

Lithgow

*Delivery Program 2013-2017
Operational Plan 2014-2015*



*Annual Financial Statements
2014-2015*



Annual Financial Statements
2014-2015

Our Place ... Our Future

Lithgow City Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2015

"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 financial year ended 30 June 2015

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Overview

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

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

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

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

- (iii) All figures presented in these financial statements are presented in Australian Currency.
- (iv) These financial statements were authorised for issue by the Council on 31 October 2015. Council has the power to amend and reissue these financial statements.
-

Lithgow City Council

General Purpose Financial Statements

for the financial year ended 30 June 2015

Statement by Councillors and Management

made pursuant to Section 413(2)(c) of the Local Government Act 1993 (as amended)

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

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

To the best of our knowledge and belief, these Financial Statements:

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

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

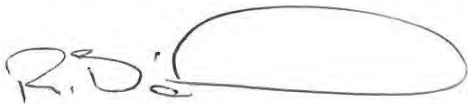
Signed in accordance with a resolution of Council made on 26 October 2015.



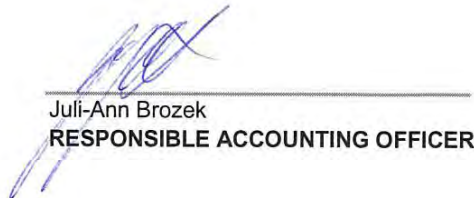
Maree Statham
MAYOR



Ray Thompson
COUNCILLOR



Roger Bailey
GENERAL MANAGER



Juli-Ann Brozek
RESPONSIBLE ACCOUNTING OFFICER

Lithgow City Council

Notes to the Financial Statements for the financial year ended 30 June 2015

Understanding Council's Financial Statements

Introduction

Each year, individual Local Governments across NSW are required to present a set of audited financial statements to their Council & Community.

What you will find in the Statements

The financial statements set out the financial performance, financial position & cash flows of Council for the financial year ended 30 June 2015.

The format of the financial statements is standard across all NSW Councils and complies with both the accounting & 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 & ownership of the financial statements.

About the Primary Financial Statements

The financial statements incorporate 5 "primary" financial statements:

1. The Income Statement

Summarises Council's financial performance for the year, listing all income & 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 values of Council's Infrastructure, Property, Plant & Equipment.

3. The Statement of Financial Position

A 30 June snapshot of Council's financial position indicating its Assets, Liabilities & 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 5 primary financial statements.

About the Auditor's Reports

Council's financial statements are required to be audited by external accountants (that generally specialize in Local Government).

In NSW, the Auditor provides 2 audit reports:

1. An opinion on whether the financial statements present fairly the Council's financial performance & position, &
2. Their observations on the conduct of the Audit including commentary on the Council's financial performance & financial position.

Who uses the Financial Statements ?

The financial statements are publicly available documents & must be presented at a Council meeting between 7 days & 5 weeks after the date of the Audit Report.

Submissions from the public can be made to Council up to 7 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

Income Statement

for the financial year ended 30 June 2015

Budget 2015	\$ '000	Notes	Actual 2015	Actual 2014
Income from Continuing Operations				
Revenue:				
23,133	Rates & Annual Charges	3a	23,379	22,800
6,263	User Charges & Fees	3b	6,300	6,256
584	Interest & Investment Revenue	3c	712	837
709	Other Revenues	3d	1,030	646
6,463	Grants & Contributions provided for Operating Purposes	3e,f	6,768	4,996 ²
5,537	Grants & Contributions provided for Capital Purposes	3e,f	3,682	5,240
Other Income:				
337	Net gains from the disposal of assets	5	-	129
43,026	Total Income from Continuing Operations		41,871	40,904
Expenses from Continuing Operations				
13,308	Employee Benefits & On-Costs	4a	15,277	14,441
1,556	Borrowing Costs	4b	1,560	1,213
9,311	Materials & Contracts	4c	8,878	8,804
9,216	Depreciation & Amortisation	4d	10,151	9,689
3,880	Other Expenses	4e	3,746	3,730
-	Net Losses from the Disposal of Assets	5	289	-
37,271	Total Expenses from Continuing Operations		39,901	37,877
5,755	Operating Result from Continuing Operations		1,970	3,027
Discontinued Operations				
-	Net Profit/(Loss) from Discontinued Operations	24	-	-
5,755	Net Operating Result for the Year		1,970	3,027
5,755	Net Operating Result attributable to Council		1,970	3,027
-	Net Operating Result attributable to Non-controlling Interests		-	-
Net Operating Result for the year before Grants and Contributions provided for Capital Purposes				
218			(1,712)	(2,213)

¹ Original Budget as approved by Council - refer Note 16

² Financial Assistance Grants for 13/14 were lower reflecting one off timing differences due to a change in how the grant was paid in prior years - refer Note 3 (e)

Lithgow City Council

Statement of Comprehensive Income

for the financial year ended 30 June 2015

\$ '000	Notes	Actual 2015	Actual 2014
Net Operating Result for the year (as per Income statement)		1,970	3,027
Other Comprehensive Income:			
Amounts which will not be reclassified subsequently to the Operating Result			
Gain (loss) on revaluation of I,PP&E	20b (ii)	21,683	5,032
Total Items which will not be reclassified subsequently to the Operating Result		21,683	5,032
Amounts which will be reclassified subsequently to the Operating Result when specific conditions are met			
Nil			
Total Other Comprehensive Income for the year		21,683	5,032
Total Comprehensive Income for the Year		23,653	8,059
Total Comprehensive Income attributable to Council		23,653	8,059
Total Comprehensive Income attributable to Non-controlling Interests		-	-

Lithgow City Council

Statement of Financial Position
as at 30 June 2015

\$ '000	Notes	Actual 2015	Actual 2014
ASSETS			
Current Assets			
Cash & Cash Equivalents	6a	13,436	15,162
Investments	6b	5,013	3,934
Receivables	7	5,912	5,460
Inventories	8	618	479
Other	8	227	204
Total Current Assets		25,206	25,239
Non-Current Assets			
Inventories	8	-	738
Infrastructure, Property, Plant & Equipment	9	401,087	379,314
Total Non-Current Assets		401,087	380,052
TOTAL ASSETS		426,293	405,291
LIABILITIES			
Current Liabilities			
Payables	10	2,752	4,551
Borrowings	10	1,763	1,237
Provisions	10	3,611	3,857
Total Current Liabilities		8,126	9,645
Non-Current Liabilities			
Borrowings	10	19,572	15,685
Provisions	10	11,016	10,696
Total Non-Current Liabilities		30,588	26,381
TOTAL LIABILITIES		38,714	36,026
Net Assets		387,579	369,265
EQUITY			
Retained Earnings	20	244,495	247,864
Revaluation Reserves	20	143,084	121,401
Council Equity Interest		387,579	369,265
Total Equity		387,579	369,265

Lithgow City Council

Statement of Changes in Equity
for the financial year ended 30 June 2015

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council Interest	Non-controlling Interest	Total Equity
2015						
Opening Balance (as per Last Year's Audited Accounts)		247,864	121,401	369,265	-	369,265
a. Correction of Prior Period Errors	20 (c)	(5,339)	-	(5,339)	-	(5,339)
b. Changes in Accounting Policies (prior year effects)	20 (d)	-	-	-	-	-
Revised Opening Balance (as at 1/7/14)		242,525	121,401	363,926	-	363,926
c. Net Operating Result for the Year		1,970	-	1,970	-	1,970
d. Other Comprehensive Income						
- Revaluations : IPP&E Asset Revaluation Rsve	20b (ii)	-	21,683	21,683	-	21,683
Other Comprehensive Income		-	21,683	21,683	-	21,683
Total Comprehensive Income (c&d)		1,970	21,683	23,653	-	23,653
e. Distributions to/(Contributions from) Non-controlling Interests		-	-	-	-	-
f. Transfers between Equity		-	-	-	-	-
Equity - Balance at end of the reporting period		244,495	143,084	387,579	-	387,579

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council Interest	Non-controlling Interest	Total Equity
2014						
Opening Balance (as per Last Year's Audited Accounts)		244,837	116,369	361,206	-	361,206
a. Correction of Prior Period Errors	20 (c)	-	-	-	-	-
b. Changes in Accounting Policies (prior year effects)	20 (d)	-	-	-	-	-
Revised Opening Balance (as at 1/7/13)		244,837	116,369	361,206	-	361,206
c. Net Operating Result for the Year		3,027	-	3,027	-	3,027
d. Other Comprehensive Income						
- Revaluations : IPP&E Asset Revaluation Rsve	20b (ii)	-	5,032	5,032	-	5,032
Other Comprehensive Income		-	5,032	5,032	-	5,032
Total Comprehensive Income (c&d)		3,027	5,032	8,059	-	8,059
e. Distributions to/(Contributions from) Non-controlling Interests		-	-	-	-	-
f. Transfers between Equity		-	-	-	-	-
Equity - Balance at end of the reporting period		247,864	121,401	369,265	-	369,265

Lithgow City Council

Statement of Cash Flows

for the financial year ended 30 June 2015

Budget 2015	\$ '000	Notes	Actual 2015	Actual 2014
Cash Flows from Operating Activities				
Receipts:				
22,365	Rates & Annual Charges		23,550	22,395
7,605	User Charges & Fees		5,269	6,265
584	Investment & Interest Revenue Received		795	752
12,000	Grants & Contributions		9,411	10,302
-	Bonds, Deposits & Retention amounts received		237	-
-	Other		2,645	(1,003)
Payments:				
(13,308)	Employee Benefits & On-Costs		(15,523)	(14,637)
(9,311)	Materials & Contracts		(11,455)	(8,499)
(1,556)	Borrowing Costs		(1,033)	(2,316)
-	Bonds, Deposits & Retention amounts refunded		-	(20)
(4,454)	Other		(3,616)	(2,943)
13,925	Net Cash provided (or used in) Operating Activities	11b	10,280	10,296
Cash Flows from Investing Activities				
Receipts:				
-	Sale of Investment Securities		3,934	-
337	Sale of Infrastructure, Property, Plant & Equipment		71	469
Payments:				
-	Purchase of Investment Securities		(5,013)	(1,101)
-	Purchase of Infrastructure, Property, Plant & Equipment		(10,066)	(14,021)
-	Deferred Debtors & Advances Made		(40)	(106)
-	Other Investing Activity Payments		(5,136)	-
337	Net Cash provided (or used in) Investing Activities		(16,250)	(14,759)
Cash Flows from Financing Activities				
Receipts:				
-	Proceeds from Borrowings & Advances		5,600	-
Payments:				
-	Repayment of Borrowings & Advances		(1,356)	(1,187)
-	Net Cash Flow provided (used in) Financing Activities		4,244	(1,187)
14,262	Net Increase/(Decrease) in Cash & Cash Equivalents		(1,726)	(5,650)
-	plus: Cash & Cash Equivalents - beginning of year	11a	15,162	20,812
14,262	Cash & Cash Equivalents - end of the year	11a	13,436	15,162
Additional Information:				
-	plus: Investments on hand - end of year	6b	5,013	3,934
	Total Cash, Cash Equivalents & Investments		18,449	19,096

Please refer to Note 11 for additional cash flow information

Lithgow City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

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n/a - not applicable

Lithgow City Council

Notes to the Financial Statements for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

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

Under Australian Accounting Standards (AASBs), accounting policies are defined as those specific principles, bases, conventions, rules and practices applied by a reporting entity (in this case Council) in preparing and presenting its financial statements.

(a) Basis of preparation

(i) Background

These financial statements are general purpose financial statements which have been prepared in accordance with;

- Australian Accounting Standards and Australian Accounting Interpretations issued by the Australian Accounting Standards Board,
- the Local Government Act (1993) & Regulation, and
- the Local Government Code of Accounting Practice and Financial Reporting.

For the purpose of preparing these financial statements, Council has been deemed to be a not-for-profit entity.

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

Because AASBs are sector neutral, some standards either:

- (a) have local Australian content and prescription that is specific to the Not-For-Profit sector (including Local Government) which are not in compliance with IFRSs, or
- (b) specifically exclude application by Not for Profit entities.

Accordingly in preparing these financial statements and accompanying notes, Council has been unable to comply fully with International Accounting Standards, but has complied fully with Australian Accounting Standards.

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

(iii) New and amended standards adopted by Council

During the current year, the following relevant accounting standards became mandatory and have been adopted by Council:

- AASB 10 Consolidated Financial Statements
- AASB 11 Joint Arrangements
- AASB 12 Disclosures of Interests in Other Entities

AASB 10 introduced a new definition of control based on the substance of the relationship and required Councils to consider their involvement with other entities regardless of whether there was a financial interest.

AASB 11 classified joint arrangements into either joint ventures (equity accounting) or joint operations (accounting for share of assets and liabilities).

AASB 12 has increased the level of disclosures required where Council has any interests in subsidiaries, joint arrangements, associates or unconsolidated structured entities.

(iv) Early adoption of Accounting Standards

Council has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 1 July 2014.

Refer further to paragraph (ab) relating to a summary of the effects of Standards with future operative dates.

(v) Basis of Accounting

These financial statements have been prepared under the **historical cost convention** except for:

- (i) certain financial assets and liabilities at fair value through profit or loss and available-for-sale financial assets which are all valued at fair value,

Lithgow City Council

Notes to the Financial Statements for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

(ii) the write down of any Asset on the basis of Impairment (if warranted) and

(iii) certain classes of non current assets (eg. Infrastructure, Property, Plant & Equipment and Investment Property) that are accounted for at fair valuation.

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

(vi) Changes in Accounting Policies

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

There have also been no changes in accounting policies when compared with previous financial statements unless otherwise stated [refer Note 20(d)].

(vii) Critical Accounting Estimates

The preparation of financial statements requires the use of certain critical accounting estimates (in conformity with AASBs).

Accordingly this 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 Council and that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future.

The resulting accounting estimates will, by definition, seldom equal the related actual results.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are set out below:

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

Critical judgements in applying Council's accounting policies

(i) Impairment of Receivables - Council has made a significant judgement about the impairment of a number of its receivables in Note 7.

(ii) Projected Section 94 Commitments - Council has used significant judgement in determining future Section 94 income and expenditure in Note 17.

(b) Revenue recognition

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

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

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

Revenue is measured on major income categories as follows:

Rates, Annual Charges, Grants and Contributions

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

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

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

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

Lithgow City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

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

Where grants or contributions recognised as revenues during the financial year were obtained on condition that they be expended in a particular manner or used over a particular period and those conditions were undischarged at balance date, the unused grant or contribution is disclosed in Note 3(g).

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

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

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

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

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

User Charges, Fees and Other Income

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

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

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

Sale of Infrastructure, Property, Plant and Equipment

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

Interest and Rents

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

Interest Income from Cash & Investments is accounted for using the effective interest rate at the date that interest is earned.

Dividend Income

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

Other Income

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

(c) Principles of Consolidation

These financial statements incorporate **(i)** the assets and liabilities of Council and any entities (or operations) that it **controls** (as at 30 June 2015) and **(ii)** all the related operating results (for the financial year ended the 30th June 2015).

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

(i) The Consolidated Fund

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

Lithgow City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

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

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

- General Purpose Operations
- Water Supply
- Sewerage Service

(ii) The Trust Fund

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

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

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

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

(iii) Joint Arrangements

Council has no interest in any Joint Arrangements.

(iv) Associates

Council has no interest in any Associates.

(v) County Councils

Council is not a member of any County Councils.

(vi) Unconsolidated Structured Entities

Council has no interest in any Unconsolidated Structured Entities.

(d) Leases

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

Finance Leases

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

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

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

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

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

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

Operating Leases

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

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

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

(e) Cash and Cash Equivalents

For Statement of Cash Flows (and Statement of Financial Position) presentation purposes, cash and cash equivalents includes;

Lithgow City Council

Notes to the Financial Statements for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

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

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

(f) Investments and Other Financial Assets

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

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

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

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

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

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

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

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

(ii) Loans and receivables

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

They arise when the Council provides money, goods or services directly to a debtor with no intention (or in some cases ability) of selling the resulting receivable.

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

(iii) Held-to-maturity investments

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

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

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

(iv) Available-for-sale financial assets

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

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

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

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

Lithgow City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

Financial Assets – Reclassification

Council may choose to reclassify a non-derivative trading financial asset out of the held-for-trading category if the financial asset is no longer held for the purpose of selling it in the near term.

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

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

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

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

General Accounting & Measurement of Financial Instruments:

(i) Initial Recognition

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

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

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

(ii) Subsequent Measurement

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

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

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

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

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

Impairment

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

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.

(iii) Types of Investments

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

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

Lithgow City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

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

Council amended its policy following revisions to the Ministerial Local Government Investment Order arising from the Cole Inquiry recommendations. Certain investments that Council holds are no longer prescribed (eg. managed funds, CDOs, and equity linked notes),

(g) Fair value estimation

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

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

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

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

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

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

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

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

The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest

rate that is available to the Council for similar financial instruments.

(h) Receivables

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

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

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

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

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

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

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

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

(i) Inventories

Raw Materials and Stores, Work in Progress and Finished Goods

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

Lithgow City Council

Notes to the Financial Statements for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

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

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

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

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

Land Held for Resale/Capitalisation of Borrowing Costs

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

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

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

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

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

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

Acquisition of assets

Council's non current assets are continually revalued (over a 5 year period) in accordance with the fair valuation policy as mandated by the Office of Local Government.

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

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

- **Operational Land** (External Valuation)
- **Community Land** (Internal Valuation)
- **Land Improvements**
(as approximated by depreciated historical cost)
- **Buildings – Specialised/Non Specialised**
(External Valuation)
- **Other Structures**
(as approximated by depreciated historical cost)
- **Roads Assets incl. roads, bridges & footpaths**
(Internal Valuation)
- **Bulk Earthworks** (External/Internal Valuation)
- **Stormwater Drainage** (Internal Valuation)
- **Water and Sewerage Networks**
(External/Internal Valuation)
- **Swimming Pools**
(Internal Valuation)
- **Other Open Space/Recreational Assets**
(Internal Valuation)
- **Other Infrastructure**
(Internal Valuation)
- **Other Assets**
(as approximated by depreciated historical cost)
- **Investment Properties** . refer Note 1(p),

Initial Recognition

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

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

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

Where infrastructure, property, plant and equipment assets are acquired for no cost or for an amount

Lithgow City Council

Notes to the Financial Statements for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

other than cost, the assets are recognised in the financial statements at their fair value at acquisition date - being the amount that the asset could have been exchanged between knowledgeable willing parties in an arm's length transaction.

Subsequent costs

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

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

Asset Revaluations (including Indexation)

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

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

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

For all other assets, Council assesses at each reporting date whether there is any indication that a revalued asset's carrying amount may differ materially from that which would be determined if the asset were revalued at the reporting date.

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

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

Capitalisation Thresholds

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

Land

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

Plant & Equipment

Office Furniture	> \$2,000
Office Equipment	> \$2,000
Other Plant & Equipment	> \$2,000

Buildings & Land Improvements

Park Furniture & Equipment	> \$2,000
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Building

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

Other Structures

> \$2,000

Water & Sewer Assets

Reticulation extensions	> \$5,000
Other	> \$5,000

Stormwater Assets

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

Transport Assets

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

Bridge construction & reconstruction	> \$10,000
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Other Infrastructure Assets

Swimming Pools	> \$10,000
Other Open Space/Recreational Assets	> \$10,000

Other Infrastructure	> \$10,000
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Depreciation

Depreciation on Council's infrastructure, property, plant and equipment assets is calculated using the straight line method (or describe here any other

Lithgow City Council

Notes to the Financial Statements for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

methods Council uses) in order to allocate an assets cost (net of residual values) over its estimated useful life.

Land is not depreciated.

Estimated useful lives for Council's I,PP&E include:

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

- Other Infrastructure 25 to 50 years

All asset residual values and useful lives are reviewed and adjusted (if appropriate), at each reporting date.

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

Disposal and De-recognition

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

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

(k) Land

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

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

(l) Land under roads

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

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

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

Lithgow City Council

Notes to the Financial Statements for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

(m) Intangible Assets

Council has not classified any assets as Intangible.

(n) Crown Reserves

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

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

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

Representations are currently being sought across State and Local Government to develop a consistent accounting treatment for Crown Reserves across both tiers of government.

(o) Rural Fire Service assets

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

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

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

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

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

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

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

Costs are estimated on the basis of a closure plan.

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

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

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

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

This amortisation of the discount is disclosed as a borrowing cost in Note 4(b).

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

Lithgow City Council

Notes to the Financial Statements for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

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

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

Provision is made for the estimated present value of the costs of environmental clean up obligations outstanding at the balance sheet date.
These costs are charged to the income statement.

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

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

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

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

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

Specific Information relating to Council's provisions relating to Close down, Restoration and Remediation costs can be found at Note 26.

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

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

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

For any assets or disposal groups classified as Non-Current Assets ~~%held for sale+~~, an impairment loss is recognised at any time when the assets carrying value is greater than its fair value less costs to sell.

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

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

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

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

(r) Impairment of assets

All Council's I,PP&E is subject to an annual assessment of impairment.

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in

Lithgow City Council

Notes to the Financial Statements for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

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.

Where an asset is not held principally for cash generating purposes (for example Infrastructure Assets) and would be replaced if the Council was deprived of it then depreciated replacement cost is used as value in use, otherwise value in use is estimated by using a discounted cash flow model.

Non-financial assets (other than goodwill) that suffered a prior period impairment are reviewed for possible reversal of the impairment at each reporting date.

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

(s) Payables

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

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

(t) Borrowings

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

Borrowings are subsequently measured at amortised cost.

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

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired.

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

(u) Borrowing costs

Borrowing costs are expensed, / except to the extent that they are incurred during the construction of qualifying assets.

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.

(v) Provisions

Provisions for legal claims, service warranties and other like liabilities are recognised when:

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

Provisions are not recognised for future operating losses.

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

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

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.

Lithgow City Council

Notes to the Financial Statements for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

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.

(w) Employee benefits

(i) Short Term Obligations

Short term employee benefit obligations include liabilities for wages and salaries (including non-monetary benefits), annual leave and vesting sick leave expected to be wholly settled within the 12 months after the reporting period.

Leave liabilities are recognised in the provision for employee benefits in respect of employees' services up to the reporting date with other short term employee benefit obligations disclosed under payables.

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

All other short-term employee benefit obligations are presented as payables.

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

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

(ii) Other Long Term Obligations

The liability for all long service and annual leave in respect of services provided by employees up to the reporting date (which is not expected to be wholly settled within the 12 months after the reporting period) are recognised in the provision for employee benefits.

These liabilities are measured at the present value of the expected future payments to be made using the projected unit credit method.

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

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

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

(iii) Retirement benefit obligations

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

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

Defined Benefit Plans

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

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

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

Lithgow City Council

Notes to the Financial Statements for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

Council is party to an Industry Defined Benefit Plan under the Local Government Superannuation Scheme, named the Local Government Superannuation Scheme - Pool B+

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

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

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

Defined Contribution Plans

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

(iv) Employee Benefit On-Costs

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

These amounts include Superannuation and Workers Compensation expenses which will be payable upon the future payment of certain Leave Liabilities accrued as at 30/06/15.

(x) Self insurance

Council does not self insure.

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

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

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

Exceptions

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

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

(z) Taxes

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

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

Goods & Services Tax (GST)

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

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

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

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

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

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

Lithgow City Council

Notes to the Financial Statements for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

Commitments and contingencies are disclosed net of the amount of GST recoverable from (or payable to) the ATO.

(aa) New accounting standards and interpretations

Certain new (or amended) accounting standards and interpretations have been published that are not mandatory for reporting periods ending 30 June 2015.

Council has not adopted any of these standards early.

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

Apart from the AASB disclosures below, there are no other standards that are not yet effective which are expected to have a material impact on Council in the current or future reporting periods and on foreseeable future transactions.

Applicable to Local Government:

AASB 9 - Financial Instruments (and associated amending standards)

AASB 9 replaces AASB 139 Financial Instruments: Recognition and Measurement and has an effective date for reporting periods beginning on or after 1 January 2018 (and must be applied retrospectively).

The overriding impact of AASB 9 is to change the requirements for the classification, measurement and disclosures associated with financial assets.

Under the new requirements the four current categories of financial assets stipulated in AASB 139 will be replaced with two measurement categories:

- fair value and
- amortised cost (where financial assets will only be able to be measured at amortised cost where very specific conditions are met).

AASB 15 - Revenue from contracts with customers and associated amending standards

AASB 15 will introduce a five step process for revenue recognition with the core principle of the new Standard being that entities recognise revenue so as to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the entity expects to be entitled in exchange for those goods or services.

The changes in revenue recognition requirements in AASB 15 may cause changes to accounting policies relating to the timing and amount of revenue recorded in the financial statements as well as additional disclosures.

The full impact of AASB 15 has not yet been ascertained or quantified.

AASB 15 will replace AASB 118 which covers contracts for goods and services and AASB 111 which covers construction contracts.

The effective date of this standard is for annual reporting periods beginning on or after 1 January 2017.

AASB 124 - Related Party Disclosures

From 1 July 2016, AASB 124 Related Party Disclosures will apply to Council.

This means that Council will be required to disclose information about related parties and Council transactions with those related parties.

Related parties will more than likely include the Mayor, Councillors and certain Council staff. In addition, the close family members of those people and any organisations that they control or are associated with will be classified as related parties (and fall under the related party reporting requirements).

AASB 2014 - 10 Sale or contribution of Assets between an Investor and its Associate or Joint Venture

The amendments address an acknowledged inconsistency between the requirements in AASB 10 and those in AASB 128 (2011), in dealing with the sale or contribution of assets between an investor and its associate or joint venture.

The main consequence of the amendments is that a full gain or loss is recognised when a transaction

Lithgow City Council

Notes to the Financial Statements for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

involves a business (whether it is housed in a subsidiary or not).

A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

The effective date of this standard is for annual reporting periods beginning on or after 1 January 2016.

This standard will only impact Council where there has been a sale or contribution of assets between the entity and the associate/joint venture.

AASB 2014 - 3 Amendments to Australian Accounting Standards - Accounting for Acquisitions of Interests in Joint Operations [AASB 1 and AASB 11]

This Standard amends AASB 11 to provide guidance on the accounting for acquisitions of interests in joint operations in which the activity constitutes a business.

The amendments require:

- (a) the acquirer of an interest in a joint operation in which the activity constitutes a business, as defined in AASB 3 Business Combinations, to apply all of the principles on business combinations accounting in AASB 3 and other Australian Accounting Standards except for those principles that conflict with the guidance in AASB 11; and
- (b) the acquirer to disclose the information required by AASB 3 and other Australian Accounting Standards for business combinations.

This Standard also makes an editorial correction to AASB 11.

The effective date of this standard is for annual reporting periods beginning on or after 1 January 2016.

If a joint operation is acquired during the reporting period, then this standard clarifies the accounting for the acquisition to be in accordance with AASB 3, i.e. assets and liabilities acquired to be measured at fair value.

Not applicable to Local Government per se;

None

(ab) Rounding of amounts

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

(ac) Comparative Figures

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

(ad) Disclaimer

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

Lithgow City Council

Notes to the Financial Statements for the financial year ended 30 June 2015

Note 2(a). Council Functions / Activities - Financial Information

Functions/Activities	Income, Expenses and Assets have been directly attributed to the following Functions / Activities. Details of these Functions/Activities are provided in Note 2(b).												
	Income from Continuing Operations			Expenses from Continuing Operations			Operating Result from Continuing Operations			Grants included in Income from Continuing Operations		Total Assets held (Current & Non-current)	
	Original Budget	Actual	Actual	Original Budget	Actual	Actual	Original Budget	Actual	Actual	Actual	Actual	Actual	Actual
	2015	2015	2014	2015	2015	2014	2015	2015	2014	2015	2014	2015	2014
Governance	3	11	3	1,771	1,128	161	(1,768)	(1,117)	(158)	1,425	52	333,428	314,636
Administration	1,115	992	2,510	907	1,080	641	208	(88)	1,869	-	-	-	-
Public Order & Safety	1,307	796	458	1,487	1,766	912	(180)	(970)	(454)	-	-	-	-
Health	-	-	215	750	780	577	(750)	(780)	(362)	-	-	-	-
Environment	4,180	5,000	3,803	4,955	4,305	3,553	(775)	695	250	1,155	1,408	-	-
Community Services & Education	65	-	116	1,675	1,650	1,231	(1,610)	(1,650)	(1,115)	-	-	-	-
Housing & Community Amenities	966	804	838	2,251	2,618	2,359	(1,285)	(1,814)	(1,521)	-	-	-	-
Water Supplies	6,657	6,290	6,879	5,900	6,495	7,583	757	(205)	(704)	-	510	30,591	29,721
Sewerage Services	7,442	6,908	7,895	5,009	6,421	9,290	2,433	487	(1,395)	148	931	62,274	60,934
Recreation & Culture	2,451	1,579	2,000	5,823	5,838	5,279	(3,372)	(4,259)	(3,279)	1,021	64	-	-
Transport & Communication	1,167	2,501	1,248	5,374	5,812	4,808	(4,207)	(3,311)	(3,560)	586	2,772	-	-
Economic Affairs	392	94	571	1,369	2,008	1,483	(977)	(1,914)	(912)	-	-	-	-
Total Functions & Activities	25,745	24,975	26,536	37,271	39,901	37,877	(11,526)	(14,926)	(11,341)	4,335	5,737	426,293	405,291
Share of gains/(losses) in Associates & Joint Ventures (using the Equity Method)	-	-	-	-	-	-	-	-	-	-	-	-	-
General Purpose Income ¹	17,281	16,896	14,368	-	-	-	17,281	16,896	14,368	4,928	2,561	-	-
Operating Result from Continuing Operations	43,026	41,871	40,904	37,271	39,901	37,877	5,755	1,970	3,027	9,263	8,298	426,293	405,291

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

Lithgow City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 2(b). Council Functions / Activities - Component Descriptions

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

GOVERNANCE

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

ADMINISTRATION

Corporate Support and Other Support Services (not otherwise attributed to the listed functions / activities).

PUBLIC ORDER & SAFETY

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

HEALTH

Inspection, immunisations, food control, health centres, other, administration.

ENVIRONMENT

Noxious plants and insect/vermin control, other environmental protection, solid waste management, street cleaning, drainage, stormwater management.

COMMUNITY SERVICES & EDUCATION

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

HOUSING & COMMUNITY AMENITIES

Housing, town planning, street lighting, other sanitation and garbage, public cemeteries, public conveniences,

WATER SUPPLIES

SEWERAGE SERVICES

RECREATION & CULTURE

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

TRANSPORT & COMMUNICATION

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

ECONOMIC AFFAIRS

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

Lithgow City Council

Notes to the Financial Statements
for the financial year ended 30 June 2015

Note 3. Income from Continuing Operations

\$ '000	Notes	Actual 2015	Actual 2014
(a) Rates & Annual Charges			
Ordinary Rates			
Residential		6,219	6,066
Farmland		1,436	1,383
Mining		1,977	1,933
Business		1,624	1,588
Total Ordinary Rates		11,256	10,970
Special Rates			
Sewerage Services		6,078	6,075
Parking		236	227
Total Special Rates		6,314	6,302
Annual Charges (pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Domestic Waste Management Services		3,887	3,746
Stormwater Management Services		238	237
Water Supply Services		1,310	1,176
Sewerage Services		353	347
Gas Mains		21	22
Total Annual Charges		5,809	5,528
TOTAL RATES & ANNUAL CHARGES		23,379	22,800

Council has used 2013 year valuations provided by the NSW Valuer General in calculating its rates.

Lithgow City Council

Notes to the Financial Statements
for the financial year ended 30 June 2015

Note 3. Income from Continuing Operations (continued)

\$ '000	Notes	Actual 2015	Actual 2014
(b) User Charges & Fees			
Specific User Charges (per s.502 - Specific "actual use" charges)			
Water Supply Services		4,933	4,782
Septic Approval		57	10
Septic Inspections		-	13
Trade Waste		137	201
Total User Charges		5,127	5,006
Other User Charges & Fees			
(i) Fees & Charges - Statutory & Regulatory Functions (per s.608)			
Planning & Building Regulation		746	718
Private Works - Section 67		153	262
Total Fees & Charges - Statutory/Regulatory		899	980
(ii) Fees & Charges - Other(incl. General User Charges) (per s.608)			
Leaseback Fees - Council Vehicles		136	145
Swimming Centres		131	114
Other		7	11
Total Fees & Charges - Other		274	270
<u>TOTAL USER CHARGES & FEES</u>		<u>6,300</u>	<u>6,256</u>

Lithgow City Council

Notes to the Financial Statements
for the financial year ended 30 June 2015

Note 3. Income from Continuing Operations (continued)

\$ '000	Notes	Actual 2015	Actual 2014
(c) Interest & Investment Revenue (incl. losses)			
Interest & Dividends			
- Interest on Overdue Rates & Annual Charges (incl. Special Purpose Rates)		125	116
- Interest earned on Investments (interest & coupon payment income)		587	721
<u>TOTAL INTEREST & INVESTMENT REVENUE</u>		<u>712</u>	<u>837</u>
Interest Revenue is attributable to:			
Unrestricted Investments/Financial Assets:			
Overdue Rates & Annual Charges (General Fund)		125	116
General Council Cash & Investments		587	721
<u>Total Interest & Investment Revenue Recognised</u>		<u>712</u>	<u>837</u>
(d) Other Revenues			
Rental Income - Other Council Properties		471	436
Esbank House		8	8
Library Charges		27	22
Inspections		34	27
Sales - Tourism		65	98
Other		425	55
<u>TOTAL OTHER REVENUE</u>		<u>1,030</u>	<u>646</u>

Lithgow City Council

Notes to the Financial Statements
for the financial year ended 30 June 2015

Note 3. Income from Continuing Operations (continued)

\$ '000	2015 Operating	2014 Operating	2015 Capital	2014 Capital
(e) Grants				
General Purpose (Untied)				
Financial Assistance ¹	4,622	2,257	-	-
Pensioners' Rates Subsidies - General Component	306	304	-	-
Total General Purpose	4,928	2,561	-	-

¹ The Financial Assistance Grant for the comparative 13/14 year reflects a one off timing difference (reduction). This grant ceased being paid in advance in the 13/14 year by up to 50% as had occurred in previous years.

Specific Purpose

Pensioners' Rates Subsidies:

- Water	86	93	-	-
- Sewerage	89	88	-	-
Water Supplies	-	-	-	320
Sewerage Services	-	-	148	843
Economic Development	25	-	-	-
Flood Restoration	23	-	863	1,408
Heritage & Cultural	11	-	-	-
Library - per capita	64	64	-	-
Recreation & Culture	-	-	865	-
Street Lighting	66	49	-	-
Transport (Roads to Recovery)	-	561	-	-
Transport (Other Roads & Bridges Funding)	-	-	1,309	2,211
Storm Damage	694	-	-	-
Other	92	-	-	100
Total Specific Purpose	1,150	855	3,185	4,882
Total Grants	6,078	3,416	3,185	4,882

Grant Revenue is attributable to:

- Commonwealth Funding	4,622	2,940	-	1,868
- State Funding	764	437	2,462	2,791
- Other Funding	692	39	723	223
	6,078	3,416	3,185	4,882

Lithgow City Council

Notes to the Financial Statements
for the financial year ended 30 June 2015

Note 3. Income from Continuing Operations (continued)

\$ '000	2015 Operating	2014 Operating	2015 Capital	2014 Capital
(f) Contributions				
Developer Contributions:				
(s93 & s94 - EP&A Act, s64 of the LGA):				
S 94A - Fixed Development Consent Levies	-	-	203	248
S 64 - Water Supply Contributions	-	-	43	22
S 64 - Sewerage Service Contributions	-	-	46	21
Total Developer Contributions	17	-	292	291
Other Contributions:				
Employment	68	63	-	-
Fire Contribution	296	458	-	-
Hazard Reduction	28	31	-	-
Heritage/Cultural UWS	6	-	-	-
Kerb & Gutter	-	-	10	13
Rebates	102	174	-	-
Recreation & Culture	42	17	175	54
Roads & Bridges	-	42	-	-
RMS Contributions (Regional Roads, Block Grant)	99	460	-	-
Sewerage (excl. Section 64 contributions)	33	44	-	-
Tourism	-	9	-	-
Other	16	282	20	-
Total Other Contributions	690	1,580	205	67
Total Contributions	690	1,580	497	358
TOTAL GRANTS & CONTRIBUTIONS	6,768	4,996	3,682	5,240

\$ '000	Actual 2015	Actual 2014
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(g) Restrictions relating to Grants and Contributions**Certain grants & contributions are obtained by Council on condition
that they be spent in a specified manner:**

Unexpended at the Close of the Previous Reporting Period	3,724	4,780
add: Grants & contributions recognised in the current period but not yet spent:	4,711	2,406
less: Grants & contributions recognised in a previous reporting period now spent:	(5,653)	(3,462)

Net Increase (Decrease) in Restricted Assets during the Period **(942)** **(1,056)**

Unexpended and held as Restricted Assets **2,782** **3,724**

Comprising:

- Specific Purpose Unexpended Grants	1,250	2,159
- Developer Contributions	1,506	1,553
- Other Contributions	26	12
	2,782	3,724

Lithgow City Council

Notes to the Financial Statements
for the financial year ended 30 June 2015

Note 4. Expenses from Continuing Operations

\$ '000	Notes	Actual 2015	Actual 2014
(a) Employee Benefits & On-Costs			
Salaries and Wages		11,362	11,083
Travelling		691	694
Employee Leave Entitlements (ELE)		1,499	1,353
Superannuation		1,399	1,343
Workers' Compensation Insurance		534	402
Fringe Benefit Tax (FBT)		40	44
Payroll Tax		79	88
Training Costs (other than Salaries & Wages)		227	209
Corporate Uniforms		23	-
Central West Group Apprentices		38	49
Employee Medicals		-	7
Total Employee Costs		15,892	15,272
less: Capitalised Costs		(615)	(831)
TOTAL EMPLOYEE COSTS EXPENSED		15,277	14,441
Number of "Equivalent Full Time" Employees at year end		188	187
(b) Borrowing Costs			
(i) Interest Bearing Liability Costs			
Interest on Loans		1,071	1,065
Total Interest Bearing Liability Costs Expensed		1,071	1,065
(ii) Other Borrowing Costs			
Discount adjustments relating to movements in Provisions (other than ELE)			
- Remediation Liabilities	26	320	-
Interest applicable on Interest Free (& favourable) Loans to Council		169	148
Total Other Borrowing Costs		489	148
TOTAL BORROWING COSTS EXPENSED		1,560	1,213
(c) Materials & Contracts			
Raw Materials & Consumables		8,630	8,644
Contractor & Consultancy Costs		119	69
Auditors Remuneration ⁽¹⁾		63	35
Legal Expenses:			
- Legal Expenses: Planning & Development		18	27
- Legal Expenses: Other		48	29
TOTAL MATERIALS & CONTRACTS		8,878	8,804

Lithgow City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Actual 2015	Actual 2014
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(c) Materials & Contracts (continued)

1. Auditor Remuneration

During the year, the following fees were incurred for services provided by the Council's Auditor (& the Auditors of other Consolidated Entities):

(i) Audit and Other Assurance Services

- Audit & review of financial statements: Council's Auditor

		63	35
Remuneration for audit and other assurance services		63	35
Total Auditor Remuneration		63	35

\$ '000	Notes	Impairment Costs		Depreciation/Amortisation	
		Actual 2015	Actual 2014	Actual 2015	Actual 2014

(d) Depreciation, Amortisation & Impairment

Plant and Equipment	-	-	815	965	
Office Equipment	-	-	171	186	
Furniture & Fittings	-	-	8	6	
Buildings - Specialised	-	-	3,225	3,216	
Other Structures	-	-	323	286	
Infrastructure:					
- Roads	-	-	2,005	2,056	
- Bridges	-	-	97	100	
- Footpaths	-	-	174	168	
- Stormwater Drainage	-	-	427	429	
- Water Supply Network	-	-	1,303	751	
- Sewerage Network	-	-	1,365	1,271	
- Swimming Pools	-	-	24	27	
Other Assets					
- Library Books	-	-	59	60	
Asset Reinstatement Costs	9 & 26	-	-	155	168
TOTAL DEPRECIATION & IMPAIRMENT COSTS EXPENSED		-	-	10,151	9,689

Lithgow City Council

Notes to the Financial Statements
for the financial year ended 30 June 2015

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Actual 2015	Actual 2014
(e) Other Expenses			
Other Expenses for the year include the following:			
Advertising		76	80
Bad & Doubtful Debts		27	8
Bank Charges		112	123
Commissions		5	4
Councillor Expenses - Mayoral Fee		31	30
Councillor Expenses - Councillors' Fees		79	65
Councillors' Expenses (incl. Mayor) - Other (excluding fees above)		16	24
Donations, Contributions & Assistance to other organisations (Section 356)			
- Contributions Emergency Services		675	758
Electricity & Heating		795	694
Insurance		1,079	1,061
Office Expenses (including computer expenses)		104	100
Postage		67	72
Printing & Stationery		28	29
Street Lighting		334	373
Subscriptions & Publications		52	63
Telephone & Communications		193	166
Valuation Fees		79	77
Other		(6)	3
<u>TOTAL OTHER EXPENSES</u>		<u>3,746</u>	<u>3,730</u>

Lithgow City Council

Notes to the Financial Statements
for the financial year ended 30 June 2015

Note 5. Gains or Losses from the Disposal of Assets

\$ '000	Notes	Actual 2015	Actual 2014
Property (excl. Investment Property)			
Proceeds from Disposal - Property		-	145
less: Carrying Amount of Property Assets Sold / Written Off		-	(85)
Net Gain/(Loss) on Disposal		-	60
Plant & Equipment			
Proceeds from Disposal - Plant & Equipment		71	324
less: Carrying Amount of P&E Assets Sold / Written Off		(52)	(255)
Net Gain/(Loss) on Disposal		19	69
Infrastructure			
Proceeds from Disposal - Infrastructure		-	-
less: Carrying Amount of Infrastructure Assets Sold / Written Off		(308)	-
Net Gain/(Loss) on Disposal		(308)	-
Financial Assets*			
Proceeds from Disposal / Redemptions / Maturities - Financial Assets		3,934	-
less: Carrying Amount of Financial Assets Sold / Redeemed / Matured		(3,934)	-
Net Gain/(Loss) on Disposal		-	-
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		(289)	129

Lithgow City Council

Notes to the Financial Statements
for the financial year ended 30 June 2015

Note 6a. - Cash Assets and Note 6b. - Investments

\$ '000	Notes	2015 Actual Current	2015 Actual Non Current	2014 Actual Current	2014 Actual Non Current
Cash & Cash Equivalents (Note 6a)					
Cash on Hand and at Bank		2,718	-	3,547	-
Cash-Equivalent Assets ¹					
- Deposits at Call		3,565	-	914	-
- Short Term Deposits		7,153	-	10,701	-
Total Cash & Cash Equivalents		13,436	-	15,162	-
Investments (Note 6b)					
- Long Term Deposits		5,013	-	3,934	-
Total Investments		5,013	-	3,934	-
TOTAL CASH ASSETS, CASH EQUIVALENTS & INVESTMENTS		18,449	-	19,096	-

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

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

Cash & Cash Equivalents

a. "At Fair Value through the Profit & Loss"

13,436	-	15,162	-
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Investments

a. "Held to Maturity"

6(b-i)

5,013	-	3,934	-
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Investments

5,013	-	3,934	-
--------------	----------	--------------	----------

Note 6(b-i)**Reconciliation of Investments
classified as "Held to Maturity"**

Balance at the Beginning of the Year	3,934	-	2,833	-
Additions	5,013	-	1,101	-
Disposals (sales & redemptions)	(3,934)	-	-	-
Balance at End of Year	5,013	-	3,934	-

Comprising:

- Long Term Deposits	5,013	-	3,934	-
Total	5,013	-	3,934	-

Refer to Note 27 - Fair Value Measurement for information regarding the fair value of investments held.

Lithgow City Council

Notes to the Financial Statements
for the financial year ended 30 June 2015

Note 6c. Restricted Cash, Cash Equivalents & Investments - Details

	2015 Actual Current	2015 Actual Non Current	2014 Actual Current	2014 Actual Non Current
\$ '000				
Total Cash, Cash Equivalents and Investments	18,449	-	19,096	-
attributable to:				
External Restrictions (refer below)	8,844	-	10,445	-
Internal Restrictions (refer below)	7,932	-	7,913	-
Unrestricted	1,673	-	738	-
	18,449	-	19,096	-

	2015 Opening Balance	Transfers to Restrictions	Transfers from Restrictions	2015 Closing Balance
\$ '000				

Details of Restrictions

External Restrictions - Included in Liabilities

Nil

External Restrictions - Other

Developer Contributions - General	(A)	1,553	203	(250)	1,506
RMS (formerly RTA) Contributions	(B)	12	99	(85)	26
Specific Purpose Unexpended Grants	(C)	2,159	4,409	(5,318)	1,250
Water Supplies	(D)	3,007	945	(1,246)	2,706
Sewerage Services	(D)	1,637	1,780	(1,061)	2,356
Domestic Waste Management	(D)	2,077	-	(1,077)	1,000
External Restrictions - Other		10,445	7,436	(9,037)	8,844
Total External Restrictions		10,445	7,436	(9,037)	8,844

Internal Restrictions

Plant & Vehicle Replacement		1,162	597	-	1,759
Employees Leave Entitlement		1,155	-	-	1,155
Deposits, Retentions & Bonds		681	277	-	958
Works in Progress		3,359	-	(1,107)	2,252
Land & Building		1,459	217	-	1,676
Election		97	35	-	132
Total Internal Restrictions		7,913	1,126	(1,107)	7,932
TOTAL RESTRICTIONS		18,358	8,562	(10,144)	16,776

- A Development contributions which are not yet expended for the provision of services and amenities in accordance with contributions plans (refer Note 17).
- B RMS Contributions which are not yet expended for the provision of services and amenities in accordance with those contributions.
- C Grants which are not yet expended for the purposes for which the grants were obtained. (refer Note 1)
- D Water, Sewerage, Domestic Waste Management (DWM) & other Special Rates/Levies/Charges are externally restricted assets and must be applied for the purposes for which they were raised.

Lithgow City Council

Notes to the Financial Statements
for the financial year ended 30 June 2015

Note 7. Receivables

\$ '000	Notes	2015		2014	
		Current	Non Current	Current	Non Current
Purpose					
Rates & Annual Charges		1,079	-	1,241	-
Interest & Extra Charges		232	-	284	-
User Charges & Fees		2,033	-	781	-
Accrued Revenues					
- Interest on Investments		63	-	94	-
Government Grants & Subsidies		1,740	-	701	-
Deferred Debtors		146	-	106	-
Net GST Receivable		245	-	335	-
Other Debtors		412	-	1,937	-
Total		5,950	-	5,479	-
less: Provision for Impairment					
Rates & Annual Charges		(17)	-	(8)	-
User Charges & Fees		(21)	-	(11)	-
Total Provision for Impairment - Receivables		(38)	-	(19)	-
TOTAL NET RECEIVABLES		5,912	-	5,460	-
Externally Restricted Receivables					
Water Supply					
- Specific Purpose Grants		192	-	1,509	-
- Rates & Availability Charges		79	-	-	-
- Other		1,937	-	-	-
Sewerage Services					
- Specific Purpose Grants		17	-	-	-
- Rates & Availability Charges		309	-	1,303	-
- Other		149	-	-	-
Total External Restrictions		2,683	-	2,812	-
Internally Restricted Receivables					
Nil					
Unrestricted Receivables		3,229	-	2,648	-
TOTAL NET RECEIVABLES		5,912	-	5,460	-

Notes on Debtors above:

- (i) Rates & Annual Charges Outstanding are secured against the property.
- (ii) Doubtful Rates Debtors are provided for where the value of the property is less than the debt outstanding.
An allowance for other doubtful debts is made when there is objective evidence that a receivable is impaired.
- (iii) Interest was charged on overdue rates & charges at 8.50% (2014 9.00%).
Generally all other receivables are non interest bearing.
- (iv) Please refer to Note 15 for issues concerning Credit Risk and Fair Value disclosures.

Lithgow City Council

Notes to the Financial Statements
for the financial year ended 30 June 2015

Note 8. Inventories & Other Assets

\$ '000	Notes	2015		2014	
		Current	Non Current	Current	Non Current
Inventories					
Real Estate for resale (refer below)		-	-	-	738
Stores & Materials		618	-	479	-
Total Inventories		618	-	479	738
Other Assets					
Prepayments		227	-	204	-
Total Other Assets		227	-	204	-
TOTAL INVENTORIES / OTHER ASSETS		845	-	683	738
Externally Restricted Assets					
Water					
Stores & Materials		154	-	125	-
Prepayments		-	-	-	-
Total Water		154	-	125	-
Sewerage					
Stores & Materials		19	-	17	-
Total Sewerage		19	-	17	-
Domestic Waste Management					
Nil					
Other					
Nil					
Total Externally Restricted Assets		173	-	142	-
Total Internally Restricted Assets		-	-	-	-
Total Unrestricted Assets		672	-	541	738
TOTAL INVENTORIES & OTHER ASSETS		845	-	683	738

Lithgow City Council

Notes to the Financial Statements
for the financial year ended 30 June 2015

Note 8. Inventories & Other Assets (continued)

\$ '000	2015		2014	
	Current	Non Current	Current	Non Current
Other Disclosures				
(a) Details for Real Estate Development				
Residential	-	-	-	738
Total Real Estate for Resale	-	-	-	738
(Valued at the lower of cost and net realisable value)				
Represented by:				
Acquisition Costs	-	-	-	738
Total Costs	-	-	-	738
Total Real Estate for Resale	-	-	-	738
Movements:				
Real Estate assets at beginning of the year	-	738	-	738
- Purchases and other costs	738	(738)	-	-
- Transfers in from (out to) Note 9	(738)	-	-	-
Total Real Estate for Resale	-	-	-	738

(b) Inventory Write Downs

There were no amounts recognised as an expense relating to the write down of Inventory balances held during the year.

Refer to Note 27 - Fair Value Measurement for information regarding the fair value of other assets held.

Notes to the Financial Statements
for the financial year ended 30 June 2015

Note 9a. Infrastructure, Property, Plant & Equipment

\$ '000	as at 30/6/2014			Asset Movements during the Reporting Period							as at 30/6/2015			
	At	Accumulated	Carrying	Asset Additions	WDV of Asset Disposals	Depreciation Expense	Adjustments & Transfers	Tfrs from/(to) Real Estate Assets (Note 8)	Revaluation Decrements to Equity (ARR)	Revaluation Increments to Equity (ARR)	At	At	Accumulated	Carrying
	Fair Value	Dep'n	Value								Cost	Fair Value	Dep'n	Value
Capital Work in Progress	-	-	-	4,735	-	-	-	-	-	-	4,735	-	-	4,735
Plant & Equipment	19,079	15,817	3,262	440	(52)	(815)	(83)	-	-	-	-	19,384	16,549	2,835
Office Equipment	3,775	3,263	512	178	-	(171)	-	-	-	-	-	3,954	3,436	518
Furniture & Fittings	286	258	28	5	-	(8)	23	-	-	-	-	314	289	25
Land:														
- Operational Land	7,634	-	7,634	-	-	-	-	738	-	-	-	8,372	-	8,372
- Community Land	14,850	-	14,850	-	-	-	-	-	-	-	-	14,850	-	14,850
Buildings - Specialised	107,043	55,249	51,794	877	(4,753)	(3,225)	-	-	-	-	-	100,000	55,307	44,693
Other Structures	12,884	8,003	4,881	631	(10)	(323)	(8)	-	-	-	-	13,497	8,322	5,175
Infrastructure:														
- Roads	198,605	61,304	137,301	2,180	-	(2,005)	-	-	-	34,002	-	247,906	76,428	171,478
- Bridges	9,813	2,048	7,765	-	(321)	(97)	12	-	-	3,718	-	15,078	4,018	11,060
- Footpaths	13,871	4,021	9,850	131	-	(174)	-	-	(3,866)	-	-	9,899	3,906	5,993
- Bulk Earthworks (non-depreciable)	31,853	-	31,853	-	-	-	-	-	(19,672)	-	-	12,181	-	12,181
- Stormwater Drainage	34,662	18,622	16,040	-	-	(427)	-	-	-	4,652	-	35,553	15,288	20,265
- Water Supply Network	87,493	57,772	29,721	857	-	(1,303)	-	-	-	1,312	-	89,665	59,074	30,591
- Sewerage Network	102,485	41,551	60,934	1,166	-	(1,365)	-	-	-	1,537	-	105,191	42,917	62,274
- Swimming Pools	2,093	1,277	816	3,558	(222)	(24)	(147)	-	-	-	-	5,281	1,154	4,127
Other Assets:														
- Library Books	846	661	185	55	-	(59)	-	-	-	-	-	902	720	182
Reinstatement, Rehabilitation & Restoration Assets (refer Note 26):														
- Tip Assets	3,568	1,680	1,888	-	-	(156)	-	-	-	-	-	3,568	1,835	1,733
- Other Assets	-	-	-	-	-	1	-	-	-	-	-	-	-	-
TOTAL INFRASTRUCTURE, PROPERTY, PLANT & EQUIP.	650,840	271,526	379,314	14,813	(5,358)	(10,151)	(203)	738	(23,538)	45,221	4,735	685,595	289,243	401,087

Additions to Buildings & Infrastructure Assets are made up of Asset Renewals (\$XXXXX) and New Assets (\$YYYYY).
Renewals are defined as the replacement of existing assets (as opposed to the acquisition of new assets).

Refer to Note 27 - Fair Value Measurement for information regarding the fair value of other Infrastructure, Property, Plant & Equipment.

Lithgow City Council

Notes to the Financial Statements
for the financial year ended 30 June 2015

Note 9b. Externally Restricted Infrastructure, Property, Plant & Equipment

\$ '000 Class of Asset	Actual 2015				Actual 2014			
	At Cost	At Fair Value	A/Dep & Impairm't	Carrying Value	At Cost	At Fair Value	A/Dep & Impairm't	Carrying Value
Water Supply								
Plant & Equipment	-	1,705	1,705	-	-	1,705	1,705	-
Office Equipment	-	56	56	-	-	56	56	-
Infrastructure	-	89,665	59,074	30,591	-	87,493	57,772	29,721
Total Water Supply	-	91,426	60,835	30,591	-	89,254	59,533	29,721
Sewerage Services								
Infrastructure	-	105,191	42,917	62,274	-	102,485	41,551	60,934
Total Sewerage Services	-	105,191	42,917	62,274	-	102,485	41,551	60,934
Domestic Waste Management								
Land								
- Operational Land	-	706	-	706	-	706	-	706
- Community Land	-	210	-	210	-	210	-	210
Total DWM	-	916	-	916	-	916	-	916
TOTAL RESTRICTED I,PP&E	-	197,533	103,752	93,781	-	192,655	101,084	91,571

Note 9c. Infrastructure, Property, Plant & Equipment - Current Year Impairments

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

Lithgow City Council

Notes to the Financial Statements
for the financial year ended 30 June 2015

Note 10a. Payables, Borrowings & Provisions

\$ '000	Notes	2015		2014	
		Current	Non Current	Current	Non Current
Payables					
Goods & Services - operating expenditure		655	-	3,093	-
Accrued Expenses:					
- Borrowings		87	-	49	-
- Other Expenditure Accruals		174	-	21	-
Advances		918	-	707	-
Security Bonds, Deposits & Retentions		918	-	681	-
Total Payables		2,752	-	4,551	-
Borrowings					
Loans - Secured ¹		1,763	19,572	1,237	15,685
Total Borrowings		1,763	19,572	1,237	15,685
Provisions					
Employee Benefits;					
Annual Leave		1,393	-	1,485	-
Long Service Leave		2,218	-	2,372	-
Sub Total - Aggregate Employee Benefits		3,611	-	3,857	-
Asset Remediation/Restoration (Future Works)	26	-	11,016	-	10,696
Total Provisions		3,611	11,016	3,857	10,696
Total Payables, Borrowings & Provisions		8,126	30,588	9,645	26,381

(i) Liabilities relating to Restricted Assets

	2015		2014	
	Current	Non Current	Current	Non Current
Externally Restricted Assets				
Water	632	1,357	488	1,594
Sewer	813	11,768	430	12,754
Liabilities relating to externally restricted assets	1,445	13,125	918	14,348
Internally Restricted Assets				
Nil				
Total Liabilities relating to restricted assets	1,445	13,125	918	14,348
Total Liabilities relating to Unrestricted Assets	6,681	17,463	8,727	12,033
TOTAL PAYABLES, BORROWINGS & PROVISIONS	8,126	30,588	9,645	26,381

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

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

Lithgow City Council

Notes to the Financial Statements
for the financial year ended 30 June 2015

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

	Actual 2015	Actual 2014
\$ '000		

(ii) Current Liabilities not anticipated to be settled within the next 12 months

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

Provisions - Employees Benefits	2,189	2,490
	2,189	2,490

Note 10b. Description of and movements in Provisions

Class of Provision	2014	2015				Closing Balance as at 30/6/15
	Opening Balance as at 1/7/14	Additional Provisions	Decrease due to Payments	Remeasurement effects due to Discounting	Unused amounts reversed	
Annual Leave	1,485	(92)	-	-	-	1,393
Long Service Leave	2,372	(154)	-	-	-	2,218
Asset Remediation	10,696	-	-	320	-	11,016
TOTAL	10,696	-	-	320	-	11,016

- Employees Leave Entitlements & On-Costs represents those benefits accrued and payable and an estimate of those that will become payable in the future as a result of past service.
- Asset Remediation, Reinstatement & Restoration Provisions represent the Present Value estimate of future costs Council will incur in order to remove, restore & remediate assets &/or activities as a result of past operations.

Lithgow City Council

Notes to the Financial Statements
for the financial year ended 30 June 2015

Note 11. Statement of Cash Flows - Additional Information

\$ '000	Notes	Actual 2015	Actual 2014
(a) Reconciliation of Cash Assets			
Total Cash & Cash Equivalent Assets	6a	13,436	15,162
Less Bank Overdraft	10	-	-
BALANCE as per the STATEMENT of CASH FLOWS		13,436	15,162
(b) Reconciliation of Net Operating Result to Cash provided from Operating Activities			
Net Operating Result from Income Statement		1,970	3,027
Adjust for non cash items:			
Depreciation & Amortisation		10,151	9,689
Net Losses/(Gains) on Disposal of Assets		289	(129)
Amortisation of Premiums, Discounts & Prior Period Fair Valuations			
- Interest Exp. on Interest Free Loans received by Council (previously Fair Valued)		169	148
Unwinding of Discount Rates on Reinstatement Provisions		320	(1,283)
+/- Movement in Operating Assets and Liabilities & Other Cash Items:			
Decrease/(Increase) in Receivables		(431)	(2,258)
Increase/(Decrease) in Provision for Doubtful Debts		19	8
Decrease/(Increase) in Inventories		(139)	35
Decrease/(Increase) in Other Assets		(23)	(23)
Increase/(Decrease) in Payables		(2,438)	270
Increase/(Decrease) in accrued Interest Payable		38	32
Increase/(Decrease) in other accrued Expenses Payable		153	21
Increase/(Decrease) in Other Liabilities		448	101
Increase/(Decrease) in Employee Leave Entitlements		(246)	(196)
Increase/(Decrease) in Other Provisions		-	854
NET CASH PROVIDED FROM/(USED IN) OPERATING ACTIVITIES from the STATEMENT of CASH FLOWS		10,280	10,296

Lithgow City Council

Notes to the Financial Statements
for the financial year ended 30 June 2015

Note 11. Statement of Cash Flows - Additional Information (continued)

\$ '000	Notes	Actual 2015	Actual 2014
(c) Non-Cash Investing & Financing Activities			
Nil			
(d) Financing Arrangements			
(i) Unrestricted access was available at balance date to the following lines of credit:			
Bank Overdraft Facilities ⁽¹⁾		500	500
Credit Cards / Purchase Cards		25	25
Total Financing Arrangements		525	525

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

(ii) Secured Loan Liabilities

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

Note 12. Commitments for Expenditure

(a) Capital Commitments (exclusive of GST)

Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:

Property, Plant & Equipment

Water Assets	2,554	-
Sewer Assets	1,632	-
Total Commitments	4,186	-

These expenditures are payable as follows:

Within the next year	4,186	-
Total Payable	4,186	-

Sources for Funding of Capital Commitments:

Externally Restricted Reserves	4,186	-
Total Sources of Funding	4,186	-

(b) Finance Lease Commitments

Nil

(c) Operating Lease Commitments (Non Cancellable)

Nil

Lithgow City Council

Notes to the Financial Statements
for the financial year ended 30 June 2015

Note 13a(i). Statement of Performance Measurement - Indicators (Consolidated)

\$ '000	Amounts 2015	Indicator 2015	Prior Periods 20142013	
Local Government Industry Indicators - Consolidated				
1. Operating Performance Ratio				
Total continuing operating revenue ⁽¹⁾				
(excl. Capital Grants & Contributions) - Operating Expenses	(1,423)	-3.73%	-6.59%	-5.27%
Total continuing operating revenue ⁽¹⁾	38,189			
(excl. Capital Grants & Contributions)				
2. Own Source Operating Revenue Ratio				
Total continuing operating revenue ⁽¹⁾				
(excl. ALL Grants & Contributions)	31,421	75.04%	74.90%	59.73%
Total continuing operating revenue ⁽¹⁾	41,871			
3. Unrestricted Current Ratio				
Current Assets less all External Restrictions ⁽²⁾	13,506	3.01x	1.90	3.49
Current Liabilities less Specific Purpose Liabilities ^(3, 4)	4,492			
4. Debt Service Cover Ratio				
Operating Result ⁽¹⁾ before capital excluding interest and depreciation / impairment / amortisation	10,288	3.53x	3.57	2.88
Principal Repayments (from the Statement of Cash Flows)	2,916			
+ Borrowing Costs (from the Income Statement)				
5. Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage				
Rates, Annual and Extra Charges Outstanding	1,294	5.17%	6.33%	4.63%
Rates, Annual and Extra Charges Collectible	25,021			
6. Cash Expense Cover Ratio				
Current Year's Cash and Cash Equivalents				
+ All Term Deposits	18,449	6.71 mths	7.74	10.00
Payments from cash flow of operating and financing activities	2,749			

Notes

⁽¹⁾ Excludes fair value adjustments and reversal of revaluation decrements, net gain/(loss) on sale of assets and the net share of interests in joint ventures & associates.

⁽²⁾ Refer Notes 6-8 inclusive.

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

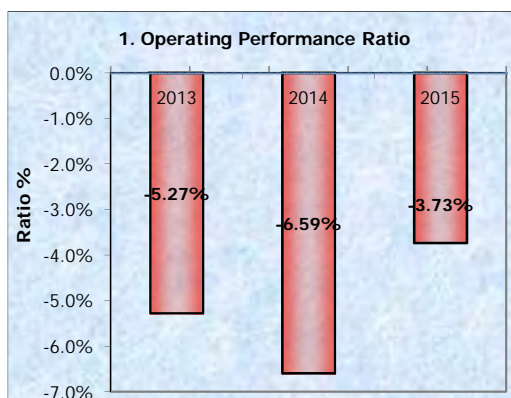
⁽³⁾ Refer to Note 10(a).

⁽⁴⁾ Refer to Note 10(a)(ii) - excludes all payables & provisions not expected to be paid in the next 12 months (incl. ELE).

Lithgow City Council

Notes to the Financial Statements
for the financial year ended 30 June 2015

Note 13a(ii). Local Government Industry Indicators - Graphs (Consolidated)

Benchmark: Minimum $\geq 0.00\%$

Source for Benchmark: Code of Accounting Practice and Financial Reporting #23

Purpose of Operating Performance Ratio

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

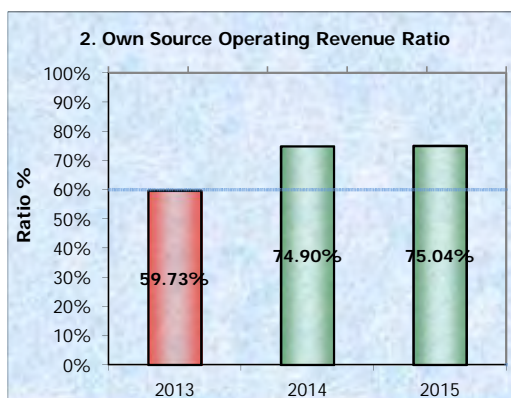
Commentary on 2014/15 Result**2014/15 Ratio -3.73%**

While council shows profits after taking into account capital grants and contributions, council is showing deficits before these grants. This highlights that Council has been strong in securing external funding for its capital program



Ratio is within Benchmark

Ratio is outside Benchmark

Benchmark: Minimum $\geq 60.00\%$

Source for Benchmark: Code of Accounting Practice and Financial Reporting #23

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 & contributions.

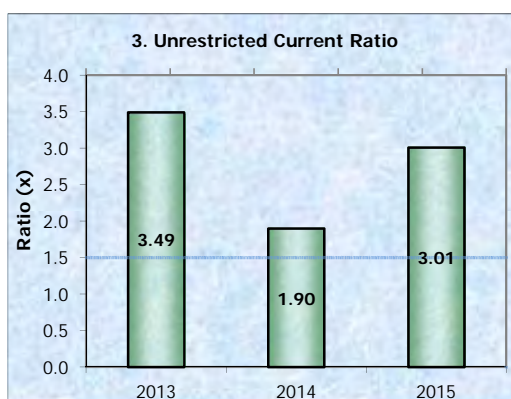
Commentary on 2014/15 Result**2014/15 Ratio 75.04%**

Council is showing a steady improvement in this ratio and is now meeting benchmark



Ratio is within Benchmark

Ratio is outside Benchmark

Benchmark: Minimum ≥ 1.50

Source for Benchmark: Code of Accounting Practice and Financial Reporting #23

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 2014/15 Result**2014/15 Ratio 3.01x**

Council continues to meet this benchmark, showing solid performance in meeting its short term financial goals



Ratio is within Benchmark

Ratio is outside Benchmark

Lithgow City Council

Notes to the Financial Statements
for the financial year ended 30 June 2015

Note 13a(ii). Local Government Industry Indicators - Graphs (Consolidated)

Benchmark: Minimum ≥ 2.00

Source for Benchmark: Code of Accounting Practice and Financial Reporting #23

Purpose of Debt Service Cover Ratio

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

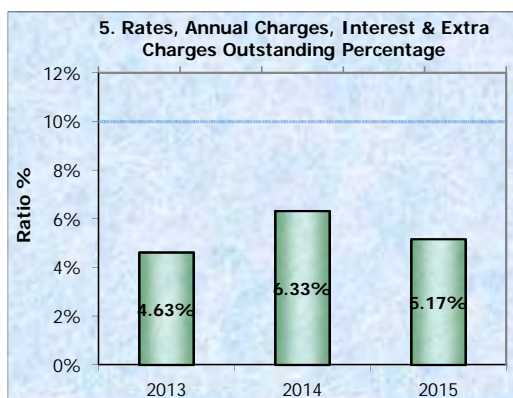
Commentary on 2014/15 Result**2014/15 Ratio 3.53x**

This ratio shows that council has capacity to undertake further borrowing if required



Ratio is within Benchmark

Ratio is outside Benchmark

Benchmark: Maximum $< 10.00\%$

Source for Benchmark: Code of Accounting Practice and Financial Reporting #23

Purpose of Rates & Annual Charges Outstanding Ratio

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

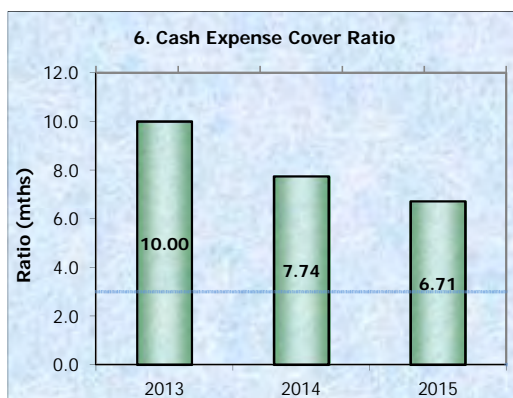
Commentary on 2014/15 Result**2014/15 Ratio 5.17%**

This ratio shows that Council is managing its rates and annual charges efficiently.



Ratio is within Benchmark

Ratio is outside Benchmark

Benchmark: Minimum ≥ 3.00

Source for Benchmark: Code of Accounting Practice and Financial Reporting #23

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 2014/15 Result**2014/15 Ratio 6.71 mths**

This ratio highlights that council has the capacity to meet short term expenses. There is nearly 7 months worth of available cash



Ratio is within Benchmark

Ratio is outside Benchmark

Lithgow City Council

Notes to the Financial Statements
for the financial year ended 30 June 2015

Note 13b. Statement of Performance Measurement - Indicators (by Fund)

\$ '000	Water 2015	Sewer 2015	General ⁵ 2015
Local Government Industry Indicators - by Fund			
1. Operating Performance Ratio			
Total continuing operating revenue ⁽¹⁾			
<u>(excl. Capital Grants & Contributions) - Operating Expenses</u>	-3.26%	7.05%	-6.82%
Total continuing operating revenue ⁽¹⁾			
(excl. Capital Grants & Contributions)	prior period: 7.01%	10.78%	-16.09%
2. Own Source Operating Revenue Ratio			
Total continuing operating revenue ⁽¹⁾	98.63%	98.71%	64.16%
<u>(excl. ALL Grants & Contributions)</u>			
Total continuing operating revenue ⁽¹⁾	prior period: 92.27%	86.34%	66.82%
3. Unrestricted Current Ratio			
Current Assets less all External Restrictions ⁽²⁾	8.02x	3.51x	3.01x
<u>Current Liabilities less Specific Purpose Liabilities^(3, 4)</u>			
	prior period: 70.41	148.58	-12.64
4. Debt Service Cover Ratio			
Operating Result ⁽¹⁾ before capital excluding interest and depreciation / impairment / amortisation	11.25x	1.97x	4.33x
<u>Principal Repayments (from the Statement of Cash Flows)</u>			
+ Borrowing Costs (from the Income Statement)	prior period: 5.89	0.96	-4.86
5. Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage			
<u>Rates, Annual and Extra Charges Outstanding</u>	5.72%	5.03%	5.18%
Rates, Annual and Extra Charges Collectible	prior period: 0.00%	21.23%	1.29%
6. Cash Expense Cover Ratio			
Current Year's Cash and Cash Equivalents			
<u>+ All Term Deposits</u>	0.00	0.00	4.75
Payments from cash flow of operating and financing activities	prior period: 0.00	0.00	mths 5.86

Notes

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

(5) General Fund refers to all of Council's activities except for its Water & Sewer activities which are listed separately.

Lithgow City Council

Notes to the Financial Statements for the financial year ended 30 June 2015

Note 14. Investment Properties

\$ '000

Council has not classified any Land or Buildings as "Investment Properties"

Note 15. Financial Risk Management

Risk Management

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

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

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

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

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

	Carrying Value		Fair Value	
	2015	2014	2015	2014
Financial Assets				
Cash and Cash Equivalents	13,436	15,162	13,436	15,612
Investments				
- "Held to Maturity"	5,013	3,934	5,013	3,934
Receivables	5,912	5,460	4,355	5,320
Total Financial Assets	24,361	24,556	22,804	24,866
Financial Liabilities				
Payables	2,752	4,551	2,358	4,551
Loans / Advances	21,335	16,922	21,335	16,922
Total Financial Liabilities	24,087	21,473	23,693	21,473

Fair Value is determined as follows:

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

Refer to Note 27 - Fair Value Measurement for information regarding the fair value of financial assets & liabilities

Lithgow City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 15. Financial Risk Management (continued)

\$ '000

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

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

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

The 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.

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
2015				
Possible impact of a 1% movement in Interest Rates	10	10	(10)	(10)
2014				
Possible impact of a 1% movement in Interest Rates	7	7	(7)	(7)

Lithgow City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 15. Financial Risk Management (continued)

\$ '000

(b) Receivables

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

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

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

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

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 and carries out credit checks on most non-rate debtors.

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

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

	2015 Rates & Annual Charges	2015 Other Receivables	2014 Rates & Annual Charges	2014 Other Receivables
(i) Ageing of Receivables - %				
Current (not yet overdue)	6%	95%	3%	58%
Overdue	94%	5%	97%	42%
	100%	100%	100%	100%

	Rates & Annual Charges	Other Receivables	Rates & Annual Charges	Other Receivables
(ii) Ageing of Receivables - value				
Rates & Annual Charges				
Current	64	4,622	33	3,240
< 1 year overdue	182	52	751	361
1 - 2 years overdue	415	-	287	-
2 - 5 years overdue	245	-	92	-
> 5 years overdue	173	197	78	638
	1,079	4,871	1,241	4,238

(iii) Movement in Provision for Impairment of Receivables

	2015	2014
Balance at the beginning of the year	19	11
+ new provisions recognised during the year	27	8
- amounts already provided for & written off this year	(8)	-

Balance at the end of the year**38****19**

Lithgow City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 15. Financial Risk Management (continued)

\$ '000

(c) Payables & Borrowings

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

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

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

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

\$ '000	Subject	payable in:						Total	Actual
	to no maturity	≤ 1 Year	1-2 Yrs	2-3 Yrs	3-4 Yrs	4-5 Yrs	> 5 Yrs	Cash Outflows	Carrying Values
2015									
Trade/Other Payables	918	1,460	-	-	-	-	17,425	19,803	2,752
Loans & Advances	-	2,653	2,556	2,478	2,458	2,294	17,245	29,684	21,335
Total Financial Liabilities	918	4,113	2,556	2,478	2,458	2,294	34,670	49,487	24,087
2014									
Trade/Other Payables	681	3,594	-	-	-	-	-	4,275	4,551
Loans & Advances	-	2,308	2,226	2,127	2,121	2,080	18,380	29,242	16,922
Total Financial Liabilities	681	5,902	2,226	2,127	2,121	2,080	18,380	33,517	21,473

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

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

	2015		2014	
	Carrying Value	Average Interest Rate	Carrying Value	Average Interest Rate
Trade/Other Payables	2,752	0.0%	4,551	0.0%
Loans & Advances - Fixed Interest Rate	21,335	5.3%	16,922	5.7%
	<u>24,087</u>		<u>21,473</u>	

Loan Agreement breaches

No loan breaches have occurred during the reporting year

Lithgow City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 16. Material Budget Variations

\$ '000

Council's Original Financial Budget for 14/15 was adopted by the Council on dd/mm/yy.

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

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

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	2015 Budget	2015 Actual	2015 ----- Variance* -----		
REVENUES					
Rates & Annual Charges	23,133	23,379	246	1%	F
User Charges & Fees	6,263	6,300	37	1%	F
Interest & Investment Revenue	584	712	128	22%	F
A falling interest rate economy has meant that Council has received less interest revenue than what was allowed for in the original budget					
Other Revenues	709	1,030	321	45%	F
Council has categorised an RTA charge for state roads for \$332K as other revenue where it should have been disclosed as an operating contribution.					
Operating Grants & Contributions	6,463	6,768	305	5%	F
Capital Grants & Contributions	5,537	3,682	(1,855)	(34%)	U
Timing issue with the receipt of Flood Mitigation Grant. Budgeted for \$4,277k received \$820k					
Net Gains from Disposal of Assets	337	-	(337)	(100%)	U
Upon revaluing Council's bridges and footpaths a number of assets were disposed of. These disposals were not accounted for in the original budget					

Lithgow City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 16. Material Budget Variations (continued)

\$ '000	2015 Budget	2015 Actual	2015 ----- Variance* -----		
EXPENSES					
Employee Benefits & On-Costs	13,308	15,277	(1,969)	(15%)	U
Long Service Leave and Sick Leave taken exceeded the original budget by \$355k					
Total of salaries and wages including penalty rates exceeded the original budget by \$695k					
Borrowing Costs	1,556	1,560	(4)	(0%)	U
Loan budgetted to be drawn down in 2015, however decision made not to draw on loan. Therefore interest expense was higher in original budget to actuals.					
Materials & Contracts	9,311	8,878	433	5%	F
Depreciation & Amortisation	9,216	10,151	(935)	(10%)	U
Original budget for depreciation of buildings was understated. Estimates on depreciation had not taken into account the revaluation of buildings in the 2012/13 financial year					
Other Expenses	3,880	3,746	134	3%	F
Street Lighting Expenses \$113 less than original budget					
Legal Expenses \$75k less than original budget					
Office Expenses \$81k less than original budget					
Contributions to emergency services \$157k less than original budget					
Net Losses from Disposal of Assets	-	289	(289)	100%	U
Upon revaluing Council's bridges and footpaths a number of assets were disposed of. These disposals were not accounted for in the original budget.					

Budget Variations relating to Council's Cash Flow Statement include:

Cash Flows from Operating Activities	13,925	10,280	(3,645)	(26.2%)	U
Budget Variation Details Are Required - Variance is > 10% !!! Enter details here.					
Cash Flows from Investing Activities	337	(16,250)	(16,587)	(4922.0%)	U
Budget Variation Details Are Required - Variance is > 10% !!! Enter details here.					
Cash Flows from Financing Activities	-	4,244	4,244	0.0%	F
Budget Variation Details Are Required					

Lithgow City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 17. Statement of Developer Contributions

\$ '000

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

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

SUMMARY OF CONTRIBUTIONS & LEVIES

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Roads	999	203	-	-	(250)	-	952	-	-	952	-
Bushfire	122	-	-	-	-	-	122	-	-	122	-
S94 Contributions - under a Plan	1,121	203	-	-	(250)	-	1,074	-	-	1,074	-
S94A Levies - under a Plan	432	-	-	-	-	-	432				-
Total S94 Revenue Under Plans	1,553	203	-	-	(250)	-	1,506				-
Total Contributions	1,553	203	-	-	(250)	-	1,506	-	-	1,074	-

Lithgow City Council

Notes to the Financial Statements
for the financial year ended 30 June 2015

Note 17. Statement of Developer Contributions (continued)

\$ '000

S94 CONTRIBUTIONS - UNDER A PLAN

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Roads	999	203	-	-	(250)	-	952	-	-	952	-
Bushfire	122	-	-	-	-	-	122	-	-	122	-
Total	1,121	203	-	-	(250)	-	1,074	-	-	1,074	-

S94A LEVIES - UNDER A PLAN

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Other Sec 94A Plan 12/13	186	-	-	-	-	-	186	-	-		-
Other (Prev Yrs)	246	-	-	-	-	-	246	-	-		-
Total	432	-	-	-	-	-	432				-

Lithgow City Council

Notes to the Financial Statements for the financial year ended 30 June 2015

Note 18. Contingencies & Other Assets/Liabilities Not Recognised

\$ '000

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

LIABILITIES NOT RECOGNISED:

1. Guarantees

(i) Defined Benefit Superannuation Contribution Plans

Council participates in 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.

The Schemes most recent full actuarial review indicated that the Net Assets of the Scheme were not sufficient to meet the accrued benefits of the Schemes Defined Benefit member category with member Councils required to make significantly higher contributions in future years.

The Local Government Superannuation Scheme however is unable to provide Council with an accurate estimate of its 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 contributions made to the defined benefit scheme to rectify the net deficit position will be recognised as an expense when they become payable - similar to the accounting for Defined Contributions Plans.

(ii) Statewide Limited

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

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

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

(iii) StateCover Limited

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

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

Council has a contingent liability to contribute further equity in the event of the erosion of the Company's capital base as a result of the company's past performance and/or claims experience or as a 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 financial year ended 30 June 2015

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

\$ '000

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) S94 Plans

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

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

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

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

Council has received a large estimated energy bill from one of its suppliers for \$500k which is currently in dispute. At the time of preparing the statements there is no certainty around how much of this account Council will eventually need to pay. Council has made an accrual of 50% of this estimated account in its 2014/15 statements as recognition that there is some liability for the account.

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

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

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

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

ASSETS NOT RECOGNISED:

(i) Land Under Roads

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

(ii) Infringement Notices/Fines

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

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

Accordingly, at Year End, there is a potential asset due to Council representing issued but 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 financial year ended 30 June 2015

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

\$ '000

ASSETS NOT RECOGNISED:

(iii) Grant Funds due Office of Water Lithgow & Wallerawang STPs:

Following the completion of the upgrade to the Lithgow & Wallerawang STP, the final payments are due from the NSW Office of Water following the completion of the following reports:

- *Water & Sewerage Strategic Plans*
- *Residential Water Supply Best Practice Tariff*
- *Water Supply & Sewerage Development Servicing Plans*
- *Demand Management Plan*
- *Drought Management Plan*
- *Integrated Water Cycle Management Plan*

(iv) Portland Pool and Three Tree Lodge

Following advice received from Council's auditors assets pertaining to Portland Pool and Three Tree Lodge have been removed from the financials and now shown as a contingent asset. While it is expected that there will be financial transactions relating to these assets in future periods the timing and magnitude cannot be reliably estimated at this point in time

Note 19. Interests in Other Entities

Council has no interest in any Controlled Entities, Joint Arrangements or Associates.

Note 20. Equity - Retained Earnings and Revaluation Reserves

\$ '000	Notes	Actual 2015	Actual 2014
(a) Retained Earnings			
Movements in Retained Earnings were as follows:			
Balance at beginning of Year (from previous years audited accounts)		247,864	244,837
a. Correction of Prior Period Errors	20 (c)	(5,339)	-
b. Net Operating Result for the Year		1,970	3,027

Balance at End of the Reporting Period

244,495247,864

Lithgow City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

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

\$ '000	Notes	Actual 2015	Actual 2014
(b) Reserves			
(i) Reserves are represented by:			
- Infrastructure, Property, Plant & Equipment Revaluation Reserve		143,853	122,170
- "Available for Sale" Financial Investments Revaluation Reserve		(500)	(500)
- Other Reserves		(269)	(269)
Total		143,084	121,401
(ii) Reconciliation of movements in Reserves:			
Infrastructure, Property, Plant & Equipment Revaluation Reserve			
- Opening Balance		122,170	117,138
- Revaluations for the year	9(a)	21,683	5,032
- Balance at End of Year		143,853	122,170
"Available for Sale" Financial Investments Revaluation Reserve			
- Opening Balance		(500)	(500)
- Balance at End of Year		(500)	(500)
Other Reserves			
- Opening Balance		(269)	(269)
- Balance at End of Year		(269)	(269)
TOTAL VALUE OF RESERVES		143,084	121,401

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

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

"Available for Sale" Financial Investments Revaluation Reserve

- The "Available for Sale" Financial Investments Revaluation Reserve is used to account for the Fair Value movements in all financial assets so classified that remain on hand at year end. Upon sale, amounts in Reserves are recognised in the Income Statement (in full) by way of transfer from the Reserve.

(c) Correction of Error/s relating to a Previous Reporting Period**Correction of errors disclosed in this year's financial statements:**

Details of error are to be listed here including

The nature of the error

- a) Grant income (\$353,654) recognised in prior period in error
- b) Adjustment to PP&E due to loss of control of asset (\$4,985,000) Transferring of Threetree Lodge and Portland Pool from controlled assets to contingent assets

(d) Voluntary Changes in Accounting Policies

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

Lithgow City Council

Notes to the Financial Statements
for the financial year ended 30 June 2015

Note 21. Financial Result & Financial Position by Fund

Income Statement by Fund \$ '000	Actual 2015	Actual 2015	Actual 2015
<u>Continuing Operations</u>	Water	Sewer	General¹
Income from Continuing Operations			
Rates & Annual Charges	1,348	6,141	15,890
User Charges & Fees	4,779	452	1,069
Interest & Investment Revenue	34	-	678
Other Revenues	-	-	1,030
Grants & Contributions provided for Operating Purposes	86	122	6,560
Grants & Contributions provided for Capital Purposes	43	194	3,445
Total Income from Continuing Operations	6,290	6,908	28,673
Expenses from Continuing Operations			
Employee Benefits & on-costs	1,350	1,464	12,463
Borrowing Costs	107	714	739
Materials & Contracts	2,064	2,878	3,936
Depreciation & Amortisation	1,303	1,365	7,483
Other Expenses	1,671	-	2,075
Net Losses from the Disposal of Assets	-	-	289
Total Expenses from Continuing Operations	6,495	6,421	26,985
Operating Result from Continuing Operations	(205)	487	1,688
<u>Discontinued Operations</u>			
Net Profit/(Loss) from Discontinued Operations	-	-	-
Net Operating Result for the Year	(205)	487	1,688
Net Operating Result attributable to each Council Fund	(205)	487	1,688
Net Operating Result attributable to Non-controlling Interests	-	-	-
Net Operating Result for the year before Grants and Contributions provided for Capital Purposes	(248)	294	(1,757)

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

NB. All amounts disclosed above are Gross - that is, they include internal charges & recoveries made between the Funds.

Lithgow City Council

Notes to the Financial Statements

as at 30 June 2015

Note 21. Financial Result & Financial Position by Fund (continued)

Statement of Financial Position by Fund \$ '000	Actual 2015	Actual 2015	Actual 2015
ASSETS	Water	Sewer	General¹
Current Assets			
Cash & Cash Equivalents	2,706	2,676	8,054
Investments	-	-	5,013
Receivables	1,879	347	3,686
Inventories	154	19	445
Other	-	-	227
Non-current assets classified as 'held for sale'	-	-	-
Total Current Assets	4,739	3,042	17,425
Non-Current Assets			
Investments	-	-	-
Receivables	-	-	-
Inventories	-	-	-
Infrastructure, Property, Plant & Equipment	30,589	62,276	308,222
Investments Accounted for using the equity method	-	-	-
Investment Property	-	-	-
Intangible Assets	-	-	-
Total Non-Current Assets	30,589	62,276	308,222
TOTAL ASSETS	35,328	65,318	325,647
LIABILITIES			
Current Liabilities			
Payables	126	36	2,590
Borrowings	122	777	864
Provisions	384	382	2,845
Total Current Liabilities	632	1,195	6,299
Non-Current Liabilities			
Payables	-	-	-
Borrowings	1,357	11,386	6,829
Provisions	-	-	11,016
Total Non-Current Liabilities	1,357	11,386	17,845
TOTAL LIABILITIES	1,989	12,581	24,144
Net Assets	33,339	52,737	301,503
EQUITY			
Retained Earnings	14,682	24,228	205,585
Revaluation Reserves	18,657	28,509	95,918
Total Equity	33,339	52,737	301,503

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

NB. All amounts disclosed above are Gross - that is, they include internal receivables & payables between the Funds.

Lithgow City Council

Notes to the Financial Statements for the financial year ended 30 June 2015

Note 22. "Held for Sale" Non Current Assets & Disposal Groups

\$ '000

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

Note 23. Events occurring after the Reporting Date

Events that occur between the end of the reporting period (ending 30 June 2015) and the date when the financial statements are "authorised for issue" have been taken into account in preparing these statements.

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

Accordingly, the "authorised for issue" date is 31/10/15.

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

(i) Events that provide evidence of conditions that existed at the Reporting Period

These financial statements (and the figures therein) incorporate all "adjusting events" that provided evidence of conditions that existed at 30 June 2015.

(ii) Events that provide evidence of conditions that arose after the Reporting Period

These financial statements (& figures therein) do not incorporate any "non-adjusting events" that have occurred after 30 June 2015 and which are only indicative of conditions that arose after 30 June 2015.

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

Note 24. Discontinued Operations

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

Note 25. Intangible Assets

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

Council is unaware of any control over Intangible Assets that warrant recognition in the Financial Statements,

including either internally generated and developed assets or purchased assets.

Lithgow City Council

Notes to the Financial Statements
for the financial year ended 30 June 2015

Note 26. Reinstatement, Rehabilitation & Restoration Liabilities

\$ '000

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

Asset/Operation	Estimated year of restoration	NPV of Provision	
		2015	2014
Tip Operations	Various	11,016	10,696
Balance at End of the Reporting Period	10(a)	<u>11,016</u>	<u>10,696</u>

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

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

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

Reconciliation of movement in Provision for year:

Balance at beginning of year	10,696	11,125
Amounts capitalised to new or existing assets:		
- New Disturbances	-	854
Effect of a change in discount rates used in PV calculations	320	(1,283)
Total - Reinstatement, rehabilitation and restoration provision	<u>11,016</u>	<u>10,696</u>

Lithgow City Council

Notes to the Financial Statements
for the financial year ended 30 June 2015

Note 27. Fair Value Measurement

\$ '000

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

- Infrastructure, Property, Plant and Equipment
- Financial Assets & 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 & recognised at fair values:

		Fair Value Measurement Hierarchy			Total
		Level 1	Level 2	Level 3	
		Quoted prices in active mkts	Significant observable inputs	Significant unobservable inputs	
2015	Date of latest Valuation				
Recurring Fair Value Measurements					
Financial Assets					
Investments					
- "Held for Maturity"	30/06/15	5,013	-	-	5,013
Cash and Cash Equivalents	30/06/15	13,436	-	-	13,436
Total Financial Assets		18,449	-	-	18,449
Financial Liabilities					
Loans / Advances	30/06/15	22,253	-	-	22,253
Payables	30/06/15	829	-	-	829
Bonds and Security Deposits	30/06/15	-	918	-	918
Accrued Interest	30/06/15	87	-	-	87
Total Financial Liabilities		23,169	918	-	24,087
Infrastructure, Property, Plant & Equipment					
Operational Land	30/06/15	-	8,372	-	8,372
Community Land	30/06/15	-	-	14,850	14,850
Plant & Equipment	30/06/15	-	-	2,835	2,835
Office Equipment	30/06/15	-	-	518	518
Furniture & Fittings	30/06/15	-	-	25	25
Buildings	30/06/15	-	-	44,693	44,693
Other Structures	30/06/15	-	-	5,175	5,175
Roads	30/06/15	-	-	171,478	171,478
Bridges	30/06/15	-	-	11,060	11,060
Footpaths	30/06/15	-	-	5,993	5,993
Bulk Earthworks	30/06/15	-	-	12,181	12,181
Stormwater Drainage	30/06/15	-	-	20,265	20,265
Water Supply	30/06/15	-	-	30,591	30,591

(continued on the next page)

Lithgow City Council

Notes to the Financial Statements
for the financial year ended 30 June 2015

Note 27. Fair Value Measurement (continued)

\$ '000

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

		Fair Value Measurement Hierarchy			Total
		Level 1	Level 2	Level 3	
		Quoted prices in active mkt	Significant observable inputs	Significant unobservable inputs	
2015	Date of latest Valuation				
Recurring Fair Value Measurements					
Infrastructure, Property, Plant & Equipment (cont'd)					
Sewerage Network	30/06/15	-	-	62,274	62,274
Swimming Pools	30/06/15	-	-	4,127	4,127
Library Books	30/06/15	-	-	182	182
Tip Asset Rehabilitation	30/06/15	-	-	1,733	1,733
Total Infrastructure, Property, Plant & Equipment		-	8,372	387,980	396,352
2014					
Recurring Fair Value Measurements					
Financial Assets					
Investments					
- "Held to Maturity"	30/06/14	3,934	-	-	3,934
Cash and Cash Equivalents	30/06/14	15,162	-	-	15,162
Total Financial Assets		19,096	-	-	19,096
Financial Liabilities					
Loans / Advances	30/06/14	16,922	-	-	16,922
Payables	30/06/14	3,093	-	-	3,093
Bonds and Security Deposits	30/06/14	-	1,003	-	1,003
Accrued Interest	30/06/14	49	-	-	49
Tax Liabilities	30/06/14	130	-	-	130
Total Financial Liabilities		20,194	1,003	-	21,197
Infrastructure, Property, Plant & Equipment					
Operational Land	30/06/13	-	7,634	-	7,634
Community Land	30/06/11	-	-	14,031	14,031
Plant & Equipment	30/06/14	-	-	3,262	3,262
Office Equipment	30/06/14	-	-	512	512
Furniture & Fittings	30/06/14	-	-	28	28
Buildings	30/06/13	-	-	14,470	14,470
Other Structures	30/06/13	-	-	4,881	4,881
Roads	30/06/10	-	-	137,301	137,301
Bridges	30/06/10	-	-	7,765	7,765
Footpaths	30/06/10	-	-	9,850	9,850
Bulk Earthworks	30/06/10	-	-	31,853	31,853
Stormwater Drainage	30/06/10	-	-	16,040	16,040
Water Supply	30/06/12	-	-	29,721	29,721
Sewerage Network	30/06/12	-	-	60,934	60,934
Swimming Pools	30/06/13	-	-	816	816
Library Books	30/06/11	-	-	185	185
Tip Asset Rehabilitation	30/06/11	-	-	2,316	2,316
Total Infrastructure, Property, Plant & Equipment		-	7,634	333,965	341,599

Lithgow City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 27. Fair Value Measurement (continued)

\$ '000

(2) Transfers between Level 1 & Level 2 Fair Value Hierarchies

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

(3) Valuation techniques used to derive Level 2 and Level 3 Fair Values

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

The Fair Valuation techniques Council has employed while utilising Level 2 and Level 3 inputs are as follows:

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 Properties

Council does not have investment properties

Infrastructure, Property, Plant & Equipment

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.

Discontinued Operations

Council does not have any discontinued operations

Non Current Assets classified as "Held for Sale"

Council has not classified any non current assets as held for resale

Lithgow City Council

Notes to the Financial Statements
for the financial year ended 30 June 2015

Note 27. Fair Value Measurement (continued)

\$ '000

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

a. The following tables present the changes in Level 3 Fair Value Asset Classes.

	Property Plant and Equipment	Total
Opening Balance - 1/7/13	370,290	370,290
Purchases (GBV)	15,305	15,305
Disposals (WDV)	(1,622)	(1,622)
Depreciation & Impairment	(9,689)	(9,689)
FV Gains - Other Comprehensive Income	5,031	5,031
Closing Balance - 30/6/14	379,315	379,315
Transfers from/(to) another asset class	738	738
Purchases (GBV)	14,813	14,813
Disposals (WDV)	(5,358)	(5,358)
Depreciation & Impairment	(10,151)	(10,151)
FV Gains - Other Comprehensive Income	21,683	21,683
Other movement	47	47
Closing Balance - 30/6/15	401,087	401,087

Lithgow City Council

Notes to the Financial Statements
for the financial year ended 30 June 2015

Note 27. 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 (30/6/15) \$'000	Valuation Technique/s	Unobservable Inputs	Range of Inputs (incl. probable)	Relationship of unobservable inputs to Fair Value
I, PP&E					
Specialised Buildings	49,446	Depreciated Replacement Cost	Cost per sq metre, consumption rate, condition, useful life	Various	Significant increase / decrease in cost per sq metre or useful life
Road Infrastructure	171,478	Depreciated Replacement Cost	Cost per sq metres dimensions and specification, pattern of consumption components useful life residual value asset condition	Various	Increase / decrease in materials cost labour rates and worker efficiency
Bulk Earthworks	12,181	Current Replacement Cost	Cost per Sq metre	various	Increase / decrease in materials cost labour rates and worker efficiency
Footpaths	5,993	Depreciated Replacement Cost	Cost per sq metre pattern of consumption components useful lives asset conditions	various	Increase / decrease in materials cost labour rates and worker efficiency
Bridges	11,060	Depreciated Replacement Cost	Cost per Sq metre, dimensions and specifications, pattern of consumption components, useful lives, asset conditions	Various	Increase/Decrease in materials cost, labour rates and worker efficiency
Stormwater Drainage	20,265	Depreciated Replacement Cost	Cost per unit/ per metre	Various	Increase/Decrease in materials cost, labour rates and worker efficiency
Water Supply Network	30,591	Depreciated Replacement Cost	Unit rates, pattern of consumption, components, useful life, residual value, asset condition	Refer reference rate manual	Valued in accordance with NSW Office of Water Reference Rates Manual
Sewerage Network	62,274	Depreciated Replacement Cost	Unit rates, pattern of consumption, components, useful life, residual value, asset condition	Refer reference rate manual	Valued in accordance with NSW Office of Water Reference Rates Manual

Other Structures

5,175	Depreciated Replacement Cost	Unit rates, pattern of consumption, components, iuseful life, residual value, asset condition	Various	Increase/Decrease in materials cost, labour rates and worker efficiency
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Lithgow City Council

Notes to the Financial Statements
for the financial year ended 30 June 2015

Note 27. 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 (continued).

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 (30/6/15) \$'000	Valuation Technique/s	Unobservable Inputs	Range of Inputs (incl. probable)	Relationship of unobservable inputs to Fair Value
I,PP&E (cont'd)					
Library Books	182	Depreciated Replacement Cost	Unit Costs	Various	Increase / decrease in materials cost
Tip Assets	1,733	Depreciated Replacement Cost	Unit Costs	Various	Increase / decrease in materials cost
Swimming Pools	4,127	Depreciated Replacement Cost	Cost per unit	Various	Increase / decrease in materials cost

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. For the 2014 financial year this index was 2.8%

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.

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INDEPENDENT AUDITORS' REPORT TO LITHGOW CITY COUNCIL (SECTION 417(2) – REPORT ON THE GENERAL PURPOSE FINANCIAL STATEMENTS)

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Lithgow City Council ('the Council'), which comprises the statement of financial position as at 30 June 2015 and the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies and other explanatory notes 1 to 28 and the Statement by Councillors and Management of the Council. The financial statements and Council's statement are in the approved form as required by Section 413(2)(c) of the Local Government Act, 1993.

COUNCIL'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Councillors and management of the Council are responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards, Local Government Act 1993 (as amended) and the Regulations made there under and the Local Government Code of Accounting Practice and Financial Reporting. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITORS' RESPONSIBILITY

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

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



We performed the procedures to assess whether in all material respects the financial statements presents fairly, in accordance with the Local Government Act 1993 (as amended) and the Regulations made there under and the Local Government Code of Accounting Practice and Financial Reporting and Australian Accounting Standards, a view which is consistent with our understanding of the Council's financial position and of its performance.

Our audit responsibilities do not extend to the Original Budget figures disclosed in the income statement, cash flow statement, Notes 2(a) and 16 to the financial statements nor the attached Special Schedules. Our audit opinion does not extend to cover the Statement of Performance Measurement – Indicators in 13a(i) & Local Government Industry Indicators – Graphs 13a(ii) nor the projections data in Note 17 and accordingly, we express no opinion on them.

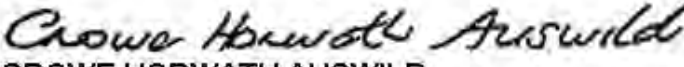

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

The audit opinion expressed in this report has been formed on the above basis.

AUDITOR'S OPINION

In our opinion:

- a) the Council's accounting records have been kept in accordance with the requirements of the Local Government Act 1993 Chapter 13, Part 3, Division 2;
- b) the Council's financial statements:
 - have been properly prepared in accordance with the requirements of this Division;
 - are consistent with the Council's accounting records;
 - present fairly the Council's financial position and result of its operations; and
 - are in accordance with applicable Accounting Standards.
- c) all information relevant to the conduct of the audit has been obtained; and
- d) there are no material deficiencies in the accounting records or financial statements that have come to light during the course of the audit.


CROWE HORWATH AUSWILD

Clare Wagner
Audit Partner

Dated at Bathurst this 27th day of November 2015

Report on the Conduct of the Audit

Lithgow City Council

Year Ended 30 June 2015

27 November 2015

Mr Roger Bailey
General Manager
Lithgow City Council
PO Box 19
LITHGOW NSW 2790

Dear Roger,

Having completed an audit examination of the books of account and associated records of the Lithgow City Shire Council for the twelve months period ended 30th June 2015 we have pleasure in submitting our report on the conduct of the audit in accordance with Section 417 (3) of the Local Government Act 1993.

BACKGROUND

Council is required to prepare two sets of financial statements for audit each year, these being:

General Purpose Financial Statements

These financial statements present the actual financial position and performance of the Council. Council has prepared the general purpose financial statements in accordance with:

- Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board,
- The Local Government Act 1993 and Regulations and
- The Local Government Code of Accounting Practice and Financial Reporting (the Code).

For the purpose of preparing these financial statements Council has been deemed to be a not-for-profit entity.

These financial statements have been prepared in much the same manner as those of the previous year.

Special Purpose Financial Statements

These financial statements have been prepared in accordance with the requirements of the National Competition Policy which requires separate financial statements for each declared business activity. Council's declared business activities for the 2015 financial year were:

- Waste Supply Operations
- Sewerage Operations

The principle differences between the general purpose financial statements and the special purpose financial statements are that:

- Certain taxes and other costs that would apply if these business activities were operating in the commercial sector have been imputed in the special purpose financial statements (ie income tax and land tax),
- The special purpose financial statements contain additional disclosures such as Council subsidies, return on investments and dividends paid.

These financial statements have been prepared in much the same manner as those of the previous year.

Auditor's Responsibility

As part of our role as auditor of Council, Section 415 (3) of the Local Government Act 1993 and the Local Government (General) Regulation requires us to consider and provide comment on the material items affecting the general purpose financial statements and other matters pertinent to the audit. The following section of this report provides an understanding of Council's financial position as at 30 June 2015, its performance for the year then ended, its cash flows and other material financial matters.

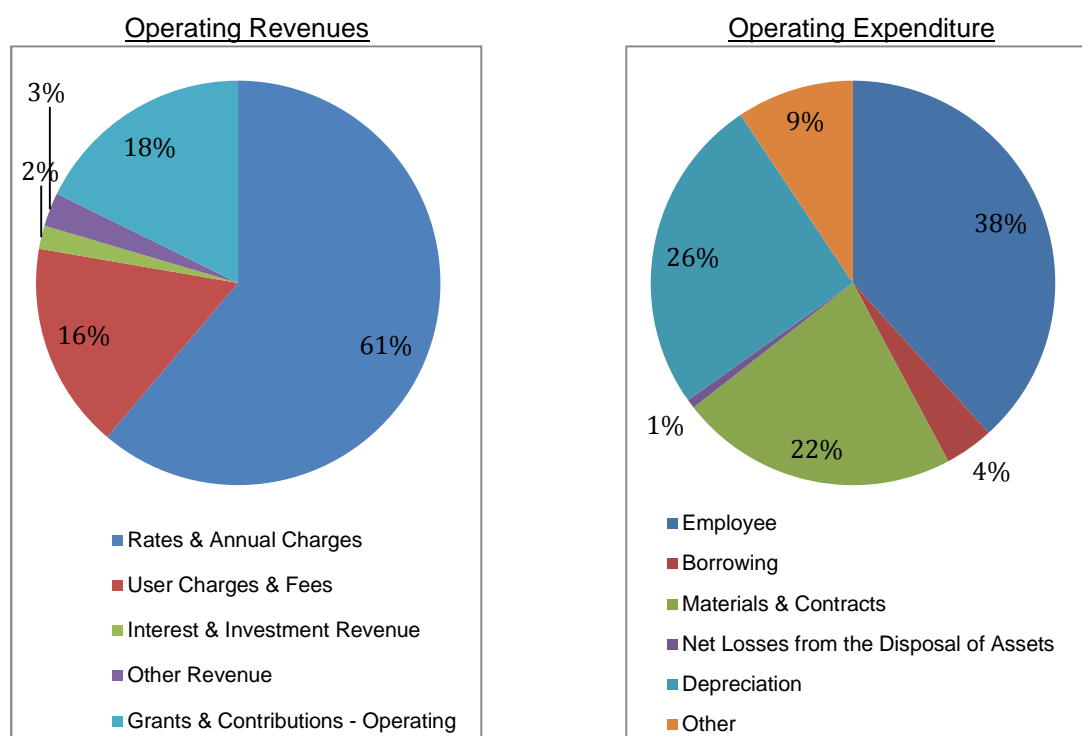
FINANCIAL RESULTS

The net operating result for the year before grants and contributions provided for capital purposes is a \$1,712,000 deficit (2014: \$2,213,000 deficit). The significant variance in Council's reported financial results for the current year has been due to a number of major factors including:

- The increases in rates and annual charges being attributable to the increase based on the IPART rate peg of 2.3% in the 2014/15 year. This contributed to an additional \$286,000 in revenue for ordinary rates.
- The Financial Assistance Grant for 201/15 reflects a full year grant compared to prior year where the grant was reduced by 50% to account for being paid in advance in prior years. The increase from prior year was \$2,365,000 with the General Component totalling \$4,622,000.

Excluding capital grants & contributions operating revenues for the year (\$38,189,000) have increased approximately 7% on those of the previous year (\$35,664,000) whilst during the same period operating expenses increased approximately 5.3% to \$39,901,000.

A breakdown of Council's operating revenues and expenses for the year are as follows:



In addition to operating revenues, Council received capital grants and contributions amounting to \$3,682,000 (2014 - \$5,240,000). In the twelve months period to 30 June 2015 Council's operating result from continuing operations' (including capital grants and contributions) was a surplus of \$1,970,000 compared with a surplus of \$3,027,000 in the previous year.

BUDGET COMPARISON

The net operating deficit for the year of \$1,712,000 was significantly lower than the original budget expectations which anticipated a surplus of \$218,000.

Details of material variations between the original budget and actual results are detailed in Note 16 to the General Purpose Financial Statements. In essence, the variations from the expected result have been attributed to:

Favourable Variances

- Increased interest revenue because council budgeted for less interest income due to the anticipated less favourable interest rate.
- Variance in Other Revenue because RTA charges for state road is disclosed as other revenue in current year.
- Materials & Contracts expense is lower than the budget and remained fairly consistent with prior year.
- Actual Other Expenses were less than the original budget, mainly for street lighting expense, legal expense, office expenses and contributions to emergency services.

Unfavourable Variances

- Reduced capital grants and contributions related to the timing issue with the receipt of Flood Mitigation Grant.
- Increased employee benefits & on-costs mainly because of the employee leave expenses exceeded the budgeted costs.
- The net loss from the disposals of assets of \$290,000 was not budgeted, and it related to the assets disposed during the bridges and footpath revaluation process.
- Depreciation expense is more than the budgeted cost due to revaluation increases.

DETAILED AUDIT OBSERVATIONS

OPERATING INCOME

Rates and Annual Charges

Revenue from rates and annual charges (excluding Council owned properties) amounted to \$23,279,000 (2014 - \$22,800,000).

The size of Council's operations has remained relatively consistent over the past two years with increases in rates and annual charges being attributable to the annual permissible increase (2.3% in 2014/15).

Council's **ordinary rating base** remained fairly static in the current year with 11,134 assessments subject to **ordinary rates** at years end.

Council further resolved that other charges be adjusted as follows:

- Water Supply charges for residential increased by \$15 to \$150 per residential property.
- Domestic Wastewater charges have increased from \$387 to \$400 per residential property.

Such increases have resulted in revenues as follows:

<u>Annual Charges</u>	2015	2014
	\$	\$
Domestic Waste Management	3,887,000	3,746,000
Water Supply Services	1,310,000	1,176,000
Stormwater Management Services	238,000	237,000
Sewerage Services	353,000	347,000
Gas Mains	21,000	22,000

Rebates of \$901,405 were provided to eligible pensioners a subsidy of \$495,773 was received from the Office of Local Government towards the cost of these rebates.

Interest and extra charges on overdue rates for the year was \$125,000 (2014 - \$116,000) and outstanding rates were subject to interest at the rate of 9.00% pa (2014 – 9.00%).

User Charges and Fees

Council derived \$5,127,000 from **specific user charges** (2014 - \$5,006,000) and a further \$1,173,000 from **fees** (2014 - \$1,250,000) imposed during the twelve months period ended 30 June 2015.

Impacting significantly on user charges and fees revenues for the year were:

Water Supply Services (increased \$151,000)

	2015	2014
	\$	\$
Usage charge < 250kl	2.96 per kl	2.84 per kl
Usage charge > 250kl	4.45 per kl	4.26 per kl

Revenue from domestic water consumption charges amounted to \$4,933,000 (2014 - \$4,782,000).

Other major revenues received from user charges and fees included:

	2015	2014
	\$	\$
Planning & Building Regulation	746,000	718,000
Private works – Section 67	153,000	262,000
Council vehicles leaseback fees	136,000	145,000

Interest

Interest and investment revenues decreased during the twelve months period with income being earned as follows:

	2015	2014
Overdue Rates and Charges	125,000	116,000
General Council Investments	587,000	721,000
	712,000	837,000

Interest on investments for the year represented approximately 5.21% (2014 – 7.6%) of ordinary rating income.

Other Revenues

Other revenue income in the current year (\$1,030,000) is considerably above that of the previous year (\$646,000). This was due to RTA income \$332,000 disclosed as other income in 2015 year, and there was slight increase in rental income.

Grants, Subsidies and Contributions

Operating Grants and Contributions

Operating grants and contributions amounting to \$6,768,000 were received in 2014/15 year compared with \$4,996,000 received in the previous year.

In the previous year Council received only two instalments of untied Financial Assistance Grant (FAG.). This was due to Council receiving additional instalments in previous years. This year council received a normal amount of FAG.

Other major specific purpose operating grants and contributions were received for, Storm damage \$694,000) and Fire Contribution (\$296,000).

Capital Grants and Contributions

Total capital grants and contributions received for the year amounted to \$3,682,000 compared with \$5,240,000 received in the previous year. This decrease is predominantly due to decreased grant received for flood restoration (from \$1,408,000 in 2014 to \$863,000 in 2015); and reduced specific grant related to sewerage services (from \$843,000 in 2014 to \$148,000 in 2015. Other roads and bridges funding received in the current year (\$1,309,000) is \$902,000 less than prior year (2014 - \$2,211,000).

In accordance with the Code of Accounting Practice all grant and contribution monies received in 2014/15 (both expended and unexpended) have been brought to account as income. Grants and contributions recognised as revenues in the current reporting period but not yet expended in accordance with the conditions attaching thereto, amounted to \$4,711,000. At year end Council held unexpended grants and contributions amounting to \$2,782,000 (2014 - \$3,724,000) and such funds have been identified as an externally restricted asset.

OPERATING EXPENDITURE

Expenses from continuing operations (\$39,901,000) were higher than both budget expectations (\$37,271,000) and those of the previous year (\$37,877,000).

Impacting significantly on operating expenses for the year were;

Employee Costs

Employee costs (\$15,277,000) increased approximately 5.78% in the twelve months period to 30 June 2015 principally due to:

- Salaries and wages increase due to the 2.6% award increase.
- Workers Compensation Insurance increasing by \$132,000.
- Decrease of \$216,000 in the capitalisation of wages from \$831,000 to \$615,000 in the 2014/15 year.

At year end Council's full time equivalent employees numbered 188 (2014 – 187).

Materials and Contracts

Materials and contracts expenditure of \$8,878,000 slightly increased from \$8,804,000 in the previous year. The increase was mainly due to the increase in contractor & consultancy costs by \$50,000.

Depreciation Expenses

Depreciation expenses (\$10,151,000) increased on the previous year (\$9,689,000) which is in line with expectations with asset additions and revaluation increases.

Depreciation expenses account for approximately 25.45% of Council's total expenses which is comparable with most Councils with whom we are associated with.

ASSETS

Cash & Investments

At balance date Council controlled cash and investments totalling \$18,449,000 (2014 - \$19,096,000).

Council utilises its investments to cover both externally and internally imposed requirements. The funds are restricted for the uses on various area including developer contributions - general (\$1,506,000), specific purpose unexpended grants (\$1,250,000), domestic waste management (\$1,000,000), employee leave entitlements (\$1,155,000), plant & vehicle replacement (\$1,759,000), land & building (\$1,676,000), and works in progress (\$2,252,000).

Externally restricted investments amounted to \$8,844,000 whilst internally restricted investments amounted to \$7,932,000. Council has additional \$1,673,000 in unrestricted funds.

Council's cash and investments were held as follows:

	2015	2014
	\$	\$
Cash on Hand and at Bank	2,718,000	3,547,000
Deposits at Call	3,565,000	914,000
Short Term Deposits	7,153,000	10,701,000
Long Term Deposits	5,013,000	3,934,000
	18,449,000	19,096,000

Debtors

Rates and Annual Charges

At balance date outstanding rates and annual charges and interest amounted to \$1,311,000 (2014 - \$1,525,000) which represented 5.17% of total receivable (2014 –6.33%).

The rates and annual charges percentage has decreased since 2014, however, the percentage is still within the industry benchmark of 10%.

Outstanding rates and annual charges have been subject to interest at the rate of 9.00% and Council has determined that a provision for doubtful debts is not necessary as all arrears are secured by a charge over the land.

Property, Plant & Equipment

During the reporting period Council expended / acquired assets with the value of \$14,813,000 (2014 - \$15,306,000).

The principal items being:

	2015	2014
	\$	\$
Capital Works in Progress	4,735,000	-
Plant & Equipment	440,000	868,000
Specialised building	877,000	612,000
Other Structures	631,000	577,000
Roads	2,180,000	5,316,000
Swimming pool	3,558,000	437,000
Water Supply Network	857,000	2,154,000
Sewerage Network	1,166,000	3,455,000

Additionally, we note that Council sold assets with a written down value of \$383,000. The sale of these assets has resulted in a loss of \$289,000 being brought to account (2014 – gain of \$129,000).

The Council also removed those assets related to Three Tree Lodge and Portland pool to be contingent assets during the year. Asset written off totalled to a written down value of \$4,985,000.

Further, we report that in accordance with the requirement of the Code of Accounting Practice, Council's water and sewerage assets were indexed upwards in accordance with the latest indices provided by the NSW Office of Water.

These revaluations have resulted in the Water Supply Network's fair value increased by \$1,312,000 and Sewerage Network increased by \$1,537,000.

Council's valuations are performed as part of the cycle plan for valuations, as per NSW Council Guidelines as follows:

1. Roads, bridges, footpaths, drainage, bulk earthworks – 30 June 2015
2. Community land, other assets, land improvements – 30 June 2016
3. Water & sewer– 30 June 2017
4. PPE, operational land, buildings – 30 June 2018
5. Land under Roads (if applicable) – 30 June 2019

In 2015 Council was required to complete a revaluation of the Roads, Bridges, Footpaths and Stormwater Drainage assets. The revaluation result for each is shown below:

Roads revalued from \$137,301,000 to \$171,478,000

Bridges revalued from \$7,765,000 to \$11,060,000

Footpaths revalued from \$9,850,000 to \$5,993,000

Bulk Earthworks revalued from \$31,853,000 to \$12,181,000

Drainage revalued from \$16,040,000 to \$20,265,000

All asset classes in Note 9 are at 'fair value', with the exception of capital work in progress.

The combined action of asset movements and revaluations has resulted in the written down value of property, plant and equipment increasing from \$379,314,000 in 2014/15 to \$401,087,000 as at 30 June 2015.

Major acquisitions during the year were again funded from grants, contributions and cash & investments.

Provisions

At 30 June 2015 the Provision for Employee Accrued Entitlements totalled \$3,611,000.

The components of the liability are:

	2015	2014
	\$	\$
Annual Leave	1,393,000	1,485,000
Long Service Leave	2,218,000	2,372,000

The average leave entitlement per full time employee as at 30 June 2015 was \$19,207 (2014 - \$20,625).

At year end Council had set aside funds amounting to \$1,155,000 or 32% of the employees leave entitlement liability. Such funds have been identified as an internally restricted asset.

Council's provision for asset remediation/ restoration increased by \$320,000 in the current year and amounted to \$11,016,000 at year end.

Loans and Debt Servicing

During the year there was one new loan raised, amounted \$5,600,000. Council repaid borrowings of \$1,356,000 and at year end Council's borrowings amounted to \$21,335,000 (2014 - \$16,922,000).

The loan liability is apportioned as follows:

	2015	2014
	\$	\$
Current	1,763,000	1,237,000
Non Current	19,572,000	15,685,000

Council required \$2,916,000 to service its loan commitments in 2014/15, which has given Council an unfavourable debt service ratio of 3.53. We note that the majority of the debt is related to the sewer fund.

SUMMARY

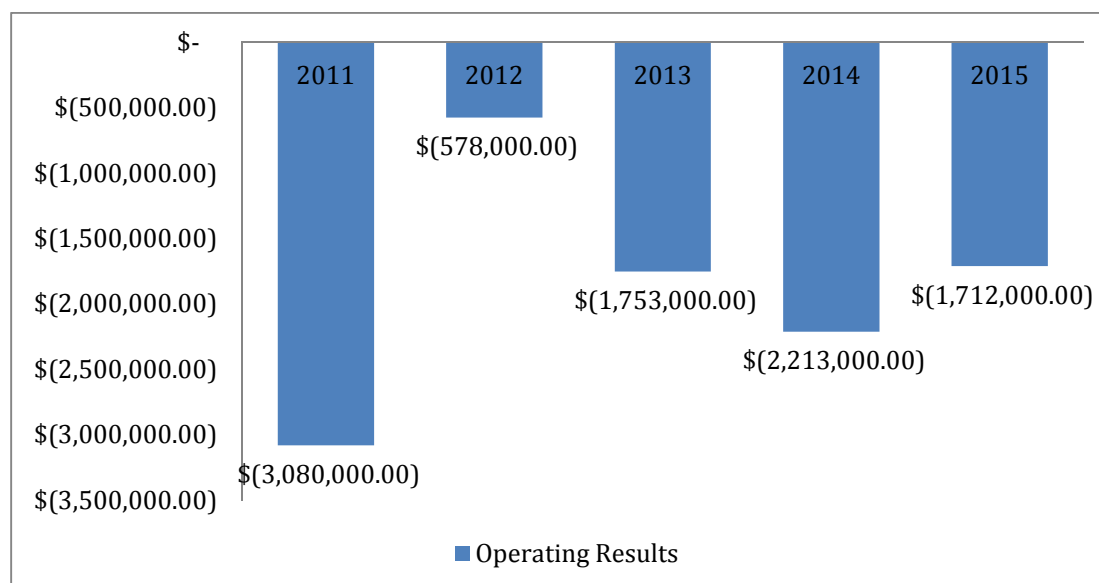
In analysing Council's financial results for the year, particular attention must be given to the following:

- Operating Result
- Cash Flow
- Reserves (internally restricted and unrestricted assets)
- Performance Ratios

Operating Result

Council reported an operating deficit before capital amounts of \$1,712,000 for the twelve months period to 30 June 2015. This deficit result has been reported after allowing for depreciation expenses of \$10,151,000. The deficit was slightly smaller than the 2013/14 results (\$2,213,000 deficit) and was well below the operating surplus of \$218,000 budgeted for in 2014/15.

Operating Surplus/(Deficit) before Capital Amounts

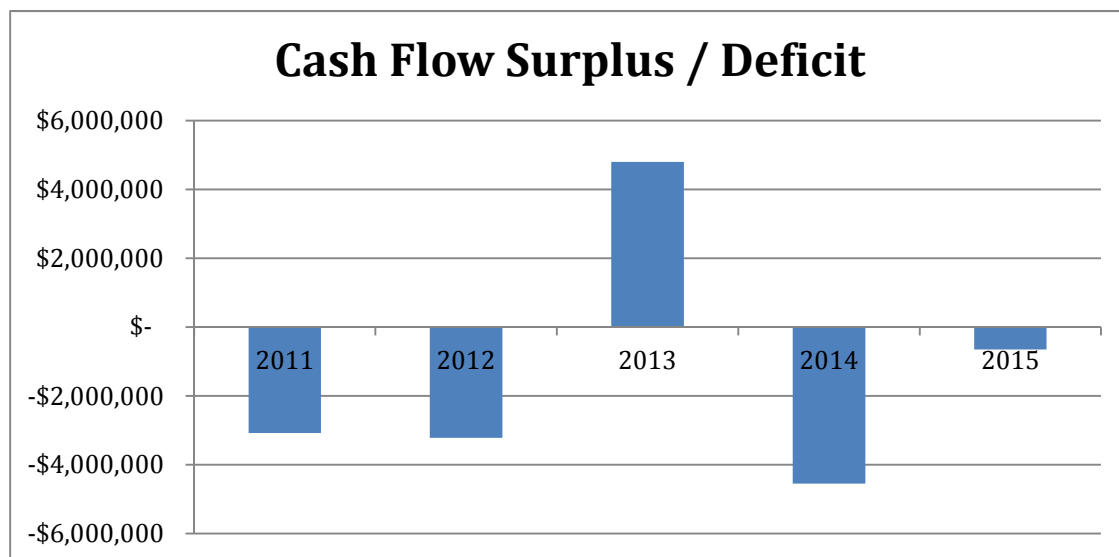


Cash Flow

Council achieved a cash surplus of \$10,280,000 (2014 - \$10,296,000) from its general operating activities which was principally utilised to purchase assets and repay loans.

These actions together with the proceeds from the sale of assets have resulted in Council having a net decrease in cash and investments of \$647,000 for the year (2014 - \$4,549,000 decrease).

Cash Flow Surplus/Deficit



For comparative purposes, we note the following factors that have impacted on the cash flow surplus in 2013/2014.

- The Financial Assistance Grant for the comparative 2015 year reflected a one off timing increase however this was offset by a decrease in capital grants received.
- Capital expenditure amounted to \$14,813,000 in the current year compared to \$15,306,000 in 2013/2014.
- Proceeds of borrowing \$5,600,000.

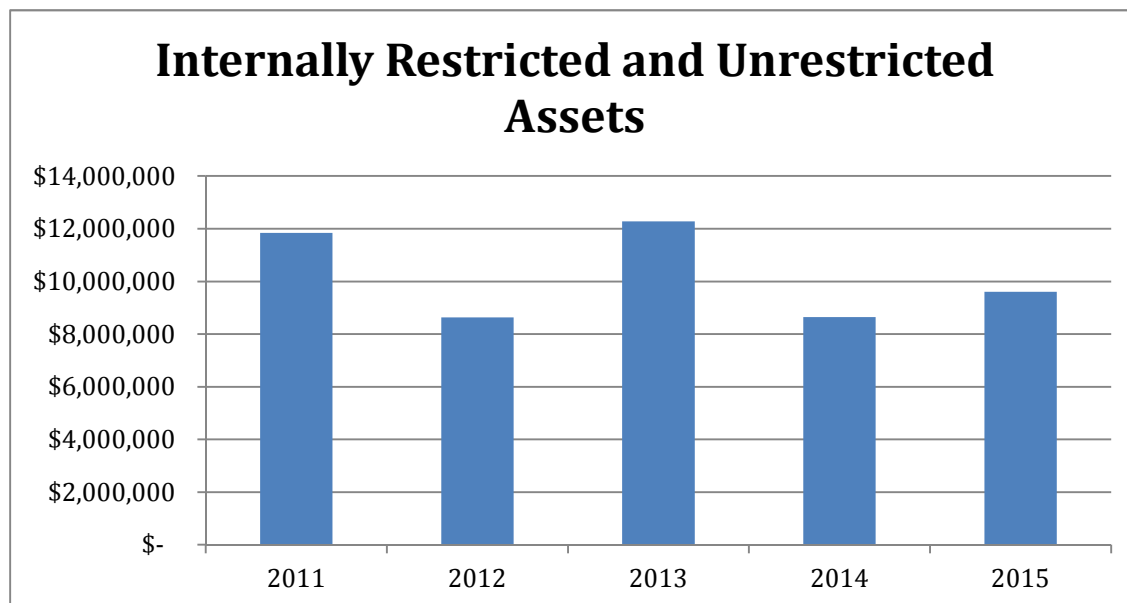
Upon analysis the cash flow surplus can be identified as follows:

<u>Activity</u>	<u>Surplus/Deficit</u>	
	2015 \$	2014 \$
Externally Restricted	8,844,000	10,445,000
Internally Restricted & Unrestricted	9,605,000	8,651,000

Reserves (Internally Restricted and Unrestricted Assets)

As noted previously, Council's internal and unrestricted funds have decreased by \$647,000 during the twelve months period and at year end Council held internally restricted investments amounting to \$7,932,000 (2014 - \$7,913,000) whilst a further \$1,673,000 was maintained as unrestricted investments (2014 - \$738,000).

Internal and Unrestricted Reserve Funds



As illustrated, Council's reserve funds have remained in the range of \$8m to \$12m over the past 5 years. We strongly emphasise that adequate funding of reserves is probably the greatest challenge facing local government generally and we encourage Council to ensure that reserve funding is commensurable with Council's long term plans.

Performance Ratios

Note 13 to the financial statements provide a measure of Council's performance using a number of selected ratios as follows:

We stress the importance of considering these ratios in conjunction with other performance indicators and not in isolation. The fact that these ratios are based upon consolidated funds should also be kept in mind as the ratios for individual funds (i.e General, Water & Sewer.) may vary significantly

Operating Performance Ratio

This ratio measures a Council's ability to contain operating expenditure within operating revenue.

The ratio of a deficit of 3.73% (2014 – 6.59% deficit) is outside the benchmark of 0%. The improvement can be attributed to the receipt of 100% of FAG in 2015 compared to 2014.

Own source operating revenue

This ratio measures the fiscal flexibility of Council and its degree of reliance on external funding sources such as operating grants and contributions. A Council's financial flexibility improves the higher the level of its own source revenue.

The ratio of 75.04% (2014 – 74.90%) is above the benchmark of 60% and indicates Council is not reliant on government grants and contributions to provide services to the community. This is a sound position.

Unrestricted Current Ratio

The unrestricted current ratio is a measure of Council's liquidity and demonstrates Council's ability to satisfy obligations out short-term and immediate asset balances.

Council's ratio of 3.01:1 (2014 – 1.90:1) is considered very favourable, as the benchmark is a minimum of 1.5:1. The ratio has increased this year due to a decreased level of goods and services payables at year end.

Debt Service Cover Ratio

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

Council's ratio of 3.53 (2014 – 3.57) is higher than the benchmark of a minimum of 2%. This result means that Council has \$3.53 of cash to meet every \$1 of debt.

Rates and Annual Charges Outstanding Ratio

The rates and annual charges outstanding percentage is a measure of management efficiency. Whilst prevailing economic conditions may influence Council's ability to collect revenue, the efficiency and application of collection procedures are still the largest determinant of this ratio.

Council's rates and annual charges outstanding percentage of 5.17% (2014 – 6.33%) is within the benchmark of 10%, however we recommend that council continue to maintain diligent recovery procedures to reduce this ratio further.

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.

Council's ratio of 6.71 months (2014 – 7.74 months) is well above the minimum benchmark of 3 months and indicates that Council is in a very strong cash and investment position.

OTHER MATTERS

Several performance improvement observations were noted during our year end audit visits. A final management letter will be issued to management. There were no major control deficiencies noted in Council's systems.

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements.

Reliance on the Report

The report on the conduct of the audit has been prepared for distribution to Council. We disclaim any assumption of responsibility for any reliance on this report to any person other than Council or for any purpose other than that for which it was prepared.

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Lithgow City Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2015

"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 financial year ended 30 June 2015

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1. Statement by Councillors & Management	2
2. Special Purpose Financial Statements:	
Income Statement - Water Supply Business Activity	3
Income Statement - Sewerage Business Activity	4
Income Statement - Other Business Activities	n/a
Statement of Financial Position - Water Supply Business Activity	5
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Statement of Financial Position - Other Business Activities	n/a
3. Notes to the Special Purpose Financial Statements	7
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Background

(i) These Special Purpose Financial Statements have been prepared for the use by both Council and the Division of Local Government in fulfilling their requirements under National Competition Policy.

(ii) The principle of competitive neutrality is based on the concept of a "level playing field" between persons/entities competing in a market place, particularly between private and public sector competitors.

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

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

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

(iv) In preparing these financial 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 & debt guarantee fees (where the business benefits from councils borrowing position by comparison with commercial rates).

Lithgow City Council

Special Purpose Financial Statements

for the financial year ended 30 June 2015

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 & Costing for Council Businesses - A Guide to Competitive Neutrality".
- The Local Government Code of Accounting Practice and Financial Reporting.
- The NSW Office of Water (Department of Environment, Climate Change and Water) Guidelines - "Best Practice Management of Water and Sewerage".

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.

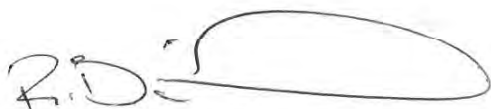
Signed in accordance with a resolution of Council made on 26 October 2015.



Maree Statham
MAYOR



Ray Thompson
COUNCILLOR



Roger Bailey
GENERAL MANAGER



Juli-Ann Brozek
RESPONSIBLE ACCOUNTING OFFICER

Lithgow City Council

Income Statement of Council's Water Supply Business Activity

for the financial year ended 30 June 2015

\$ '000	Actual 2015	Actual 2014
Income from continuing operations		
Access charges	1,348	1,212
User charges	4,739	5,062
Fees	40	39
Interest	34	35
Grants and contributions provided for non capital purposes	86	93
Total income from continuing operations	6,247	6,441
Expenses from continuing operations		
Employee benefits and on-costs	1,350	1,206
Borrowing costs	107	116
Materials and contracts	2,064	2,221
Depreciation and impairment	1,303	751
Water purchase charges	1,489	1,507
Other expenses	182	188
Total expenses from continuing operations	6,495	5,989
Surplus (deficit) from Continuing Operations before capital amounts	(248)	452
Grants and contributions provided for capital purposes	43	439
Surplus (deficit) from Continuing Operations after capital amounts	(205)	891
Surplus (deficit) from discontinued operations	-	-
Surplus (deficit) from ALL Operations before tax	(205)	891
less: Corporate Taxation Equivalent (30%) [based on result before capital]	-	(136)
SURPLUS (DEFICIT) AFTER TAX	(205)	755
plus Opening Retained Profits	14,976	14,085
plus Adjustments for amounts unpaid:		
- Taxation equivalent payments	-	-
- Debt guarantee fees	-	-
- Corporate taxation equivalent	-	136
less:		
- Tax Equivalent Dividend paid	-	-
- Surplus dividend paid	-	-
Closing Retained Profits	14,771	14,976
Return on Capital %	-0.5%	1.9%
Subsidy from Council	1,065	490
Calculation of dividend payable:		
Surplus (deficit) after tax	(205)	755
less: Capital grants and contributions (excluding developer contributions)	(43)	(439)
Surplus for dividend calculation purposes	-	316
Potential Dividend calculated from surplus	-	158

Lithgow City Council

Income Statement of Council's Sewerage Business Activity

for the financial year ended 30 June 2015

\$ '000	Actual 2015	Actual 2014
Income from continuing operations		
Access charges	6,141	6,137
User charges	311	429
Liquid Trade Waste charges	104	201
Fees	37	50
Grants and contributions provided for non capital purposes	122	203
Total income from continuing operations	6,715	7,020
Expenses from continuing operations		
Employee benefits and on-costs	1,464	1,317
Borrowing costs	714	757
Materials and contracts	2,878	2,918
Depreciation and impairment	1,365	1,271
Total expenses from continuing operations	6,421	6,263
Surplus (deficit) from Continuing Operations before capital amounts	294	757
Grants and contributions provided for capital purposes	194	874
Surplus (deficit) from Continuing Operations after capital amounts	487	1,631
Surplus (deficit) from discontinued operations	-	-
Surplus (deficit) from ALL Operations before tax	487	1,631
less: Corporate Taxation Equivalent (30%) [based on result before capital]	(88)	(227)
SURPLUS (DEFICIT) AFTER TAX	399	1,404
plus Opening Retained Profits	21,445	19,814
plus Adjustments for amounts unpaid:		
- Taxation equivalent payments	-	-
- Debt guarantee fees	-	-
- Corporate taxation equivalent	88	227
less:		
- Tax Equivalent Dividend paid	-	-
- Surplus dividend paid	-	-
Closing Retained Profits	21,932	21,445
Return on Capital %	1.6%	2.5%
Subsidy from Council	873	655
Calculation of dividend payable:		
Surplus (deficit) after tax	399	1,404
less: Capital grants and contributions (excluding developer contributions)	(194)	(874)
Surplus for dividend calculation purposes	205	530
Potential Dividend calculated from surplus	103	265

Lithgow City Council

Statement of Financial Position - Council's Water Supply Business Activity
as at 30 June 2015

\$ '000	Actual 2015	Actual 2014
ASSETS		
Current Assets		
Cash and cash equivalents	2,706	3,007
Investments	-	-
Receivables	1,879	1,509
Inventories	154	125
Other	-	-
Non-current assets classified as held for sale	-	-
Total Current Assets	4,739	4,641
Non-Current Assets		
Investments	-	-
Receivables	-	-
Inventories	-	-
Infrastructure, property, plant and equipment	30,589	29,721
Investments accounted for using equity method	-	-
Investment property	-	-
Intangible Assets	-	-
Other	-	-
Total non-Current Assets	30,589	29,721
TOTAL ASSETS	35,328	34,362
LIABILITIES		
Current Liabilities		
Bank Overdraft	-	-
Payables	126	104
Interest bearing liabilities	122	-
Provisions	384	384
Total Current Liabilities	632	488
Non-Current Liabilities		
Payables	-	-
Interest bearing liabilities	1,357	1,594
Provisions	-	-
Total Non-Current Liabilities	1,357	1,594
TOTAL LIABILITIES	1,989	2,082
NET ASSETS	33,339	32,280
EQUITY		
Retained earnings	14,682	14,935
Revaluation reserves	18,657	17,345
Council equity interest	33,339	32,280
Non-controlling equity interest	-	-
TOTAL EQUITY	33,339	32,280

Lithgow City Council

Statement of Financial Position - Council's Sewerage Business Activity

as at 30 June 2015

\$ '000	Actual 2015	Actual 2014
ASSETS		
Current Assets		
Cash and cash equivalents	2,676	1,637
Investments	-	-
Receivables	347	1,303
Inventories	19	17
Other	-	-
Non-current assets classified as held for sale	-	-
Total Current Assets	3,042	2,957
Non-Current Assets		
Investments	-	-
Receivables	-	-
Inventories	-	-
Infrastructure, property, plant and equipment	62,276	60,934
Investments accounted for using equity method	-	-
Investment property	-	-
Intangible Assets	-	-
Other	-	-
Total non-Current Assets	62,276	60,934
TOTAL ASSETS	65,318	63,891
LIABILITIES		
Current Liabilities		
Bank Overdraft	-	-
Payables	36	48
Interest bearing liabilities	777	-
Provisions	382	382
Total Current Liabilities	1,195	430
Non-Current Liabilities		
Payables	-	-
Interest bearing liabilities	11,386	12,754
Provisions	-	-
Total Non-Current Liabilities	11,386	12,754
TOTAL LIABILITIES	12,581	13,184
NET ASSETS	52,737	50,707
EQUITY		
Retained earnings	24,228	23,735
Revaluation reserves	28,509	26,972
Council equity interest	52,737	50,707
Non-controlling equity interest	-	-
TOTAL EQUITY	52,737	50,707

Lithgow City Council

Special Purpose Financial Statements for the financial year ended 30 June 2015

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	11
3	Sewerage Business Best Practice Management disclosure requirements	13

Lithgow City Council

Notes to the Special Purpose Financial Statements

for the financial year ended 30 June 2015

Note 1. Significant Accounting Policies

These financial statements are a Special Purpose Financial Statements (SPFS) prepared for use by Council and the Office of Local Government.

For the purposes of these statements, the Council is not a reporting not-for-profit entity.

The figures presented in these special purpose financial statements, unless otherwise stated, 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) &
- Australian Accounting Interpretations.

The disclosures in these special purpose financial statements have been prepared in accordance with:

- the Local Government Act and Regulation, and
- the Local Government Code of Accounting Practice and Financial Reporting.

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

Certain taxes and other costs (appropriately described) have been imputed for the purposes of the National Competition Policy.

National Competition Policy

Council has adopted the principle of competitive neutrality to its business activities as part of the national competition policy which is being applied throughout Australia at all levels of government.

The framework for its application is set out in the June 1996 Government Policy statement on the "Application of National Competition Policy to Local Government".

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

The pricing & costing guidelines outline the process for identifying and allocating costs to activities and provide a standard of disclosure requirements. These disclosures are reflected in Council's pricing and/or financial reporting systems and include taxation equivalents; council subsidies; return on investments (rate of return); and dividends paid.

Declared Business Activities

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

Category 1

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

a. Water Supply Service

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

b. Sewerage (Waste Water) Service

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

Category 2

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 one thousand dollars, with the exception of some figures disclosed in Note 2 (Water Supply Best Practice Management Disclosures) and Note 3 (Sewerage Best Practice Management Disclosures).

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

(i) Taxation Equivalent Charges

Council is liable to pay various taxes and financial duties in undertaking its business activities. Where

Lithgow City Council

Notes to the Special Purpose Financial Statements

for the financial year ended 30 June 2015

Note 1. Significant Accounting Policies

this is the case, they are disclosed in these statements as a cost of operations just like all other costs.

However, where Council is exempt from paying taxes which are generally paid by private sector businesses (such as income tax), equivalent tax payments have been applied to all Council nominated business activities and are reflected in these 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 **\$432,000** of combined land values attracts **0%**. From \$432,001 to \$2,641,000 the rate is **1.6% + \$100**. For the remaining combined land value that exceeds \$2,641,000, 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 the guidelines for Best Practice Management of Water Supply and Sewerage, a payment for the amount calculated as the annual tax equivalent charges (excluding income tax) must be paid from Water Supply and Sewerage Business activities.

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

Achievement of substantial compliance against the guidelines for Best Practice Management of Water Supply and Sewerage is not a prerequisite for the payment of the tax equivalent charges, however the payment must not exceed \$3 per assessment.

Income Tax

An income tax equivalent has been applied on the profits of each reported Business Activity.

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

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

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

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

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

Local Government Rates & Charges

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

Loan & Debt Guarantee Fees

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

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

(ii) Subsidies

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

Lithgow City Council

Notes to the Special Purpose Financial Statements for the financial year ended 30 June 2015

Note 1. Significant Accounting Policies

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

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

The overall effect of subsidies is contained within the Income Statement of each reported Business Activity.

(iii) Return on Investments (Rate of Return)

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

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

The Rate of Return on Capital is calculated as follows:

Operating Result before Capital Income + Interest Expense

Written Down Value of I, PP&E as at 30 June

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 3.02% at 30/6/15.

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

(iv) Dividends

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

Local Government Water Supply and Sewerage Businesses are permitted to pay an annual dividend from its water supply or sewerage business surplus.

The dividend, calculated and approved in accordance with the Best Practice Management Guidelines, must not exceed either:

- (i) 50% of this surplus in any one year, or
- (ii) the number of water supply or sewerage assessments at 30 June 2015 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

In accordance with the guidelines for Best Practice Management of Water Supply and Sewerage, a Dividend Payment form, Statement of Compliance, Unqualified Independent Financial Audit Report and Compliance Audit Report are required to be submitted to the NSW Office of Water prior to making the dividend and only after it has approved the payment.

Lithgow City Council

Notes to the Special Purpose Financial Statements for the financial year ended 30 June 2015

Note 2. Water Supply Business Best Practice Management disclosure requirements

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

2015

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)	No of assessments multiplied by \$3/assessment	24,732
(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]	-
(ii)	No. of assessments multiplied by \$30/assessment, less tax equivalent charges/assessment	247,320
(iii)	Cumulative surplus before Dividends for the 3 years to 30 June 2015, less the cumulative dividends paid for the 2 years to 30 June 2014 & 30 June 2013	68,237

2015 Surplus	(248,000)	2014 Surplus	316,237	2013 Surplus	-
		2014 Dividend	-	2013 Dividend	-

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

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 financial year ended 30 June 2015

Note 2. Water Supply Business

Best Practice Management disclosure requirements (continued)

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

2015

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	6,444
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)]	%	83.48%
NWI F9	Written Down Replacement Cost of Fixed Assets (Water) Written down current cost of system assets (w47)	\$'000	-
NWI F11	Operating Cost (OMA) (Water) Management Expenses (w1) + Operational & Maintenance Expenses (w2)	\$'000	5,026
NWI F14	Capital Expenditure (Water) Acquisition of fixed assets (w16)	\$'000	857
NWI F17	Economic Real Rate of Return (Water) [Total Income (w13) - Interest Income (w9) - Grants for acquisition of assets (w11a) - Operating Costs (NWI F11) - Current Cost Depreciation (w3)] x 100 divided by [Written Down Current Cost of System Assets (w47) + Plant & Equipment (w33b)]	%	0.38%
NWI F26	Capital Works Grants (Water) Grants for the Acquisition of Assets (w11a)	\$'000	-

- Notes:
- References to w (eg. w12) refer to item numbers within Special Schedules No. 3 & 4 of Council's Annual Financial Statements.
 - The NWI Performance Indicators are based upon the National Performance Framework Handbook for Urban Performance Reporting Indicators & Definitions.

Lithgow City Council

Notes to the Special Purpose Financial Statements for the financial year ended 30 June 2015

Note 3. Sewerage Business Best Practice Management disclosure requirements

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

2015

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)	No of assessments multiplied by \$3/assessment	22,923
(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]	102,739
(ii)	No. of assessments x (\$30 less tax equivalent charges per assessment)	229,230
(iii)	Cumulative surplus before dividends for the 3 years to 30 June 2015, less the cumulative dividends paid for the 2 years to 30 June 2014 & 30 June 2013	735,325

2015 Surplus	205,478	2014 Surplus	529,847	2013 Surplus	-
		2014 Dividend	-	2013 Dividend	-

(iv)	Maximum dividend from surplus [least of (i), (ii) and (iii) above]	102,739
(v)	Dividend actually paid from surplus [refer below for required pre-dividend payment Criteria]	-

3. Required outcomes for 4 Criteria

[To be eligible for the payment of a "Dividend from Surplus", ALL the Criteria below need a "YES"]

(i)	Completion of Strategic Business Plan (including Financial Plan)	
(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]	
	Complying charges (a) Residential [Item 2(c) in Table 1]	
	(b) Non Residential [Item 2(c) in Table 1]	
	(c) Trade Waste [Item 2(d) in Table 1]	
	DSP with Commercial Developer Charges [Item 2(e) in Table 1]	
	Liquid Trade Waste Approvals & Policy [Item 2(f) in Table 1]	
(iii)	Complete Performance Reporting Form (by 15 September each year)	
(iv)	a. Integrated Water Cycle Management Evaluation	
	b. Complete and implement Integrated Water Cycle Management Strategy	

Lithgow City Council

Notes to the Special Purpose Financial Statements
for the financial year ended 30 June 2015Note 3. Sewerage Business
Best Practice Management disclosure requirements (continued)

Dollars Amounts shown below are in WHOLE DOLLARS (unless otherwise indicated) 2015

National Water Initiative (NWI) Financial Performance Indicators

NWI F2	Total Revenue (Sewerage) Total Income (s14) - Grants for Acquisition of Assets (s12a) - Interest Income (s10) - Aboriginal Communities W&S Program Income (w10a)	\$'000	6,711
NWI F10	Written Down Replacement Cost of Fixed Assets (Sewerage) Written down current cost of system assets (s48)	\$'000	-
NWI F12	Operating Cost (Sewerage) Management Expenses (s1) + Operational & Maintenance Expenses (s2)	\$'000	4,240
NWI F15	Capital Expenditure (Sewerage) Acquisition of Fixed Assets (s17)	\$'000	1,166
NWI F18	Economic Real Rate of Return (Sewerage) [Total Income (s14) - Interest Income (s10) - Grants for acquisition of Assets (s12a) - Operating cost (NWI F12) - Current cost depreciation (s3)] x 100 divided by [Written down current cost (ie. WDCC) of System Assets (s48) + Plant & Equipment (s34b)]	%	n/a
NWI F27	Capital Works Grants (Sewerage) Grants for the Acquisition of Assets (12a)	\$'000	-

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

NWI F3	Total Income (Water & Sewerage) Total Income (w13 + s14) + Gain/Loss on disposal of assets (w14 + s15) minus Grants for acquisition of assets (w11a + s12a) - Interest Income (w9 + s10)	\$'000	13,155
NWI F8	Revenue from Community Service Obligations (Water & Sewerage) Community Service Obligations (NWI F25) x 100 divided by Total Income (NWI F3)	%	1.33%
NWI F16	Capital Expenditure (Water & Sewerage) Acquisition of Fixed Assets (w16 + s17)	\$'000	2,023
NWI F19	Economic Real Rate of Return (Water & Sewerage) [Total Income (w13 + s14) - Interest Income (w9 + s10) - Grants for acquisition of assets (w11a + s12a) - Operating Cost (NWI F11 + NWI F12) - Current cost depreciation (w3 + s3)] x 100 divided by [Written down replacement cost of fixed assets (NWI F9 + NWI F10) + Plant & equipment (w33b + s34b)]	%	3.99%
NWI F20	Dividend (Water & Sewerage) Dividend paid from surplus (2(v) of Note 2 + 2(v) of Note 3)	\$'000	-
NWI F21	Dividend Payout Ratio (Water & Sewerage) Dividend (NWI F20) x 100 divided by Net Profit after tax (NWI F24)	%	0.00%

Lithgow City Council

Notes to the Special Purpose Financial Statements
for the financial year ended 30 June 2015

Note 3. Sewerage Business

Best Practice Management disclosure requirements (continued)

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

2015

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

NWI F22	Net Debt to Equity (Water & Sewerage)	%	9.95%
	Overdraft (w36 + s37) + Borrowings (w38 + s39) - Cash & Investments (w30 + s31) x 100 divided by [Total Assets (w35 + s36) - Total Liabilities (w40 + s41)]		
NWI F23	Interest Cover (Water & Sewerage)		1
	Earnings before Interest & Tax (EBIT) divided by Net Interest		
	Earnings before Interest & Tax (EBIT):		1,222
	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:		821
	Interest Expense (w4a + s4a) - Interest Income (w9 + s10)		
NWI F24	Net Profit After Tax (Water & Sewerage)	\$'000	239
	Surplus before dividends (w15a + s16a) - Tax equivalents paid (Note 2-1(iv) + Note 3-1(iv))		
NWI F25	Community Service Obligations (Water & Sewerage)	\$'000	175
	Grants for Pensioner Rebates (w11b + s12b)		

- Notes:
- References to w (eg. s12) refer to item numbers within Special Schedules No. 5 & 6 of Council's Annual Financial Statements.
 - The NWI Performance Indicators are based upon the National Performance Framework Handbook for Urban Performance Reporting Indicators & Definitions.

INDEPENDENT AUDITORS' REPORT TO LITHGOW CITY COUNCIL REPORT ON THE SPECIAL PURPOSE FINANCIAL STATEMENTS

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements, being special purpose financial statements, of Lithgow City Council (the Council), which comprises the statements of financial position by business activity as at 30 June 2015, and the income statements by business activity for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the Statement by Councillors and Management.

COUNCIL'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Councillors' and management of the Council are responsible for the preparation and fair presentation of the financial statements and have determined that the basis of preparation described in Note 1 to the financial statements, are appropriate to meet the requirements of the NSW Government Policy Statement "Application of National Competition Policy to Local Government", Division of Local Government Guidelines "Pricing & Costing for Council Businesses: A Guide to Competitive Neutrality", The Local Government Code of Accounting Practice and Financial Reporting and The Department of Water and Energy Practice Management of Water Supply and Sewerage Guidelines and are appropriate to meet the needs of the Council and the Division of Local Government.

AUDITORS' RESPONSIBILITY

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

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

OPINION

In our opinion the financial statements of Lithgow City Council are in accordance with the Local Government Code of Accounting Practice and Financial Reporting, including:

- (i) giving a true and fair view of the Council's financial position as at 30 June 2015 and of its performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards to the extent described in Note 1 and the Local Government Code of Accounting Practice and Financial Reporting

BASIS OF ACCOUNTING

Without modifying our opinion, we 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 Councils' financial reporting responsibilities under the Local Government Code of Accounting Practice and Financial Reporting. As a result, the financial report may not be suitable for another purpose.

The financial statements have been prepared for distribution to Council for the purpose of fulfilling the Council's financial reporting obligations under the Local Government Code of Accounting Practice and Financial Reporting. We disclaim any assumption of responsibility for any reliance on this report or on the financial statements to which it relates to any person other than the Council and the Division of Local Government, or for any purpose other than that for which it was prepared.

Crowe Horwath Auswild
CROWE HORWATH AUSWILD

Clare Wagner

Clare Wagner
Audit Partner

Dated at Bathurst this 27th day of November 2015

Lithgow City Council

SPECIAL SCHEDULES

for the year ended 30 June 2015

"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 financial year ended 30 June 2015

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- Special Schedule No. 3	Water Supply Operations - incl. Income Statement	5
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¹ Special Schedules are not audited (with the exception of Special Schedule 9).

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 No. 1 - Net Cost of Services

for the financial year ended 30 June 2015

\$'000

Function or Activity	Expenses from Continuing Operations	Income from continuing operations		Net Cost of Services
		Non Capital	Capital	
Governance	1,128	11	-	(1,117)
Administration	1,080	972	20	(88)
Public Order and Safety				
Fire Service Levy, Fire Protection, Emergency Services	784	307	-	(477)
Beach Control	-	-	-	-
Enforcement of Local Govt. Regulations	982	489	-	(493)
Animal Control	-	-	-	-
Other	-	-	-	-
Total Public Order & Safety	1,766	796	-	(970)
Health	780	-	-	(780)
Environment				
Noxious Plants and Insect/Vermin Control	169	-	-	(169)
Other Environmental Protection	-	216	-	216
Solid Waste Management	2,734	3,941	-	1,207
Street Cleaning	528	-	-	(528)
Drainage	874	-	-	(874)
Stormwater Management	-	-	843	843
Total Environment	4,305	4,157	843	695
Community Services and Education				
Administration & Education	1,650	-	-	(1,650)
Social Protection (Welfare)	-	-	-	-
Aged Persons and Disabled	-	-	-	-
Children's Services	-	-	-	-
Total Community Services & Education	1,650	-	-	(1,650)
Housing and Community Amenities				
Public Cemeteries	346	117	-	(229)
Public Conveniences	388	-	-	(388)
Street Lighting	-	-	-	-
Town Planning	821	-	-	(821)
Other Community Amenities	1,063	394	293	(376)
Total Housing and Community Amenities	2,618	511	293	(1,814)
Water Supplies	6,495	6,247	43	(205)
Sewerage Services	6,421	6,714	194	487

Lithgow City Council

Special Schedule No. 1 - Net Cost of Services (continued)

for the financial year ended 30 June 2015

\$'000

Function or Activity	Expenses from Continuing Operations	Income from continuing operations		Net Cost of Services
		Non Capital	Capital	
Recreation and Culture				
Public Libraries	1,515	104	-	(1,411)
Museums	-	-	-	-
Art Galleries	-	-	-	-
Community Centres and Halls	-	-	-	-
Performing Arts Venues	-	-	-	-
Other Performing Arts	-	-	-	-
Other Cultural Services	-	-	-	-
Sporting Grounds and Venues	973	26	145	(802)
Swimming Pools	626	131	780	285
Parks & Gardens (Lakes)	474	3	45	(426)
Other Sport and Recreation	2,250	345	-	(1,905)
Total Recreation and Culture	5,838	609	970	(4,259)
Fuel & Energy	-	-	-	-
Agriculture	-	-	-	-
Mining, Manufacturing and Construction				
Building Control	-	-	-	-
Other Mining, Manufacturing & Construction	-	-	-	-
Total Mining, Manufacturing and Const.	-	-	-	-
Transport and Communication				
Urban Roads (UR) - Local	593	-	-	(593)
Urban Roads - Regional	319	236	-	(83)
Sealed Rural Roads (SRR) - Local	2,235	28	93	(2,114)
Sealed Rural Roads (SRR) - Regional	-	-	-	-
Unsealed Rural Roads (URR) - Local	-	-	-	-
Unsealed Rural Roads (URR) - Regional	-	-	-	-
Bridges on UR - Local	13	-	503	490
Bridges on SRR - Local	-	-	-	-
Bridges on URR - Local	-	-	-	-
Bridges on Regional Roads	-	-	-	-
Parking Areas	-	-	-	-
Footpaths	-	-	-	-
Aerodromes	-	-	-	-
Other Transport & Communication	2,652	1,641	-	(1,011)
Total Transport and Communication	5,812	1,905	596	(3,311)
Economic Affairs				
Camping Areas & Caravan Parks	-	-	-	-
Other Economic Affairs	2,008	94	-	(1,914)
Total Economic Affairs	2,008	94	-	(1,914)
Totals . Functions	39,901	22,016	2,959	(14,926)
General Purpose Revenues ⁽²⁾		16,896		16,896
Share of interests - joint ventures & associates using the equity method	-	-		-
NET OPERATING RESULT ⁽¹⁾	39,901	38,912	2,959	1,970

(1) As reported in the Income Statement

(2) Includes: Rates & Annual Charges (incl. Ex Gratia, excl. Water & Sewer), Non Capital General Purpose Grants, Interest on Investments (excl. Ext. Restricted Assets) & Interest on overdue Rates & Annual Charges

Lithgow City Council

Special Schedule No. 2(a) - Statement of Long Term Debt (all purpose)
for the financial year ended 30 June 2015

\$'000

Classification of Debt	Principal outstanding at beginning of the year			New Loans raised during the year	Debt redemption during the year		Transfers to Sinking Funds	Interest applicable for Year	Principal outstanding at the end of the year		
	Current	Non Current	Total		From Revenue	Sinking Funds			Current	Non Current	Total
Loans (by Source)											
Commonwealth Government	-	-	-							-	-
Treasury Corporation	-	-	-							-	-
Other State Government	489	1,484	1,973	-	489	-	-	-	489	995	1,484
Public Subscription	-	-	-							-	-
Financial Institutions	747	14,054	14,801	5,600	866	-	-	1,071	1,274	18,261	19,535
Other	-	-	-							-	-
Total Loans	1,236	15,538	16,774	5,600	1,355	-	-	1,071	1,763	19,256	21,019
Other Long Term Debt											
Ratepayers Advances	-	-	-							-	-
Government Advances	-	-	-							-	-
Finance Leases	-	-	-							-	-
Deferred Payments	-	-	-							-	-
Total Long Term Debt	-	-	-	-	-	-	-	-	-	-	-
Total Debt	1,236	15,538	16,774	5,600	1,355	-	-	1,071	1,763	19,256	21,019

Notes: Excludes (i) Internal Loans & (ii) Principal Inflows/Outflows relating to Loan Re-Financing.

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

Lithgow City Council

Special Schedule No. 3 - Water Supply Income Statement

Includes ALL INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.
for the financial year ended 30 June 2015

\$'000	Actuals 2015	Actuals 2014
A Expenses and Income Expenses		
1. Management expenses		
a. Administration	1,186	887
b. Engineering and Supervision	395	296
2. Operation and Maintenance expenses		
- Dams & Weirs		
a. Operation expenses	-	-
b. Maintenance expenses	-	-
- Mains		
c. Operation expenses	628	-
d. Maintenance expenses	409	992
- Reservoirs		
e. Operation expenses	31	-
f. Maintenance expenses	93	105
- Pumping Stations		
g. Operation expenses (excluding energy costs)	-	-
h. Energy costs	28	31
i. Maintenance expenses	36	26
- Treatment		
j. Operation expenses (excluding chemical costs)	175	-
k. Chemical costs	98	96
l. Maintenance expenses	458	616
- Other		
m. Operation expenses	-	-
n. Maintenance expenses	-	-
o. Purchase of water	1,489	1,507
3. Depreciation expenses		
a. System assets	1,302	751
b. Plant and equipment	-	-
4. Miscellaneous expenses		
a. Interest expenses	107	116
b. Revaluation Decrements	-	-
c. Other expenses	60	566
d. Impairment - System assets	-	-
e. Impairment - Plant and equipment	-	-
f. Aboriginal Communities Water & Sewerage Program	-	-
g. Tax Equivalents Dividends (actually paid)	-	-
5. Total expenses	6,495	5,989

Lithgow City Council

Special Schedule No. 3 - Water Supply Income Statement (continued)

Includes ALL INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.
for the financial year ended 30 June 2015

\$'000	Actuals 2015	Actuals 2014
Income		
6. Residential charges		
a. Access (including rates)	1,045	1,211
b. Usage charges	5,279	5,063
7. Non-residential charges		
a. Access (including rates)	-	-
b. Usage charges	-	-
8. Extra charges	34	35
9. Interest income	-	-
10. Other income	-	40
10a. Aboriginal Communities Water and Sewerage Program	-	-
11. Grants		
a. Grants for acquisition of assets	-	417
b. Grants for pensioner rebates	86	93
c. Other grants	-	-
12. Contributions		
a. Developer charges	-	22
b. Developer provided assets	-	-
c. Other contributions	-	-
13. Total income	6,444	6,881
14. Gain (or loss) on disposal of assets	-	-
15. Operating Result	(51)	892
15a. Operating Result (less grants for acquisition of assets)	(51)	475

Lithgow City Council

Special Schedule No. 3 - Water Supply Income Statement (continued)

Includes ALL INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.
for the financial year ended 30 June 2015

\$'000	Actuals 2015	Actuals 2014
B Capital transactions		
Non-operating expenditures		
16. Acquisition of Fixed Assets		
a. New Assets for Improved Standards	-	-
b. New Assets for Growth	-	-
c. Renewals	857	2,154
d. Plant and equipment	-	-
17. Repayment of debt		
a. Loans	-	108
b. Advances	-	-
c. Finance leases	-	-
18. Transfer to sinking fund	-	-
19. Totals	857	2,262
Non-operating funds employed		
20. Proceeds from disposal of assets	-	-
21. Borrowing utilised		
a. Loans	-	-
b. Advances	-	-
c. Finance leases	-	-
22. Transfer from sinking fund	-	-
23. Totals	-	-
C Rates and charges		
24. Number of assessments		
a. Residential (occupied)	7,142	-
b. Residential (unoccupied, ie. vacant lot)	595	-
c. Non-residential (occupied)	449	-
d. Non-residential (unoccupied, ie. vacant lot)	58	-
25. Number of ETs for which developer charges were received	- ET	- ET
26. Total amount of pensioner rebates (actual dollars)	\$ -	\$ -

Lithgow City Council

Special Schedule No. 3 - Water Supply Cross Subsidies

for the financial year ended 30 June 2015

\$'000	Yes	No	Amount
D Best practice annual charges and developer charges*			
27. Annual charges			
a. Does Council have best-practice water supply annual charges and usage charges*?	<input type="text" value="YES"/>	<input type="text"/>	
If Yes, go to 28a.			
If No, please report if council has removed land value from access charges (ie rates)?			
	<input type="text"/>	<input type="text"/>	
NB. Such charges for both residential customers and non-residential customers comply with section 3.2 of Water Supply, Sewerage and Trade Waste Pricing Guidelines, NSW Office of Water, December, 2002. Such charges do not involve significant cross subsidies.			
b. Cross-subsidy from residential customers using less than allowance (page 25 of Guidelines)			<input type="text"/>
c. Cross-subsidy to non-residential customers (page 24 of Guidelines)			<input type="text"/>
d. Cross-subsidy to large connections in unmetered supplies (page 26 of Guidelines)			<input type="text"/>
28. Developer charges			
a. Has council completed a water supply Development Servicing** Plan?	<input type="text"/>	<input type="text" value="NO"/>	
b. Total cross-subsidy in water supply developer charges for 2014/15 (page 47 of Guidelines)			<input type="text"/>
** In accordance with page 9 of Developer Charges Guidelines for Water Supply, Sewerage and Stormwater, NSW Office of Water, December, 2002.			
29. Disclosure of cross-subsidies			
Total of cross-subsidies (27b +27c + 27d + 28b)			<input type="text" value="-"/>

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

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

Lithgow City Council

Special Schedule No. 4 - Water Supply Statement of Financial Position

Includes INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.
as at 30 June 2015

\$'000	Actuals Current	Actuals Non Current	Actuals Total
ASSETS			
30. Cash and investments			
a. Developer charges	-	-	-
b. Special purpose grants	-	-	-
c. Accrued leave	-	-	-
d. Unexpended loans	-	-	-
e. Sinking fund	-	-	-
f. Other	2,706	-	2,706
31. Receivables			
a. Specific purpose grants	192	-	192
b. Rates and Availability Charges	79	-	79
c. User Charges	1,932	-	1,932
d. Other	5	-	5
32. Inventories	154	-	154
33. Property, plant and equipment			
a. System assets	-	-	-
b. Plant and equipment	-	30,589	30,589
34. Other assets	-	-	-
35. Total assets	5,068	30,589	35,657
LIABILITIES			
36. Bank overdraft	-	-	-
37. Creditors	126	-	126
38. Borrowings			
a. Loans	122	1,357	1,479
b. Advances	-	-	-
c. Finance leases	-	-	-
39. Provisions			
a. Tax equivalents	-	-	-
b. Dividend	-	-	-
c. Other	384	-	384
40. Total liabilities	632	1,357	1,989
41. NET ASSETS COMMITTED	4,436	29,232	33,668
EQUITY			
42. Accumulated surplus			14,682
43. Asset revaluation reserve			18,657
44. TOTAL EQUITY			33,339
Note to system assets:			
45. Current replacement cost of system assets			-
46. Accumulated current cost depreciation of system assets			-
47. Written down current cost of system assets			-

Lithgow City Council

Special Schedule No. 5 - Sewerage Service Income Statement

Includes ALL INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.
for the financial year ended 30 June 2015

\$'000	Actuals 2015	Actuals 2014
A Expenses and Income Expenses		
1. Management expenses		
a. Administration	843	610
b. Engineering and Supervision	281	203
2. Operation and Maintenance expenses		
- Mains		
a. Operation expenses	-	-
b. Maintenance expenses	475	474
- Pumping Stations		
c. Operation expenses (excluding energy costs)	-	-
d. Energy costs	74	179
e. Maintenance expenses	320	328
- Treatment		
f. Operation expenses (excl. chemical, energy, effluent & biosolids management costs)	-	-
g. Chemical costs	-	-
h. Energy costs	336	68
i. Effluent Management	652	507
j. Biosolids Management	-	-
k. Maintenance expenses	1,259	1,391
- Other		
l. Operation expenses	-	-
m. Maintenance expenses	-	-
3. Depreciation expenses		
a. System assets	1,365	1,272
b. Plant and equipment	-	-
4. Miscellaneous expenses		
a. Interest expenses	714	906
b. Revaluation Decrements	-	-
c. Other expenses	102	322
d. Impairment - System assets	-	-
e. Impairment - Plant and equipment	-	-
f. Aboriginal Communities Water & Sewerage Program	-	-
g. Tax Equivalents Dividends (actually paid)	-	-
5. Total expenses	6,421	6,259

Lithgow City Council

Special Schedule No. 5 - Sewerage Service Income Statement (continued)

Includes ALL INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.
for the financial year ended 30 June 2015

\$'000	Actuals 2015	Actuals 2014
Income		
6. Residential charges (including rates)	6,140	6,137
7. Non-residential charges		
a. Access (including rates)	-	-
b. Usage charges	311	429
8. Trade Waste Charges		
a. Annual Fees	136	201
b. Usage charges	-	50
c. Excess mass charges	-	-
d. Re-inspection fees	-	-
9. Extra charges	-	-
10. Interest income	-	-
11. Other income	35	-
11a. Aboriginal Communities Water & Sewerage Program	-	-
12. Grants		
a. Grants for acquisition of assets	-	853
b. Grants for pensioner rebates	89	88
c. Other grants	-	116
13. Contributions		
a. Developer charges	-	21
b. Developer provided assets	-	-
c. Other contributions	-	-
14. Total income	6,711	7,895
15. Gain (or loss) on disposal of assets	-	-
16. Operating Result	290	1,636
16a. Operating Result (less grants for acquisition of assets)	290	783

Lithgow City Council

Special Schedule No. 5 - Sewerage Service Income Statement (continued)

Includes ALL INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.
for the financial year ended 30 June 2015

\$'000	Actuals 2015	Actuals 2014
B Capital transactions		
Non-operating expenditures		
17. Acquisition of Fixed Assets		
a. New Assets for Improved Standards	-	-
b. New Assets for Growth	-	-
c. Renewals	1,166	3,455
d. Plant and equipment	-	-
18. Repayment of debt		
a. Loans	591	2,156
b. Advances	-	-
c. Finance leases	-	-
19. Transfer to sinking fund	-	-
20. Totals	1,757	5,611
Non-operating funds employed		
21. Proceeds from disposal of assets	-	-
22. Borrowing utilised		
a. Loans	-	-
b. Advances	-	-
c. Finance leases	-	-
23. Transfer from sinking fund	-	-
24. Totals	-	-
C Rates and charges		
25. Number of assessments		
a. Residential (occupied)	6,745	-
b. Residential (unoccupied, ie. vacant lot)	423	-
c. Non-residential (occupied)	434	-
d. Non-residential (unoccupied, ie. vacant lot)	39	-
26. Number of ETs for which developer charges were received	- ET	- ET
27. Total amount of pensioner rebates (actual dollars)	\$ -	\$ 159,778

Lithgow City Council

Special Schedule No. 5 - Sewerage Service Cross Subsidies

for the financial year ended 30 June 2015

\$'000	Yes	No	Amount
D Best practice annual charges and developer charges*			
28. Annual charges			
a. Does Council have best-practice sewerage annual charges, usage charges and trade waste fees & charges*?	<input type="text" value="YES"/>	<input type="text"/>	
If Yes, go to 29a.			
If No, please report if council has removed land value from access charges (ie rates)?			
	<input type="text"/>	<input type="text"/>	
NB. Such charges for both residential customers and non-residential customers comply with section 4.2 & 4.3 of the Water Supply, Sewerage and Trade Waste Pricing Guidelines, NSW Office of Water, December, 2002. Such charges do not involve significant cross subsidies.			
b. Cross-subsidy to non-residential customers (page 45 of Guidelines)			<input type="text"/>
c. Cross-subsidy to trade waste discharges (page 46 of Guidelines)			<input type="text"/>
29. Developer charges			
a. Has council completed a sewerage Development Servicing** Plan?	<input type="text"/>	<input type="text" value="NO"/>	
b. Total cross-subsidy in sewerage developer charges for 2014/15 (page 47 of Guidelines)			<input type="text"/>
** In accordance with page 9 of Developer Charges Guidelines for Water Supply, Sewerage and Stormwater, NSW Office of Water, December, 2002.			
30. Disclosure of cross-subsidies			
Total of cross-subsidies (28b + 28c + 29b)			<input type="text" value="-"/>

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

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

Lithgow City Council

Special Schedule No. 6 - Sewerage Service Statement of Financial Position

Includes INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.
as at 30 June 2015

\$'000	Actuals Current	Actuals Non Current	Actuals Total
ASSETS			
31. Cash and investments			
a. Developer charges	-	-	-
b. Special purpose grants	-	-	-
c. Accrued leave	-	-	-
d. Unexpended loans	-	-	-
e. Sinking fund	-	-	-
f. Other	2,356	-	2,356
32. Receivables			
a. Specific purpose grants	17	-	17
b. Rates and Availability Charges	309	-	309
c. User Charges	138	-	138
d. Other	11	-	11
33. Inventories	19	-	19
34. Property, plant and equipment			
a. System assets	-	62,276	62,276
b. Plant and equipment	-	-	-
35. Other assets	-	-	-
36. Total Assets	2,850	62,276	65,126
LIABILITIES			
37. Bank overdraft	-	-	-
38. Creditors	36	-	36
39. Borrowings			
a. Loans	777	11,386	12,163
b. Advances	-	-	-
c. Finance leases	-	-	-
40. Provisions			
a. Tax equivalents	-	-	-
b. Dividend	-	-	-
c. Other	-	382	382
41. Total Liabilities	813	11,768	12,581
42. NET ASSETS COMMITTED	2,037	50,508	52,545
EQUITY			
42. Accumulated surplus			24,228
44. Asset revaluation reserve			28,509
45. TOTAL EQUITY			52,737
Note to system assets:			
46. Current replacement cost of system assets			-
47. Accumulated current cost depreciation of system assets			-
48. Written down current cost of system assets			-

Lithgow City Council

Special Schedule No. 7 - Report on Infrastructure Assets

as at 30 June 2015

\$'000

Asset Class	Asset Category	Estimated cost to bring up to a satisfactory standard refer (1)	Required Annual Maintenance refer (2)	Actual Maintenance 2014/15 refer (3)	Written Down Value (WDV) refer (4)	Assets in Condition as a % of WDV				
						1	2	3	4	5
						refer (4) & (5)				
Buildings										
	Council Offices / Administration Centres	13	329	331	3,714	0%	95%	0%	5%	0%
	Community		2,839	3,011	19,664	0%	10%	75%	15%	0%
	Economic	467	87	73	3,685	0%	10%	80%	10%	0%
	Health	-	-	-	115	0%	100%	0%	0%	0%
	Housing and Community	-	-	-	96	0%	100%	0%	0%	0%
	Library	-	-	-	2,207	0%	100%	0%	0%	0%
	Public	222	175	130	2,270	0%	15%	75%	10%	0%
	Recreation	1,696	134	157	16,225	0%	10%	75%	15%	0%
	Transport	346	176	111	1,469	0%	13%	75%	12%	0%
	sub total	2,744	3,739	3,813	44,693	0.0%	23.3%	73.1%	14.2%	-10.6%
Other Structures										
	Other Structures	-	Data not assessed yet		5,175					100%
	sub total	-	-	-	5,175	0.0%	0.0%	0.0%	0.0%	100.0%
Roads										
	Sealed Roads Surface	7,200	-	3,117	160,009	9%	40%	31%	20%	0%
	Bridges	368	-	13	7,359		10%	80%	10%	0%
	Footpaths	-	-	-	5,993					100%
	Kerb and Gutter	76	-	127	15,170	35%	30%	34%	1%	0%
	Other	-	3,852	-	-					
	sub total	7,644	3,852	3,257	188,531	10.5%	36.8%	32.2%	17.4%	3.2%

Lithgow City Council

Special Schedule No. 7 - Report on Infrastructure Assets (continued)

as at 30 June 2015

\$'000

Asset Class	Asset Category	Estimated cost to bring up to a satisfactory standard refer (1)	Required Annual Maintenance refer (2)	Actual Maintenance 2014/15 refer (3)	Written Down Value (WDV) refer (4)	Assets in Condition as a % of WDV				
						1	2	3	4	5
						refer (4) & (5)				
Water Supply										
	Infrastructure	5,506	3,217	996	30,591	26%	2%	54%	18%	0%
	sub total	5,506	3,217	996	30,591	26.0%	2.0%	54.0%	18.0%	0.0%
Sewerage										
	Infrastructure	16,606	2,601	2,054	62,274	37%	15%	28%	11%	9%
	sub total	16,606	2,601	2,054	62,274	37.0%	15.0%	28.0%	11.0%	9.0%
Stormwater Drainage										
	Other	821	181	181	20,265		10%	75%	15%	0%
	sub total	821	181	181	20,265	0.0%	10.0%	75.0%	15.0%	0.0%
Open Space/ Recreational Assets										
	Swimming Pools	Data not assessed yet			4,127					100%
	sub total	-	-	-	4,127	0.0%	0.0%	0.0%	0.0%	100.0%

Lithgow City Council

Special Schedule No. 7 - Report on Infrastructure Assets (continued)

as at 30 June 2015

\$'000

Asset Class	Asset Category	Estimated cost to bring up to a satisfactory standard refer (1)	Required Annual Maintenance refer (2)	Actual Maintenance 2014/15 refer (3)	Written Down Value (WDV) refer (4)	Assets in Condition as a % of WDV				
						1	2	3	4	5
						refer (4) & (5)				
	TOTAL - ALL ASSETS	33,321	13,590	10,301	355,656	14.3%	25.8%	40.1%	15.4%	4.5%

Notes:

- (1). Satisfactory is defined as %satisfying expectations or needs, leaving no room for complaint, causing satisfaction, adequate+.
The estimated cost to bring assets to a satisfactory standard is the amount of money that is required to be spent on an asset to ensure that it is in a satisfactory standard.
This estimated cost should not include any planned enhancements (ie.to heighten, intensify or improve the facilities).
- (2). Required Annual Maintenance is %what should be spent to maintain assets in a satisfactory standard.
- (3). Actual Maintenance is what has been spent in the current year to maintain the assets.
Actual Maintenance may be higher or lower than the required annual maintenance due to the timing of when the maintenance actually occurs.
- (4). Written Down Value is in accordance with Note 9 of Council's General Purpose Financial Statements
- (5). **Infrastructure Asset Condition Assessment "Key"**

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

Condition	Description hereō
Condition	Description hereō
Condition	Description hereō
Condition	Description hereō
Condition	Description hereō

Lithgow City Council

Special Schedule No. 7 - Report on Infrastructure Assets (continued)
for the financial year ended 30 June 2015

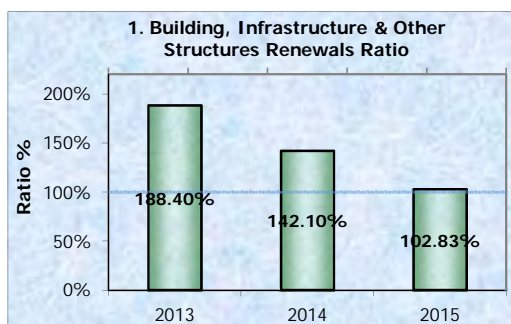
\$ '000	Amounts	Indicator	Prior Periods	
	2015	2015	2014	2013
Infrastructure Asset Performance Indicators Consolidated				
1. Building, Infrastructure & Other Structures Renewals Ratio				
Asset Renewals				
(Building, Infrastructure & Other Structures) ⁽¹⁾	9,196	102.83%	142.10%	188.40%
Depreciation, Amortisation & Impairment	8,943			
2. Infrastructure Backlog Ratio				
Estimated Cost to bring Assets to a Satisfactory Condition	33,321	9.37%	11.45%	11.00%
Total value ⁽²⁾ of Infrastructure, Building, Other Structures & depreciable Land Improvement Assets	355,656			
3. Asset Maintenance Ratio				
Actual Asset Maintenance	10,301	0.76	0.97	0.85
Required Asset Maintenance	13,590			
4. Capital Expenditure Ratio				
Annual Capital Expenditure	9,455	0.93	1.41	1.77
Annual Depreciation	10,151			

Notes

⁽¹⁾ Asset Renewals represent the replacement &/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. Asset Renewals include building, infrastructure & Other Structure assets only.

⁽²⁾ Written Down Value

Lithgow City Council

Special Schedule No. 7 - Report on Infrastructure Assets (continued)
for the financial year ended 30 June 2015

Benchmark: Minimum $\geq 100.00\%$
Source for Benchmark: Code of Accounting Practice and Financial Reporting #23

Purpose of Asset Renewals Ratio

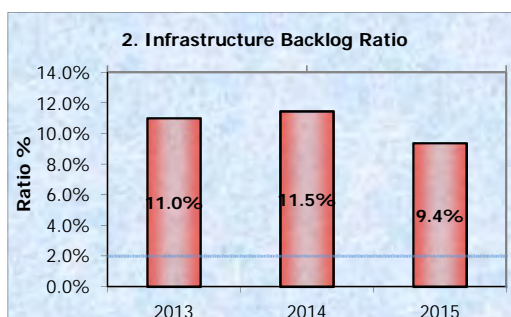
To assess the rate at which these assets are being renewed relative to the rate at which they are depreciating.

Commentary on 2014/15 Result

2014/15 Ratio 102.83%

Council continues to invest heavily in its capital works program in both renewing existing infrastructure as well as constructing new assets. The challenge with maintaining this result will be as assets are revalued upwards and hence depreciation increases being able to spend on renewals at the same level.

Ratio is within Benchmark
Ratio is outside Benchmark



Benchmark: Maximum < 0.02
Source for Benchmark: Code of Accounting Practice and Financial Reporting #23

Purpose of Infrastructure Backlog Ratio

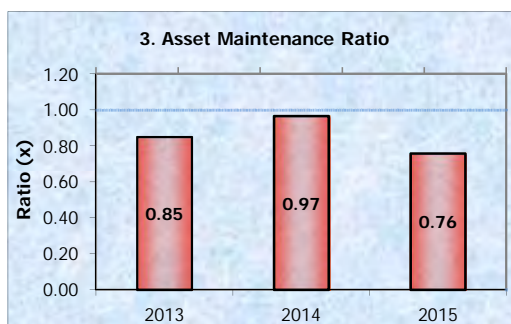
This ratio shows what proportion the backlog is against the total value of a Council's infrastructure.

Commentary on 2014/15 Result

2014/15 Ratio 9.37%

This ratio highlights that historically Council still has an infrastructure backlog that it is dealing with. Combined with the asset maintenance ratio below it shows that Council is holding steady on its infrastructure backlog.

Ratio is within Benchmark
Ratio is outside Benchmark



Benchmark: Minimum > 1.00
Source for Benchmark: Code of Accounting Practice and Financial Reporting #23

Purpose of Asset Maintenance Ratio

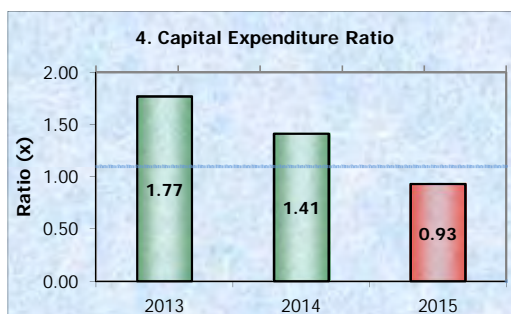
Compares actual vs. required annual asset maintenance. A ratio above 1.0 indicates Council is investing enough funds to stop the Infrastructure Backlog growing.

Commentary on 2014/15 Result

2014/15 Ratio 0.76 x

Ongoing required annual maintenance for the water supply network and sewerage network will be reassessed with upcoming revaluations. Current required maintenance deemed to be steady. Reduction in the ratio this year caused by capital improvement spend as opposed to maintenance

Ratio is within Benchmark
Ratio is outside Benchmark



Benchmark: Minimum > 1.10
Source for Benchmark: Code of Accounting Practice and Financial Reporting #23

Purpose of Capital Expenditure Ratio

To assess the extent to which a Council is expanding its asset base thru capital expenditure on both new assets and the replacement and renewal of existing assets.

Commentary on 2014/15 Result

2014/15 Ratio 0.93 x

Council continues to expand its asset base through a large capital works program.

Ratio is within Benchmark
Ratio is outside Benchmark

Lithgow City Council

Special Schedule No. 7 - Report on Infrastructure Assets (continued)
for the financial year ended 30 June 2015

\$ '000	Water 2015	Sewer 2015	General ⁽¹⁾ 2015
Infrastructure Asset Performance Indicators By Fund			
1. Building, Infrastructure & Other Structures Renewals Ratio			
Asset Renewals			
<u>(Building, Infrastructure & Other Structures) ⁽²⁾</u>	0.00%	0.00%	146.55%
Depreciation, Amortisation & Impairment			
prior period:	0.00%	0.00%	187.84%
2. Infrastructure Backlog Ratio			
Estimated Cost to bring Assets to a Satisfactory Condition			
<u>Total value⁽³⁾ of Infrastructure, Building, Other Structures & Depreciable Land Improvement Assets</u>	18.00%	26.67%	4.27%
prior period:	22.21%	28.72%	5.45%
3. Asset Maintenance Ratio			
Actual Asset Maintenance			
<u>Required Asset Maintenance</u>	0.31	0.79	0.93
prior period:	1.00	1.00	0.94
4. Capital Expenditure Ratio			
Annual Capital Expenditure			
<u>Annual Depreciation</u>	0.66	0.85	0.99
prior period:	2.87	2.72	1.05

Notes

⁽¹⁾ General Fund refers to all of Council's activities except for its Water & Sewer activities which are listed separately.

⁽²⁾ Asset Renewals represent the replacement &/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. Asset Renewals include building, infrastructure & Other Structure assets only.

⁽³⁾ Written Down Value

Lithgow City Council

Special Schedule No. 9 - Permissible Income Calculation

for the financial year ended 30 June 2016

\$'000		Calculation 2014/15	Calculation 2015/16
Notional General Income Calculation ⁽¹⁾			
Last Year Notional General Income Yield	a	11,886	12,193
Plus or minus Adjustments ⁽²⁾	b	30	-
Notional General Income	c = (a + b)	11,916	12,193
Permissible Income Calculation			
Special variation percentage ⁽³⁾	d	0.00%	0.00%
or Rate peg percentage	e	2.30%	0.00%
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	274	-
or plus Crown land adjustment and rate peg amount	j = c x f	-	-
sub-total	k = (c+g+h+i+j)	12,190	12,193
plus (or minus) last year's Carry Forward Total	l	(5)	(7)
less Valuation Objections claimed in the previous year	m	(1)	(2)
sub-total	n = (l + m)	(6)	(9)
Total Permissible income	o = k + n	12,184	12,184
less Notional General Income Yield	p	12,193	-
Catch-up or (excess) result	q = o - p	(9)	12,184
plus Income lost due to valuation objections claimed ⁽⁴⁾	r	2	-
less Unused catch-up ⁽⁵⁾	s	-	-
Carry forward to next year	t = q + r - s	(7)	12,184

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 councils' Special Schedule 9 in the Financial Data Return (FDR) to

administer this process.

Lithgow City Council

Special Schedule No. 8 - Financial Projections as at 30 June 2015

Special Schedule 8 data is now being collected in the Financial Data Return.