

2017-2018  
annual report  
general purpose financial statements



*Lithgow*  
CITY COUNCIL

# Lithgow City Council

GENERAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2018

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*"A centre of regional excellence that:*

- encourages community growth and development,*
- contributes to the efficient and effective management of the environment, community and economy for present and future generations."*



# Lithgow City Council

## General Purpose Financial Statements for the year ended 30 June 2018

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### Overview

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

180 Mort St  
Lithgow NSW 2790

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: <http://www.council.lithgow.com>.

## Lithgow City Council

### General Purpose Financial Statements for the year ended 30 June 2018

#### Understanding Council's financial statements

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##### Introduction

Each year, individual local governments across New South Wales are required to present a set of audited financial statements to their council and community.

##### What you will find in the statements

The financial statements set out the financial performance, financial position and cash flows of Council for the financial year ended 30 June 2018.

The format of the financial statements is standard across all NSW Councils and complies with both the accounting and reporting requirements of Australian Accounting Standards and requirements as set down by the Office of Local Government.

##### About the Councillor/Management Statement

The financial statements must be certified by senior staff as 'presenting fairly' the Council's financial results for the year and are required to be adopted by Council – ensuring both responsibility for and ownership of the financial statements.

##### About the primary financial statements

The financial statements incorporate five 'primary' financial statements:

##### 1. The Income Statement

Summarises Council's financial performance for the year, listing all income and expenses.

This statement also displays Council's original adopted budget to provide a comparison between what was projected and what actually occurred.

##### 2. The Statement of Comprehensive Income

Primarily records changes in the fair value of Council's Infrastructure, Property, Plant and Equipment.

##### 3. The Statement of Financial Position

A 30 June snapshot of Council's financial position indicating its assets, liabilities and "net wealth".

##### 4. The Statement of Changes in Equity

The overall change for the year (in dollars) of Council's "net wealth".

##### 5. The Statement of Cash Flows

Indicates where Council's cash came from and where it was spent. This statement also displays Council's original adopted budget to provide a comparison between what was projected and what actually occurred.

##### About the Notes to the Financial Statements

The Notes to the Financial Statements provide greater detail and additional information on the five primary financial statements.

##### About the Auditor's Reports

Council's annual financial statements are required to be audited by the NSW Audit Office. In NSW the auditor provides 2 audit reports:

1. an opinion on whether the financial statements present fairly the Council's financial performance and position, and
2. their observations on the conduct of the audit, including commentary on the Council's financial performance and financial position.

##### Who uses the financial statements?

The financial statements are publicly available documents and must be presented at a Council meeting between seven days and five weeks after the date of the Audit Report.

The public can make submissions to Council up to seven days subsequent to the public presentation of the financial statements.

Council is required to forward an audited set of financial statements to the Office of Local Government.

## Lithgow 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 29 October 2018.



Raymond Thompson  
Mayor  
29 October 2018



Councillor Steve King  
29 October 2018



Graeme Faulkner  
General Manager  
29 October 2018



Ross Gurney  
Responsible Accounting Officer  
29 October 2018

## Lithgow City Council

## Income Statement

for the year ended 30 June 2018

Original unaudited budget 2018	\$ '000	Notes	Actual 2018	Actual 2017
<b>Income from continuing operations</b>				
<b>Revenue:</b>				
25,474	Rates and annual charges	3a	25,456	24,815
7,251	User charges and fees	3b	6,703	6,643
809	Interest and investment revenue	3c	887	811
811	Other revenues	3d	1,415	4,600
7,864	Grants and contributions provided for operating purposes	3e,f	7,796	10,379
3,655	Grants and contributions provided for capital purposes	3e,f	4,330	9,561
<b>45,864</b>	<b>Total income from continuing operations</b>		<b>46,587</b>	<b>56,809</b>
<b>Expenses from continuing operations</b>				
14,866	Employee benefits and on-costs	4a	15,871	16,076
931	Borrowing costs	4b	681	851
10,166	Materials and contracts	4c	9,601	10,843
10,479	Depreciation and amortisation	4d	11,856	12,136
5,414	Other expenses	4e	5,087	5,369
–	Net losses from the disposal of assets	5	918	2,512
<b>41,856</b>	<b>Total expenses from continuing operations</b>		<b>44,014</b>	<b>47,787</b>
<b>4,008</b>	<b>Operating result from continuing operations</b>		<b>2,573</b>	<b>9,022</b>
<b>4,008</b>	<b>Net operating result for the year</b>		<b>2,573</b>	<b>9,022</b>
4,008	Net operating result attributable to Council		2,573	9,022
353	Net operating result for the year before grants and contributions provided for capital purposes		(1,757)	(539)

## Lithgow City Council

Statement of Comprehensive Income  
for the year ended 30 June 2018

\$ '000	Notes	2018	2017
<b>Net operating result for the year</b> (as per Income Statement)		<b>2,573</b>	<b>9,022</b>
<b>Other comprehensive income:</b>			
Amounts that will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of IPP&E	9a	2,814	103,183
<b>Total items which will not be reclassified subsequently to the operating result</b>		<b>2,814</b>	<b>103,183</b>
Amounts that will be reclassified subsequently to the operating result when specific conditions are met			
Nil			
<b>Total other comprehensive income for the year</b>		<b>2,814</b>	<b>103,183</b>
<b>Total comprehensive income for the year</b>		<b>5,387</b>	<b>112,205</b>
Total comprehensive income attributable to Council		5,387	112,205

## Lithgow City Council

Statement of Financial Position  
as at 30 June 2018

\$ '000	Notes	2018	2017
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	6a	33,971	29,867
Receivables	7	5,512	5,393
Inventories	8	607	796
Other	8	266	245
<b>Total current assets</b>		<b>40,356</b>	<b>36,301</b>
<b>Non-current assets</b>			
Infrastructure, property, plant and equipment	9	512,120	511,090
Investment property	10	5,494	–
<b>Total non-current assets</b>		<b>517,614</b>	<b>511,090</b>
<b>TOTAL ASSETS</b>		<b>557,970</b>	<b>547,391</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	11	6,457	3,541
Income received in advance	11	1,135	975
Borrowings	11	1,993	1,730
Provisions	12	3,541	3,274
<b>Total current liabilities</b>		<b>13,126</b>	<b>9,520</b>
<b>Non-current liabilities</b>			
Payables	11	9	21
Borrowings	11	17,876	16,168
Provisions	12	8,406	8,516
<b>Total non-current liabilities</b>		<b>26,291</b>	<b>24,705</b>
<b>TOTAL LIABILITIES</b>		<b>39,417</b>	<b>34,225</b>
<b>Net assets</b>		<b>518,553</b>	<b>513,166</b>
<b>EQUITY</b>			
Accumulated surplus	13	208,097	205,524
Revaluation reserves	13	310,456	307,642
<b>Total equity</b>		<b>518,553</b>	<b>513,166</b>



## Lithgow City Council

## Statement of Changes in Equity

for the year ended 30 June 2018

\$ '000	Notes	2018			2017		
		Accumulated surplus	IPP&E revaluation reserve	Total equity	Accumulated surplus	IPP&E revaluation reserve	Total equity
<b>Opening balance</b>		205,524	307,642	<b>513,166</b>	196,502	204,459	<b>400,961</b>
Net operating result for the year prior to correction of errors and changes in accounting policies		<b>2,573</b>	–	<b>2,573</b>	9,022	–	<b>9,022</b>
<b>Net operating result for the year</b>		<b>2,573</b>	–	<b>2,573</b>	<b>9,022</b>	–	<b>9,022</b>
<b>Other comprehensive income</b>							
– Gain (loss) on revaluation of IPP&E	9a	–	2,814	<b>2,814</b>	–	103,183	<b>103,183</b>
<b>Other comprehensive income</b>		–	<b>2,814</b>	<b>2,814</b>	–	<b>103,183</b>	<b>103,183</b>
<b>Total comprehensive income (c&amp;d)</b>		<b>2,573</b>	<b>2,814</b>	<b>5,387</b>	<b>9,022</b>	<b>103,183</b>	<b>112,205</b>
<b>Equity – balance at end of the reporting period</b>		<b>208,097</b>	<b>310,456</b>	<b>518,553</b>	<b>205,524</b>	<b>307,642</b>	<b>513,166</b>

## Lithgow City Council

## Statement of Cash Flows

for the year ended 30 June 2018

Original unaudited budget 2018	\$ '000	Notes	Actual 2018	Actual 2017
<b>Cash flows from operating activities</b>				
<b>Receipts:</b>				
25,474	Rates and annual charges		25,393	24,684
7,251	User charges and fees		7,074	6,714
809	Investment and interest revenue received		872	712
11,519	Grants and contributions		12,719	18,942
–	Bonds, deposits and retention amounts received		228	81
811	Other		1,987	6,210
<b>Payments:</b>				
(14,866)	Employee benefits and on-costs		(15,785)	(16,550)
(10,166)	Materials and contracts		(7,498)	(10,382)
(931)	Borrowing costs		(650)	(4,410)
–	Bonds, deposits and retention amounts refunded		(114)	(162)
(5,414)	Other		(5,516)	(6,169)
<b>14,487</b>	<b>Net cash provided (or used in) operating activities</b>	14b	<b>18,710</b>	<b>19,670</b>
<b>Cash flows from investing activities</b>				
<b>Receipts:</b>				
–	Sale of investment securities		–	4,000
1,760	Sale of infrastructure, property, plant and equipment		155	126
–	Deferred debtors receipts		–	146
<b>Payments:</b>				
(15,027)	Purchase of infrastructure, property, plant and equipment		(16,639)	(13,060)
<b>(13,267)</b>	<b>Net cash provided (or used in) investing activities</b>		<b>(16,484)</b>	<b>(8,788)</b>
<b>Cash flows from financing activities</b>				
<b>Receipts:</b>				
200	Proceeds from borrowings and advances		3,800	–
<b>Payments:</b>				
(2,170)	Repayment of borrowings and advances		(1,922)	(1,896)
<b>(1,970)</b>	<b>Net cash flow provided (used in) financing activities</b>		<b>1,878</b>	<b>(1,896)</b>
<b>(750)</b>	<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>4,104</b>	<b>8,986</b>
16,893	Plus: cash and cash equivalents – beginning of year	14a	29,867	20,881
<b>16,143</b>	<b>Cash and cash equivalents – end of the year</b>	14a	<b>33,971</b>	<b>29,867</b>

# Lithgow City Council

## Notes to the Financial Statements

for the year ended 30 June 2018

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## Lithgow City Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 1. Basis of preparation

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These financial statements were authorised for issue by Council on 29/10/2018..

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.

Full dollars have been used in Note 21 Related party disclosures in relation to the disclosure of specific related party transactions.

Unless otherwise indicated, all amounts disclosed in the financial statements are actual amounts.

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

- Income statement
- Statement of cash flows
- Note 19 – 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

## Lithgow City Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 1. Basis of preparation (continued)

of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year include:

- (i) estimated fair values of investment properties –refer Note 10,
- (ii) estimated fair values of infrastructure, property, plant and equipment – refer Note 9,
- (iii) estimated tip remediation provisions – refer Note 12,
- (iv) employee benefit provisions – refer Note 12.

#### **Significant judgements in applying the Council's accounting policies**

- (v) Impairment of receivables

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

#### **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.

#### **Goods and Services Tax (GST)**

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

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

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

## Lithgow City Council

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

#### Note 1. Basis of preparation (continued)

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##### **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 does not consider that any of those standards are likely to have a material impact on the Council's future financial statements, financial position, financial performance or cash flows.

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

## Lithgow 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
Caring for our community	2,312	705	3,733	3,582	(1,421)	(2,877)	1,943	2	2,310	7,319
Strengthening our economy	149	186	1,402	1,297	(1,253)	(1,111)	5	258	7,087	8,751
Developing our built environment	20,532	27,116	35,430	35,850	(14,898)	(8,734)	3,182	9,771	504,276	459,670
Enhancing our natural environment	4,610	7,973	3,173	3,341	1,437	4,632	342	323	34,857	35,543
Governance and leadership	18,984	20,829	275	3,717	18,709	17,112	4,812	6,994	9,438	36,108
<b>Total functions and activities</b>	<b>46,587</b>	<b>56,809</b>	<b>44,013</b>	<b>47,787</b>	<b>2,574</b>	<b>9,022</b>	<b>10,284</b>	<b>17,348</b>	<b>557,970</b>	<b>547,391</b>

## Lithgow 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:**

##### **Caring for our community**

Includes supporting Aboriginal, cultural and linguistically diverse communities; ageing populations; children and families; community support and information; health; library programs; regulatory/compliance programs; safety; volunteering and youth.

##### **Strengthening our economy**

Includes Council's branding and marketing; art and culture; business and industry development and support; education and training; leadership and communication; heritage; and tourism.

##### **Developing our built environment**

Includes cemeteries; community commercial and industrial buildings; cycleways and pathways; environmental health; parks and gardens; recreational facilities; transport; sewage infrastructure; streetscape improvements; tradewaste; and water infrastructure.

##### **Enhancing our natural environment**

Includes air; biodiversity; climate change; environmental protection and leadership; natural heritage; stormwater and drainage water; and waste and recycling.

##### **Governance and leadership**

Includes planning for our future; civic leadership; communication; corporate management; customer service; being an employer of choice; information systems management; and plant and equipment.



## Lithgow City Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 3. Income from continuing operations

\$ '000	2018	2017
<b>(a) Rates and annual charges</b>		
<b>Ordinary rates</b>		
Residential	6,662	6,535
Farmland	1,762	1,714
Mining	2,035	2,032
Business	1,729	1,704
<b>Total ordinary rates</b>	<b>12,188</b>	<b>11,985</b>
<b>Special rates</b>		
Sewerage services	6,693	6,561
Parking	247	243
<b>Total special rates</b>	<b>6,940</b>	<b>6,804</b>
<b>Annual charges</b> (pursuant to s.496, s.496A, s.496B, s.501 & s.611)		
Domestic waste management services	3,522	3,418
Stormwater management services	240	240
Water supply services	1,660	1,492
Sewerage services	349	339
Waste management services (non-domestic)	535	511
Gas mains	22	26
<b>Total annual charges</b>	<b>6,328</b>	<b>6,026</b>
<b>TOTAL RATES AND ANNUAL CHARGES</b>	<b>25,456</b>	<b>24,815</b>

Council has used 2016 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.

## Lithgow 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>(b) User charges and fees</b>		
<b>Specific user charges</b> (per s.502 – specific 'actual use' charges)		
Water supply services	4,926	4,935
Trade waste	98	120
Septic approval	138	102
<b>Total specific user charges</b>	<b>5,162</b>	<b>5,157</b>
<b>Other user charges and fees</b>		
<b>(i) Fees and charges – statutory and regulatory functions (per s.608)</b>		
Planning and building regulation	732	608
Private works – section 67	89	74
Regulatory/ statutory fees	40	33
Section 149 certificates (EPA Act)	70	73
<b>Total fees and charges – statutory/regulatory</b>	<b>931</b>	<b>788</b>
<b>(ii) Fees and charges – other (incl. general user charges (per s.608))</b>		
Cemeteries	147	160
Fire and emergency services levy (FESL) implementation	–	67
Hall and park hire	42	56
Leaseback fees – Council vehicles	104	97
Swimming centres	307	308
Other	10	10
<b>Total fees and charges – other</b>	<b>610</b>	<b>698</b>
<b>TOTAL USER CHARGES AND FEES</b>	<b>6,703</b>	<b>6,643</b>

**Accounting policy for user charges and fees**

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

## Lithgow 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>(c) Interest and investment revenue (including losses)</b>		
<b>Interest</b>		
– Overdue rates and annual charges (incl. special purpose rates)	113	122
– Cash and investments	774	689
<b>TOTAL INTEREST AND INVESTMENT REVENUE</b>	<b>887</b>	<b>811</b>
<b>Interest revenue is attributable to:</b>		
<b>Unrestricted investments/financial assets:</b>		
Overdue rates and annual charges (general fund)	113	86
General Council cash and investments	741	689
<b>Restricted investments/funds – external:</b>		
Water fund operations	33	36
<b>Total interest and investment revenue recognised</b>	<b>887</b>	<b>811</b>

**Accounting policy for interest and investment revenue**

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

## Lithgow 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
<b>(d) Other revenues</b>			
Rental income – investment property	10	689	–
Rental income – other council properties		62	420
Fines – parking		9	38
Fines – other		53	2
Legal fees recovery – other		61	38
Commissions and agency fees		4	10
Diesel rebate		70	72
Esbank house		2	7
Inspections		2	2
Insurance claim recoveries		182	132
Library charges		15	17
Remediation reversal		–	3,669
Sale of abandoned vehicles		2	2
Sales – aquatic centre		87	82
Sales – general		32	9
Sales – tourism		42	48
Other		103	52
<b><u>TOTAL OTHER REVENUE</u></b>		<b><u>1,415</u></b>	<b><u>4,600</u></b>

**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.

## Lithgow 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
<b>(e) Grants</b>				
<b>General purpose (untied)</b>				
<b>Current year allocation</b>				
Financial assistance	4,509	6,681	–	–
<b>Other</b>				
Pensioners' rates subsidies – general component	293	313	–	–
<b>Total general purpose</b>	<b>4,802</b>	<b>6,994</b>	<b>–</b>	<b>–</b>
<b>Specific purpose</b>				
Pensioners' rates subsidies:				
– Water	89	92	–	–
– Sewerage	86	90	–	–
Water supplies	–	66	–	–
Sewerage services	–	–	653	7,714
Community centres	77	18	–	–
Environmental protection	317	183	–	–
Heritage and cultural	11	4	1,298	72
Library – per capita	75	66	–	–
LIRS subsidy	141	77	–	–
Recreation and culture	–	–	464	16
Street lighting	70	69	–	–
Transport (roads to recovery)	1,118	1,585	–	–
Transport (other roads and bridges funding)	–	–	1,015	155
Waste services	–	–	–	140
Other	68	7	–	–
<b>Total specific purpose</b>	<b>2,052</b>	<b>2,257</b>	<b>3,430</b>	<b>8,097</b>
<b>Total grants</b>	<b>6,854</b>	<b>9,251</b>	<b>3,430</b>	<b>8,097</b>
<b>Grant revenue is attributable to:</b>				
– Commonwealth funding	6,098	8,268	652	–
– State funding	738	976	2,778	8,097
– Other funding	18	7	–	–
	<b>6,854</b>	<b>9,251</b>	<b>3,430</b>	<b>8,097</b>

## Lithgow 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
<b>(f) Contributions</b>					
<b>Developer contributions:</b>					
<b>(s7.4 &amp; s7.11 – EP&amp;A Act, s64 of the LGA):</b>					
<b>Cash contributions</b>					
S 7.4 – contributions using planning agreements		–	–	209	214
S 7.11 – contributions towards amenities/services		–	–	80	14
S 7.12 – fixed development consent levies		–	–	271	420
S 64 – water supply contributions		–	–	144	107
S 64 – sewerage service contributions		–	–	130	96
<b>Total developer contributions – cash</b>		<b>–</b>	<b>–</b>	<b>834</b>	<b>851</b>
<b>Total developer contributions</b>	22	<b>–</b>	<b>–</b>	<b>834</b>	<b>851</b>
<b>Other contributions:</b>					
<b>Cash contributions</b>					
Community services		23	1	–	–
Employment		92	70	–	–
Fire contribution		232	441	–	–
Hazard reduction		22	30	–	–
Other councils – joint works/services		5	–	–	–
Rebates		95	123	–	–
Roads and bridges		–	–	–	613
RMS contributions (regional roads, block grant)		452	445	66	–
Waste		5	8	–	–
Other		16	10	–	–
<b>Total other contributions – cash</b>		<b>942</b>	<b>1,128</b>	<b>66</b>	<b>613</b>
<b>Total other contributions</b>		<b>942</b>	<b>1,128</b>	<b>66</b>	<b>613</b>
<b>Total contributions</b>		<b>942</b>	<b>1,128</b>	<b>900</b>	<b>1,464</b>
<b>TOTAL GRANTS AND CONTRIBUTIONS</b>		<b>7,796</b>	<b>10,379</b>	<b>4,330</b>	<b>9,561</b>

**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.

## Lithgow 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>(g) Unspent grants and contributions</b>		
<b>Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner:</b>		
<b>Operating grants</b>		
Unexpended at the close of the previous reporting period	3,557	184
<b>Add:</b> operating grants recognised in the current period but not yet spent	2,454	3,493
<b>Less:</b> operating grants recognised in a previous reporting period now spent	(3,296)	(120)
<b>Unexpended and held as restricted assets (operating grants)</b>	<u>2,715</u>	<u>3,557</u>
<b>Capital grants</b>		
Unexpended at the close of the previous reporting period	426	824
<b>Add:</b> capital grants recognised in the current period but not yet spent	787	171
<b>Less:</b> capital grants recognised in a previous reporting period now spent	(262)	(569)
<b>Unexpended and held as restricted assets (capital grants)</b>	<u>951</u>	<u>426</u>
<b>Contributions</b>		
Unexpended at the close of the previous reporting period	1,778	1,448
<b>Add:</b> contributions recognised in the current period but not yet spent	560	669
<b>Less:</b> contributions recognised in a previous reporting period now spent	(331)	(339)
<b>Unexpended and held as restricted assets (contributions)</b>	<u>2,007</u>	<u>1,778</u>

## Lithgow City Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 4. Expenses from continuing operations

\$ '000	2018	2017
<b>(a) Employee benefits and on-costs</b>		
Salaries and wages	11,536	11,472
Travel expenses	19	23
Employee leave entitlements (ELE)	2,168	1,919
Superannuation	1,370	1,344
Superannuation – defined benefit plans	34	24
Workers' compensation insurance	662	618
Fringe benefit tax (FBT)	35	35
Payroll tax	70	92
Training costs (other than salaries and wages)	238	226
Protective clothing	48	62
Corporate uniforms	13	11
Central west group apprentices	353	506
Other	34	27
<b>Total employee costs</b>	<b>16,580</b>	<b>16,359</b>
Less: capitalised costs	(709)	(283)
<b>TOTAL EMPLOYEE COSTS EXPENSED</b>	<b>15,871</b>	<b>16,076</b>

**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.

**Superannuation plans**

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

Council participates in a Defined Benefit Plan under the Local Government Superannuation Scheme, however, when sufficient information to account for the plan as a defined benefit is not available and therefore Council accounts for its obligations to defined benefit plans on the same basis as its obligations to defined contribution plans, i.e. as an expense when it becomes payable – refer to Note 17 for more information.

**(b) Borrowing costs****(i) Interest bearing liability costs**

Interest on overdraft	1	–
Interest on loans	647	731
<b>Total interest bearing liability costs expensed</b>	<b>648</b>	<b>731</b>

**(ii) Other borrowing costs**

Discount adjustments relating to movements in provisions (other than ELE)		
– Remediation liabilities	12	(60)
Interest applicable on interest free (and favourable) loans to Council	93	120
<b>Total other borrowing costs</b>	<b>33</b>	<b>120</b>
<b>TOTAL BORROWING COSTS EXPENSED</b>	<b>681</b>	<b>851</b>

**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.



## Lithgow City Council

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

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

\$ '000	2018	2017
<b>(c) Materials and contracts</b>		
Raw materials and consumables	4,879	5,520
Contractor and consultancy costs	4,526	5,091
Auditors remuneration <sup>(2)</sup>	57	89
Legal expenses:		
– Legal expenses: planning and development	7	28
– Legal expenses: other	107	109
Operating leases:		
– Operating lease rentals: minimum lease payments <sup>(1)</sup>	25	6
<b><u>TOTAL MATERIALS AND CONTRACTS</u></b>	<b><u>9,601</u></b>	<b><u>10,843</u></b>
<b>Operating leases</b>		
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.		
<b>1. Operating lease payments are attributable to:</b>		
Other	25	6
	<b><u>25</u></b>	<b><u>6</u></b>
<b>2. Auditor remuneration</b>		
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		
<b>Auditors of the Council – NSW Auditor-General:</b>		
<b>(i) Audit and other assurance services</b>		
Audit and review of financial statements	41	65
<b>Remuneration for audit and other assurance services</b>	<b><u>41</u></b>	<b><u>65</u></b>
<b>Total Auditor-General remuneration</b>	<b><u>41</u></b>	<b><u>65</u></b>
<b>Non NSW Auditor-General audit firms:</b>		
<b>(i) Audit and other assurance services</b>		
Audit and review of financial statements	–	24
Other audit and assurance services - internal audit services	16	–
<b>Remuneration for audit and other assurance services</b>	<b><u>16</u></b>	<b><u>24</u></b>
<b>Total remuneration of non NSW Auditor-General audit firms</b>	<b><u>16</u></b>	<b><u>24</u></b>
<b>Total Auditor remuneration</b>	<b><u>57</u></b>	<b><u>89</u></b>

## Lithgow 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>(d) Depreciation, amortisation and impairment</b>			
<b>Depreciation and amortisation</b>			
Plant and equipment		595	627
Office equipment		133	160
Furniture and fittings		14	12
<b>Infrastructure:</b>			
– Buildings – specialised		1,045	2,154
– Other structures		504	643
– Roads		5,160	4,244
– Bridges		156	177
– Footpaths		359	294
– Stormwater drainage		467	421
– Water supply network		1,530	1,377
– Sewerage network		1,724	1,695
– Swimming pools		27	106
<b>Other assets:</b>			
– Library books		44	67
<b>Reinstatement, rehabilitation and restoration assets:</b>			
– Tip assets	9 & 11	98	159
<b>Total depreciation and amortisation costs</b>		<u>11,856</u>	<u>12,136</u>
<b><u>TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT / REVALUATION DECREMENT COSTS EXPENSED</u></b>		<u>11,856</u>	<u>12,136</u>

**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.

**Impairment of non-financial assets**

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.

## Lithgow City Council

## Notes to the Financial Statements

for the year ended 30 June 2018

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

\$ '000	2018	2017
<b>(e) Other expenses</b>		
Advertising	130	224
Bad and doubtful debts	–	371
Bank charges	94	136
Commissions	41	14
Councillor expenses – mayoral fee	22	29
Councillor expenses – councillors' fees	95	77
Councillors' expenses (incl. mayor) – other (excluding fees above)	26	18
– Contributions emergency services	534	504
– Donations, contributions and assistance	351	361
Electricity and heating	855	697
Insurance	1,054	1,103
Lease fees	42	36
Office expenses (including computer expenses)	432	437
Postage	85	87
Printing and stationery	117	184
Street lighting	401	337
Subscriptions and publications	253	243
Telephone and communications	258	232
Valuation fees	102	187
Council election expenses	136	–
Other	59	92
<b>Total other expenses</b>	<b>5,087</b>	<b>5,369</b>
<b>TOTAL OTHER EXPENSES</b>	<b>5,087</b>	<b>5,369</b>

**Accounting policy for other expenses**

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

## Lithgow 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
<b>Property</b> (excl. investment property)	9		
Proceeds from disposal – property		6	–
<b>Net gain/(loss) on disposal</b>		<b>6</b>	<b>–</b>
<b>Plant and equipment</b>	9		
Proceeds from disposal – plant and equipment		149	126
Less: carrying amount of plant and equipment assets sold/written off		(83)	(83)
<b>Net gain/(loss) on disposal</b>		<b>66</b>	<b>43</b>
<b>Infrastructure</b>	9		
Less: carrying amount of infrastructure assets sold/written off		(990)	(2,555)
<b>Net gain/(loss) on disposal</b>		<b>(990)</b>	<b>(2,555)</b>
<b>Financial assets</b> <sup>(1)</sup>	6		
Proceeds from disposal/redemptions/maturities – financial assets		–	4,000
Less: carrying amount of financial assets sold/redeemed/matured		–	(4,000)
<b>Net gain/(loss) on disposal</b>		<b>–</b>	<b>–</b>
<b>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</b>		<b>(918)</b>	<b>(2,512)</b>

**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.

## Note 6(a). Cash and cash equivalent assets

<b>Cash and cash equivalents</b>		
Cash on hand and at bank	421	117
Cash-equivalent assets		
– Deposits at call	3,550	1,250
– Short-term deposits	30,000	28,500
<b>Total cash and cash equivalents</b>	<b>33,971</b>	<b>29,867</b>

**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.

## Lithgow City Council

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

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

\$ '000	2018		2017	
	Current	Non-current	Current	Non-current
Total cash, cash equivalents and investments	33,971	–	29,867	–
<b>attributable to:</b>				
External restrictions (refer below)	21,052	–	16,033	–
Internal restrictions (refer below)	12,919	–	13,833	–
Unrestricted	–	–	1	–
	<b>33,971</b>	<b>–</b>	<b>29,867</b>	<b>–</b>

\$ '000	2018		2017	
<b>Details of restrictions</b>				
<b>External restrictions – included in liabilities</b>				
Specific purpose unexpended loans – general			1,981	2,089
Specific purpose unexpended loans – sewer			1,931	–
<b>External restrictions – included in liabilities</b>			<b>3,912</b>	<b>2,089</b>
<b>External restrictions – other</b>				
Developer contributions – general			2,007	1,778
Specific purpose unexpended grants			3,642	3,954
Specific purpose unexpended grants-water fund			24	29
Water supplies			3,756	2,882
Sewerage services			4,839	3,333
Domestic waste management			2,872	1,968
<b>External restrictions – other</b>			<b>17,140</b>	<b>13,944</b>
<b>Total external restrictions</b>			<b>21,052</b>	<b>16,033</b>
<b>Internal restrictions</b>				
Plant and vehicle replacement			680	1,500
Employees leave entitlement			747	1,056
Carry over works			1,372	–
Deposits, retentions and bonds			808	695
Election			35	82
Land and building			7,731	7,672
Works in progress			1,546	2,828
<b>Total internal restrictions</b>			<b>12,919</b>	<b>13,833</b>
<b>TOTAL RESTRICTIONS</b>			<b>33,971</b>	<b>29,866</b>

## Lithgow 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
<b>Purpose</b>				
Rates and annual charges	1,379	–	1,284	–
Interest and extra charges	332	–	348	–
User charges and fees	1,446	–	1,559	–
Accrued revenues				
– Interest on investments	167	–	136	–
– Other income accruals	14	–	4	–
Government grants and subsidies	1,371	–	1,847	–
Net GST receivable	664	–	360	–
Other debtors	268	–	236	–
<b>Total</b>	<b>5,641</b>	<b>–</b>	<b>5,774</b>	<b>–</b>
<b>Less: provision for impairment</b>				
Rates and annual charges	(106)	–	(106)	–
Other debtors	(23)	–	(275)	–
<b>Total provision for impairment – receivables</b>	<b>(129)</b>	<b>–</b>	<b>(381)</b>	<b>–</b>
<b>TOTAL NET RECEIVABLES</b>	<b>5,512</b>	<b>–</b>	<b>5,393</b>	<b>–</b>
<b>Externally restricted receivables</b>				
<b>Water supply</b>				
– Specific purpose grants	5	–	10	–
– Rates and availability charges	104	–	104	–
– Other	1,452	–	1,389	–
<b>Sewerage services</b>				
– Specific purpose grants	274	–	1,385	–
– Rates and availability charges	500	–	463	–
– Other	34	–	60	–
<b>Total external restrictions</b>	<b>2,369</b>	<b>–</b>	<b>3,411</b>	<b>–</b>
<b>Unrestricted receivables</b>	<b>3,143</b>	<b>–</b>	<b>1,982</b>	<b>–</b>
<b>TOTAL NET RECEIVABLES</b>	<b>5,512</b>	<b>–</b>	<b>5,393</b>	<b>–</b>
<b>Movement in provision for impairment of receivables</b>			<b>2018</b>	<b>2017</b>
Balance at the beginning of the year			381	217
+ new provisions recognised during the year			–	263
– amounts already provided for and written off this year			(252)	(99)
<b>Balance at the end of the year</b>			<b>129</b>	<b>381</b>

## Lithgow City Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 7. Receivables (continued)

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##### **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.

##### **Impairment**

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

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

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the receivable is impaired. When a receivable for which an impairment allowance had been recognised becomes uncollectable in a subsequent period it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the Income statement.

## Lithgow 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
<b>(a) Inventories</b>				
<b>(i) Inventories at cost</b>				
Stores and materials	607	–	796	–
<b>Total inventories at cost</b>	<b>607</b>	<b>–</b>	<b>796</b>	<b>–</b>
<b>TOTAL INVENTORIES</b>	<b>607</b>	<b>–</b>	<b>796</b>	<b>–</b>
<b>(b) Other assets</b>				
Prepayments	266	–	245	–
<b>TOTAL OTHER ASSETS</b>	<b>266</b>	<b>–</b>	<b>245</b>	<b>–</b>
<b>Externally restricted assets</b>				
<b>Water</b>				
Stores and materials	156	–	153	–
<b>Total water</b>	<b>156</b>	<b>–</b>	<b>153</b>	<b>–</b>
<b>Sewerage</b>				
Stores and materials	18	–	23	–
<b>Total sewerage</b>	<b>18</b>	<b>–</b>	<b>23</b>	<b>–</b>
<b>Total externally restricted assets</b>	<b>174</b>	<b>–</b>	<b>176</b>	<b>–</b>
<b>Total unrestricted assets</b>	<b>699</b>	<b>–</b>	<b>865</b>	<b>–</b>
<b>TOTAL INVENTORIES AND OTHER ASSETS</b>	<b>873</b>	<b>–</b>	<b>1,041</b>	<b>–</b>

**Other disclosures****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.



## Lithgow 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	Tfrs from/(to) investment property	Revaluation decrements to equity (ARR)	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
Capital work in progress	8,278	–	8,278	1,210	–	–	–	(8,266)	–	–	–	1,222	–	1,222
Plant and equipment	17,241	15,347	1,894	1,066	–	(83)	(595)	54	–	–	–	17,866	15,530	2,336
Office equipment	4,058	3,776	282	34	63	–	(133)	–	–	–	–	4,156	3,909	247
Furniture and fittings	399	313	86	7	–	–	(14)	–	–	–	–	406	327	79
<b>Land:</b>														
– Operational land	17,211	–	17,211	–	–	–	–	–	–	(140)	–	17,071	–	17,071
– Community land	20,164	–	20,164	–	–	–	–	–	–	–	–	20,164	–	20,164
<b>Infrastructure:</b>														
– Buildings – specialised	73,387	19,910	53,477	293	280	(27)	(1,045)	–	(5,494)	–	–	66,038	18,554	47,484
– Other structures	22,335	11,367	10,968	281	2,269	–	(504)	178	–	–	–	25,064	11,872	13,192
– Roads	283,454	68,529	214,925	2,587	1,793	(803)	(5,160)	40	–	–	844	287,431	73,205	214,226
– Bridges	21,453	2,408	19,045	95	–	(62)	(156)	27	–	–	–	21,492	2,543	18,949
– Footpaths	14,187	3,172	11,015	2,647	–	(14)	(359)	277	–	–	–	17,092	3,526	13,566
– Bulk earthworks (non-depreciable)	25,639	–	25,639	–	–	–	–	–	–	–	–	25,639	–	25,639
– Stormwater drainage	41,964	17,469	24,495	–	74	–	(467)	–	–	–	–	42,039	17,936	24,103
– Water supply network	88,665	55,071	33,594	249	169	(25)	(1,530)	18	–	–	682	90,858	57,701	33,157
– Sewerage network	107,413	41,517	65,896	3,365	98	(37)	(1,724)	7,699	–	–	1,581	117,889	41,011	76,878
– Swimming pools	2,737	140	2,597	25	6	–	(27)	–	–	–	–	2,767	168	2,599
<b>Other assets:</b>														
– Library books	994	880	114	–	–	–	(44)	–	–	–	–	994	924	70
<b>Reinstatement, rehabilitation and restoration assets (refer Note 12):</b>														
– Tip assets	3,568	2,158	1,410	–	–	(21)	(98)	–	–	(153)	–	8,210	7,072	1,138
<b>TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIP.</b>	<b>753,147</b>	<b>242,057</b>	<b>511,090</b>	<b>11,859</b>	<b>4,752</b>	<b>(1,072)</b>	<b>(11,856)</b>	<b>27</b>	<b>(5,494)</b>	<b>(293)</b>	<b>3,107</b>	<b>766,398</b>	<b>254,278</b>	<b>512,120</b>

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

## Lithgow 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 five 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:

<b>Plant and equipment</b>	<b>Years</b>	<b>Other equipment</b>	<b>Years</b>
Office equipment	5 to 10	Playground equipment	5 to 15
Office furniture	5 to 20	Benches, seats etc.	10 to 20
Computer equipment	3		
Vehicles	5 to 8	<b>Buildings</b>	
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
<b>Water and sewer assets</b>		<b>Stormwater assets</b>	
Dams and reservoirs	80 to 100	Drains	80 to 100
Bores	20 to 40	Culverts	50 to 80
Reticulation pipes: PVC	70 to 80	Flood control structures	80 to 100
Reticulation pipes: other	25 to 75		
Pumps and telemetry	15 to 20		
<b>Transportation assets</b>		<b>Other infrastructure assets</b>	
Sealed roads: surface	12 to 20	Bulk earthworks	20
Sealed roads: structure	50	Swimming pools	50
Unsealed roads	20	Unsealed roads	20
Bridge: concrete	100	Other open space/recreational assets	5 to 50
Bridge: other	50	Other infrastructure	5 to 50
Road pavements	70		
Kerb, gutter and footpaths	32 to 80		

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.

## Lithgow 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 (continued)**

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

**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. Council recognises 0.806 hectares with a carrying value of \$21,600 and 687.36 hectares with a net carrying value of nil due to extensive restrictions on the use of this land in the Community Land asset class. The 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".

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

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

\$ '000	2018			2017		
	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount	Gross carrying amount	Accumulated depn. and impairment	Net carrying amount
<b>Water supply</b>						
WIP	271	–	271	26	–	26
Plant and equipment	1,969	1,899	70	1,969	1,863	106
Office equipment	56	56	–	56	56	–
Infrastructure	90,858	57,701	33,157	88,665	55,071	33,594
<b>Total water supply</b>	<b>93,154</b>	<b>59,656</b>	<b>33,498</b>	<b>90,716</b>	<b>56,990</b>	<b>33,726</b>
<b>Sewerage services</b>						
WIP	140	–	140	7,706	–	7,706
Plant and equipment	315	261	54	349	275	74
Office equipment	8	8	–	8	8	–
Infrastructure	117,889	41,011	76,878	107,413	41,517	65,896
<b>Total sewerage services</b>	<b>118,352</b>	<b>41,280</b>	<b>77,072</b>	<b>115,476</b>	<b>41,800</b>	<b>73,676</b>
<b>Domestic waste management</b>						
Land						
– Operational land	1,037	–	1,037	1,172	–	1,172
– Community land	463	–	463	463	–	463
<b>Total DWM</b>	<b>1,500</b>	<b>–</b>	<b>1,500</b>	<b>1,635</b>	<b>–</b>	<b>1,635</b>
<b>TOTAL RESTRICTED IPP&amp;E</b>	<b>213,006</b>	<b>100,936</b>	<b>112,070</b>	<b>207,827</b>	<b>98,790</b>	<b>109,037</b>

## Lithgow City Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 10. Investment property

\$ '000	2018	2017
<b>(a) Investment property at fair value</b>		
<u>Investment property on hand</u>	<u>5,494</u>	<u>–</u>
<b>Reconciliation of annual movement:</b>		
– Transfers from/(to) owner occupied (Note 10)	5,494	–
<b>CLOSING BALANCE – INVESTMENT PROPERTY</b>	<b><u>5,494</u></b>	<b><u>–</u></b>

**(b) Valuation basis**

The basis of valuation of investment property is fair value, being the amounts for which the properties could be exchanged between willing parties in arms length transaction, based on current prices in an active market for similar properties in the same location and condition and subject to similar leases.

The 2018 revaluations were based on independent assessments made by:  
APV Valuers & Asset Management

**(c) Contractual obligations at reporting date**

Refer to Note 16 for disclosures relating to any capital and service obligations that have been contracted.

**(d) Leasing arrangements – Council as lessor**

The investment property are leased to tenants under long-term operating leases with rentals payable monthly.

Future minimum lease payments receivable under non-cancellable investment property operating leases not recognised in the financial statements are receivable as follows:

Within 1 year	204	–
Later than 1 year but less than 5 years	420	–
Later than 5 years	440	–
<b>Total minimum lease payments receivable</b>	<b><u>1,064</u></b>	<b><u>–</u></b>

Council lease terms are between 1 and 10 years. All rental payments are due either monthly or annually.

**(e) Investment property income and expenditure – summary**

<b>Rental income from investment property:</b>		
– Minimum lease payments	689	–
<b>Direct operating expenses on investment property:</b>		
– that generated rental income	(292)	–
<b>Net revenue contribution from investment property</b>	<b><u>397</u></b>	<b><u>–</u></b>
<b>Total income attributable to investment property</b>	<b><u>397</u></b>	<b><u>–</u></b>

**Accounting policy for investment property**

Investment property, principally comprising freehold office buildings, is held for long-term rental yields and is not occupied by the Council. Changes in fair values are recorded in the income statement as part of other income.

Properties that are under construction for future use as investment property are regarded as investment property. These are also carried at fair value unless the fair value cannot yet be reliably determined. Where that is the case, the property will be accounted for at cost until either the fair value becomes reliably determinable or construction is complete.

## Lithgow 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
<b>Payables</b>				
Goods and services – operating expenditure	4,977	–	2,290	–
Accrued expenses:				
– Borrowings	55	–	57	–
– Other expenditure accruals	616	9	489	21
Security bonds, deposits and retentions	809	–	695	–
ATO – net GST payable	–	–	10	–
<b>Total payables</b>	<b>6,457</b>	<b>9</b>	<b>3,541</b>	<b>21</b>
<b>Income received in advance</b>				
Payments received in advance	1,135	–	975	–
<b>Total income received in advance</b>	<b>1,135</b>	<b>–</b>	<b>975</b>	<b>–</b>
<b>Borrowings</b>				
Loans – secured <sup>1</sup>	2,091	17,876	1,921	16,168
Loan discount	(98)	–	(191)	–
<b>Total borrowings</b>	<b>1,993</b>	<b>17,876</b>	<b>1,730</b>	<b>16,168</b>
<b>TOTAL PAYABLES AND BORROWINGS</b>	<b>9,585</b>	<b>17,885</b>	<b>6,246</b>	<b>16,189</b>

## (a) Payables and borrowings relating to restricted assets

	2018		2017	
	Current	Non-current	Current	Non-current
<b>Externally restricted assets</b>				
Water	347	917	154	1,073
Sewer	1,401	12,702	1,139	10,030
Payables and borrowings relating to externally restricted assets	1,748	13,619	1,293	11,103
<b>Total payables and borrowings relating to restricted assets</b>	<b>1,748</b>	<b>13,619</b>	<b>1,293</b>	<b>11,103</b>
<b>Total payables and borrowings relating to unrestricted assets</b>	<b>7,837</b>	<b>4,266</b>	<b>4,953</b>	<b>5,086</b>
<b>TOTAL PAYABLES AND BORROWINGS</b>	<b>9,585</b>	<b>17,885</b>	<b>6,246</b>	<b>16,189</b>

<sup>1</sup>. 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.

## Lithgow City Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 11. Payables and borrowings (continued)

\$ '000

## (b) Changes in liabilities arising from financing activities

Class of borrowings	2017		Non-cash changes			2018
	Opening balance as at 1/7/17	Cash flows	Acquisition	Fair value changes	Other non-cash movements	Closing balance as at 30/6/18
Loans – secured	18,089	(1,922)	3,800	–	–	19,967
Loan discount	(191)	–	–	–	93	(98)
<b>TOTAL</b>	<b>17,898</b>	<b>(1,922)</b>	<b>3,800</b>	<b>–</b>	<b>93</b>	<b>19,869</b>

\$ '000

2018

2017

## (c) Financing arrangements

## (i) Unrestricted access was available at balance date to the following lines of credit:

Bank overdraft facilities <sup>(1)</sup>	500	500
Credit cards/purchase cards	43	25
<b>Total financing arrangements</b>	<b>543</b>	<b>525</b>
<b>Drawn facilities as at balance date:</b>		
– Credit cards/purchase cards	18	9
<b>Total drawn financing arrangements</b>	<b>18</b>	<b>9</b>
<b>Undrawn facilities as at balance date:</b>		
– Bank overdraft facilities	500	500
– Credit cards/purchase cards	25	16
<b>Total undrawn financing arrangements</b>	<b>525</b>	<b>516</b>

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

## Lithgow City Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 11. Payables and borrowings (continued)

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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.

###### Finance leases

Leases of property, plant and equipment where Council, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

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

## Lithgow 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
<b>Provisions</b>				
<b>Employee benefits:</b>				
Annual leave	1,288	–	1,228	–
Long service leave	2,253	196	2,046	246
<b>Asset remediation/restoration:</b>				
Asset remediation/restoration (future works)	–	8,210	–	8,270
<b>Sub-total – asset remediation/restoration</b>	<b>–</b>	<b>8,210</b>	<b>–</b>	<b>8,270</b>
<b><u>TOTAL PROVISIONS</u></b>	<b><u>3,541</u></b>	<b><u>8,406</u></b>	<b><u>3,274</u></b>	<b><u>8,516</u></b>

**(a) Provisions relating to restricted assets**

There are no restricted assets (external or internal) applicable to the above provisions

\$ '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 – employees benefits	2,133	2,104
	<b><u>2,133</u></b>	<b><u>2,104</u></b>



## Lithgow 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

2018	ELE provisions					Other employee benefits	Total
	Annual leave	Sick leave	Long service leave	ELE on-costs			
At beginning of year	1,228	–	2,292	–	–	–	3,520
Other	60	–	157	–	–	–	217
<b>Total ELE provisions at end of year</b>	<b>1,288</b>	<b>–</b>	<b>2,449</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>3,737</b>

2017	ELE provisions					Other employee benefits	Total
	Annual leave	Sick leave	Long service leave	ELE on-costs			
At beginning of year	–	–	–	–	–	–	–
Other	1,228	–	2,292	–	–	–	3,520
<b>Total ELE provisions at end of year</b>	<b>1,228</b>	<b>–</b>	<b>2,292</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>3,520</b>

2018	Other provisions	
	Asset remediation	Total
At beginning of year	8,270	8,270
<b>Changes to provision:</b>		
Unwinding of discount	(60)	(60)
<b>Total other provisions at end of year</b>	<b>8,210</b>	<b>8,210</b>

2017	Other provisions	
	Asset remediation	Total
At beginning of year	11,939	11,939
<b>Changes to provision:</b>		
Additional provisions	1,499	1,499
Remeasurement effects	(5,168)	(5,168)
<b>Total other provisions at end of year</b>	<b>8,270</b>	<b>8,270</b>

## 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.

## Lithgow City Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 12. Provisions (continued)

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##### **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.

##### **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.

## Lithgow City Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 12. Provisions (continued)

##### **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, eg 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.

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.

###### **Self-insurance**

Council has decided to self-insure for various risks, including public liability and professional indemnity. A provision for self-insurance has been made to recognise outstanding claims. Council also maintains cash to meet expected future claims; refer to Note 6(a).

## Lithgow 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

#### 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.

### Note 14. Statement of cash flows – additional information

\$ '000	Notes	2018	2017
<b>(a) Reconciliation of cash assets</b>			
Total cash and cash equivalent assets	6a	33,971	29,867
Less bank overdraft	13	–	–
<b>Balance as per the Statement of Cash Flows</b>		<b>33,971</b>	<b>29,867</b>
<b>(b) Reconciliation of net operating result to cash provided from operating activities</b>			
<b>Net operating result from Income Statement</b>		<b>2,573</b>	<b>9,022</b>
<b>Adjust for non-cash items:</b>			
Depreciation and amortisation		11,856	12,136
Net losses/(gains) on disposal of assets		918	2,512
Non-cash capital grants and contributions		–	(613)
Amortisation of premiums, discounts and prior period fair valuations			
– Interest exp. on interest-free loans received by Council (previously fair valued)		93	120
Unwinding of discount rates on reinstatement provisions		(60)	(3,669)
<b>+/- Movement in operating assets and liabilities and other cash items:</b>			
Decrease/(increase) in receivables		133	(572)
Increase/(decrease) in provision for doubtful debts		(252)	164
Decrease/(increase) in inventories		189	(77)
Decrease/(increase) in other assets		(21)	(17)
Increase/(decrease) in payables		2,687	1,246
Increase/(decrease) in accrued interest payable		(2)	(10)
Increase/(decrease) in other accrued expenses payable		115	(354)
Increase/(decrease) in other liabilities		264	(56)
Increase/(decrease) in employee leave entitlements		217	(162)
<b>Net cash provided from/(used in) operating activities from the Statement of Cash Flows</b>		<b>18,710</b>	<b>19,670</b>

## Lithgow City Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 15. Interests in other entities (continued)

\$ '000

## Associates

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

## (a) Net carrying amounts – Council's share

Name of entity	Nature of relationship	Measurement method	2018	2017
Upper Macquarie County Council	Associate	Equity	231	223
<b>Total carrying amounts – material associates</b>			<b>231</b>	<b>223</b>

## (b) Details

Name of entity	Principal activity	Place of business
Upper Macquarie County Council	Weed Control	Bathurst

## (c) Relevant interests and fair values

Name of entity	Quoted fair value		Interest in outputs		Interest in ownership		Proportion of voting power	
	2018	2017	2018	2017	2018	2017	2018	2017
Upper Macquarie County Council	N/A	N/A	25%	25%	25%	25%	25%	25%

## (d) Summarised financial information for associates

	Upper Macquarie County Council	
	2018	2017
<b>Statement of financial position</b>		
<b>Current assets</b>		
Cash and cash equivalents	822	855
Other current assets	72	75
<b>Non-current assets</b>	<b>175</b>	<b>116</b>
<b>Current liabilities</b>		
Current financial liabilities (excluding trade and other payables and provisions)	52	33
Other current liabilities	77	57
<b>Non-current liabilities</b>		
Non-current financial liabilities (excluding trade and other payables and provisions)	16	65
<b>Net assets</b>	<b>924</b>	<b>891</b>
<b>Reconciliation of the carrying amount</b>		
Opening net assets (1 July)	891	835
Profit/(loss) for the period	33	56
<b>Closing net assets</b>	<b>924</b>	<b>891</b>
<b>Council's share of net assets (%)</b>	<b>25.0%</b>	<b>25.0%</b>
<b>Council's share of net assets (\$)</b>	<b>231</b>	<b>223</b>

## Lithgow City Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 15. Interests in other entities (continued)

\$ '000

## Associates (continued)

## (d) Summarised financial information for associates (continued)

	Upper Macquarie County Council	
	2018	2017
<b>Statement of comprehensive income</b>		
Income	1,193	1,560
Interest income	14	5
Depreciation and amortisation	(50)	(48)
Other expenses	(1,124)	(1,461)
<b>Profit/(loss) for period</b>	<b>33</b>	<b>56</b>
<b>Total comprehensive income</b>	<b>33</b>	<b>56</b>
<b>Share of income – Council (%)</b>	<b>25.0%</b>	<b>25.0%</b>
<b>Profit/(loss) – Council (\$)</b>	<b>8</b>	<b>14</b>
<b>Total comprehensive income – Council (\$)</b>	<b>8</b>	<b>14</b>
<b>Summarised Statement of cash flows</b>		
Cash flows from operating activities	158	(105)
Cash flows from investing activities	(105)	(4)
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>53</b>	<b>(109)</b>

## (i) County Councils

Council is a member of the Upper Macquarie County Council, a body corporate established under the *Local Government Act 1993* (NSW) to control weeds. Council is one of four constituent councils and does not have significant influence over the County Council. Accordingly, the County Council has not been consolidated in the financial statements.

**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.

## Lithgow City Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 16. Commitments for expenditure

\$ '000	2018	2017
<b>(a) Capital commitments (exclusive of GST)</b>		
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:		
<b>Property, plant and equipment</b>		
Water assets	61	164
Sewer assets	1	107
Portland Sewer Treatment Plant	–	4,007
Roads	25	–
<b>Total commitments</b>	<b>87</b>	<b>4,278</b>
<b>These expenditures are payable as follows:</b>		
Within the next year	87	4,278
<b>Total payable</b>	<b>87</b>	<b>4,278</b>
<b>Sources for funding of capital commitments:</b>		
Unrestricted general funds	–	3,637
Externally restricted reserves	62	641
Internally restricted reserves	25	–
<b>Total sources of funding</b>	<b>87</b>	<b>4,278</b>

**Details of capital commitments**

Council's roads commitment is for a study to take place in order to complete a large capital works project in the coming financial year. Council's water assets commitment is for various projects, but mostly Dam Safety works and upgrade works to be done at Oakey Park Water Treatment Plant.

**(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	22	22
Later than one year and not later than 5 years	60	82
<b>Total non-cancellable operating lease commitments</b>	<b>82</b>	<b>104</b>

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

Viatek Office Printer Lease

Terms: 11 printers leased for a period of 60 months, \$1,792 per month commencing May 2017, finishing April 2022

**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.

## Lithgow City Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 17. Contingencies and other liabilities/assets not recognised

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

##### LIABILITIES NOT RECOGNISED:

##### 1. Guarantees

##### (i) Defined benefit superannuation contribution plans

Council participates in an employer-sponsored defined benefit superannuation scheme, and makes contributions as determined by the superannuation scheme's trustees.

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

While the scheme's most recent full actuarial review indicated that the net assets of the scheme were sufficient to meet the accrued benefits of the scheme's defined benefit member category, member councils are required to make contributions in future years where the scheme goes into deficit (as has occurred in previous years).

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

Future planned contributions being made to the defined benefit scheme to rectify past (and projected) deficit positions will be recognised as an expense when they become payable – similar to the accounting for defined contributions plans.

Member councils are treated as Pooled Employers for the purposes of AASB119. Pooled Employers are required to pay standard employer contributions and additional lump sum contributions to the Fund.

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

Division B	1.9 times employee contributions
Division C	2.5% salaries
Division D	1.64 times employee contributions

The additional lump sum contribution for each Pooled Employer is a share of the total additional contributions of \$40.0 million per annum from 1 July 2017 for 4 years to 30 June 2021, apportioned according to each employer's share of the accrued liabilities as at 30 June 2017. These additional lump sum contributions are used to fund the deficit of assets to accrued liabilities as 30 June 2017.

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

As stated above, 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 Fund'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 allocation of any surplus which may be present at the date of withdrawal of the entity.

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



## Lithgow City Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 17. Contingencies and other liabilities/assets not recognised (continued)

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

##### 1. Guarantees (continued)

##### (i) Defined benefit superannuation contribution plans (continued)

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

The plan is a defined benefit plan. However, 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 (to the extent that they are not borne by members). As such, there is not sufficient reliable information to allow each sponsoring employer to account for its proportionate share of the defined benefit obligation, sub-group assets and costs associated with the sub-group in the same way as it would for a single employer sponsored defined benefit plan.

The amount of Council employer contributions to the defined benefit section of the Fund and recognised as an expense and disclosed as part of superannuation expenses at Note 4 (a) for the year ending 30 June 2018 was \$34,274.

The last valuation of the Fund was by the Actuary, Mr Richard Boyfield, FIAA on 12 December 2017, relating to the period ended 30 June 2017.

Council's expected contributions to the Fund for the next annual reporting period is \$336,257.20.

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

Employer reserves only *	\$ millions	Asset Coverage
Assets	1,817.8	
Past Service Liabilities	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.

Please note that the estimated employer reserves financial position above is a preliminary calculation and once all the relevant information has been received by the Funds Actuary, the 2018 triennial review will be completed around December 2018.

Council's additional lump sum contribution is around 0.42% of the total additional lump sum contributions for all Pooled Employers (of \$40m each year from 1 July 2017 to 30 June 2021) provides an indication of the level of participation of Council compared with other employers in the Pooled Employer sub-group.

## Lithgow City Council

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

#### Note 17. Contingencies and other liabilities/assets not recognised (continued)

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

##### **1. Guarantees** (continued)

##### **(ii) Statewide Limited**

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

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

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

##### **(iii) StateCover Limited**

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

StateCover is a company providing workers compensation insurance cover to the NSW local government industry and specifically Council.

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

These future equity contributions would be required to maintain the company's minimum level of net assets in accordance with its licence requirements.

##### **(iv) Other guarantees**

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

## Lithgow City Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 17. Contingencies and other liabilities/assets not recognised (continued)

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

##### **2. Other liabilities**

##### **(i) Third party claims**

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

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

##### **(ii) Potential land acquisitions due to planning restrictions imposed by Council**

Council has classified a number of privately owned land parcels as local open space or bushland.

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

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

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

##### **(i) Land under roads**

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

##### **(ii) Infringement notices/fines**

Fines and penalty income, the result of Council issuing infringement notices is followed up and collected by the Infringement Processing Bureau.

Council's revenue recognition policy for such income is to account for it as revenue on receipt.

Accordingly, at year end, there is a potential asset due to Council representing issued but unpaid infringement notices.

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

## Lithgow City Council

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

#### Note 18. Financial risk management

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\$ '000

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##### Risk management

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

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

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

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

The fair value of Council's financial assets and financial liabilities approximates their carrying amount.

## Lithgow 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.

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

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

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

	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
<b>2018</b>				
Possible impact of a 1% movement in interest rates	141	141	(141)	(141)
<b>2017</b>				
Possible impact of a 1% movement in interest rates	120	120	(120)	(120)

## Lithgow 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.

The level of outstanding receivables is reported to Council monthly and benchmarks are set and monitored for acceptable collection performance.

Council makes suitable provision for doubtful receivables as required.

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
<b>(i) Ageing of receivables – %</b>				
Current (not yet overdue)	9%	63%	10%	67%
Overdue	91%	37%	90%	33%
	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
<b>(ii) Ageing of receivables – value</b>			2018	2017
<b>Rates and annual charges</b>				
Current			125	129
< 1 year overdue			880	766
1 – 2 years overdue			132	148
2 – 5 years overdue			126	141
> 5 years overdue			116	100
			<b>1,379</b>	<b>1,284</b>
<b>Other receivables</b>				
Current			2,665	3,013
0 – 30 days overdue			100	94
31 – 60 days overdue			104	192
61 – 90 days overdue			72	82
> 91 days overdue			1,286	1,109
			<b>4,227</b>	<b>4,490</b>

## Lithgow 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 on a 4-year renewal basis. 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 (ie. 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		
<b>2018</b>							
Trade/other payables	0.00%	809	5,654	-	-	6,463	6,466
Loans and advances	3.63%	-	2,141	6,226	11,601	19,968	19,869
<b>Total financial liabilities</b>		<b>809</b>	<b>7,795</b>	<b>6,226</b>	<b>11,601</b>	<b>26,431</b>	<b>26,335</b>
<b>2017</b>							
Trade/other payables	0.00%	695	2,775	-	-	3,470	3,562
Loans and advances	3.69%	-	2,570	8,215	12,351	23,136	17,898
<b>Total financial liabilities</b>		<b>695</b>	<b>5,345</b>	<b>8,215</b>	<b>12,351</b>	<b>26,606</b>	<b>21,460</b>

## Lithgow 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 26 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* -----		
<b>REVENUES</b>					
Rates and annual charges	25,474	25,456	(18)	(0%)	<b>U</b>
User charges and fees	7,251	6,703	(548)	(8%)	<b>U</b>
Interest and investment revenue	809	887	78	10%	<b>F</b>
Other revenues	811	1,415	604	74%	<b>F</b>
Better billing of investment property rental income, better collection of fines.					
Operating grants and contributions	7,864	7,796	(68)	(1%)	<b>U</b>
Capital grants and contributions	3,655	4,330	675	18%	<b>F</b>
Additional capital grants received throughout the year that were not originally budgeted for.					



## Lithgow 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* -----		
<b>EXPENSES</b>					
<b>Employee benefits and on-costs</b>	<b>14,866</b>	<b>15,871</b>	<b>(1,005)</b>	(7%)	<b>U</b>
<b>Borrowing costs</b>	<b>931</b>	<b>681</b>	<b>250</b>	27%	<b>F</b>
Original budget amount was incorrect, some old loans have finished over the past 24 months.					
<b>Materials and contracts</b>	<b>10,166</b>	<b>9,601</b>	<b>565</b>	6%	<b>F</b>
<b>Depreciation and amortisation</b>	<b>10,479</b>	<b>11,856</b>	<b>(1,377)</b>	(13%)	<b>U</b>
Additional sealed roads were discovered throughout the financial year which were required to be depreciated.					
<b>Other expenses</b>	<b>5,414</b>	<b>5,087</b>	<b>327</b>	6%	<b>F</b>
<b>Net losses from disposal of assets</b>	<b>–</b>	<b>918</b>	<b>(918)</b>	0%	<b>U</b>
At the time of budgeting magnitude of asset disposals was unknown.					

**Budget variations relating to Council's Cash Flow Statement include:**

<b>Cash flows from operating activities</b>	<b>14,487</b>	<b>18,710</b>	<b>4,223</b>	29.2%	<b>F</b>
Additional grant and other revenue received during the year that was not expected at time of budgeting.					
<b>Cash flows from investing activities</b>	<b>(13,267)</b>	<b>(16,484)</b>	<b>(3,217)</b>	24.2%	<b>U</b>
Capital program increased due to carry forward items bought into revised budget.					
<b>Cash flows from financing activities</b>	<b>(1,970)</b>	<b>1,878</b>	<b>3,848</b>	(195.3%)	<b>F</b>
Portland Sewerage Treatment Plant loan drawdown during financial year and loan repayments were down due to incorrect original budget allocation.					

## Lithgow City Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 20. Fair value measurement

\$ '000

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

– Infrastructure, property, plant and equipment – Investment property – Financial assets and liabilities

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

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

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

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

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

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

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	
<b>Recurring fair value measurements</b>					
<b>Financial assets</b>					
Investments					
– 'Held to maturity'	30/06/18	30,000	–	–	30,000
<b>Total financial assets</b>		<b>30,000</b>	<b>–</b>	<b>–</b>	<b>30,000</b>
<b>Financial liabilities</b>					
Bonds and security deposits	30/06/18	–	808	–	808
Accrued interest	30/06/18	55	–	–	55
<b>Total financial liabilities</b>		<b>55</b>	<b>808</b>	<b>–</b>	<b>863</b>
<b>Investment property</b>					
Investment properties	1/02/17	–	5,494	–	5,494
<b>Total investment property</b>		<b>–</b>	<b>5,494</b>	<b>–</b>	<b>5,494</b>
<b>Infrastructure, property, plant and equipment</b>					
Operational land	30/06/18	–	17,071	–	17,071
Community land	1/02/17	–	20,164	–	20,164
Plant and equipment	30/06/18	–	2,336	–	2,336
Office equipment	30/06/18	–	247	–	247
Furniture and fittings	30/06/18	–	79	–	79
Buildings	1/02/17	–	47,484	–	47,484
Other structures	30/06/17	–	13,192	–	13,192
Roads	1/02/17	–	214,226	–	214,226
Bridges	1/02/17	–	18,949	–	18,949
Footpaths	1/02/17	–	13,566	–	13,566
Bulk earthworks	1/02/17	–	25,639	–	25,639
Stormwater drainage	1/02/17	–	24,103	–	24,103
Water supply	30/06/18	–	33,157	–	33,157
Sewerage network	30/06/18	–	76,878	–	76,878
Swimming pools	1/02/17	–	2,599	–	2,599
Library books	30/06/18	–	70	–	70
Tip asset rehabilitation	30/06/18	–	1,138	–	1,138
Work in Progress	30/06/18	–	1,220	–	1,220
<b>Total infrastructure, property, plant and equipment</b>		<b>–</b>	<b>512,118</b>	<b>–</b>	<b>512,118</b>

## Lithgow City Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 20. Fair value measurement (continued)

\$ '000

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

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	
<b>Recurring fair value measurements</b>					
<b>Financial assets</b>					
Investments – 'Held to maturity'	30/06/17	23,000	–	–	23,000
<b>Total financial assets</b>		<b>23,000</b>	<b>–</b>	<b>–</b>	<b>23,000</b>
<b>Financial liabilities</b>					
Bonds and security deposits	30/06/17	–	695	–	695
Accrued interest	30/06/17	57	–	–	57
<b>Total financial liabilities</b>		<b>57</b>	<b>695</b>	<b>–</b>	<b>752</b>
<b>Infrastructure, property, plant and equipment</b>					
Operational land	1/02/17	–	17,211	–	17,211
Community land	1/02/17	–	20,164	–	20,164
Plant and equipment	30/06/17	–	1,894	–	1,894
Office equipment	30/06/17	–	282	–	282
Furniture and fittings	30/06/17	–	86	–	86
Buildings	1/02/17	–	53,477	–	53,477
Other structures	30/06/17	–	10,968	–	10,968
Roads	1/02/17	–	214,925	–	214,925
Bridges	1/02/17	–	19,045	–	19,045
Footpaths	1/02/17	–	11,015	–	11,015
Bulk earthworks	1/02/17	–	25,639	–	25,639
Stormwater drainage	1/02/17	–	24,495	–	24,495
Water supply	1/02/17	–	33,594	–	33,594
Sewerage network	1/02/17	–	65,896	–	65,896
Swimming pools	1/02/17	–	2,597	–	2,597
Library books	30/06/17	–	114	–	114
Tip asset rehabilitation	30/06/17	–	1,410	–	1,410
Work in Progress	30/06/17	–	8,278	–	8,278
<b>Total infrastructure, property, plant and equipment</b>		<b>–</b>	<b>511,090</b>	<b>–</b>	<b>511,090</b>

## (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.

## Lithgow City Council

### Notes to the Financial Statements

for the year ended 30 June 2018

#### Note 20. Fair value measurement (continued)

\$ '000

##### (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:

##### Financial assets

All of Council's cash and investments are classified as level 1

##### Financial liabilities

Bonds and securities are listed at their historical value. This figure represents the maximum exposure to Council for these financial liabilities. At the reporting date Council is unsure if the works have been completed satisfactorily, or if any cleaning and repairs needs to be undertaken to Council's assets, therefore there is uncertainty around how much, if any of the bond needs to be retained.

##### Investment property

Council's Infrastructure, Property Plant and Equipment are valued at fair value using a variety of inputs. Most common are cost per square metre, consumption rates and useful lives. These inputs relate to Specialised Buildings, including investment properties.

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

Council's Infrastructure, Property Plant and Equipment are valued at fair value using a variety of inputs. Most common are cost per square metre, consumption rates and useful lives. These inputs relate to Specialised Buildings, Roads, Bulk earthworks, bridges, stormwater drainage, water supply and sewerage network.

Other inputs are depreciated replacement costs which have been applied to Library books. Tip Assets and swimming pools. Again, the unobservable input that sits behind these calculations are unit costs.

## Lithgow City Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 20. 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.

	Property plant and equipment	Total
<b>Opening balance – 1/7/16</b>	409,006	409,006
Purchases (GBV)	13,787	13,787
Disposals (WDV)	(2,637)	(2,637)
Depreciation and impairment	(12,136)	(12,136)
FV gains – other comprehensive income	103,183	103,183
Other movement (details here)	(114)	(114)
<b>Closing balance – 30/6/17</b>	<b>511,089</b>	<b>511,089</b>
Transfers from/(to) another asset class	(5,494)	(5,494)
Purchases (GBV)	16,611	16,611
Disposals (WDV)	(1,072)	(1,072)
Depreciation and impairment	(11,856)	(11,856)
FV gains – other comprehensive income	2,814	2,814
Other movement - transfer from WIP to P&L	27	27
<b>Closing balance – 30/6/18</b>	<b>512,119</b>	<b>512,119</b>

## Lithgow City Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 20. Fair value measurement (continued)

\$ '000

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

## b. Significant unobservable valuation inputs used (for level 3 asset classes) and their relationship to fair value.

The following table summarises the quantitative information relating to the significant unobservable inputs used in deriving the various level 3 asset class fair values.

Class	Fair value (30/6/18) \$'000	Valuation technique/s	Unobservable inputs
<b>IPP&amp;E</b>			
Specialised buildings	47,484	Depreciated historical cost	Cost per sq metre, consumption rate, condition, useful life
Road infrastructure	214,226	Depreciated historical cost	Cost per sq metres dimensions and specification, pattern of consumption components useful life residual value asset condition
Bulk earthworks	25,639	Current replacement cost	Cost per Sq metre
Footpaths	13,566	Depreciated historical cost	Cost per sq metre pattern of consumption components useful lives asset conditions
Bridges	18,949	Depreciated historical cost	Cost per Sq metre, dimensions and specifications, pattern of consumption components, useful lives, asset conditions
Stormwater drainage	24,103	Depreciated historical cost	Cost per unit/ per metre
Water supply network	33,157	Depreciated historical cost	Unit rates, pattern of consumption, components, iuseful life, residual value, asset condition
Sewerage network	76,878	Depreciated historical cost	Unit rates, pattern of consumption, components, iuseful life, residual value, asset condition
Other structures	13,192	Depreciated historical cost	Unit rates, pattern of consumption, components, iuseful life, residual value, asset condition
Library books	70	Depreciated historical cost	Unit Costs
Tip assets	1,138	Depreciated historical cost	Unit Costs
Swimming pools	2,599	Depreciated historical cost	Cost per unit

## Lithgow City Council

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

#### Note 20. Fair value measurement (continued)

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\$ '000

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

##### **c. The valuation process for level 3 fair value measurements**

Water and Sewer assets are subject to a full revaluation process by a registered valuer each 5 years. During the interim years water and sewer assets are incrementally revalued via an index published by the NSW Office of Water.

Tip Assets shown in the balance sheet represent the taking up of, and restatement of the provision for tip remediation. In this regard the Tip Asset represents the net present value of the future expenditure on tip remediation and then depreciated over the life of the tip.

#### **(5). Highest and best use**

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

## Lithgow City Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 21. Related party transactions

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**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:

<b>Compensation:</b>	<b>2018</b>	<b>2017</b>
Short-term benefits	1,016,043	1,056,719
Post-employment benefits	109,841	85,765
Other long-term benefits	26,251	308,903
Termination benefits	17,124	246,677
<b>Total</b>	<b><u>1,169,259</u></b>	<b><u>1,698,064</u></b>

**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 a public service objective (e.g. access to library or Council swimming pool by KMP) will not be disclosed.



## Lithgow City Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 22. 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					
Roads	1,000	78	–	–	–	–	1,078	–
Bushfire	127	2	–	–	–	–	129	–
<b>S7.11 contributions – under a plan</b>	<b>1,127</b>	<b>80</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>1,207</b>	<b>–</b>
<b>S7.12 levies – under a plan</b>	<b>455</b>	<b>271</b>	<b>–</b>	<b>–</b>	<b>(221)</b>	<b>–</b>	<b>505</b>	<b>–</b>
<b>Total S7.11 and S7.12 revenue under plans</b>	<b>1,582</b>	<b>351</b>	<b>–</b>	<b>–</b>	<b>(221)</b>	<b>–</b>	<b>1,712</b>	<b>–</b>
S7.4 planning agreements	196	209	–	–	(110)	–	295	–
<b>Total contributions</b>	<b>1,778</b>	<b>560</b>	<b>–</b>	<b>–</b>	<b>(331)</b>	<b>–</b>	<b>2,007</b>	<b>–</b>

## Lithgow City Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 22. Statement of developer contributions (continued)

\$ '000

## S7.11 CONTRIBUTIONS – UNDER A PLAN

## CONTRIBUTION PLAN

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					
Roads	1,000	78	–	–	–	–	1,078	
Bushfire	127	2	–	–	–	–	129	
<b>Total</b>	<b>1,127</b>	<b>80</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>1,207</b>	<b>–</b>

## S7.12 LEVIES – UNDER A PLAN

## CONTRIBUTION PLAN

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					
Other S 7.12 Plan 12/13	209	261	–	–	(221)	–	249	
Other (previous yrs)	246	10	–	–	–	–	256	
<b>Total</b>	<b>455</b>	<b>271</b>	<b>–</b>	<b>–</b>	<b>(221)</b>	<b>–</b>	<b>505</b>	<b>–</b>

## Lithgow City Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 23. Financial result and financial position by fund

Income Statement by fund			
\$ '000	2018	2018	2018
<b>Continuing operations</b>	<b>Water</b>	<b>Sewer</b>	<b>General<sup>1</sup></b>
<b>Income from continuing operations</b>			
Rates and annual charges	1,660	7,041	16,755
User charges and fees	5,000	144	1,559
Interest and investment revenue	33	–	854
Other revenues	1	–	1,414
Grants and contributions provided for operating purposes	89	86	7,621
Grants and contributions provided for capital purposes	144	783	3,403
<b>Total income from continuing operations</b>	<b>6,927</b>	<b>8,054</b>	<b>31,606</b>
<b>Expenses from continuing operations</b>			
Employee benefits and on-costs	1,499	1,397	12,975
Borrowing costs	56	454	171
Materials and contracts	3,544	2,327	3,730
Depreciation and amortisation	1,566	1,746	8,544
Other expenses	223	422	4,442
Net losses from the disposal of assets	25	27	866
<b>Total expenses from continuing operations</b>	<b>6,913</b>	<b>6,373</b>	<b>30,728</b>
<b>Operating result from continuing operations</b>	<b>14</b>	<b>1,681</b>	<b>878</b>
<b>Net operating result attributable to each council fund</b>	<b>14</b>	<b>1,681</b>	<b>878</b>
<b>Net operating result for the year before grants and contributions provided for capital purposes</b>	<b>(130)</b>	<b>898</b>	<b>(2,525)</b>

<sup>1</sup> 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.

## Lithgow City Council

## Notes to the Financial Statements

as at 30 June 2018

## Note 23. Financial result and financial position by fund (continued)

Statement of Financial Position by fund			
\$ '000	2018	2018	2018
<b>ASSETS</b>	<b>Water</b>	<b>Sewer</b>	<b>General<sup>1</sup></b>
<b>Current assets</b>			
Cash and cash equivalents	3,780	6,770	23,421
Receivables	1,561	808	3,143
Inventories	156	18	433
Other	–	–	266
<b>Total current assets</b>	<b>5,497</b>	<b>7,596</b>	<b>27,263</b>
<b>Non-current assets</b>			
Infrastructure, property, plant and equipment	33,498	77,072	401,550
Investment property	–	–	5,494
<b>Total non-current assets</b>	<b>33,498</b>	<b>77,072</b>	<b>407,044</b>
<b>TOTAL ASSETS</b>	<b>38,995</b>	<b>84,668</b>	<b>434,307</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Payables	7	371	6,079
Income received in advance	184	–	951
Borrowings	156	1,030	807
Provisions	–	–	3,541
<b>Total current liabilities</b>	<b>347</b>	<b>1,401</b>	<b>11,378</b>
<b>Non-current liabilities</b>			
Payables	–	–	9
Borrowings	917	12,702	4,257
Provisions	–	–	8,406
<b>Total non-current liabilities</b>	<b>917</b>	<b>12,702</b>	<b>12,672</b>
<b>TOTAL LIABILITIES</b>	<b>1,264</b>	<b>14,103</b>	<b>24,050</b>
<b>Net assets</b>	<b>37,731</b>	<b>70,565</b>	<b>410,257</b>
<b>EQUITY</b>			
Accumulated surplus	14,501	35,630	157,966
Revaluation reserves	23,230	34,935	252,291
<b>Total equity</b>	<b>37,731</b>	<b>70,565</b>	<b>410,257</b>

<sup>1</sup> 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.

## Lithgow City Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 24(a). Statement of performance measures – consolidated results

\$ '000	Amounts 2018	Indicator 2018	Prior periods		Benchmark
			2017	2016	
<b>Local government industry indicators – consolidated</b>					
<b>1. Operating performance ratio</b>					
Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions less operating expenses	<u>(839)</u>	<b>-1.99%</b>	4.18%	-7.75%	> 0.00%
Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions	<u>42,257</u>				
<b>2. Own source operating revenue ratio</b>					
Total continuing operating revenue <sup>(1)</sup> excluding all grants and contributions	<u>34,461</u>	<b>73.97%</b>	64.90%	67.23%	> 60.00%
Total continuing operating revenue <sup>(1)</sup>	<u>46,587</u>				
<b>3. Unrestricted current ratio</b>					
Current assets less all external restrictions <sup>(2)</sup>	<u>16,761</u>	<b>1.81x</b>	2.72x	4.08x	> 1.5x
Current liabilities less specific purpose liabilities <sup>(3, 4)</sup>	<u>9,245</u>				
<b>4. Debt service cover ratio</b>					
Operating result <sup>(1)</sup> before capital excluding interest and depreciation/impairment/amortisation	<u>11,698</u>	<b>4.49x</b>	5.45x	2.91x	> 2x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	<u>2,603</u>				
<b>5. Rates, annual charges, interest and extra charges outstanding percentage</b>					
Rates, annual and extra charges outstanding	<u>1,605</u>	<b>5.92%</b>	5.81%	5.13%	10%
Rates, annual and extra charges collectible	<u>27,095</u>				
<b>6. Cash expense cover ratio</b>					
Current year's cash and cash equivalents plus all term deposits	<u>33,971</u>	<b>12.95 mths</b>	9.1 mths	8.8 mths	> 3 mths
Monthly payments from cash flow of operating and financing activities	<u>2,624</u>				

## Notes

<sup>(1)</sup> 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.

<sup>(2)</sup> Refer Notes 6-8 inclusive.

Also excludes any real estate and land for resale not expected to be sold in the next 12 months.

<sup>(3)</sup> Refer to Notes 11 and 12.

<sup>(4)</sup> 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).

## Lithgow City Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 24(b). Statement of performance measures – by fund

\$ '000	General indicators <sup>5</sup>		Water indicators		Sewer indicators		Benchmark
	2018	2017	2018	2017	2018	2017	
<b>Local government industry indicators – by fund</b>							
<b>1. Operating performance ratio</b>							
Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions less operating expenses	<b>-6.24%</b>	2.13%	<b>0.20%</b>	6.45%	<b>12.35%</b>	11.52%	> 0.00%
Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions							
<b>2. Own source operating revenue ratio</b>							
Total continuing operating revenue <sup>(1)</sup> excluding capital grants and contributions	<b>65.12%</b>	66.39%	<b>96.64%</b>	96.10%	<b>89.21%</b>	47.26%	> 60.00%
Total continuing operating revenue <sup>(1)</sup>							
<b>3. Unrestricted current ratio</b>							
Current assets less all external restrictions <sup>(2)</sup>	<b>1.81x</b>	2.72x	<b>15.77x</b>	29.47x	<b>4.04x</b>	4.62x	> 1.5x
Current liabilities less specific purpose liabilities <sup>(3, 4)</sup>							

## Notes

(1) - (4) Refer to Notes at Note 24a above.

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

## Lithgow City Council

## Notes to the Financial Statements

for the year ended 30 June 2018

## Note 24(b). Statement of performance measures – by fund (continued)

\$ '000	General indicators <sup>5</sup>		Water indicators		Sewer indicators		Benchmark
	2018	2017	2018	2017	2018	2017	
Local government industry indicators – by fund (continued)							
<b>4. Debt service cover ratio</b>							
Operating result <sup>(1)</sup> before capital excluding interest and depreciation/impairment/amortisation	<b>3.58x</b>	7.80x	<b>8.06x</b>	9.31x	<b>6.82x</b>	2.35x	> 2x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)							
<b>5. Rates, annual charges, interest and extra charges outstanding percentage</b>							
Rates, annual and extra charges outstanding	<b>5.44%</b>	5.37%	<b>6.27%</b>	6.97%	<b>7.10%</b>	6.71%	< 10% regional & rural
Rates, annual and extra charges collectible							
<b>6. Cash expense cover ratio</b>							
Current year's cash and cash equivalents plus all term deposits	<b>8.93</b>	7.16	<b>0.00</b>	0.00	<b>0.00</b>	0.00	> 3 months
Monthly payments from cash flow of operating and financing activities	<b>months</b>	months	<b>months</b>	months	<b>months</b>	months	

## Notes

(1) Refer to Notes at Note 24a above.

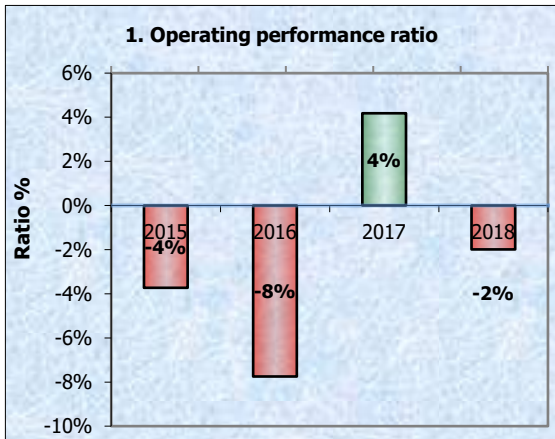
(5) General fund refers to all of Council's activities except for its water and sewer activities which are listed separately.

END OF AUDITED FINANCIAL STATEMENTS

# Lithgow City Council

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

### Note 24(c). Statement of performance measures – consolidated results (graphs)



**Purpose of operating performance ratio**

This ratio measures Council's achievement of containing operating expenditure within operating revenue.

**Commentary on 2017/18 result**

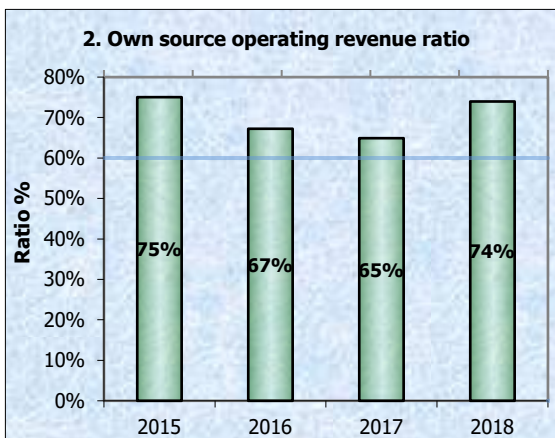
**2017/18 ratio -1.99%**

This ratio has been improving (2017 spike due to FAGS grant prepayment) due to the implementation of Council's improvement plan and improved budgetary control.

Benchmark: ——— Minimum >=0.00%

Source for benchmark: Code of Accounting Practice and Financial Reporting #26

Ratio achieves benchmark  
 Ratio is outside benchmark



**Purpose of own source operating revenue ratio**

This ratio measures fiscal flexibility. It is the degree of reliance on external funding sources such as operating grants and contributions.

**Commentary on 2017/18 result**

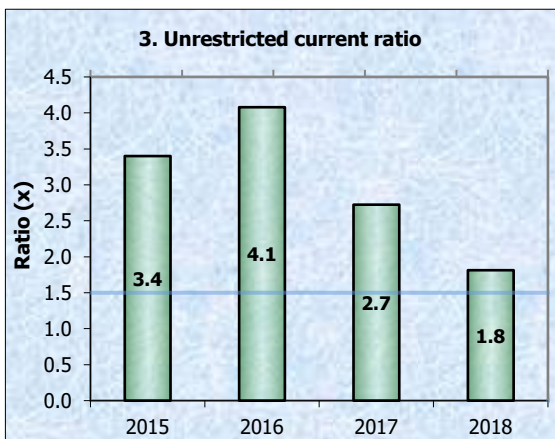
**2017/18 ratio 73.97%**

Council has had a sound performance in this ratio and performed above the KPI.

Benchmark: ——— Minimum >=60.00%

Source for benchmark: Code of Accounting Practice and Financial Reporting #26

Ratio achieves benchmark  
 Ratio is outside benchmark



**Purpose of unrestricted current ratio**

To assess the adequacy of working capital and its ability to satisfy obligations in the short term for the unrestricted activities of Council.

**Commentary on 2017/18 result**

**2017/18 ratio 1.81x**

Council has continued with a strong performance in this ratio. This reflects Council's high levels of cash reserves.

Benchmark: ——— Minimum >=1.50

Source for benchmark: Code of Accounting Practice and Financial Reporting #26

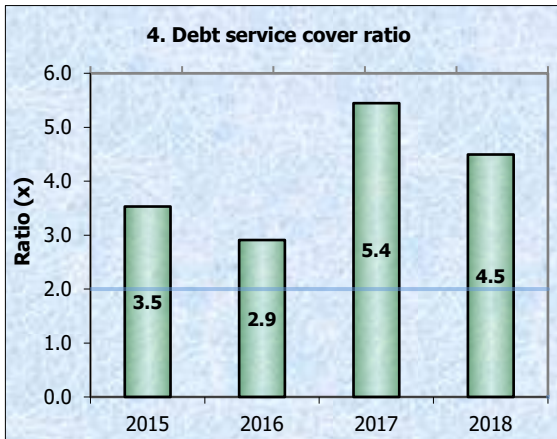
Ratio achieves benchmark  
 Ratio is outside benchmark



# Lithgow City Council

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

### Note 24(c). Statement of performance measures – consolidated results (graphs)



**Purpose of debt service cover ratio**

This ratio measures the availability of operating cash to service debt including interest, principal and lease payments

**Commentary on 2017/18 result**

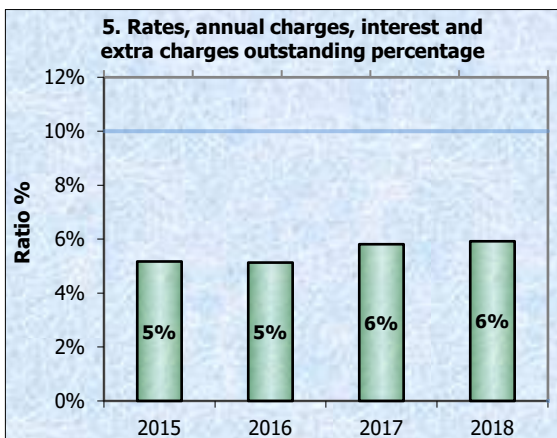
**2017/18 ratio 4.49x**

Council has recorded a strong result for this ratio, over twice the KPI. Council is able to service its loan obligations with current cash reserve levels.

Benchmark: Minimum  $\geq 2.00$

Source for benchmark: Code of Accounting Practice and Financial Reporting #26

Ratio achieves benchmark  
 Ratio is outside benchmark



**Purpose of rates and annual charges outstanding ratio**

To assess the impact of uncollected rates and annual charges on Council's liquidity and the adequacy of recovery efforts.

**Commentary on 2017/18 result**

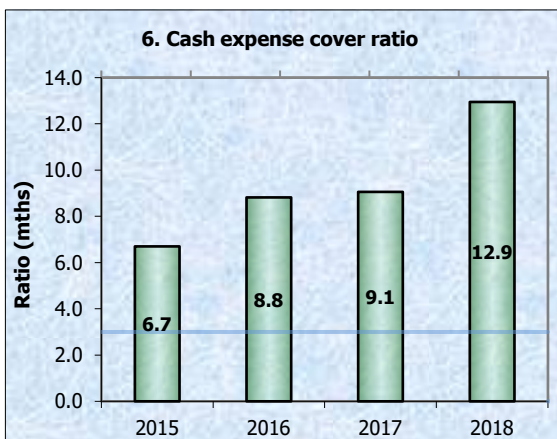
**2017/18 ratio 5.92%**

This ratio has increased by 0.11% which is reflective of the economic conditions facing the LGA. Council is still performing well below the benchmark in this KPI.

Benchmark: Maximum  $< 10.00\%$

Source for Benchmark: Code of Accounting Practice and Financial Reporting #26

Ratio is within Benchmark  
 Ratio is outside Benchmark



**Purpose of cash expense cover ratio**

This liquidity ratio indicates the number of months a Council can continue paying for its immediate expenses without additional cash inflow.

**Commentary on 2017/18 result**

**2017/18 ratio 12.95 mths**

Council still has high levels of cash reserves which has resulted in high performance for this ratio.

Benchmark: Minimum  $\geq 3.00$

Source for benchmark: Code of Accounting Practice and Financial Reporting #26

Ratio achieves benchmark  
 Ratio is outside benchmark

## Lithgow City Council

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

#### Note 25. Council information and contact details

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**Principal place of business:**

180 Mort St  
Lithgow NSW 2790

**Contact details**

**Mailing address:**

PO Box 19  
Lithgow NSW 2790

**Opening hours:**

Monday to Friday  
8:15am to 4:30pm

**Telephone:** 02 6354 9999

**Facsimile:** 02 6351 4259

**Internet:** <http://www.council.lithgow.com>

**Email:** [council@lithgow.nsw.gov.au](mailto:council@lithgow.nsw.gov.au)

**Officers**

**GENERAL MANAGER**

Graeme Faulkner

**RESPONSIBLE ACCOUNTING OFFICER**

Ross Gurney

**PUBLIC OFFICER**

Graeme Faulkner

**Elected members**

**MAYOR**

Raymond Thompson

**COUNCILLORS**

Cassandra Coleman

Wayne McAndrew

Stephen Lesslie

Maree Statham

Ronald Smith

Steven Ring

Darryl Goodwin

Deanna Goodsell

**Other information**

**ABN:** 59 986 092 492



**INDEPENDENT AUDITOR'S REPORT**  
**Report on the general purpose financial report**  
**Lithgow City Council**

To the Councillors of the Lithgow City Council

## Opinion

I have audited the accompanying financial report of Lithgow City Council (the Council), which comprise the Income Statement and Statement of Comprehensive Income for the year ended 30 June 2018, the Statement of Financial Position as at 30 June 2018, the Statement of Changes in Equity and Statement of Cash Flows for the year then ended, notes comprising significant accounting policies and other explanatory information, and the Statement by Councillors and Management.

In my opinion,

- the Council's accounting records have been kept in accordance with the requirements of the *Local Government Act 1993*, Chapter 13, Part 3, Division 2 (the Division)
- the financial report:
  - has been presented, in all material respects, in accordance with the requirements of this Division
  - is consistent with the Council's accounting records
  - presents fairly, in all material respects, the financial position of the Council as at 30 June 2018, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- all information relevant to the conduct of the audit has been obtained
- no material deficiencies in the accounting records or financial report have come to light during the audit.

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

## Basis for Opinion

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

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

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

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

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

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

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

## **Other Information**

Other information comprises the information included in the Council's annual report for the year ended 30 June 2018, other than the financial report and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the special purpose financial statements and Special Schedules (the Schedules).

My opinion on the financial report does not cover the other information. Accordingly, I do not express any form of assurance conclusion on the other information. However, as required by the *Local Government Act 1993*, I have separately expressed an opinion on the special purpose financial statements and Special Schedule 2 - Permissible income for general rates.

In connection with my audit of the financial report, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude there is a material misstatement of the other information, I must report that fact.

I have nothing to report in this regard.

## **The Councillors' Responsibilities for the Financial Report**

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

In preparing the financial report, the Councillors are responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting except where the Council will be dissolved or amalgamated by an Act of Parliament, or otherwise cease operations.

## **Auditor's Responsibilities for the Audit of the Financial Report**

My objectives are to:

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

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

A description of my responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: [www.auasb.gov.au/auditors\\_responsibilities/ar4.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf). The description forms part of my auditor's report.

My opinion does *not* provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- on the Original Budget information included in the Income Statement, Statement of Cash Flows, and Note 19 Material budget variations
- on the Special Schedules. A separate opinion has been provided on Special Schedule 2 - Permissible income for general rates
- about the security and controls over the electronic publication of the audited financial report on any website where it may be presented
- about any other information which may have been hyperlinked to/from the financial report.

A handwritten signature in cursive script that reads "D. Ryan".

Dominika Ryan  
Director, Financial Audit Services

30 October 2018  
SYDNEY

Mr Graeme Faulkner  
General Manager  
Lithgow City Council  
PO Box 19  
LITHGOW NSW 2790

Contact: Dominika Ryan  
Phone no: (02) 9275 7336  
Our ref: D1825158/FA1755

30 October 2018

Dear Mr Faulkner

**Report on the Conduct of the Audit  
for the year ended 30 June 2018  
Lithgow City Council**





I have audited the general purpose financial statements of the Lithgow City Council (the Council) for the year ended 30 June 2018 as required by section 415 of the *Local Government Act 1993* (the Act).

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

This Report on the Conduct of the Audit (the Report) for the Council for the year ended 30 June 2018 is issued in accordance with section 417 of the Act. This Report should be read in conjunction with my audit opinion on the general purpose financial statements issued under section 417(2) of the Act

## **INCOME STATEMENT**

### **Operating result**

	<b>2018</b>	<b>2017</b>	<b>Variance</b>
	<b>\$m</b>	<b>\$m</b>	<b>%</b>
<b>Rates and annual charges revenue</b>	25.5	24.8	 2.8
<b>Grants and contributions revenue</b>	12.1	19.9	 39.2
<b>Operating result for the year</b>	2.6	9.0	 71.1
<b>Net operating result before capital amounts</b>	(1.8)	(0.5)	 260

The current year rates and annual charges revenue is largely consistent with 2016-17.

There was a \$7.8 million decrease in grants and contributions for 2017-18. This is a result of the additional Financial Assistance Grant payments for 2017-18 received in 2016-17. In 2016-17, the Council also received additional capital funding for sewerage services projects.

Council's operating result in 2017-18 was \$6.4 million lower than the previous year. This is a result of decrease in grants and contributions noted above offset by \$1.2 million decrease in materials and contracts.

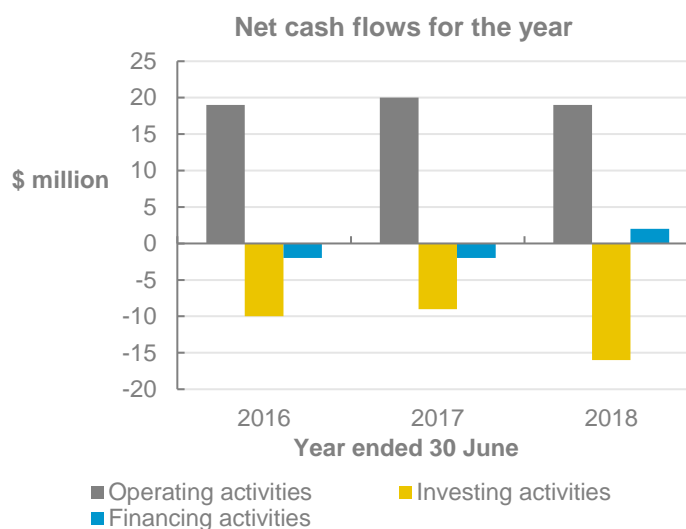
The net operating result before capital amounts increased from a loss of \$500,000 to \$1.8 million. This is mainly due to decrease in revenue particularly other revenue and grants and contributions for operating purposes.

## STATEMENT OF CASH FLOWS

Net cash from operating activities remained steady over the previous three years, allowing Council to invest its operating cashflow surpluses into infrastructure projects.

Net cash used in investing activities increased by \$7.7 million. This is mainly due to absence of sale of investment securities in 2017-18.

The Council increased its borrowings by \$3.8 million while its repayments of borrowings remain consistent to prior year. As such the net cash flow for financing activities has increased and is positive.



## FINANCIAL POSITION

### Cash and Investments

Cash and Investments	2018	2017	Commentary
	\$m	\$m	
External restrictions	21.1	16.0	Externally restricted cash and investments are restricted in their use by externally imposed requirements. The increase of \$5.1 million can be attributed to various restriction categories including special purpose unexpended loans, developer contributions, water, sewerage services and domestic waste management.
Internal restrictions	12.9	13.9	
Unrestricted	--	--	
<b>Cash and investments</b>	<b>34.0</b>	<b>29.9</b>	

Internally restricted cash and investments are restricted in the use by resolution or policy of Council to reflect identified programs of works and any forward plans identified by Council. Internal restrictions related to plant and vehicle replacement decreased by \$820,000, works in progress decreased by \$1.3 million and carry over works increased by \$1.4 million.

## Debt

At 30 June 2018, Council had external borrowings of \$19.9 million (30 June 2017: \$17.9 million). The Council took out a new loan worth \$3.8 million for capital project in Portland. The loans are secured over Council’s general rating income. It had access to a \$500,000 (30 June 2017: \$500,000) bank overdraft facility. This facility was unused at year end.

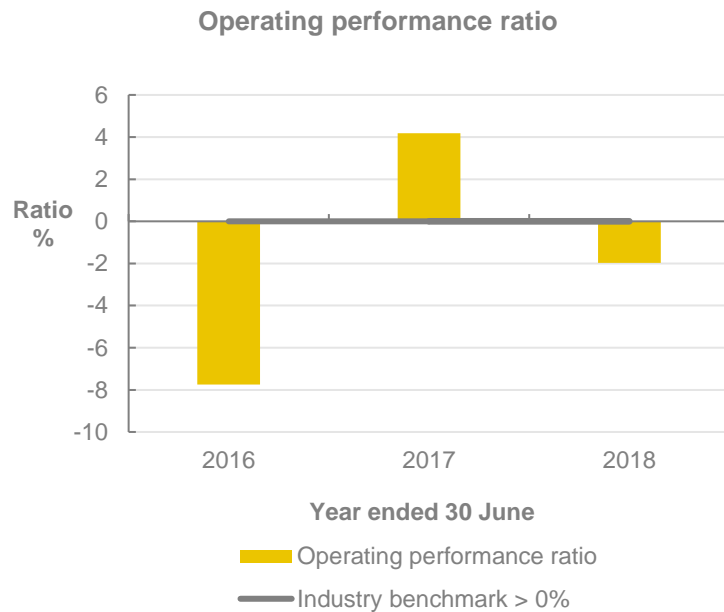
## PERFORMANCE RATIOS

The definition of each ratio analysed below (except for the ‘building and infrastructure renewals ratio’) is included in Note 24 of the Council’s audited general purpose financial statements. The ‘building and infrastructure renewals ratio’ is defined in Council’s Special Schedule 7 which has not been audited.

### Operating performance ratio

Council’s operating performance ratio dropped below the industry benchmark for 2017-18 due to a decrease in other revenue and operating grants and contributions. Council’s 2016-17 ratio reflects the advanced receipt of 2017-18 financial assistance grant instalments from the Commonwealth Government in 2016-17. Without these receipts, Council would not have met the industry benchmark (the ratio would have been 0.7 per cent in deficit).

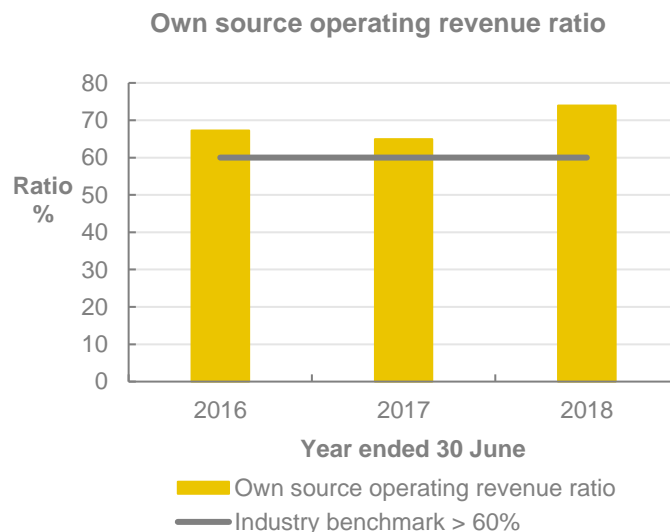
The ‘operating performance ratio’ measures how well council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by the Office of Local Government (OLG) is greater than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



### Own source operating revenue ratio

Council’s own source operating revenue ratio exceeded the industry benchmark over the past three years. The current year ratio of 74.0 per cent increased from the previous year. This is mainly due to the significant decrease in total continuing operating revenue.

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

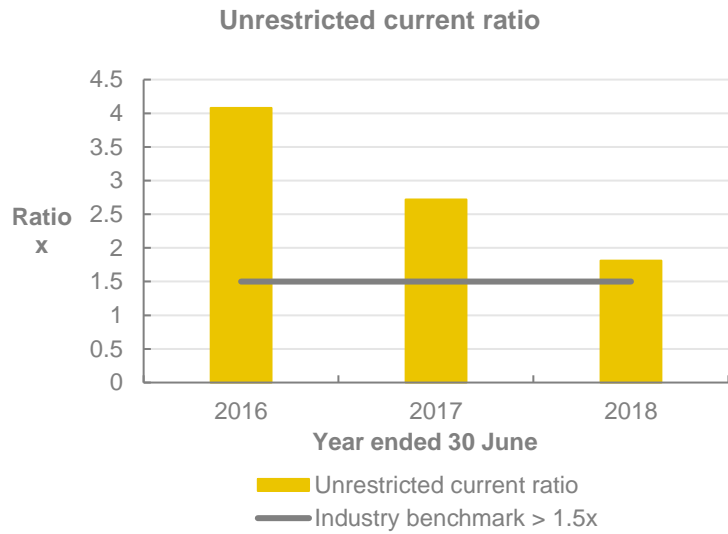




## Unrestricted current ratio

Council's unrestricted current ratio exceeded the industry benchmark over the past three years. This indicates Council has sufficient liquidity to meet its current liabilities as and when they fall due. The steady decrease in the ratio reflects the effect of the increasing external restrictions being applied to cash and other current assets.

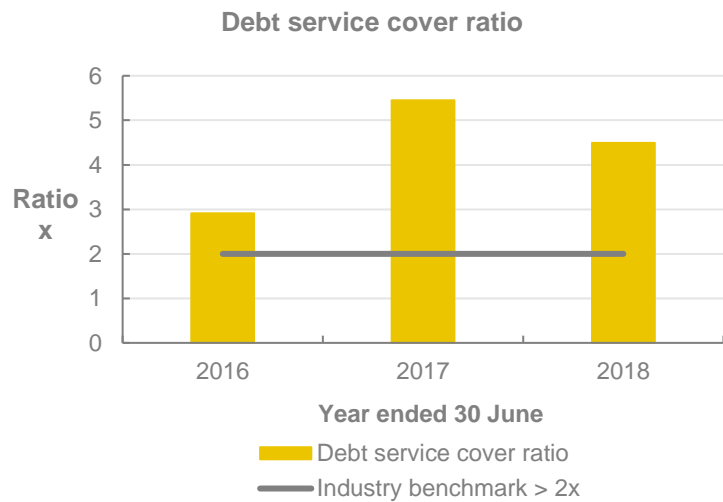
The 'unrestricted current ratio' is specific to local government and represents council's ability to meet its short-term obligations as they fall due. The benchmark set by OLG is greater than 1.5 times.



## Debt service cover ratio

Council's debt service cover ratio exceeded the industry benchmark over the past three years. The ratio indicates Council has adequate revenue to cover the principal repayments and borrowing costs of its debt.

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

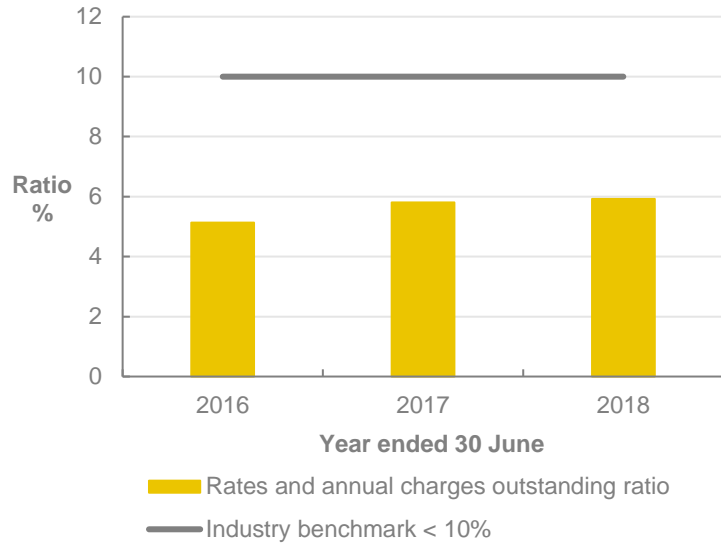


## Rates and annual charges outstanding ratio

Council's rates and annual charges outstanding ratio is better than the benchmark for rural councils over the past three years. Economic conditions in the local government area have remained consistent year on year, resulting in stable debt recovery rates and few write offs.

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

Rates and annual charges outstanding ratio



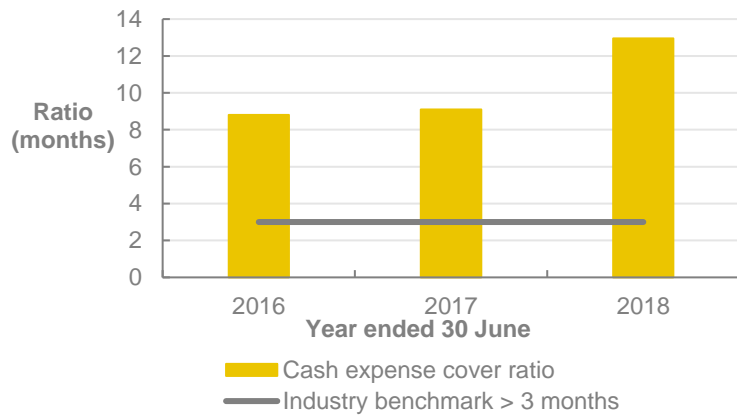
## Cash expense cover ratio

At 30 June 2018, Council had the capacity to cover 13 months of cash expenditure without additional cash inflows.

Council's high levels of liquidity means its cash expense cover ratio far exceeded the industry benchmark over the past three years.

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

Cash expense cover ratio



## OTHER MATTERS

### New accounting standards implemented

#### AASB 2016-2 'Disclosure Initiative – Amendments to AASB 107'

Effective for annual reporting periods beginning on or after 1 January 2017

This Standard requires entities to provide disclosures that enable users of financial statements to evaluate changes (both cash flows and non-cash changes) in liabilities arising from financing activities.

Council's disclosure of the changes in their liabilities arising from financing activities is disclosed in Note 11.

### Council entities

Council's interest in 'council entities' include:

- Upper Macquarie County Council
- Statewide Limited
- StateCover Limited.

Alternate external audit arrangements are in place for the above 'council entities'. I have obtained sufficient audit evidence to be satisfied Council's general purpose financial statements materially reflect Council's interest in the entities.

### Legislative compliance

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

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



Dominika Ryan  
Director, Financial Audit Services

cc: Mr Ray Thompson, Mayor  
Mr Tim Hurst, Acting Chief Executive of the Office of Local Government

# Lithgow City Council

SPECIAL PURPOSE FINANCIAL STATEMENTS  
for the year ended 30 June 2018

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*"A centre of regional excellence that:*

- encourages community growth and development,*
- contributes to the efficient and effective management of the environment, community and economy for present and future generations."*



# Lithgow City Council

## Special Purpose Financial Statements

for the year ended 30 June 2018

Contents	Page
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<b>2. Special Purpose Financial Statements:</b>	
Income Statement – Water Supply Business Activity	3
Income Statement – Sewerage Business Activity	4
Statement of Financial Position – Water Supply Business Activity	5
Statement of Financial Position – Sewerage Business Activity	6
<b>3. Notes to the Special Purpose Financial Statements</b>	7
<b>4. Auditor’s Report</b>	17

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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).
-

## Lithgow 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:

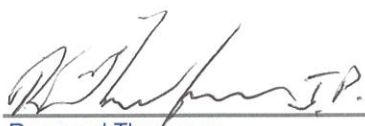
- the NSW Government Policy Statement 'Application of National Competition Policy to Local Government',
- the Division of Local Government Guidelines 'Pricing and Costing for Council Businesses – A Guide to Competitive Neutrality',
- the Local Government Code of Accounting Practice and Financial Reporting,
- 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 29 October 2018.



Raymond Thompson


Mayor

29 October 2018



Councillor Steve Ring

29 October 2018



Graeme Faulkner  
General manager  
29 October 2018



Ross Gurney  
Responsible accounting officer  
29 October 2018

## Lithgow City Council

Income Statement of Council's Water Supply Business Activity  
for the year ended 30 June 2018

\$ '000	2018	2017
<b>Income from continuing operations</b>		
Access charges	1,660	1,492
User charges	4,926	4,935
Fees	74	65
Interest	33	36
Grants and contributions provided for non-capital purposes	89	158
Other income	1	1
<b>Total income from continuing operations</b>	<b>6,783</b>	<b>6,687</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	1,499	1,377
Borrowing costs	56	64
Materials and contracts	3,544	1,844
Depreciation, amortisation and impairment	1,566	1,398
Water purchase charges	–	1,474
Loss on sale of assets	25	2
Other expenses	223	197
<b>Total expenses from continuing operations</b>	<b>6,913</b>	<b>6,356</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>(130)</b>	<b>331</b>
Grants and contributions provided for capital purposes	144	107
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>14</b>	<b>438</b>
<b>Surplus (deficit) from all operations before tax</b>	<b>14</b>	<b>438</b>
Less: corporate taxation equivalent (30%) [based on result before capital]	–	(99)
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>14</b>	<b>339</b>
Plus opening retained profits	14,247	13,809
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	–	99
<b>Closing retained profits</b>	<b>14,261</b>	<b>14,247</b>
Return on capital %	-0.2%	1.2%
Subsidy from Council	955	408
<b>Calculation of dividend payable:</b>		
Surplus (deficit) after tax	14	339
Less: capital grants and contributions (excluding developer contributions)	–	(0)
<b>Surplus for dividend calculation purposes</b>	<b>14</b>	<b>338</b>
<b>Potential dividend calculated from surplus</b>	<b>7</b>	<b>169</b>

## Lithgow City Council

Income Statement of Council's Sewerage Business Activity  
for the year ended 30 June 2018

\$ '000	2018	2017
<b>Income from continuing operations</b>		
Access charges	7,041	6,901
Liquid trade waste charges	98	120
Fees	46	49
Grants and contributions provided for non-capital purposes	86	90
Profit from the sale of assets	–	9
Other income	–	1
<b>Total income from continuing operations</b>	<b>7,271</b>	<b>7,170</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	1,397	1,406
Borrowing costs	454	391
Materials and contracts	2,327	2,489
Depreciation, amortisation and impairment	1,746	1,709
Loss on sale of assets	27	–
Other expenses	422	349
<b>Total expenses from continuing operations</b>	<b>6,373</b>	<b>6,344</b>
<b>Surplus (deficit) from continuing operations before capital amounts</b>	<b>898</b>	<b>826</b>
Grants and contributions provided for capital purposes	783	7,810
<b>Surplus (deficit) from continuing operations after capital amounts</b>	<b>1,681</b>	<b>8,636</b>
<b>Surplus (deficit) from all operations before tax</b>	<b>1,681</b>	<b>8,636</b>
Less: corporate taxation equivalent (30%) [based on result before capital]	(269)	(248)
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>1,412</b>	<b>8,388</b>
Plus opening retained profits	31,844	23,208
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	269	248
<b>Closing retained profits</b>	<b>33,525</b>	<b>31,844</b>
<b>Return on capital %</b>	<b>1.8%</b>	<b>1.7%</b>
<b>Subsidy from Council</b>	<b>675</b>	<b>537</b>
<b>Calculation of dividend payable:</b>		
Surplus (deficit) after tax	1,412	8,388
Less: capital grants and contributions (excluding developer contributions)	(653)	(7,714)
<b>Surplus for dividend calculation purposes</b>	<b>759</b>	<b>674</b>
<b>Potential dividend calculated from surplus</b>	<b>379</b>	<b>337</b>



## Lithgow City Council

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

\$ '000	2018	2017
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	3,780	2,912
Receivables	1,561	1,503
Inventories	156	153
<b>Total current assets</b>	<b>5,497</b>	<b>4,568</b>
<b>Non-current assets</b>		
Infrastructure, property, plant and equipment	33,498	33,727
<b>Total non-current assets</b>	<b>33,498</b>	<b>33,727</b>
<b>TOTAL ASSETS</b>	<b>38,995</b>	<b>38,295</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Payables	7	7
Income received in advance	184	–
Borrowings	156	147
<b>Total current liabilities</b>	<b>347</b>	<b>154</b>
<b>Non-current liabilities</b>		
Borrowings	917	1,073
<b>Total non-current liabilities</b>	<b>917</b>	<b>1,073</b>
<b>TOTAL LIABILITIES</b>	<b>1,264</b>	<b>1,227</b>
<b>NET ASSETS</b>	<b>37,731</b>	<b>37,068</b>
<b>EQUITY</b>		
Accumulated surplus	14,501	14,488
Revaluation reserves	23,230	22,580
<b>TOTAL EQUITY</b>	<b>37,731</b>	<b>37,068</b>

## Lithgow City Council

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

\$ '000	2018	2017
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	6,770	3,333
Receivables	808	1,908
Inventories	18	23
<b>Total current Assets</b>	<b>7,596</b>	<b>5,264</b>
<b>Non-current assets</b>		
Infrastructure, property, plant and equipment	77,072	73,677
<b>Total non-current assets</b>	<b>77,072</b>	<b>73,677</b>
<b>TOTAL ASSETS</b>	<b>84,668</b>	<b>78,941</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Payables	371	223
Borrowings	1,030	916
<b>Total current liabilities</b>	<b>1,401</b>	<b>1,139</b>
<b>Non-current liabilities</b>		
Borrowings	12,702	10,030
<b>Total non-current liabilities</b>	<b>12,702</b>	<b>10,030</b>
<b>TOTAL LIABILITIES</b>	<b>14,103</b>	<b>11,169</b>
<b>NET ASSETS</b>	<b>70,565</b>	<b>67,772</b>
<b>EQUITY</b>		
Accumulated surplus	35,630	33,948
Revaluation reserves	34,935	33,824
<b>TOTAL EQUITY</b>	<b>70,565</b>	<b>67,772</b>

# Lithgow 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	8
2	Water Supply Business Best-Practice Management disclosure requirements	12
3	Sewerage Business Best-Practice Management disclosure requirements	14

## Lithgow 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 Supply Service

*Comprising the whole of the water supply operations and net assets servicing the Lithgow area.*

## Lithgow City Council

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

#### Note 1. Significant accounting policies (continued)

---

##### **b. Sewerage (Waste Water) Service**

*Comprising the whole of the sewerage reticulation & treatment operations and net assets servicing the Lithgow area.*

##### **Category 2**

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

Council does not operate any Category 2 businesses.

##### **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.

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.

## Lithgow City Council

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

#### Note 1. Significant accounting policies (continued)

---

##### 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.

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'.

## Lithgow City Council

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

#### Note 1. Significant accounting policies (continued)

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

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

The rate of return is calculated as follows:

**Operating result before capital income + interest expense**

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

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 2.63% 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.

**END OF AUDITED SPECIAL PURPOSE FINANCIAL STATEMENTS**

## Lithgow 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	-
(ii)	Number of assessments multiplied by \$3/assessment	24,840
(iii)	Amounts payable for tax equivalents [lesser of (i) and (ii)]	-
(iv)	Amounts actually paid for tax equivalents	

**2. Dividend from surplus**

(i)	50% of surplus before dividends [calculated in accordance with Best-Practice Management for Water Supply and Sewerage Guidelines]	7,000
(ii)	Number of assessments multiplied by \$30/assessment, less tax equivalent charges/assessment	248,400
(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	424,520

2018 Surplus	14,000	2017 Surplus	338,322	2016 Surplus	72,198
		2017 Dividend	-	2016 Dividend	-

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	7,000
(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? <sup>a</sup>	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]	NO
	– If dual water supplies, complying charges [item 2 (g) in table 1]	YES
(iii)	Sound water conservation and demand management implemented	YES
(iv)	Sound drought management implemented	YES
(v)	Complete performance reporting form (by 15 September each year)	YES
(vi)	a. Integrated water cycle management evaluation	YES
	b. Complete and implement integrated water cycle management strategy	NO



## Lithgow 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)

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


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## 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	6,893
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)]	%	74.79%
NWI F9	Written down replacement cost of fixed assets (water) Written down current cost of system assets (w47)	\$'000	33,498
NWI F11	Operating cost (OMA) (water) Management expenses (w1) + operational and maintenance expenses (w2)	\$'000	5,081
NWI F14	Capital expenditure (water) Acquisition of fixed assets (w16)	\$'000	418
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)]	%	0.73%
NWI F26	Capital works grants (water) Grants for the acquisition of assets (w11a)	\$'000	–

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

## Lithgow 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	-
(ii)	Number of assessments multiplied by \$3/assessment	23,022
(iii)	Amounts payable for tax equivalents [lesser of (i) and (ii)]	-
(iv)	Amounts actually paid for tax equivalents	

**2. Dividend from surplus**

(i)	50% of surplus before dividends [calculated in accordance with Best-Practice Management for Water Supply and Sewerage Guidelines]	379,300
(ii)	Number of assessments x (\$30 less tax equivalent charges per assessment)	230,220
(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	1,499,868

2018 Surplus	758,600	2017 Surplus	674,260	2016 Surplus	67,009
		2017 Dividend	-	2016 Dividend	-

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	230,220
(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? <sup>a</sup>	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]	YES
	Complying charges	
	(a) Residential [item 2 (c) in table 1]	YES
	(b) Non-residential [item 2 (c) in table 1]	YES
	(c) Trade waste [item 2 (d) in table 1]	YES
	DSP with commercial developer charges [item 2 (e) in table 1]	NO
	Liquid trade waste approvals and policy [item 2 (f) in table 1]	YES
(iii)	Complete performance reporting form (by 15 September each year)	YES
(iv)	a. Integrated water cycle management evaluation	YES
	b. Complete and implement integrated water cycle management strategy	NO

## Lithgow 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)

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


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**National Water Initiative (NWI) financial performance indicators**

<b>NWI F2</b>	Total revenue (sewerage) Total income (s14) – grants for acquisition of assets (s12a) – interest income (s10) – Aboriginal Communities W&S Program income (w10a)	\$'000	7,272
<b>NWI F10</b>	Written down replacement cost of fixed assets (sewerage) Written down current cost of system assets (s48)	\$'000	77,072
<b>NWI F12</b>	Operating cost (sewerage) Management expenses (s1) + operational and maintenance expenses (s2)	\$'000	3,917
<b>NWI F15</b>	Capital expenditure (sewerage) Acquisition of fixed assets (s17)	\$'000	3,463
<b>NWI F18</b>	Economic real rate of return (sewerage) [total income (s14) – interest income (s10) – grants for acquisition of assets (s12a) – operating cost (NWI F12) – current cost depreciation (s3)] x 100 divided by [written down current cost (i.e. WDCC) of system assets (s48) + plant and equipment (s34b)]	%	2.09%
<b>NWI F27</b>	Capital works grants (sewerage) Grants for the acquisition of assets (12a)	\$'000	783

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

<b>NWI F3</b>	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	14,113
<b>NWI F8</b>	Revenue from community service obligations (water and sewerage) Community service obligations (NWI F25) x 100 divided by total income (NWI F3)	%	1.24%
<b>NWI F16</b>	Capital expenditure (water and sewerage) Acquisition of fixed assets (w16 + s17)	\$'000	3,881
<b>NWI F19</b>	Economic real rate of return (water and sewerage) [total income (w13 + s14) – interest income (w9 + s10) – grants for acquisition of assets (w11a + s12a) – operating cost (NWI F11 + NWI F12) – current cost depreciation (w3 + s3)] x 100 divided by [written down replacement cost of fixed assets (NWI F9 + NWI F10) + plant and equipment (w33b + s34b)]	%	1.68%
<b>NWI F20</b>	Dividend (water and sewerage) Dividend paid from surplus (2 (v) of Note 2 + 2 (v) of Note 3)	\$'000	–
<b>NWI F21</b>	Dividend payout ratio (water and sewerage) Dividend (NWI F20) x 100 divided by net profit after tax (NWI F24)	%	0.00%

## Lithgow 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)

<b>NWI F22</b>	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)]	%	3.93%
<b>NWI F23</b>	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)		4
<b>NWI F24</b>	Net profit after tax (water and sewerage) Surplus before dividends (w15a + s16a) – tax equivalents paid (Note 2-1 (iv) + Note 3-1 (iv))	\$'000	912
<b>NWI F25</b>	Community service obligations (water and sewerage) Grants for pensioner rebates (w11b + s12b)	\$'000	175

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



## **INDEPENDENT AUDITOR'S REPORT**

### **Report on the special purpose financial report**

#### **Lithgow City Council**

To the Councillors of the Lithgow City Council

### **Opinion**

I have audited the accompanying special purpose financial report (the financial report) of Lithgow City Council's (the Council) Declared Business Activities, which comprise the Income Statement of each Declared Business Activity for the year ended 30 June 2018, the Statement of Financial Position of each Declared Business Activity as at 30 June 2018, notes comprising a summary of Significant accounting policies and other explanatory information for the Business Activities declared by Council, and the Statement by Councillors and Management.

The Declared Business Activities of the Council are:

- water supply
- sewerage

In my opinion, the financial report presents fairly, in all material respects, the financial position of the Council's declared Business Activities as at 30 June 2018, and its financial performance for the year then ended, in accordance with the Australian Accounting Standards described in Note 1 and the Local Government Code of Accounting Practice and Financial Reporting (LG Code).

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

### **Basis for Opinion**

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

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

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

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

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

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

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

## **Emphasis of Matter - Basis of Accounting**

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

## **Other Information**

Other information comprises the information included in the Council's annual report for the year ended 30 June 2018, other than the financial report and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the general purpose financial statements and Special Schedules (the Schedules).

My opinion on the financial report does not cover the other information. Accordingly, I do not express any form of assurance conclusion on the other information. However, as required by the *Local Government Act 1993*, I have separately expressed an opinion on the general purpose financial statements and Special Schedule 2 - Permissible income for general rates.

In connection with my audit of the financial report, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude there is a material misstatement of the other information, I must report that fact.

I have nothing to report in this regard.

## **The Councillors' Responsibilities for the Financial Report**

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

In preparing the financial report, the Councillors are responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless it is not appropriate to do so.

## **Auditor's Responsibilities for the Audit of the Financial Report**

My objectives are to:

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

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

A description of my responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: [www.auasb.gov.au/auditors\\_responsibilities/ar4.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf). The description forms part of my auditor's report.

My opinion does *not* provide assurance:

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

A handwritten signature in cursive script that reads "D. Ryan".

Dominika Ryan  
Director, Financial Audit Services

30 October 2018  
SYDNEY

# Lithgow City Council

SPECIAL SCHEDULES

for the year ended 30 June 2018

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*"A centre of regional excellence that:*

- encourages community growth and development,*
- contributes to the efficient and effective management of the environment, community and economy for present and future generations."*





# Lithgow City Council

## Special Schedules

for the year ended 30 June 2018

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<sup>1</sup> Special Schedules are not audited (with the exception of Special Schedule 2).

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#### Background

- (i) These Special Schedules have been designed to meet the requirements of special purpose users such as;
- the NSW Grants Commission
  - the Australian Bureau of Statistics (ABS),
  - the 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.

## Lithgow 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	
<b>Governance</b>	<b>(341)</b>	<b>33</b>	<b>–</b>	<b>374</b>
<b>Administration</b>	<b>962</b>	<b>410</b>	<b>10</b>	<b>(542)</b>
<b>Public order and safety</b>				
Fire service levy, fire protection, emergency services	877	292	–	(585)
Beach control	–	–	–	–
Enforcement of local government regulations	–	–	–	–
Animal control	168	37	–	(131)
Other	–	–	–	–
<b>Total public order and safety</b>	<b>1,045</b>	<b>329</b>	<b>–</b>	<b>(716)</b>
<b>Health</b>	<b>465</b>	<b>176</b>	<b>–</b>	<b>(289)</b>
<b>Environment</b>				
Noxious plants and insect/vermin control	–	–	–	–
Other environmental protection	211	428	–	217
Solid waste management	2,943	4,088	–	1,145
Street cleaning	–	–	–	–
Drainage	202	–	–	(202)
Stormwater management	–	240	–	240
<b>Total environment</b>	<b>3,356</b>	<b>4,756</b>	<b>–</b>	<b>1,400</b>
<b>Community services and education</b>				
Administration and education	–	–	–	–
Social protection (welfare)	–	–	–	–
Aged persons and disabled	–	–	–	–
Children's services	–	–	–	–
<b>Total community services and education</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Housing and community amenities</b>				
Public cemeteries	277	147	–	(130)
Public conveniences	170	–	–	(170)
Street lighting	–	–	–	–
Town planning	3,277	725	560	(1,992)
Other community amenities	498	695	–	197
<b>Total housing and community amenities</b>	<b>4,222</b>	<b>1,567</b>	<b>560</b>	<b>(2,095)</b>
<b>Water supplies</b>	<b>6,914</b>	<b>6,783</b>	<b>144</b>	<b>13</b>
<b>Sewerage services</b>	<b>6,372</b>	<b>7,271</b>	<b>783</b>	<b>1,682</b>

## Lithgow 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	
<b>Recreation and culture</b>				
Public libraries	1,585	106	–	(1,479)
Museums	70	7	–	(63)
Art galleries	–	–	–	–
Community centres and halls	54	9	–	(45)
Performing arts venues	69	5	–	(64)
Other performing arts	–	–	–	–
Other cultural services	660	82	–	(578)
Sporting grounds and venues	919	59	–	(860)
Swimming pools	1,280	537	–	(743)
Parks and gardens (lakes)	829	6	1,752	929
Other sport and recreation	1,926	13	–	(1,913)
<b>Total recreation and culture</b>	<b>7,392</b>	<b>824</b>	<b>1,752</b>	<b>(4,816)</b>
<b>Fuel and energy</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Agriculture</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Mining, manufacturing and construction</b>				
Building control	–	–	–	–
Other mining, manufacturing and construction	–	–	–	–
<b>Total mining, manufacturing and const.</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Transport and communication</b>				
Urban roads (UR) – local	2,386	176	1,016	(1,194)
Urban roads – regional	–	–	–	–
Sealed rural roads (SRR) – local	742	1,489	65	812
Sealed rural roads (SRR) – regional	–	–	–	–
Unsealed rural roads (URR) – local	1,221	–	–	(1,221)
Unsealed rural roads (URR) – regional	–	–	–	–
Bridges on UR – local	8	–	–	(8)
Bridges on SRR – local	49	–	–	(49)
Bridges on URR – local	–	–	–	–
Bridges on regional roads	–	–	–	–
Parking areas	33	257	–	224
Footpaths	49	–	–	(49)
Aerodromes	–	–	–	–
Other transport and communication	8,152	239	–	(7,913)
<b>Total transport and communication</b>	<b>12,640</b>	<b>2,161</b>	<b>1,081</b>	<b>(9,398)</b>
<b>Economic affairs</b>				
Camping areas and caravan parks	–	–	–	–
Other economic affairs	987	103	–	(884)
<b>Total economic affairs</b>	<b>987</b>	<b>103</b>	<b>–</b>	<b>(884)</b>
<b>Totals – functions</b>	<b>44,014</b>	<b>24,413</b>	<b>4,330</b>	<b>(15,271)</b>
<b>General purpose revenues <sup>(1)</sup></b>		<b>17,844</b>		<b>17,844</b>
<b>Share of interests – joint ventures and associates using the equity method</b>	<b>–</b>	<b>–</b>		<b>–</b>
<b>NET OPERATING RESULT <sup>(2)</sup></b>	<b>44,014</b>	<b>42,257</b>	<b>4,330</b>	<b>2,573</b>

(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

## Lithgow City Council

## Special Schedule 2 – Permissible income for general rates

for the year ended 30 June 2019

\$'000		Calculation 2018/19	Calculation 2017/18
<b>Notional general income calculation <sup>(1)</sup></b>			
Last year notional general income yield	a	12,920	12,732
Plus or minus adjustments <sup>(2)</sup>	b	99	27
<b>Notional general income</b>	c = (a + b)	<b>13,019</b>	<b>12,759</b>
<b>Permissible income calculation</b>			
Special variation percentage <sup>(3)</sup>	d	0.00%	0.00%
Or rate peg percentage	e	2.30%	1.50%
Or crown land adjustment (incl. rate peg percentage)	f	0.00%	0.00%
Less expiring special variation amount	g	–	–
Plus special variation amount	h = d x (c – g)	–	–
Or plus rate peg amount	i = c x e	299	191
Or plus Crown land adjustment and rate peg amount	j = c x f	–	–
<b>Sub-total</b>	k = (c + g + h + i + j)	<b>13,318</b>	<b>12,950</b>
Plus (or minus) last year's carry forward total	l	27	(3)
Less valuation objections claimed in the previous year	m	–	–
<b>Sub-total</b>	n = (l + m)	<b>27</b>	<b>(3)</b>
<b>Total permissible income</b>	o = k + n	<b>13,346</b>	<b>12,947</b>
Less notional general income yield	p	13,340	12,920
<b>Catch-up or (excess) result</b>	q = o – p	<b>6</b>	<b>27</b>
Plus income lost due to valuation objections claimed <sup>(4)</sup>	r	–	–
Less unused catch-up <sup>(5)</sup>	s	–	–
<b>Carry forward to next year</b>	t = q + r – s	<b>6</b>	<b>27</b>

### 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.



## INDEPENDENT AUDITOR'S REPORT

### Special Schedule 2 - Permissible Income for general rates

#### Lithgow City Council

To the Councillors of the Lithgow City Council

### Opinion

I have audited the accompanying Special Schedule 2 – Permissible Income for general rates (the Schedule) of the Lithgow City Council (the Council) for the year ending 30 June 2019.

In my opinion, the Schedule of the Council for the year ending 30 June 2019 is prepared, in all material respects in accordance with the requirements of the Local Government Code of Accounting Practice and Financial Reporting (LG Code) issued by the Office of Local Government (OLG), and is in accordance with the books and records of the Council.

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

### Basis for Opinion

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

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

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

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

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

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

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

### Emphasis of Matter – Basis of Accounting

Without modifying my opinion, I draw attention to the special purpose framework used to prepare the Schedule. The Schedule had been prepared for the purpose of fulfilling the Council's reporting obligations under the LG Code. As a result, the Schedule may not be suitable for another purpose.

## **Other Information**

Other information comprises the information included in the Council's annual report for the year ended 30 June 2019, other than the Schedule and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the general purpose financial statements, special purpose financial statements and the Special Schedules excluding Special Schedule 2 (the other Schedules).

My opinion on the Schedule does not cover the other information. Accordingly, I do not express any form of assurance conclusion on the other information. However, as required by the *Local Government Act 1993*, I have separately expressed an opinion on the general purpose financial statements and the special purpose financial statements.

In connection with my audit of the Schedule, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Schedule or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude there is a material misstatement of the other information, I must report that fact.

I have nothing to report in this regard.

## **The Councillors' Responsibilities for the Schedule**

The Councillors are responsible for the preparation of the Schedule in accordance with the LG Code. The Councillors' responsibility also includes such internal control as the Councillors determine is necessary to enable the preparation of the Schedule that is free from material misstatement, whether due to fraud or error.

In preparing the Schedule, the Councillors are responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless it is not appropriate to do so.

## **Auditor's Responsibilities for the Audit of the Schedule**

My objectives are to:

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

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

A description of my responsibilities for the audit of the Schedule is located at the Auditing and Assurance Standards Board website at: [www.auasb.gov.au/auditors\\_responsibilities/ar8.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar8.pdf). The description forms part of my auditor's report.

My opinion does not provide assurance:

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

A handwritten signature in cursive script, appearing to read 'D. Ryan'.

Dominika Ryan  
Director, Financial Audit Services

30 October 2018  
SYDNEY

## Lithgow 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
<b>A Expenses and income</b>		
<b>Expenses</b>		
<b>1. Management expenses</b>		
a. Administration	1,215	550
b. Engineering and supervision	335	372
<b>2. Operation and maintenance expenses</b>		
<b>– dams and weirs</b>		
a. Operation expenses	54	34
b. Maintenance expenses	17	24
<b>– Mains</b>		
c. Operation expenses	93	129
d. Maintenance expenses	574	602
<b>– Reservoirs</b>		
e. Operation expenses	79	81
f. Maintenance expenses	35	138
<b>– Pumping stations</b>		
g. Operation expenses (excluding energy costs)	2	14
h. Energy costs	32	25
i. Maintenance expenses	20	16
<b>– Treatment</b>		
j. Operation expenses (excluding chemical costs)	461	593
k. Chemical costs	121	130
l. Maintenance expenses	128	107
<b>– Other</b>		
m. Operation expenses	35	–
n. Maintenance expenses	442	402
o. Purchase of water	1,438	1,474
<b>3. Depreciation expenses</b>		
a. System assets	1,530	1,377
b. Plant and equipment	36	21
<b>4. Miscellaneous expenses</b>		
a. Interest expenses	56	64
b. Revaluation decrements	–	–
c. Other expenses	184	201
d. Impairment – system assets	–	–
e. Impairment – plant and equipment	–	–
f. Aboriginal Communities Water and Sewerage Program	–	–
g. Tax equivalents dividends (actually paid)	–	–
<b>5. Total expenses</b>	<b>6,887</b>	<b>6,354</b>



## Lithgow 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>Income</b>		
<b>6. Residential charges</b>		
a. Access (including rates)	1,660	1,492
b. Usage charges	4,925	4,935
<b>7. Non-residential charges</b>		
a. Access (including rates)	–	–
b. Usage charges	–	–
<b>8. Extra charges</b>	–	–
<b>9. Interest income</b>	33	36
<b>10. Other income</b>	75	66
<b>10a. Aboriginal Communities Water and Sewerage Program</b>	–	–
<b>11. Grants</b>		
a. Grants for acquisition of assets	–	–
b. Grants for pensioner rebates	89	92
c. Other grants	–	66
<b>12. Contributions</b>		
a. Developer charges	–	–
b. Developer provided assets	–	–
c. Other contributions	144	107
<b>13. Total income</b>	<b>6,926</b>	<b>6,794</b>
<b>14. Gain (or loss) on disposal of assets</b>	(25)	(2)
<b>15. Operating result</b>	<b>14</b>	<b>438</b>
<b>15a. Operating result (less grants for acquisition of assets)</b>	14	438

## Lithgow 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>B Capital transactions</b>		
<b>Non-operating expenditures</b>		
<b>16. Acquisition of fixed assets</b>		
a. New assets for improved standards	169	1,058
b. New assets for growth	–	–
c. Renewals	249	–
d. Plant and equipment	–	36
<b>17. Repayment of debt</b>	147	140
<b>18. Totals</b>	<b>565</b>	<b>1,234</b>
<b>Non-operating funds employed</b>		
<b>19. Proceeds from disposal of assets</b>	–	–
<b>20. Borrowing utilised</b>	–	–
<b>21. Totals</b>	<b>–</b>	<b>–</b>
<b>C Rates and charges</b>		
<b>22. Number of assessments</b>		
a. Residential (occupied)	7,229	7,209
b. Residential (unoccupied, ie. vacant lot)	544	555
c. Non-residential (occupied)	449	446
d. Non-residential (unoccupied, ie. vacant lot)	58	60
<b>23. Number of ETs for which developer charges were received</b>	– ET	– ET
<b>24. Total amount of pensioner rebates (actual dollars)</b>	\$ 166,196	\$ 171,845

## Lithgow 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
<b>ASSETS</b>			
<b>25. Cash and investments</b>			
a. Developer charges	–	–	–
b. Special purpose grants	24	–	24
c. Accrued leave	–	–	–
d. Unexpended loans	–	–	–
e. Sinking fund	–	–	–
f. Other	3,756	–	3,756
<b>26. Receivables</b>			
a. Specific purpose grants	5	–	5
b. Rates and availability charges	104	–	104
c. User charges	1,433	–	1,433
d. Other	19	–	19
<b>27. Inventories</b>	156	–	156
<b>28. Property, plant and equipment</b>			
a. System assets	–	33,428	33,428
b. Plant and equipment	–	70	70
<b>29. Other assets</b>	–	–	–
<b>30. Total assets</b>	<b>5,497</b>	<b>33,498</b>	<b>38,995</b>
<b>LIABILITIES</b>			
<b>31. Bank overdraft</b>	–	–	–
<b>32. Creditors</b>	191	–	191
<b>33. Borrowings</b>	156	917	1,073
<b>34. Provisions</b>			
a. Tax equivalents	–	–	–
b. Dividend	–	–	–
c. Other	–	–	–
<b>35. Total liabilities</b>	<b>347</b>	<b>917</b>	<b>1,264</b>
<b>36. NET ASSETS COMMITTED</b>	<b>5,150</b>	<b>32,581</b>	<b>37,731</b>
<b>EQUITY</b>			
<b>37. Accumulated surplus</b>			14,501
<b>38. Asset revaluation reserve</b>			23,230
<b>39. Other reserves</b>			–
<b>40. TOTAL EQUITY</b>			<b>37,731</b>
<b>Note to system assets:</b>			
<b>41. Current replacement cost</b> of system assets			93,154
<b>42. Accumulated current cost</b> depreciation of system assets			(59,656)
<b>43. Written down current cost</b> of system assets			<b>33,498</b>

## Lithgow 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
<b>A Expenses and income</b>		
<b>Expenses</b>		
<b>1. Management expenses</b>		
a. Administration	401	258
b. Engineering and supervision	215	346
<b>2. Operation and maintenance expenses</b>		
<b>– mains</b>		
a. Operation expenses	186	128
b. Maintenance expenses	184	222
<b>– Pumping stations</b>		
c. Operation expenses (excluding energy costs)	77	134
d. Energy costs	91	87
e. Maintenance expenses	311	306
<b>– Treatment</b>		
f. Operation expenses (excl. chemical, energy, effluent and biosolids management costs)	387	342
g. Chemical costs	432	525
h. Energy costs	242	154
i. Effluent management	745	642
j. Biosolids management	147	–
k. Maintenance expenses	355	590
<b>– Other</b>		
l. Operation expenses	2	52
m. Maintenance expenses	142	130
<b>3. Depreciation expenses</b>		
a. System assets	1,724	1,695
b. Plant and equipment	22	14
<b>4. Miscellaneous expenses</b>		
a. Interest expenses	454	391
b. Revaluation decrements	–	–
c. Other expenses	230	839
d. Impairment – system assets	–	–
e. Impairment – plant and equipment	–	–
f. Aboriginal Communities Water and Sewerage Program	–	–
g. Tax equivalents dividends (actually paid)	–	–
<b>5. Total expenses</b>	<b>6,347</b>	<b>6,855</b>

## Lithgow 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>Income</b>		
<b>6. Residential charges</b> (including rates)	6,693	6,562
<b>7. Non-residential charges</b>		
a. Access (including rates)	–	–
b. Usage charges	349	339
<b>8. Trade waste charges</b>		
a. Annual fees	98	120
b. Usage charges	–	–
c. Excess mass charges	–	–
d. Re-inspection fees	–	–
<b>9. Extra charges</b>	–	–
<b>10. Interest income</b>	–	–
<b>11. Other income</b>	46	50
<b>11a. Aboriginal Communities Water and Sewerage Program</b>	–	–
<b>12. Grants</b>		
a. Grants for acquisition of assets	783	7,810
b. Grants for pensioner rebates	86	90
c. Other grants	–	–
<b>13. Contributions</b>		
a. Developer charges	–	–
b. Developer provided assets	–	–
c. Other contributions	–	–
<b>14. Total income</b>	<b>8,055</b>	<b>14,971</b>
<b>15. Gain (or loss) on disposal of assets</b>	(27)	9
<b>16. Operating result</b>	<b>1,681</b>	<b>8,125</b>
<b>16a. Operating result (less grants for acquisition of assets)</b>	898	315

## Lithgow 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>B Capital transactions</b>		
<b>Non-operating expenditures</b>		
<b>17. Acquisition of fixed assets</b>		
a. New assets for improved standards	98	–
b. New assets for growth	–	331
c. Renewals	3,365	–
d. Plant and equipment	–	35
<b>18. Repayment of debt</b>	–	852
<b>19. Totals</b>	<b>3,463</b>	<b>1,218</b>
<b>Non-operating funds employed</b>		
<b>20. Proceeds from disposal of assets</b>	–	–
<b>21. Borrowing utilised</b>	–	–
<b>22. Totals</b>	<b>–</b>	<b>–</b>
<b>C Rates and charges</b>		
<b>23. Number of assessments</b>		
a. Residential (occupied)	6,831	6,802
b. Residential (unoccupied, ie. vacant lot)	365	380
c. Non-residential (occupied)	437	434
d. Non-residential (unoccupied, ie. vacant lot)	41	41
<b>24. Number of ETs for which developer charges were received</b>	– ET	– ET
<b>25. Total amount of pensioner rebates (actual dollars)</b>	\$ 157,071	\$ 162,043

## Lithgow 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
<b>ASSETS</b>			
<b>26. Cash and investments</b>			
a. Developer charges	–	–	–
b. Special purpose grants	–	–	–
c. Accrued leave	–	–	–
d. Unexpended loans	1,931	–	1,931
e. Sinking fund	–	–	–
f. Other	4,839	–	4,839
<b>27. Receivables</b>			
a. Specific purpose grants	274	–	274
b. Rates and availability charges	500	–	500
c. User charges	34	–	34
d. Other	–	–	–
<b>28. Inventories</b>	18	–	18
<b>29. Property, plant and equipment</b>			
a. System assets	–	77,018	77,018
b. Plant and equipment	–	54	54
<b>30. Other assets</b>	–	–	–
<b>31. Total assets</b>	<u>7,596</u>	<u>77,072</u>	<u>84,668</u>
<b>LIABILITIES</b>			
<b>32. Bank overdraft</b>	–	–	–
<b>33. Creditors</b>	371	–	371
<b>34. Borrowings</b>	1,030	12,702	13,732
<b>35. Provisions</b>			
a. Tax equivalents	–	–	–
b. Dividend	–	–	–
c. Other	–	–	–
<b>36. Total liabilities</b>	<u>1,401</u>	<u>12,702</u>	<u>14,103</u>
<b>37. NET ASSETS COMMITTED</b>	<u>6,195</u>	<u>64,370</u>	<u>70,565</u>
<b>EQUITY</b>			
<b>38. Accumulated surplus</b>			35,630
<b>39. Asset revaluation reserve</b>			34,935
<b>40. Other reserves</b>			–
<b>41. TOTAL EQUITY</b>			<u>70,565</u>
<b>Note to system assets:</b>			
<b>42. Current replacement cost</b> of system assets			118,352
<b>43. Accumulated current cost</b> depreciation of system assets			(41,280)
<b>44. Written down current cost</b> of system assets			<u>77,072</u>

## Lithgow City Council

### Notes to Special Schedules 3 and 5

for the year ended 30 June 2018

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

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

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

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

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

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

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

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

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

**Non-residential charges** <sup>(2)</sup> (items 7a, 7b of Special Schedules 3 and 5) include all income from non-residential charges separated into 7a access charges (including rates if applicable) and 7b 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 contributions for water supply or sewerage services received by Council under Section 565 of the *Local Government Act*.

#### Notes:

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

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



## Lithgow 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 <sup>a</sup>	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
<b>Buildings</b>	Buildings – specialised	3,698	3,698	435	515	47,484	66,038	6%	22%	40%	32%	0%
	<b>Sub-total</b>	<b>3,698</b>	<b>3,698</b>	<b>435</b>	<b>515</b>	<b>47,484</b>	<b>66,038</b>	<b>6.0%</b>	<b>22.0%</b>	<b>40.0%</b>	<b>32.0%</b>	<b>0.0%</b>
<b>Other structures</b>	Other structures	1,818	1,818	1,558	786	13,192	25,064	49%	27%	10%	2%	12%
	<b>Sub-total</b>	<b>1,818</b>	<b>1,818</b>	<b>1,558</b>	<b>786</b>	<b>13,192</b>	<b>25,064</b>	<b>49.0%</b>	<b>27.0%</b>	<b>10.0%</b>	<b>2.0%</b>	<b>12.0%</b>
<b>Roads</b>	Sealed roads	9,456	9,456	1,685	827	215,931	258,751	9%	6%	75%	7%	3%
	Unsealed roads	1,047	1,047	910	1,265	23,933	28,680	9%	6%	75%	7%	3%
	Bridges	263	263	17	3	18,950	21,492	17%	29%	47%	7%	0%
	Footpaths	60	60	55	48	13,566	17,092	0%	7%	91%	2%	0%
	<b>Sub-total</b>	<b>10,826</b>	<b>10,826</b>	<b>2,667</b>	<b>2,143</b>	<b>272,380</b>	<b>326,015</b>	<b>9.1%</b>	<b>7.6%</b>	<b>74.0%</b>	<b>6.7%</b>	<b>2.6%</b>
<b>Water supply network</b>	Water supply network	3,226	3,226	1,436	774	33,157	90,858	11%	8%	63%	17%	1%
	<b>Sub-total</b>	<b>3,226</b>	<b>3,226</b>	<b>1,436</b>	<b>774</b>	<b>33,157</b>	<b>90,858</b>	<b>11.0%</b>	<b>8.0%</b>	<b>63.0%</b>	<b>17.0%</b>	<b>1.0%</b>
<b>Sewerage network</b>	Sewerage network	2,122	2,122	923	850	76,878	117,889	40%	17%	35%	7%	1%
	<b>Sub-total</b>	<b>2,122</b>	<b>2,122</b>	<b>923</b>	<b>850</b>	<b>76,878</b>	<b>117,889</b>	<b>40.0%</b>	<b>17.0%</b>	<b>35.0%</b>	<b>7.0%</b>	<b>1.0%</b>

## Lithgow 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 <sup>a</sup>	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	6,689	6,689	99	184	24,103	42,039	0%	9%	0%	91%	0%
	<b>Sub-total</b>	<b>6,689</b>	<b>6,689</b>	<b>99</b>	<b>184</b>	<b>24,103</b>	<b>42,039</b>	<b>0.0%</b>	<b>9.0%</b>	<b>0.0%</b>	<b>91.0%</b>	<b>0.0%</b>
Open space/recreational assets	Swimming pools	5	5	20	94	2,599	2,767	96%	0%	3%	1%	0%
	<b>Sub-total</b>	<b>5</b>	<b>5</b>	<b>20</b>	<b>94</b>	<b>2,599</b>	<b>2,767</b>	<b>96.0%</b>	<b>0.0%</b>	<b>3.0%</b>	<b>1.0%</b>	<b>0.0%</b>
	<b>TOTAL – ALL ASSETS</b>	<b>28,384</b>	<b>28,384</b>	<b>7,138</b>	<b>5,346</b>	<b>469,793</b>	<b>670,670</b>	<b>15.7%</b>	<b>11.5%</b>	<b>55.0%</b>	<b>15.7%</b>	<b>2.0%</b>

## Notes:

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

## Infrastructure asset condition assessment 'key'

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

## Lithgow City Council

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

	Amounts 2018	Indicator 2018	Prior periods		Benchmark
			2017	2016	
<b>Infrastructure asset performance indicators * consolidated</b>					
<b>1. Buildings and infrastructure renewals ratio <sup>(1)</sup></b>					
Asset renewals <sup>(2)</sup>	<u>9,542</u>	<b>86.97%</b>	99.15%	53.84%	>= 100%
Depreciation, amortisation and impairment	<u>10,972</u>				
<b>2. Infrastructure backlog ratio <sup>(1)</sup></b>					
Estimated cost to bring assets to a satisfactory standard	<u>28,384</u>	<b>6.04%</b>	7.22%	11.03%	< 2.00%
Net carrying amount of infrastructure assets	<u>469,793</u>				
<b>3. Asset maintenance ratio</b>					
Actual asset maintenance	<u>5,346</u>	<b>74.89%</b>	81.53%	78.84%	> 100%
Required asset maintenance	<u>7,138</u>				
<b>4. Cost to bring assets to agreed service level</b>					
Estimated cost to bring assets to an agreed service level set by Council	<u>28,384</u>	<b>4.23%</b>	0.00%		
Gross replacement cost	<u>670,670</u>				

## Notes

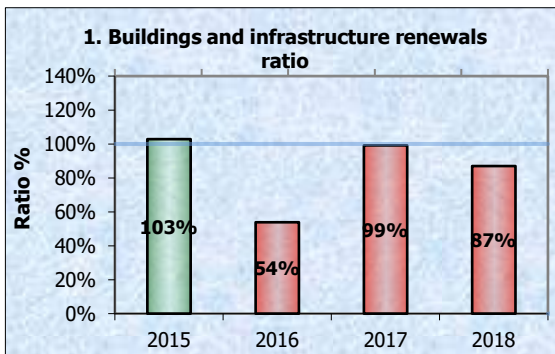
\* All asset performance indicators are calculated using the asset classes identified in the previous table.

(1) Excludes 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.

# Lithgow City Council

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



Benchmark: — Minimum  $\geq 100.00\%$   
Source for benchmark: Code of Accounting Practice and Financial Reporting #26

**Purpose of asset renewals ratio**

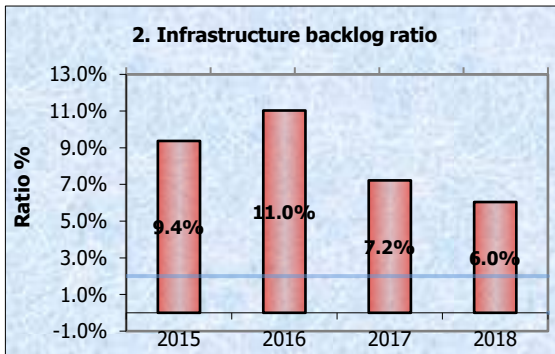
To assess the rate at which these assets are being renewed relative to the rate at which they are depreciating.

**Commentary on 2017/18 result**

**2017/18 Ratio 86.97%**

Council is continuing to work towards this benchmark with implementation of an asset management module in Tech One in 2018/19 and improvements in the 2019/20FY to follow. Council's poor performance relates to delays in the Portland STP project.

Ratio achieves benchmark  
 Ratio is outside benchmark



Benchmark: — Maximum  $< 2.00\%$   
Source for benchmark: Code of Accounting Practice and Financial Reporting #26

**Purpose of infrastructure backlog ratio**

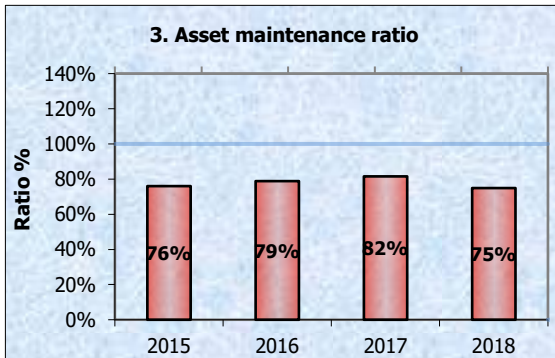
This ratio shows what proportion the backlog is against the total value of a Council's infrastructure.

**Commentary on 2017/18 result**

**2017/18 Ratio 6.04%**

Council continues to improve for this KPI. The implementation of the asset management module in 2018/19 see Council make further improvements.

Ratio achieves benchmark  
 Ratio is outside benchmark



Benchmark: — Minimum  $> 100.00\%$   
Source for benchmark: Code of Accounting Practice and Financial Reporting #26

**Purpose of asset maintenance ratio**

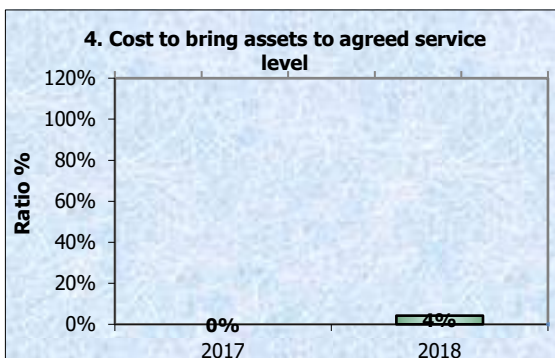
Compares actual vs. required annual asset maintenance. A ratio above 100% indicates Council is investing enough funds to stop the infrastructure backlog growing.

**Commentary on 2017/18 result**

**2017/18 Ratio 74.89%**

Council is continuing to work towards this benchmark with implementation of an asset management module in Tech One in 2018/19 and improvements in the 2019/20 FY to follow.

Ratio achieves benchmark  
 Ratio is outside benchmark



**Purpose of agreed service level ratio**

This ratio provides a snapshot of the proportion of outstanding renewal works compared to the total value of assets under Council's care and stewardship.

**Commentary on 2017/18 result**

**2017/18 Ratio 4.23%**

Council has soundly met this KPI. With the implementation of the asset management module in 2018/19 Council is expecting to has continued strong performance for this ratio.

## Lithgow City Council

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

	General indicators <sup>(1)</sup>		Water indicators		Sewer indicators		Benchmark
	2018	2017	2018	2017	2018	2017	
<b>Infrastructure asset performance indicators by fund</b>							
<b>1. Buildings and infrastructure renewals ratio <sup>(2)</sup></b>							
Asset renewals <sup>(3)</sup>	<b>76.81%</b>	33.90%	<b>16.27%</b>	61.95%	<b>195.19%</b>	438.88%	>= 100%
Depreciation, amortisation and impairment							
<b>2. Infrastructure backlog ratio <sup>(2)</sup></b>							
Estimated cost to bring assets to a satisfactory standard	<b>6.40%</b>	6.46%	<b>9.73%</b>	6.64%	<b>2.76%</b>	11.41%	< 2.00%
Net carrying amount of infrastructure assets							
<b>3. Asset maintenance ratio</b>							
Actual asset maintenance	<b>77.88%</b>	89.71%	<b>53.90%</b>	75.78%	<b>92.09%</b>	69.22%	> 100%
Required asset maintenance							
<b>4. Cost to bring assets to agreed service level</b>							
Estimated cost to bring assets to an agreed service level set by Council	<b>4.99%</b>	0.00%	<b>3.55%</b>	0.00%	<b>1.80%</b>	0.00%	
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.