



LISMORE CITY COUNCIL FINANCIAL REPORTS

FOR THE YEAR ENDED

30 JUNE 2018



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GENERAL PURPOSE

FINANCIAL STATEMENTS

**For the year ended
30 June 2018**

Lismore City Council

General Purpose Financial Statements for the year ended 30 June 2018

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Overview

Lismore City Council is constituted under the *Local Government Act 1993 (NSW)* and has its principal place of business at:

43 Oliver Avenue
Goonellabah, NSW 2480

Council's guiding principles are detailed in Chapter 3 of the LGA and includes:

- principles applying to the exercise of functions generally by council,
- principles to be applied when making decisions,
- principles of community participation,
- principles of sound financial management, and
- principles for strategic planning relating to the development of an integrated planning and reporting framework.

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

Through the use of the internet, we have ensured that our reporting is timely, complete and available at minimum cost. All press releases, financial statements and other information are publicly available on our website: www.lismore.nsw.gov.au.

Lismore City Council

General Purpose Financial Statements for the year ended 30 June 2018

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

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

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

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

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

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

Signed in accordance with a resolution of Council made on 09 October 2018.

Isaac Smith
Mayor
09 October 2018

Elly Bird
Councillor
09 October 2018

Shelly Oldham
General Manager
09 October 2018

Rino Santin
Responsible Accounting Officer
09 October 2018

Lismore City Council

Income Statement

for the year ended 30 June 2018

Original unaudited budget 2018	\$ '000	Notes	Actual 2018	Actual 2017
Income from continuing operations				
Revenue:				
51,257	Rates and annual charges	3a	51,202	49,563
36,117	User charges and fees	3b	28,982	32,567
1,695	Interest and investment revenue	3c	1,844	2,171
6,537	Other revenues	3d	7,847	5,639
10,774	Grants and contributions provided for operating purpose	3e,f	18,465	16,787
7,563	Grants and contributions provided for capital purposes	3e,f	17,599	14,230
Other income:				
–	Net share of interests in joint ventures and associates using the equity method	15	62	–
<u>113,943</u>	Total income from continuing operations		<u>126,001</u>	<u>120,957</u>
Expenses from continuing operations				
34,839	Employee benefits and on-costs	4a	30,108	34,179
3,384	Borrowing costs	4b	3,560	3,640
32,102	Materials and contracts	4c	40,527	35,883
21,490	Depreciation and amortisation	4d	22,661	20,845
5,730	Other expenses	4e	9,920	5,199
1,184	Net losses from the disposal of assets	5	3,488	2,479
<u>98,729</u>	Total expenses from continuing operations		<u>110,264</u>	<u>102,225</u>
15,214	Operating result from continuing operations		15,737	18,732
–	Operating result from discontinued operations	20	–	–
<u>15,214</u>	Net operating result for the year		<u>15,737</u>	<u>18,732</u>
15,214	Net operating result attributable to Council		15,737	18,732
<u>–</u>	Net operating result attributable to non-controlling interests		<u>–</u>	<u>–</u>
7,651	Net operating result for the year before grants and contributions provided for capital purposes		(1,862)	4,502

Lismore City Council

Statement of Comprehensive Income
for the year ended 30 June 2018

\$ '000	Notes	2018	2017
Net operating result for the year (as per Income Statement)		15,737	18,732
Other comprehensive income:			
Amounts that will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of IPP&E	9a	37,736	216,378
Total items which will not be reclassified subsequently to the operating result		37,736	216,378
Amounts that will be reclassified subsequently to the operating result when specific conditions are met			
Nil			
Total other comprehensive income for the year		37,736	216,378
Total comprehensive income for the year		53,473	235,110
Total comprehensive income attributable to Council		53,473	235,110
Total comprehensive income attributable to non-controlling interests		-	-

Lismore City Council

Statement of Financial Position

as at 30 June 2018

\$ '000	Notes	2018	2017
ASSETS			
Current assets			
Cash and cash equivalents	6a	28,151	15,959
Investments	6b	26,000	46,000
Receivables	7	17,456	17,865
Inventories	8	3,685	4,690
Other	8	15	15
Total current assets		75,307	84,529
Non-current assets			
Investments	6b	6,000	4,000
Receivables	7	3,121	2,493
Inventories	8	183	183
Infrastructure, property, plant and equipment	9	1,387,717	1,333,974
Intangible assets	12	146	218
Investments accounted for using the equity method	15	1,166	–
Total non-current assets		1,398,333	1,340,868
TOTAL ASSETS		1,473,640	1,425,397
LIABILITIES			
Current liabilities			
Payables	11	10,378	12,148
Borrowings	11	4,829	4,583
Provisions	12	7,233	8,008
Total current liabilities		22,440	24,739
Non-current liabilities			
Borrowings	11	62,509	65,589
Provisions	12	2,337	2,188
Total non-current liabilities		64,846	67,777
TOTAL LIABILITIES		87,286	92,516
Net assets		1,386,354	1,332,881
EQUITY			
Accumulated surplus	13	498,827	482,964
Revaluation reserves	13	887,527	849,917
Council equity interest		1,386,354	1,332,881
Non-controlling equity interests		–	–
Total equity		1,386,354	1,332,881

Lismore City Council

Statement of Changes in Equity
for the year ended 30 June 2018

\$ '000	Notes	2018					2017						
		Accumulated surplus	IPP&E revaluation reserve	Other reserves (specify)	Council interest	Non-controlling interest	Total equity	Accumulated surplus	IPP&E revaluation reserve	Other reserves (specify)	Council interest	Non-controlling interest	Total equity
Opening balance		482,964	849,917	–	1,332,881	–	1,332,881	464,232	633,539	–	1,097,771	–	1,097,771
Correction of prior period errors	13 (b)	–	–	–	–	–	–	–	–	–	–	–	–
Changes in accounting policies	13 (c)	–	–	–	–	–	–	–	–	–	–	–	–
Restated opening balance		482,964	849,917	–	1,332,881	–	1,332,881	464,232	633,539	–	1,097,771	–	1,097,771
Net operating result for the year prior to correction of errors and changes in accounting policies		15,737	–	–	15,737	–	15,737	18,732	–	–	18,732	–	18,732
Correction of prior period errors	13 (b)	–	–	–	–	–	–	–	–	–	–	–	–
Changes in accounting policies	13 (c)	–	–	–	–	–	–	–	–	–	–	–	–
Net operating result for the year		15,737	–	–	15,737	–	15,737	18,732	–	–	18,732	–	18,732
Other comprehensive income													
– Correction of prior period errors	13 (b)	–	–	–	–	–	–	–	–	–	–	–	–
– Changes in accounting policies	13 (c)	–	–	–	–	–	–	–	–	–	–	–	–
– Gain (loss) on revaluation of IPP&E	9a	–	37,736	–	37,736	–	37,736	–	216,378	–	216,378	–	216,378
– Gain (loss) on revaluation of available for sale investments		–	–	–	–	–	–	–	–	–	–	–	–
– Realised (gain) loss on available for sale investments recognised in operating result		–	–	–	–	–	–	–	–	–	–	–	–
– Gain (loss) on revaluation of other reserves		–	–	–	–	–	–	–	–	–	–	–	–
– Realised (gain) loss from other reserves recognised in operating result		–	–	–	–	–	–	–	–	–	–	–	–
– Transfers to Income Statement		–	–	–	–	–	–	–	–	–	–	–	–
– Impairment (loss) reversal relating to IPP&E	9a	–	–	–	–	–	–	–	–	–	–	–	–
– Impairment (reversal) of available for sale investments to (from) operating result		–	–	–	–	–	–	–	–	–	–	–	–
– Joint ventures and associates	15b	–	–	–	–	–	–	–	–	–	–	–	–
– Other reserves movements		–	–	–	–	–	–	–	–	–	–	–	–
– Other reserves movements (enter details here)		–	–	–	–	–	–	–	–	–	–	–	–
– Other reserves movements (enter details here)		–	–	–	–	–	–	–	–	–	–	–	–
– Other reserves movements (enter details here)		–	–	–	–	–	–	–	–	–	–	–	–
– Other movements - Associates Opening Revaluation Reserve Adjustments - RTRL		126	(126)	–	–	–	–	–	–	–	–	–	–
Other comprehensive income		126	37,610	–	37,736	–	37,736	–	216,378	–	216,378	–	216,378
Total comprehensive income (c&d)		15,863	37,610	–	53,473	–	53,473	18,732	216,378	–	235,110	–	235,110
Distributions to/(contributions from) non-controlling interests		–	–	–	–	–	–	–	–	–	–	–	–
Transfers between equity items		–	–	–	–	–	–	–	–	–	–	–	–
Equity – balance at end of the reporting period		498,827	887,527	–	1,386,354	–	1,386,354	482,964	849,917	–	1,332,881	–	1,332,881

Lismore City Council

Statement of Cash Flows

for the year ended 30 June 2018

Original unaudited budget 2018	\$ '000	Notes	Actual 2018	Actual 2017
Cash flows from operating activities				
Receipts:				
51,018	Rates and annual charges		51,776	49,098
39,515	User charges and fees		31,848	34,975
1,610	Investment and interest revenue received		2,254	2,198
18,337	Grants and contributions		32,687	27,723
–	Bonds, deposits and retention amounts received		–	267
2,007	Other		12,016	7,752
Payments:				
(34,839)	Employee benefits and on-costs		(30,952)	(34,344)
(32,182)	Materials and contracts		(44,676)	(41,548)
(3,384)	Borrowing costs		(3,512)	(3,601)
–	Bonds, deposits and retention amounts refunded		(1,198)	–
(5,730)	Other		(11,893)	(3,625)
36,352	Net cash provided (or used in) operating activities	14b	38,350	38,895
Cash flows from investing activities				
Receipts:				
–	Sale of investment securities		18,000	–
–	Sale of real estate assets		649	–
1,738	Sale of infrastructure, property, plant and equipment		2,078	1,315
–	Deferred debtors receipts		9	6
Payments:				
–	Purchase of investment securities		–	(28,000)
(56,060)	Purchase of infrastructure, property, plant and equipment		(42,956)	(39,460)
–	Purchase of interests in joint ventures and associates		(1,104)	–
(54,322)	Net cash provided (or used in) investing activities		(23,324)	(66,139)
Cash flows from financing activities				
Receipts:				
4,755	Proceeds from borrowings and advances		1,749	31,121
Payments:				
(4,911)	Repayment of borrowings and advances		(4,583)	(4,167)
(156)	Net cash flow provided (used in) financing activities		(2,834)	26,954
(18,126)	Net increase/(decrease) in cash and cash equivalents		12,192	(290)
41,654	Plus: cash and cash equivalents – beginning of year	14a	15,959	16,249
23,528	Cash and cash equivalents – end of the year	14a	28,151	15,959
Additional Information:				
	plus: Investments on hand – end of year	6b	32,000	50,000
	Total cash, cash equivalents and investments		60,151	65,959

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Notes to the Financial Statements for the year ended 30 June 2018

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Notes to the Financial Statements for the year ended 30 June 2018

Note 1. Basis of preparation

These financial statements were authorised for issue by Council on 9/10/2018.

Council has the power to amend and reissue these financial statements.

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

Basis of preparation

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

The financial statements are presented in Australian dollars and are rounded to the nearest thousand dollars.

Specific budgetary amounts have been included for comparative analysis (to actuals) in the following reports and notes:

- Income statement
- Statement of cash flows
- Note 21 – Material budget variations

and are clearly marked .

(a) New and amended standards adopted by Council

There have been no new (or amended) accounting standards adopted by Council in this year's financial statements which have had any material impact on reported financial position, performance or cash flows.

(b) Historical cost convention

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

(c) Significant accounting estimates and judgements

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Council's accounting policies.

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

Critical accounting estimates and assumptions

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

- (i) estimated fair values of infrastructure, property, plant and equipment – refer Note 9,

Lismore City Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 1. Basis of preparation (continued)

- (ii) estimated tip remediation provisions – refer Note 12,
- (iii) employee benefit provisions – refer Note 12.

Monies and other assets received by Council

(a) The Consolidated Fund

In accordance with the provisions of Section 409(1) of the *Local Government Act 1993 (NSW)*, all money and other assets received by Council is held in the Council's Consolidated Fund unless it is required to be held in the Council's Trust Fund.

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

- General purpose operations
- Water service
- Sewerage service

(b) The Trust Fund

In accordance with the provisions of Section 411 of the *Local Government Act 1993 (NSW)* (as amended), a separate and distinct Trust Fund is maintained to account for all money and other assets 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 other assets subject to Council's control have been included in 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.

Goods and Services Tax (GST)

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

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

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

New accounting standards and interpretations issued not yet effective

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

As at the date of authorisation of these financial statements, Council considers that the standards and interpretations listed below will have an impact upon future published financial statements ranging from additional and / or revised disclosures to actual changes as to how certain transactions and balances are accounted for.

Lismore City Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 1. Basis of preparation (continued)

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

- AASB 9 *Financial Instruments*

This replaces AASB 139 *Financial Instruments: Recognition and Measurement*, and addresses the classification, measurement and disclosure of financial assets and liabilities.

The standard introduces a new impairment model that requires impairment provisions to be based on expected credit losses, rather than incurred credit losses.

Based on assessments to date, Council expects a small increase to impairment losses however the standard is not expected to have a material impact overall.

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

- AASB 15 *Revenue from Contracts with Customers*, AASB 1058 *Income of Not-for-Profit Entities* and AASB 2016-8 *Amendments to Australian Accounting Standards - Australian Implementation Guidance for Not-for-Profit Entities*

AASB 15 will replace AASB 118 *Revenue*, AASB 111 *Construction Contracts* and a number of Interpretations. AASB 2016-8 provides Australian requirements and guidance for not-for-profit entities in applying AASB 9 and AASB 15, and AASB 1058 will replace AASB 1004 *Contributions*.

Together they contain a comprehensive and robust framework for the recognition, measurement and disclosure of income including revenue from contracts with customers.

While Council is still reviewing the way that income is measured and recognised to identify whether there will be any material impact arising from these standards, these standards may affect the timing of the recognition of some grants and donations.

- AASB 16 *Leases*

Council is currently a party to leases that are not recognised in the Statement of Financial Position.

It is likely that some of these leases will need to be included in the Statement of Financial Position when this standard comes into effect.

A lease liability will initially be measured at the present value of the lease payments to be made over the lease term.

A corresponding right-of-use asset will also be recognised over the lease term.

Council has not elected to apply any pronouncements before their operative date in these financial statements.

Lismore City Council

Notes to the Financial Statements

for the year ended 30 June 2018

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

Functions/activities	Income, expenses and assets have been directly attributed to the following functions/activities. Details of these functions/activities are provided in Note 2(b).									
	Income from continuing operations		Expenses from continuing operations		Operating result from continuing operations		Grants included in income from continuing operations		Total assets held (current and non-current)	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
An inclusive and healthy community	19,492	6,922	26,098	18,215	(6,606)	(11,293)	14,373	1,936	110,359	106,413
A prosperous and vibrant city	1,462	1,500	3,825	8,275	(2,363)	(6,775)	837	905	641	644
Our natural environment	16,614	14,901	18,947	17,583	(2,333)	(2,682)	916	1,019	52,172	51,372
Our built environment	51,042	52,917	44,094	40,732	6,948	12,185	7,868	10,619	1,207,711	1,176,417
Leadership and participation	37,391	44,717	17,300	17,420	20,091	27,297	5,699	9,688	102,757	90,551
Other		–		–	–	–	–	–	–	–
Total functions and activities	126,001	120,957	110,264	102,225	15,737	18,732	29,693	24,167	1,473,640	1,425,397

Lismore City Council

Notes to the Financial Statements for the year ended 30 June 2018

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

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

An inclusive and healthy community

An inclusive and healthy community is connected to community wellbeing, a healthy lifestyle, social connections, and a feeling of belonging and acceptance.

A prosperous and vibrant city

A prosperous and vibrant city has a resilient economy with a diversity of business, a thriving cultural and artistic life, and an attractive, welcoming city centre.

Our natural environment

We value our natural environment and actively work to protect and enhance our natural assets, use our resources wisely, and grow sustainability.

Our built environment

Our built environment creates a liveable community where our basic needs and services are met now and into the future.

Leadership and participation

We are committed to good governance, empowering our community through engagement, and fostering partnerships to do more with less.

Lismore City Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 3. Income from continuing operations

\$ '000	2018	2017
(a) Rates and annual charges		
Ordinary rates		
Residential	18,148	17,683
Farmland	4,443	4,394
Business	5,425	5,313
Total ordinary rates	28,016	27,390
Annual charges (pursuant to s.496, s.496A, s.496B, s.501 & s.611)		
Domestic waste management services	4,593	4,443
Stormwater management services	381	380
Water supply services	4,137	3,913
Sewerage services	12,557	11,935
Waste management services (non-domestic)	615	604
Nimbin transfer station	54	54
Waste minimisation	849	844
Total annual charges	23,186	22,173
TOTAL RATES AND ANNUAL CHARGES	51,202	49,563

Council has used 2017 year valuations provided by the NSW Valuer General in calculating its rates.

Accounting policy for rates and annual charges

Rates, annual charges, grants and contributions (including developer contributions) are recognised as revenue when the Council obtains control over the assets comprising these receipts. Developer contributions may only be expended for the purposes for which the contributions were required, but the Council may apply contributions according to the priorities established in work schedules.

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

Lismore City Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 3. Income from continuing operations (continued)

\$ '000	2018	2017
(b) User charges and fees		
Specific user charges (per s.502 – specific 'actual use' charges)		
Water supply services	9,229	9,189
Sewerage services	189	275
Total specific user charges	9,418	9,464
Other user charges and fees		
(i) Fees and charges – statutory and regulatory functions (per s.608)		
Building regulation	1,174	860
Dog registration fees	167	173
Health control	508	463
Planning services	640	495
Section 603 certificates	93	87
Other	10	50
Total fees and charges – statutory/regulatory	2,592	2,128

Lismore City Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 3. Income from continuing operations (continued)

\$ '000	2018	2017
(b) User charges and fees (continued)		
(ii) Fees and charges – other (incl. general user charges (per s.608))		
Aerodrome	210	261
Art gallery	27	7
Caravan park	25	25
Community centres	13	7
Library	1	4
Parking fees	241	189
Parks, gardens and lakes	220	203
Public cemeteries	1,029	1,076
Quarry revenues	3,860	5,210
RMS (formerly RTA) charges (state roads not controlled by Council)	3,850	2,117
Road services	61	57
RTRL contributions by member councils	–	4,830
Share cropping	102	20
Sporting grounds	1,887	1,734
Strategic planning	–	1
Swimming pools	203	308
Tourism service charges	77	72
Waste disposal	4,377	4,158
Water charges	169	146
Other	620	550
Total fees and charges – other	16,972	20,975
TOTAL USER CHARGES AND FEES	28,982	32,567

Accounting policy for user charges and fees

User charges and fees are recognised as revenue when the service has been provided.

Lismore City Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 3. Income from continuing operations (continued)

\$ '000	2018	2017
(c) Interest and investment revenue (including losses)		
Interest		
– Overdue rates and annual charges (incl. special purpose rates)	353	370
– Cash and investments	1,491	1,801
TOTAL INTEREST AND INVESTMENT REVENUE	1,844	2,171
Interest revenue is attributable to:		
Unrestricted investments/financial assets:		
Overdue rates and annual charges (general fund)	353	370
General Council cash and investments	103	192
Restricted investments/funds – external:		
Development contributions		
– Section 7.11	121	135
Water fund operations	301	311
Sewerage fund operations	966	1,163
Total interest and investment revenue recognised	1,844	2,171

Accounting policy for interest and investment revenue

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

Lismore City Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 3. Income from continuing operations (continued)

\$ '000	Notes	2018	2017
(d) Other revenues			
Rental income – other council properties		377	364
Fines – parking		124	109
Fines – other		28	97
Commissions and agency fees		46	47
Insurance claim recoveries		1,851	525
Master games		50	71
Other events		249	124
Private works		–	117
Recycling income (non-domestic)		3,958	3,308
Reservation and registration fees		–	89
Other - Container Deposit Scheme		663	–
Other		501	788
<u>TOTAL OTHER REVENUE</u>		<u>7,847</u>	<u>5,639</u>

Accounting policy for other revenue

Council recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Council and specific criteria have been met for each of the Council's activities as described below. Council bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Parking fees and fines are recognised as revenue when the service has been provided, or when the penalty has been applied, whichever occurs first.

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

Miscellaneous sales are recognised when physical possession has transferred to the customer which is deemed to be the point of transfer of risks and rewards.

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

Lismore City Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 3. Income from continuing operations (continued)

\$ '000	2018 Operating	2017 Operating	2018 Capital	2017 Capital
(e) Grants				
General purpose (untied)				
Current year allocation				
Financial assistance – general component	2,163	4,081	–	–
Financial assistance – local roads component	956	1,828	–	–
Payment in advance – future year allocation				
Financial assistance – general component	2,215	2,109	–	–
Financial assistance – local roads component	982	938	–	–
Other				
Pensioners' rates subsidies – general component	406	445	–	–
Total general purpose	6,722	9,401	–	–
Specific purpose				
Pensioners' rates subsidies:				
– Water	125	259	–	–
– Sewerage	123	132	–	–
– Domestic waste management	91	88	–	–
Airport	–	–	392	686
Art gallery	118	97	–	–
Community services	114	26	–	–
Diesel rebate	541	609	–	–
Domestic waste management	–	–	674	852
Environmental protection	81	61	–	–
Library services	129	122	–	–
Library – special projects	–	–	198	–
Natural disaster emergency funding	6,496	1,748	–	–
Recreation and culture	206	–	7,971	2,790
Street lighting	170	167	–	–
Transport (roads to recovery)	1,765	2,037	–	–
Transport (other roads and bridges funding)	6	268	3,606	4,750
Other	165	74	–	–
Total specific purpose	10,130	5,688	12,841	9,078
Total grants	16,852	15,089	12,841	9,078
Grant revenue is attributable to:				
– Commonwealth funding	6,859	11,620	1,686	2,565
– State funding	9,973	3,469	11,155	6,513
– Other funding	20	–	–	–
	16,852	15,089	12,841	9,078

Lismore City Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 3. Income from continuing operations (continued)

\$ '000	Notes	2018 Operating	2017 Operating	2018 Capital	2017 Capital
(f) Contributions					
Developer contributions:					
(s7.4 & s7.11 – EP&A Act, s64 of the LGA):					
Cash contributions					
S 7.11 – contributions towards amenities/services		–	–	940	609
S 64 – water supply contributions		–	–	184	117
S 64 – sewerage service contributions		–	–	883	490
Other developer contributions		–	–	245	249
Total developer contributions – cash		–	–	2,252	1,465
Non-cash contributions					
Other developer contributions		–	–	1,938	3,294
Total developer contributions – non-cash		–	–	1,938	3,294
Total developer contributions	24	–	–	4,190	4,759

Lismore City Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 3. Income from continuing operations (continued)

\$ '000	2018 Operating	2017 Operating	2018 Capital	2017 Capital
(f) Contributions (continued)				
Other contributions:				
Cash contributions				
Art gallery	7	97	–	–
Library	–	32	–	93
Recreation and culture	–	–	410	110
RMS contributions (regional roads, block grant)	1,591	1,560	136	136
Other	15	9	22	54
Total other contributions – cash	1,613	1,698	568	393
Total other contributions	1,613	1,698	568	393
Total contributions	1,613	1,698	4,758	5,152
<u>TOTAL GRANTS AND CONTRIBUTIONS</u>	<u>18,465</u>	<u>16,787</u>	<u>17,599</u>	<u>14,230</u>

Accounting policy for contributions

Control over grants and contributions is normally obtained upon their receipt (or acquittal) and is valued at the fair value of the granted or contributed asset at the date of transfer.

Where grants or contributions recognised as revenues during the financial year were obtained on condition that they be expended in a particular manner or used over a particular period and those conditions were un-discharged at reporting date, the unused grant or contribution is disclosed above.

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

Lismore City Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 3. Income from continuing operations (continued)

\$ '000	2018	2017
(g) Unspent grants and contributions		
Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner:		
Operating grants		
Unexpended at the close of the previous reporting period	447	1,340
Add: operating grants recognised in the current period but not yet spent	1,586	106
Less: operating grants recognised in a previous reporting period now spent	(412)	(999)
Unexpended and held as restricted assets (operating grants)	<u>1,621</u>	<u>447</u>
Capital grants		
Unexpended at the close of the previous reporting period	1,066	453
Add: capital grants recognised in the current period but not yet spent	6,461	865
Less: capital grants recognised in a previous reporting period now spent	(1,066)	(252)
Unexpended and held as restricted assets (capital grants)	<u>6,461</u>	<u>1,066</u>
Contributions		
Unexpended at the close of the previous reporting period	4,762	4,736
Add: contributions recognised in the current period but not yet spent	1,512	738
Less: contributions recognised in a previous reporting period now spent	(1,199)	(712)
Unexpended and held as restricted assets (contributions)	<u>5,075</u>	<u>4,762</u>

Lismore City Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 4. Expenses from continuing operations

\$ '000	2018	2017
(a) Employee benefits and on-costs		
Salaries and wages	24,552	28,190
Employee leave entitlements	5,214	5,321
Superannuation	2,906	3,377
Workers' compensation insurance	693	704
Fringe benefit tax	40	52
Payroll tax	233	112
Training costs (other than salaries and wages)	400	283
Total employee costs	34,038	38,039
Less: capitalised costs	(3,930)	(3,860)
<u>TOTAL EMPLOYEE COSTS EXPENSED</u>	<u>30,108</u>	<u>34,179</u>
Number of 'full-time equivalent' employees (FTE) at year end	431	432

Accounting policy for employee benefits and on-costs

Employee benefit expenses are recorded when the service has been provided by the employee.

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.

Lismore City Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 4. Expenses from continuing operations (continued)

(a) Employee benefits and on-costs (continued)

Defined Benefit Superannuation Contribution Plans

Council participates in a defined benefits superannuation scheme called the Local Government Superannuation Scheme – Pool B (Scheme). The Pooled Employers form a sub-group of the Scheme with over 170 employers supporting over 8,700 employees and ex-employees.

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

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

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

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

The additional lump sum contribution for each Pooled Employer is a share of the total additional contributions of \$40 million per annum from 1 July 2017 for 4 years to 30 June 2021. These additional lump sum contributions are used to fund the deficit of assets to accrued liabilities as at 30 June 2017.

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

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

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

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

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

The expected contribution to the Scheme for the next annual reporting period is \$712,547.76.

The estimated employer reserves financial position for the Pooled Employers at 30 June 2018 is:

Lismore City Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 4. Expenses from continuing operations (continued)

Employer Reserves only*	\$millions	Asset Coverage
Assets	1,817.8	
Past Service Liability	1,787.5	101.7%
Vested Benefits	1,778.0	102.2%

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

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

- Investment return 6.0% per annum
- Salary inflation* 3.5% per annum
- Increase in CPI 2.5% per annum

* Plus promotional increases

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

The implications are that additional contributions are estimated to remain in place until 30 June 2020 (i.e. \$1,053,000).

It is estimated that Council's level of participation in the Scheme compared with other participating Pooled Employers is 0.85%.

Lismore City Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	2018	2017
(b) Borrowing costs			
(i) Interest bearing liability costs			
Interest on loans		3,508	3,589
Other debts		4	12
Total interest bearing liability costs		3,512	3,601
Total interest bearing liability costs expensed		3,512	3,601
(ii) Other borrowing costs			
Discount adjustments relating to movements in provisions		–	–
– Remediation liabilities	12	48	39
Total other borrowing costs		48	39
<u>TOTAL BORROWING COSTS EXPENSED</u>		<u>3,560</u>	<u>3,640</u>

Accounting policy for 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.

Lismore City Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 4. Expenses from continuing operations (continued)

\$ '000	2018	2017
(c) Materials and contracts		
Raw materials and consumables	40,124	35,526
Auditors remuneration ⁽²⁾	75	87
Legal expenses:		
– Legal expenses: planning and development	119	75
– Legal expenses: debt recovery	51	83
Operating leases:		
– Operating lease rentals: minimum lease payments ⁽¹⁾	158	112
Total materials and contracts	40,527	35,883
Less: capitalised costs	–	–
<u>TOTAL MATERIALS AND CONTRACTS</u>	<u>40,527</u>	<u>35,883</u>

Accounting Policy for Operating leases

Leases in which a significant portion of the risks and rewards of ownership are not transferred to Council as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

1. Operating lease payments are attributable to:

Computers	50	112
Other	108	–
	<u>158</u>	<u>112</u>

Lismore City Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 4. Expenses from continuing operations (continued)

\$ '000	2018	2017
(c) Materials and contracts (continued)		
2. Auditor remuneration		
During the year the following fees were paid or payable for services provided by the auditor of Council, related practices and non-related audit firms		
Auditors of the Council – NSW Auditor-General:		
(i) Audit and other assurance services		
Audit and review of financial statements	70	72
Remuneration for audit and other assurance services	70	72
Total Auditor-General remuneration	70	72
Non NSW Auditor-General audit firms:		
(i) Audit and other assurance services		
Audit of grant acquittals (Thomas Noble & Russell)	5	2
Audit and review of financial statements: RTRL (Thomas Noble & Russell)	–	13
Remuneration for audit and other assurance services	5	15
Total remuneration of non NSW Auditor-General audit firms	5	15
Total Auditor remuneration	75	87

Lismore City Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	2018	2017
(d) Depreciation, amortisation and impairment			
Depreciation and amortisation			
Plant and equipment		3,058	3,354
Office equipment		37	144
Furniture and fittings		4	23
Land improvements (depreciable)		978	936
Infrastructure:			
– Buildings – non-specialised		30	36
– Buildings – specialised		914	826
– Other structures		356	300
– Roads		6,619	6,624
– Bridges		917	869
– Footpaths		214	201
– Stormwater drainage		836	813
– Water supply network		3,125	1,734
– Sewerage network		5,304	4,280
– Swimming pools		69	68
– Other open space/recreational assets		107	80
Other assets:			
– Library books		–	389
– Other		32	22
Intangible assets	10	59	164
Reinstatement, rehabilitation and restoration assets:			
Asset reinstatement costs	9 & 12		
– Quarry assets	9 & 12	2	(18)
Total gross depreciation and amortisation costs		22,661	20,845
Less: capitalised costs		–	–
Total depreciation and amortisation costs		22,661	20,845
<u>TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT / REVALUATION DECREMENT COSTS EXPENSED</u>			
		22,661	20,845

Accounting policy for depreciation, amortisation and impairment expenses**Depreciation and amortisation**

Depreciation and amortisation are calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives. Useful lives are included in Note 9 for IPPE assets and Note 10 for intangible assets.

Lismore City Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	2018	2017
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(d) Depreciation, amortisation and impairment (continued)

Impairment of non-financial assets

Intangible assets that have an indefinite useful life or are not yet available for use are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

Impairment losses for revalued assets are firstly offset against the amount in the revaluation surplus for the class of asset, with only the excess to be recognised in the Income Statement.

Impairment of financial assets

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

Lismore City Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	2018	2017
(e) Other expenses			
Bad and doubtful debts		–	12
Contributions/levies to other levels of government			
– Emergency services levy (includes FRNSW, SES, and RFS levies)		76	85
– NSW fire brigade levy		469	452
– NSW rural fire service levy		282	274
– Rous County Council		438	432
– Richmond Tweed Regional Library		1,499	–
Councillor expenses – mayoral fee		56	54
Councillor expenses – councillors' fees		212	200
Councillors' expenses (incl. mayor) – other (excluding fees above)		160	153
Donations, contributions and assistance to other organisations (Section 356)		265	212
Election expenses		–	236
Electricity and heating		1,363	1,359
Insurance		1,102	1,086
Street lighting		387	298
Telephone and communications		299	346
Other - net RTRL assets transferred to other councils	15	3,312	–
Total other expenses		9,920	5,199
Less: capitalised costs		–	–
<u>TOTAL OTHER EXPENSES</u>		<u>9,920</u>	<u>5,199</u>

Accounting policy for other expenses

Other expenses are recorded on an accruals basis as the Council receives the goods or services.

Lismore City Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 5. Gains or losses from the disposal of assets

\$ '000	Notes	2018	2017
Property (excl. investment property)	9		
Proceeds from disposal – property		1,265	299
Less: carrying amount of property assets sold/written off		(1,684)	(305)
Net gain/(loss) on disposal		(419)	(6)
Plant and equipment	9		
Proceeds from disposal – plant and equipment		813	1,016
Less: carrying amount of plant and equipment assets sold/written off		(580)	(1,006)
Net gain/(loss) on disposal		233	10
Infrastructure	9		
Proceeds from disposal – infrastructure		–	–
Less: carrying amount of infrastructure assets sold/written off		(2,534)	(2,402)
Net gain/(loss) on disposal		(2,534)	(2,402)
Real estate assets held for sale	8		
Proceeds from disposal – real estate assets		649	–
Less: carrying amount of real estate assets sold/written off		(335)	–
Net gain/(loss) on disposal		314	–
Heritage Collections			
Proceeds from disposal – Heritage Collections		–	–
Less: carrying amount of Heritage Collections assets sold/written off		–	(5)
Net gain/(loss) on disposal		–	(5)
Other Structures			
Proceeds from disposal – Other Structures		–	–
Less: carrying amount of Other Structures assets sold/written off		(371)	(26)
Net gain/(loss) on disposal		(371)	(26)
Land Improvements-Depreciable			
Proceeds from disposal – Land Improvements-Depreciable		–	–
Less: carrying amount of Land Improvements-Depreciable assets sold/written off		(711)	(50)
Net gain/(loss) on disposal		(711)	(50)
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		(3,488)	(2,479)

Accounting policy for disposal of assets

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

Lismore City Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 6(a). Cash and cash equivalent assets

\$ '000	2018	2017
Cash and cash equivalents		
Cash on hand and at bank	341	690
Cash-equivalent assets		
– Deposits at call	16,810	11,269
– Short-term deposits	11,000	4,000
Total cash and cash equivalents	28,151	15,959

Accounting policy for cash and cash equivalents

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

Lismore City Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 6(b). Investments

\$ '000	2018 Current	2018 Non-current	2017 Current	2017 Non-current
Investments				
a. 'At fair value through the profit and loss'				
– 'Designated at fair value on initial recognition'	26,000	6,000	46,000	4,000
Total investments	26,000	6,000	46,000	4,000
<u>TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS</u>				
	54,151	6,000	61,959	4,000
Financial assets at fair value through the profit and loss				
Long term deposits	26,000	6,000	46,000	4,000
Total	26,000	6,000	46,000	4,000

Accounting policy for investments

Classification

Council classifies its financial assets in the following categories: financial assets at fair value through profit or loss; loans and receivables; held-to-maturity investments; and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at each reporting date.

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

Financial assets at fair value through profit or loss are financial assets which have been designated as such to enable performance evaluation where a group of assets is managed on a fair value basis in accordance with a documented investment strategy. Assets in this category are held at fair value with changes in value taken through profit or loss at each reporting period.

Recognition and de-recognition

Regular purchases and sales of financial assets are recognised on trade-date: the date on which Council commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement. Investments are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and Council has transferred substantially all the risks and rewards of ownership.

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

Lismore City Council

Notes to the Financial Statements
for the year ended 30 June 2018

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

\$ '000	2018 Current	2018 Non-current	2017 Current	2017 Non-current
Total cash, cash equivalents and investments	54,151	6,000	61,959	4,000
attributable to:				
External restrictions (refer below)	50,206	6,000	53,773	4,000
Internal restrictions (refer below)	3,945	–	8,186	–
Unrestricted	–	–	–	–
	54,151	6,000	61,959	4,000

\$ '000	2018	2017
Details of restrictions		
External restrictions – included in liabilities		
Art gallery gift account	18	30
Flood Appeal	–	470
Trust account	1,359	1,056
External restrictions – included in liabilities	1,377	1,556
External restrictions – other		
Developer contributions – general	5,075	4,762
Specific purpose unexpended grants	8,082	1,102
Water supplies	8,979	8,611
Water supplies – employee leave entitlements	89	80
Sewerage services	29,720	39,128
Sewerage services – employee leave entitlements	87	86
Domestic waste management	1,132	871
Stormwater management	1,638	1,388
Waste minimisation	27	189
External restrictions – other	54,829	56,217
Total external restrictions	56,206	57,773

Lismore City Council

Notes to the Financial Statements

for the year ended 30 June 2018

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

\$ '000	2018	2017
Internal restrictions		
Employees leave entitlement	2,534	1,857
Employee leave entitlements – RTRL	–	428
Annual budget or LTFP provision	–	2,646
Carry forward and revoke works	505	1,179
Held for other parties	24	955
Other Council resolutions	–	196
Specific purpose unexpended loans	534	526
SRV related	348	399
Total internal restrictions	3,945	8,186
TOTAL RESTRICTIONS	60,151	65,959

Lismore City Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 7. Receivables

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
Purpose				
Rates and annual charges	3,115	1,480	3,967	1,202
Interest and extra charges	389	195	532	147
User charges and fees	2,482	969	2,538	881
Accrued revenues				
– Interest on investments	435	–	750	–
Deferred debtors	8	240	8	249
Government grants and subsidies	1,439	–	–	–
Loans to sporting clubs	25	225	–	–
Miscellaneous works and services	2,987	–	3,414	–
Net GST receivable	920	–	1,234	–
Roads and Maritime Services	3,682	–	3,149	–
RTRL	–	–	6	–
Tender deposits and bonds	682	–	1,880	–
Other debtors - Insurance Claim	1,282	–	–	–
Other debtors	60	12	437	14
Total	17,506	3,121	17,915	2,493
Less: provision for impairment				
User charges and fees	(50)	–	(50)	–
Total provision for impairment – receivables	(50)	–	(50)	–
<u>TOTAL NET RECEIVABLES</u>	<u>17,456</u>	<u>3,121</u>	<u>17,865</u>	<u>2,493</u>
Externally restricted receivables				
Water supply				
– Rates and availability charges	967	414	932	381
– Other	2,480	969	2,538	881
Sewerage services				
– Rates and availability charges	914	436	1,287	336
Domestic waste management	224	111	326	89
Total external restrictions	4,585	1,930	5,083	1,687
Unrestricted receivables	12,871	1,191	12,782	806
<u>TOTAL NET RECEIVABLES</u>	<u>17,456</u>	<u>3,121</u>	<u>17,865</u>	<u>2,493</u>

Lismore City Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 7. Receivables (continued)

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current

Accounting policy for receivables

Recognition and measurement

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets. Loans and receivables are included in other receivables (Note 8) and receivables (Note 7) in the Statement of Financial Position. Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Receivables are generally due for settlement within 30 days.

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

Lismore City Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 8. Inventories and other assets

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
(a) Inventories				
(i) Inventories at cost				
Real estate for resale (refer below)	930	183	1,265	183
Stores and materials	915	–	1,149	–
Trading stock	1,840	–	2,276	–
Total inventories at cost	3,685	183	4,690	183
TOTAL INVENTORIES	3,685	183	4,690	183
(b) Other assets				
Prepayments	15	–	15	–
TOTAL OTHER ASSETS	15	–	15	–
Externally restricted assets				
Water				
Stores and materials	221	–	326	–
Total water	221	–	326	–
Sewerage				
Stores and materials	380	–	274	–
Total sewerage	380	–	274	–
Total externally restricted assets	601	–	600	–
Total unrestricted assets	3,099	183	4,105	183
TOTAL INVENTORIES AND OTHER ASSETS	3,700	183	4,705	183

Lismore City Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 8. Inventories and other assets (continued)

\$ '000	Notes	2018		2017	
		Current	Non-current	Current	Non-current
(i) Other disclosures					
(a) Details for real estate development					
Industrial/commercial		930	183	1,265	183
Total real estate for resale		930	183	1,265	183
(Valued at the lower of cost and net realisable value)					
Represented by:					
Acquisition costs		28	6	36	6
Development costs		902	177	1,229	177
Total costs		930	183	1,265	183
Less: provision for under recovery				–	–
Total real estate for resale		930	183	1,265	183
Movements:					
Real estate assets at beginning of the year		1,265	183	1,265	183
– WDV of sales (expense)	5	(335)		–	–
Total real estate for resale		930	183	1,265	183
(b) Current assets not anticipated to be settled within the next 12 months					
The following inventories and other assets, even though classified as current are not expected to be recovered in the next 12 months;					
				2018	2017
Real estate for resale				299	1,079
				299	1,079

Lismore City Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 8. Inventories and other assets (continued)

\$ '000	Notes	2018		2017	
		Current	Non-current	Current	Non-current

Accounting policy

Raw materials and stores, work in progress and finished goods

Raw materials and stores, work in progress and finished goods are stated at the lower of cost and net realisable value. Costs are assigned to individual items of inventory on basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Inventory held for distribution

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

Land held for resale/capitalisation of borrowing costs

Land held for resale is stated at the lower of cost and net realisable value. Cost is assigned by specific identification and includes the cost of acquisition, and development and borrowing costs during development. When development is completed borrowing costs and other holding charges are expensed as incurred.

Borrowing costs included in the cost of land held for resale are those costs that would have been avoided if the expenditure on the acquisition and development of the land had not been made. Borrowing costs incurred while active development is interrupted for extended periods are recognised as expenses.

Lismore City Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 9(a). Infrastructure, property, plant and equipment

Asset class \$ '000	as at 30/6/2017			Asset movements during the reporting period							as at 30/6/2018		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Adjustments and transfers	Revaluation increments / (decrements) to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
Capital work in progress	18,323	–	18,323	18,570	10,073		–	(9,805)			37,161	–	37,161
Plant and equipment	39,485	20,874	18,611	3,135		(878)	(3,058)	838	(2)		40,239	21,593	18,646
Office equipment	6,489	6,072	417			(279)	(37)				3,828	3,727	101
Furniture and fittings	680	561	119		335	(84)	(4)				723	357	366
Plant and equipment (under finance lease)	–	–	–				–				–	–	–
Land:													
– Operational land	76,507	–	76,507			(1,504)	–			(5,326)	69,677	–	69,677
– Community land	31,779	–	31,779				–		(1)	582	32,360	–	32,360
– Land under roads (pre 1/7/08)	–	–	–				–				–	–	–
– Land under roads (post 30/6/08)	34	–	34				–			6	40	–	40
Land improvements – non-depreciable	8,197	–	8,197		35		–				8,232	–	8,232
Land improvements – depreciable	28,104	10,769	17,335		132	(711)	(978)	140			26,823	10,905	15,918
Infrastructure:													
– Buildings	–	–	–				–				–	–	–
– Buildings – non-specialised	2,325	653	1,672			(163)	(30)			40,328	62,718	20,911	41,807
– Buildings – specialised	77,218	16,245	60,973		750	(1,453)	(914)	6,075		(31,126)	44,353	10,048	34,305
– Other structures	15,264	5,440	9,824	741	2,075	(371)	(356)	890	1		18,205	5,401	12,804
– Roads	366,018	183,666	182,352	7,541	1,040	(539)	(6,619)	846		3,799	378,863	190,443	188,420
– Bridges	85,095	36,230	48,865				(917)			1,039	86,941	37,954	48,987
– Footpaths	17,627	2,137	15,490		190	(29)	(214)	33		332	18,201	2,399	15,802
– Other road assets	–	–	–				–				–	–	–
– Bulk earthworks (non-depreciable)	322,336	–	322,336		221		–			6,994	329,551	–	329,551
– Stormwater drainage	80,036	29,044	50,992		590	(6)	(836)	2		1,090	82,354	30,522	51,832
– Water supply network	266,959	93,093	173,866	2,273	339	(1,828)	(3,125)	775		4,204	273,326	96,822	176,504
– Sewerage network	458,471	172,948	285,523	552	85	(129)	(5,304)	206		15,290	478,772	182,549	296,223
– Swimming pools	5,737	1,940	3,797				(69)				5,737	2,009	3,728
– Other open space/recreational assets	1,776	776	1,000			(2)	(107)				1,766	875	891
– Other infrastructure	–	–	–				–				–	–	–
Other assets:													
– Heritage collections	1,952	–	1,952		4		–			524	2,480	–	2,480
– Library books	4,945	2,613	2,332			(2,332)	–				–	–	–
– Other	918	298	620		63		(32)				981	330	651
Reinstatement, rehabilitation and restoration assets (refer Note 14):													
– Tip assets	270	–	270		70		–				340	–	340
– Quarry assets	863	75	788				(2)		105		968	77	891
– Other remediation assets	–	–	–				–				–	–	–
TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIP.	1,917,408	583,434	1,333,974	32,812	16,002	(10,308)	(22,602)	–	103	37,736	2,004,639	616,922	1,387,717

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

Lismore City Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 9(a). Infrastructure, property, plant and equipment (continued)

Accounting policy for infrastructure, property, plant and equipment

Infrastructure, property, plant and equipment are held at fair value. Independent valuations are performed at least every 5 years, however the carrying amount of assets is assessed at each reporting date to confirm that it is not materially different from current fair value.

Water and sewerage network assets are indexed at each reporting period in accordance with the Rates Reference Manual issued by Crown Lands and Water (CLAW).

Increases in the carrying amounts arising on revaluation are credited to the asset revaluation reserve. To the extent that the increase reverses a decrease previously recognising profit or loss relating to that asset class, the increase is first recognised as profit or loss. Decreases that reverse previous increases of assets in the same class are first charged against revaluation reserves directly in equity to the extent of the remaining reserve attributable to the class; all other decreases are charged to the Income Statement.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to Council and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Land is not depreciated. Depreciation on other assets is calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives as follows:

Plant and equipment	Years	Other equipment	Years
Office equipment	5 to 10	Playground equipment	5 to 15
Office furniture	10 to 20	Benches, seats etc.	10 to 20
Computer equipment	4		
Vehicles	5 to 8	Buildings	
Heavy plant/road making equipment	5 to 8	Buildings: masonry	50 to 100
Other plant and equipment	5 to 15	Buildings: other	20 to 40
Water and sewer assets		Stormwater assets	
Dams and reservoirs	80 to 100	Pipes, Culverts & Channels	120
Reticulation pipes: PVC	80	Pits	100
Reticulation pipes: other	25 to 75	Treatment Devices	100
Pumps and telemetry	15 to 20		

Lismore City Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 9(a). Infrastructure, property, plant and equipment (continued)

Transportation assets	Years	Other infrastructure assets	Years
Sealed roads: surface	12 to 25	Bulk earthworks	Infinite
Sealed roads: Base	45 to 75	Swimming pools	40
Sealed roads: sub base	90 to 150	Other open space/recreational assets	20
Unsealed roads	55	Other infrastructure	50
Bridge: concrete	100		
Bridge: other	60	Library Resources	7
Kerb, gutter and footpaths	50 to 100	(excluding periodicals and eResources)	

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the Income statement.

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.

Crown reserves

Crown Reserves under Council's care and control are recognised as assets of the Council. While ownership of the reserves remains with the Crown, Council retains operational control of the reserves and is responsible for their maintenance and use in accordance with the specific purposes to which the reserves are dedicated. Improvements on Crown Reserves are also recorded as assets, while maintenance costs incurred by Council and revenues relating to the reserves are recognised within Council's Income Statement.

Rural Fire Service assets

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

Council recognises rural fire service assets including land, buildings, plant and vehicles where it is considered that council has control of the asset.

Lismore City Council

Notes to the Financial Statements
for the year ended 30 June 2018

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

\$ '000 Class of asset	2018			2017		
	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount
Water supply						
WIP	2,819		2,819	1,789	–	1,789
Plant and equipment	1,288	905	383	1,290	788	502
Office equipment	63	63	–	63	63	–
Furniture and fittings			–	–	–	–
Land						
– Operational land	2,377		2,377	2,221	–	2,221
– Community land			–	–	–	–
– Improvements non-depreciable			–	–	–	–
– Improvements – depreciable			–	–	–	–
Buildings	154	20	134	24	10	14
Other structures			–	–	–	–
Infrastructure	273,327	96,822	176,505	266,959	93,093	173,866
Other assets			–	–	–	–
Total water supply	280,028	97,810	182,218	272,346	93,954	178,392
Sewerage services						
WIP	22,019		22,019	6,178	–	6,178
Plant and equipment	1,410	1,074	336	1,442	1,032	410
Office equipment	148	148	–	148	148	–
Furniture and fittings			–	–	–	–
Land						
– Operational land	3,746		3,746	5,291	–	5,291
– Community land			–	–	–	–
– Improvements non-depreciable			–	–	–	–
– Improvements – depreciable			–	–	–	–
Buildings	1,026	357	669	908	206	702
Other structures			–	–	–	–
Infrastructure	478,773	182,549	296,224	458,471	172,947	285,524
Other assets			–	–	–	–
Total sewerage services	507,122	184,128	322,994	472,438	174,333	298,105
TOTAL RESTRICTED IPP&E	787,150	281,938	505,212	744,784	268,287	476,497

Lismore City Council

Notes to the Financial Statements for the year ended 30 June 2018

\$ '000	Notes	2018	2017
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Note 9(c). Infrastructure, property, plant and equipment – current year impairments

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

Lismore City Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 10. Intangible assets

\$ '000	2018	2017
Intangible assets represent identifiable non-monetary assets without physical substance.		
Intangible assets are as follows:		
Opening values:		
Gross book value (1/7)	1,616	1,563
Accumulated amortisation (1/7)	(1,398)	(1,234)
Net book value – opening balance	218	329
Movements for the year		
– Purchases	–	53
– RTRL transferred to Associate - Note 15	(13)	–
– Amortisation charges	(59)	(164)
Closing values:		
Gross book value (30/6)	1,589	1,616
Accumulated amortisation (30/6)	(1,443)	(1,398)
<u>TOTAL INTANGIBLE ASSETS – NET BOOK VALUE</u> ¹	<u>146</u>	<u>218</u>

¹ The net book value of intangible assets represent:

– Software	146	218
	<u>146</u>	<u>218</u>

Accounting policy for intangible assets

IT software

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

Lismore City Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 11. Payables and borrowings

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
Payables				
Goods and services – operating expenditure	3,262	–	4,028	–
Goods and services – capital expenditure	2,996	–	3,414	–
Accrued expenses:				
– Other expenditure accruals	2,070	–	1,267	–
Security bonds, deposits and retentions	682	–	1,880	–
Contribution to works	1,359	–	1,056	–
Other	9	–	503	–
Total payables	10,378	–	12,148	–
Borrowings				
Loans – secured ¹	4,829	62,509	4,583	65,589
Total borrowings	4,829	62,509	4,583	65,589
TOTAL PAYABLES AND BORROWINGS	15,207	62,509	16,731	65,589

(a) Payables and borrowings relating to restricted assets	2018		2017	
	Current	Non-current	Current	Non-current
Externally restricted assets				
Water	647	11,597	628	12,109
Sewer	1,445	26,570	1,407	27,706
Domestic waste management	167	–	144	11
Other	1,377	–	1,556	–
Payables and borrowings relating to externally restricted assets	3,636	38,167	3,735	39,826
Total payables and borrowings relating to restricted assets	3,636	38,167	3,735	39,826
Total payables and borrowings relating to unrestricted assets	11,571	24,342	12,996	25,763
TOTAL PAYABLES AND BORROWINGS	15,207	62,509	16,731	65,589

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

Disclosures on liability interest rate risk exposures, fair value disclosures and security can be found in Note 18.

Lismore City Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 11. Payables and borrowings (continued)

\$ '000			2018	2017		
(b) Current payables and borrowings not anticipated to be settled within the next twelve months						
The following payables and borrowings, even though classified as current, are not expected to be settled in the next 12 months.						
Payables – security bonds, deposits and retentions			2,041	1,880		
			<u>2,041</u>	<u>1,880</u>		
(c) Changes in liabilities arising from financing activities						
Class of borrowings	2017 Opening balance as at 1/7/17	Cash flows	Non-cash changes			2018 Closing balance as at 30/6/18
			Acquisition	Fair value changes	Other non-cash movements	
Loans – secured	70,172	(2,834)				67,338
TOTAL	70,172	(2,834)	–	–	–	67,338
(d) Financing arrangements						
(i) Unrestricted access was available at balance date to the following lines of credit:						
Bank overdraft facilities ⁽¹⁾					750	750
Credit cards/purchase cards					250	250
Total financing arrangements					<u>1,000</u>	<u>1,000</u>
Drawn facilities as at balance date:						
– Bank overdraft facilities					–	–
– Credit cards/purchase cards					30	33
Total drawn financing arrangements					<u>30</u>	<u>33</u>
Undrawn facilities as at balance date:						
– Bank overdraft facilities					750	750
– Credit cards/purchase cards					220	217
Total undrawn financing arrangements					<u>970</u>	<u>967</u>

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

Lismore City Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 11. Payables and borrowings (continued)

\$ '000	2018	2017
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Accounting policy for payables and borrowings

Payables

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

Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

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

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

Council has \$3.702 million in internal borrowings from funds that would otherwise have been classified as Internal Restrictions. As they are internal borrowings, they are eliminated from reporting in accordance with Australian Accounting Standards. The borrowings have been used for various purposes and will be repaid in accordance with loan repayment schedules, linked asset sales, profit generation or as cashflow permits.

Lismore City Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 12. Provisions

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
Provisions				
Employee benefits:				
Annual leave	2,754	–	2,970	–
Long service leave	4,249	241	4,777	314
Other leave	48	–	75	–
Sub-total – aggregate employee benefits	7,051	241	7,822	314
Asset remediation/restoration:				
Asset remediation/restoration (future works)	182	2,096	186	1,874
Sub-total – asset remediation/restoration	182	2,096	186	1,874
<u>TOTAL PROVISIONS</u>	<u>7,233</u>	<u>2,337</u>	<u>8,008</u>	<u>2,188</u>

(a) Provisions relating to restricted assets

	2018		2017	
	Current	Non-current	Current	Non-current
Externally restricted assets				
Water	293	5	265	2
Sewer	265	24	266	21
Provisions relating to externally restricted assets	558	29	531	23
Total provisions relating to restricted assets	558	29	531	23
Total provisions relating to unrestricted assets	6,675	2,308	7,477	2,165
TOTAL PROVISIONS	7,233	2,337	8,008	2,188

\$ '000	2018	2017
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(b) Current provisions not anticipated to be settled within the next twelve months

The following provisions, even though classified as current, are not expected to be settled in the next 12 months.

Provisions – employee benefits	4,273	4,801
	4,273	4,801

Lismore City Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 12. Provisions (continued)

\$ '000

(c) Description of and movements in provisions

The movement in each class of provision (excluding those relating to employee benefits) are disclosed below:

	Other provisions	
	Asset remediation	Total
2018		
At beginning of year	2,060	2,060
Changes to provision:		
Revised Costs	170	170
Unwinding of discount	48	48
Total other provisions at end of year	2,278	2,278
2017		
At beginning of year	1,598	1,598
Changes to provision:		
Revised Costs	423	423
Unwinding of discount	39	39
Total other provisions at end of year	2,060	2,060

Nature and purpose of non-employee benefit provisions

Asset remediation

Council has a legal/public obligation to make, restore, rehabilitate and reinstate the council tip and quarry sites.

Accounting policy for provisions

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

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

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

Lismore City Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 12. Provisions (continued)

\$ '000

Employee benefits

Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be wholly settled within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liability for annual leave and accumulating sick leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

Other long-term employee benefit obligations

The liability for long service leave and annual leave that is not expected to be wholly settled within 12 months after the end of the period in which the employees render the related service is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method.

Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

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

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

Restoration

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

Provisions for close down and restoration costs do not include any additional obligations which are expected to arise from future disturbance. The costs are estimated on the basis of a closure plan. The cost estimates are calculated annually during the life of the operation to reflect known developments, e.g. updated cost estimates and revisions to the estimated lives of operations, and are subject to formal review at regular intervals

Rehabilitation

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

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

Lismore City Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 12. Provisions (continued)

\$ '000

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.

Other movements in the provisions for close down and restoration costs, including those resulting from new disturbance, updated cost estimates, changes to the estimated lives of operations and revisions to discount rates are capitalised within property, plant and equipment. These costs are then depreciated over the lives of the assets to which they relate.

Close down and restoration costs are a normal consequence of tip and quarry operations, and the majority of close down and restoration expenditure is incurred at the end of the life of the operations. Although the ultimate cost to be incurred is uncertain, Council estimates the respective costs based on feasibility and engineering studies using current restoration standards and techniques.

Lismore City Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 13. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors

\$ '000

(a) Nature and purpose of reserves

Infrastructure, property, plant and equipment revaluation reserve

The infrastructure, property, plant and equipment revaluation reserve is used to record increments / decrements of non-current asset values due to their revaluation.

Lismore City Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 14. Statement of cash flows – additional information

\$ '000	Notes	2018	2017
(a) Reconciliation of cash assets			
Total cash and cash equivalent assets	6a	28,151	15,959
Less bank overdraft	11	–	–
Balance as per the Statement of Cash Flows		28,151	15,959
(b) Reconciliation of net operating result to cash provided from operating activities			
Net operating result from Income Statement		15,737	18,732
Adjust for non-cash items:			
Depreciation and amortisation		22,661	20,845
Net losses/(gains) on disposal of assets		3,488	2,479
Non-cash capital grants and contributions		(1,938)	(3,294)
Unwinding of discount rates on reinstatement provisions		48	39
Share of net (profits) or losses of associates/joint ventures		(62)	–
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		(228)	(2,403)
Decrease/(increase) in inventories		670	352
Decrease/(increase) in other assets		–	100
Increase/(decrease) in payables		(766)	469
Increase/(decrease) in other accrued expenses payable		803	474
Increase/(decrease) in other liabilities		(1,389)	844
Increase/(decrease) in employee leave entitlements		(844)	(165)
Increase/(decrease) in other provisions		170	423
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		38,350	38,895
(c) Non-cash investing and financing activities			
Developer contributions 'in kind'		1,938	3,294
Total non-cash investing and financing activities		1,938	3,294

Lismore City Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 15. Interests in other entities (continued)

\$ '000

(a) Joint arrangements

Joint operations

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

Name of joint operation	Principal activity	Place of business	Interest in ownership		Interest in voting	
			2018	2017	2018	2017
Blue Hills Residential Estate	Development & Sale of Land	Goonellabah	50%	50%	50%	50%
North East Weight of Loads Group	Reduce Damage to Council Roads	Ballina	15%	15%	13%	13%

Council assets employed in the joint operations

	2018	2017
	\$'000	\$'000
Council's own assets employed in the operations		
Blue Hills Residential Estate		
Current assets:		
Inventories	15	15
Other assets	9	9
Total assets – Council owned	24	24

Council's share of assets jointly owned with other partners

North East Weight of Loads Group

Current assets	31	31
Current liabilities	(26)	(26)
Property, plant and equipment	14	14
Total net assets – Jointly owned with other partners	19	19
Total net assets employed – Council and jointly owned	43	43

Accounting policy for joint arrangements

The Council has determined that it has joint operations.

Lismore City Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 15. Interests in other entities (continued)

\$ '000

(a) Joint arrangements (continued)

Joint operations

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

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

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

(b) Associates

Council has incorporated the following associates into its consolidated financial statements.

On 1 July 2017 Council entered into a new agreement with other local councils to operate regional library services. Richmond Tweed Regional Library was previously controlled by Lismore City Council. The execution of the new agreement has resulted in council relinquishing 75% for no consideration. The loss which equates to the transfer of assets and liabilities to other councils of \$3.312 million is disclosed at Note 4e. Council's 25% interest in Richmond Tweed Regional Library is recognised as an associate.

Lismore City Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 15. Interests in other entities (continued)

\$ '000

(b) Associates (continued)

Richmond Tweed Regional Library	2018	2017
---------------------------------	------	------

Aggregate carrying amount of individually immaterial associates

Council has an interest in an associate which is considered immaterial. The financial information is summarised below.

Carrying amount if investment in associate that is not material	1,166	–
Council's share in the associate:	25%	
Profit/(loss) from continuing operations	62	–
Profit/(loss) from discontinued operations	–	–
Other comprehensive income	–	–
Total comprehensive income – individually immaterial associates	62	–

(f) The nature and extent of significant restrictions relating to joint ventures

Council can only access or conduct business in accordance with the Service Level Agreement that became effective in 2018. Allocation of funds and cash made by a Committee comprising of 4 member Councils, being Ballina, Byron, Tweed Shire Councils and Lismore City Council.

(g) Risk associated with the interests in associates	2018	2017
--	------	------

Contingent liabilities incurred jointly with other investments over joint ventures held

Lismore City Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 15. Interests in other entities (continued)

\$ '000

Accounting policy for associates

Interests in associates are accounted for using the equity method in accordance with AASB128 *Investments in Associates and Joint Ventures*. Under this method, the investment is initially recognised as a cost and the carrying amount is increased or decreased to recognise the Council's share of the profit or loss and other comprehensive income of the investee after the date of acquisition.

If the Council's share of losses of an associate equals or exceeds its interest in the associate, the Council discontinues recognising its share of further losses.

The Council's share in the associate's gains or losses arising from transactions between itself and its associate are eliminated.

Adjustments are made to the associate's accounting policies where they are different from those of the Council for the purpose of the consolidated financial statements.

Lismore City Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 16. Commitments for expenditure

\$ '000	2018	2017
(a) Capital commitments (exclusive of GST)		
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:		
Property, plant and equipment		
Buildings elevator	54	–
Plant and equipment - Truck & Trailers	1,171	1,900
South Lismore Sewerage Treatment Plant	2,450	16,278
Nimbin Water Treatment Plant	914	1,372
Lismore Art Gallery development	–	331
Road rehabilitation	850	–
Total commitments	5,439	19,881
These expenditures are payable as follows:		
Within the next year	5,439	19,881
Later than one year and not later than 5 years	–	–
Later than 5 years	–	–
Total payable	5,439	19,881
Sources for funding of capital commitments:		
Unrestricted general funds	1,171	1,127
Future grants and contributions	–	285
Externally restricted reserves	–	894
Internally restricted reserves	850	773
Unexpended loans	3,364	16,802
Other funding - Insurance	54	–
Total sources of funding	5,439	19,881

Lismore City Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 16. Commitments for expenditure (continued)

\$ '000	2018	2017
(b) 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	187	211
Later than one year and not later than 5 years	49	198
Total non-cancellable operating lease commitments	236	409

b. Non-cancellable operating leases include the following assets:

Light plant and office rentals.

Conditions relating to operating leases:

- All operating lease agreements are secured only against the leased asset.
- No lease agreements impose any financial restrictions on Council regarding future debt etc.

Lismore City Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 17. Contingencies

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

CONTINGENT LIABILITIES

Statewide Mutual Limited

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

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

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

StateCover Mutual Limited

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

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

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

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

Guarantees

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

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

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.

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.

Lismore City Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 17. Contingencies (continued)

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

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

S7.11 Plans

Council levies Section 7.11 Contributions upon various developments across the Council area through the required Contributions Plans.

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

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

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

Potential Land Acquisitions

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

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

Ground Contamination

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

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

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

CONTINGENT ASSETS

Natural Disaster Claims

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

Lismore City Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 17. Contingencies (continued)

Council has lodged claims with the NSW Government for funding under the Natural Disaster Assistance Scheme for \$2.3 million for emergency clean up. At balance date this claim is being assessed by various funding bodies.

Claims have been lodged and assessed to the value of \$13.5 million to assist with restoring damaged infrastructure and other assets. Further claims are still to be lodged for landslips as geo-technical information comes available. Council anticipates that these funding applications will be approved and repairs and remediation works will be conducted in the 2019 financial year.

Lismore City Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 18. Financial risk management

\$ '000

Risk management

Council's activities expose it to a variety of financial risks including price risk, credit risk, liquidity risk and interest rate risk.

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

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

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

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

	Carrying value		Fair value	
	2018	2017	2018	2017
Financial assets				
Cash and cash equivalents	28,151	15,959	28,151	15,959
Investments				
– 'Designated at fair value on initial recognition'	32,000	50,000	32,000	50,000
Receivables	20,577	20,358	20,577	20,354
Total financial assets	80,728	86,317	80,728	86,313
Financial liabilities				
Payables	10,378	12,148	10,378	11,649
Loans/advances	67,338	70,172	70,476	75,070
Total financial liabilities	77,716	82,320	80,854	86,719

Fair value is determined as follows:

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

Lismore City Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 18. Financial risk management (continued)

\$ '000

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

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

Council has an investment policy which complies with the *Local Government Act 1993* and Ministerial Investment Order 625. This policy is regularly reviewed by Council and its staff and a monthly investment report is provided to Council setting out the make-up and performance of the portfolio as required by Local Government regulations.

The risks associated with the investments held are:

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

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

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

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

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

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

2018	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
Possible impact of a 10% movement in market values ⁽¹⁾	–	–	–	–
Possible impact of a 1% movement in interest rates	282	282	(282)	(282)
2017				
Possible impact of a 10% movement in market values ⁽¹⁾	–	–	–	–
Possible impact of a 1% movement in interest rates	160	160	(160)	(160)

(1) Investments are represented by term deposits which are not subject to movements in market values.

Lismore City Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 18. Financial risk management (continued)

\$ '000

(b) Credit risk

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

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

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

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

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

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

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

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

	2018 Rates and annual charges *	2018 Other receivables	2017 Rates and annual charges	2017 Other receivables
(i) Ageing of receivables – %				
Current (not yet overdue)	0%	94%	0%	94%
Overdue	100%	6%	100%	6%
	100%	100%	100%	100%

(ii) Ageing of receivables – value

Other receivables

	2018	2017
Current	15,146	14,350
0 – 30 days overdue	886	889
	16,032	15,239

* No ageing information is available for Rates & Annual Charges

Lismore City Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 18. Financial risk management (continued)

\$ '000

(c) Liquidity risk

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

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

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

Borrowings are also subject to interest rate risk – the risk that movements in interest rates could adversely affect funding costs and debt servicing requirements. Council manages this risk by borrowing long term and fixing the interest rate for the term of the facility. The Finance Section regularly reviews interest rate movements to determine if it would be advantageous to refinance or renegotiate part or all of the loan portfolio.

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

\$ '000	Weighted average interest rate	Subject to no maturity	payable in:			Total cash outflows	Actual carrying values
			≤ 1 Year	1 – 5 Years	> 5 Years		
2018							
Trade/other payables		682	9,696			10,378	10,378
Loans and advances	4.64%		5,088	23,028	42,349	70,465	67,338
Total financial liabilities		682	14,784	23,028	42,349	80,843	77,716
2017							
Trade/other payables	0.00%	1,880	10,268			12,148	12,148
Loans and advances	4.72%		4,775	22,385	46,324	73,484	70,172
Total financial liabilities		1,880	15,043	22,385	46,324	85,632	82,320

Lismore City Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 19. Material budget variations

\$ '000

Council's original financial budget for 17/18 was adopted by the Council on 20 June 2017 and is not required to be audited.

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

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

Note that for variations* of budget to actual :

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

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

\$ '000	2018 Budget	2018 Actual	2018 ----- Variance* -----		
REVENUES					
Rates and annual charges	51,257	51,202	(55)	(0%)	U
User charges and fees	36,117	28,982	(7,135)	(20%)	U
Fees associated with Richmond Tweed Regional Library (RTRL) (\$6.4) million in budget. RTRL has been now classified as an associate as control is now vested in a Committee. Reported in Note 15 - Investments in Associates. Council during 2018 resolved to lease its Asphalt plant and revenue budgeted for sales was not realised (\$2.2) million.					
Interest and investment revenue	1,695	1,844	149	9%	F
Other revenues	6,537	7,847	1,310	20%	F
Fees associated with Richmond Tweed Regional Library (RTRL) (\$320,000) in budget. RTRL has been now classified as a associate as control is now vested in a Committee. Reported in Note 15 - Investments in Associates. Council received \$1.8 million in insurance refund in 2018. This related to the 2017 March flood event.					
Operating grants and contributions	10,774	18,465	7,691	71%	F
Financial Assistance grant \$440,000 Department of Justice Community Recovery Grants \$92,000. Additional Environmental Grants were also received totally \$150,000. Northern Rivers Business Recovery - Back and Open for Business \$150,000. Natural Disaster Funding was received in 2018 that was not budgeted. This relates to repairs of Roads as a result of the 2017 floods and amounted to \$6.5 million.					

Lismore City Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 19. Material budget variations (continued)

\$ '000	2018 Budget	2018 Actual	2018 Variance*		
Capital grants and contributions	7,563	17,599	10,036	133%	F
Grant funding was received for Albert park Development \$5.9 million, Oakes Oval development \$1.4 million. Additional non cash dedications above budget \$1.19 million for drainage and roads was also received. Budgeted grants of (\$1.15) million for CCTV cameras, Airport development and Waste improvements were not received in 2018.					
EXPENSES					
Employee benefits and on-costs	34,839	30,108	4,731	14%	F
Salary and Wages associated with Richmond Tweed Regional Library (RTRL) \$5.3 million was included in budget. RTRL has been now classified as associate as control is now vested in a Committee. Reported in Note 15 - Investments in Associates.					
Borrowing costs	3,384	3,560	(176)	(5%)	U
Materials and contracts	32,102	40,527	(8,425)	(26%)	U
Materials and contracts have increased as a result of increased expenditure relating to additional grants received during the year. This expenditure related to Roads repairs, environmental works and flood recovery. The major additional funding was received from Department of Justice Community Recovery Grants \$92,000, Environmental Grants of \$150,000, Northern Rivers Business Recovery - Back and Open for Business \$15,000 and Natural Disaster funding relating to road repairs.					
Depreciation and amortisation	21,490	22,661	(1,171)	(5%)	U
Other expenses	5,730	9,920	(4,190)	(73%)	U
RTRL has been now classified as an associate as control is now vested in a Committee. Council is required to recognise that portion of opening equity that relates to other Councils, representing (\$3.31) million. Council originally budgeted for its contribution to RTRL to be eliminated upon consolidation, this is now treated as an expense - (\$1.4) million. \$123,000. Electricity Charges better than budget \$550,000.					
Net losses from disposal of assets	1,184	3,488	(2,304)	(195%)	U
Water Infrastructure Supply Network (\$1.68) million, Plant and Equipment (\$490,000), and property non commercial (\$832,000). This has been offset by lower than budget losses on roads \$465,000 and Wastewater infrastructure					

Lismore City Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 19. Material budget variations (continued)

\$ '000	2018 Budget	2018 Actual	2018 Variance*	
Budget variations relating to Council's Cash Flow Statement include:				
Cash flows from operating activities	36,352	38,350	1,998	5.5% F
Cash flows from investing activities	(54,322)	(23,324)	30,998	(57.1%) F
Council realised \$18 million of investments, this has been offset by an increase of \$12 million. Council original capital works has not been fully realised resulting in a savings of \$12 million. Works have been delayed or not progressed due to lack of grant funding.				
Cash flows from financing activities	(156)	(2,834)	(2,678)	1716.7% U
Council did not borrow its full 2018 budgeted loan facility. Projects that were funded from borrowings in 2018 did not proceed, total borrowings not drawn was \$3 million. Principal repayments were lower than budgeted as a result of the reduced borrowings, the impact is favourable \$400,000.				

Lismore City Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 20. Discontinued operations

\$ '000	Notes	2018	2017
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Council has not classified any of its operations as 'discontinued'.

Note 21. Fair value measurement

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

- Infrastructure, property, plant and equipment
- Investments

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

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

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

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

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

Lismore City Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 21. Fair value measurement

\$ '000

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

2018	Date of latest valuation	Fair value measurement hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Recurring fair value measurements					
Financial assets					
Investments					
Designated at fair value on initial recognition	30/06/18		32,000		32,000
Total financial assets		–	32,000	–	32,000
Infrastructure, property, plant and equipment					
Plant & Equipment	30/06/18			18,646	18,646
Office Equipment	30/06/18			101	101
Furniture & Fittings	30/06/18			366	366
Operational Land	30/06/18		69,677	–	69,677
Community Land	30/06/18			32,360	32,360
Land Under Roads (Post 30/06/08)	30/06/18			40	40
Land Improvement (Non-Depreciable)	30/06/18			8,232	8,232
Land Improvement (Depreciable)	30/06/18			15,918	15,918
Buildings - Non Specialised	30/06/18		41,807	–	41,807
Buildings - Specialised	30/06/18			34,305	34,305
Other Structures	30/06/18			12,804	12,804
Roads	30/06/18			188,420	188,420
Bridges	30/06/18			48,987	48,987
Footpaths	30/06/18			15,802	15,802
Bulk Earthworks (Non-Depreciable)	30/06/18			329,551	329,551
Stormwater Drainage	30/06/18			51,832	51,832
Water Supply Network	30/06/18			176,504	176,504
Sewerage Network	30/06/18			296,223	296,223
Swimming Pools	30/06/18			3,728	3,728
Other Open Space/Recreational Assets	30/06/18			891	891
Heritage Collection	30/06/18			2,480	2,480
Library Books	30/06/18			–	–
Other	30/06/18			651	651
Tip Assets	30/06/18			340	340
Quarry Assets	30/06/18			891	891
Total infrastructure, property, plant and equipment		–	111,484	1,239,072	1,350,556

Lismore City Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 21. Fair value measurement

\$ '000

2017	Date of latest valuation	Fair value measurement hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Recurring fair value measurements					
Financial assets					
Investments					
Designated at fair value on initial recognition'	30/06/17	–	50,000	–	50,000
Total financial assets		–	50,000	–	50,000
Infrastructure, property, plant and equipment					
Plant & Equipment	30/06/17	–	–	18,611	18,611
Office Equipment	30/06/17	–	–	417	417
Furniture & Fittings	30/06/17	–	–	119	119
Operational Land	30/06/17	–	76,507	–	76,507
Community Land	30/06/17	–	–	31,779	31,779
Land Under Roads (Post 30/06/08)	30/06/17	–	–	34	34
Land Improvement (Non-Depreciable)	30/06/17	–	–	8,197	8,197
Land Improvement (Depreciable)	30/06/17	–	–	17,335	17,335
Buildings - Non Specialised	30/06/17	–	–	1,672	1,672
Buildings - Specialised	30/06/17	–	–	60,973	60,973
Other Structures	30/06/17	–	–	9,824	9,824
Roads	30/06/17	–	–	182,352	182,352
Bridges	30/06/17	–	–	48,865	48,865
Footpaths	30/06/17	–	–	15,490	15,490
Bulk Earthworks (Non-Depreciable)	30/06/17	–	–	322,336	322,336
Stormwater Drainage	30/06/17	–	–	50,992	50,992
Water Supply Network	30/06/17	–	–	173,866	173,866
Sewerage Network	30/06/17	–	–	285,523	285,523
Swimming Pools	30/06/17	–	–	3,797	3,797
Other Open Space/Recreational Assets	30/06/17	–	–	1,000	1,000
Heritage Collection	30/06/17	–	–	1,952	1,952
Library Books	30/06/17	–	–	2,332	2,332
Other	30/06/17	–	–	620	620
Tip Assets	30/06/17	–	–	270	270
Quarry Assets	30/06/17	–	–	788	788
Total infrastructure, property, plant and equipment		–	76,507	1,239,144	1,315,651

Lismore City Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 21. Fair value measurement (continued)

\$ '000

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

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

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

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

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

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

Plant & Equipment, Office Equipment and Furniture & Fittings

These asset categories include:

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

Office Equipment – Computer equipment

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

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

Operational Land

Council's operational land includes all land classified as operational land under Local Government Act 1993. Liquid Pacific Holding P/L completed a comprehensive valuation in June 2018. In accordance with accounting standards Council's assets are assessed on an annual basis and when required a revaluation is undertaken. It is valued at market (highest and best use) after identifying all elements that would be taken into account by buyers and sellers in setting a price including but not limited to zoning, topography, location, size, shape, access, exposure to traffic and businesses. This asset class is categorised as Level 2 as the most significant input into this valuation approach is price per square metre. Sales prices of comparable land sites in close proximity are adjusted for differences in key attributes such as property size.

Community Land

Assets within the "Community Land" class are:

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

Council's community land is valued on the Unimproved Capital Value (UCV), provided by the Valuer General and revalued at 30 June 2017.

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

Lismore City Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 21. Fair value measurement (continued)

\$ '000

Land Under Roads (post 30/6/08)

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

Land Improvements Non-Depreciable

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

Land Improvements Depreciable

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

Buildings - Non Specialised and Specialised

A revaluation of buildings was undertaken by Council in 2017/18 using the cost approach. This approach estimated the replacement cost for each building by componentising the buildings into significant parts with different useful lives and taking into account a range of factors. All buildings were physically inspected and the unit rates based on square metres could be supported from market evidence (Level 2). Other inputs required extensive professional judgement and impacted on the final determination of fair value. As such non-specialised buildings are classified as level 2 and specialised as level 3.

Other Structures

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

Roads

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

Lismore City Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 21. Fair value measurement (continued)

\$ '000

Bridges

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

The last revaluation was completed by Jeff Roorda & Associates Pty Ltd in 2014/15. The cost approach was adopted to value Council bridges. Some of the significant inputs considered in the valuation of these assets are remaining useful life, pattern of consumption, dimensions, components and type of bridge.

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

Footpaths

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

The last revaluation was completed by Jeff Roorda & Associates Pty Ltd in 2014/15. The cost approach was adopted to value Council footpaths. Some of the significant inputs considered in the valuation of these assets are remaining useful life, pattern of consumption, dimensions, components and type of footpath.

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

Bulk Earthworks

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

The last revaluation was completed by Jeff Roorda & Associates Pty Ltd in 2014/15. The cost approach was adopted to value these assets. Some of the significant inputs considered in the valuation of these assets are remaining useful life, pattern of consumption, dimensions, components and type of assets.

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

Stormwater Drainage

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

The last revaluation was completed by Jeff Roorda & Associates Pty Ltd in 2014/15. The cost approach was adopted to value Council stormwater drainage. Some of the significant inputs considered in the valuation of these assets are remaining useful life, pattern of consumption, dimensions, components and type of stormwater drainage.

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

Water Supply Network

The Water Supply Network asset class comprise reservoirs, pumping stations and water pipelines. The Network was last revalued by Council and peer reviewed by Jeff Roorda & Associates Pty Ltd in 2016/17.

The cost approach was adopted to value these assets. Some of the significant inputs considered in the valuation of these assets are remaining useful life, pattern of consumption, dimensions, components and type of assets.

This asset class is categorised as Level 3 as some of the above-mentioned inputs used in the valuation of these assets require significant professional judgement and are therefore unobservable. These assets are indexed each year in line with the NSW Reference Rates Manual as publish by the Office of Water.

There has been no change to the valuation process during the reporting period.

Sewerage Network

The Sewerage Network assets within this class comprise treatment works, pumping stations and, sewerage mains.

The Network was last revalued by Council and peer reviewed by Jeff Roorda & Associates Pty Ltd in 2016/17.

The Cost approach was adopted to value these assets. Some of the significant inputs considered in the valuation of these assets are remaining useful life, pattern of consumption, dimensions, components and type of assets.

This asset class is categorised as Level 3 as some of the above mentioned inputs used in the valuation of these assets require significant professional judgement and are therefore Unobservable. These assets are indexed each year in line with the NSW Reference Rates Manual as publish by the Office of Water.

There has been no change to the valuation process during the reporting period.

Lismore City Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 21. Fair value measurement (continued)

\$ '000

Swimming Pools

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

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

Open Space / Recreational

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

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

Heritage Collection

This asset category comprises art works. The last revaluation was completed by McWilliam & Associates Pty Ltd in 2017/18 and the fair retail replacement value method was adopted to value these assets,

Other

The Other assets within this class comprise fibre optic cabling, telecommunication poles, computer servers and switches and parking meter machines.

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

Tip Assets

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

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

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

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

Quarry Assets

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

Closure of the quarry sites will involve a wide range of activities including the establishment of open woodland/forest across the quarry benches and provision of access areas into the pits once completed. It will also include decommissioning and removing of infrastructure and equipment that will not be required post closure, and fencing of sensitive infrastructure. An Evaluation of costs for Quarry Closures and Post Closure Management Plan is reviewed annually. The key unobservable inputs are the discount rate, cost escalation rate, actual timing of costs and future environmental management requirements. There has been a small decrease in the value of future funds required for remediation during the reporting period.

Lismore City Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 21. Fair value measurement (continued)

\$ '000

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

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

	Plant & Equipment	Office Equipment	Furniture & Fittings	Community Land	Total
Opening balance – 1/7/16	19,758	493	106	27,357	47,714
Transfers from/(to) another asset class	10	–	–	418	428
Purchases (GBV)	3,203	68	36	661	3,968
Disposals (WDV)	(1,006)	–	–	–	(1,006)
Depreciation and impairment	(3,354)	(144)	(23)	–	(3,521)
Revaluation increment to Equity	–	–	–	3,343	3,343
Closing balance – 30/6/17	18,611	417	119	31,779	50,926
Transfers from/(to) another asset class	836	–	–	–	836
Purchases (GBV)	3,135	–	335	–	3,470
Disposals (WDV)	(878)	(279)	(84)	–	(1,241)
Depreciation and impairment	(3,058)	(37)	(4)	–	(3,099)
Revaluation increment to Equity	–	–	–	582	582
Other movement - RTRL	–	–	–	–	–
Other movement	–	–	–	(1)	(1)
Closing balance – 30/6/18	18,646	101	366	32,360	51,473

Lismore City Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 21. Fair value measurement (continued)

\$ '000

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

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

	Land Under Roads Post 30/6/08	Land Impro- vements (Depreciable)	Buildings Non- Specialised	Buildings- Specialised	Total
Opening balance – 1/7/16	31	15,942	1,708	60,238	77,919
Transfers from/(to) another asset class	–	2,014	–	50	2,064
Purchases (GBV)	3	365	–	1,511	1,879
Disposals (WDV)	–	(50)	–	–	(50)
Depreciation and impairment	–	(936)	(36)	(826)	(1,798)
Closing balance – 30/6/17	34	17,335	1,672	60,973	80,014
Transfers from/(to) level 2 FV hierarchy ^{23 4(b)}	–	–	(1,672)	–	(1,672)
Transfers from/(to) another asset class	–	140	–	6,075	6,215
Purchases (GBV)	–	132	–	750	882
Disposals (WDV)	–	(711)	–	(407)	(1,118)
Depreciation and impairment	–	(978)	–	(914)	(1,892)
Revaluation increment to Equity	6	–	–	(31,126)	(31,120)
Other movement - RTRL	–	–	–	(1,046)	(1,046)
Closing balance – 30/6/18	40	15,918	–	34,305	50,263

Lismore City Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 21. Fair value measurement (continued)

\$ '000

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

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

	Other Structures	Roads	Bridges	Footpaths	Total
Opening balance – 1/7/16	8,971	173,196	47,031	14,912	244,110
Transfers from/(to) another asset class	64	1,677	323	–	2,064
Purchases (GBV)	1,107	10,715	1,085	498	13,405
Disposals (WDV)	(18)	(487)	–	(67)	(572)
Depreciation and impairment	(300)	(6,624)	(869)	(201)	(7,994)
Revaluation increment to Equity	–	3,875	1,295	348	5,518
Closing balance – 30/6/17	9,824	182,352	48,865	15,490	256,531
Transfers from/(to) another asset class	891	846	–	33	1,770
Purchases (GBV)	2,816	8,581	–	190	11,587
Disposals (WDV)	(371)	(539)	–	(29)	(939)
Depreciation and impairment	(356)	(6,619)	(917)	(214)	(8,106)
Revaluation increment to Equity	–	3,799	1,039	332	5,170
Other movement - RTRL	–	–	–	–	–
Closing balance – 30/6/18	12,804	188,420	48,987	15,802	266,013

Lismore City Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 21. Fair value measurement (continued)

\$ '000

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

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

	Bulk Earthworks (Non-Deprec)	Stormwater Drainage	Water Supply Network	Sewerage Network	Total
Opening balance – 1/7/16	314,554	50,614	74,263	182,757	622,188
Transfers from/(to) another asset class	–	–	1,760	2,923	4,683
Purchases (GBV)	307	508	3,127	2,378	6,320
Disposals (WDV)	(74)	(11)	(756)	(1,006)	(1,847)
Depreciation and impairment	–	(813)	(1,734)	(4,280)	(6,827)
Revaluation Increments to Equity	7,549	694	97,206	102,751	208,200
Closing balance – 30/6/17	322,336	50,992	173,866	285,523	832,717
Transfers from/(to) another asset class	–	2	775	206	983
Purchases (GBV)	221	590	2,612	637	4,060
Disposals (WDV)	–	(6)	(1,828)	(129)	(1,963)
Depreciation and impairment	–	(836)	(3,125)	(5,304)	(9,265)
Revaluation increment to Equity	6,994	1,090	4,204	15,290	27,578
Other movement - RTRL	–	–	–	–	–
Closing balance – 30/6/18	329,551	51,832	176,504	296,223	854,110

Lismore City Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 21. Fair value measurement (continued)

\$ '000

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

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

	Swimming Pools	Other Open Space & Recreation Assets	Heritage Collection	Library Books	Total
Opening balance – 1/7/16	3,865	1,039	1,957	2,046	8,907
Purchases (GBV)	–	49	–	675	724
Disposals (WDV)	–	(8)	(5)	–	(13)
Depreciation and impairment	(68)	(80)	–	(389)	(537)
Closing balance – 30/6/17	3,797	1,000	1,952	2,332	9,081
Transfers from/(to) another asset class	–	–	–	–	–
Purchases (GBV)	–	–	4	–	4
Disposals (WDV)	–	(2)	–	–	(2)
Depreciation and impairment	(69)	(107)	–	–	(176)
Revaluation increment to Equity	–	–	524	(2,332)	(1,808)
Other movement - RTRL	–	–	–	–	–
Closing balance – 30/6/18	3,728	891	2,480	–	7,099

Lismore City Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 21. Fair value measurement (continued)

\$ '000

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

	Other	Tip Assets	Quarry Assets	Land Improvements (Non-Deprec)	Total
Opening balance – 1/7/16	587	270	311	8,197	9,365
Transfers from/(to) another asset class	–	–	459	–	459
Purchases (GBV)	55	–	–	–	55
Depreciation and impairment	(22)	–	18	–	(4)
Closing balance – 30/6/17	620	270	788	8,197	9,875
Transfers from/(to) another asset class	–	–	–	–	–
Purchases (GBV)	63	70	–	35	168
Disposals (WDV)	–	–	–	–	–
Depreciation and impairment	(32)	–	(2)	–	(34)
Revaluation increment to Equity	–	–	–	–	–
Other movement - RTRL	–	–	–	–	–
Other movement	–	–	105	–	105
Closing balance – 30/6/18	651	340	891	8,232	10,114

Lismore City Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 21. Fair value measurement (continued)

\$ '000

(5). Highest and best use

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

Lismore City Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 22. Related party transactions

\$ '000

a. Key management personnel

Key management personnel (KMP) of the Council are those persons having the authority and responsibility for planning, directing and controlling the activities of the council, directly or indirectly.

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

Compensation:	2018	2017
Short-term benefits	1,011	960
Post-employment benefits	84	65
Other long-term benefits	9	7
Total	1,104	1,032

b. Other transactions with KMP and their related parties

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

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

Lismore City Council

Notes to the Financial Statements for the year ended 30 June 2018

Note 23. Events occurring after the reporting date

Council is unaware of any material or significant events since the end of the reporting period.

Lismore City Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 24. Statement of developer contributions

\$ '000

Under the *Environmental Planning and Assessment Act 1979*, Council has significant obligations to provide Section 7.11 (contributions towards provision or improvement of amenities or services) infrastructure in new release areas.

It is possible that the funds contributed may be less than the cost of this infrastructure, requiring Council to borrow or use general revenue to fund the difference.

SUMMARY OF CONTRIBUTIONS AND LEVIES

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Emergency Services	189	14	–	4	(82)	–	125	–
Community Services & Facilities	261	65	–	7	(50)	–	283	–
Public Domain Facilities	47	41	–	2	–	–	90	–
Open Space & Recreation Facilities	1,033	143	21	23	(405)	–	794	–
Cycleways Facilities	252	27	–	7	–	–	286	–
Rural North & South Traffic Management Facilities	820	151	305	15	(600)	–	386	–
Urban Traffic Management Facilities	1,027	465	1,097	31	–	–	1,523	–
Carparking	72	–	–	2	–	–	74	–
Stormwater	(80)	2	295	–	–	–	(78)	–
Street Trees	208	15	–	4	(62)	–	165	–
Heavy Haulage	933	223	–	26	–	–	1,182	–
Section 94 Plan Administration	–	6	–	–	(6)	–	–	–
S7.11 contributions – under a plan	4,762	1,152	1,718	121	(1,205)	–	4,830	–
S7.12 levies – under a plan	–	–	–	–	–	–	–	–
Total S7.11 and S7.12 revenue under plans	4,762	1,152	1,718	121	(1,205)	–	4,830	–
S7.11 not under plans	–	–	–	–	–	–	–	–
S7.4 planning agreements	–	245	–	–	–	–	245	–
S64 contributions	–	1,067	220	–	(1,067)	–	–	–
Total contributions	4,762	2,464	1,938	121	(2,272)	–	5,075	–

Lismore City Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 24. Statement of developer contributions (continued)

\$ '000

S7.11 CONTRIBUTIONS – UNDER A PLAN

Emergency Services

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Bushfire	96	8		2	(67)		39	
SES	93	6		2	(15)		86	
Total	189	14	-	4	(82)	-	125	-

Community Services & Facilities

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
CBD, North & South	261	65		7	(50)		283	
Total	261	65	-	7	(50)	-	283	-

S7.11 CONTRIBUTIONS – UNDER A PLAN

Public Domain Facilities

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Lismore CBD-Residential	47	40		2			89	
Lismore CBD-Commercial	-	1					1	
Total	47	41	-	2	-	-	90	-

Open Space & Recreation Facilities

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Tucki Tucki - Residential	685	52		18	(405)		350	
Lismore Park	348	91	21	5			444	
Total	1,033	143	21	23	(405)	-	794	-

Lismore City Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 24. Statement of developer contributions (continued)

\$ '000

S7.11 CONTRIBUTIONS – UNDER A PLAN

Cycleways Facilities

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Cycleways	252	27		7			286	
Total	252	27	-	7	-	-	286	-

Rural North & South Traffic Management Facilities

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Rural - North	429	138	305	5	(600)		(28)	
Rural - South	391	13		10			414	
Total	820	151	305	15	(600)	-	386	-

S7.11 CONTRIBUTIONS – UNDER A PLAN

Urban Traffic Management Facilities

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Residential/Commercial/Industrial	1,027	465	1,097	31			1,523	
Total	1,027	465	1,097	31	-	-	1,523	-

Carparking

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Lismore & Nimbin	72			2			74	
Total	72	-	-	2	-	-	74	-

Lismore City Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 24. Statement of developer contributions (continued)

\$ '000

S7.11 CONTRIBUTIONS – UNDER A PLAN

Stormwater

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Residential	(80)	2	295				(78)	
Total	(80)	2	295	-	-	-	(78)	-

Street Trees

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Residential/Commercial/Industrial	208	15		4	(62)		165	
Total	208	15	-	4	(62)	-	165	-

S7.11 CONTRIBUTIONS – UNDER A PLAN

Section 94 Plan Administration

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

Heavy Haulage

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Rural - Quarries	933	223		26			1,182	
Total	933	223	-	26	-	-	1,182	-

Lismore City Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 24. Statement of developer contributions (continued)

\$ '000

S64 contributions

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Water Supplies	-						-	
- Urban Reservoir	-	184	220		(184)		-	
Sewer Supplies	-						-	
- Lismore	-	883			(883)		-	
Total	-	1,067	220	-	(1,067)	-	-	-

Lismore City Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 25. Financial result and financial position by fund

Income Statement by fund \$ '000	2018	2018	2018
Continuing operations	Water	Sewer	General¹
Income from continuing operations			
Rates and annual charges	4,382	12,558	34,262
User charges and fees	9,402	235	19,672
Interest and investment revenue	301	966	577
Other revenues	169	66	7,612
Grants and contributions provided for operating purposes	130	127	18,208
Grants and contributions provided for capital purposes	404	883	16,312
Share of interests in joint ventures and associates using the equity method	–	–	62
Total income from continuing operations	14,788	14,835	96,705
Expenses from continuing operations			
Employee benefits and on-costs	2,391	2,349	25,368
Borrowing costs	593	1,193	1,774
Materials and contracts	1,450	3,488	35,916
Depreciation and amortisation	3,243	5,374	14,044
Impairment of investments	–	–	–
Other expenses	5,099	469	4,352
Interest and investment losses	–	–	–
Net losses from the disposal of assets	1,828	225	1,435
Total expenses from continuing operations	14,604	13,098	82,889
Operating result from continuing operations	184	1,737	13,816
Discontinued operations			
Net profit/(loss) from discontinued operations	–	–	–
Net operating result for the year	184	1,737	13,816
Net operating result attributable to each council fund	184	1,737	13,816
Net operating result attributable to non-controlling interests	–	–	–
Net operating result for the year before grants and contributions provided for capital purposes	(220)	854	(2,496)

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

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

Lismore City Council

Notes to the Financial Statements

as at 30 June 2018

Note 25. Financial result and financial position by fund (continued)

Statement of Financial Position by fund \$ '000	2018	2018	2018
ASSETS	Water	Sewer	General¹
Current assets			
Cash and cash equivalents	4,262	14,009	9,880
Investments	3,899	12,817	9,284
Receivables	3,447	914	13,095
Inventories	221	380	3,084
Other	–	–	15
Total current assets	11,829	28,120	35,358
Non-current assets			
Investments	907	2,981	2,112
Receivables	1,383	436	1,302
Inventories	–	–	183
Infrastructure, property, plant and equipment	182,218	322,994	882,505
Investments accounted for using the equity method	–	–	1,166
Intangible assets	–	–	146
Total non-current assets	184,508	326,411	887,414
TOTAL ASSETS	196,337	354,531	922,772
LIABILITIES			
Current liabilities			
Payables	129	308	9,941
Borrowings	518	1,137	3,174
Provisions	293	266	6,674
Total current liabilities	940	1,711	19,789
Non-current liabilities			
Borrowings	11,597	26,569	24,343
Provisions	5	24	2,308
Total non-current liabilities	11,602	26,593	26,651
TOTAL LIABILITIES	12,542	28,304	46,440
Net assets	183,795	326,227	876,332
EQUITY			
Accumulated surplus	25,598	68,519	404,710
Revaluation reserves	158,197	257,708	471,622
Council equity interest	183,795	326,227	876,332
Non-controlling interests	–	–	–
Total equity	183,795	326,227	876,332

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

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

Lismore City Council

Notes to the Financial Statements
for the year ended 30 June 2018

Note 26(a). Statement of performance measures – consolidated results

\$ '000	Amounts 2018	Indicator 2018	Indicator 2017	Benchmark
Local government industry indicators – consolidated				
1. Operating performance ratio				
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions less operating expenses	<u>1,564</u>	1.44%	6.54%	> 0.00%
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	108,340			
2. Own source operating revenue ratio				
Total continuing operating revenue ⁽¹⁾ excluding all grants and contributions	<u>89,875</u>	71.36%	74.36%	> 60.00%
Total continuing operating revenue ⁽¹⁾	125,939			
3. Unrestricted current ratio				
Current assets less all external restrictions ⁽²⁾	<u>19,616</u>	1.37x	1.50x	> 1.5x
Current liabilities less specific purpose liabilities ^(3, 4)	14,298			
4. Debt service cover ratio				
Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation	<u>27,785</u>	3.41x	4.03x	> 2x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	8,143			
5. Rates, annual charges, interest and extra charges outstanding percentage				
Rates, annual and extra charges outstanding	<u>5,179</u>	9.02%	10.50%	< 10% regional & rural
Rates, annual and extra charges collectible	57,403			
6. Cash expense cover ratio				
Current year's cash and cash equivalents plus all term deposits	<u>60,151</u>	7.46 mths	9.1 mths	> 3 mths
Payments from cash flow of operating and financing activities	8,068			

Notes

- (1) Excludes fair value adjustments and reversal of revaluation decrements, net gain/(loss) on sale of assets and the net share of interests in joint ventures and associates.
- (2) Refer Notes 6-8 inclusive.
Also excludes any real estate and land for resale not expected to be sold in the next 12 months.
- (3) Refer to Notes 11 and 12.
- (4) Refer to Note 11(b) and 12(b) – excludes all payables and provisions not expected to be paid in the next 12 months (incl. ELE).

Lismore City Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 26(b). Statement of performance measures – by fund

\$ '000	General indicators ⁵		Water indicators		Sewer indicators		Benchmark
	2018	2017	2018	2017	2018	2017	
Local government industry indicators – by fund							
1. Operating performance ratio							
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions less operating expenses	-1.32%	2.64%	10.94%	17.32%	7.48%	17.25%	> 0.00%
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions							
2. Own source operating revenue ratio							
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	64.16%	68.66%	96.39%	91.59%	93.19%	91.77%	> 60.00%
Total continuing operating revenue ⁽¹⁾							
3. Unrestricted current ratio							
Current assets less all external restrictions ⁽²⁾	1.40x	1.50x	10.86x	13.40x	15.24x	23.02x	> 1.5x
Current liabilities less specific purpose liabilities ^(3,4)							

Notes

(1) - (4) Refer to Notes at Note 26a above.

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

Lismore City Council

Notes to the Financial Statements

for the year ended 30 June 2018

Note 26(b). Statement of performance measures – by fund (continued)

\$ '000	General indicators ⁵		Water indicators		Sewer indicators		Benchmark
	2018	2017	2018	2017	2018	2017	
Local government industry indicators – by fund (continued)							
4. Debt service cover ratio							
Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation							
	3.33x	3.75x	4.63x	4.99x	3.00x	4.30x	> 2x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)							
5. Rates, annual charges, interest and extra charges outstanding percentage							
Rates, annual and extra charges outstanding							
	4.62%	7.43%	25.34%	24.46%	14.34%	13.33%	< 10% regional & rural
Rates, annual and extra charges collectible							
6. Cash expense cover ratio							
Current year's cash and cash equivalents plus all term deposits							
	3.26	3.09	10.86	10.26	41.64	58.36	> 3 months
Payments from cash flow of operating and financing activities	months	months	months	months	months	months	

Notes

(1) Refer to Notes at Note 26a above.

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



SPECIAL PURPOSE

FINANCIAL STATEMENTS

**For the year ended
30 June 2018**

Lismore City Council

Special Purpose Financial Statements

for the year ended 30 June 2018

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Background

- (i) These Special Purpose Financial Statements have been prepared for the use by both Council and the Office of Local Government in fulfilling their requirements under National Competition Policy.
- (ii) The principle of competitive neutrality is based on the concept of a 'level playing field' between persons/entities competing in a market place, particularly between private and public sector competitors.

Essentially, the principle is that government businesses, whether Commonwealth, state or local, should operate without net competitive advantages over other businesses as a result of their public ownership.

- (iii) For Council, the principle of competitive neutrality and public reporting applies only to declared business activities.

These include **(a)** those activities classified by the Australian Bureau of Statistics as business activities being water supply, sewerage services, abattoirs, gas production and reticulation, and **(b)** those activities with a turnover of more than \$2 million that Council has formally declared as a business activity (defined as Category 1 activities).

- (iv) In preparing these financial statements for Council's self-classified Category 1 businesses and ABS-defined activities, councils must **(a)** adopt a corporatisation model and **(b)** apply full cost attribution including tax-equivalent regime payments and debt guarantee fees (where the business benefits from Council's borrowing position by comparison with commercial rates).
-

Lismore City Council

Special Purpose Financial Statements

for the year ended 30 June 2018

Statement by Councillors and Management

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

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

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

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

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

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

Signed in accordance with a resolution of Council made on 09 October 2018.

Isaac Smith
Mayor

Elly Bird
Councillor

Shelly Oldham
General Manager

Rino Santin
Responsible Accounting Officer

Lismore City Council

Income Statement of Council's Water Supply Business Activity

for the year ended 30 June 2018

\$ '000	2018	2017
Income from continuing operations		
Access charges	4,382	4,131
User charges	9,402	9,322
Interest	301	311
Grants and contributions provided for non-capital purposes	130	263
Other income	169	146
Total income from continuing operations	14,384	14,173
Expenses from continuing operations		
Employee benefits and on-costs	2,391	2,206
Borrowing costs	593	592
Materials and contracts	1,450	1,691
Depreciation, amortisation and impairment	3,243	1,884
Water purchase charges	5,014	5,225
Loss on sale of assets	1,828	747
Calculated taxation equivalents	35	30
Debt guarantee fee (if applicable)	378	198
Other expenses	85	90
Total expenses from continuing operations	15,017	12,663
Surplus (deficit) from continuing operations before capital amounts	(633)	1,510
Grants and contributions provided for capital purposes	404	1,015
Surplus (deficit) from continuing operations after capital amounts	(229)	2,525
Surplus (deficit) from discontinued operations	–	–
Surplus (deficit) from all operations before tax	(229)	2,525
Less: corporate taxation equivalent (30%) [based on result before capital]	–	(453)
SURPLUS (DEFICIT) AFTER TAX	(229)	2,072
Plus opening retained profits	25,421	22,675
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	35	30
– Debt guarantee fees	378	198
– Corporate taxation equivalent	–	453
Less:		
– Tax equivalent dividend paid	(7)	(7)
Closing retained profits	25,598	25,421
Return on capital %	-0.0220%	1.2%
Subsidy from Council	5,124	2,144
Calculation of dividend payable:		
Surplus (deficit) after tax	(229)	2,072
Less: capital grants and contributions (excluding developer contributions)	(220)	(898)
Surplus for dividend calculation purposes	–	1,174
Potential dividend calculated from surplus	–	587

Lismore City Council

Income Statement of Council's Sewerage Business Activity

for the year ended 30 June 2018

\$ '000	2018	2017
Income from continuing operations		
Access charges	12,558	12,050
User charges	235	268
Interest	966	1,163
Grants and contributions provided for non-capital purposes	127	137
Other income	66	62
Total income from continuing operations	13,952	13,680
Expenses from continuing operations		
Employee benefits and on-costs	2,349	2,222
Borrowing costs	1,193	1,156
Materials and contracts	3,488	3,620
Depreciation, amortisation and impairment	5,374	4,363
Loss on sale of assets	225	971
Calculated taxation equivalents	36	16
Debt guarantee fee (if applicable)	762	143
Other expenses	469	429
Total expenses from continuing operations	13,896	12,920
Surplus (deficit) from continuing operations before capital amounts	56	760
Grants and contributions provided for capital purposes	883	1,077
Surplus (deficit) from continuing operations after capital amounts	939	1,837
Surplus (deficit) from discontinued operations	–	–
Surplus (deficit) from all operations before tax	939	1,837
Less: corporate taxation equivalent (30%) [based on result before capital]	(17)	(228)
SURPLUS (DEFICIT) AFTER TAX	922	1,609
Plus opening retained profits	66,806	64,839
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	36	16
– Debt guarantee fees	762	143
– Corporate taxation equivalent	17	228
Less:		
– Tax equivalent dividend paid	(23)	(29)
Closing retained profits	68,519	66,806
Return on capital %	0.4%	0.6%
Subsidy from Council	7,763	5,179
Calculation of dividend payable:		
Surplus (deficit) after tax	922	1,609
Less: capital grants and contributions (excluding developer contributions)	–	(587)
Surplus for dividend calculation purposes	922	1,022
Potential dividend calculated from surplus	461	511

Lismore City Council

Income Statement of Council's Other Business Activities

for the year ended 30 June 2018

	Quarry		Waste Disposal	
	Category 1		Category 1	
\$ '000	2018	2017	2018	2017
Income from continuing operations				
Access charges	–	–	7,728	6,785
User charges	8,971	10,770	–	–
Grants and contributions provided for non-capital purposes	295	390	–	–
Other income	62	5	5,896	4,615
Total income from continuing operations	9,328	11,165	13,624	11,400
Expenses from continuing operations				
Employee benefits and on-costs	1,338	1,572	2,066	2,298
Borrowing costs	153	680	146	160
Materials and contracts	7,865	8,858	9,829	10,159
Depreciation, amortisation and impairment	172	203	319	290
Calculated taxation equivalents	101	117	123	133
Debt guarantee fee (if applicable)	55	71	92	98
Other expenses	49	31	76	96
Total expenses from continuing operations	9,733	11,532	12,651	13,234
Surplus (deficit) from continuing operations before capital amounts	(405)	(367)	973	(1,834)
Grants and contributions provided for capital purposes	–	–	674	852
Surplus (deficit) from continuing operations after capital amounts	(405)	(367)	1,647	(982)
Surplus (deficit) from discontinued operations	–	–	–	–
Surplus (deficit) from all operations before tax	(405)	(367)	1,647	(982)
Less: corporate taxation equivalent (30%) [based on result before capital]	–	–	(292)	–
SURPLUS (DEFICIT) AFTER TAX	(405)	(367)	1,355	(982)
Plus opening retained profits	1,592	1,846	8,170	8,258
Plus/less: other adjustments - Asset incorrect recognition 2016		(75)		–
Plus adjustments for amounts unpaid:				
– Taxation equivalent payments	101	117	123	133
– Debt guarantee fees	55	71	92	98
– Corporate taxation equivalent	–	–	292	–
Add:				
– Subsidy paid/contribution to operations	1,373	–	–	663
Less:				
– Dividend paid	–	–	(2,185)	–
Closing retained profits	2,716	1,592	7,847	8,170
Return on capital %	-6.5%	5.0%	7.0%	-13.3%
Subsidy from Council	360	–	–	1,973

Lismore City Council

Income Statement of Council's Other Business Activities

for the year ended 30 June 2018

\$ '000	Lismore Crematorium Category 2		Goonellabah Sports & Aquatic Centre - Gymnasium Category 2	
	2018	2017	2018	2017
Income from continuing operations				
Fees	351	345	694	648
Other income	25	25	–	–
Total income from continuing operations	376	370	694	648
Expenses from continuing operations				
Employee benefits and on-costs	159	193	302	323
Materials and contracts	128	181	686	621
Depreciation, amortisation and impairment	7	6	–	–
Total expenses from continuing operations	294	380	988	944
Surplus (deficit) from continuing operations before capital amounts	82	(10)	(294)	(296)
Grants and contributions provided for capital purposes	–	–	–	–
Surplus (deficit) from continuing operations after capital amounts	82	(10)	(294)	(296)
Surplus (deficit) from discontinued operations	–	–	–	–
Surplus (deficit) from all operations before tax	82	(10)	(294)	(296)
Less: corporate taxation equivalent (30%) [based on result before capital]	(25)	–	–	–
SURPLUS (DEFICIT) AFTER TAX	57	(10)	(294)	(296)
Plus opening retained profits	135	912	–	–
Plus adjustments for amounts unpaid:				
– Corporate taxation equivalent	25	–	–	–
Add:				
– Subsidy paid/contribution to operations	36	–	294	296
Less:				
– Dividend paid	–	(767)	–	–
Closing retained profits	253	135	–	–
Return on capital %	13.7%	-3.0%	n/a	n/a
Subsidy from Council	–	18	294	296

Lismore City Council

Income Statement of Council's Other Business Activities

for the year ended 30 June 2018

Swimsations

Category 2

\$ '000	2018	2017
Income from continuing operations		
Fees	604	589
Total income from continuing operations	604	589
Expenses from continuing operations		
Employee benefits and on-costs	489	425
Materials and contracts	433	331
Total expenses from continuing operations	922	756
Surplus (deficit) from continuing operations before capital amounts	(318)	(167)
Grants and contributions provided for capital purposes	–	–
Surplus (deficit) from continuing operations after capital amounts	(318)	(167)
Surplus (deficit) from discontinued operations	–	–
Surplus (deficit) from all operations before tax	(318)	(167)
Less: corporate taxation equivalent (30%) [based on result before capital]	–	–
SURPLUS (DEFICIT) AFTER TAX	(318)	(167)
Add:		
– Subsidy paid/contribution to operations	318	167
Closing retained profits	–	–
Return on capital %	n/a	n/a
Subsidy from Council	318	167

Lismore City Council

Statement of Financial Position – Council's Water Supply Business Activity
as at 30 June 2018

\$ '000	2018	2017
ASSETS		
Current assets		
Cash and cash equivalents	4,262	2,162
Investments	3,899	6,012
Receivables	3,447	3,470
Inventories	221	326
Total current assets	11,829	11,970
Non-current assets		
Investments	907	517
Receivables	1,383	1,262
Infrastructure, property, plant and equipment	182,218	178,392
Total non-current assets	184,508	180,171
TOTAL ASSETS	196,337	192,141
LIABILITIES		
Current liabilities		
Payables	129	134
Borrowings	518	494
Provisions	293	265
Total current liabilities	940	893
Non-current liabilities		
Borrowings	11,597	12,109
Provisions	5	2
Total non-current liabilities	11,602	12,111
TOTAL LIABILITIES	12,542	13,004
NET ASSETS	183,795	179,137
EQUITY		
Accumulated surplus	25,598	25,421
Revaluation reserves	158,197	153,716
Council equity interest	183,795	179,137
Non-controlling equity interest	–	–
TOTAL EQUITY	183,795	179,137

Lismore City Council

Statement of Financial Position – Council's Sewerage Business Activity
as at 30 June 2018

\$ '000	2018	2017
ASSETS		
Current assets		
Cash and cash equivalents	14,009	956
Investments	12,817	35,888
Receivables	914	1,287
Inventories	380	274
Total current Assets	28,120	38,405
Non-current assets		
Investments	2,981	2,370
Receivables	436	336
Infrastructure, property, plant and equipment	322,994	298,105
Total non-current assets	326,411	300,811
TOTAL ASSETS	354,531	339,216
LIABILITIES		
Current liabilities		
Payables	308	311
Borrowings	1,137	1,091
Provisions	266	266
Total current liabilities	1,711	1,668
Non-current liabilities		
Borrowings	26,569	27,706
Provisions	24	21
Total non-current liabilities	26,593	27,727
TOTAL LIABILITIES	28,304	29,395
NET ASSETS	326,227	309,821
EQUITY		
Accumulated surplus	68,519	66,805
Revaluation reserves	257,708	243,016
Other reserves	–	–
Council equity interest	326,227	309,821
Non-controlling equity interest	–	–
TOTAL EQUITY	326,227	309,821

Lismore City Council

Statement of Financial Position – Council's Other Business Activities

as at 30 June 2018

\$ '000	Quarry		Waste Disposal	
	Category 1		Category 1	
	2018	2017	2018	2017
ASSETS				
Current assets				
Investments	–	–	171	810
Receivables	305	1,380	–	–
Inventories	1,911	2,433	–	–
Total Current Assets	2,216	3,813	171	810
Non-current assets				
Infrastructure, property, plant and equipment	3,879	6,208	16,063	12,556
Total non-current assets	3,879	6,208	16,063	12,556
TOTAL ASSETS	6,095	10,021	16,234	13,366
LIABILITIES				
Current liabilities				
Borrowings	205	190	478	331
Provisions	301	231	391	400
Total current liabilities	506	421	869	731
Non-current liabilities				
Borrowings	908	1,117	3,441	2,632
Provisions	1,965	1,811	149	81
Other Liabilities	–	4,910	–	–
Total non-current liabilities	2,873	7,838	3,590	2,713
TOTAL LIABILITIES	3,379	8,259	4,459	3,444
NET ASSETS	2,716	1,762	11,775	9,922
EQUITY				
Accumulated surplus	2,716	1,592	7,847	8,170
Revaluation reserves	–	170	3,928	1,752
Council equity interest	2,716	1,762	11,775	9,922
Non-controlling equity interest	–	–	–	–
TOTAL EQUITY	2,716	1,762	11,775	9,922

Lismore City Council

Statement of Financial Position – Council's Other Business Activities

as at 30 June 2018

\$ '000	Lismore Crematorium Category 2		Goonellabah Sports & Aquatic Centre - Gymnasium Category 2	
	2018	2017	2018	2017
ASSETS				
Current assets				
Other	–	–	–	–
Total Current Assets	–	–	–	–
Non-current assets				
Infrastructure, property, plant and equipment	599	335	–	–
Total non-current assets	599	335	–	–
TOTAL ASSETS	599	335	–	–
LIABILITIES				
Current liabilities				
Provisions	73	64	–	–
Total current liabilities	73	64	–	–
Non-current liabilities				
Provisions	2	2	–	–
Total non-current liabilities	2	2	–	–
TOTAL LIABILITIES	75	66	–	–
NET ASSETS	524	269	–	–
EQUITY				
Accumulated surplus	253	135	–	–
Revaluation reserves	271	134	–	–
Council equity interest	524	269	–	–
Non-controlling equity interest	–	–	–	–
TOTAL EQUITY	524	269	–	–

Lismore City Council

Statement of Financial Position – Council's Other Business Activities
as at 30 June 2018

	Swimsations	
	Category 2	
\$ '000	2018	2017
ASSETS		
Current assets		
Cash and cash equivalents	-	-
Investments	-	-
Receivables	-	-
Inventories	-	-
Other	-	-
Non-current assets classified as held for sale	-	-
Total Current Assets	-	-
Non-current assets		
Investments	-	-
Receivables	-	-
Inventories	-	-
Infrastructure, property, plant and equipment	-	-
Investments accounted for using equity method	-	-
Investment property	-	-
Intangible assets	-	-
Other	-	-
Total non-current assets	-	-
TOTAL ASSETS	-	-
LIABILITIES		
Current liabilities		
Bank overdraft	-	-
Payables	-	-
Income received in advance	-	-
Borrowings	-	-
Provisions	-	-
Total current liabilities	-	-
Non-current liabilities		
Payables	-	-
Income received in advance	-	-
Borrowings	-	-
Provisions	-	-
Other Liabilities	-	-
Total non-current liabilities	-	-
TOTAL LIABILITIES	-	-
NET ASSETS	-	-
EQUITY		
Accumulated surplus	-	-
Revaluation reserves	-	-
Other reserves	-	-
Council equity interest	-	-
Non-controlling equity interest	-	-
TOTAL EQUITY	-	-

Lismore City Council

Special Purpose Financial Statements

for the year ended 30 June 2018

Contents of the notes accompanying the financial statements

Note	Details	Page
1	Summary of significant accounting policies	116
2	Water Supply Business Best-Practice Management disclosure requirements	120
3	Sewerage Business Best-Practice Management disclosure requirements	122

Lismore City Council

Notes to the Special Purpose Financial Statements

for the year ended 30 June 2018

Note 1. Significant accounting policies

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

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

The figures presented in these Special Purpose Financial Statements have been prepared in accordance with the recognition and measurement criteria of relevant Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and Australian Accounting Interpretations.

The disclosures in these Special Purpose Financial Statements have been prepared in accordance with the Local Government Act 1993 (NSW), the Local Government (General) Regulation, and the Local Government Code of Accounting Practice and Financial Reporting.

The statements are prepared on an accruals basis. They are based on historic costs and do not take into account changing money values or, except where specifically stated, current values of non-current assets. Certain taxes and other costs, appropriately described, have been imputed for the purposes of the National Competition Policy.

The Statement of Financial Position includes notional assets/liabilities receivable from/payable to Council's general fund. These balances reflect a notional intra-entity funding arrangement with the declared business activities.

National Competition Policy

Council has adopted the principle of 'competitive neutrality' in its business activities as part of the National Competition Policy which is being applied throughout Australia at all levels of government.

The framework for its application is set out in the June 1996 NSW government policy statement titled 'Application of National Competition Policy to Local Government'.

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

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

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

Declared business activities

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

Category 1

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

a. Water

Provision of safe drinking water to customers

b. Wastewater

Lismore City Council

Notes to the Special Purpose Financial Statements for the year ended 30 June 2018

Note 1. Significant accounting policies (continued)

Provision of sewerage services to customers

c. Quarries

Supply of aggregate, road base and asphalt products

Category 2

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

a. Lismore Memorial Gardens

Provide cremation services

b. Swimsations

Provide learn to swim classes

c. Goonellabah Sports and Aquatic Centre - Gymnasium

Provide gym facilities

Monetary amounts

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

As required by Crown Lands and Water (CLAW), the amounts shown in Note 2 and Note 3 are disclosed in whole dollars.

(i) Taxation-equivalent charges

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

However, where Council does not pay some taxes which are generally paid by private sector businesses, such as income tax, these equivalent tax payments have been applied to all Council-nominated business activities and are reflected in Special Purpose Financial Statements.

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

Notional rate applied (%)

Corporate income tax rate – 30%

Land tax – the first \$629,000 of combined land values attracts **0%**. For the combined land values in excess of \$629,001 up to \$3,846,000 the rate is **1.6% + \$100**. For the remaining combined land value that exceeds \$3,846,000 a premium marginal rate of **2.0%** applies.

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

Lismore City Council

Notes to the Special Purpose Financial Statements

for the year ended 30 June 2018

Note 1. Significant accounting policies (continued)

In accordance with Crown Lands and Water (CLAW), a payment for the amount calculated as the annual tax equivalent charges (excluding income tax) must be paid from water supply and sewerage business activities.

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

Achievement of substantial compliance to the NSW Office of Water Guidelines is not a prerequisite for the payment of the tax equivalent charges, however the payment must not exceed \$3 per assessment.

Income tax

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

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

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

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

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

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

Local government rates and charges

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

Loan and debt guarantee fees

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

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

(ii) Subsidies

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

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

Lismore City Council

Notes to the Special Purpose Financial Statements for the year ended 30 June 2018

Note 1. Significant accounting policies (continued)

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

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

(iii) Return on investments (rate of return)

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

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

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

The rate of return is calculated as follows:

$$\frac{\text{Operating result before capital income + interest expense}}{\text{Written down value of I,PP\&E as at 30 June}}$$

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 2.79% at 30/6/18.

(iv) Dividends

Council is not required to pay dividends to either itself (as owner of a range of businesses) or to any external entities.

Local government water supply and sewerage businesses are permitted to pay an annual dividend from its water supply or sewerage business surplus.

Each dividend must be calculated and approved in accordance with the DPIW guidelines and must not exceed:

- (i) 50% of this surplus in any one year, or
- (ii) the number of water supply or sewerage assessments at 30 June 2018 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

In accordance with the DPIW guidelines a Dividend Payment form, Statement of Compliance, Unqualified Independent Financial Audit Report and Compliance Audit Report are required to be submitted to the DPIW.

Lismore City Council

Notes to the Special Purpose Financial Statements
for the year ended 30 June 2018Note 2. Water supply business
best-practice management disclosure requirements

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

2018

1. Calculation and payment of tax-equivalents

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

(i)	Calculated tax equivalents	413,000
(ii)	Number of assessments multiplied by \$3/assessment	41,352
(iii)	Amounts payable for tax equivalents [lesser of (i) and (ii)]	41,352
(iv)	Amounts actually paid for tax equivalents	(7)

2. Dividend from surplus

(i)	50% of surplus before dividends [calculated in accordance with Best-Practice Management for Water Supply and Sewerage Guidelines]	–
(ii)	Number of assessments multiplied by \$30/assessment, less tax equivalent charges/assessment	372,168
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2018, less the cumulative dividends paid for the 2 years to 30 June 2017 and 30 June 2016	1,562,800

2018 Surplus	(449,000)	2017 Surplus	1,174,000	2016 Surplus	837,800
		2017 Dividend	–	2016 Dividend	–

(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]	–
(vi)	Are the overhead reallocation charges to the water business fair and reasonable? ^a	YES

3. Required outcomes for 6 criteria

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

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

Lismore City Council

Notes to the Special Purpose Financial Statements
for the year ended 30 June 2018Note 2. Water supply business
best-practice management disclosure requirements (continued)

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

2018

National Water Initiative (NWI) financial performance indicators

NWI F1	Total revenue (water) Total income (w13) – grants for the acquisition of assets (w11a) – interest income (w9) – Aboriginal Communities W&S Program income (w10a)	\$'000	14,487
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)]	%	43.26%
NWI F9	Written down replacement cost of fixed assets (water) Written down current cost of system assets (w47)	\$'000	181,834
NWI F11	Operating cost (OMA) (water) Management expenses (w1) + operational and maintenance expenses (w2)	\$'000	8,934
NWI F14	Capital expenditure (water) Acquisition of fixed assets (w16)	\$'000	4,204
NWI F17	Economic real rate of return (water) [total income (w13) – interest income (w9) – grants for acquisition of assets (w11a) – operating costs (NWI F11) – current cost depreciation (w3)] x 100 divided by [written down current cost of system assets (w47) + plant and equipment (w33b)]	%	1.26%
NWI F26	Capital works grants (water) Grants for the acquisition of assets (w11a)	\$'000	–

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

Lismore City Council

Notes to the Special Purpose Financial Statements
for the year ended 30 June 2018Note 3. Sewerage business
best-practice management disclosure requirements

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

2018

1. Calculation and payment of tax-equivalents

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

(i)	Calculated tax equivalents	798,000
(ii)	Number of assessments multiplied by \$3/assessment	36,741
(iii)	Amounts payable for tax equivalents [lesser of (i) and (ii)]	36,741
(iv)	Amounts actually paid for tax equivalents	23,482

2. Dividend from surplus

(i)	50% of surplus before dividends [calculated in accordance with Best-Practice Management for Water Supply and Sewerage Guidelines]	461,100
(ii)	Number of assessments x (\$30 less tax equivalent charges per assessment)	330,669
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2018, less the cumulative dividends paid for the 2 years to 30 June 2017 and 30 June 2016	4,091,800

2018 Surplus	922,200	2017 Surplus	1,022,000	2016 Surplus	2,147,600
		2017 Dividend	—	2016 Dividend	—

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	330,669
(v)	Dividend actually paid from surplus [refer below for required pre-dividend payment criteria]	—
(vi)	Are the overhead reallocation charges to the sewer business fair and reasonable? ^a	YES

3. Required outcomes for 4 criteria

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

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

Lismore City Council

Notes to the Special Purpose Financial Statements
for the year ended 30 June 2018Note 3. Sewerage business
best-practice management disclosure requirements (continued)

Dollars amounts shown below are in whole dollars (unless otherwise indicated) 2018

National Water Initiative (NWI) financial performance indicators

NWI F2	Total revenue (sewerage) Total income (s14) – grants for acquisition of assets (s12a) – interest income (s10) – Aboriginal Communities W&S Program income (w10a)	\$'000	13,869
NWI F10	Written down replacement cost of fixed assets (sewerage) Written down current cost of system assets (s48)	\$'000	322,994
NWI F12	Operating cost (sewerage) Management expenses (s1) + operational and maintenance expenses (s2)	\$'000	6,306
NWI F15	Capital expenditure (sewerage) Acquisition of fixed assets (s17)	\$'000	16,684
NWI F18	Economic real rate of return (sewerage) [total income (s14) – interest income (s10) – grants for acquisition of assets (s12a) – operating cost (NWI F12) – current cost depreciation (s3)] x 100 divided by [written down current cost (i.e. WDCC) of system assets (s48) + plant and equipment (s34b)]	%	0.68%
NWI F27	Capital works grants (sewerage) Grants for the acquisition of assets (12a)	\$'000	–

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

NWI F3	Total income (water and sewerage) Total income (w13 + s14) + gain/loss on disposal of assets (w14 + s15) minus grants for acquisition of assets (w11a + s12a) – interest income (w9 + s10)	\$'000	26,302
NWI F8	Revenue from community service obligations (water and sewerage) Community service obligations (NWI F25) x 100 divided by total income (NWI F3)	%	0.94%
NWI F16	Capital expenditure (water and sewerage) Acquisition of fixed assets (w16 + s17)	\$'000	20,888
NWI F19	Economic real rate of return (water and sewerage) [total income (w13 + s14) – interest income (w9 + s10) – grants for acquisition of assets (w11a + s12a) – operating cost (NWI F11 + NWI F12) – current cost depreciation (w3 + s3)] x 100 divided by [written down replacement cost of fixed assets (NWI F9 + NWI F10) + plant and equipment (w33b + s34b)]	%	0.89%
NWI F20	Dividend (water and sewerage) Dividend paid from surplus (2 (v) of Note 2 + 2 (v) of Note 3)	\$'000	–
NWI F21	Dividend payout ratio (water and sewerage) Dividend (NWI F20) x 100 divided by net profit after tax (NWI F24)	%	0.00%

Lismore City Council

Notes to the Special Purpose Financial Statements
for the year ended 30 June 2018Note 3. Sewerage business
best-practice management disclosure requirements (continued)

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

2018

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

NWI F22	Net debt to equity (water and sewerage) Overdraft (w36 + s37) + borrowings (w38 + s39) – cash and investments (w30 + s31) x 100 divided by [total assets (w35 + s36) – total liabilities (w40 + s41)]	%	0.19%
NWI F23	Interest cover (water and sewerage) Earnings before interest and tax (EBIT) divided by net interest Earnings before interest and 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)		9
NWI F24	Net profit after tax (water and sewerage) Surplus before dividends (w15a + s16a) – tax equivalents paid (Note 2-1 (iv) + Note 3-1 (iv))	\$'000	1,898
NWI F25	Community service obligations (water and sewerage) Grants for pensioner rebates (w11b + s12b)	\$'000	248

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



SPECIAL SCHEDULES

**For the year ended
30 June 2018**

Lismore City Council

Special Schedules

for the year ended 30 June 2018

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¹ Special Schedules are not audited (with the exception of Special Schedule 2).

Background

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

Lismore City Council

Special Schedule 1 – Net Cost of Services

for the year ended 30 June 2018

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
Governance	593	–	–	(593)
Administration	6,068	3,223	6	(2,839)
Public order and safety				
Fire service levy, fire protection, emergency services	1,489	–	14	(1,475)
Beach control	–	–	–	–
Enforcement of local government regulations	–	–	–	–
Animal control	313	177	–	(136)
Other	425	–	–	(425)
Total public order and safety	2,227	177	14	(2,036)
Health	1,092	536	–	(556)
Environment				
Noxious plants and insect/vermin control	–	–	–	–
Other environmental protection	832	252	–	(580)
Solid waste management	15,007	15,270	674	937
Street cleaning	–	–	–	–
Drainage	–	–	295	295
Stormwater management	440	–	–	(440)
Total environment	16,279	15,522	969	212
Community services and education				
Administration and education	484	115	–	(369)
Social protection (welfare)	408	–	–	(408)
Aged persons and disabled	9	–	–	(9)
Children's services	94	2	–	(92)
Total community services and education	995	117	–	(878)
Housing and community amenities				
Public cemeteries	834	1,054	–	220
Public conveniences	–	–	–	–
Street lighting	625	170	–	(455)
Town planning	1,782	818	731	(233)
Other community amenities	–	–	–	–
Total housing and community amenities	3,241	2,042	731	(468)
Water supplies	14,377	13,884	404	(89)
Sewerage services	13,020	13,893	883	1,756

Lismore City Council

Special Schedule 1 – Net Cost of Services (continued)
for the year ended 30 June 2018

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
Recreation and culture				
Public libraries	5,189	130	198	(4,861)
Museums	–	–	–	–
Art galleries	986	190	23	(773)
Community centres and halls	849	13	–	(836)
Performing arts venues	–	–	–	–
Other performing arts	–	–	–	–
Other cultural services	–	–	–	–
Sporting grounds and venues	–	–	–	–
Swimming pools	897	203	–	(694)
Parks and gardens (lakes)	5,050	257	7,998	3,205
Other sport and recreation	4,173	2,131	381	(1,661)
Total recreation and culture	17,144	2,924	8,600	(5,620)
Fuel and energy	–	–	–	–
Agriculture	–	–	–	–
Mining, manufacturing and construction				
Building control	1,683	1,411	–	(272)
Other mining, manufacturing and construction	3,904	4,224	–	320
Total mining, manufacturing and const.	5,587	5,635	–	48
Transport and communication				
Urban roads (UR) – local	6,308	3,910	1,364	(1,034)
Urban roads – regional	126	1,042	3,579	4,495
Sealed rural roads (SRR) – local	6,037	1,401	263	(4,373)
Sealed rural roads (SRR) – regional	1,136	2,321	–	1,185
Unsealed rural roads (URR) – local	6,770	5,139	203	(1,428)
Unsealed rural roads (URR) – regional	–	–	–	–
Bridges on UR – local	–	–	–	–
Bridges on SRR – local	609	–	–	(609)
Bridges on URR – local	1,131	–	–	(1,131)
Bridges on regional roads	–	–	–	–
Parking areas	241	367	–	126
Footpaths	119	–	54	(65)
Aerodromes	530	240	393	103
Other transport and communication	3,010	25	136	(2,849)
Total transport and communication	26,017	14,445	5,992	(5,580)
Economic affairs				
Camping areas and caravan parks	46	31	–	(15)
Other economic affairs	3,578	717	–	(2,861)
Total economic affairs	3,624	748	–	(2,876)
Totals – functions	110,264	73,146	17,599	(19,519)
General purpose revenues ⁽¹⁾		35,194		35,194
Share of interests – joint ventures and associates using the equity method	–	62		62
NET OPERATING RESULT ⁽²⁾	110,264	108,402	17,599	15,737

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

Lismore City Council

Special Schedule 2 – Permissible income for general rates

for the year ended 30 June 2019

\$'000		Calculation 2018/19	Calculation 2017/18
Notional general income calculation ⁽¹⁾			
Last year notional general income yield	a	29,230	28,665
Plus or minus adjustments ⁽²⁾	b	196	133
Notional general income	c = (a + b)	29,426	28,798
Permissible income calculation			
Special variation percentage ⁽³⁾	d	2.71%	0.00%
Or rate peg percentage	e	0.00%	1.50%
Or crown land adjustment (incl. rate peg percentage)	f	0.00%	0.00%
Less expiring special variation amount	g	(115)	–
Plus special variation amount	$h = d \times (c - g)$	794	–
Or plus rate peg amount	$i = c \times e$	–	432
Or plus Crown land adjustment and rate peg amount	$j = c \times f$	–	–
Sub-total	k = (c + g + h + i + j)	30,105	29,230
Plus (or minus) last year's carry forward total	l	0	0
Less valuation objections claimed in the previous year	m	–	–
Sub-total	n = (l + m)	0	0
Total permissible income	o = k + n	30,105	29,230
Less notional general income yield	p	30,104	29,230
Catch-up or (excess) result	q = o - p	1	0
Plus income lost due to valuation objections claimed ⁽⁴⁾	r	–	–
Less unused catch-up ⁽⁵⁾	s	(1)	–
Carry forward to next year	t = q + r - s	0	0

Notes

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

Lismore City Council

Special Schedule 3 – Water Supply Income Statement

Includes all internal transactions, i.e. prepared on a gross basis
for the year ended 30 June 2018

\$'000	2018	2017
A Expenses and income		
Expenses		
1. Management expenses		
a. Administration	1,255	1,259
b. Engineering and supervision	349	399
2. Operation and maintenance expenses		
– dams and weirs		
a. Operation expenses	–	–
b. Maintenance expenses	–	–
– Mains		
c. Operation expenses	962	1,061
d. Maintenance expenses	–	–
– Reservoirs		
e. Operation expenses	8	12
f. Maintenance expenses	12	6
– Pumping stations		
g. Operation expenses (excluding energy costs)	3	4
h. Energy costs	69	72
i. Maintenance expenses	37	23
– Treatment		
j. Operation expenses (excluding chemical costs)	–	–
k. Chemical costs	–	–
l. Maintenance expenses	–	–
– Other		
m. Operation expenses	389	337
n. Maintenance expenses	836	821
o. Purchase of water	5,014	5,225
3. Depreciation expenses		
a. System assets	3,130	1,735
b. Plant and equipment	118	149
4. Miscellaneous expenses		
a. Interest expenses	593	592
b. Revaluation decrements	–	–
c. Other expenses	–	–
d. Impairment – system assets	–	–
e. Impairment – plant and equipment	–	–
f. Aboriginal Communities Water and Sewerage Program	–	–
g. Tax equivalents dividends (actually paid)	–	–
5. Total expenses	12,775	11,695

Lismore City Council

Special Schedule 3 – Water Supply Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis
for the year ended 30 June 2018

\$'000	2018	2017
Income		
6. Residential charges		
a. Access (including rates)	3,330	3,125
b. Usage charges	2,539	2,517
7. Non-residential charges		
a. Access (including rates)	1,052	1,006
b. Usage charges	6,863	6,805
8. Extra charges	–	–
9. Interest income	301	311
10. Other income	169	146
10a. Aboriginal Communities Water and Sewerage Program	–	–
11. Grants		
a. Grants for acquisition of assets	–	–
b. Grants for pensioner rebates	125	259
c. Other grants	5	4
12. Contributions		
a. Developer charges	184	117
b. Developer provided assets	220	898
c. Other contributions	–	–
13. Total income	14,788	15,188
14. Gain (or loss) on disposal of assets	(1,829)	(747)
15. Operating result	184	2,746
15a. Operating result (less grants for acquisition of assets)	184	2,746

Lismore City Council

Special Schedule 3 – Water Supply Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis
for the year ended 30 June 2018

\$'000	2018	2017
B Capital transactions		
Non-operating expenditures		
16. Acquisition of fixed assets		
a. New assets for improved standards	–	–
b. New assets for growth	–	–
c. Renewals	2,694	2,936
d. Plant and equipment	1,510	640
17. Repayment of debt	494	357
18. Totals	4,698	3,933
Non-operating funds employed		
19. Proceeds from disposal of assets	–	–
20. Borrowing utilised	–	6,355
21. Totals	–	6,355
C Rates and charges		
22. Number of assessments		
a. Residential (occupied)	11,913	11,867
b. Residential (unoccupied, ie. vacant lot)	141	150
c. Non-residential (occupied)	1,683	1,661
d. Non-residential (unoccupied, ie. vacant lot)	47	48
23. Number of ETs for which developer charges were received	108 ET	47 ET
24. Total amount of pensioner rebates (actual dollars)	\$ 225,324	\$ 233,494

Lismore City Council

Special Schedule 4 – Water Supply Statement of Financial Position

Includes internal transactions, i.e. prepared on a gross basis
as at 30 June 2018

\$'000	Current	Non-current	Total
ASSETS			
25. Cash and investments			
a. Developer charges	–	–	–
b. Special purpose grants	–	–	–
c. Accrued leave	–	–	–
d. Unexpended loans	–	–	–
e. Sinking fund	–	–	–
f. Other	8,161	907	9,068
26. Receivables			
a. Specific purpose grants	–	–	–
b. Rates and availability charges	967	414	1,381
c. User charges	2,249	969	3,218
d. Other	231	–	231
27. Inventories	221	–	221
28. Property, plant and equipment			
a. System assets	–	181,834	181,834
b. Plant and equipment	–	384	384
29. Other assets	–	–	–
30. Total assets	<u>11,829</u>	<u>184,508</u>	<u>196,337</u>
LIABILITIES			
31. Bank overdraft	–	–	–
32. Creditors	129	–	129
33. Borrowings	518	11,597	12,115
34. Provisions			
a. Tax equivalents	–	–	–
b. Dividend	–	–	–
c. Other	293	5	298
35. Total liabilities	<u>940</u>	<u>11,602</u>	<u>12,542</u>
36. NET ASSETS COMMITTED	<u>10,889</u>	<u>172,906</u>	<u>183,795</u>
EQUITY			
37. Accumulated surplus			25,598
38. Asset revaluation reserve			158,197
39. Other reserves			–
40. TOTAL EQUITY			<u>183,795</u>
Note to system assets:			
41. Current replacement cost of system assets			278,740
42. Accumulated current cost depreciation of system assets			(96,906)
43. Written down current cost of system assets			<u>181,834</u>

Lismore City Council

Special Schedule 5 – Sewerage Service Income Statement

Includes all internal transactions, i.e. prepared on a gross basis
for the year ended 30 June 2018

\$'000	2018	2017
A Expenses and income		
Expenses		
1. Management expenses		
a. Administration	1,565	1,551
b. Engineering and supervision	487	443
2. Operation and maintenance expenses		
– mains		
a. Operation expenses	13	13
b. Maintenance expenses	1,158	956
– Pumping stations		
c. Operation expenses (excluding energy costs)	42	49
d. Energy costs	222	188
e. Maintenance expenses	363	474
– Treatment		
f. Operation expenses (excl. chemical, energy, effluent and biosolids management costs)	899	917
g. Chemical costs	359	486
h. Energy costs	210	196
i. Effluent management	64	84
j. Biosolids management	117	132
k. Maintenance expenses	674	579
– Other		
l. Operation expenses	–	–
m. Maintenance expenses	133	231
3. Depreciation expenses		
a. System assets	5,312	4,288
b. Plant and equipment	62	75
4. Miscellaneous expenses		
a. Interest expenses	1,193	1,156
b. Revaluation decrements	–	–
c. Other expenses	–	–
d. Impairment – system assets	–	–
e. Impairment – plant and equipment	–	–
f. Aboriginal Communities Water and Sewerage Program	–	–
g. Tax equivalents dividends (actually paid)	–	–
5. Total expenses	12,873	11,818

Lismore City Council

Special Schedule 5 – Sewerage Service Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis
for the year ended 30 June 2018

\$'000	2018	2017
Income		
6. Residential charges (including rates)	10,046	9,640
7. Non-residential charges		
a. Access (including rates)	2,512	2,410
b. Usage charges	–	–
8. Trade waste charges		
a. Annual fees	236	269
b. Usage charges	–	–
c. Excess mass charges	–	–
d. Re-inspection fees	–	–
9. Extra charges	–	–
10. Interest income	966	1,163
11. Other income	64	60
11a. Aboriginal Communities Water and Sewerage Program	–	–
12. Grants		
a. Grants for acquisition of assets	–	–
b. Grants for pensioner rebates	123	132
c. Other grants	5	5
13. Contributions		
a. Developer charges	883	490
b. Developer provided assets	–	–
c. Other contributions	–	587
14. Total income	<u>14,835</u>	<u>14,756</u>
15. Gain (or loss) on disposal of assets	(225)	(971)
16. Operating result	<u>1,737</u>	<u>1,967</u>
16a. Operating result (less grants for acquisition of assets)	1,737	1,967

Lismore City Council

Special Schedule 5 – Sewerage Service Income Statement (continued)

Includes all internal transactions, i.e. prepared on a gross basis
for the year ended 30 June 2018

\$'000	2018	2017
B Capital transactions		
Non-operating expenditures		
17. Acquisition of fixed assets		
a. New assets for improved standards	15,566	5,486
b. New assets for growth	–	–
c. Renewals	1,118	1,866
d. Plant and equipment	–	165
18. Repayment of debt	1,091	668
19. Totals	<u>17,775</u>	<u>8,185</u>
Non-operating funds employed		
20. Proceeds from disposal of assets	–	–
21. Borrowing utilised	–	21,348
22. Totals	<u>–</u>	<u>21,348</u>
C Rates and charges		
23. Number of assessments		
a. Residential (occupied)	10,793	10,762
b. Residential (unoccupied, ie. vacant lot)	334	319
c. Non-residential (occupied)	1,027	1,015
d. Non-residential (unoccupied, ie. vacant lot)	93	91
24. Number of ETs for which developer charges were received	77 ET	43 ET
25. Total amount of pensioner rebates (actual dollars)	\$ 227,089	\$ 229,911

Lismore City Council

Special Schedule 6 – Sewerage Service Statement of Financial Position

Includes internal transactions, i.e. prepared on a gross basis
as at 30 June 2018

\$'000	Current	Non-current	Total
ASSETS			
26. Cash and investments			
a. Developer charges	–	–	–
b. Special purpose grants	–	–	–
c. Accrued leave	–	–	–
d. Unexpended loans	–	–	–
e. Sinking fund	–	–	–
f. Other	26,826	2,981	29,807
27. Receivables			
a. Specific purpose grants	–	–	–
b. Rates and availability charges	914	436	1,350
c. User charges	–	–	–
d. Other	–	–	–
28. Inventories	380	–	380
29. Property, plant and equipment			
a. System assets	–	322,994	322,994
b. Plant and equipment	–	–	–
30. Other assets	–	–	–
31. Total assets	<u>28,120</u>	<u>326,411</u>	<u>354,531</u>
LIABILITIES			
32. Bank overdraft	–	–	–
33. Creditors	308	–	308
34. Borrowings	1,137	26,570	27,707
35. Provisions			
a. Tax equivalents	–	–	–
b. Dividend	–	–	–
c. Other	265	24	289
36. Total liabilities	<u>1,710</u>	<u>26,594</u>	<u>28,304</u>
37. NET ASSETS COMMITTED	<u>26,410</u>	<u>299,817</u>	<u>326,227</u>
EQUITY			
38. Accumulated surplus			68,519
39. Asset revaluation reserve			257,708
40. Other reserves			–
41. TOTAL EQUITY			<u>326,227</u>
Note to system assets:			
42. Current replacement cost of system assets			507,121
43. Accumulated current cost depreciation of system assets			(184,127)
44. Written down current cost of system assets			<u>322,994</u>

Lismore City Council

Notes to Special Schedules 3 and 5

for the year ended 30 June 2018

Administration ⁽¹⁾

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

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

Engineering and supervision ⁽¹⁾

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

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

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

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

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

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

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

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

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

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

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

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

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

Notes:

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

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

Lismore City Council

Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2018

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2017/18 Required maintenance ^a	2017/18 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Buildings	Buildings	10,500	10,500	723	377	76,112	107,071	11%	57%	24%	7%	1%
	Sub-total	10,500	10,500	723	377	76,112	107,071	11.0%	57.0%	24.0%	7.0%	1.0%
Other structures	Other structures	1,719	1,719	205	***	12,804	18,205	19%	36%	42%	2%	1%
	Sub-total	1,719	1,719	205	–	12,804	18,205	19.0%	36.0%	42.0%	2.0%	1.0%
Roads	Sealed roads	47,106	47,106	4,338	3,992	177,721	357,333	8%	41%	23%	11%	17%
	Unsealed roads	5,868	5,868	628	1,273	8,588	17,269	0%	30%	14%	42%	14%
	Bridges	9,820	9,820	342	384	48,987	86,941	35%	32%	18%	12%	3%
	Footpaths	773	773	171	143	15,802	18,201	40%	39%	11%	9%	1%
	Other road assets	1,374	1,374	285	187	2,112	4,262	10%	11%	17%	60%	2%
	Bulk earthworks					329,550	329,550	100%				0%
	Sub-total	64,941	64,941	5,764	5,979	582,760	813,556	48.7%	23.0%	12.7%	7.5%	8.1%

Lismore City Council

Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2018 (continued)

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2017/18 Required maintenance ^a	2017/18 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Water supply network	Water supply network	23,354	23,354	1,826	1,841	176,504	273,327	6%	72%	13%	5%	4%
	Sub-total	23,354	23,354	1,826	1,841	176,504	273,327	6.0%	72.0%	13.0%	5.0%	4.0%
Sewerage network	Sewerage network	50,752	50,752	2,551	2,018	296,223	478,773	4%	70%	15%	4%	7%
	Sub-total	50,752	50,752	2,551	2,018	296,223	478,773	4.0%	70.0%	15.0%	4.0%	7.0%

Lismore City Council

Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2018 (continued)

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2017/18 Required maintenance ^a	2017/18 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Stormwater drainage	Stormwater drainage	8,161	8,161	263	283	51,832	82,354	4%	59%	34%	3%	0%
	Sub-total	8,161	8,161	263	283	51,832	82,354	4.0%	59.0%	34.0%	3.0%	0.0%
Open space/recreational assets	Swimming pools	487	487	***	***	3,728	5,737	2%	84%	0%	10%	4%
	Other Open Space/Recreation	332	332	***	***	891	1,766					100%
	Sub-total	819	819	–	–	4,619	7,503	1.5%	64.2%	0.0%	7.6%	26.6%

Lismore City Council

Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2018 (continued)

\$'000

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2017/18 Required maintenance ^a	2017/18 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Land Improvements	Depreciable land improvements	3,431	3,431	***	***	15,918	26,823	1%	56%	36%	7%	0%
	Non-depreciable land improvements					8,232	8,232	100%				0%
	Sub-total	3,431	3,431	–	–	24,150	35,055	24.2%	42.8%	27.5%	5.4%	0.0%
	TOTAL – ALL ASSETS	163,677	163,677	11,332	10,498	1,225,004	1,815,844	25.3%	47.1%	15.5%	5.9%	6.3%

Notes:

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

*** Data is not available

Infrastructure asset condition assessment 'key'

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

Lismore City Council

Special Schedule 7 – Report on Infrastructure Assets (continued)
for the year ended 30 June 2018

	Amounts 2018	Indicator 2018	Indicator 2017	Benchmark
Infrastructure asset performance indicators * consolidated				
1. Buildings and infrastructure renewals ratio ⁽¹⁾				
Asset renewals ⁽²⁾	<u>13,710</u>	74.14%	114.76%	>= 100%
Depreciation, amortisation and impairment	<u>18,491</u>			
2. Infrastructure backlog ratio ⁽¹⁾				
Estimated cost to bring assets to a satisfactory standard	<u>163,677</u>	13.45%	19.95%	< 2.00%
Net carrying amount of infrastructure assets	<u>1,216,772</u>			
3. Asset maintenance ratio				
Actual asset maintenance	<u>10,498</u>	92.64%	93.00%	> 100%
Required asset maintenance	<u>11,332</u>			
4. Cost to bring assets to agreed service level				
Estimated cost to bring assets to an agreed service level set by Council	<u>163,677</u>	9.01%	9.80%	
Gross replacement cost	<u>1,815,844</u>			

Notes

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

⁽¹⁾ Includes Work In Progress (WIP)

⁽²⁾ Asset renewals represent the replacement and/or refurbishment of existing assets to an equivalent capacity / performance as opposed to the acquisition of new assets (or the refurbishment of old assets) that increases capacity/performance.

Lismore City Council

Special Schedule 7 – Report on Infrastructure Assets (continued)
for the year ended 30 June 2018

	General indicators ⁽¹⁾		Water indicators		Sewer indicators		Benchmark
	2018	2017	2018	2017	2018	2017	
Infrastructure asset performance indicators by fund							
1. Buildings and infrastructure renewals ratio ⁽²⁾							
<u>Asset renewals ⁽³⁾</u>	102.99%	125.02%	85.15%	141.23%	12.93%	80.51%	>= 100%
Depreciation, amortisation and impairment							
2. Infrastructure backlog ratio ⁽²⁾							
<u>Estimated cost to bring assets to a satisfactory standard</u>	12.04%	22.08%	13.23%	13.59%	17.13%	20.89%	< 2.00%
Net carrying amount of infrastructure assets							
3. Asset maintenance ratio							
<u>Actual asset maintenance</u>	95.46%	95.82%	100.82%	101.23%	79.11%	79.42%	> 100%
Required asset maintenance							
4. Cost to bring assets to agreed service level							
<u>Estimated cost to bring assets to an agreed service level set by Council</u>	8.42%	8.58%	8.54%	8.85%	10.60%	13.05%	
Gross replacement cost							

Notes

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

(2) Excludes Work In Progress (WIP)

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