	20 (c)	-	-	-	-	-
b. Changes in Accounting Policies (prior year effects)	20 (d)	-	-	-	-	-
Revised Opening Balance (as at 1/7/08)		454,305	188,799	643,104	-	643,104
c. Current Year Income & Expenses Recognised direct to Equity						
- Transfers to/(from) Asset Revaluation Reserve	20b (ii)	-	7,086	7,086	-	7,086
- Transfers to/(from) Other Reserves	20b (ii)	-	-	-	-	-
- Other Income/Expenses recognised	20b (ii)	-	-	-	-	-
- Other Adjustments	20b (ii)	-	-	-	-	-
Net Income Recognised Directly in Equity		-	7,086	7,086	-	7,086
d. Net Operating Result for the Year		1,552	-	1,552	-	1,552
Total Recognised Income & Expenses (c&d)		1,552	7,086	8,638	-	8,638
e. Distributions to/(Contributions from) Minority Interests		-	-	-	-	-
f. Transfers between Equity		-	-	-	-	-
Equity - Balance at end of the reporting period		455,857	195,885	651,742	-	651,742

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

Lismore City Council

Cash Flow Statement

for the financial year ended 30 June 2009

Budget 2009	\$ '000	Notes	Actual 2009	Actual 2008
Cash Flows from Operating Activities				
Receipts:				
32,887		Rates & Annual Charges	32,703	30,608
21,662		User Charges & Fees	23,409	24,213
1,476		Interest & Investment Revenue Received	1,034	2,762
14,042		Grants & Contributions	21,334	14,953
7,132		Other	9,532	2,273
Payments:				
(18,995)		Employee Benefits & On-Costs	(19,419)	(18,592)
(30,915)		Materials & Contracts	(35,550)	(35,712)
(2,431)		Borrowing Costs	(2,304)	(1,770)
(11,327)		Other	(13,389)	(2,322)
		Net Cash from Boundary Adjustments	-	-
13,531		Net Cash provided (or used in) Operating Activities	17,350	16,413
Cash Flows from Investing Activities				
Receipts:				
		Sale of Investment Securities	11,662	-
		Sale of Investment Property	-	-
		Sale of Real Estate Assets	593	67
3,486		Sale of Infrastructure, Property, Plant & Equipment	421	567
		Sale of Interests in Joint Ventures & Associates	-	-
		Sale of Shares in Companies	-	-
		Sale of Interests in Joint Ventures & Associates	-	-
		Sale of Disposal Groups	-	-
		Deferred Debtors Receipts	393	450
		Distributions Received from Joint Ventures & Associates	-	-
		Other Investing Activity Receipts	-	-
Payments:				
		Purchase of Investment Securities	-	(13,508)
		Purchase of Investment Property	-	-
(26,751)		Purchase of Infrastructure, Property, Plant & Equipment	(24,603)	(23,194)
		Purchase of Real Estate Assets	43	(503)
		Purchase of Shares in Companies	-	-
		Purchase of Interests in Joint Ventures & Associates	-	-
		Deferred Debtors & Advances Made	-	-
		Contributions Paid to Joint Ventures & Associates	-	-
		Other Investing Activity Payments	-	-
(23,265)		Net Cash provided (or used in) Investing Activities	(11,491)	(36,121)

Lismore City Council

Cash Flow Statement

for the financial year ended 30 June 2009

Budget 2009	\$ '000	Notes	Actual 2009	Actual 2008
Cash Flows from Financing Activities				
Receipts:				
8,276		Proceeds from Borrowings & Advances	8,094	8,519
44		Other Financing Activity Receipts	-	-
Payments:				
(1,854)		Repayment of Borrowings & Advances	(1,908)	(1,519)
		Repayment of Finance Lease Liabilities	-	-
		Distributions to Minority Interests	-	-
		Other Financing Activity Payments	-	-
<u>6,466</u>		Net Cash Flow provided (used in) Financing Activities	<u>6,186</u>	<u>7,000</u>
<u>(3,268)</u>		Net Increase/(Decrease) in Cash & Cash Equivalents	<u>12,045</u>	<u>(12,708)</u>
7,255	plus:	Cash & Cash Equivalents - beginning of year	7,255	19,963
<u>3,987</u>		Cash & Cash Equivalents - end of the year	<u>19,300</u>	<u>7,255</u>

Please refer to Note 11 for information on the following:

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

Lismore City Council

Notes to the Financial Statements

for the financial year ended 30 June 2009

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Lismore City Council

Notes to the Financial Statements

for the financial year ended 30 June 2009

Note 1. Summary of Significant Accounting Policies

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

Under Australian Equivalents to International Financial Reporting Standards (AIFRS), accounting policies are defined as those specific principles, bases, conventions, rules and practices applied by a reporting entity (in this case Council) in preparing and presenting its financial reports.

(a) Basis of preparation

(i) Background

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

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

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

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

Because AASB's are sector neutral, some standards either (i) have local Australian content and prescription that is specific to the Not-For-Profit sector (including Local Government) which are not in compliance with IFRS's or (ii) specifically exclude application by Not for Profit entities.

Examples include;

- excluding Local Government from applying AASB 120 (IAS 20) for Grant Accounting and AASB 118 (IAS 18) for Segment Reporting, &

- different requirements on (a) Impairment of Assets relating to Not-For-Profit AASB 136 (IAS 36) and (b) AASB 116 (IAS 16) regarding accounting for the Revaluation of Assets.

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

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

(iii) Application of AAS 27

AAS 27 – Financial Reporting by Local Government was withdrawn from use from 1 July 2008.

All key elements however of the former Standard have been incorporated into other current Standards including AASB 1051, 1052 and 1004.

(iv) Basis of Accounting

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

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

(v) Changes in Accounting Policies

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

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

Lismore City Council

Notes to the Financial Statements

for the financial year ended 30 June 2009

Note 1. Summary of Significant Accounting Policies (continued)

(vi) Critical Accounting Estimates

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

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

(b) Revenue recognition

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

Revenue is measured on major income categories as follows:

Rates, Annual Charges, Grants and Contributions

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

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

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

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

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

Where grants or contributions recognised as revenues during the financial year were obtained on condition that they be expended in a particular

manner or used over a particular period and those conditions were undischarged at balance date, the unused grant or contribution is disclosed in Note 3(g).

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

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

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

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

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

User Charges, Fees and Other Income

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

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

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

Sale of Infrastructure, Property, Plant and Equipment

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

Lismore City Council

Notes to the Financial Statements

for the financial year ended 30 June 2009

Note 1. Summary of Significant Accounting Policies (continued)

Interest and Rents

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

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

(c) Principles of Consolidation

These financial reports incorporate **(i)** the assets and liabilities of Council and any entities (or operations) that it **controls** (as at 30/6/09) and **(ii)** all the related operating results (for the financial year ended the 30th June 2009).

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

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

(i) The Consolidated Fund

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

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

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

- General Purpose Operations
- Water Supply
- Sewerage Service

(ii) The Trust Fund

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

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

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

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

(iii) Joint Venture Entities

Jointly Controlled Assets & Operations

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

Jointly Controlled Entities

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

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

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

Lismore City Council

Notes to the Financial Statements

for the financial year ended 30 June 2009

Note 1. Summary of Significant Accounting Policies (continued)

(iv) Associated Entities

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

Such entities are usually termed “Associates”.

(v) County Councils

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

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

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

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

(vi) Additional Information

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

(d) Leases

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

Finance Leases

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

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

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

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

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

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

Operating Leases

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

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

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

(e) Cash and Cash Equivalents

Cash and cash equivalents includes;

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

Lismore City Council

Notes to the Financial Statements

for the financial year ended 30 June 2009

Note 1. Summary of Significant Accounting Policies (continued)

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

(f) Investments and Other Financial Assets

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

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

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

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

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

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

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

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

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

(ii) Loans and receivables

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

They arise when the Council provides money, goods or services directly to a debtor with no intention (or in

some cases ability) of selling the resulting receivable.

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

(iii) Held-to-maturity investments

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

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

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

(iv) Available-for-sale financial assets

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

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

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

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

Financial Assets – Reclassification

Following on from amendments made to AASB 139 - Financial Instruments: Recognition & Measurement in October 2008, Council may choose to reclassify a non-derivative trading financial asset out of the held-for-trading category if the financial asset is no longer held for the purpose of selling it in the near term.

Lismore City Council

Notes to the Financial Statements

for the financial year ended 30 June 2009

Note 1. Summary of Significant Accounting Policies (continued)

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

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

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

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

Actual Reclassifications

Council did not take up the option to reclassify some financial assets out of the held-for-trading category from 1 July 2008, following amendments made to AASB 139 in October 2008.

General Accounting & Measurement of Financial Instruments:

(i) Initial Recognition

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

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

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

(ii) Subsequent Measurement

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

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

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

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

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

Impairment

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

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

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

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

Lismore City Council

Notes to the Financial Statements

for the financial year ended 30 June 2009

Note 1. Summary of Significant Accounting Policies (continued)

(iii) Types of Investments

Council has an approved Investment Policy in order to undertake its investment of money in accordance with (and to comply with) Section 625 of the Local Government Act and S212 of the LG (General) Regulations 2005.

Investments are placed and managed in accordance with the Policy and having particular regard to authorised investments prescribed under the Local Government Investment Order.

Council maintains its investment Policy in compliance with the Act and ensures that it or its representatives exercise care, diligence and skill that a prudent person would exercise in investing Council funds.

Council amended its policy during the current reporting year following revisions to the Investment Order arising from the Cole Inquiry recommendations. Certain investments the Council holds are no longer prescribed (eg. managed funds, CDOs, and equity linked notes), however they have been retained under grandfathering provisions of the Order.

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

(g) Fair value estimation

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

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

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

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

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

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

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

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

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

(h) Receivables

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

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

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

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

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

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

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

Lismore City Council

Notes to the Financial Statements

for the financial year ended 30 June 2009

Note 1. Summary of Significant Accounting Policies (continued)

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

(i) Inventories

Raw Materials and Stores, Work in Progress and Finished Goods

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

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

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

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

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

Land Held for Resale/Capitalisation of Borrowing Costs

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

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

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

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

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

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

Acquisition of assets

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

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

- **Investment Properties** – refer Note 1(p),
- **Water and Sewerage Networks** which are carried at Fair Value (generally based upon Depreciated Replacement Cost).
- **Operational Land** (External Valuation)
- **Buildings – Specialised/Non Specialised** (External Valuation)
- **Plant and Equipment** (as approximated by depreciated historical cost)

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

- **2009/10:** Roads, Bridges, Footpaths and Drainage assets
- **2010/11:** Community land, Land improvements, Other structures and other assets

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

Initial Recognition

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

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

Lismore City Council

Notes to the Financial Statements

for the financial year ended 30 June 2009

Note 1. Summary of Significant Accounting Policies (continued)

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

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

Subsequent costs

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

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

Asset Revaluations (including Indexation)

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

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

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

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

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

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

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

Capitalisation Thresholds

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

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

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

Buildings & Land Improvements	
Park Furniture & Equipment	> \$2,000

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

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

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

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

Bridge construction & reconstruction	> \$10,000
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Lismore City Council

Notes to the Financial Statements

for the financial year ended 30 June 2009

Note 1. Summary of Significant Accounting Policies (continued)

Depreciation

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

Land is not depreciated.

Estimated useful lives for Councils assets include:

Plant & Equipment	
- Office Equipment	5 to 10 years
- Office furniture	10 to 20 years
- Computer Equipment	4 years
- Vehicles	5 to 8 years
- Heavy Plant/Road Making equip.	5 to 8 years
- Other plant and equipment	5 to 15 years
<hr/>	
Other Equipment	
- Playground equipment	5 to 15 years
- Benches, seats etc	10 to 20 years
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Buildings	
- Buildings : Masonry	50 to 100 years
- Buildings : Other	20 to 40 years
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Stormwater Drainage	
- Drains	80 to 100 years
- Culverts	50 to 80 years
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Transportation Assets	
- Sealed Roads : Surface	20 years
- Sealed Roads : Structure	50 years
- Unsealed roads	20 years
- Bridge : Concrete	100 years
- Bridge : Other	50 years
- Road Pavements	60 years
- Kerb, Gutter & Paths	40 years
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Water & Sewer Assets	
- Dams and reservoirs	80 to 100 years
- Reticulation pipes : PVC	80 years
- Reticulation pipes : Other	25 to 75 years
- Pumps and telemetry	15 to 20 years

Other Infrastructure Assets

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

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

Disposal and De-recognition

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

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

(k) Land

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

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

(l) Land under roads

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

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

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

Lismore City Council

Notes to the Financial Statements

for the financial year ended 30 June 2009

Note 1. Summary of Significant Accounting Policies (continued)

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

(m) Intangible Assets

IT development and software

Costs incurred in developing products or systems and costs incurred in acquiring software and licenses that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to software and systems.

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

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

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

(n) Crown Reserves

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

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

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

A working party of interested representatives from both State and Local Government is being formed to consider the accounting issues related to the Crown Reserves, with the intention of developing a consistent approach to their recognition and future accounting treatment across both tiers of government.

(o) Rural Fire Service assets

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

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

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

(p) Investment property

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

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

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

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

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

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

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

Lismore City Council

Notes to the Financial Statements

for the financial year ended 30 June 2009

Note 1. Summary of Significant Accounting Policies (continued)

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

Costs are estimated on the basis of a closure plan.

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

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

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

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

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

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

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

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

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

These costs are charged to the income statement.

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

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

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

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

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

Specific Information relating to Councils provisions relating to Close Down, Restoration and Remediation costs can be found at Note 26.

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

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

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

For any assets or disposal groups classified as Non-Current Assets "held for sale", an impairment loss is

Lismore City Council

Notes to the Financial Statements

for the financial year ended 30 June 2009

Note 1. Summary of Significant Accounting Policies (continued)

recognised at any time when the assets carrying value is greater than its fair value less costs to sell.

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

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

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

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

(s) Impairment of assets

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

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

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

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

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

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

(t) Payables

These amounts represent liabilities and include goods and services provided to the Council prior to the end of financial year which are unpaid.

The amounts for goods and services are unsecured and are usually paid within 30 days of recognition.

(u) Borrowings

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

Borrowings are subsequently measured at amortised cost.

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

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

(v) Borrowing costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed.

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

(w) Provisions

Provisions for legal claims and service warranties are recognised when:

- Council has a present legal or constructive obligation as a result of past events;
- it is more likely than not that an outflow of resources will be required to settle the obligation; and
- the amount has been reliably estimated.

Lismore City Council

Notes to the Financial Statements

for the financial year ended 30 June 2009

Note 1. Summary of Significant Accounting Policies (continued)

Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole.

A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date.

The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability.

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

(x) Employee benefits

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

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

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

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

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

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

(ii) Long service leave

The liability for long service leave is recognised in the provision for employee benefits in respect of

services provided by employees up to the reporting date.

Long Service Leave is measured at the present value of the expected future payments to be made using the projected unit credit method.

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

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

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

(iii) Retirement benefit obligations

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

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

Defined Benefit Plans

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

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

Lismore City Council

Notes to the Financial Statements

for the financial year ended 30 June 2009

Note 1. Summary of Significant Accounting Policies (continued)

experience of employee departures and periods of service.

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

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

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

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

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

The Local Government Superannuation Scheme has advised member councils that, as a result of the global financial crisis, it has a significant deficiency of assets over liabilities amounting to around \$290 million at 30 June 2009.

As a result, they have asked for significant increases in contributions from 2009/2010 onwards to recover that deficiency.

Council’s share of that deficiency cannot be accurately calculated as the Scheme is a mutual arrangement where assets and liabilities are pooled together for all member councils.

For this reason, no liability for the deficiency has been recognised in Council’s accounts.

Council has, however, disclosed a contingent liability in note 18 to reflect the possible obligation that may arise should the Scheme require immediate payment to correct the deficiency.

Defined Contribution Plans

Contributions to Defined Contribution Plans are recognised as an expense as they become payable.

Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(iv) Employee Benefit On-Costs

Council has recognised at year end the aggregate on-cost liabilities arising from employee benefits, and in particular those on-cost liabilities that will arise when payment of current employee benefits is made in future periods.

These amounts include Superannuation and Workers Compensation expenses which will be payable upon the future payment of certain Leave Liabilities accrued as at 30/6/09.

(y) Self insurance

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

A provision for self-insurance has been made to recognise outstanding claims the amount of which is detailed in Note10.

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

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

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

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

Lismore City Council

Notes to the Financial Statements

for the financial year ended 30 June 2009

Note 1. Summary of Significant Accounting Policies (continued)

Exceptions

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

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

(aa) Taxes

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

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

Goods & Services Tax (GST)

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

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

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

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

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

Investing and Financing cash flows are treated on a net basis (where recoverable from the ATO), ie. they are exclusive of GST. Instead, the GST component of investing and financing activity cash flows which are recoverable from or payable to the ATO are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(ab) New accounting standards and UIG interpretations

Certain new (or amended) accounting standards and interpretations have been published that are not mandatory for reporting periods ending 30 June 2009.

Council has not adopted any of these standards early.

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

Applicable to Local Government with implications:

Revised AASB 101 Presentation of Financial Statements and AASB 2007-8 Amendments to Australian Accounting Standards arising from AASB 101 (effective from 1 January 2009)

The September 2007 revised AASB 101 requires the presentation of a statement of comprehensive income and makes changes to the statement of changes in equity, but will not affect any of the amounts recognised in the financial statements.

If an entity has made a prior period adjustment or has reclassified items in the financial statements, it will need to disclose a third balance sheet (statement of financial position), this one being as at the beginning of the comparative period.

Council will apply the revised standard from 1 July 2009.

Applicable to Local Government but no implications for Council;

Revised AASB 123 Borrowing Costs and AASB 2007-6 Amendments to Australian Accounting Standards arising from AASB 123 (effective from 1 January 2009)

The revised AASB 123 has removed the option to expense all borrowing costs and - when adopted - will require the capitalisation of all borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. There will be no impact on the financial reports as Council already capitalises borrowing costs relating to qualifying assets.

Lismore City Council

Notes to the Financial Statements

for the financial year ended 30 June 2009

Note 1. Summary of Significant Accounting Policies (continued)

AASB 2008-1 Amendments to Australian Accounting Standard – Share-based Payments: Vesting Conditions and Cancellations (effective from 1 January 2009)

AASB 2008-1 clarifies that vesting conditions are service conditions and performance conditions only and that other features of a share-based payment are not vesting conditions.

It also specifies that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment.

There will be no impact on the financial reports as Council makes no share based payments.

AASB Interpretation 15 Agreements for the Construction of Real Estate (effective 1 January 2009)

AASB-I 15 clarifies whether AASB 118 Revenue or AASB 111 Construction Contracts should be applied to particular transactions.

Council intends to apply the interpretation from 1 July 2009. It has reviewed its current agreements for the sale of real estate in light of the new guidance and concluded that there would be no change to the accounting for these agreements if AASB-I 15 was adopted in the current financial year. Consequently, it does not expect to make any adjustment on the initial application of AASB-I 15.

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

Revised AASB 3 Business Combinations, AASB 127 Consolidated and Separate Financial Statements and AASB 2008-3 Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127 (effective 1 July 2009)

The revised AASB 3 continues to apply the acquisition method to business combinations, but with some significant changes.

For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently remeasured through the income statement.

There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

All acquisition-related costs must be expensed. The revised AASB 127 requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses.

The standard also specifies the accounting when control is lost. Any remaining interest in the entity is remeasured to fair value, and a gain or loss is recognised in profit or loss.

There will be no impact on the financial reports as Council has no exposure to these types of transactions.

AASB 2008-6 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project (effective 1 July 2009)

The amendments to AASB 5 Discontinued Operations and AASB 1 First-Time Adoption of Australian-Equivalents to International Financial Reporting Standards are part of the IASB's annual improvements project published in May 2008.

They clarify that all of a subsidiary's assets and liabilities are classified as held for sale if a partial disposal sale plan results in loss of control.

Relevant disclosures should be made for this subsidiary if the definition of a discontinued operation is met

There will be no impact on the financial reports as Council does not have any subsidiaries it is proposing to dispose of.

AASB 2008-7 Amendments to Australian Accounting Standards - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate (effective 1 July 2009)

In July 2008, the AASB approved amendments to AASB 1 First-time Adoption of International Financial Reporting Standards and AASB 127 Consolidated and Separate Financial Statements. Council will apply the revised rules prospectively from 1 July 2009.

Lismore City Council

Notes to the Financial Statements

for the financial year ended 30 June 2009

Note 1. Summary of Significant Accounting Policies (continued)

After that date, all dividends received from investments in subsidiaries, jointly controlled entities or associates will be recognised as revenue, even if they are paid out of pre-acquisition profits, but the investments may need to be tested for impairment as a result of the dividend payment.

AASB Interpretation 16 Hedges of a Net Investment in a Foreign Operation (effective 1 October 2008)

AASB-I 16 clarifies which foreign currency risks qualify as hedged risk in the hedge of a net investment in a foreign operation and that hedging instruments may be held by any entity or entities within the group.

It also provides guidance on how an entity should determine the amounts to be reclassified from equity to profit or loss for both the hedging instrument and the hedged item.

There will be no impact on the financial reports as Council has no hedges of a net investment in a foreign operation.

AASB 2008-8 Amendment to IAS 39 Financial Instruments: Recognition and Measurement (effective 1 July 2009)

AASB 2008-8 amends AASB 139 Financial Instruments: Recognition and Measurement and must be applied retrospectively in accordance with AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors.

The amendment makes two significant changes. It prohibits designating inflation as a hedgeable component of a fixed rate debt. It also prohibits including time value in the one-sided hedged risk when designating options as hedges.

Council will apply the amended standard from 1 July 2009. It is not expected to have any impact on the financial reports.

AASB Interpretation 17 Distribution of Non-cash Assets to Owners and AASB 2008-13 Amendments to Australian Accounting Standards arising from AASB Interpretation 17

AASB-I 17 applies to situations where an entity pays dividends by distributing non-cash assets to its shareholders.

These distributions will need to be measured at fair value and the entity will need to recognise the difference between the fair value and the carrying amount of the distributed assets in the income statement on distribution.

There will be no impact on the financial reports as Council has no exposure to these types of transactions.

Not applicable to Local Government per se;

AASB 8 Operating Segments and AASB 2007-3 Amendments to Australian Accounting Standards arising from AASB 8 (effective from 1 January 2009)

AASB 8 will result in a significant change in the approach to segment reporting, as it requires adoption of a 'management approach' to reporting on financial performance. The information being reported will be based on what the key decision makers use internally for evaluating segment performance and deciding how to allocate resources to operating segments.

(ac) Rounding of amounts

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

(ad) Comparative Figures

To ensure comparability with the current reporting period's figures, some comparative period line items and amounts may have been reclassified or individually reported for the first time within this Financial Report and/or the Notes.

(ae) Disclaimer

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

Lismore City Council

Notes to the Financial Statements

for the financial year ended 30 June 2009

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

Functions/Activities	Income, Expenses and Assets have been directly attributed to the following Functions / Activities. Details of these Functions/Activities are provided in Note 2(b).												
	Income from Continuing Operations			Expenses from Continuing Operations			Operating Result from Continuing Operations			Grants included in Income from Continuing Operations		Total Assets held (Current & Non-current)	
	Original Budget 2009	Actual 2009	Actual 2008	Original Budget 2009	Actual 2009	Actual 2008	Original Budget 2009	Actual 2009	Actual 2008	Actual 2009	Actual 2008	Actual 2009	Actual 2008
Governance	-	-	-	-	1,875	1,717	-	(1,875)	(1,717)	4,595	2,923	11,838	11,648
Administration	5,191	896	894	7,388	3,749	4,024	(2,197)	(2,853)	(3,130)	327	225	20,012	19,695
Public Order & Safety	261	990	243	1,362	1,541	1,419	(1,101)	(551)	(1,176)	398	167	1,772	1,744
Health	601	739	656	1,400	1,195	1,357	(799)	(456)	(701)	142	-	592	583
Community Services & Education	872	961	973	1,399	2,017	1,747	(527)	(1,056)	(774)	571	519	758	746
Housing & Community Amenities	8,878	8,150	7,877	9,168	9,022	10,386	(290)	(872)	(2,509)	185	263	33,148	32,622
Water Supplies	6,629	6,808	6,290	8,065	8,052	7,810	(1,436)	(1,244)	(1,520)	165	113	79,977	78,709
Sewerage Services	8,318	7,820	8,109	11,657	10,845	10,012	(3,339)	(3,025)	(1,903)	122	120	192,220	189,172
Recreation & Culture	1,947	2,967	1,400	7,996	9,857	8,256	(6,049)	(6,890)	(6,856)	635	146	43,191	42,506
Mining, Manufacturing & Construction	7,962	7,987	6,403	7,798	9,405	5,779	164	(1,418)	624	120	10	8,874	8,733
Transport & Communication	6,714	15,585	13,020	16,773	19,925	18,563	(10,059)	(4,340)	(5,543)	1,824	927	298,296	293,566
Economic Affairs	559	958	715	1,854	3,615	2,361	(1,295)	(2,657)	(1,646)	170	18	15,208	14,967
Total Functions & Activities	47,932	53,861	46,580	74,860	81,098	73,431	(26,928)	(27,237)	(26,851)	9,254	5,431	705,886	694,691
Share of gains/(losses) in Associates & Joint Ventures (using the Equity Method)		-	-		-	-	-	-	-		-	-	-
General Purpose Income ¹	27,376	28,789	26,399	-	-	-	27,376	28,789	26,399	7,932	5,949		
Operating Result from Continuing Operations	75,308	82,650	72,979	74,860	81,098	73,431	448	1,552	(452)	17,186	11,380	705,886	694,691

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

Lismore City Council

Notes to the Financial Statements

for the financial year ended 30 June 2009

Note 2(b). Components of Functions / Activities

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

GOVERNANCE

Costs relating to the Council's role as a component of democratic government, including elections, members fees and expenses, subscriptions to local authority associations, meetings of council and policy making committees, area representation and public disclosure and compliance, together with related administration costs.

ADMINISTRATION

Costs not otherwise attributed to other functions / activities.

PUBLIC ORDER & SAFETY

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

HEALTH

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

COMMUNITY SERVICES & EDUCATION

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

HOUSING & COMMUNITY AMENITIES

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

WATER SUPPLIES

SEWERAGE SERVICES

RECREATION & CULTURE

Public libraries, museums, art galleries, community centres, public halls, other cultural services, swimming pools, sporting grounds, parks and gardens (lakes), other sport and recreation.

FUEL & ENERGY - Gas Supplies

MINING, MANUFACTURING & CONSTRUCTION

Building control, abattoirs, quarries and pits, other.

TRANSPORT & COMMUNICATION

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

ECONOMIC AFFAIRS

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

Lismore City Council

Notes to the Financial Statements
for the financial year ended 30 June 2009

Note 3. Income from Continuing Operations

\$ '000	Notes	Actual 2009	Actual 2008
(a). Rates & Annual Charges			
Ordinary Rates			
Residential		13,216	12,715
Farmland		3,496	3,412
Business		4,060	3,932
Total Ordinary Rates		20,772	20,059
Annual Charges (pursuant to s.496 & s.501)			
Domestic Waste Management Services		2,467	2,295
Stormwater Management Services		352	350
Water Supply Services		1,313	1,339
Sewerage Services		6,423	6,218
Waste Management Services (non-domestic)		354	349
Nimbin Transfer Station		32	31
Waste Reduction Charges		526	504
Total Annual Charges		11,467	11,086
TOTAL RATES & ANNUAL CHARGES		32,239	31,145

Council has used 2006 year valuations provided by the NSW Valuer General in calculating its rates.

Lismore City Council

Notes to the Financial Statements
for the financial year ended 30 June 2009

Note 3. Income from Continuing Operations (continued)

\$ '000	Notes	Actual 2009	Actual 2008
(b). User Charges & Fees			
Specific User Charges (per s.502 - Specific "actual use" charges)			
Water Supply Services		4,826	4,017
Sewerage Services		232	331
Total User Charges		5,058	4,348
Other User Charges & Fees			
(i) Fees & Charges - Statutory & Regulatory Functions (per s608, 610A & 611)			
Building Services		594	718
Health Control		111	98
Planning Services		370	420
Private Works - Section 67		185	290
Section 603 Certificates		58	69
Dog Registration Fees		54	33
Total Fees & Charges - Statutory/Regulatory		1,372	1,628
(ii) Fees & Charges - Other (incl. General User Charges (per s.610C))			
Aerodrome		624	657
Art Gallery		8	8
Caravan Park		157	129
Child Care		382	340
Community Centres		10	10
Library		2	2
NEWLOG Joint Venture		-	44
Parks, Gardens & Lakes		92	95
Parking Fees		42	41
Public Cemeteries		1,145	1,014
Quarry Revenues		7,212	5,330
Road Services		62	314
RTA Charges (State Roads not controlled by Council)		4,575	4,913
Sewerage Charges		18	152
Sporting Grounds		412	162
Swimming Pools		333	304
Tourism Services Charge		93	68
Waste Disposal		1,495	1,790
Water Charges		83	105
Waste Minimisation		185	176
Other		81	116
Total Fees & Charges - Other		17,011	15,770
TOTAL USER CHARGES & FEES		23,441	21,746

Lismore City Council

Notes to the Financial Statements
for the financial year ended 30 June 2009

Note 3. Income from Continuing Operations (continued)

\$ '000	Notes	Actual 2009	Actual 2008
(c). Interest & Investment Revenue (incl. losses)			
Interest & Dividends			
- Interest on Overdue Rates & Annual Charges		293	253
- Interest earned on Investments (interest & coupon payment income)		1,332	2,497
- Interest & Dividend Income - Other		18	11
Fair Value Adjustments			
- Fair Valuation Movements in Investments (unrealised capital gains/(losses))		(2,359)	(3,666)
TOTAL INTEREST & INVESTMENT REVENUE		<u>(716)</u>	<u>(905)</u>
Interest Revenue is attributable to:			
Unrestricted Investments/Financial Assets:			
Overdue Rates & Annual Charges		174	167
General Council Cash & Investments		85	391
Restricted Investments/Funds - External:			
Development Contributions			
- Section 94		(329)	(939)
- Section 64		(433)	374
Water Fund Operations		67	40
Sewerage Fund Operations		(280)	(938)
Total Interest & Investment Revenue Recognised		<u>(716)</u>	<u>(905)</u>
(d). Other Revenues			
Rental Income - Other Council Properties		209	167
Parking Fines		183	108
Other Fines		10	10
Legal Fees Recovery - Rates & Charges (Extra Charges)		95	57
Commissions & Agency Fees		9	13
Insurance Claim Recoveries		1,014	596
Masters Games		121	18
Other Events		44	15
Recycling Income (non domestic)		422	508
Other		236	78
TOTAL OTHER REVENUE		<u>2,343</u>	<u>1,570</u>

Lismore City Council

Notes to the Financial Statements
for the financial year ended 30 June 2009

Note 3. Income from Continuing Operations (continued)

\$ '000	2009 Operating	2008 Operating	2009 Capital	2008 Capital
(e). Grants				
General Purpose (Untied)				
Financial Assistance - General Component	5,554	4,109	-	-
Financial Assistance - Local Roads Component	1,979	1,447	-	-
Pensioners' Rates Subsidies - General Component	399	393	-	-
Total General Purpose	7,932	5,949	-	-
Specific Purpose				
Pensioners' Rates Subsidies:				
- Water	163	112	-	-
- Sewerage	122	120	-	-
- Domestic Waste Management	80	78	-	-
Art Gallery	129	70	-	-
Child Care	431	399	-	-
Community Care	-	-	200	-
Community Services	140	224	-	-
Diesel Rebate	184	187	-	-
Fire Control	264	193	13	-
Health	160	89	-	-
Library Services	142	220	-	-
Natural Disaster Emergency Funding	1,673	1,683	-	-
Planning Services	221	80	-	-
Public Halls	140	-	-	-
Recreation & Culture	324	-	1,034	-
Road Safety Officer	192	62	-	-
Street Lighting	151	147	-	-
Transport (Roads to Recovery)	-	-	783	783
Transport (Other Roads & Bridges Funding)	-	-	2,585	790
Other	123	120	-	74
Total Specific Purpose	4,639	3,784	4,615	1,647
Total Grants	12,571	9,733	4,615	1,647
Grant Revenue is attributable to:				
- Commonwealth Funding	8,339	6,333	1,109	783
- State Funding	4,159	3,327	3,506	790
- Other Funding	73	73	-	74
	12,571	9,733	4,615	1,647

Lismore City Council

Notes to the Financial Statements
for the financial year ended 30 June 2009

Note 3. Income from Continuing Operations (continued)

\$ '000	2009 Operating	2008 Operating	2009 Capital	2008 Capital
(f). Contributions				
Developer Contributions:				
(s93 & s94 - EP&A Act, s64 of the NSW LG Act):				
S 94 - Contributions towards amenities/services	-	-	1,065	822
S 64 - Water Supply Contributions	-	-	189	271
S 64 - Sewerage Service Contributions	-	-	497	320
Total Developer Contributions	17 -	-	1,751	1,413
Other Contributions:				
Art Gallery	23	24	-	-
Dedications (other than by S94)		-	2,376	1,157
Recreation & Culture		-	65	-
RTA Contributions (Regional/Local, Block Grant)	1,196	1,162	1,061	1,055
Sewerage (excl. Section 64 contributions)		-	627	1,751
Water Supplies (excl. Section 64 contributions)		-	290	567
Other	22	9	30	-
Total Other Contributions	1,241	1,195	4,449	4,530
Total Contributions	1,241	1,195	6,200	5,943
TOTAL GRANTS & CONTRIBUTIONS	13,812	10,928	10,815	7,590

Lismore City Council

Notes to the Financial Statements
for the financial year ended 30 June 2009

Note 3. Income from Continuing Operations (continued)

\$ '000	Actual 2009	Actual 2008
(g). Restrictions relating to Grants and Contributions		
Certain grants & contributions are obtained by Council on condition that they be spent in a specified manner:		
Unexpended at the Close of the Previous Reporting Period	13,104	15,109
add: Grants and contributions recognised in the current period which have not been spent:	5,302	2,163
less: Grants and contributions recognised in a previous reporting period which have been spent in the current reporting period:	(2,587)	(4,168)
Net Increase (Decrease) in Restricted Assets during the Current Reporting Period	2,715	(2,005)
Unexpended at the Close of this Reporting Period and held as Restricted Assets	15,819	13,104
Comprising:		
- Specific Purpose Unexpended Grants	4,386	952
- Developer Contributions	11,433	12,152
	15,819	13,104

Lismore City Council

Notes to the Financial Statements
for the financial year ended 30 June 2009

Note 4. Expenses from Continuing Operations

\$ '000	Notes	Actual 2009	Actual 2008
(a) Employee Benefits & On-Costs			
Salaries and Wages		15,550	15,165
Travelling		6	4
Employee Leave Entitlements (ELE)		3,426	2,821
Superannuation		1,693	1,328
Workers' Compensation Insurance		719	783
Fringe Benefit Tax (FBT)		67	76
Payroll Tax		144	118
Training Costs (other than Salaries & Wages)		349	457
Total Employee Costs		21,954	20,752
less: Capitalised Costs		(2,053)	(2,153)
TOTAL EMPLOYEE COSTS EXPENSED		19,901	18,599
Number of "Equivalent Full Time" Employees at year end		301	294
(b) Borrowing Costs			
(i) Interest Bearing Liability Costs			
Interest on Loans		2,276	1,702
Other Debts		28	18
Total Interest Bearing Liability Costs		2,304	1,720
less: Capitalised Costs		-	-
Total Interest Bearing Liability Costs Expensed		2,304	1,720
(ii) Other Borrowing Costs			
Discount adjustments relating to movements in Provisions (other than ELE)			
- Remediation Liabilities	25	198	106
Total Other Borrowing Costs		198	106
TOTAL BORROWING COSTS EXPENSED		2,502	1,826

Lismore City Council

Notes to the Financial Statements
for the financial year ended 30 June 2009

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Actual 2009	Actual 2008
(c) Materials & Contracts			
Raw Materials & Consumables		33,514	30,831
Auditors Remuneration			
i. Audit Services - Council's Auditor		48	64
Legal Expenses:			
- Legal Expenses - Planning & Development		27	43
- Legal Expenses - Other		67	20
- Legal Expenses - Debt Recovery		99	10
Total Materials & Contracts		33,755	30,968
less: Capitalised Costs		-	-
TOTAL MATERIALS & CONTRACTS		33,755	30,968

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Depreciation/Amortisation		Impairment Costs	
	Actual 2009	Actual 2008	Actual 2009	Actual 2008
(d) Depreciation, Amortisation & Impairment				
Plant and Equipment	3,123	2,256		-
Office Equipment	296	184		-
Furniture & Fittings	5	4		-
Land Improvements (depreciable)	295	290		-
Buildings - Specialised	1,692	489		-
Other Structures	268	131		-
Infrastructure:				
- Roads, Bridges & Footpaths	5,265	4,429		-
- Stormwater Drainage	300	287		-
- Water Supply Network	2,348	2,261		-
- Sewerage Network	5,678	5,471		-
Other Assets				
- Heritage Collections	1	1		-
Asset Reinstatement Costs	396	151		-
Intangible Assets	102	102		-
Total Depreciation & Impairment Costs	19,769	16,056	-	-
less: Capitalised Costs	(379)	(404)		-
TOTAL DEPRECIATION & IMPAIRMENT COSTS EXPENSED	19,390	15,652	-	-

Lismore City Council

Notes to the Financial Statements
for the financial year ended 30 June 2009

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Actual 2009	Actual 2008
(e) Other Expenses			
Other Expenses for the year include the following:			
- NSW Fire Brigade Levy		260	246
- NSW Rural Fire Service Levy		169	189
- Contributions: Far North Coast County Council (Noxious Plants)		107	103
- Contributions: Richmond River County Council (Flood Mitigation)		274	291
- Contributions: Tweed Regional Library		1,106	1,064
Councillor Expenses - Mayoral Fee		45	43
Councillor Expenses - Councillors' Fees		158	174
Councillors' Expenses (incl. Mayor) - Other (excluding fees above)		140	108
Donations, Contributions & Assistance to other organisations (Section 356)		190	254
Electricity & Heating		633	814
Insurance		872	713
Street Lighting		649	678
Telephone & Communications		217	247
Total Other Expenses		4,820	4,924
less: Capitalised Costs			-
TOTAL OTHER EXPENSES		4,820	4,924

Lismore City Council

Notes to the Financial Statements
for the financial year ended 30 June 2009

Note 5. Gains or Losses on Disposal of Assets

\$ '000	Notes	Actual 2009	Actual 2008
Property (excl. Investment Property)			
Proceeds from Disposal			152
less: Carrying Amount of Property Assets Sold		(9)	(49)
Net Gain/(Loss) on Disposal		(9)	103
Plant & Equipment			
Proceeds from Disposal		421	415
less: Carrying Amount of P&E Assets Sold		(242)	(146)
Net Gain/(Loss) on Disposal		179	269
Infrastructure			
Proceeds from Disposal		-	-
less: Carrying Amount of Infrastructure Assets Sold		(528)	(996)
Net Gain/(Loss) on Disposal		(528)	(996)
Real Estate Assets Held For Sale			
Proceeds from Disposal		593	67
less: Carrying Amount of Real Estate Assets Sold		(249)	-
Net Gain/(Loss) on Disposal		344	67
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		(14)	(557)

Lismore City Council

Notes to the Financial Statements
for the financial year ended 30 June 2009

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

\$ '000	2009	2009	2008	2008
	Actual Current	Actual Non Current	Actual Current	Actual Non Current
Cash & Cash Equivalents (Note 6a)				
Cash on Hand and at Bank	226		63	-
Cash-Equivalent Assets ¹				
- Deposits at Call	8,074		5,192	-
- Short Term Deposits	11,000		2,000	-
Total Cash & Cash Equivalents	19,300	-	7,255	-
Investment Securities (Note 6b)				
- Managed Funds	-	2,695	4,050	7,088
- Equity Linked Notes	-	2,405	-	2,310
- NCD's, FRN's (with Maturities > 3 months)	950	-	2,923	1,194
- CDO's	-	2,715	990	4,205
- Other Long Term Maturity Financial Instruments	-	828	-	854
Total Investment Securities	950	8,643	7,963	15,651
TOTAL CASH ASSETS, CASH EQUIVALENTS & INVESTMENTS	20,250	8,643	15,218	15,651

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

**Cash, Cash Equivalents & Investments were
classified at year end in accordance with
AASB 139 as follows:**

Cash & Cash Equivalents

a. "At Fair Value through the Profit & Loss"	<u>19,300</u>	<u>-</u>	<u>7,255</u>	<u>-</u>
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Investments

a. "At Fair Value through the Profit & Loss"				
- "Designated At Fair Value on Initial Recognition"	6(b-i) 950	8,643	7,963	15,651
Investments	<u>950</u>	<u>8,643</u>	<u>7,963</u>	<u>15,651</u>

Lismore City Council

Notes to the Financial Statements
for the financial year ended 30 June 2009

Note 6b. Investments (continued)

\$ '000	2009	2009	2008	2008
	Actual Current	Actual Non Current	Actual Current	Actual Non Current
Note 6(b-i)				
Reconciliation of Investments classified as "At Fair Value through the Profit & Loss"				
Balance at the Beginning of the Year	7,963	15,651	-	13,772
Revaluations (through the Income Statement)	64	(2,423)	(362)	(3,304)
Additions	11	3,642	9,271	2,623
Disposals (sales & redemptions)	(8,037)	(7,278)	(5,002)	(1,396)
Transfers between Current/Non Current	949	(949)	4,056	3,956
Balance at End of Year	950	8,643	7,963	15,651
Comprising:				
- Managed Funds	-	2,695	4,050	7,088
- Equity Linked Notes	-	2,405	-	2,310
- NCD's, FRN's (with Maturities > 3 months)	950	-	2,923	1,194
- CDO's	-	2,715	990	4,205
- Other Long Term Maturity Financial Assets	-	828	-	854
Total	950	8,643	7,963	15,651

Lismore City Council

Notes to the Financial Statements
for the financial year ended 30 June 2009

Note 6c. Restricted Cash, Cash Equivalents & Investments

\$ '000	2009	2009	2008	2008
	Actual Current	Actual Non Current	Actual Current	Actual Non Current
Total Cash, Cash Equivalents and Investment Securities	20,250	8,643	15,218	15,651
attributable to:				
External Restrictions (refer below)	14,238	8,643	1,936	15,651
Internal Restrictions (refer below)	5,689	-	13,282	-
Unrestricted	323	-	-	-
	20,250	8,643	15,218	15,651

2009	Opening	Transfers to	Transfers from	Closing
\$ '000	Balance	Restrictions	Restrictions	Balance

Details of Restrictions

External Restrictions - Included in Liabilities				
Other	891		(592)	299
External Restrictions - Included in Liabilities	891	-	(592)	299
External Restrictions - Other				
Developer Contributions - General (D)	5,201	989	(1,276)	4,914
Developer Contributions - Water Fund (D)	963	-	(59)	904
Developer Contributions - Sewer Fund (D)	5,988	-	(373)	5,615
RTA Contributions (E)	-			-
Specific Purpose Unexpended Grants (F)	952	3,434	-	4,386
Sewerage Services (G)	3,524	3,124	-	6,648
Domestic Waste Management (G)	68	47		115
External Restrictions - Other	16,696	7,594	(1,708)	22,582
Total External Restrictions	17,587	7,594	(2,300)	22,881

Lismore City Council

Notes to the Financial Statements
for the financial year ended 30 June 2009

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

2009 \$ '000	Opening Balance	Transfers to Restrictions	Transfers from Restrictions	Closing Balance
Internal Restrictions				
Employees Leave Entitlement	630	-	(277)	353
Specific Purpose Unexpended Loans (A)	6,825	-	(5,411)	1,414
Administrative Purposes	199	-	(111)	88
Aerodrome	104	-	(49)	55
Art Gallery	74	28	-	102
Child Care	22	3	-	25
Community Facilities	700	-	(700)	-
Community Services	95	26	-	121
Economic Development & Tourism	460	-	(50)	410
Flood Mitigation	40	83	-	123
Information Services	713	-	(309)	404
Lawn Cemetery / Crematorium	60	-	(52)	8
Legal Expenses	32	23	-	55
NEWLOG	33	4	-	37
Other Waste Services	317	-	(317)	-
Parks & Reserves	154	9	-	163
Planning Services	616	-	(315)	301
Property Management	720	-	(450)	270
Quarry Management	91	-	(91)	0
Remediation Programs	91	1	-	92
Special Projects	433	-	(411)	22
Sporting Grounds	42	-	(32)	10
Staff Development	96	-	(72)	24
Transport & Infrastructure	679	837	-	1,516
Waste Minimisation	53	40	-	93
Total Internal Restrictions	13,282	1,054	(8,647)	5,689
TOTAL RESTRICTIONS	30,869	8,648	(10,947)	28,570

A Loan moneys which must be applied for the purposes for which the loans were raised.

B Advances by the Roads and Traffic Authority for works on the State's classified roads.

C Self Insurance liability resulting from reported claims or incurred claims not yet reported.

D Development contributions which are not yet expended for the provision of services and amenities in accordance with contributions plans (refer Note 17).

E RTA Contributions which are not yet expended for the provision of services and amenities in accordance with those contributions.

F Grants which are not yet expended for the purposes for which the grants were obtained. (refer Note 1)

G Water, Sewerage, Domestic Waste Management (DWM) & other Special Rates/Levies/Charges are externally restricted assets and must be applied for the purposes for which they were raised.

Lismore City Council

Notes to the Financial Statements
for the financial year ended 30 June 2009

Note 7. Receivables

\$ '000	2009		2008	
	Current	Non Current	Current	Non Current
Purpose				
Rates & Annual Charges	1,193	1,966	1,866	1,757
Interest & Extra Charges	96	819	67	100
User Charges & Fees	383	-	262	-
Accrued Revenues				
- Interest on Investments	55	-	194	-
- Other Income Accruals	924	-	133	-
Deferred Debtors	384	374	405	746
Net GST Receivable	174	-	(46)	-
Loan to Sporting Club	43	106	41	145
Roads & Traffic Authority	1,654	-	3,170	-
Tender Deposits & Bonds	810	661	768	558
Miscellaneous Works & Services	2,522	-	2,135	-
Subordinated Debt	-	-	1,000	-
Other Debtors	55	33	108	32
Total	8,293	3,959	10,103	3,338
less: Provision for Impairment				
User Charges & Fees	(115)	-	(39)	-
Total Provision for Impairment - Receivables	(115)	-	(39)	-
TOTAL NET RECEIVABLES	8,178	3,959	10,064	3,338
Externally Restricted Receivables				
Water Supply				
- Rates & Availability Charges	1,011	303	863	261
- Other	1,221	-	262	-
Sewerage Services				
- Rates & Availability Charges	611	-	226	333
- Other	605	-	1,110	-
Domestic Waste Management	8	76	32	295
Total External Restrictions	3,456	379	2,493	889
Internally Restricted Receivables	-	-	-	-
Unrestricted Receivables	4,722	3,580	7,571	2,449
TOTAL NET RECEIVABLES	8,178	3,959	10,064	3,338

Notes on Debtors above:

- (i) Rates & Annual Charges Outstanding are secured against the property.
- (ii) Doubtful Rates Debtors are provided for where the value of the property is less than the debt outstanding.
An allowance for other doubtful debts is made when there is objective evidence that a receivable is impaired.
- (iii) Interest is charged on overdue rates & charges at 10.00% (2008 10.00%).
Generally all other receivables are non interest bearing.
- (iv) Please refer to Note 15 for issues concerning Credit Risk and Fair Value disclosures.

Lismore City Council

Notes to the Financial Statements
for the financial year ended 30 June 2009

Note 8. Inventories & Other Assets

\$ '000	2009		2008	
	Current	Non Current	Current	Non Current
Inventories				
Real Estate for resale (refer below)	6,040	-	6,332	-
Stores & Materials	869	-	789	-
Trading Stock	1,583	-	841	-
Total Inventories	8,492	-	7,962	-
Other Assets				
Prepayments	22	-	64	-
Total Other Assets	22	-	64	-
TOTAL INVENTORIES & OTHER ASSETS	8,514	-	8,026	-
Details for Real Estate Development				
Residential	30	-	16	-
Industrial/Commercial	6,010	-	6,316	-
Other Properties	-	-	-	-
Total Real Estate for Resale	6,040	-	6,332	-
(Valued at the lower of cost and net realisable value)				
Represented by:				
Acquisition Costs	3,347	-	3,220	-
Development Costs	2,693	-	3,112	-
Total Costs	6,040	-	6,332	-
less: Provision for Under Recovery	-	-	-	-
Total Real Estate for Resale	6,040	-	6,332	-
Movements:				
Real Estate assets at beginning of the year	6,332	-	5,829	-
- Purchases and other costs	(43)	-	503	-
- WDV of Sales (recognised as exp's)	(249)	-	-	-
Total Real Estate for Resale	6,040	-	6,332	-

Lismore City Council

Notes to the Financial Statements
for the financial year ended 30 June 2009

Note 8. Inventories & Other Assets (continued)

\$ '000	2009		2008	
	Current	Non Current	Current	Non Current
(i) Externally Restricted Assets				
Water				
Stores & Materials	242	-	226	-
Trading Stock	-	-	-	-
Prepayments	-	-	-	-
Total Water	242	-	226	-
Sewerage				
Stores & Materials	201	-	153	-
Trading Stock	-	-	-	-
Prepayments	-	-	-	-
Total Sewerage	201	-	153	-
Total Externally Restricted Assets	443	-	379	-
Total Internally Restricted Assets	-	-	-	-
Total Unrestricted Assets	8,071	-	7,647	-
TOTAL INVENTORIES & OTHER ASSETS	8,514	-	8,026	-

(ii) Other Disclosures**(a) Current Assets not anticipated to be settled within the next 12 months**

The following Inventories & Other Assets, even though classified as current are not expected to be recovered in the next 12 months;

	2009	2008
Real Estate for Resale	4,946	5,087
	4,946	5,087

Note 9a. Infrastructure, Property, Plant & Equipment

S '000	as at 30/6/2008				Asset Movements during the Reporting Period														as at 30/6/2009						
	At	At	Accumulated	Carrying	Asset	WDV-Asset	Depreciation	Impairment -	Impairment -	Impairment -	Impairment -	Adjustments &	Tfrs from/(to) -	Tfrs from/(to)	Tfrs from/(to)	Revaluation	Revaluation	Reversal of	Revaluation	At	At	Accumulated	Carrying		
	Cost	Fair Value	Deprec.	Impairment	Value	Additions	Disposals	Expense	Loss to P/L	Loss to Equity	Reversal to P/L	Reversal to Equity	Transfers	Amalgamations	"Held for Sale" category	Inv. Properties	Decrements to P&L	Decrements to Equity (ARR)	of prior period Revaluation Decrements to the P&L	Increases to Equity (ARR)	Cost	Fair Value	Dep'n	Impairment	Value
Capital Work in Progress	7,726	-	-	-	7,726	6,624	-	-	-	-	-	(7,710)	-	-	-	-	-	-	-	6,640	-	-	-	6,640	
Plant & Equipment	24,687	-	12,525	-	12,162	2,419	(242)	(3,123)	-	-	-	-	-	-	-	-	-	-	-	25,164	13,948	-	-	11,216	
Office Equipment	3,019	-	2,323	-	696	411	-	(296)	-	-	-	-	-	-	-	-	-	-	-	3,430	2,619	-	-	811	
Furniture & Fittings	372	-	367	-	5	3	-	(5)	-	-	-	-	-	-	-	-	-	-	-	374	371	-	-	3	
Plant & Equipment (under Finance Lease)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Land:																									
- Operational Land	-	31,737	-	-	31,737	67	(9)	-	-	-	-	130	-	-	-	-	-	-	-	31,925	-	-	-	31,925	
- Community Land	4,429	-	-	-	4,429	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4,429	-	-	-	4,429	
- Land under Roads (purchased pre 1/7/08)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
- Land under Roads (purchased post 30/6/08)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Land Improvements - non depreciable	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Land Improvements - depreciable	15,478	-	6,270	-	9,208	649	-	(295)	-	-	-	59	-	-	-	-	-	-	-	16,186	6,565	-	-	9,621	
Buildings - Non Specialised	-	1,120	590	-	530	-	-	-	-	-	-	-	-	-	-	-	-	-	-	530	-	-	-	530	
Buildings - Specialised	-	68,254	24,226	-	44,028	9,972	-	(1,692)	-	-	-	5,064	-	-	-	-	-	-	-	83,882	26,510	-	-	57,372	
Other Structures	12,561	-	3,458	-	9,103	620	-	(268)	-	-	-	-	-	-	-	-	-	-	-	13,182	3,727	-	-	9,455	
Infrastructure:																									
- Roads, Bridges, Footpaths	213,666	-	132,754	-	80,912	3,638	(130)	(5,265)	-	-	-	1,785	-	-	-	-	-	-	-	218,915	137,975	-	-	80,940	
- Bulk Earthworks (non-depreciable)	254,586	-	76,384	-	178,202	968	-	-	-	-	-	-	-	-	-	-	-	-	-	255,554	76,384	-	-	179,170	
- Stormwater Drainage	25,148	-	7,741	-	17,407	808	(2)	(300)	-	-	-	13	-	-	-	-	-	-	-	25,967	8,041	-	-	17,926	
- Water Supply Network	-	133,783	62,165	-	71,618	1,027	(112)	(2,348)	-	-	-	42	-	-	-	-	-	2,140	-	138,458	66,091	-	-	72,367	
- Sewerage Network	-	304,063	132,962	-	171,101	1,190	(284)	(5,678)	-	-	-	617	-	-	-	-	-	4,946	-	314,120	142,228	-	-	171,892	
Other Assets:																									
- Heritage Collections	83	-	9	-	74	-	-	(1)	-	-	-	-	-	-	-	-	-	-	-	83	10	-	-	73	
- Library Books	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
- Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Reinstatement, Rehabilitation & Restoration Assets (refer Note 26):																									
- Tip Asset	2,023	-	435	-	1,588	-	-	(364)	-	-	-	(511)	-	-	-	-	-	-	-	1,513	800	-	-	713	
- Quarry Asset	1,139	-	191	-	948	-	-	(32)	-	-	-	(673)	-	-	-	-	-	-	-	467	224	-	-	243	
- Other Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
TOTAL INFRASTRUCTURE, PROPERTY, PLANT & EQUIP.	564,917	538,957	462,400	-	641,474	28,396	(779)	(19,667)	-	-	-	(1,184)	-	-	-	-	-	-	7,086	542,936	597,883	485,493	-	655,326	

Lismore City Council

Notes to the Financial Statements
for the financial year ended 30 June 2009Note 9b. Infrastructure, Property, Plant & Equipment
that is Externally Restricted

\$ '000 Class of Asset	Actual 2009				Actual 2008			
	At Cost	At Fair Value	A/Dep & Impairm't	Carrying Value	At Cost	At Fair Value	A/Dep & Impairm't	Carrying Value
Water Supply								
Plant & Equipment	704		480	224	726	-	403	323
Office Equipment	55		47	8	55	-	39	16
Land								
- Operational Land		1,208		1,208	-	1,208	-	1,208
Buildings		451	168	283	-	451	158	293
Other Structures	33		10	23	650	-	9	641
Infrastructure		138,458	66,091	72,367	1,828	131,955	62,165	71,618
Total Water Supply	792	140,117	66,796	74,113	3,259	133,614	62,774	74,099
Sewerage Services								
Plant & Equipment	1,014		743	271	882	-	642	240
Office Equipment	88		88	-	88	-	88	-
Land								
- Operational Land		2,362		2,362	-	2,362	-	2,362
Buildings		1,153	330	823	-	1,153	307	846
Other Structures	14		2	12	56	-	1	55
Infrastructure		314,120	142,228	171,892	3,732	300,331	132,962	171,101
Total Sewerage Services	1,116	317,635	143,391	175,360	4,758	303,846	134,000	174,604
Management								
Land								
- Operational Land		111		111	111	-	-	111
- Improvements - depreciable	1,328	-	199	1,129	1,229	-	180	1,049
Total DWM	1,328	111	199	1,240	1,340	-	180	1,160
TOTAL RESTRICTED I,PP&E	3,236	457,863	210,386	250,713	9,357	437,460	196,954	249,863

Note 9c. Infrastructure, Property, Plant & Equipment
Gains/(Losses) arising from the Impairment of Assets

Council has not recognised any impairment losses during the reporting period nor reversed any prior period losses.

Lismore City Council

Notes to the Financial Statements
for the financial year ended 30 June 2009

Note 10a. Payables, Borrowings & Provisions

\$ '000	Notes	2009		2008	
		Current	Non Current	Current	Non Current
Payables					
Goods & Services - operating expenditure		2,166	-	3,139	-
Goods & Services - capital expenditure		1,106	-	1,971	-
Payments Received In Advance		45	-	32	-
Accrued Expenses;					
- Other Expenditure Accruals		1,031	-	1,445	-
Security Bonds, Deposits & Retentions		810	661	768	558
Trustee Items		166	360	176	325
Contributions to Works		953	150	877	290
Other		936	-	995	934
Total Payables		7,213	1,171	9,403	2,107
Borrowings					
Loans - Secured ¹		2,024	36,324	1,755	30,407
Total Borrowings		2,024	36,324	1,755	30,407
Provisions					
Employee Benefits;					
Annual Leave		1,958	-	1,796	-
Long Service Leave		2,744	102	2,436	85
Leave in Lieu		43	-	48	-
Sub Total - Aggregate Employee Benefits		4,745	102	4,280	85
Asset Remediation/Restoration (Future Work)	25	46	2,519	46	3,504
Total Provisions		4,791	2,621	4,326	3,589
Total Payables, Borrowings & Provisions		14,028	40,116	15,484	36,103

(i) Liabilities relating to Restricted Assets

	2009		2008	
	Current	Non Current	Current	Non Current
Externally Restricted Assets				
Domestic Waste Management	98	2	86	-
Water	341	975	333	-
Sewer	391	2,153	60	1,251
Other	299	-	891	-
Liabilities relating to externally restricted assets	1,129	3,130	1,370	1,251
Total Liabilities relating to restricted assets	1,129	3,130	1,370	1,251

¹: Loans are secured over the General Rating Income of Council

Disclosures on Liability Interest Rate Risk Exposures, Fair Value Disclosures & Security can be found in Note 15.

Lismore City Council

Notes to the Financial Statements
for the financial year ended 30 June 2009

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

\$ '000	2009	2008
(ii) Current Liabilities not anticipated to be settled within the next 12 months		
The following Liabilities, even though classified as current, are not expected to be settled in the next 12 months.		
Provisions - Employees Benefits	2,911	2,622
	<u>2,911</u>	<u>2,622</u>

Note 10b. Description of and movements in Provisions

Class of Provision	2008		2009			Closing Balance as at 30/6/09
	Opening Balance as at 1/7/08	Additional Provisions	Decrease due to Payments	Remeasurement effects due to Discounting	Unused amounts reversed	
Annual Leave	1,796	1,509	(1,347)			1,958
Sick Leave	-	-	-			-
Long Service Leave	2,521	1,031	(706)			2,846
Other Leave	48	213	(218)			43
Asset Remediation	3,550	(985)				2,565
TOTAL	7,915	1,768	(2,271)	-	-	7,412

a. Employees Leave Entitlements & On-Costs represents those benefits accrued and payable and an estimate of those that will become payable in the future as a result of past service.

b. Asset Remediation, Reinstatement & Restoration Provisions represent the Present Value estimate of future costs Council will incur in order to remove, restore & remediate assets &/or activities as a result of past operations.

Lismore City Council

Notes to the Financial Statements
for the financial year ended 30 June 2009

Note 11. Cash Flow Statement - Additional Information

\$ '000	Notes	Actual 2009	Actual 2008
(a) Reconciliation of Cash Assets			
Total Cash & Cash Equivalent Assets	6a	19,300	7,255
BALANCES as per the CASH FLOW STATEMENT		19,300	7,255
(b) Reconciliation of Net Operating Result to Cash provided from Operating Activities			
Net Operating Result from Income Statement		1,552	(452)
Adjust for non cash items:			
Depreciation & Amortisation		19,390	15,652
Net Losses/(Gains) on Disposal of Assets		14	557
Non Cash Capital Grants and Contributions		(3,293)	(3,565)
Losses/(Gains) recognised on Fair Value Re-measurements through the P&L:			
- Investments classified as "@ Fair Value" or "Held for Trading"		2,359	3,666
Amortisation of Premiums, Discounts & Prior Period Fair Valuations			
Unwinding of Discount Rates on Reinstatement Provisions		198	56
+/- Movement in Operating Assets and Liabilities & Other Cash Items:			
Decrease/(Increase) in Receivables		796	(2,413)
Increase/(Decrease) in Provision for Doubtful Debts		76	9
Decrease/(Increase) in Inventories		(822)	(374)
Decrease/(Increase) in Other Current Assets		42	63
Increase/(Decrease) in Payables		(973)	648
Increase/(Decrease) in other accrued Expenses Payable		(414)	979
Increase/(Decrease) in Other Current Liabilities		(874)	(220)
Increase/(Decrease) in Employee Leave Entitlements		482	7
Increase/(Decrease) in Other Provisions		(1,183)	1,800
NET CASH PROVIDED FROM/(USED IN) OPERATING ACTIVITIES from CASH FLOW STATEMENT		17,350	16,413

Lismore City Council

Notes to the Financial Statements
for the financial year ended 30 June 2009

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

\$ '000	Notes	Actual 2009	Actual 2008
(c) Non-Cash Investing & Financing Activities			
Other Dedications		3,293	3,565
Total Non-Cash Investing & Financing Activities		3,293	3,565
(d) Financing Arrangements			
(i) Unrestricted access was available at balance date to the following lines of credit:			
Bank Overdraft Facilities ⁽¹⁾		750	750
Credit Cards / Purchase Cards		62	62
Total Financing Arrangements		812	812

1. The Bank overdraft facility may be drawn at any time and may be terminated by the bank without notice.
Interest rates on overdrafts are Interest Rates on Loans & Other Payables are disclosed in Note 15.

(ii) Secured Loan Liabilities

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

(e) Net Cash Flows Attributable to Discontinued Operations

Please refer to Note 23 for details of Cash Flows that relate to Discontinued Operations

Lismore City Council

Notes to the Financial Statements
for the financial year ended 30 June 2009

Note 12. Commitments for Expenditure

\$ '000	Notes	Actual 2009	Actual 2008
(a) Capital Commitments (exclusive of GST)			
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:			
Infrastructure, Property, Plant & Equipment			
Buildings, Pools & Other Structures		558	10,090
Flood Levy Construction		79	96
Infrastructure - Water		-	975
Infrastructure - Wastewater		-	713
Total Commitments		637	11,874
These expenditures are payable as follows:			
Within the next year		637	11,874
Later than one year and not later than 5 years		-	-
Later than 5 years		-	-
Total Payable		637	11,874
Sources for Funding of Capital Commitments:			
Unrestricted General Funds		637	4,051
Sect 64 & 94 Funds/Reserves		-	2,627
Internally Restricted Reserves		-	50
Unexpended Loans		-	5,146
Total Sources of Funding		637	11,874
(b) Other Expenditure Commitments (exclusive of GST)			
Other Non Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:			
Cleaning Services		-	231
Audit Services		172	215
Management Contracts for Council Facilities		665	370
Remediation of former Gasworks Site		78	78
Security Services		-	245
Total Commitments		915	1,139
These expenditures are payable as follows:			
Within the next year		405	827
Later than one year and not later than 5 years		510	312
Later than 5 years		-	-
Total Payable		915	1,139

Lismore City Council

Notes to the Financial Statements
for the financial year ended 30 June 2009

Note 12. Commitments for Expenditure (continued)

\$ '000	Notes	Actual 2009	Actual 2008
(c) Finance Lease Commitments			
Nil			
(d) Operating Lease Commitments (Non Cancellable)			
a. Commitments under Non Cancellable Operating Leases at the Reporting date, but not recognised as Liabilities are payable:			
Within the next year		566	628
Later than one year and not later than 5 years		818	546
Total Non Cancellable Operating Lease Commitments		1,384	1,174

b. Non Cancellable Operating Leases include the following assets:

Motor Vehicles, Heavy Plant, Office Rental.

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

Lismore City Council

Notes to the Financial Statements
for the financial year ended 30 June 2009

Note 12. Commitments for Expenditure (continued)

\$ '000	Notes	Actual 2009	Actual 2008
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Conditions relating to Finance & Operating Leases:

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

(e) Investment Property Commitments

Nil

(f) Remuneration Commitments

Commitments for the payment of salaries & other remuneration under long-term employment contracts in existence at reporting date but not recognised as liabilities are payable:

Within the next year	416	368
Later than one year and not later than 5 years	931	482
Later than 5 years	-	-
Total Payable	1,347	850

(g) Investment in Associates / Joint Ventures - Commitments

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

Lismore City Council

Notes to the Financial Statements
for the financial year ended 30 June 2009

Note 13. Statement of Performance Measurement - Indicators

\$ '000	Amounts 2009	Indicator 2009	Prior Periods 2008 2007	
1. Unrestricted Current Ratio				
Current Assets less all External Restrictions ⁽¹⁾	<u>13,859</u>	1.39 : 1	2.04	2.57
Current Liabilities less Specific Purpose Liabilities ^(2,3)	<u>9,988</u>			
2. Debt Service Ratio				
Debt Service Cost	<u>4,184</u>	6.34%	5.33%	4.54%
Revenue from Continuing Operations excluding Capital Items & Specific Purpose Grants/Contributions	<u>65,955</u>			
3. Rates & Annual Charges Coverage Ratio				
Rates & Annual Charges	<u>32,239</u>	39.01%	42.68%	43.47%
Revenue from Continuing Operations	<u>82,650</u>			
4. Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage				
Rates, Annual & Extra Charges Outstanding	<u>4,074</u>	11.19%	10.89%	10.23%
Rates, Annual & Extra Charges Collectible	<u>36,417</u>			
5. Building & Infrastructure Renewals Ratio				
Asset Renewals ⁽⁴⁾ [Buildings & Infrastructure]	<u>9,976</u>	65.28%	109.38%	n/a
Depreciation, Amortisation & Impairment (Building & Infrastructure Assets)	<u>15,283</u>			

Notes

⁽¹⁾ Refer Notes 6-8 inclusive.

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

⁽²⁾ Refer to Note 10(a).

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

⁽⁴⁾ Asset Renewals represent the replacement &/or refurbishment of existing assets to an equivalent capacity or performance as opposed to the acquisition of new assets (or the refurbishment of old assets) that increases capacity/performance.

Lismore City Council

Notes to the Financial Statements
for the financial year ended 30 June 2009

Note 14. Investment Properties

\$ '000	Actual 2009	Actual 2008
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Council has not classified any Land or Buildings as "Investment Properties"

Note 15. Financial Risk Management

\$ '000

Risk Management

Council's activities expose it to a variety of financial risks including (i) price risk, (ii) credit risk, (iii) liquidity risk and (iv) interest rate risk.

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

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

Financial risk management is carried out by Council's Finance Section under policies approved by the Council.

A comparison by category of the carrying amounts and fair values of Council's Financial Assets & Financial Liabilities recognised in the financial statements is presented below.

	Carrying Value		Fair Value	
	2009	2008	2009	2008
Financial Assets				
Cash and Cash Equivalents	19,300	7,255	19,300	7,255
Investments				
- "Designated At Fair Value on Initial Recognition"	9,593	23,614	9,593	23,614
Receivables	12,137	13,402	12,138	13,402
Total Financial Assets	41,030	44,271	41,031	44,271
Financial Liabilities				
Bank Overdraft	-	-	-	-
Payables	8,339	11,478	8,338	11,426
Loans / Advances	38,348	32,162	37,251	33,558
Lease Liabilities	-	-	-	-
Other Financial Liabilities	-	-	-	-
Total Financial Liabilities	46,687	43,640	45,589	44,984

Fair Value is determined as follows:

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

Lismore City Council

Notes to the Financial Statements

for the financial year ended 30 June 2009

Note 15. Financial Risk Management (continued)

\$ '000

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

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

Council's Financial Section manages its Cash & Investments portfolio with the assistance of independent advisors.

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

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

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

A further risk associated with Cash & Investments is credit risk - the risk that the counterparty (to an investment) will not complete their obligations particular to a financial instrument, resulting in a financial loss to Council - be it of a capital or income nature.

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

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

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

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

	Increase of Values/Rates		Decrease of Values/Rates	
	Profit	Equity	Profit	Equity
2009				
Possible impact of a 10% movement in Market Values	-	959	-	(959)
Possible impact of a 1% movement in Interest Rates	289	-	(289)	-
2008				
Possible impact of a 10% movement in Market Values	-	2,264	-	(2,264)
Possible impact of a 1% movement in Interest Rates	317	-	(319)	-

Lismore City Council

Notes to the Financial Statements
for the financial year ended 30 June 2009

Note 15. Financial Risk Management (continued)

 \$ '000

(b) Receivables

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

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

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

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

Council makes suitable provision for doubtful receivables as required and carries out credit checks on most non-rate debtors.

There are no material receivables that have been subjected to a re-negotiation of repayment terms.

A profile of Council's receivables credit risk at balance date follows:

	2009	2009	2008	2008
	Rates & Annual Charges	Other Receivables	Rates & Annual Charges	Other Receivables
(i) Ageing of Receivables				
Current (not yet overdue)	353	7,421	883	8,085
Overdue	2,806	1,672	2,740	1,733
	<u>3,159</u>	<u>9,093</u>	<u>3,623</u>	<u>9,818</u>

Lismore City Council

Notes to the Financial Statements
for the financial year ended 30 June 2009

Note 15. Financial Risk Management (continued)

\$ '000

(c) Payables & Borrowings

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

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

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

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

\$ '000	Subject to no maturity	payable in:						Total Cash Outflows	Actual Carrying Values
		≤ 1 Year	1-2 Yrs	2-3 Yrs	3-4 Yrs	4-5 Yrs	> 5 Yrs		
2009									
Trade/Other Payables	1,471							1,471	8,339
Loans & Advances		2,125	2,117	2,239	2,305	2,423	28,583	39,792	38,348
Total Financial Liabilities	1,471	2,125	2,117	2,239	2,305	2,423	28,583	41,263	46,687
2008									
Trade/Other Payables	1,326	-	-	-	-	-	-	1,326	11,478
Loans & Advances	-	1,838	1,884	1,917	2,012	2,061	23,993	33,705	32,162
Total Financial Liabilities	1,326	1,838	1,884	1,917	2,012	2,061	23,993	35,031	43,640

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

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

	2009		2008	
	Carrying Value	Average Interest Rate	Carrying Value	Average Interest Rate
Trade/Other Payables	8,339	0.0%	11,478	0.0%
Loans & Advances - Fixed Interest Rate	38,348	6.8%	32,162	6.7%
	<u>46,687</u>		<u>43,640</u>	

Lismore City Council

Notes to the Financial Statements
for the financial year ended 30 June 2009

Note 16. Material Budget Variations

\$ '000

Council's Original Financial Budget for 08/09 was incorporated as part of its Management Plan and was adopted by the Council on 19 June 2008.

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

This Note sets out the details of MATERIAL VARIATIONS between Council's Original Budget and its Actual results for the year as per the Income Statement - even though such variations may have been adjusted for during each Quarterly Budget Review.

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

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

\$ '000	2009 Budget	2009 Actual	2009 Variance*	
REVENUES				
Rates & Annual Charges	32,887	32,239	(648)	(2%) U
User Charges & Fees	21,662	23,441	1,779	8% F
Interest & Investment Revenue	1,476	(716)	(2,192)	(149%) U
Council's investment portfolio is valued at market to market valuation, with 2009 reporting a decline in the market value of investments of \$2.4million. This movement varies from year to year and is not quantifiable at the time of budget preparation. Interest revenues excluding the market valuation movement were \$1.6 million.				
Other Revenues	1,005	2,343	1,338	133% F
Insurance refunds totalling \$1million for property damage associated with storms were received. Revenue for the Master Games bi-annual event to be held in September 2009 received in advance \$120k. Parking fine revenue higher than anticipated \$53k Legal fees associated with debt collection were recovered \$95k.				
Operating Grants & Contributions	10,296	13,812	3,516	34% F
New grants were received throughout the year which were not anticipated: Natural Disaster \$1.672 million Storm Damage Grants- \$190k, Federal Assistance grants for 2010 received in advance \$1.5million, Splendour in the Grass Grant - Art gallery \$100k and Federal Government Regional infrastructure grants \$140k (these funds being distributed to rural halls).				
Capital Grants & Contributions	4,496	10,815	6,319	141% F
Additional grants and contributions were received for the following projects: Nesbit Park \$230k, Woodlark Street Redevelopment \$1.375million, RTA Timber bridge replacement program \$1.2million, Non cash developer contributions \$2.2million, Margaret Olley Art Complex \$100k, Roads to Recovery budgeted as operating applied as capital \$800k, black spots program \$190k				
Net Gains from Disposal of Assets	3,486	-	(3,486)	(100%) U
Sales of property did not proceed as anticipated due to market conditions.				
Share of Net Profits - Joint Ventures & Associates	-	-	-	0% F

Lismore City Council

Notes to the Financial Statements
for the financial year ended 30 June 2009

Note 16. Material Budget Variations (continued)

\$ '000	2009 Budget	2009 Actual	2009 ----- Variance* -----		
EXPENSES					
Employee Benefits & On-Costs	18,995	19,901	(906)	(5%)	U
Borrowing Costs	2,431	2,502	(71)	(3%)	U
Materials & Contracts	30,915	33,755	(2,840)	(9%)	U
Depreciation & Amortisation	17,319	19,390	(2,071)	(12%)	U
<p>Water and Wastewater assets were reported as fair value in 2007 and are indexed annually. The indexation can result in some variations to the depreciation anticipated. Some assets were not depreciated correctly in 2008 with this expense being included in 2009, the amount was not material.</p>					
Impairment Expenses	-	-	-	0%	F
Other Expenses	5,200	4,820	380	7%	F
Net Losses from Disposal of Assets	-	14	(14)	0%	U
Share of Net Losses - Joint Ventures & Associates	-	-	-	0%	F
Operating Result from Discontinued Operations	-	-	-	0%	F

Lismore City Council

Notes to the Financial Statements
for the financial year ended 30 June 2009

Note 16. Material Budget Variations (continued)

\$ '000	2009 Budget	2009 Actual	2009 Variance*		
Budget Variations relating to Council's Cash Flow Statement include:					
Cash Flows from Operating Activities	13,531	17,350	3,819	28.2%	F
The major variance is attributable to Grants and Contributions					
Significant variances for Grants and Contributions have been outlined previously in Note 16 and all apply for this section except for Non cash developer contributions which are excluded from the cash flow. Some of the additional grants received were in advance of works being undertaken, therefore having a positive impact on Council's cash position. These grants are Federal Assistance Grant \$1.5million, Revitalisation Woodlark St \$1.375 million. In addition Council received other grants that have not been fully expended but are committed to 2009/10; Homeless Shelter \$200k and the Federal Government's infrastructure grants \$900k.					
Cash Flows from Investing Activities	(23,265)	(11,491)	11,774	(50.6%)	F
Investments were matured during the year due to market conditions, Council reviewing its portfolio and cash flow requirements. This has resulted in more inflow of funds than budgeted with these funds now being held as cash asset rather than investments.					
Cash Flows from Financing Activities	6,466	6,186	(280)	(4.3%)	U

Lismore City Council

Notes to the Financial Statements
for the financial year ended 30 June 2009

Note 17. Statement of Developer Contributions

\$ '000

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

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

SUMMARY OF CONTRIBUTIONS & LEVIES

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Rec. & Community Facilities	2,022	224	-	(79)	(810)	-	1,357	1,141	(2,552)	(54)	-
Car Parking	28	-	-	(2)	-	-	27	353	(384)	(4)	-
Strategic Urban Roads	1,850	523	-	(157)	-	-	2,216	22,695	(22,714)	2,197	-
Rural Fire Services	75	6	-	(5)	-	-	76	19	(63)	32	-
Footpaths/Cycleways	157	37	-	(13)	-	-	181	195	(395)	(19)	-
S. E. S.	31	6	-	(2)	-	-	35	33	(38)	30	-
Nimbin Traffic Management	2	2	-	-	-	-	4	30	(34)	-	-
Rural Roads	1,022	267	-	(71)	(213)	-	1,005	1,667	(2,835)	(163)	-
Other											
S94 Contributions - under a Plan	5,187	1,065	-	(329)	(1,023)	-	4,901	26,133	(29,015)	2,019	-
S94A Levies - under a Plan	-	-	-	-	-	-	-				-
Total S94 Revenue Under Plans	5,187	1,065	-	(329)	(1,023)	-	4,901				-
S94 not under Plans	13	-	-	-	-	-	13	-	-	13	-
S64 Contributions	6,952	686	-	(433)	(686)	-	6,519				-
Total Contributions	12,152	1,751	-	(762)	(1,709)	-	11,433	26,133	(29,015)	2,032	-

S94 CONTRIBUTIONS - UNDER A PLAN

Contribution Plan Number 1 - Recreation & Community Facilities

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
City Wide	444	75	-	(18)	(164)	-	337	680	(938)	79	-
Local:											
- Urban Catchment (East)	1,077	93	-	(39)	(602)	-	529	186	(822)	(107)	-
- Urban Catchment (West)	-	5	-	-	(5)	-	-	13	(13)	-	-
- Nimbin & District	4	8	-	-	(4)	-	8	10	(13)	5	-
- The Channon & District	1	-	-	-	-	-	1	-	-	1	-
- North East	13	1	-	(1)	-	-	13	14	(27)	-	-
- Clunes/Bexhill/Eltham	57	-	-	(2)	-	-	55	-	(55)	-	-
- South West	7	-	-	-	-	-	7	23	(26)	4	-
- South East	3	-	-	-	-	-	3	7	(9)	1	-
Street Trees:											
- Residential	205	17	-	(9)	-	-	213	140	(371)	(18)	-
- Industrial/Commercial	15	1	-	(1)	-	-	15	16	(33)	(2)	-
Urban Bushland	196	24	-	(9)	(35)	-	176	52	(245)	(17)	-
Total	2,022	224	-	(79)	(810)	-	1,357	1,141	(2,552)	(54)	-

Contribution Plan Number 2 - Car Parking

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Lismore CBD	29	-	-	(2)	-	-	27	22	(53)	(4)	-
Nimbin Village	-	-	-	-	-	-	-	331	(331)	-	-
Total	29	-	-	(2)	-	-	27	353	(384)	(4)	-

Lismore City Council

Notes to the Financial Statements
for the financial year ended 30 June 2009

Note 17. Statement of Developer Contributions (continued)

\$ '000

S94 CONTRIBUTIONS - UNDER A PLAN

Contribution Plan Number 3 - Strategic Urban Roads

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Residential/Commercial/Industrial	1,850	523		(157)	-	-	2,216	22,695	(22,714)	2,197	
Total	1,850	523	-	(157)	-	-	2,216	22,695	(22,714)	2,197	-

Contribution Plan Number 4 - Rural Fire Services

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
All areas	75	6		(5)	-	-	76	19	(63)	32	
Total	75	6	-	(5)	-	-	76	19	(63)	32	-

Contribution Plan Number 5 - Footpaths/Cycleways

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Urban Area							-				
Trunk	56	21		(5)	-	-	72	128	(207)	(7)	
Internal	100	16		(8)	-	-	108	67	(188)	(13)	
Total	157	37	-	(13)	-	-	181	195	(395)	(19)	-

Contribution Plan Number 6 - S.E.S.

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
All areas	31	6		(2)	-	-	35	33	(38)	30	
Total	31	6	-	(2)	-	-	35	33	(38)	30	-

Contribution Plan Number 7 - Nimbin Traffic Management

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Residential/Commercial/Industrial	2	2		-	-	-	4	30	(34)	-	
Total	2	2	-	-	-	-	4	30	(34)	-	-

Contribution Plan Number 8 - Rural Roads

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Rural	883	235		(61)	(213)	-	844	1,565	(2,555)	(146)	
Village Rural Roads	139	32		(10)	-	-	161	102	(280)	(17)	
Total	1,022	267	-	(71)	(213)	-	1,005	1,667	(2,835)	(163)	-

S94 CONTRIBUTIONS - NOT UNDER A PLAN

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

Lismore City Council

Notes to the Financial Statements
for the financial year ended 30 June 2009

Note 17. Statement of Developer Contributions (continued)

\$ '000

S64 Contributions

Contribution Plan Number 10 - Section 64

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Water Supplies:											
- Urban Reservoir	212	137		(12)	(137)		200	981	(1,203)	(22)	
- Dunoon etc	350	7		(21)	(7)		329	398	(763)	(36)	
- Clunes	328	-		(19)	-		309	1	(343)	(33)	
- Nimbin & District	109	45		(7)	(45)		102	98	(212)	(12)	
- Caniaba	(37)	-					(37)	39	(2)	-	
sub total	962	189	-	(59)	(189)	-	903	1,517	(2,523)	(103)	-
Sewer Supplies:											
- Lismore	5,742	405		(359)	(405)		5,383	3,007	(8,999)	(609)	
- Nimbin	248	77		(15)	(77)		233	159	(418)	(26)	
- Caniaba	-	15		-	(15)		-	19	(19)	-	
sub total	5,990	497	-	(374)	(497)	-	5,616	3,185	(9,436)	(635)	-
Total	6,952	686	-	(433)	(686)	-	6,519	4,702	(11,959)	(738)	-

Lismore City Council

Notes to the Financial Statements for the financial year ended 30 June 2009

Note 18. Contingencies & Other Assets/Liabilities Not Recognised

\$ '000

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

LIABILITIES NOT RECOGNISED:

1. Guarantees

(i) Defined Benefit Superannuation Contribution Plans

Council participates in an employer sponsored Defined Benefit Superannuation Scheme referred to as The Local Government Superannuation Scheme - Pool B (the Scheme). Council makes contributions as determined by the Superannuation Scheme's Trustees.

The Scheme is a defined benefit plan that has been deemed to be a "multi-employer fund" for purposes of AASB119. Sufficient information under AASB119 is not available to account for the Scheme as a defined benefit plan, because the assets to the Scheme are pooled together for all employers.

The last valuation of the Scheme was performed by Mr Martin Stevenson BSc, FIA, FIAA on 19th June 2007 and covers the period ended 30 June 2006. However the position is monitored annually and the actuary has estimated that as at 30 June 2009 a deficit exists. Effective from 1 July 2009, employers are required to contribute at twice the "notional" or long term cost for a period of up to ten years in order to rectify this deficit. The share of this deficit that can be broadly attributed to the employer was estimated to be in the order of \$2,869,532 as at June 2009.

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

(ii) Statewide Limited

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

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

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

(iii) StateCover Limited

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

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

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

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

(iii) Sporting Club Guarantee

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

Lismore City Council

Notes to the Financial Statements for the financial year ended 30 June 2009

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

\$ '000

LIABILITIES NOT RECOGNISED:

1. Guarantees (continued)

(iv) Other Guarantees

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

2. Other Liabilities

(i). Gasworks Site

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

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

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

(ii). Third Party Claims

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

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

(iii) NORPOOL Insurance Claim

For the period 31/12/93 - 30/6/97, the firm HIH was the underwriter for NORPOOL in respect to claims from \$100,000 to \$20M.

The collapse of HIH leaves NORPOOL & ultimately Council exposed to such claims.

A similar situation arises in respect to claims between \$2M and \$20M for the period 30/6/97 - 30/6/99.

For the period 30/6/97 - 30/6/00, a London firm, Independent Insurance Company Ltd, provided coverage for 50% of any claim up to \$2M.

This company has been placed in liquidation.

At this stage, Council is unaware of any outstanding claims relating to these periods of insurances.

(iv) S94 Plans

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

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

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

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

Lismore City Council

Notes to the Financial Statements for the financial year ended 30 June 2009

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

\$ '000

LIABILITIES NOT RECOGNISED:

2. Other Liabilities (continued)

(v) Potential Land Acquisitions due to Planning Restrictions imposed by Council

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

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

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

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) Richmond - Tweed Regional Library

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

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

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

ASSETS NOT RECOGNISED: (continued)

(iii) Infringement Notices/Fines

Fines & Penalty Income, the result of Council issuing Infringement Notices is followed up and collected by the Infringement Processing Bureau.

Councils Revenue Recognition policy for such income is to account for it as revenue on receipt.

Accordingly, at Year End, there is a potential asset due to Council representing issued but updated Infringement Notices.

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

Lismore City Council

Notes to the Financial Statements for the financial year ended 30 June 2009

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

\$ '000

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

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

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

Subsidiaries

Note 19(a)

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

Associated Entities & Joint Venture Entities

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

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

Joint Venture Operations

Note 19(c)

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

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

Council has no interest in any Subsidiaries.

19(b) Associated Entities & Joint Venture Entities

(i) ASSOCIATED ENTITIES

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

Lismore City Council

Notes to the Financial Statements
for the financial year ended 30 June 2009

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

\$ '000

19(c) Joint Venture Operations

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

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

(b) Council Assets employed in the Joint Venture Operations

	2009	2008
1. Blue Hills Residential Estate:		
Councils own assets employed in the Operation		
Current Assets:		
Receivables	9	12
Inventories	30	-
Other Assets	-	16
Current Liabilities:		
Payables	(18)	-
Non-Current Assets		
Other Assets	8	12
Total Assets - Council Owned	29	40
2. North East Weight of Loads Group		
Councils share of assets jointly owned with other partners		
Current Assets	39	36
Current Liabilities	(16)	(14)
Property, Plant & Equipment	17	16
Total Assets - Council & Jointly Owned	40	38
Total Net Assets Employed - Council & Jointly Owned	69	78

Lismore City Council

Notes to the Financial Statements
for the financial year ended 30 June 2009

Note 20. Equity - Retained Earnings and Revaluation Reserves

\$ '000	Notes	Actual 2009	Actual 2008
a. Retained Earnings			
Movements in Retained Earnings were as follows:			
Balance at beginning of Year (from previous years audited accounts)		454,305	454,757
a. Correction of Prior Period Errors	20 (c)	-	-
b. Changes in Accounting Policies (Prior Period Effects)	20 (d)	-	-
c. Current Year Income & Expenses Recognised direct to Equity excluding direct to Reserves transactions		-	-
d. Net Operating Result for the Year		1,552	(452)
e. Distributions to/(Contributions from) Minority Interests		-	-
f. Transfers between Equity		-	-
g. Other Changes (disclosure required)		-	-
Balance at End of the Reporting Period		<u><u>455,857</u></u>	<u><u>454,305</u></u>

b. Reserves**(i) Reserves are represented by:**

- Infrastructure, Property, Plant & Equipment Revaluation Reserve	195,885	188,799
Total	<u><u>195,885</u></u>	<u><u>188,799</u></u>

(ii). Reconciliation of movements in Reserves:

Infrastructure, Property, Plant & Equipment Revaluation Reserve			
- Opening Balance		188,799	151,969
- Revaluations for the year	9(a)	7,086	36,830
- Balance at End of Year		<u><u>195,885</u></u>	<u><u>188,799</u></u>
TOTAL VALUE OF RESERVES		<u><u>195,885</u></u>	<u><u>188,799</u></u>

(iii). Nature & Purpose of Reserves

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

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

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

d. Voluntary Changes in Accounting Policies

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

Lismore City Council

Notes to the Financial Statements for the financial year ended 30 June 2009

Note 21. Non Current Assets/Liabilities classified as "Held for Sale"

\$ '000	2009		2008	
	Current	Non Current	Current	Non Current

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

Note 22. Events occurring after Balance Sheet Date

Events that occur after the reporting date of 30 June 2009, up to and including the date when the financial report is "authorised for issue" have been taken into account in preparing this financial report.

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

Accordingly, the "authorised for issue" date is 20/10/09.

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

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

These financial reports (and the figures therein) incorporate all "adjusting events" that provided evidence of conditions that existed at 30 June 2009.

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

These financial reports (and figures therein) do not incorporate any "non adjusting events" that have occurred after 30 June 2009 and which are only indicative of conditions that arose after 30 June 2009.

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

Lismore City Council

Notes to the Financial Statements for the financial year ended 30 June 2009

Note 23. Discontinued Operations

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

Note 24. Intangible Assets

\$ '000

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

	Actual 2009 Carrying Amount	Actual 2008 Carrying Amount
Intangible Assets are as follows;		
Opening Values:		
Gross Book Value (1/7)	1,022	1,022
Accumulated Amortisation & Impairment	(102)	-
Net Book Value - Opening Balance	920	1,022
Movements for the year		
- Purchases	198	-
- Amortisation charges	(102)	(102)
Closing Values:		
Gross Book Value (30/6)	1,220	1,022
Accumulated Amortisation & Impairment	(204)	(102)
<u>TOTAL INTANGIBLE ASSETS - NET BOOK VALUE</u> ¹	<u>1,016</u>	<u>920</u>

¹ The Net Book Value of Intangible Assets represent:

- Software	1,016	920
	<u>1,016</u>	<u>920</u>

Lismore City Council

Notes to the Financial Statements for the financial year ended 30 June 2009

Note 25. Reinstatement, Rehabilitation & Restoration Liabilities

\$ '000

Council has legal/public obligations to make restore, rehabilitate and reinstate the following assets/operations;

Asset/Operation	Estimated year of restoration	NPV of Provision	
		2009	2008
Quarry Operations	2026	755	1,353
Tip Operations	2012	1,810	2,197
Balance at End of the Reporting Period	10	2,565	3,550

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

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

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

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

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

Reconciliation of movement in Provision for year:

Balance at beginning of year	3,550	1,694
Amounts capitalised to new or existing assets:		
- Quarry Operations	-	(78)
- Tip Operations	-	1,175
Effect of a change in discount rates used in PV calculations	-	(63)
Effect of a change in other calculation estimates used	(1,183)	716
Amortisation of discount (expensed to borrowing costs)	198	106
Expenditure incurred attributable to Provisions		-
Total - Reinstatement, rehabilitation and restoration provision	2,565	3,550

Amount of Expected Reimbursements

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

Lismore City Council

SPECIAL PURPOSE FINANCIAL REPORTS
for the year ended 30 June 2009

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



Lismore City Council

Special Purpose Financial Reports for the financial year ended 30 June 2009

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Background

- (i) These Special Purpose Financial Reports have been prepared for the use by both Council and the Department of Local Government in fulfilling their requirements under National Competition Policy.
- (ii) The principle of competitive neutrality is based on the concept of a "level playing field" between persons/entities competing in a market place, particularly between private and public sector competitors.
- Essentially, the principle is that government businesses, whether Commonwealth, State or Local, should operate without net competitive advantages over other businesses as a result of their public ownership.
- (iii) For Council, the principle of competitive neutrality & public reporting applies only to declared business activities.
- These include **(a)** those activities classified by the Australian Bureau of Statistics as business activities being water supply, sewerage services, abattoirs, gas production and reticulation and **(b)** those activities with a turnover of over \$2 million that Council has formally declared as a Business Activity (defined as Category 1 activities).
- (iv) In preparing these financial reports for Council's self classified Category 1 businesses and ABS defined activities, councils must **(a)** adopt a corporatisation model and **(b)** apply full cost attribution including tax equivalent regime payments & debt guarantee fees (where the business benefits from councils borrowing position by comparison with commercial rates).
-



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

Matters Relating to the Electronic Presentation of the Audited Financial Report

This audit report relates to the general purpose financial report of Lismore City Council for the year ended 30 June 2009 included on Council's web site. The Council is responsible for the integrity of its web site. We have not been engaged to report on the integrity of the Council's web site. The audit report refers only to the statements named below. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements.

If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial report presented on this web site.

Report on the Financial Report

We have audited the accompanying special purpose financial report of Lismore City Council (the Council), which comprises the balance sheet as at 30 June 2009, the income statement for the year then ended, a summary of significant accounting policies, other explanatory notes and the statement by Councillors' and Management.

Councils' Responsibility for the Financial Report

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

Auditor's Responsibility

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

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

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



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

Independence

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

Qualified Audit Opinion

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

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

Basis for Qualified Auditor's Opinion

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

At 30 June 2009, Lismore City Council's investment securities totalling \$28.893 million which included securities that have been impacted by this market volatility. The impact on individual securities varies depending on their degree of exposure to affected markets.

At balance date, Council's investment portfolio included CDO securities totalling \$2.715 million. A proportion of these investments are held by Council's business activities. Many of these securities do not have market values that are independently quoted and they are not widely traded.

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

These circumstances have resulted in our inability to obtain sufficient and appropriate audit evidence to satisfy ourselves as to the fair value and recoverability of at least \$2.715 million of Council's total investment securities.

Lismore, 26 October 2009

**THOMAS NOBLE & RUSSELL
CHARTERED ACCOUNTANTS**

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

Lismore City Council

Special Purpose Financial Reports
for the financial year ended 30 June 2009

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

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


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

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

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

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

Signed in accordance with a resolution of Council made on 20 October 2009.



Jenny Dowell
MAYOR



Isaac Smith
COUNCILLOR



Paul O'Sullivan
GENERAL MANAGER



Rino Santin
RESPONSIBLE ACCOUNTING OFFICER

Lismore City Council

Income Statement of Council's Water Supply Business Activity
for the financial year ended 30 June 2009

\$ '000	Actual 2009	Actual 2008	Actual 2007
Income from continuing operations			
Access charges	1,313	1,339	1,459
User charges	5,252	4,236	3,717
Interest	8	49	222
Grants and contributions provided for non capital purposes	165	113	119
Other income	-	-	143
Total income from continuing operations	6,738	5,737	5,660
Expenses from continuing operations			
Employee benefits and on-costs	1,075	1,153	894
Borrowing costs	26	1	6
Materials and contracts	1,766	1,510	1,284
Depreciation and impairment	2,502	2,331	625
Water purchase charges	3,139	2,667	2,190
Loss on sale of assets	102	470	58
Calculated taxation equivalents	48	8	8
Debt guarantee fee (if applicable)	30	-	4
Other expenses	9	62	55
Total expenses from continuing operations	8,697	8,202	5,124
Surplus (deficit) from Continuing Operations before capital amounts	(1,959)	(2,465)	536
Grants and contributions provided for capital purposes	480	838	212
Surplus (deficit) from Continuing Operations after capital amounts	(1,479)	(1,627)	748
Surplus (deficit) from Discontinued Operations	-	-	-
Surplus (deficit) from ALL Operations before tax	(1,479)	(1,627)	748
less: Corporate Taxation Equivalent (30%) [based on result before capital]	-	-	(161)
SURPLUS (DEFICIT) AFTER TAX	(1,479)	(1,627)	587
plus Opening Retained Profits	28,762	30,389	35,295
plus/less: Prior Period Adjustments	(575)	-	(5,466)
plus Adjustments for amounts unpaid:			
- Taxation equivalent payments	48	8	8
- Debt guarantee fees	30	-	4
- Corporate taxation equivalent	-	-	161
less:			
- Tax Equivalent Dividend paid	(8)	(8)	(8)
- Surplus dividend paid	-	-	(192)
Closing Retained Profits	26,778	28,762	30,389
Return on Capital %	-2.6%	-3.3%	0.8%
Subsidy from Council	6,039	7,243	3,829
Calculation of dividend payable:			
Surplus (deficit) after tax	(1,479)	(1,627)	587
less: Capital grants and contributions (excluding developer contributions)	(480)	(838)	(116)
Surplus for dividend calculation purposes	-	-	471
Potential Dividend calculated from surplus	-	-	236

Lismore City Council

Income Statement of Council's Sewerage Business Activity
for the financial year ended 30 June 2009

\$ '000	Actual 2009	Actual 2008	Actual 2007
Income from continuing operations			
Access charges	6,344	6,160	5,923
User charges	439	483	374
Interest	(653)	(574)	765
Grants and contributions provided for non capital purposes	123	121	118
Profit from the sale of assets	-	-	2
Other income	22	-	14
Total income from continuing operations	6,275	6,190	7,196
Expenses from continuing operations			
Employee benefits and on-costs	1,624	1,470	1,345
Borrowing costs	124	21	5
Materials and contracts	2,872	3,049	2,434
Depreciation and impairment	5,777	5,542	1,651
Loss on sale of assets	256	161	14
Calculated taxation equivalents	72	21	19
Debt guarantee fee (if applicable)	67	-	3
Other expenses	113	282	267
Total expenses from continuing operations	10,905	10,546	5,738
Surplus (deficit) from Continuing Operations before capital amounts	(4,630)	(4,356)	1,458
Grants and contributions provided for capital purposes	1,131	2,071	768
Surplus (deficit) from Continuing Operations after capital amounts	(3,499)	(2,285)	2,226
Surplus (deficit) from discontinued operations	-	-	-
Surplus (deficit) from ALL Operations before tax	(3,499)	(2,285)	2,226
less: Corporate Taxation Equivalent (30%) [based on result before capital]	-	-	(437)
SURPLUS (DEFICIT) AFTER TAX	(3,499)	(2,285)	1,789
plus Opening Retained Profits	67,041	69,326	67,160
plus/less: Prior Period Adjustments	575	-	(49)
plus Adjustments for amounts unpaid:			
- Taxation equivalent payments	72	21	19
- Debt guarantee fees	67	-	3
- Corporate taxation equivalent	-	-	437
less:			
- Tax Equivalent Dividend paid	(24)	(21)	(19)
- Surplus dividend paid	-	-	(14)
Closing Retained Profits	64,232	67,041	69,326
Return on Capital %	-2.6%	-2.5%	0.9%
Subsidy from Council	14,221	15,597	8,913
Calculation of dividend payable:			
Surplus (deficit) after tax	(3,499)	(2,285)	1,789
less: Capital grants and contributions (excluding developer contributions)	(1,131)	(2,071)	(390)
Surplus for dividend calculation purposes	-	-	1,399
Potential Dividend calculated from surplus	-	-	699

Lismore City Council

Income Statement of Council's Other Business Activities

for the financial year ended 30 June 2009

\$ '000	Quarry		Waste Collection	
	Actual 2009	Actual 2008	Actual 2009	Actual 2008
Income from continuing operations				
Access charges		-	391	384
User charges	10,533	8,723	2,493	2,301
Interest	9	39	28	(106)
Grants and contributions provided for non capital purposes	120	98	80	78
Other income	70	29	-	-
Total income from continuing operations	10,732	8,889	2,992	2,657
Expenses from continuing operations				
Employee benefits and on-costs	707	879	559	569
Borrowing costs	204	185	50	55
Materials and contracts	10,365	7,860	2,177	1,950
Depreciation and impairment	367	123	-	-
Calculated taxation equivalents	76	78	28	26
Debt guarantee fee (if applicable)	61	60	22	26
Other expenses	70	101	-	-
Total expenses from continuing operations	11,850	9,286	2,836	2,626
Surplus (deficit) from Continuing Operations before capital amounts	(1,118)	(397)	156	31
Grants and contributions provided for capital purposes	-	-	-	-
Surplus (deficit) from Continuing Operations after capital amounts	(1,118)	(397)	156	31
Surplus (deficit) from discontinued operations	-	-	-	-
Surplus (deficit) from ALL Operations before tax	(1,118)	(397)	156	31
less: Corporate Taxation Equivalent (30%) [based on result before capital]	-	-	(47)	(9)
SURPLUS (DEFICIT) AFTER TAX	(1,118)	(397)	109	22
plus Opening Retained Profits	4,089	4,886	(503)	(586)
plus/less: Prior Period Adjustments	-	-	-	-
plus Adjustments for amounts unpaid:				
- Taxation equivalent payments	76	78	28	26
- Debt guarantee fees	61	60	22	26
- Corporate taxation equivalent	-	-	47	9
add:				
- Subsidy Paid/Contribution To Operations	(329)	(52)	159	-
less:				
- TER dividend paid	-	-	-	-
- Dividend paid	(470)	(486)	(70)	-
Closing Retained Profits	2,309	4,089	(208)	(503)
Return on Capital %	-17.7%	-3.5%	n/a	n/a
Subsidy from Council	1,200	608	-	-

Lismore City Council

Income Statement of Council's Other Business Activities

for the financial year ended 30 June 2009

\$ '000	Waste Disposal		Koala Child Care Centre	
	Actual 2009	Actual 2008	Actual 2009	Actual 2008
Income from continuing operations				
User charges	2,840	2,875	226	198
Interest	15	44	-	-
Grants and contributions provided for non capital purposes	-	42	223	199
Other income	430	564	-	-
Total income from continuing operations	3,285	3,525	449	397
Expenses from continuing operations				
Employee benefits and on-costs	731	714	368	352
Borrowing costs	205	55	-	-
Materials and contracts	2,286	1,651	99	74
Depreciation and impairment	510	166	11	5
Calculated taxation equivalents	49	-	17	15
Debt guarantee fee (if applicable)	31	-	-	-
Other expenses	15	15	4	4
Total expenses from continuing operations	3,827	2,601	499	450
Surplus (deficit) from Continuing Operations before capital amounts	(542)	924	(50)	(53)
Grants and contributions provided for capital purposes	-	-	-	-
Surplus (deficit) from Continuing Operations after capital amounts	(542)	924	(50)	(53)
Surplus (deficit) from discontinued operations	-	-	-	-
Surplus (deficit) from ALL Operations before tax	(542)	924	(50)	(53)
less: Corporate Taxation Equivalent (30%) [based on result before capital]	-	(277)	-	-
SURPLUS (DEFICIT) AFTER TAX	(542)	647	(50)	(53)
plus Opening Retained Profits	3,271	2,998	330	326
plus/less: Prior Period Adjustments	-	-	-	-
plus Adjustments for amounts unpaid:				
- Taxation equivalent payments	49	-	17	15
- Debt guarantee fees	31	-	-	-
- Corporate taxation equivalent	-	277	-	-
add:				
- Subsidy Paid/Contribution To Operations	618	427	29	42
less:				
- Industrial Property Loan	(444)	(1,037)	-	-
- Dividend paid	(50)	(41)	-	-
Closing Retained Profits	2,933	3,271	326	330
Return on Capital %	-6.0%	16.6%	-11.5%	-12.1%
Subsidy from Council	648	-	74	81

Lismore City Council

Income Statement of Council's Other Business Activities

for the financial year ended 30 June 2009

\$ '000	Crematorium		Commercial Properties	
	Actual 2009	Actual 2008	Actual 2009	Actual 2008
Income from continuing operations				
User charges	579	510	-	-
Other income	-	-	256	251
Total income from continuing operations	579	510	256	251
Expenses from continuing operations				
Employee benefits and on-costs	148	174	29	6
Borrowing costs	30	10	-	-
Materials and contracts	345	304	242	235
Depreciation and impairment	34	21	44	8
Calculated taxation equivalents	9	8	24	24
Debt guarantee fee (if applicable)	-	13	-	-
Other expenses	10	13	-	4
Total expenses from continuing operations	576	543	339	277
Surplus (deficit) from Continuing Operations before capital amounts	3	(33)	(83)	(26)
Grants and contributions provided for capital purposes	-	-	-	-
Surplus (deficit) from Continuing Operations after capital amounts	3	(33)	(83)	(26)
Surplus (deficit) from discontinued operations	-	-	-	-
Surplus (deficit) from ALL Operations before tax	3	(33)	(83)	(26)
less: Corporate Taxation Equivalent (30%) [based on result before capital]	(1)	-	-	-
SURPLUS (DEFICIT) AFTER TAX	2	(33)	(83)	(26)
plus Opening Retained Profits	1,260	1,524	1,515	1,598
plus/less: Prior Period Adjustments	-	-	-	-
plus Adjustments for amounts unpaid:				
- Taxation equivalent payments	9	8	24	24
- Debt guarantee fees	-	13	-	-
- Corporate taxation equivalent	1	-	-	-
add:				
- Subsidy Paid/Contribution To Operations	-	(252)	-	(81)
less:				
- TER dividend paid	-	-	-	-
- Dividend paid	-	-	-	-
Closing Retained Profits	1,272	1,260	1,456	1,515
Return on Capital %	1.6%	-1.1%	-2.8%	-0.9%
Subsidy from Council	83	154	248	219

Lismore City Council

Income Statement of Council's Other Business Activities
for the financial year ended 30 June 2009

\$ '000	Real Estate	
	Actual 2009	Actual 2008
Income from continuing operations		
Profit from the sale of assets	-	67
Other income	107	-
Total income from continuing operations	107	67
Expenses from continuing operations		
Other expenses	-	-
Total expenses from continuing operations	-	-
Surplus (deficit) from Continuing Operations before capital amounts	107	67
Grants and contributions provided for capital purposes	-	-
Surplus (deficit) from Continuing Operations after capital amounts	107	67
Surplus (deficit) from discontinued operations	-	-
Surplus (deficit) from ALL Operations before tax	107	67
less: Corporate Taxation Equivalent (30%) [based on result before capital]	(32)	(20)
SURPLUS (DEFICIT) AFTER TAX	75	47
plus Opening Retained Profits	797	730
plus/less: Prior Period Adjustments	-	-
plus Adjustments for amounts unpaid:		
- Taxation equivalent payments	-	-
- Debt guarantee fees	-	-
- Corporate taxation equivalent	32	20
add:		
- Subsidy Paid/Contribution To Operations	-	-
less:		
- TER dividend paid	-	-
- Dividend paid	-	-
Closing Retained Profits	904	797
Return on Capital %	n/a	n/a
Subsidy from Council	-	-

Lismore City Council

Balance Sheet of Council's Water Supply Business Activity
as at 30 June 2009

\$ '000	Actual 2009	Actual 2008
ASSETS		
Current Assets		
Cash and cash equivalents	375	(9)
Investments	-	963
Receivables	1,386	1,125
Inventories	242	226
Other	847	3
Total Current Assets	2,850	2,308
Non-Current Assets		
Investments	529	259
Receivables	303	-
Infrastructure, property, plant and equipment	74,113	74,098
Other	19	-
Total non-Current Assets	74,964	74,357
TOTAL ASSETS	77,814	76,665
LIABILITIES		
Current Liabilities		
Payables	52	70
Interest bearing liabilities	36	-
Provisions	288	253
Total Current Liabilities	376	323
Non-Current Liabilities		
Interest bearing liabilities	940	-
Provisions	2	2
Total Non-Current Liabilities	942	2
TOTAL LIABILITIES	1,318	325
NET ASSETS	76,496	76,340
EQUITY		
Retained earnings	26,778	28,762
Revaluation reserves	49,718	47,578
Council equity interest	76,496	76,340
Minority equity interest	-	-
TOTAL EQUITY	76,496	76,340

Lismore City Council

Balance Sheet of Council's Sewerage Business Activity
as at 30 June 2009

\$ '000	Actual 2009	Actual 2008
ASSETS		
Current Assets		
Cash and cash equivalents	4,996	(21)
Investments	-	5,204
Receivables	605	1,336
Inventories	201	153
Total Current Assets	5,802	6,672
Non-Current Assets		
Investments	7,267	5,329
Receivables	610	333
Infrastructure, property, plant and equipment	175,360	174,605
Other	1,267	-
Total non-Current Assets	184,504	180,267
TOTAL ASSETS	190,306	186,939
LIABILITIES		
Current Liabilities		
Payables	92	(166)
Interest bearing liabilities	71	33
Provisions	223	193
Total Current Liabilities	386	60
Non-Current Liabilities		
Interest bearing liabilities	2,152	1,247
Provisions	5	4
Total Non-Current Liabilities	2,157	1,251
TOTAL LIABILITIES	2,543	1,311
NET ASSETS	187,763	185,628
EQUITY		
Retained earnings	64,232	67,041
Revaluation reserves	123,531	118,587
Council equity interest	187,763	185,628
Minority equity interest	-	-
TOTAL EQUITY	187,763	185,628

Lismore City Council

Balance Sheet of Council's Other Business Activities

as at 30 June 2009

\$ '000	Quarry		Waste Collection	
	Category 1		Category 2	
	Actual 2009	Actual 2008	Actual 2009	Actual 2008
ASSETS				
Current Assets				
Investments	-	91	454	386
Receivables	71	60	-	-
Inventories	1,696	869	-	-
Other	-	-	159	-
Total Current Assets	1,767	1,020	613	386
Non-Current Assets				
Receivables	192	261	-	-
Infrastructure, property, plant and equipment	5,157	6,136	-	-
Total Non-Current Assets	5,349	6,397	-	-
TOTAL ASSETS	7,116	7,417	613	386
LIABILITIES				
Current Liabilities				
Interest bearing liabilities	192	156	70	67
Provisions	164	166	98	99
Total Current Liabilities	356	322	168	166
Non-Current Liabilities				
Interest bearing liabilities	1,844	1,697	651	721
Provisions	711	1,309	2	2
Other Liabilities	1,896	-	-	-
Total Non-Current Liabilities	4,451	3,006	653	723
TOTAL LIABILITIES	4,807	3,328	821	889
NET ASSETS	2,309	4,089	(208)	(503)
EQUITY				
Retained earnings	2,309	4,089	(208)	(503)
Revaluation reserves	-	-	-	-
Council equity interest	2,309	4,089	(208)	(503)
Minority equity interest	-	-	-	-
TOTAL EQUITY	2,309	4,089	(208)	(503)

Lismore City Council

Balance Sheet of Council's Other Business Activities

as at 30 June 2009

\$ '000	Waste Disposal		Koala Child Care Centre	
	Category 2		Category 2	
	Actual 2009	Actual 2008	Actual 2009	Actual 2008
ASSETS				
Current Assets				
Investments	-	48	21	10
Receivables	6	-	-	-
Total Current Assets	6	48	21	10
Non-Current Assets				
Receivables	662	1,037	-	-
Infrastructure, property, plant and equipment	5,612	5,902	435	437
Total Non-Current Assets	6,274	6,939	435	437
TOTAL ASSETS	6,280	6,987	456	447
LIABILITIES				
Current Liabilities				
Interest bearing liabilities	43	40	-	-
Provisions	83	69	66	53
Total Current Liabilities	126	109	66	53
Non-Current Liabilities				
Interest bearing liabilities	1,025	1,025	-	-
Provisions	1,812	2,198	1	1
Total Non-Current Liabilities	2,837	3,223	1	1
TOTAL LIABILITIES	2,963	3,332	67	54
NET ASSETS	3,317	3,655	389	393
EQUITY				
Retained earnings	2,933	3,271	326	330
Revaluation reserves	384	384	63	63
Council equity interest	3,317	3,655	389	393
Minority equity interest	-	-	-	-
TOTAL EQUITY	3,317	3,655	389	393

Lismore City Council

Balance Sheet of Council's Other Business Activities

as at 30 June 2009

\$ '000	Crematorium		Commercial Properties	
	Category 2		Category 2	
	Actual 2009	Actual 2008	Actual 2009	Actual 2008
ASSETS				
Current Assets				
Investments	8	60	-	-
Receivables	-	-	-	58
Total Current Assets	8	60	-	58
Non-Current Assets				
Infrastructure, property, plant and equipment	2,091	2,037	2,987	2,987
Total Non-Current Assets	2,091	2,037	2,987	2,987
TOTAL ASSETS	2,099	2,097	2,987	3,045
LIABILITIES				
Current Liabilities				
Payables	94	105	-	-
Interest bearing liabilities	14	12	-	-
Provisions	106	94	9	8
Total Current Liabilities	214	211	9	8
Non-Current Liabilities				
Interest bearing liabilities	390	404	-	-
Provisions	3	2	-	-
Total Non-Current Liabilities	393	406	-	-
TOTAL LIABILITIES	607	617	9	8
NET ASSETS	1,492	1,480	2,978	3,037
EQUITY				
Retained earnings	1,272	1,260	1,456	1,515
Revaluation reserves	220	220	1,522	1,522
Council equity interest	1,492	1,480	2,978	3,037
Minority equity interest	-	-	-	-
TOTAL EQUITY	1,492	1,480	2,978	3,037

Lismore City Council

Balance Sheet of Council's Other Business Activities
as at 30 June 2009

\$ '000	Real Estate	
	Category 1/2	
	Actual 2009	Actual 2008
ASSETS		
Current Assets		
Receivables	369	392
Inventories	3,172	3,395
Total Current Assets	3,541	3,787
Non-Current Assets		
Receivables	365	734
Total Non-Current Assets	365	734
TOTAL ASSETS	3,906	4,521
LIABILITIES		
Current Liabilities		
Payables	782	3,724
Interest bearing liabilities	2,220	-
Total Current Liabilities	3,002	3,724
Non-Current Liabilities		
Other Liabilities	-	-
Total Non-Current Liabilities	-	-
TOTAL LIABILITIES	3,002	3,724
NET ASSETS	904	797
EQUITY		
Retained earnings	904	797
Revaluation reserves	-	-
Council equity interest	904	797
Minority equity interest	-	-
TOTAL EQUITY	904	797

Lismore City Council

Special Purpose Financial Reports for the financial year ended 30 June 2009

Contents of the Notes accompanying the Financial Statements

Note	Details	Page
1	Summary of Significant Accounting Policies	86
2	Water Supply Business Best Practice Management disclosure requirements	89
3	Sewerage Business Best Practice Management disclosure requirements	91

Lismore City Council

Notes to the Special Purpose Financial Reports

for the financial year ended 30 June 2009

Note 1. Significant Accounting Policies

These financial statements are a Special Purpose Financial Report (SPFR) prepared for use by the Council and the Department of Local Government.

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

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

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

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

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

National Competition Policy

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

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

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

The pricing & costing guidelines outline the process for identifying and allocating costs to activities and

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

Declared Business Activities

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

Category 1

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

a. Water

Provision of safe drinking water to customers.

b. Sewer

Provision of sewerage waste services to customers.

c. Quarries

Supply of aggregate, road base & asphalt products.

Category 2

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

a. Waste Collection

Provide domestic & commercial waste collection services to customers.

b. Waste Disposal

Provide & maintain a safe area for disposing of waste.

c. Koala Child Care

Provide quality long day child care services.

d. Crematorium

Provide cremation and burial services.

e. Commercial Property Rentals

Commercial property rentals.

Lismore City Council

Notes to the Special Purpose Financial Reports

for the financial year ended 30 June 2009

Note 1. Significant Accounting Policies (continued)

Monetary Amounts

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

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

(i) Taxation Equivalent Charges

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

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

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

Notional Rate Applied %

Corporate Income Tax Rate – 30%

Land Tax – The first **\$368,000** of combined land values attracts **0%**. From \$368,001 to \$2,250,000 the rate is **1.6% + \$100**. For the remaining combined land value that exceeds \$2,250,000, a premium marginal rate of **2.0%** applies.

Payroll Tax – **5.875%** on the value of taxable salaries and wages in excess of \$623,000.

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

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

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

Income Tax

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

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

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

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

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

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

Local Government Rates & Charges

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

Lismore City Council

Notes to the Special Purpose Financial Reports

for the financial year ended 30 June 2009

Note 1. Significant Accounting Policies (continued)

Loan & Debt Guarantee Fees

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

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

(ii) Subsidies

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

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

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

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

(iii) Return on Investments (Rate of Return)

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

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

The Rate of Return on Capital is calculated as follows:

Operating Result before Capital Income + Interest Expense

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

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 5.54% at 30/6/09.

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

(iv) Dividends

Council is not required to pay dividends to either itself as owner of a range of businesses or to any external entities.

Local Government Water Supply and Sewerage Businesses are permitted to pay an annual dividend from its water supply or sewerage business surplus.

The dividend, calculated and approved in accordance with the Best Practice Management Guidelines, must not exceed either (i) 50% of this surplus in any one year, or (ii) the number of water supply or sewerage assessments at 30 June 2009 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

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

Lismore City Council

Notes to the Special Purpose Financial Reports
for the financial year ended 30 June 2009Note 2. Water Supply Business
Best Practice Management disclosure requirements

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

2009

1. Calculation and Payment of Tax-Equivalents

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

(i)	Calculated Tax Equivalents	78,000
(ii)	No of assessments multiplied by \$3/assessment	39,813
(iii)	Amounts payable for tax-equivalents [lesser of (i) and (ii)]	39,813
(iv)	Amounts actually paid for Tax Equivalents	8,000

2. Dividend from Surplus

(i)	50% of Surplus before Dividends [Calculated in accordance with Best Practice Management for Water Supply and Sewerage Guidelines]	-												
(ii)	No. of assessments multiplied by \$30/assessment, less tax equivalent charges/assessment	358,317												
(iii)	Cumulative surplus before Dividends for the 3 years to 30 June 2009, less the cumulative dividends paid for the 2 years to 30 June 2008	279,200												
<table border="1"> <tr> <td>2009 Surplus</td> <td>-</td> <td>2008 Surplus</td> <td>-</td> <td>2007 Surplus</td> <td>471,200</td> </tr> <tr> <td></td> <td></td> <td>2008 Dividend</td> <td>-</td> <td>2007 Dividend</td> <td>192,000</td> </tr> </table>			2009 Surplus	-	2008 Surplus	-	2007 Surplus	471,200			2008 Dividend	-	2007 Dividend	192,000
2009 Surplus	-	2008 Surplus	-	2007 Surplus	471,200									
		2008 Dividend	-	2007 Dividend	192,000									
(iv)	Maximum Dividend from Surplus [least of (i), (ii) and (iii) above]	-												
(v)	Dividend paid from Surplus [refer below for required pre-dividend payment Criteria]	-												

3. Required outcomes for 6 Criteria

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

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

Lismore City Council

Notes to the Special Purpose Financial Reports
for the financial year ended 30 June 2009Note 2. Water Supply Business
Best Practice Management disclosure requirements (continued)

Dollars Amounts shown below are in WHOLE DOLLARS (unless otherwise indicated) 2009

National Water Initiative (NWI) Financial Performance Indicators

NWI F1	Total Revenue (Water) Total Income (w13) - Grants for the Acquisition of Assets (w11a) - Interest Income (w9)	\$'000	7,011
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)]	%	73.42%
NWI F9	Written Down Replacement Cost of Fixed Assets (Water) Written down current cost of system assets (w47)	\$'000	73,889
NWI F11	Operating Cost (OMA) (Water) Management Expenses (w1) + Operational & Maintenance Expenses (w2)	\$'000	5,797
NWI F14	Capital Expenditure (Water) Acquisition of fixed assets (w16)	\$'000	1,127
NWI F17	Economic Real Rate of Return (Water) [Total Income (w13) - Interest Income (w9) - Grants for acquisition of assets (w11a) - Operating Costs (NWI F11) - Current Cost Depreciation (w3)] x 100 divided by [Written Down Current Cost of System Assets (w47) + Plant & Equipment (w33b)]	%	-1.74%
NWI F26	Capital Works Grants (Water) Grants for the Acquisition of Assets (w11a)	\$'000	-

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

Lismore City Council

Notes to the Special Purpose Financial Reports
for the financial year ended 30 June 2009Note 3. Sewerage Business
Best Practice Management disclosure requirements

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

2009

1. Calculation and Payment of Tax-Equivalents

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

(i)	Calculated Tax Equivalents	139,000
(ii)	No of assessments multiplied by \$3/assessment	35,727
(iii)	Amounts payable for Tax Equivalents [lesser of (i) and (ii)]	35,727
(iv)	Amounts actually paid for Tax Equivalents	21,000

2. Dividend from Surplus

(i)	50% of Surplus before Dividends [Calculated in accordance with Best Practice Management for Water Supply and Sewerage Guidelines]	-
(ii)	No. of assessments x (\$30 less tax equivalent charges per assessment)	321,543
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2009, less the cumulative dividends paid for the 2 years to 30 June 2008	1,384,600

2009 Surplus	-	2008 Surplus	-	2007 Surplus	1,398,600
		2008 Dividend	-	2007 Dividend	14,000

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

3. Required outcomes for 4 Criteria

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

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

Lismore City Council

Notes to the Special Purpose Financial Reports
for the financial year ended 30 June 2009Note 3. Sewerage Business
Best Practice Management disclosure requirements (continued)

Dollars Amounts shown below are in WHOLE DOLLARS (unless otherwise indicated) 2009

National Water Initiative (NWI) Financial Performance Indicators

NWI F2	Total Revenue (Sewerage) Total Income (s14) - Grants for Acquisition of Assets (s12a) - Interest Income (s10)	\$'000	7,920
NWI F10	Written Down Replacement Cost of Fixed Assets (Sewerage) Written down current cost of system assets (s48)	\$'000	175,089
NWI F12	Operating Cost (Sewerage) Management Expenses (s1) + Operational & Maintenance Expenses (s2)	\$'000	4,494
NWI F15	Capital Expenditure (Sewerage) Acquisition of Fixed Assets (s17)	\$'000	1,907
NWI F18	Economic Real Rate of Return (Sewerage) [Total Income (s14) - Interest Income (s10) - Grants for acquisition of Assets (s12a) - Operating cost (NWI F12) - Current cost depreciation (s3)] x 100 divided by [Written down current cost (ie. WDCC) of System Assets (s48) + Plant & Equipment (s34b)]	%	-1.34%
NWI F27	Capital Works Grants (Sewerage) Grants for the Acquisition of Assets (12a)	\$'000	-

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

NWI F3	Total Income (Water & Sewerage) Total Income (w13 + s14) + Gain/Loss on disposal of assets (w14 + s15) minus Grants for acquisition of assets (w11a + s12a) - Interest Income (w9 + s10)	\$'000	14,573
NWI F8	Revenue from Community Service Obligations (Water & Sewerage) Community Service Obligations (NWI F25) x 100 divided by Total Income (NWI F3)	%	1.96%
NWI F16	Capital Expenditure (Water & Sewerage) Acquisition of Fixed Assets (w16 + s17)	\$'000	3,034
NWI F19	Economic Real Rate of Return (Water & Sewerage) [Total Income (w13 + s14) - Interest Income (w9 + s10) - Grants for acquisition of assets (w11a + s12a) - Operating Cost (NWI F11 + NWI F12) - Current cost depreciation (w3 + s3)] x 100 divided by [Written down replacement cost of fixed assets (NWI F9 + NWI F10) + Plant & equipment (w33b + s34b)]	%	-1.46%
NWI F20	Dividend (Water & Sewerage) Dividend paid from surplus (2(v) of Note 2 + 2(v) of Note 3)	\$'000	-
NWI F21	Dividend Payout Ratio (Water & Sewerage) Dividend (NWI F20) x 100 divided by Net Profit after tax (NWI F24)	%	0.00%

Lismore City Council

Notes to the Special Purpose Financial Reports
for the financial year ended 30 June 2009Note 3. Sewerage Business
Best Practice Management disclosure requirements (continued)

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

2009

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

NWI F22	Net Debt to Equity (Water & Sewerage) Overdraft (w36 + s37) + Borrowings (w38 + s39) - Cash & Investments (w30 + s31) x 100 divided by [Total Assets (w35 + s36) - Total Liabilities (w40 + s41)]	%	3,639
NWI F23	Interest Cover (Water & Sewerage) Earnings before Interest & Tax (EBIT) divided by Net Interest Earnings before Interest & Tax (EBIT): Operating Result (w15a + s16a) + Interest expense (w4a + s4a) - Interest Income (w9 + s10) - Gain/Loss on disposal of assets (w14 + s15) + Miscellaneous Expenses (w4b + w4c + s4b + s4c) Net Interest: Interest Expense (w4a + s4a) - Interest Income (w9 + s10)		796
NWI F24	Net Profit After Tax (Water & Sewerage) Surplus before dividends (w15a + s16a) - Tax equivalents paid (Note 2-1(iv) + Note 3-1(iv))	\$'000	(4,822)
NWI F25	Community Service Obligations (Water & Sewerage) Grants for Pensioner Rebates (w11b + s12b)	\$'000	285

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

Lismore City Council

SPECIAL SCHEDULES
for the year ended 30 June 2009

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



Lismore City Council

Special Schedules

for the financial year ended 30 June 2009

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¹ Special Purpose Schedules are not audited.

Background

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

- the NSW Grants Commission
- the Australian Bureau of Statistics (ABS),
- the Department of Energy, Utilities & Sustainability (DEUS), and
- the Department of Local Government (DLG).

(ii) The financial data is collected for various uses including;

- the allocation of Financial Assistance Grants,
 - the incorporation of Local Government financial figures in national statistics,
 - the monitoring of loan approvals,
 - the allocation of borrowing rights, and
 - the monitoring of specific service financial activities.
-

Lismore City Council

Special Schedule No. 1 - Net Cost of Services
for the financial year ended 30 June 2009

\$'000							
Function or Activity	Expenses from continuing operations		Income from continuing operations			Net Cost of Services	
	Expenses	Group Totals	Non Capital Revenues	Capital Revenues	Group Totals	Net Cost	Group Totals
Governance	1,875	1,875	-	-	-	(1,875)	(1,875)
Administration							
Corporate Support	1,114		288	30		(796)	
Engineering and Works	2,635		479			(2,156)	
Other Support Services		3,749	99		896	99	(2,853)
Public Order and Safety							
Contributions to Fire Service Levy	260					(260)	
Fire Protection – Other	497		262	25		(210)	
Animal Control	302		54			(248)	
Beach Control						-	
Enforcement of Local Govt Regs						-	
Emergency Services	204		213			9	
Other	278	1,541	436		990	158	(551)
Health							
Administration and Inspection	1,087		739			(348)	
Immunisations						-	
Food Control						-	
Insect/Vermin Control						-	
Noxious Plants						-	
Health Centres						-	
Other	108	1,195			739	(108)	(456)
Community Services and Education							
Administration	624		93			(531)	
Family Day Care						-	
Child Care	991		814			(177)	
Youth Services	48		48			-	
Other Families and Children						-	
Aged and Disabled	76		4			(72)	
Migrant Services						-	
Aboriginal Services	81					(81)	
Other Community Services	197					(197)	
Education		2,017	2		961	2	(1,056)

Lismore City Council

Special Schedule No. 1 - Net Cost of Services (continued)
for the financial year ended 30 June 2009

\$'000

Function or Activity	Expenses from continuing operations		Income from continuing operations			Net Cost of Services	
	Expenses	Group Totals	Non Capital Revenues	Capital Revenues	Group Totals	Net Cost	Group Totals
Housing and Community Amenities							
Housing						-	
Town Planning	1,758		446	226		(1,086)	
Domestic Waste Management	1,433		2,547			1,114	
Other Waste Management	4,052		3,040			(1,012)	
Street Cleaning						-	
Other Sanitation and Garbage Drainage						-	
Stormwater Management	70			533		463	
Environmental Protection	584					(584)	
Public Cemeteries	1,036		1,158			122	
Public Conveniences	89					(89)	
Other Community Amenities		9,022		200	8,150	200	(872)
Water Supplies	8,052	8,052	6,329	479	6,808	(1,244)	(1,244)
Sewerage Services	10,845	10,845	6,696	1,124	7,820	(3,025)	(3,025)
Recreation and Culture							
Public Libraries	1,458		153			(1,305)	
Museums						-	
Art Galleries	600		238	110		(252)	
Community Centres	468		145			(323)	
Public Halls	323		75			(248)	
Other Cultural Services	112					(112)	
Swimming Pools	1,450		370			(1,080)	
Sporting Grounds			189			189	
Parks and Gardens (Lakes)	3,982		308	305		(3,369)	
Other Sport and Recreation	1,464	9,857	390	684	2,967	(390)	(6,890)
Fuel and Energy							
Gas Supplies		-				-	-
Mining, Manufacturing and Construction							
Building Control	1,193		593			(600)	
Abattoirs						-	
Quarries and Pits	8,212		7,332	62		(818)	
Other		9,405			7,987	-	(1,418)

Lismore City Council

Special Schedule No. 1 - Net Cost of Services (continued)
for the financial year ended 30 June 2009

\$'000

Function or Activity	Expenses from continuing operations		Income from continuing operations			Net Cost of Services	
	Expenses	Group Totals	Non Capital Revenues	Capital Revenues	Group Totals	Net Cost	Group Totals
Transport and Communication							
Urban Roads (UR) - Local	5,480		62	2,245		(3,173)	
Urban Roads - Regional	126		68	1,767		1,709	
Sealed Rural Roads (SRR) - Local	5,138		335	285		(4,518)	
Sealed Rural Roads - Regional	1,374		1,121	1,453		1,200	
Unsealed Rural Roads (URR) - Local	2,332		1,352	40		(940)	
Unsealed Rural Roads - Regional	27					(27)	
Bridges on UR - Local	-					-	
Bridges on UR - Regional	-					-	
Bridges on SRR - Local	88					(88)	
Bridges on SRR - Regional	-			1,210		1,210	
Bridges on URR - Local	190					(190)	
Bridges on URR - Regional	-					-	
Footpaths	71			37		(34)	
Aerodromes	833		646			(187)	
Parking Areas	216		226			10	
Bus Shelters and Services	22		5			(17)	
Water Transport	4					(4)	
RTA Works (State)	3,375		4,582			1,207	
Street Lighting	649		151			(498)	
Other	-	19,925			15,585	-	(4,340)
Economic Affairs							
Camping Areas						-	
Caravan Parks	224		157			(67)	
Tourism and Area Promotion	921		298			(623)	
Industrial Development Promotion	1,966		219			(1,747)	
Saleyards and Markets			2			2	
Real Estate Development	121					(121)	
Commercial Nurseries						-	
Other Business Undertakings	383	3,615	282		958	(101)	(2,657)
Totals – Functions		81,098	43,046	10,815	53,861		(27,237)
General Purpose Revenues⁽¹⁾			28,789	-	28,789	28,789	28,789
Share of interests - joint ventures & associates using the equity method	-	-	-	-	-	-	-
NET OPERATING RESULT FOR YEAR	81,098		71,835	10,815	82,650	1,552	1,552

Notes:

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

Lismore City Council

Special Schedule No. 2(a) - Statement of Long Term Debt (all purpose)
for the financial year ended 30 June 2009

\$'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	-	-	-							-	-
Other State Government	-	-	-							-	-
Public Subscription	-	-	-							-	-
Financial Institutions	1,755	30,407	32,162	8,094	1,908			2,276	2,024	36,324	38,348
Other	-	-	-							-	-
Total Loans	1,755	30,407	32,162	8,094	1,908	-	-	2,276	2,024	36,324	38,348
Other Long Term Debt											
Ratepayers Advances	-	-	-							-	-
Government Advances	-	-	-							-	-
Finance Leases	-	-	-							-	-
Deferred Payments	-	-	-							-	-
Total Long Term Debt	-	-	-	-	-	-	-	-	-	-	-
Total Debt	1,755	30,407	32,162	8,094	1,908	-	-	2,276	2,024	36,324	38,348

Notes: Excludes (i) Internal Loans & (ii) Principal Inflows/Outflows relating to Loan Re-Financing.
This Schedule is prepared using the Face Value of debt obligations, rather than Fair Value (as per the GPFR's).

Lismore City Council

Special Schedule No. 2(b) - Statement of Internal Loans [Section 410(3) LGA 1993] for the financial year ended 30 June 2009

\$'000

Summary of Internal Loans

Borrower (by purpose)	Amount originally raised	Total repaid during the year (Principal & Interest)	Principal Outstanding at end of year
General	674		
Water			
Sewer			
Domestic Waste Management			
Gas			
Other			
Totals	674	-	-

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

Details of Individual Internal Loans

Borrower (by purpose)	Lender (by purpose)	Date of Minister's Approval	Date Raised	Term (years)	Dates of Maturity	Rate of Interest	Amount Originally raised	Total repaid during year (Princ. & Int.)	Principal Outstanding at end of year
GF - Nimbin Security Cam.	ELE Reserves			12	30/06/17	5.5%	70		
GF - New Phone System	ELE Reserves			5	30/06/10	2.6%	198		
Airport - Building	Blakebrook Quarry			8	30/06/12	5%	55		
Airport - Carpark	Blakebrook Quarry			15	30/06/17	7%	189		
Admin Airconditioning	ELE Reserves			9	30/06/16	7%	51		
Lighting Upgrade	ELE Reserves			9	30/06/16	7%	51		
Crem-Office Fitout	Waste			9	30/06/16	8%	60		
Totals							674	-	-

Lismore City Council

Special Schedule No. 3 - Water Supply Income Statement

Includes ALL INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.
for the financial year ended 30 June 2009

\$'000	Actuals 2009	Actuals 2008
A Expenses and Income Expenses		
1. Management expenses		
a. Administration	974	857
b. Engineering and Supervision	292	486
2. Operation and Maintenance		
- Dams & Weirs		
a. Operation expenses	-	-
b. Maintenance expenses	-	-
- Mains		
c. Operation expenses	719	770
d. Maintenance expenses		-
- Reservoirs		
e. Operation expenses	11	37
f. Maintenance expenses	21	29
- Pumping Stations		
g. Operation expenses (excluding energy costs)	59	55
h. Energy costs	4	3
i. Maintenance expenses	16	18
- Treatment		
j. Operation expenses (excluding energy costs)	-	-
k. Chemical costs	-	-
l. Maintenance expenses	-	-
- Other		
m. Operation expenses	232	131
n. Maintenance expenses	330	167
o. Purchase of water	3,139	2,667
3. Depreciation		
a. System assets	2,366	2,268
b. Plant and equipment	136	73
4. Miscellaneous expenses		
a. Interest expenses	26	-
b. Revaluation Decrements	-	-
c. Other expenses	-	-
d. Tax Equivalents Dividends (actually paid)	-	-
5. Total expenses	8,325	7,561

Lismore City Council

Special Schedule No. 3 - Water Supply Income Statement (continued)

Includes ALL INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.
for the financial year ended 30 June 2009

\$'000	Actuals 2009	Actuals 2008
Income		
6. Residential charges		
a. Access (including rates)	1,231	1,229
b. Usage charges	3,401	2,566
7. Non-residential charges		
a. Access (including rates)	356	355
b. Usage charges	1,295	977
8. Extra charges	-	-
9. Interest income	8	50
10. Other income	83	276
11. Grants		
a. Grants for acquisition of assets	-	-
b. Grants for pensioner rebates	163	112
c. Other grants	2	2
12. Contributions		
a. Developer charges	190	271
b. Developer provided assets	290	567
c. Other contributions	-	-
13. Total income	<u>7,019</u>	<u>6,405</u>
14. Gain or loss on disposal of assets	(102)	(470)
15. Operating Result	<u>(1,408)</u>	<u>(1,626)</u>
15a. Operating Result (less grants for acquisition of assets)	(1,408)	(1,626)

Lismore City Council

Special Schedule No. 3 - Water Supply Income Statement (continued)

Includes ALL INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.
for the financial year ended 30 June 2009

\$'000	Actuals 2009	Actuals 2008
B Capital transactions		
Non-operating expenditures		
16. Acquisition of Fixed Assets		
a. Subsidised scheme	-	-
b. Other new system assets	-	-
c. Renewals	1,069	1,828
d. Plant and equipment	58	1,431
17. Repayment of debt		
a. Loans	24	43
b. Advances	-	-
c. Finance leases	-	-
18. Transfer to sinking fund	-	-
19. Totals	1,151	3,302
Non-operating funds employed		
20. Proceeds from disposal of assets	32	55
21. Borrowing utilised		
a. Loans	1,000	-
b. Advances	-	-
c. Finance leases	-	-
22. Transfer from sinking fund	-	-
23. Totals	1,032	55
C Rates and charges		
24. Number of assessments		
a. Residential (occupied)	11,714	11,608
b. Residential (unoccupied, ie. vacant lot)	264	300
c. Non-residential (occupied)	1,228	1,227
d. Non-residential (unoccupied, ie. vacant lot)	65	63
25. Number of ETs for which developer charges were received	101 ET	108 ET
26. Total amount (actual dollars) of pensioner rebates	\$ 230,500	\$ 230,000

Lismore City Council

Special Schedule No. 3 - Water Supply Cross Subsidies
for the financial year ended 30 June 2009

\$'000	Yes	No	Amount
D Best practice annual charges and developer charges*			
27. Annual charges			
a. Does Council have best-practice water supply annual charges and usage charges*?	<input type="checkbox"/>	<input type="checkbox"/>	
If Yes, go to 28a.			
If No, please report if council has removed land value from access charges (ie rates)?			
	<input type="checkbox"/>	<input type="checkbox"/>	
NB. Such charges for both residential customers and non-residential customers comply with section 3.2 of Water Supply, Sewerage and Trade Waste Pricing Guidelines, Department of Water & Energy, December, '2002. Such charges do not involved significant cross subsidies.			
b. Cross-subsidy from residential customers using less than allowance (page 25 of Guidelines)			<input type="text"/>
c. Cross-subsidy to non-residential customers (page 24 of Guidelines)			<input type="text"/>
d. Cross-subsidy to large connections in unmetered supplies (page 26 of Guidelines)			<input type="text"/>
28. Developer charges			
a. Has council completed a water supply Development Servicing** Plan?	<input type="checkbox"/>	<input type="checkbox"/>	
b. Total cross-subsidy in water supply developer charges for 2008/09 (page 47 of Guidelines)			<input type="text"/>
** In accordance with page 9 of Developer Charges Guidelines for Water Supply, Sewerage and Stormwater, Department of Water and Energy, Dec 2002.			
29. Disclosure of cross-subsidies			
Total of cross-subsidies (27b +27c + 27d + 28b)			<input type="text" value="-"/>

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

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

Lismore City Council

Special Schedule No. 4 - Water Supply Balance Sheet

Includes INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.
as at 30 June 2009

\$'000	Actuals Current	Actuals Non Current	Actuals Total
ASSETS			
30. Cash and investments			
a. Developer charges		904	904
b. Special purpose grants			-
c. Accrued leave			-
d. Unexpended loans			-
e. Sinking fund			-
f. Other			-
31. Receivables			
a. Specific purpose grants			-
b. Rates and charges	1,011	303	1,314
c. Other	1,221		1,221
32. Inventories	242		242
33. Property, plant and equipment			
a. System assets		73,889	73,889
b. Plant and equipment		224	224
34. Other assets		19	19
35. Total assets	<u>2,474</u>	<u>75,339</u>	<u>77,813</u>
LIABILITIES			
36. Bank overdraft			-
37. Creditors	52		52
38. Borrowings			
a. Loans		975	975
b. Advances			-
c. Finance leases			-
39. Provisions			
a. Tax equivalents			-
b. Dividend			-
c. Other	289		289
40. Total liabilities	<u>341</u>	<u>975</u>	<u>1,316</u>
41. NET ASSETS COMMITTED	<u>2,133</u>	<u>74,364</u>	<u>76,497</u>
EQUITY			
42. Accumulated surplus			26,779
43. Asset revaluation reserve			49,718
44. TOTAL EQUITY			<u>76,497</u>
Note to system assets:			
45. Current replacement cost of system assets			140,205
46. Accumulated current cost depreciation of system assets			(66,316)
47. Written down current cost of system assets			<u>73,889</u>

Lismore City Council

Special Schedule No. 5 - Sewerage Income Statement

Includes ALL INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.
for the financial year ended 30 June 2009

\$'000	Actuals 2009	Actuals 2008
A Expenses and Income Expenses		
1. Management expenses		
a. Administration	874	888
b. Engineering and Supervision	477	419
2. Operation and Maintenance		
- Mains		
a. Operation expenses	49	80
b. Maintenance expenses	600	748
- Pumping Stations		
c. Operation expenses (excluding energy costs)	38	15
d. Energy costs	100	95
e. Maintenance expenses	354	482
- Treatment		
f. Operation expenses (excl. chemical, energy, effluent & biosolids management costs)	619	550
g. Chemical costs	506	475
h. Energy costs	-	174
i. Effluent Management	141	94
j. Biosolids Management	79	159
k. Maintenance expenses	586	541
- Other		
l. Operation expenses		-
m. Maintenance expenses	71	-
3. Depreciation		
a. System assets	5,700	5,480
b. Plant and equipment	77	61
4. Miscellaneous expenses		
a. Interest expenses	124	21
b. Revaluation Decrements		-
c. Other expenses		-
d. Tax Equivalent Dividends (actually paid)		-
5. Total expenses	10,395	10,282

Lismore City Council

Special Schedule No. 5 - Sewerage Income Statement (continued)

Includes ALL INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.
for the financial year ended 30 June 2009

\$'000	Actuals 2009	Actuals 2008
Income		
6. Residential charges (including rates)	5,724	5,466
7. Non-residential charges		
a. Access (including rates)	620	592
b. Usage charges		-
8. Trade Waste Charges		
a. Annual Fees	232	230
b. Usage charges		-
c. Excess mass charges & re-inspection fees		-
9. Extra charges		-
10. Interest income	(654)	(574)
11. Other income	90	252
12. Grants		
a. Grants for acquisition of assets		-
b. Grants for pensioner rebates	122	120
c. Other grants	1	1
13. Contributions		
a. Developer charges	504	320
b. Developer provided assets		-
c. Other contributions	627	1,751
14. Total income	<u>7,266</u>	<u>8,158</u>
15. Gain or loss on disposal of assets	(256)	(161)
16. Operating Result	<u>(3,385)</u>	<u>(2,285)</u>
16a. Operating Result (less grants for acquisition of assets)	(3,385)	(2,285)

Lismore City Council

Special Schedule No. 5 - Sewerage Income Statement (continued)

Includes ALL INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.
for the financial year ended 30 June 2009

\$'000	Actuals 2009	Actuals 2008
B Capital transactions		
Non-operating expenditures		
17. Acquisition of Fixed Assets		
a. Subsidised scheme		-
b. Other new system assets		-
c. Renewals	1,807	3,732
d. Plant and equipment	100	1,026
18. Repayment of debt		
a. Loans	57	35
b. Advances	-	-
c. Finance leases	-	-
19. Transfer to sinking fund	-	-
20. Totals	<u>1,964</u>	<u>4,793</u>
Non-operating funds employed		
21. Proceeds from disposal of assets	28	4
22. Borrowing utilised		
a. Loans	1,000	280
b. Advances	-	-
c. Finance leases	-	-
23. Transfer from sinking fund	-	-
24. Totals	<u>1,028</u>	<u>284</u>
C Rates and charges		
25. Number of assessments		
a. Residential (occupied)	10,172	10,126
b. Residential (unoccupied, ie. vacant lot)	638	400
c. Non-residential (occupied)	1,012	1,022
d. Non-residential (unoccupied, ie. vacant lot)	87	97
26. Number of ETs for which developer charges were received	110 ET	106 ET
27. Total amount (actual dollars) of pensioner rebates	\$ 220,000	\$ 220,000

Lismore City Council

Special Schedule No. 5 - Sewerage Cross Subsidies
for the financial year ended 30 June 2009

\$'000	Yes	No	Amount
D Best practice annual charges and developer charges*			
28. Annual charges			
a. Does Council have best-practice sewerage annual charges, usage charges and trade waste fees & charges*?	<input type="checkbox"/>	<input type="checkbox"/>	
If Yes, go to 29a.			
If No, please report if council has removed land value from access charges (ie rates)?			
<p>NB. Such charges for both residential customers and non-residential customers comply with section 4.2 & 4.3 of the Water Supply, Sewerage and Trade Waste Pricing Guidelines, Department of Water and Energy, December, 2002. Such charges do not involve significant cross subsidies.</p>			
b. Cross-subsidy to non-residential customers (page 45 of Guidelines)			<input type="text"/>
c. Cross-subsidy to trade waste discharges (page 46 of Guidelines)			<input type="text"/>
29. Developer charges			
a. Has council completed a sewerage Development Servicing** Plan?	<input type="checkbox"/>	<input type="checkbox"/>	
b. Total cross-subsidy in sewerage developer charges for 2008/09 (page 47 of Guidelines)			<input type="text"/>
** In accordance with page 9 of Developer Charges Guidelines for Water Supply, Sewerage and Stormwater, Department of Water & Energy , Dec 2002.			
30. Disclosure of cross-subsidies			
Total of cross-subsidies (28b + 28c + 29b)			<input type="text" value="-"/>

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

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

Lismore City Council

Special Schedule No. 6 - Sewerage Balance Sheet

Includes INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.
as at 30 June 2009

\$'000	Actuals Current	Actuals Non Current	Actuals Total
ASSETS			
31. Cash and investments			
a. Developer charges		5,615	5,615
b. Special purpose grants			-
c. Accrued leave			-
d. Unexpended loans			-
e. Sinking fund			-
f. Other	4,996	1,652	6,648
32. Receivables			
a. Specific purpose grants			-
b. Rates and charges	611		611
c. Other	605		605
33. Inventories	201		201
34. Property, plant and equipment			
a. System assets		175,089	175,089
b. Plant and equipment		271	271
35. Other assets		1,267	1,267
36. Total Assets	6,413	183,894	190,307
LIABILITIES			
37. Bank overdraft			-
38. Creditors	93		93
39. Borrowings			
a. Loans	70	2,153	2,223
b. Advances			-
c. Finance leases			-
40. Provisions			
a. Tax equivalents			-
b. Dividend			-
c. Other	228		228
41. Total Liabilities	391	2,153	2,544
42. NET ASSETS COMMITTED	6,022	181,741	187,763
EQUITY			
42. Accumulated surplus			64,232
44. Asset revaluation reserve			123,531
45. TOTAL EQUITY			187,763
Note to system assets:			
46. Current replacement cost of system assets			317,737
47. Accumulated current cost depreciation of system assets			(142,648)
48. Written down current cost of system assets			175,089

Lismore City Council

Notes to Special Schedule No.'s 3 & 5 for the financial year ended 30 June 2009

Administration ⁽¹⁾

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

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

Engineering and supervision ⁽¹⁾

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

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

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

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

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

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

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

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

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

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

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

Notes:

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

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

Lismore City Council

Special Schedule No. 8 - Financial Projections

as at 30 June 2009

\$'000	Actual ⁽¹⁾ 08/09	Forecast 09/10	Forecast 10/11	Forecast ⁽³⁾ 11/12	Forecast ⁽³⁾ 12/13
(i) RECURRENT BUDGET					
Income from continuing operations	82,650	77,710	80,769	83,910	87,368
Expenses from continuing operations	81,098	80,006	81,640	83,424	85,391
Operating Result from Continuing Operations	<u>1,552</u>	<u>(2,296)</u>	<u>(871)</u>	<u>486</u>	<u>1,977</u>
(ii) CAPITAL BUDGET					
New Capital Works ⁽²⁾	10.0	-	-	-	-
Replacement/Refurbishment of Existing Assets	10.0	5.5	5.6	5.6	5.7
Total Capital Budget	<u>20.0</u>	<u>5.5</u>	<u>5.6</u>	<u>5.6</u>	<u>5.7</u>
Funded by:					
- Loans	5.3	-	-	-	-
- Asset sales	3.5	0.2	0.2	0.2	0.3
- Reserves	-	1.7	1.9	1.9	1.9
- Grants/Contributions	4.3	1.4	1.5	1.5	1.5
- Recurrent revenue	6.9	2.2	2.0	2.0	2.0
- Other	-	-	-	-	-
	<u>20.0</u>	<u>5.5</u>	<u>5.6</u>	<u>5.6</u>	<u>5.7</u>

Notes:

(1) From 08/09 Income Statement.

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

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

Lismore City Council

Financial Reports Review
for the year ended 30 June 2009

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



Overview

The 2008/09 Financial Reports have been prepared in accordance with applicable Australian Accounting Standards (including the Australian Accounting Interpretations), the Local Government Act (1993) and Regulations and the Local Government Code of Accounting Practice and Financial Reporting. The Local Government Code of Accounting Practice applies to NSW council's in respect of their general purpose financial reports, special purpose financial reports and special schedules.

The purpose of the 2008/09 Financial Reports Review is to provide commentary and interpretation on the reported results. It also provides other information in Part C which in some cases is not prescribed for the benefit of users.

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

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

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

Qualified Financial Audit Reports

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

For the 2008/09 Financial Reports, the auditor has provided a Qualified Independent Audit Report. The qualification specifically relates to investments held at the June 30 that have been impacted by the volatility within the financial markets over the past twelve months. Council's investment portfolio at June 30 includes Collateralised Debt Obligation (CDO) instruments which do not have a current active trading market and therefore cannot be independently valued. This lack of independent valuation has resulted in the Auditor qualifying their Independent Audit Report as an assurance can not be provided that the 2008/09 Financial Reports are not materially misstated in regards to the carrying value of investments.

Part A: General Purpose Financial Reports

1. Income Statement

The net operating result for 2008/09 is a \$1.552 million surplus. The following table displays the summarised information from 2006/07 to 2008/09:-

Item	2008/09 (\$'000)	% Change	2007/08 (\$'000)	% Change	2006/07 (\$'000)
Revenues from continuing operations	82,650	12.69 %	72,979	6.86%	68,297
Expenses from continuing operations	81,098	10.44%	73,431	28%	57,500
Net operating result for the year	1,552	443.36%	(452)	-104%	10,797
Net operating result before capital grants and contributions	(9,263)	-15.18%	(8,042)	-363.4%	3,053

A summary of the movements follows:-

Increase in revenues from operations being \$9.7 million with the major movements being:

- Increase in Grants and Contributions from 2008 of \$6.1 million (capital by \$3.2 million with operating increasing by \$2.9million).
- Increase in rates and annual charges \$1.1million.
- Increase in revenues from user fees and charges of \$1.7 million
- Increase in other revenues of \$800k

This has been offset by an increase in the expense from operations with the major movements being:

- Borrowing costs have increased by \$700k representing the impact of loans drawn 2006/07. Council's loan program each year incorporates only one loan repayment in the year of the loans being drawn, with the full annual payment reflected in the following years. It is forecast that will be a further increase in 2009/10 as the impact full impact of loan drawn in 2008/09 is realised.
- A substantial increase in depreciation expenses of \$3.7 million attributable to the indexation in the fair value of Water and Wastewater assets and the annual depreciation impact of the fair value of buildings recognised in 2007/08.
- Material and Contracts increasing by \$2.8 million due to additional works undertaken from grant funds, production costs increasing to generate higher revenues from user fees and charges and carried forward works from 2008 being finalised.

In general, revenues from continuing operations increased by 12.69% or \$9.3 million however, expenses from continuing operations increased by 10.44% or \$7.6million. From a cash perspective, this change has been either funded or budgeted.

The 2008/09 reporting period includes increased depreciation expenses which are \$3.7 million higher than in previous years. This is due to the fair values indexation of Water and Wastewater infrastructure assets, the increased depreciation expense from the increased fair value of building recognised in 2008 and an adjustment in depreciation expenses for assets that were not depreciation in 2008. It is expected that depreciation expenses will increase over the few next years as the fair value of all Council's assets are brought to account in accordance with the Department of Local Government requirements. Once asset management plans are completed for all infrastructure, Council will need to consider how it will fund the required works. This is likely to be well beyond Council's financial capacity and will require significant contribution from other tiers of government.

2. Balance Sheet

The Balance Sheet is used to summarise the total net assets under Council's control. As at June 30, 2009, total net assets were \$652 million. During 2008/09, net assets increased by \$8.6m with \$1.6 million increase attributable to continuing operations and \$7.0 million increase attributable to the revaluation of Water and Wastewater assets (indexation of fair value).

Fair value is defined as being the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. This is not necessarily the market-selling price of the asset, but rather the maximum value that Council would rationally pay to acquire an asset all things reasonably considered.

The major component of Council's net assets relates to infrastructure assets. Net infrastructure assets total \$522.2m and include the following categories and amounts:

Infrastructure Assets	At Cost (\$m)	Accumulated Depreciation (\$m)	Written Down Value (\$m)	Accumulated Depreciation/ At Cost %
Roads, Bridges, Footpaths & Earthworks	474.4	214.3	260.1	45
Stormwater Drainage	25.9	8.0	17.9	30
Water Supply Network	138.4*	66.1	72.3*	48
Sewerage Network	314.1*	142.2	171.9*	45
Total Infrastructure Assets	952.8	430.6	522.2	45

* Fair Value

The Roads, Bridges, Footpaths & Earthworks and Stormwater Drainage and Other Structures components will also be re-valued at fair value by June 30, 2010.

3. Income from continuing operations (Note 3)

Income from continuing operations increase by \$9.7m or 13% compared to 2007/08. A summary of the individual categories and comparisons for the last three years is provided below:

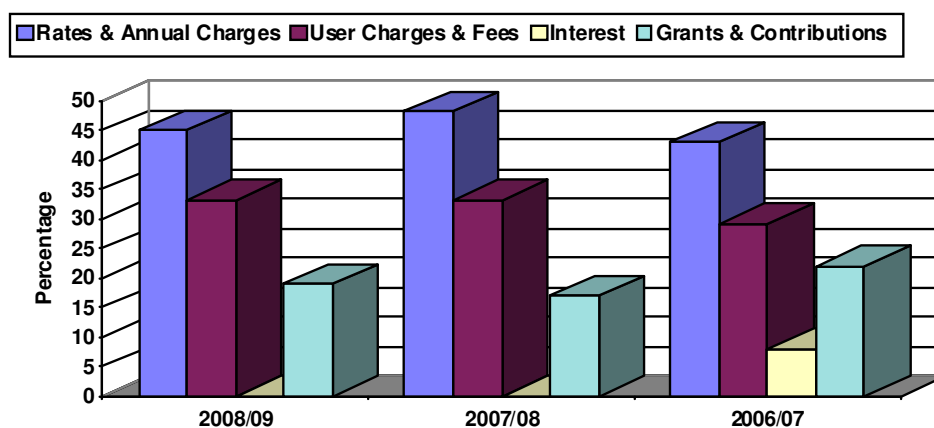
Type	2008/09 (\$'000)	% Change	2007/08 (\$'000)	% Change	2006/07 (\$'000)
Rates & Annual Charges	32,239	4	31,145	5	29,690
User Charges & Fees	23,441	8	21,746	11	19,656
Interest	0	n/a	0	n/a	2,634
Other revenues	2,343	49	1,570	85	850
Grants & Contributions – Operating	13,812	26	10,928	8	10,076
Grants & Contributions – Capital	10,815	42	7,590	20	4,744
Gain on Disposal of Assets	0	n/a	0	n/a	647
Total	82,650	13	72,979	7	68,297

- **Rates and Annual charges** have increased by 4% which is line with rate pegging and anticipated growth.
- **User Charges & Fees** have increased by 8% (\$1.7m) predominately due to:
 - Other fees and charges increasing by \$1.2 million - Quarry sales increased by \$1.8 million, \$200k in new revenues from the Goonellabah Sports and Aquatic Centre which opened in 2009, declines in revenues for ordered works (RTA) on roads \$600k million and decline in waste revenues \$200k.

- Statutory/Regulatory charges declining by \$200k – a decline in development application fees \$110k and private works requested \$100k.
- Specific User Charges increasing by \$700k. – Water user charges are the major item that has increased.
- **Other revenues** increased by 49% or \$800k with the majority movement being attributable to \$400k in insurance claims received for damage to Council Buildings as a result of storms. The increase in insurance revenues was offset by increased costs of repairs to Council buildings with the costs of repairs being in excess of revenues received. Increased revenues from parking control \$80k, legal expenses recouped from collection of outstanding debts \$40k, revenues received in advance for Master Games to be held in September 2009 \$100k and insurance rebates such as for risk management improvements and fund year rebates \$100k.
- **Grants & Contributions capital** – Grants and Contributions for capital purposes increased from 2008 by \$3.2 million with new grants totalling \$2.4 million and an increase on existing grants \$800k. New grants were received for the Margaret Olley Art Centre \$110k, R&LCIP Nesbitt Park development \$200k, Woodlark Street revitalisation \$1.375 million and the Goonellabah Youth Plaza \$700k. Additional grants and contributions were received from existing sources and projects such as Section 94/64 developer contributions \$500k and RTA Timber Bridge Replacement program \$500k. In addition non-cash contributions from developers has decreased by \$325k with the major movements being Wastewater – decline by \$1.1million, a decline in Water by \$300k offset by an increase in roads by \$1 million..
- **Grants & Contributions operating** - Grants and Contributions for Operating purposes increased from 2008 by \$2.9 million. The major items being the 1st instalment of the 2009/10 Federal Assistance Grant received in advance \$1.5 million, Natural Disaster grant for emergency works \$220k, R&LCIP Rural Halls \$140k and the Lismore Flood Levee \$140k. The balance of the increase comprises several new grants totalling \$300k and an increase in recurring grants from 2008 of \$400k.
- **Interest revenues** for the year amounted to \$1.6 million, but a market value write off of investments for \$2.3 million has reduced this to a loss of \$700k. This loss is reflected in expenses from continuing operations.

The following graph represents the main types of income from continuing operations expressed as a percentage of total continuing income 2008/09, 2007/08 and 2006/07. It clearly supports the trend of Council's ability to generate additional revenue.

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



Expenses from continuing operations (Note 4)

Expenses from continuing operations have increased by \$7.7m or 10.4% from 2007/08 to 2008/09. A summary of the individual categories and comparisons for the last three years is provided below:

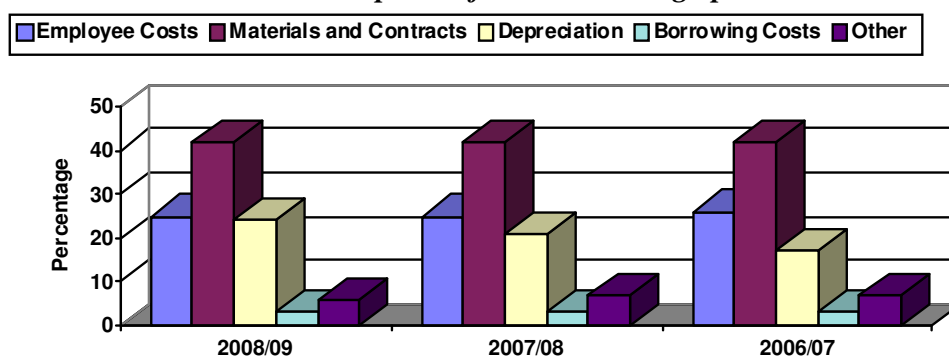
Type	2008/09 (\$'000)	% Change	2007/08 (\$'000)	% Change	2006/07 (\$'000)
Employee Costs	19,901	7	18,599	5	17,672
Borrowing Costs	2,502	37	1,826	15	1,507
Materials & Contracts	33,755	9	30,968	27	24,295
Depreciation	19,390	24	15,652	58	9,821
Other	4,820	(2)	4,924	17	4,205
Loss on Disposal of Assets	14	(97)	557	n/a	0
Interest & Investment Losses	716	(21)	905	n/a	0
Total	81,098	10	73,431	32	55,602

- Employee costs have increased in line with initial wage/salary growth projections. In addition the number of full time equivalent (FTE) employees has increased by 7 with some positions not being filled due to resignations in 2008. There were still a number of positions not filled in 2009 however are expected to be filled in 2010.
- Materials and Contracts have increased from previous years and can be attributed to increased quarry production costs \$2.4 million, works associated with insurance repairs \$1 million; these amounts were partly offset by increased sales revenue, insurance revenues and grants received.
- Depreciation has increased by \$3.7million with \$3.3million in General Fund, Wastewater infrastructure \$200k and Water infrastructure \$160k. Within General Fund, the movements were in buildings with a \$1.3million increase as result of fair values adjustments made in 2008, infrastructure assets \$800k relating to an increase in assets for bridges/roads being brought to account, and plant assets \$800k. In addition, Tip and Quarry impairment depreciation was increased from 2008 by \$200k. It is anticipated that this trend of increasing depreciation costs will continue over the next two years as all non current assets are recognised at their fair value (roads, footpaths, drainage and other structures in 2009/10).
- A Loss on Disposal of Assets of \$14k has also been recognised. The majority of this relates to the replacement of Water and Wastewater infrastructure that was replaced prior to being fully depreciated \$350k and an offset of profit on the sale of land \$290k.
- In regards to Interest & Investment Losses, Council is required to report investments at their market value as at June 30 each year. This valuation is based on their estimated value at that date and is not reflective of the expected capital return if held to maturity. In accordance with requirements, a \$2.3 million decline in the fair value of investments is reported. Throughout the year Council received an income stream from investments totalling \$1.6 million. When netted against the market value adjustment, the result is an interest and investment loss of \$700k.

Investment markets remain volatile and this uncertainty continues to erode the confidence and operations of investment and credit markets which in turn can negatively impact the market value and income streams from investments.

The following graph represents the types of expenses from continuing operations expressed as a percentage of total continuing expenses for 2008/09, 2007/08 and 2006/07:

Expenses from continuing operations



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

Council has total cash, cash equivalents and investments of \$28.9m as at June 30, 2009. Compared to 2007/08, this is a decrease of \$2m. Typically, Council's total cash, cash equivalents and investments are reasonably stable, but can fluctuate depending on the timing of cash flows and investment decisions.

Investments held are recorded at their market value and therefore include the market value adjustment referred to above of a negative \$2.35m.

The majority of funds are either restricted by external legislation e.g. developer contributions - Section 94 (\$4.9m) and Section 64 (\$6.5m), Wastewater Services (\$6.6m), Unexpended Grants (\$4.4m), Trust (\$299k) and Domestic Waste Collection (\$115k) or internal policy e.g. unexpended loans (\$1.4m) and the general reserves.

6. Statement of performance measures (Note 13)

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

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

The following table is a summary of the key performance indicators from 2005/06 to 2008/09:-

Performance Indicator	2008/09	2007/08	2006/07	2005/06
Unrestricted Current Ratio	1.39:1	2.04:1	2.57:1	3.20:1
Debt Service Ratio Percentage	6.34%	5.33%	4.54%	4.77%
Rate Coverage Ratio Percentage	39.01%	42.68%	43.47%	47.70%
Rates, Annual Charges, Interest and Extra Charges Outstanding Percentage	11.19%	10.89%	10.23%	9.75%
Building & Infrastructure Renewals Ratio	65.28%	109.38%	n/a	n/a

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

The Debt Service Ratio, which was at 5.33% for 2007/08, has increased to 6.34%. This increase is anticipated and attributed to the full impact of repayments from the 2007/08 and partial 2008/09 borrowing program. This ratio will increase as full repayments from the 2008/09 and 2009/10 borrowing program (\$8.69m) impact.

Rates Coverage Ratio Percentage for 2008/09 when compared to 2007/08 shows a reduction in reliance upon rates and annual charges. This is as a result of the increase in fees and user charges.

The Rate, Annual Charges, Interest and Extra Charges Outstanding percentage has remained above 10%. A comprehensive approach to debt recovery has been implemented with in-house collection initially and more difficult or non compliant cases being referred to a mercantile agent for legal proceedings. These actions should cause this indicator to improve in future years. It is important to note that Council has a policy of not taking legal action against pensioners except in extreme cases. This policy may in this ratio increasing.

The Building & Infrastructure Renewals Ratio indicates that funds are not being expended to renewing existing assets at the same rate as depreciation. This has been impacted in the 2008/09 by the new Goonellabah Sports and Aquatic Centre being completed and brought to account, therefore increasing the ratio of expenditure on new capital works instead of renewing existing assets. This ratio will deteriorate in future years as all infrastructure assets are fair valued and depreciation costs are based on current replacement costs.

Part B: Special Purpose Financial Reports

7. Return on Capital

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

National Competition Policy guidelines stipulate that Council must declare Water and Wastewater as business activities, even though there is some dispute as to whether these funds operate for commercial benefit or to ensure an essential service is provided at a reasonable cost. In regards to Northern Rivers Waste - Collection, as it has no assets, a return on capital cannot be calculated. The other activities have been declared as they meet the criteria established for business activities,

primarily because there are competitors in the market place for which Council actively competes for market share.

The following provides a summary of the return on capital for Council's business activities during 2008/09. Based on the summary and using the 10 Year Government Bond Rate as a guide, only the Lismore Memorial Gardens is returning a positive return. Based on these results, a review of the financial plans for these business units would be appropriate to ensure expectations are achievable.

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

Business Unit	Return %	Business Unit	Return	Business Unit	Return
Water	-2.6	Northern Rivers Waste – Collection	n/a	Koala Child Care Centre	-11.5
Wastewater	-2.6	Northern Rivers Waste – Disposal	-6.0	Lismore Memorial Gardens	1.6
Northern Rivers Quarry & Asphalt	-17.7	Properties Held for Public Benefit	-2.8	Real Estate	n/a

8. Subsidy from Council

Council is deemed to have made a subsidy to a business unit if the capital return is less than the 'risk free rate'. The risk free rate is considered to be equivalent to the 10 Year Government Bond Rate applicable at June 30, 2009 of 5.25%.

Summarised below are the calculated subsidies applicable to these business units. This is based on competitive neutrality guidelines and reflects the 'true cost' of Council's subsidy. It is important to note that this is not a direct cash contribution from Council.

Business Unit	\$'000	Business Unit	\$'000	Business Unit	\$'000
Water	6,039	Northern Rivers Waste – Collection	n/a	Koala Child Care Centre	74
Wastewater	14,221	Northern Rivers Waste – Disposal	648	Lismore Memorial Gardens	83
Northern Rivers Quarry & Asphalt	1,200	Properties Held for Public Benefit	248	Real Estate	n/a

9. Loan Indebtedness

Council's overall loan debt increased during 2008/09 by \$6.1million to \$38.3 million. During the year, total borrowings of \$8.1million were drawn with approximately 66% or \$5.35million of these funds for the self funding activities - Quarry \$350k, Industrial and Commercial Land \$3 million and \$1 million for Wastewater and \$1 million for Water construction programs.

It is considered that the current level of debt is manageable, but this needs to be considered on an ongoing basis in light of all other expenditure commitments. Movements in total loan indebtedness by Fund for 2008/09 follow:

Fund	Balance 30/6/08	New Loans Raised	Principal Repaid	Balance 30/6/09	Movement - Increase / (Decrease)
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000

General	30,883	6,094	1,826	35,150	4,267
Wastewater	1,280	1,000	57	2,223	943
Water	0	1,000	25	975	975
Total	32,163	8,094	1,908	38,348	6,185

10. Internally Restricted Reserves

As at June 30, 2009, reserves totalled \$22.58 million, comprising \$9.40 million held as cash reserves, \$3.51 million as working capital and \$9.67 million in internal loans. The working capital portion represents amounts that were held as debtors as at the June 30, 2009 but which form part of the operating result for 2009.

There has been an overall increase in reserves from 2007/08 of \$4.4 million with the major increase being the Federal Assistance Grant received in advance of \$1.5 million, \$800k increase in Transport Infrastructure, Wastewater and Water reserves \$1.9 million. The reserves are held in General, Wastewater and Water Funds being \$16.19 million \$5.52 million and \$872,000 respectively.

All reserves held at June 30, 2009 are deemed to be at an appropriate level given that they are either within a suitable range of the nominated funding level, are for a specific purpose or the variance is manageable.

A separate descriptive report on reserve funds has also been submitted to Council for consideration.

11. Plant Operations

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

Item	2008/09 (\$'000)	2007/08 (\$'000)	2006/07 (\$'000)
Plant Hire Income	5,936	5,900	5,558
Less:			
Operating Expenses	4,169	4,127	3,677
Depreciation	2,906	1,835	1,445
Operating Surplus / (Deficit)	(1,113)	(62)	436
Add-back depreciation	2,906	1,835	1,445
Cash Surplus / (Deficit)	1,793	1,773	1,881
Net Capital Replacement Cost	1,521	2,488	1,746

The result for 2008/09 shows a decline in the operating surplus/ (deficit) by \$1.051 million compared to 2007/08 with the main reason being an increase in depreciation expenses. The Cash Surplus/ (Deficit) is in line with previous years.

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

Approximately \$3.927 million is available for plant replacement at June 30, 2009.

12. Real Estate Development

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

The residential development is a joint venture between Council, Chevina Pty Ltd and John Newton. Basically, Council receives a fixed amount for the land component and a half share of the profit after all development and sale costs are deducted. Four (4) lots were available for sale during 2008/09 and three (3) were sold. The fourth lot sold early in 2009/10. Expectations are that the remaining land will be developed and sold within the next two years.

For industrial land, one (1) lot sold in the Centennial Industrial Estate leaving no other developed lot ready for sale. While other land is available in this estate, it is likely to be sold ‘as is’ rather than developed. No lots sold in the Kruass Avenue Industrial Estate, but all but two (2) lots are under contract or in negotiations.

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

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

Category	2008/09	2007/08	2006/07
<u>Residential Land</u>			
Opening Balance			
Land Value (\$)	89,460	89,460	135,260
Number of Lots	11	11	12
Sales			
Gross Sale Proceeds (\$)	155,344	0	43,398
Lots Sold	3	0	1
Add			
Development Costs (\$)	74,933	0	0
Lots Created	0	0	0
Closing Balance			
Land Value (\$)	59,394	89,460	89,460
Number of Lots	8	11	11
Profit / (Loss) (\$)	99,143	0	25,822
<u>Industrial Land</u>			
Opening Balance			
Land Value (\$)	3,644,725	3,149,035	2,006,521
Number of Lots	8	7	8
Sales			
Gross Sale Proceeds (\$)	350,000	0	1,257,964
Lots Sold	1	0	1
Add			
Development Costs (\$)	(219,908)	495,690	1,769,034
Lots Created		1	0
Closing Balance			
Land Value (\$)	3,181,943	3,644,725	3,149,035
Number of Lots	7	8	7
Profit / (Loss) (\$)	187,426	0	429,557
<u>Commercial Land</u>			
Opening Balance			
Land Value (\$)	3,089,556	3,089,556	3,135,2500
Number of Lots	1	1	1
Sales			

Gross Sale Proceeds (\$)	0	0	0
Lots Sold	0	0	0
Add			
Acquisition Costs (\$)	148,705	0	(45,694)
Lots Created	0	0	0
Closing Balance			
Land Value (\$)	3,238,261	3,089,556	3,089,556
Number of Lots	1	1	1
Profit / (Loss) (\$)	0	0	0

13. Northern Rivers Quarry Operations

Northern Rivers Quarry has had a decrease in the cash surplus of \$1.987 million from 2007/08.

There have been a number of contributing factors associated with decline with the major items being:

- Extended wet weather which has reduced production in two ways; rain preventing crushing total due to material clogging up screens and crushers and by delaying restarting of production after rain until material dries.
- In an effort to fulfil contracts additional staff and equipment was hired with contract locking at guaranteed hire hours. Due to further wet weather which prevented production the minimum rates become a fixed overhead for the Quarry with no offsetting income.
- Key staffing positions remained for long periods during the year which also contributed.
- Management has taken steps to reduce overheads, realign costs of production to output and adopt a more effective management structure.
- Higher stock levels on hand as at 30 June – with stock being treated as non cash.

The loss has been contained within the Quarry reserves with the cash deficit being funded from internal loans from other reserves. It is proposed that these losses will be repaid and that the fund the 2008/09 shortfall from future years returns.

Item	2008/09	2007/08	2006/07
User Charges			
External Sales	3,212,700	5,646,900	4,531,000
Internal Sales	7,199,500	3,032,500	3,517,200
Miscellaneous Charges	319,700	181,800	220,800
Total Income	10,731,900	8,861,200	8,269,000
Less:			
Operating Expenses	11,898,600	9,440,700	7,929,400
Depreciation	325,000	209,500	64,000
Operating Surplus/(Deficit)	(1,491,700)	(789,000)	275,900
Cost of Production Per Tonne	24.65	18.03	10.64
Adjust for other Cash and Non Cash Movements			
Add – Depreciation (Non Cash)	325,000	209,500	64,000
Capital Purchases/internal transfers	(77,900)	(574,700)	(1,328,000)
Stock on Hand – (Non Cash)	(742,000)	46,000	(209,000)
Cash Movement Surplus/(Deficit)	(1,986,600)	(1,108,200)	(1,196,800)

14. Summary

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

During 2009/10, Council's investment portfolio and investment income stream will continue to be challenged as financial market volatility continues. This will result in Council reviewing its future works program that is linked to this income stream. The value of investments may deteriorate in the short term due to this market volatility; however, advice received suggests that provided the underlying assets of Council's investments remain sound, the majority of Council's capital should be recouped on maturity.

The impact of the revaluation of water and wastewater network infrastructure assets to fair value in 2006/07 and land & buildings in 2008/09 has contributed towards additional depreciation costs of \$3.7m. This is not unexpected. With all Council's other infrastructure assets to be valued on a fair value basis by June 30, 2010, Council's depreciation expense will continue to rise and the net operating result after that time will deteriorate. The development and implementation of long term asset management and associated financial plans will be required to rationalise Council's forward outlook and strategies.

Part D: Local Government Financial Health Checks

Revenue Sources

Indicator #1 – Revenue Sources

Indicator Title:

1.1 Sources of Total Revenue Before Capital, all funds

Indicator Definition:

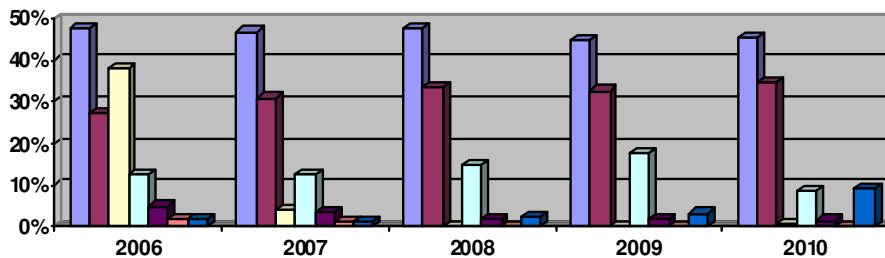
Ordinary Revenue classified by source

Indicator / Local Government Benchmark:

For Information Only

	June 2007 Actual \$'000	% Age of Total Revenue	June 2008 Actual \$'000	% Age of Total Revenue	June 2009 Actual \$'000	% Age of Total Revenue	June 2010 Forecast \$'000	% Age of Total Revenue
Rates & Charges	29,690	46.72	31,145	47.63	32,239	44.88	35,853	45.33
User Charges and Fees	19,656	30.93	21,746	33.26	23,441	32.63	27,446	34.69
Interest	2,634	4.14	0	0	0	0	328	0.41
Grants	7,897	12.43	9,733	14.88	12,571	17.50	6,882	8.70
Contributions	2,179	3.43	1,195	1.83	1,241	1.73	1,163	1.47
Profit on Sales of Assets	647	1.01	0	0	0	0	135	0.17
Other	850	1.34	1,570	2.4	2,343	3.26	7,305	9.23
Total Ordinary Revenue Before Capital	63,553	100.0	65,389	100.0	71,835	100.0	79,112	100.0

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



Cash / Liquidity Position

Indicator #2 – Cash / Liquidity Position

Indicator Title:

2.1 Unrestricted Current Ratio

Indicator Definition:

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

Indicator / Local Government Benchmark:

*Greater than 2:1 - Acceptable
Between 1:1 and 2:1 – Requires Monitoring
Less than 1:1 – Corrective Action Required*



	June 2007 Actual	June 2008 Actual	June 2009 Actual	June 2010 Forecast	June 2011 Forecast	June 2012 Forecast
General Fund	2.57	2.04	1.39	2.13	2.80	4.71

Commentary: Council is in a healthy position in relation to liquidity however continued monitoring is required.

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

Indicator Definition: a) Available Cash Assets
b) Unrestricted Available Cash Assets
a) Cash Assets less Externally Restricted Assets
b) Unrestricted Available Cash Assets less Internally restricted Assets

Indicator / Local Government Benchmark: For Information Only

	June 2007 Actual \$'000	June 2008 Actual \$'000	June 2009 Actual \$'000	June 2010 Forecast \$'000	June 2011 Forecast \$'000	June 2012 Forecast \$'000
a)	19,105	19,956	13,859	16,767	15,943	16,207
b)	-	-	-	-	-	-

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

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

Indicator Definition: a) Available Cash Assets
b) Unrestricted Available Cash Assets
a) Available cash Assets / Ordinary Revenue before Capital
b) Unrestricted Available Cash Assets / Ordinary Revenue before Capital

Indicator / Local Government Benchmark: For Information Only

	June 2007 Actual	June 2008 Actual	June 2009 Actual	June 2010 Forecast	June 2011 Forecast	June 2012 Forecast
a)	30.06%	34.08%	19.29%	21.19%	19.89%	19.31%
b)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

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

Operating Result

Indicator #3 – Operating Result

Indicator Title: 3.1 Result from Continuing Operations before Capital Grants and Contributions

Indicator Definition: Total Continuing Revenues less Total Continuing Expenses

Indicator / Local Government Benchmark: No action required
Position needs monitoring
Corrective action required



	June 2007 Actual \$'000	June 2008 Actual \$'000	June 2009 Actual \$'000	June 2010 Forecast \$'000
General Fund	3,824	-1,222	-2,859	-2,547
Water Fund	444	-2,464	-1,888	-1,238
Wastewater Fund	1,785	-4,356	-4,516	-2,435
All Funds	6,053	-8,042	-9,263	-6,220

Commentary:

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

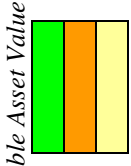
Asset Condition Management

Indicator #4 – Asset Condition Management

Indicator Title:

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

Indicator Definition:



Indicator / Local Government Benchmark:

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

	June 2007 Actual \$'000	June 2008 Actual \$'000	June 2009 Actual \$'000	June 2010 Forecast \$'000
General Fund	2.28	2.87	2.29	2.43
Water Fund	3.42	0.81	0.46	1.31
Wastewater Fund	1.22	0.68	0.32	1.56
All Funds	2.18	1.83	1.5	1.97
General Fund	0.83	1.33	0.75	0.75
Water Fund	0.74	0.89	1.10	1.10
Wastewater Fund	0.57	1.04	0.94	0.94
All Funds	0.71	1.16	0.85	0.85
General Fund	40.66%	40.44%	40.27%	40.30%
Water Fund	45.59%	46.47%	47.73%	48.35%
Wastewater Fund	42.53%	43.73%	45.28%	45.78%
All Funds	41.80%	37.09%	37.00%	42.78%

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

Debt Service Ratio

Indicator #5 – Debt Service Ratio

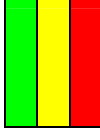
Indicator Title:

Indicator Definition:

- 5.1 **Debt Service Ratio**
- 5.1 *Gross Debt Service Costs / Total Revenue from Ordinary Activities*

Indicator / Local Government Benchmark:

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



	June 2007 Actual	June 2008 Actual	June 2009 Actual	June 2010 Forecast	June 2011 Forecast	June 2012 Forecast
5.1	4.54%	5.33%	6.34%	6.43%	6.64%	6.46%

Commentary: Council’s level of debt service is satisfactory and is reflective of a council that is well developed as opposed to being relatively new and experiencing significant growth.

Indicator #6 – Receivables Management

Indicator Title:

6.1 Outstanding Rates and Charges

Indicator Definition:

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

Indicator / Local Government Benchmark:

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



	June 2007 Actual	June 2008 Actual	June 2009 Actual	June 2010 Forecast	June 2011 Forecast	June 2012 Forecast
6.1	10.23%	10.89%	11.19%	10.77%	10.67%	10.67%

Commentary: Management continues to be proactive in debt recovery including the appointment of Executive Collections as collection agent for Council. Management is continuing to implement actions to recover debts in a timely manner and it is anticipated that the level will decline in 2010 year onwards. The anomaly here is that outstanding rates and charges accrue interest at a rate of 9.0%, which is more than the interest earned on investments or the cost of borrowing funds. The above indicator bases the forecasts on trends of the previous years as well as taking into account continuing actions to reduce outstanding debts and therefore reflects the anticipated actual result.

Re-Votes of Expenditure

Indicator #7 – Re-Votes of Expenditure

Indicator Title:

Re-Votes of Expenditure

Indicator Definition:

Re-votes / Total Expenses

Indicator / Local Government Benchmark:

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



June 2006	June 2007	June 2008	June 2009
16.40%	6.90%	10.30%	12.90%

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

In 2008/09 additional expenditure has been and is associated with

- additional grants for new projects such as Splendour in the Grass
- increased ordered works from the RTA
- additional schedule of works for water and wastewater upgrades
- The roll forward of unexpended grants and reserves from 2007/08.

Although it is considered the percentage of vote adjustments is in excess of an acceptable level these costs could not have been accurately determine at the time of the preparation of the 2008/09 budget in April 2008.

Accuracy / timeliness of financial data / budget / compliance

Indicator #8 – Management Practices

Indicator Title:

Accuracy / Timeliness of Financial Data / Budget / Compliance

Indicator Definition:

As Indicated Below

Indicator / Local Government Benchmark:

8 to 9 Achieved – Acceptable

5 to 7 Achieved – Requires Monitoring

4 or Less Achieved – Corrective Action Required



	<u>June 2006</u>	<u>June 2007</u>	<u>June 2008</u>	<u>June 2009</u>
1. Financial Bottom Line (before capital matched to forecasts to a level of + or – 10%)	No	No	No	No
2. Receipt of an unqualified Audit Report	Yes	Yes	No	No
3. Statements lodged to meet compliance deadline.	Yes	Yes	Yes	Yes
4. Do you report monthly to management within 5 days of month end?	Yes	Yes	Yes	Yes
5. Do you report quarterly statutory within 21 days of quarter end.	No	No	No	No
6. Do you report annual statutory within 21 days of year-end.	No	No	No	No
7. Do budgets incorporate a 3-year plan where the 2 nd year becomes the base for the following year?	Yes	Yes	Yes	Yes
8. Rigour of budget review and then ongoing monthly/quarterly budget to actual results analysis.	Yes	Yes	Yes	Yes
9. Does RAO formally report to Council on the sign off of Financial Statements – Sec. 413?	Yes	Yes	Yes	Yes
	6	6	5	5

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

Conclusion

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

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