

Lithgow City Council

GENERAL PURPOSE FINANCIAL REPORT
for the year ended 30 June 2007

"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 Report
for the financial year ended 30 June 2007

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Overview

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

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

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

A description of nature of Councils operations and it's principal activities are provided in Note 2(b).

- (iii) All figures presented in this Financial Report represent Australian Currency.
 - (iv) This Financial Report was authorised for issue by the Council on dd/mm/yy. Council has the power to amend and reissue the financial report.
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Lithgow City Council

Balance Sheet
as at 30 June 2007

\$ '000	Notes	Actual 2007	Actual 2006
ASSETS			
Current Assets			
Cash & Cash Equivalents	6a	13,714	8,041
Investments	6b	2,000	2,050
Receivables	7	2,749	2,194
Inventories	8	748	653
Other	8	6	104
Total Current Assets		19,217	13,042
Non-Current Assets			
Inventories	8	378	378
Infrastructure, Property, Plant & Equipment	9	186,596	176,866
Total Non-Current Assets		186,974	177,244
TOTAL ASSETS		206,191	190,286
LIABILITIES			
Current Liabilities			
Payables	10	3,415	2,627
Interest Bearing Liabilities	10	440	317
Provisions - anticipated as being payable within the next 12 months	10	746	790
Provisions - anticipated as being payable after the next 12 months	10	2,068	1,877
Total Current Liabilities		6,669	5,611
Non-Current Liabilities			
Payables	10	597	588
Interest Bearing Liabilities	10	6,358	4,380
Provisions	10	4,759	4,489
Total Non-Current Liabilities		11,714	9,457
TOTAL LIABILITIES		18,383	15,068
Net Assets		187,808	175,218
EQUITY			
Retained Earnings	20	178,565	175,218
Revaluation Reserves	20	9,243	-
Council Equity Interest		187,808	175,218
Total Equity		187,808	175,218

Lithgow City Council

Income Statement

for the financial year ended 30 June 2007

Budget ⁽¹⁾			Actual	Actual
2007	\$ '000	Notes	2007	2006
Income from Continuing Operations				
<i>Revenue:</i>				
13,234	Rates & Annual Charges	3a	15,175	13,681
5,418	User Charges & Fees	3b	2,770	2,779
431	Interest & Investment Revenue	3c	917	624
173	Other Revenues	3d	720	599
4,115	Grants & Contributions provided for Operating Purposes	3e.f	4,846	4,427
2,870	Grants & Contributions provided for Capital Purposes	3e.f	3,185	2,761
26,241	Total Income from Continuing Operations		27,613	24,871
Expenses from Continuing Operations				
10,863	Employee Benefits & on-costs	4a	9,492	9,762
298	Borrowing Costs	4b	594	549
5,485	Materials & Contracts	4c	7,536	6,966
3,700	Depreciation & Amortisation	4d	3,521	3,612
3,390	Other Expenses	4e	2,903	2,978
-	Net Losses from the Disposal of Assets	5	220	45
23,736	Total Expenses from Continuing Operations		24,266	23,912
2,505	Operating Result from Continuing Operations		3,347	959
2,505	Net Operating Result for the Year		3,347	959
2,505	Net Operating Result attributable to Council		3,347	959
(365)	Contributions provided for Capital Purposes		162	(1,802)

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

Lithgow City Council

Cash Flow Statement

for the financial year ended 30 June 2007

Budget		Notes	Actual	Actual
2007	\$ '000		2007	2006
Cash Flows from Operating Activities				
Receipts:				
13,234	Rates & Annual Charges		14,987	13,788
5,418	User Charges & Fees		3,075	2,952
431	Interest & Interest Received		832	655
6,986	Grants & Contributions		7,561	7,389
173	Other		481	1,412
Payments:				
(10,863)	Employee Benefits & On-costs		(9,345)	(9,709)
(5,485)	Materials & Contracts		(7,308)	(7,703)
(298)	Borrowing Costs		(324)	(311)
(3,390)	Other		(2,351)	(3,811)
<u>6,206</u>	Net Cash provided (or used in) Operating Activities	11b	<u>7,608</u>	<u>4,662</u>
Cash Flows from Investing Activities				
Receipts:				
-	Sale of Investments		50	4,675
1,250	Sale of Infrastructure, Property, Plant & Equipment		428	755
Payments:				
-	Purchase of Investments		-	-
(14,326)	Purchase of Infrastructure, Property, Plant & Equip.		(4,467)	(6,066)
-	Purchase of Real Estate Assets		(47)	(132)
<u>(13,076)</u>	Net Cash provided (or used in) Investing Activities		<u>(4,036)</u>	<u>(768)</u>
Cash Flows from Financing Activities				
Receipts:				
4,125	Proceeds from Borrowings & Advances		2,425	-
Payments:				
(659)	Repayment of Borrowings & Advances		(324)	(282)
<u>3,466</u>	Net Cash Flow provided (used in) Financing Activities		<u>2,101</u>	<u>(282)</u>
(3,404)	Net Increase/(Decrease) in Cash & Cash Equivalents		5,673	3,612
8,041	plus: Cash & Cash Equivalents - beginning of year	11a	8,041	4,429
<u>4,637</u>	Cash & Cash Equivalents - end of the year	11a	<u>13,714</u>	<u>8,041</u>

Please refer to Note 11 for information on the following:

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

Lithgow City Council

Statement of Changes in Equity
for the financial year ended 30 June 2007

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council Equity Interest	Minority Interest	Total Equity
2007						
Opening Balance		171,673	-	171,673	-	171,673
a. Correction of Prior Period Errors	20 (d)	3,545		3,545		3,545
Revised Opening Balance (as at 1/7/06)		175,218	-	175,218	-	175,218
c. Current Year Income & Expenses Recognised direct to Equity						
- Transfers to/(from) Asset Revaluation Reserve	20b (ii)		9,243	9,243	-	9,243
Net Income Recognised Directly in Equity		-	9,243	9,243	-	9,243
d. Net Operating Result for the Year		3,347		3,347	-	3,347
Total Recognised Income & Expenses (c&d)		3,347	9,243	12,590	-	12,590
Equity - End of Reporting Period Balance		178,565	9,243	187,808	-	187,808

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council Equity Interest	Minority Interest	Total Equity
2006						
Opening Balance (as per Last Years Audited Accounts)		170,714		170,714		170,714
a. Adjustments on adoption of AASB 132 and						
b. Correction of Prior Period Errors	20 (d)	3,545		3,545		3,545
Revised Opening Balance (as at 1/7/05)		174,259	-	174,259	-	174,259
e. Net Operating Result for the Year		959		959	-	959
Total Recognised Income & Expenses (c&d)		959	-	959	-	959
Equity - End of the Reporting Period Balance		175,218	-	175,218	-	175,218

Lithgow City Council

Notes to the Financial Statements
for the financial year ended 30 June 2007

Note 1. Summary of Significant Accounting Policies

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

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

(a) Basis of preparation**(i) Background**

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

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

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

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

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

Examples include;

- excluding Local Government from applying AASB 120 (IAS 20) for Grant Accounting and AASB 118 (IAS 18) for Segment Reporting, &
- different requirements on (a) Impairment of Assets relating to Not-For-Profit AASB 136 (IAS 36) and (b) IAS 116 (IAS 16) regarding accounting for the Revaluation of Assets.

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

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

(iii) Application of AAS 27

Council is required to comply with AAS 27 – "Financial Reporting by Local Government", and where AAS 27 conflicts with AIFRS, the requirements of AAS 27 have been applied.

Where AAS 27 makes reference to another Australian accounting standard, the new Australian IFRS equivalent standards will apply and in particular any specific "not for profit" reporting requirements.

(iv) Basis of Accounting

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

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

Lithgow City Council

Notes to the Financial Statements

for the financial year ended 30 June 2007

Note 1. Summary of Significant Accounting Policies (continued)

(v) Changes in Accounting Policies

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

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

(vi) Critical Accounting Estimates

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

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

(b) Revenue recognition

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

Revenue is measured on major income categories as follows:

Rates, Annual Charges, Grants and Contributions

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

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

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

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

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

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

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

The Council has obligations to provide facilities from contributions required from developers under the provisions of S94 of the EPA Act 1991.

Whilst Council generally incorporates these amounts as part of A Development Consents Orders, 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 or 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 doubtful debt is recognised when collection in full is no longer probable.

Lithgow City Council

Notes to the Financial Statements
for the financial year ended 30 June 2007

Note 1. Summary of Significant Accounting Policies (continued)

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

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

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

(c) Principles of Consolidation

These Financial Reports incorporate (i) the assets and liabilities of Council and any entities (or operations) that it **controls** (as at 30/6/07) and (ii) all the related operating results (for the financial year ended the 30th June 2007).

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

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

(i) The Consolidated Fund

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

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

The following entities/operations have been included as part of the Consolidated fund:

- General Purpose Operations
- Water Supply Fund
- Sewerage Service Fund
- Land Development

(ii) The Trust Fund

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

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

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

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

(iii) Joint Venture Entities

Nil

(iv) County Councils

Council is a member of Upper Macquaries Council for weed control in the area

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

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

Lithgow City Council

Notes to the Financial Statements

for the financial year ended 30 June 2007

Note 1. Summary of Significant Accounting Policies (continued)

(d) Leases

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

Finance Leases

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

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

The corresponding rental obligations, net of finance charges, are included in other long term payables.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding.

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

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

Operating Leases

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

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

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

(e) Cash and Cash Equivalents

Cash and cash equivalents includes;

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

Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

(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.

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 are financial assets held for trading.

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term.

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

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

Lithgow City Council

Notes to the Financial Statements
for the financial year ended 30 June 2007

Note 1. Summary of Significant Accounting Policies (continued)

(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.

This classification principally comprises marketable equity securities.

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.

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.

The fair values of quoted investments are based on current bid prices. 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

Lithgow City Council

Notes to the Financial Statements

for the financial year ended 30 June 2007

Note 1. Summary of Significant Accounting Policies (continued)

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.

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

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

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

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

(iii) Types of Investments

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

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

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

(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.

Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

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

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

(h) Receivables

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

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 Councils policy.

A provision for doubtful 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.

Lithgow City Council

Notes to the Financial Statements
for the financial year ended 30 June 2007

Note 1. Summary of Significant Accounting Policies (continued)

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.

(i) Inventories**Raw Materials and Stores, Work in Progress and Finished Goods**

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

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

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

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

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

Land Held for Resale/Capitalisation of Borrowing Costs

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

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

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

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

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

(j) Infrastructure, property, plant and equipment**Acquisition of assets**

All infrastructure, property, plant and equipment assets under Council's control) are stated at cost (or deemed cost) less accumulated depreciation and any accumulated impairment losses, with the exception of:

- **Investment Properties** which are valued at Fair Value – refer Note 1(k), and
- **Water and Sewerage Networks** which are carried at Fair Value (generally based upon Depreciated Replacement Cost).

Council's assets will be progressively revalued to fair value in accordance with a staged implementation as advised by the Department of Local Government:

- **2006/07:** Water and Sewerage
- **2007/08:** Property, plant and equipment, land, & buildings
- **2008/09:** Roads, bridges, footpaths and drainage

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 assets cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of recognition 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 other than cost, the assets are recognised in the

Lithgow City Council

Notes to the Financial Statements
for the financial year ended 30 June 2007

Note 1. Summary of Significant Accounting Policies (continued)

financial report at their fair value at acquisition date - being the amount that the asset could have been exchanged between knowledgeable willing parties in an arm's length transaction.

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

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.

Buildings & Land Improvements	
Park Furniture & Equipment	> \$2,000
Building	
- construction/extensions	100% Capitalised
- renovations	> \$10,000
Other Structures	> \$2,000

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

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

Asset Revaluations

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

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

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

Depreciation

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

Land is not depreciated.

The range of estimated useful lives for Councils assets include:

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	100% Capitalised

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

Lithgow City Council

Notes to the Financial Statements
for the financial year ended 30 June 2007

Note 1. Summary of Significant Accounting Policies (continued)

- Other plant and equipment	5 to 15 years
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Other Equipment

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

Buildings

- Buildings – Masonry	50 to 100 years
- Other	20 to 40 years

Stormwater Drainage

- Drains	80 to 100 years
- Culverts	50 to 80 years

Transportation Assets

- Sealed Roads : Surface	20 year
- 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

Water & Sewer Assets (continued)

- Reticulation pipes : PVC	80 years
- Reticulation pipes : Other	25 to 75 years
- Pumps and telemetry	15 to 20 years

Other Infrastructure Assets

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount – refer Note 1 (p) 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) Intangible Assets**IT development and software**

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

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

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

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

(l) 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

Lithgow City Council

Notes to the Financial Statements

for the financial year ended 30 June 2007

Note 1. Summary of Significant Accounting Policies (continued)

incurred by Council and revenues relating to the reserves are recognised within Council's Income Statement.

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

(m) Rural Fire Service assets

Under section 119 of the Rural Fire Services 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 they have been doing in previous years.

(n) Investment property

Investment property comprises land &/or buildings that are principally held for long-term rental yields or capital gains (or both) and is not occupied by Council. Lithgow Council does not carry any investment properties.

(o) Land

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

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

(p) Land under roads

Council has elected not to recognise land under roads in accordance with the deferral arrangements available to it under AASB 1045.

These deferral arrangements cease to apply as of 30 June 2008.

(n) 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.

Lithgow City Council

Notes to the Financial Statements
for the financial year ended 30 June 2007

Note 1. Summary of Significant Accounting Policies (continued)

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

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

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

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

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

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

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

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

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

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

Specific Information relating to Councils provisions relating to Close Down, Restoration and Remediation costs can be found at Note 21.

(q) Non-current assets held for sale

Non-current assets are classified as held for sale and stated at the lower of their carrying amount and 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 classified as "Non Current Assets Held for Sale", an impairment loss is recognised where the assets carrying value is greater than its fair value less costs to sell.

Non-current assets 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.

(r) Impairment of assets

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

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

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

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

Lithgow City Council

Notes to the Financial Statements
for the financial year ended 30 June 2007

Note 1. Summary of Significant Accounting Policies (continued)

Assets that have an indefinite useful life are not subject to amortisation and 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 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 incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed.

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

(v) Provisions

Provisions for legal claims and service warranties are recognised when:

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

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.

(w) Employee benefits**(i) Wages & salaries, annual leave and sick leave**

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

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

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

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

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

(ii) Long service leave

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

Lithgow City Council

Notes to the Financial Statements

for the financial year ended 30 June 2007

Note 1. Summary of Significant Accounting Policies (continued)

services provided by employees up to the reporting date.

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

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

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

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

(iii) Retirement benefit obligations

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

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

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.

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

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

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

Accordingly, Councils contributions to the scheme have been recognised as an expense and disclosed as part of Superannuation Expenses at Note 4(a).

The last valuation of the Scheme was performed by Mr Martin Stevenson BSc, FIA, FIAA on 19th June 2007 and covers the period ended 30 June 2006.

This valuation found that the Schemes assets were \$3,291.1 million and its past service liabilities were \$2,980.3 million, giving it a Surplus of \$310.8 million.

The existence of this surplus has resulted in Councils contributing during the 07/07 year at half the normal level of contributions.

The financial position of the Scheme is monitored annually.

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 arising from the payment of employee benefits in future periods – including

Lithgow City Council

Notes to the Financial Statements
for the financial year ended 30 June 2007

Note 1. Summary of Significant Accounting Policies (continued)

Superannuation and Workers Compensation expenses which will be payable upon the future payment of some Leave Liabilities accrued as at 30/6/07.

(y) Allocation between current and non-current

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 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 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 Statement of Cash Flows 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.

Accordingly, the GST component of investing and financing activity cash flows which are recoverable from or payable to the ATO are classified as operating cash flows.

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

(aa) New accounting standards and UIG interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2007 reporting periods. Council's assessment of the impact of these new standards and interpretations is set out below.

- (i) **AASB 7: Financial Instruments: Disclosures**, and
- (ii) **AASB 2005-10: Amendments to Australian Accounting Standards [AASB 132, AASB 101, AASB 114, AASB 117, AASB 133, AASB 139, AASB 1, AASB 4, AASB 1023 & AASB 1038]**

AASB 7 and AASB 2005-10 are applicable to annual reporting periods beginning on or after 1 January 2007.

Council has not adopted the standards early.

Application of the standards will not affect any of the amounts recognised in the financial statements, but will impact the type of information disclosed in relation to the Council's financial instruments.

Lithgow City Council

Notes to the Financial Statements
for the financial year ended 30 June 2007

Note 1. Summary of Significant Accounting Policies (continued)

(ab) Rounding of amounts

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

(ac). Comparative Figures

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

(ad). Disclaimer

Nothing contained within this report 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 2007

Note 2(a). Functions

Functions/Activities	Income, Expenses and Assets have been directly attributed to the following Functions/Activities. Details of these Functions/Activities are provided at Note 2(b).												Total Assets held (Current & Non-current)	
	Income from Continuing Operations			Expenses from Continuing Operations			Operating Result from Continuing Operations			Grants included in Income from Continuing Operations			Actual 2007	Actual 2006
	Original Budget 2007	Actual 2007	Actual 2006	Original Budget 2007	Actual 2007	Actual 2006	Original Budget 2007	Actual 2007	Actual 2006	Actual 2007	Actual 2006	Actual 2007	Actual 2006	
Governance	7	412	-	1,867	1,352	-	(1,860)	(940)	-	-	-	2,919	3,545	
Administration	222	-	655	753	-	7,020	(631)	-	(6,365)	-	10	23,349	9,760	
Public Order & Safety	33	201	124	667	698	632	(634)	(497)	(508)	-	-	1,966	1,998	
Health	92	5	-	212	205	148	(120)	(200)	(148)	-	-	182	182	
Community Services & Education	2	5	5	222	38	195	(220)	(33)	(190)	-	-	-	-	
Housing & Community Amenities	2,625	2,973	2,389	4,329	3,833	3,030	(1,704)	(860)	(641)	71	-	13,084	13,680	
Water Supplies	3,857	3,776	3,504	3,233	4,707	3,843	624	(931)	(339)	91	89	22,766	22,067	
Sewerage Services	5,154	4,035	3,742	5,187	5,348	3,000	(33)	(1,313)	742	339	876	14,921	10,879	
Recreation & Culture	227	1,355	367	2,558	3,015	1,929	(2,331)	(1,660)	(1,562)	77	179	10,452	10,318	
Fuel & Energy	-	-	-	-	-	-	-	-	-	-	-	20	20	
Mining, Manufacturing & Construction	230	506	196	-	1,321	1,028	230	(815)	(632)	-	-	-	-	
Transport & Communication	635	1,280	1,946	3,986	2,976	2,481	(3,351)	(1,696)	(535)	1,970	2,278	113,187	114,411	
Economic Affairs	761	538	407	722	773	606	39	(235)	(199)	-	-	3,365	3,446	
Total Functions & Activities	13,845	15,086	13,335	23,736	24,266	23,912	(9,691)	(9,180)	(10,677)	2,548	3,432	206,191	190,286	
General Purpose Income ¹	12,396	12,527	11,536	-	-	-	12,396	12,527	11,536	-	-	-	-	
Operating Result from Continuing Operations	26,241	27,613	24,871	23,736	24,266	23,912	2,505	3,347	969	6,202	6,151	206,191	190,286	

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

Lithgow City Council

Notes to the Financial Statements
for the financial year ended 30 June 2007

Note 2(b). Components of Functions

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

GOVERNANCE

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

ADMINISTRATION

Costs not otherwise attributed to other functions.

PUBLIC ORDER & SAFETY

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

HEALTH

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

COMMUNITY SERVICES & EDUCATION

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

HOUSING & COMMUNITY AMENITIES

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

WATER SUPPLIES

SEWERAGE SERVICES

RECREATION & CULTURE

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

FUEL & ENERGY - Gas Supplies

MINING, MANUFACTURING & CONSTRUCTION

Building control, abattoirs, quarries and pits, other.

TRANSPORT & COMMUNICATION

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

ECONOMIC AFFAIRS

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

Lithgow City Council

Notes to the Financial Statements
for the financial year ended 30 June 2007

Note 3. Income from Continuing Operations

\$ '000	Notes	Actual 2007	Actual 2006
(a). Rates & Annual Charges			
Ordinary Rates			
Residential		4,931	4,256
Farmland		1,144	1,186
Mining		789	722
Business		1,231	1,116
Total Ordinary Rates		8,095	7,280
Special Rates			
Sewerage Services		2,684	2,603
Parking		68	68
Total Special Rates		2,752	2,671
Annual Charges (pursuant to s.496 & s.501)			
Domestic Waste Management Services		2,220	1,928
Stormwater Management Services		193	-
Water Supply Services		1,616	1,527
Sewerage Services		280	261
Other		19	14
Total Annual Charges		4,328	3,730
TOTAL RATES & ANNUAL CHARGES		15,175	13,681

Council has used property 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 2007

Note 3. Income from Continuing Operations (continued)

\$ '000	Notes	Actual 2007	Actual 2006
(b). User Charges & Fees			
Specific User Charges (per s.502 - Specific "actual use" charges)			
Water Supply Services		1,608	1,737
Trade Waste		105	50
Total User Charges		1,713	1,787
Other User Charges & Fees			
(i) Fees & Charges - Statutory & Regulatory Functions (per s608, 610A & 611)			
Planning & Building Regulation		598	656
Private Works - Section 67		218	163
Total Fees & Charges - Statutory/Regulatory		816	819
(ii) Fees & Charges - Other (incl. General User Charges (per s.610C))			
Leaseback Fees - Vehicles		121	78
Swimming Centre		106	85
Other		14	10
Total Fees & Charges - Other		241	173
TOTAL USER CHARGES & FEES		2,770	2,779

Lithgow City Council

Notes to the Financial Statements
for the financial year ended 30 June 2007

Note 3. Income from Continuing Operations (continued)

\$ '000	Notes	Actual 2007	Actual 2006
(c). Interest & Investment Revenue			
Interest on Overdue Rates & Charges		112	109
Interest earned on Investments		805	515
TOTAL INTEREST & INVESTMENT REVENUE		917	624
Interest Revenue is attributable to:			
Unrestricted Investments/Financial Assets:			
Overdue Rates & Annual Charges		112	109
General Council Investments		778	503
Restricted Investments/Funds - External:			
Externally Restricted Assets Sec 94		27	12
Total Interest & Investment Revenue Recognised		917	624
(d). Other Revenues			
Rental Income - Other Council Properties		431	439
Recycling Income (Non Domestic)		51	21
Sales - Tourism		49	40
Planning Legal		27	-
Traffic Control		7	-
Building Control		39	16
Library Charges		21	29
Other		95	54
TOTAL OTHER REVENUE		720	599

Lithgow City Council

Notes to the Financial Statements

for the financial year ended 30 June 2007

Note 3. Income from Continuing Operations (continued)

\$ '000	2007 Operating	2006 Operating	2007 Capital	2006 Capital
(e). Grants				
General Purpose (Untied)				
Financial Assistance - General Component	2,581	2,442	-	-
Financial Assistance - Local Roads Component	787	757	-	-
Pensioners' Rates Subsidies - General Component	286	277	-	-
Total General Purpose	3,654	3,476	-	-
Specific Purpose				
Pensioners' Rates Subsidies:				
- Water	91	89	-	-
- Sewerage	85	83	-	-
Sewerage Services	-	-	255	793
Community Centres	-	-	17	-
Employment & Training Programs	-	10	-	-
Environmental Protection	62	-	-	-
Flood Restoration	-	-	270	300
Heritage & Cultural	-	-	14	50
Library	50	59	-	-
Street Lighting Subsidy	42	42	-	-
Transport (Roads to Recovery)	-	-	400	853
Transport (Other Roads & Bridges Funding)	-	3	527	365
Pool Complex	-	-	700	-
Other	35	28	-	-
Total Specific Purpose	365	314	2,183	2,361
Total Grants	4,019	3,790	2,183	2,361
Grant Revenue is attributable to:				
- Commonwealth Funding	3,368	3,199	1,100	853
- State Funding	651	591	1,083	1,508
	4,019	3,790	2,183	2,361
(f). Contributions				
Developer Contributions:				
(s93 & s94 - EP&A Act, s64 of the NSW LG Act):				
S 93F - Contributions using Planning Agreements	-	-	166	-
S 94 - Contributions towards amenities/services	-	-	144	232
S 64 - Water Supply Contributions	-	-	91	48
S 64 - Sewerage Service Contributions	-	-	73	46
Total Developer Contributions	17	-	474	326
Other Contributions:				
Business Development	30	-	-	26

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Cultural Contribution	-	27	-	-
Kerb & Gutter	4	9	-	-
Paving	-	-	98	-
Planning Study	15	130	-	-
RTA Contributions (Regional/Local, Block Grant)	255	351	80	74
Water Supplies (excl. Section 64 contributions)	125	-	-	-
Legal Contribution from Past Years	70	-	-	-
Accounting Support Aged Care	50	-	-	-
Fire Contribution	170	-	-	-
Fuel Tax Rebate Past Years	83	-	-	-
Cont - Property Acquired Medow Flat Hall	-	-	350	-
Other	25	120	-	-
Total Other Contributions	827	637	528	74
Total Contributions	827	637	1,002	400
TOTAL GRANTS & CONTRIBUTIONS	4,846	4,427	3,185	2,761

	Actual 2007	Actual 2006
(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	1,385	1,481
add: Grants and contributions recognised in the current period which have not been spent:	1,929	1,374
less: Grants and contributions recognised in a previous reporting period which have been spent in the current reporting period:	(865)	(1,460)
Net Increase (Decrease) in Restricted Assets during the Current Reporting Period	1,064	(96)
Unexpended at the Close of this Reporting Period and held as Restricted Assets	2,449	1,385
Comprising:		
- Specific Purpose Unexpended Grants	1,858	1,084
- Developer Contributions	591	301
- Other Contributions		
	2,449	1,385

Lithgow City Council

Notes to the Financial Statements
for the financial year ended 30 June 2007

Note 4. Expenses from Continuing Operations

\$ '000	Notes	Actual 2007	Actual 2006
(a) Employee Costs			
Salaries and Wages		7,762	7,976
Employee Leave Entitlements (ELE)		1,414	1,254
Superannuation		710	696
Workers' Compensation Insurance - Premium		231	335
Workers' Compensation Insurance - Prior Year Reimbursement		(91)	(68)
Workers' Compensation Insurance - Performance Incentive Rebate		(39)	(50)
Fringe Benefit Tax (FBT)		5	12
Payroll Tax		30	35
Training Costs (other than Salaries & Wages)		85	117
Employees Medicals		6	11
Total Employee Costs		10,113	10,318
less: Capitalised Costs		(621)	(556)
TOTAL EMPLOYEE COSTS EXPENSED		9,492	9,762
Number of "Equivalent Full Time" Employees at year end		170	175
Number of "Equivalent Full Time" Employees at year end (incl. vacancies)			
(b) Borrowing Costs			
(i) Interest Bearing Liability Costs			
Nil			
Interest on Overdraft		2	3
Interest on Loans		323	292
Total Interest Bearing Liability Costs		325	295
Total Interest Bearing Liability Costs Expensed		325	295
(ii) Other Borrowing Costs			
Nil			
Fair Value Adjustments on Recognition of Liabilities			
Discount adjustments relating to movements in Provisions (other than ELE)		269	254
Total Other Borrowing Costs		269	254
TOTAL BORROWING COSTS EXPENSED		594	549

Lithgow City Council

Notes to the Financial Statements
for the financial year ended 30 June 2007

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Actual 2007	Actual 2006
(c) Materials & Contracts			
Raw Materials & Consumables		7,035	6,512
Contractor & Consultancy Costs		175	209
Auditors Remuneration			
- Council's Auditor:			
i. Audit Services		26	30
Legal Expenses - Planning & Development		123	20
Legal Expenses - Other		54	72
Operating Lease Rentals - Cancellable		123	123
Total Materials & Contracts		7,536	6,966
less: Capitalised Costs		-	-
TOTAL MATERIALS & CONTRACTS		7,536	6,966

Lithgow City Council

Notes to the Financial Statements
for the financial year ended 30 June 2007

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Depreciation/Amortisation	
	Actual 2007	Actual 2006
(d) Depreciation, Amortisation & Impairment		
Plant and Equipment	378	420
Office Equipment	113	92
Furniture & Fittings	27	27
Buildings	796	1,044
Other Structures	340	322
Infrastructure:		
- Roads, Bridges & Footpaths	647	596
- Stormwater Drainage	141	132
- Water Supply Network	557	536
- Sewerage Network	614	540
Other Assets		
- Library Books	40	46
Asset Reinstatement Costs ^{9 & 22}	168	168
Total Depreciation & Impairment Costs	3,821	3,923
less: Capitalised Costs	(300)	(311)
TOTAL DEPRECIATION & IMPAIRMENT COSTS EXPENSED	3,521	3,612

Lithgow City Council

Notes to the Financial Statements
for the financial year ended 30 June 2007

Note 4. Expenses from Continuing Operations (continued)

\$ '000	Notes	Actual 2007	Actual 2006
(e) Other Expenses			
Other Expenses for the year include the following:			
Advertising		89	98
Bank Charges		96	78
Councillor Expenses - Mayoral Fee		17	15
Councillor Expenses - Councillors Fees		60	47
Councillors Expenses (incl Mayor) - Other (excluding fees above)		12	8
Donations, Contributions & Assistance to other organisations (Section 356)		540	549
Electricity & Heating		348	343
Insurance		994	1,000
Office Expenses (including computer expenses)		151	169
Postage		47	55
Printing & Stationery		51	53
Street Lighting		258	276
Subscriptions & Publications		29	47
Telephone & Communications		130	148
Valuation Fees		45	45
Commissions		12	15
Other		24	32
Total Other Expenses		2,903	2,978
less: Capitalised Costs		-	-
TOTAL OTHER EXPENSES		2,903	2,978

Lithgow City Council

Notes to the Financial Statements
for the financial year ended 30 June 2007

Note 5. Gains or Losses on Disposal of Assets

\$ '000	Notes	Actual 2007	Actual 2006
Property (excl. Investment Property)			
Proceeds from Disposal		126	-
less: Carrying Amount of Property Assets Sold		<u>(296)</u>	<u>-</u>
Net Gain/(Loss) on Disposal		<u>(170)</u>	<u>-</u>
Plant & Equipment			
Proceeds from Disposal		302	756
less: Carrying Amount of P&E Assets Sold		<u>(352)</u>	<u>(801)</u>
Net Gain/(Loss) on Disposal		<u>(50)</u>	<u>(45)</u>
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		<u>(220)</u>	<u>(45)</u>

Lithgow City Council

Notes to the Financial Statements
for the financial year ended 30 June 2007

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

\$ '000	2007		2006	
	Actual Current	Actual Non Current	Actual Current	Actual Non Current
Cash & Cash Equivalents (Note 6a)				
Cash on Hand and at Bank	960	-	363	-
Cash-Equivalent Assets ¹				
- Deposits at Call	1,847	-	1,027	-
- Other Financial Assets	10,907	-	6,651	-
Total Cash & Cash Equivalents	13,714	-	8,041	-
Investment Securities (Note 6b)				
- Managed Funds	1,000	-	1,000	-
- Long Term Deposits	1,000	-	1,050	-
Total Investment Securities	2,000	-	2,050	-
TOTAL CASH ASSETS, CASH EQUIVALENTS & INVESTMENTS	15,714	-	10,091	-

¹ Those Investments where 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"				
	13,714	-	8,041	-
Investments				
Nil				
a. "At Fair Value through the Profit & Loss"				
- "Held for Trading"	6(b-i) 1,000	-	1,000	-
d. "Available for Sale"	6(b-iv) 1,000	-	1,050	-
Investments	2,000	-	2,050	-

Lithgow City Council

Notes to the Financial Statements
for the financial year ended 30 June 2007

Note 6b. Investments (continued)

\$ '000	2007		2006	
	Actual Current	Actual Non Current	Actual Current	Actual Non Current
Note 6(b-i)				
Reconciliation of Investments classified as "At Fair Value through the Profit & Loss"				
Nil				
Balance at the Beginning of the Year	1,000	-	1,000	-
Balance at End of Year	1,000	-	1,000	-
Comprising:				
- Managed Funds	1,000	-	1,000	-
Total	1,000	-	1,000	-
Note 6(b-iv)				
Reconciliation of Investments classified as "Available for Sale"				
Nil				
Balance at the Beginning of the Year	1,050	-	5,725	-
Additions	-	-	-	-
Disposals (sales & redemptions)	(50)	-	(4,675)	-
Balance at End of Year	1,000	-	1,050	-
Comprising:				
- Term Deposits	1,000	-	1,050	-
Total	1,000	-	1,050	-
Total Cash, Cash Equivalents and Investment Securities	15,714	-	10,091	-
attributable to:				
External Restrictions (refer below)	10,566	-	9,043	-
Internal Restrictions (refer below)	3,115	-	836	-
Unrestricted	2,033	-	212	-
15,714	-	10,091	-	-

Lithgow City Council

Notes to the Financial Statements

for the financial year ended 30 June 2007

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

Details of Restrictions	Opening Balance	Transfers to Restrictions	Transfers from Restrictions	Closing Balance
External Restrictions - Included in Liabilities				
Nil				
Specific Purpose Unexpended Loans-General (A)	-	1,275	-	1,275
Specific Purpose Unexpended Loans-Water (A)	-	1,150	-	1,150
Specific Purpose Unexpended Loans-Sewer (A)	-	500	-	500
External Restrictions - Included in Liabilities	-	2,925	-	2,925
External Restrictions - Other				
Nil				
Developer Contributions - General (D)	301	338	(48)	591
RTA Contributions Mobility Access Plan (E)	10	-	-	10
Specific Purpose Unexpended Grants (F)	1,084	773	-	1,857
Specific Purpose Unexpended Grants (F) - Water Fund	-	1	-	1
Water Supplies (Includes \$639 PWD) (G)	3,592	-	(1,117)	2,475
Sewerage Services (Includes PWD \$663) (G)	3,013	-	(1,271)	1,742
Domestic Waste Management (G)	1,043	-	(78)	965
External Restrictions - Other	9,043	1,112	(2,514)	7,641
Total External Restrictions	9,043	4,037	(2,514)	10,566
Internal Restrictions				
Nil				
Employees Leave Entitlement	636	281	(100)	817
Land & Buildings	150	367	(32)	485
Plant & Vehicle Replacement	-	488	-	488
Deposits, Retentions & Bonds	-	659	-	659
Election	50	60	-	110
Works in Progress	-	556	-	556
Total Internal Restrictions	836	2,411	(132)	3,115
TOTAL RESTRICTIONS	9,879	6,448	(2,646)	13,681

- A Loan moneys which must be applied for the purposes for which the loans were raised.
- B Advances by the Roads and Traffic Authority for works on the State's classified roads.
- C Self Insurance liability resulting from reported claims or incurred claims not yet reported.
- D Development contributions which are not yet expended for the provision of services and amenities in accordance with contributions plans (refer Note 17).
- E RTA Contributions which are not yet expended for the provision of services and amenities in accordance with those contributions.
- F Grants which are not yet expended for the purposes for which the grants were obtained. (refer Note 1)
- G Water, Sewerage, Domestic Waste Management (DWM) & 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 2007

Note 7. Receivables

\$ '000	2007		2006	
	Current	Non Current	Current	Non Current

Purpose	1,181	-	993	-
Rates & Annual Charges	174	-	157	-
Interest & Extra Charges	435	-	590	-
Private Works	-	-	83	-
Accrued Revenues	68	-	-	-
- Interest on Investments	535	-	254	-
Government Grants & Subsidies	2	-	2	-
Deferred Debtors	367	-	128	-
Other Debtors	2,762	-	2,207	-
Total	4,942	-	3,064	-
less: Provision for Doubtful Debts	(13)	-	(13)	-
User Charges & Fees	(13)	-	(13)	-
Total Provisions for Doubtful Debts	(13)	-	(13)	-
TOTAL NET RECEIVABLES	2,749	-	2,194	-

Water Supply	1	-	1	-
- Specific Purpose Grants	578	-	707	-
- Rates & Availability Charges	6	-	2	-
- Other	-	-	-	-
Sewerage Services	-	-	1	-
- Specific Purpose Grants	261	-	266	-
- Rates & Availability Charges	45	-	-	-
- Other	891	-	977	-
Total External Restrictions	891	-	977	-
Internally Restricted Receivables	-	-	-	-
Unrestricted Receivables	1,858	-	1,217	-
TOTAL NET RECEIVABLES	2,749	-	2,194	-

Notes on Debtors above:

(i) Rates & Annual Charges Outstanding are secured against the property.

(iii) Doubtful Rates Debtors are provided for where the value of the property is less than the debt outstanding. An allowance for other doubtful debts is made when there is objective evidence that a receivable is impaired.

(iii) Interest is charged on overdue rates at 9.00% (2006 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 2007

Note 8. Inventories & Other Assets

\$ '000	2007		2006	
	Current	Non Current	Current	Non Current
Inventories				
Real Estate for resale (refer below)	360	378	313	378
Stores & Materials	388	-	340	-
Total Inventories	748	378	653	378
Other Assets				
Prepayments	6	-	104	-
Total Other Assets	6	-	104	-
TOTAL INVENTORIES & OTHER ASSETS	754	378	757	378
Details for Real Estate Development				
Residential	360	378	313	378
Total Real Estate for Resale	360	378	313	378
(Valued at the lower of cost and net realisable value)				
Represented by:				
Acquisition Costs	38	378	38	378
Development Costs	322	-	275	-
Total Real Estate for Resale	360	378	313	378
Movements:				
Real Estate assets at beginning of the year	313	378	181	378
- Purchases and other costs	47	-	132	-
Total Real Estate for Resale	360	378	313	378

Lithgow City Council

Notes to the Financial Statements
for the financial year ended 30 June 2007

Note 8. Inventories & Other Assets (continued)

\$ '000	2007		2006	
	Current	Non Current	Current	Non Current
(i) Externally Restricted Assets				
Water				
Stores & Materials	148	-	165	-
Total Water	148	-	165	-
Sewerage				
Stores & Materials	14	-	19	-
Total Sewerage	14	-	19	-
Total Externally Restricted Assets	162	-	184	-
Total Internally Restricted Assets	-	-	-	-
Total Unrestricted Assets	592	378	573	378
TOTAL INVENTORIES & OTHER ASSETS	754	378	757	378

Lithgow City Council

Notes to the Financial Statements
for the financial year ended 30 June 2007

Note 9a. Infrastructure, Property, Plant & Equipment

	as at 30/6/2006			Asset Movements during the Reporting Period					as at 30/6/2007			
	At Cost	Accumulated Deprec.	Carrying Value	Asset Additions ¹	WDV-Asset Disposals	Depreciation Expense	Revaluation Increments to Equity (ARR)	At Cost	At Fair Value	Accumulated Dep'n	Carrying Value	
\$ '000												
Plant & Equipment	12,562	10,686	1,866	1,174	(352)	(378)	-	13,183	-	11,073	2,110	
Office Equipment	2,634	2,202	432	106	-	(113)	-	2,739	-	2,314	425	
Furniture & Fittings	275	186	89	-	-	(27)	-	248	-	186	62	
Land												
- Operational	6,095	-	6,095	85	(10)	-	-	6,170	-	-	6,170	
- Community	2,313	-	2,313	-	(15)	-	-	2,298	-	-	2,298	
Buildings	40,833	24,739	16,194	321	(141)	(796)	-	41,003	-	25,425	15,578	
Other Structures	10,973	6,615	4,358	78	(6)	(340)	-	11,028	-	6,938	4,090	
Infrastructure												
- Roads, Bridges, Footpaths	128,850	87,879	40,971	1,570	-	(647)	-	130,417	-	88,523	41,894	
- Bulk Earthworks (non-depreciable)	69,081	-	69,081	-	-	-	-	69,081	-	-	69,081	
- Stormwater Drainage	14,079	10,390	3,689	116	-	(141)	-	14,194	-	10,530	3,664	
- Water Supply Network	37,786	20,605	17,181	407	-	(557)	5,729	-	51,088	28,328	22,760	
- Sewerage Network	38,711	27,681	11,030	951	-	(614)	3,514	-	51,973	37,092	14,881	
Other Assets												
- Library Books	510	403	107	24	-	(40)	-	534	-	443	91	
Reinstatement, Rehabilitation & Restoration Assets (refer Note 21)												
- Tip Asset	3,996	336	3,660	-	-	(168)	-	3,996	-	504	3,492	
TOTAL INFRASTRUCTURE, PROPERTY, PLANT & EQUIP.	368,598	191,732	176,866	4,832	(524)	(3,821)	9,243	294,891	103,061	211,356	186,596	

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¹ Includes Asset Renewals for the year of \$2,065,000 and Expenditure on New Assets of \$2,747,000

Lithgow City Council

Notes to the Financial Statements
for the financial year ended 30 June 2007Note 9b. Infrastructure, Property, Plant & Equipment
that is Externally Restricted

\$ '000 Class of Asset	Actual 2007				Actual 2006			
	At Cost	At Value	Dep & Impairm't	Carrying Value	At Cost	At Value	Dep & Impairm't	Carrying Value
Water Supply								
Plant & Equipment	1,705	-	1,701	4	1,705	-	1,699	6
Office Equipment	56	-	54	2	56	-	54	2
Infrastructure	51,088	-	28,328	22,760	37,786	-	20,605	17,181
Total Water Supply	52,849	-	30,083	22,766	39,547	-	22,358	17,189
Sewerage Services								
Plant & Equipment	151	-	112	39	151	-	101	50
Office Equipment	8	-	7	1	8	-	7	1
Infrastructure	51,973	-	37,092	14,881	38,711	-	27,681	11,030
Total Sewerage Services	52,132	-	37,211	14,921	38,870	-	27,769	11,081
Domestic Waste Management								
Land				-				-
- Operational Land	308	-		308	308	-		308
- Community Land	15	-		15	15	-		15
Total DWM	323	-	-	323	323	-	-	323
TOTAL RESTRICTED I,PP&E	105,304	-	67,294	38,010	78,740	-	50,147	28,593

Lithgow City Council

Notes to the Financial Statements
for the financial year ended 30 June 2007

Note 10a. Payables, Interest Bearing Liabilities & Provisions

\$ '000	Notes	2007		2006	
		Current	Non Current	Current	Non Current
Payables					
Goods & Services - Operating		1,313	-	1,037	-
Accrued Expenses;					
- Loan Accruals		46	-	15	-
Advances		265	-	198	-
Security Bonds, Deposits & Retentions		659	-	430	-
Public Works		732	597	732	588
Other: EPA Load Licence		400	-	215	-
Total Payables		3,415	597	2,627	588
Interest Bearing Liabilities					
Loans - Secured ¹		440	6,358	317	4,380
Total Interest Bearing Liabilities		440	6,358	317	4,380
Provisions					
Employee Benefits;					
Annual Leave		1,062	-	904	-
Sick Leave		88	-	167	-
Long Service Leave		1,664	-	1,596	-
Sub Total - Aggregate Employee Benefits		2,814	-	2,667	-
Asset Remediation/Restoration - Future Works	21	-	4,759	-	4,489
Total Provisions		2,814	4,759	2,667	4,489
Total Payables, Interest Bearing Liabilities & Provisions		6,669	11,714	5,611	9,457

(i) Liabilities relating to Restricted Assets

	2007		2006	
	Current	Non Current	Current	Non Current
Water	1,065	1,286	561	1,137
Sewer	1,140	1,100	539	779
Total Restricted Liabilities	2,205	2,386	1,100	1,916

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 2007

Note 10a. Payables, Interest Bearing Liabilities & Provisions (continued)

\$ '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.

Employees Leave Entitlements	2,068	1,877
	<u>2,068</u>	<u>1,877</u>

Note 10b. Description of and movements in Provisions

Class of Provision	2006		2007			Closing Balance as at 30/6/07
	Opening Balance as at 1/7/06	Additional Provisions	Decrease due to Payments	Remeasurement effects due to Discounting	Unused amounts reversed	
Annual Leave	904	923	(765)	-	-	1,062
Sick Leave	167	266	(345)	-	-	88
Long Service Leave	1,596	371	(303)	-	-	1,664
Asset Remediation	4,489	270	-	-	-	4,759
TOTAL	<u>7,156</u>	<u>1,830</u>	<u>(1,413)</u>	<u>-</u>	<u>-</u>	<u>7,573</u>

- a. Employees Leave Entitlements & On-Costs represents those benefits accrued and payable and an estimate of those that will become payable in the future as a result of past service.
- b. Self Insurance Provisions represent both (i) Claims Incurred but Not reported and (ii) Claims Reported & Estimated as a result of Council's being a self insurer up to certain levels of Excess.
- c. 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 2007

Note 11. Cash Flow Statement - Additional Information

\$ '000	Notes	Actual 2007	Actual 2006
(a) Reconciliation of Cash Assets			
Total Cash & Cash Equivalent Assets	6a	13,714	8,041
BALANCES as per STATEMENT of CASH FLOWS		13,714	8,041
(b) Reconciliation of Net Operating Result to Cash provided from Operating Activities			
Net Operating Result from Income Statement		3,347	959
Adjust for non cash items:			
Depreciation & Amortisation		3,521	3,612
Unwinding of Discount Rates on Reinstatement Provisions		270	254
Net Losses/(Gains) on Disposal of Assets		220	45
Non Cash Capital Grants and Contributions		(189)	-
+/- Movement in Operating Assets and Liabilities & Other Cash Items:			
Decrease/(Increase) in Receivables		(555)	(192)
Increase/(Decrease) in Provision for Doubtful Debts		-	(2)
Decrease/(Increase) in Inventories		(48)	(33)
Decrease/(Increase) in Other Current Assets		98	34
Increase/(Decrease) in Payables		276	(52)
Increase/(Decrease) in other accrued Expenses Payable		31	(16)
Increase/(Decrease) in Other Current Liabilities		490	-
Increase/(Decrease) in Employee Leave Entitlements		147	53
NET CASH PROVIDED FROM/(USED IN) OPERATING ACTIVITIES from CASH FLOW STATEMENT		7,608	4,662

Lithgow City Council

Notes to the Financial Statements
for the financial year ended 30 June 2007

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

\$ '000	Notes	Actual 2007	Actual 2006
(c) Non-Cash Investing & Financing Activities			
Nil			
Subsidised Works (Sewer Scheme)		9	-
Other Dedications		350	-
Other Non Cash Items		(170)	-
Total Non-Cash Investing & Financing Activities		189	-
(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		20	20
Total Financing Arrangements		520	520

Lithgow City Council

Notes to the Financial Statements
for the financial year ended 30 June 2007

Note 12. Commitments for Expenditure

\$ '000	Notes	Actual 2007	Actual 2006
(a) Capital Commitments (exclusive of GST)			
(b) Other Expenditure Commitments (exclusive of GST)			
Waste Management Services - Collection & Recycle		1,600	2,340
Waste Management Services - Disposal		310	620
Audit Services		-	26
Total Commitments		1,910	2,986
These expenditures are payable as follows:			
Within the next year		1,050	1,116
Later than one year and not later than 5 years		860	1,870
Total Payable		1,910	2,986
(c) Finance Lease Commitments			
(i) Commitments under Finance Leases at the Reporting Date are payable as follows:			
Within the next year		114	114
Later than one year and not later than 5 years		349	425
Later than 5 years		-	38
Total Minimum Lease Payments		463	577
less: Future Finance Charges		(463)	(577)
Amount Recognised as a Liability		-	-
	Term Option to (Years) Purchase		
Heavy Plant - Carrying Value	8 YES	463	577
Total Carrying Value at Year End		463	577

(d) Operating Lease Commitments (Non Cancellable)

Nil

Lithgow City Council

Notes to the Financial Statements
for the financial year ended 30 June 2007

Note 13. Statement of Performance Measurement

\$ '000	Amounts		Indicator	Prior Periods	
	2007	2007		2006	2005
1. Unrestricted Current Ratio					
Current Assets less all External Restrictions ⁽¹⁾	7,598				
Current Liabilities less Specific Purpose Liabilities ^(2,3)	2,399	3.17 : 1		1.08	1.09
2. Debt Service Ratio					
Debt Service Cost	649				
Revenue from Continuing Operations excluding Capital Items & Specific Purpose Grants/Contributions	23,236	2.79%		2.83%	2.16%
3. Rates & Annual Charges					
Coverage Ratio					
Rates & Annual Charges	15,175				
Revenue from Continuing Operations	27,613	54.96%		55.01%	44.86%
4. Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage					
Rates, Annual & Extra Charges Outstanding	1,355				
Rates, Annual & Extra Charges Collectible	16,437	8.24%		7.65%	8.76%
5. Asset Renewals Ratio					
Asset Renewals ⁽⁴⁾	2,085				
Depreciation, Amortisation & Impairment	3,521	59.22%		n/a	n/a

Notes

⁽¹⁾ Refer Notes 6-8 inclusive.

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

⁽²⁾ Refer to Note 10(a).⁽³⁾ Refer to Note 10(c) - excludes all ELE not expected to be paid in the next 12 months.⁽⁴⁾ Asset Renewals represents Capital Expenditure on the replacement, refurbishment or upgrade to an existing Asset/s.

Lithgow City Council

Notes to the Financial Statements
for the financial year ended 30 June 2007

Note 15. Financial Instruments

\$ '000	Floating Interest Rate	Fixed Interest Rate						Non Interest Bearing	Total
		≤ 1 Year	1-2 Yrs	2-3 Yrs	3-4 Yrs	4-5 Yrs	> 5 Yrs		
(a) Exposure to Interest Rate Risk									
Council's exposure to Interest Rate Risk & the effective weighted average interest rates by maturity for each class of Financial Assets & Financial Liabilities is set out below. Exposures arise predominantly from assets & liabilities with variable interest rates, which Council intends to hold to maturity.									
2007									
Cash & Cash Equivalents	13,714	-	-	-	-	-	-	-	13,714
Investment Securities	2,000	-	-	-	-	-	-	-	2,000
Receivables	-	1,355	-	-	-	-	-	1,394	2,749
Total Financial Assets	15,714	1,355	-	-	-	-	-	1,394	18,463
Weighted Avg Interest Rate	5.4%	6.9%						0.0% #	5.6%
Trade/Other Payables	659	-	-	-	-	-	-	3,353	4,012
Loans & Advances	-	440	441	428	426	440	445	4,178	6,798
Total Financial Liabilities	659	440	441	428	426	440	445	7,531	10,810
Weighted Avg Interest Rate	5.4%	6.9%	6.9%	6.6%	6.6%	6.5%	6.4%	0.0%	6.3%
Net Financial Assets/Liabilities	15,055	915	(441)	(428)	(426)	(440)	(445)	(6,137)	7,653
2006									
Cash & Cash Equivalents	8,041	-	-	-	-	-	-	-	8,041
Investment Securities	-	2,050	-	-	-	-	-	-	2,050
Receivables	-	1,150	-	-	-	-	-	1,044	2,194
Total Financial Assets	8,041	3,200	-	-	-	-	-	1,044	12,285
Weighted Avg Interest Rate	5.4%	6.9%	-	-	-	-	-	0.0%	5.0%
Trade/Other Payables	-	-	-	-	-	-	-	3,215	3,215
Loans & Advances	-	567	523	476	422	425	440	1,844	4,697
Total Financial Liabilities	-	567	523	476	422	425	440	5,059	7,912
Weighted Avg Interest Rate	-	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	0.0%	7.0%
Net Financial Assets/Liabilities	8,041	2,633	(523)	(476)	(422)	(425)	(440)	(4,015)	4,373

Lithgow City Council

Notes to the Financial Statements
for the financial year ended 30 June 2007

Note 15. Financial Instruments (continued)

\$ '000	2007		2006	
	Carrying Amount	Net Fair Value	Carrying Amount	Net Fair Value
(b) Net Fair Value				
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.				
Financial Assets				
Cash and Cash Equivalents	13,714	13,714	8,041	8,041
Investments				
- "Held for Trading"	1,000	1,000	1,000	1,000
- "Available for Sale"	1,000	1,000	1,050	1,050
Receivables	2,749	2,749	2,194	2,194
Total Financial Assets	18,463	18,463	12,285	12,285
Financial Liabilities				
Payables	4,012	4,012	3,215	3,215
Loans / Advances	6,798	6,798	4,697	4,697
Total Financial Liabilities	10,810	10,810	7,912	7,912

The net fair value of cash and cash equivalents and non-interest bearing monetary financial assets and financial liabilities approximates their carrying value.

Where a market exists, the net fair value of other financial assets and liabilities is based upon market prices - otherwise the expected future cash flows are discounted by the prevailing interest rates for assets and liabilities with similar risk profiles.

Lithgow City Council

Notes to the Financial Statements
for the financial year ended 30 June 2007

Note 15. Financial Instruments (continued)

\$ '000

(c) Credit Risk

The credit risk of financial assets (excluding investment securities) is the carrying amount net of any provision for doubtful debts.

Council has an Investment Policy which seeks to minimise the risk of capital loss. Investments are placed in accordance with the Local Government Investment Order which restricts investments to securities carrying a credit rating of "A" or better, Governments, and deposit facilities with Banks, Building Societies and Credit Unions.

Debtors for rates & charges are secured by a charge over the land to which it relates.

There are no significant concentrations of credit risk to any single debtor or group of debtors - apart from a natural geographic concentration relating to Rates & Annual Charges that pertain to Council's Local Government Area.

(d) Policies

Council's accounting policies in respect of Financial Assets and Financial Liabilities are described in Note 1.

(e) Terms & Conditions

There are no Terms & Conditions associated with Financial Assets and Financial Liabilities which may significantly affect the amount, timing and certainty of future cash flows.

Some Financial Investments that are currently classified as "Held to Maturity" or which are "Capital Guaranteed" may be subject to a redemption price lower than their current book value, should they be redeemed before maturity.

Lithgow City Council

Notes to the Financial Statements
for the financial year ended 30 June 2007

Note 16. Material Budget Variations

\$ '000

Council's Original Financial Budget for 06/07 was incorporated as part of its Management Plan and was adopted by the Council on 19 June 2006.

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

This Note accordingly 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 during each Quarterly Budget Review.

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

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

	2007 Budget	2007 Actual	2007 Variance*		
REVENUES					
Rates & Annual Charges	13,234	15,175	1,941	14.7%	F
Increase in subdivisions and land sales, increase in lots due to Valuer General supplementary lists					
User Charges & Fees	5,418	2,770	(2,648)	(49%)	U
Water supply charges varied significantly from the budget due to rainfall patters for the year which varied from previous years. Council has been actively pursuing water conservation to consumers.					
Interest & Investment Revenue	431	917	486	113%	F
Increase in cash and investments therefore an increase in interest on investments realised.					
Other Revenues	173	720	547	316%	F
Reclassification of rental income from original budget					
Operating Grants & Contributions	4,115	4,846	731	18%	F
Increase in Financial assistance grant from original budget					
Capital Grants & Contributions	2,870	3,185	315	11%	F
Federal grant for pool complex \$700K achieved but not in original budget					

Lithgow City Council

Notes to the Financial Statements

for the financial year ended 30 June 2007

Note 16. Material Budget Variations (continued)

\$ '000	2007 Budget	2007 Actual	2007 Variance*		
EXPENSES					
Employee Benefits & On-Costs	10,863	9,492	1,371	13%	F
A new organisational structure has been implemented and replacement positions are being critically reviewed prior to advertising and recruitment.					
Borrowing Costs	298	594	(296)	(99%)	U
Omission in original budget of other borrowing costs, discount adjustments on tips, due to adjustment for AIFRS.					
Materials & Contracts	5,485	7,536	(2,051)	(37%)	U
Council increased capital expenditure projects, via grant funding, such as Dark Corner realignment, with State Forests.					
Depreciation & Amortisation	3,700	3,521	179	5%	F
Other Expenses	3,390	2,903	487	14%	F
Decrease in costs such as office expenses, telephones etc due to organisation restructure and positive costs savings.					
Net Losses from Disposal of Assets	-	220	(220)	0%	U

Lithgow City Council

Notes to the Financial Statements
for the financial year ended 30 June 2007

Note 17. Statement of Developer Contributions

\$ '000

Under Section 94 & Section 94A of the Environmental Planning and Assessment Act 1979, a Council may require (i) the payment of a monetary contribution or dedication of land or (ii) a % levy on the value of development, in relation to development works that are subject to a development consent issued by Council.

These developer contributions (under S94) or developer levies (under S94A) must be spent specifically for the purpose they were levied and any interest applicable to unspent funds must be attributed to the funds and also spent in accordance with the purpose levied.

As well, Council may under Section 93F enter into a Planning Agreement with Developers under which the developer is required to either dedicate land free of cost, pay a monetary contribution, or provide any other material public benefit (or any combination of the three) to be used for or applied towards a public purpose.

S94F funds are also required to be spent on the public purposes nominated within each individual Planning Agreement.

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 use by their nature and must be spent for the specific purposes raised.

SUMMARY OF CONTRIBUTIONS & LEVIES

PURPOSE	Opening Balance	Received during Year		Interest earned in Yr	Exp. during Yr	Internal Borrowing (to)/from	Held as Restricted Asset
		Cash	Non Cash				
Roads	160	96	-	19	(48)	-	227
Open Space	71	40	-	5	-	-	116
Bushfire	70	9	-	3	-	-	82
S94 Contributions - under a Plan	301	145	-	27	(48)	-	425
S94A Levies - Under a Plans	-	166	-	-	-	-	166
Total Contributions	301	311	-	27	(48)	-	591

Lithgow City Council

Notes to the Financial Statements
for the financial year ended 30 June 2007

Note 18. Contingencies & Other Assets/Liabilities Not Recognised

\$ '000

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

LIABILITIES NOT RECOGNISED:**1. Guarantees****(i) 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.

(ii) 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 of APRA.

StateCover Limited (Continued)

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

(iii) Other Guarantees

Council has provided Guarantees on behalf of community organisations & sporting bodies to \$1,050M (2005/06 \$1,166M). Council does not expect arising from these Guarantees.

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 via 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.

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

Lithgow City Council

Notes to the Financial Statements
for the financial year ended 30 June 2007

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

\$ '000

(iii) Legal Expenses**Lilley -v- Lithgow City Council**

Land and Environment Court (LEC) appeal against Council's refusal of development application for helicopter joyflights.

Agonic Holdings -v- Council

Appeal against Council's refusal of development application for rural subdivision.

EPA -v- Council

Prosecution for not completing licence conditions relating to provision of a study and lagging of sludge lagoons within the required timeframe.

(iv) Defined Benefit Superannuation Contribution Plans

Council participates in an employer sponsored Defined Benefit superannuation Scheme, and makes contributions as determined by the Superannuations Trustees.

The Local Government Superannuation Scheme however, has advised that it is unable to provide Council with an accurate estimate of its share of the Defined Benefit Schemes assets and liabilities in accordance with AASB 119.

The Schemes most recent full actuarial review indicated that the Net Assets of the Scheme were more than sufficient to meet the accrued benefits of the Schemes defined benefit member category.

Council has not recorded any asset in these Financial Reports to represent any future economic benefit relating to the Scheme's Financial Position, nor has it recorded any movements in the Schemes Financial Position in these Accounts.

Accordingly, contributions made to the defined benefit scheme are recognised as an expense when they become payable - similar to accounting for a defined contributions plan.

(v) Land Under Roads

As permitted under AASB 1045 and in accordance with DLG recommendations, Council has not brought to account in these Reports the value of Land Under Roads.

This is due to the divergence of opinion as to what value should be ascribed to such assets.

At present, the transitional period for deferral of recognition ends on 31 December 2007. defined contributions plan.

Lithgow City Council

Notes to the Financial Statements
for the financial year ended 30 June 2007

Note 20. Equity - Retained Earnings and Revaluation Reserves

\$ '000	Notes	Actual 2007	Actual 2006
a. Retained Earnings			
Movements in Retained Earnings were as follows:			
Balance at beginning of Year (from previous years audited accounts)		171,673	170,714
a. Adjustments on adoption of AASB 132/AASB139 as at 1/7/05		n/a	-
b. Correction of Prior Period Errors		3,545	3,545
e. Net Operating Result for the Year		3,347	959
Balance at End of the Reporting Period		<u>178,565</u>	<u>175,218</u>

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

- Infrastructure, Property, Plant & Equipment Reserve	9,243	-
Total	<u>9,243</u>	<u>-</u>

(ii) Reconciliation of movements in Reserves:

Infrastructure, Property, Plant & Equipment Reserve		
- Revaluations for the year	9(a) 9,243	-
- Balance at End of Year	<u>9,243</u>	<u>-</u>
TOTAL VALUE OF RESERVES	<u>9,243</u>	<u>-</u>

(iii) Nature & Purpose of Reserves

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

"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.

Lithgow City Council

Notes to the Financial Statements
for the financial year ended 30 June 2007

Note 21. Reinstatement, Rehabilitation & Restoration Liabilities

\$ '000

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

Asset/Operation	NPV of Provision	
	2007	2006
Tip Operations	4,759	4,489
Balance at End of the Reporting Period	10 4,759	4,489

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

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

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

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

- the timing of the future reinstatement costs, and
- the final works (& costs) required to fulfill Councils obligations

Reconciliation of movement in Provision for year:

Balance at beginning of year	4,489	4,235
Amortisation of discount (expenses to borrowing costs)	270	254
Total - Reinstatement, rehabilitation and restoration provision	4,759	4,489

Amount of Expected Reimbursements

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

Lithgow City Council

Notes to the Financial Statements
for the financial year ended 30 June 2007

Note 27. Additional Council Disclosures - Council Information

Principal Place of Business:

180 Mort St
LITHGOW NSW 2790

Contact Details

Mailing Address:
PO Box 19
LITHGOW NSW 2790

Telephone: 02 6354 9999
Facsimile: 02 6351 4259

Opening Hours

Admin Centre 8.15am to 4.30pm Mon to Fri

Internet: www.lithgow.nsw.gov.au
Email: council@lithgow.nsw.gov.au

Officers

GENERAL MANAGER
Mr Paul J ANDERSON

RESPONSIBLE ACCOUNTING OFFICER
Mrs Carol G FARNSWORTH

PUBLIC OFFICER
Mrs Carol G FARNSWORTH

AUDITORS
MORSE GROUP

Elected Members

MAYOR
Councillor Neville L CASTLE

COUNCILLORS
Councillor Barbara S MORAN
Councillor Ann THOMPSON
Councillor Brian MORRISSEY
Councillor Wayne McANDREW
Councillor Martin TICEHURST
Councillor Michael WILSON
Councillor Margaret COLLINS
Councillor Howard FISHER

Other Information

ABN: 59 986 092 492

Lithgow City Council

SPECIAL SCHEDULES
for the year ended 30 June 2007

"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 2007

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Special Schedules¹		
- Special Schedule No. 1	Net Cost of Services	1 - 2
- Special Schedule No. 2(a)	Statement of Long Term debt (all purposes)	3
- Special Schedule No. 3	Water Supply - Income Statement	4 - 7
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¹ Special Purpose Schedules are not audited.

Background

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

Lithgow City Council

Special Schedule No. 1 - Net Cost of Services
for the financial year ended 30 June 2007

\$'000

Function or Activity	Expenses from continuing operations		Income from continuing operations			Net Cost of Services	
	Expenses	Group Totals	Non Capital Revenues	Capital Revenues	Group Totals	Net Cost	Group Totals
Governance	1,352	1,352	412	-	412	(940)	(940)
Public Order and Safety							
Contributions to Fire Service Levy	76	-	-	-	-	(76)	-
Fire Protection - Other	346	-	174	-	-	(172)	-
Animal Control	207	-	13	-	-	(194)	-
Enforcement of Local Govt Regs	66	-	14	-	-	(52)	-
Emergency Services	3	-	-	-	-	(3)	-
Other	-	698	-	-	201	-	(497)
Health							
Food Control	94	-	5	-	-	(89)	-
Noxious Plants	101	-	-	-	-	(101)	-
Other	10	205	-	-	5	(10)	(200)
Community Services and Education							
Child Care	3	-	-	-	-	(3)	-
Youth Services	10	-	2	-	-	(8)	-
Other Families and Children	4	-	3	-	-	(1)	-
Aged and Disabled	3	-	-	-	-	(3)	-
Education	18	38	-	-	5	(18)	(33)
Housing and Community Amenities							
Town Planning	413	-	329	-	-	(84)	-
Domestic Waste Management	1,722	-	2,131	-	-	409	-
Other Waste Management	460	-	132	-	-	(328)	-
Street Cleaning	199	-	-	-	-	(199)	-
Other Sanitation and Garbage	1	-	-	-	-	(1)	-
Urban Stormwater Drainage	114	-	-	270	-	156	-
Environmental Protection	244	-	19	-	-	(225)	-
Public Cemeteries	309	-	92	-	-	(217)	-
Public Conveniences	370	-	-	-	-	(370)	-
Other Community Amenities	1	3,833	-	-	2,973	(1)	(860)
Water Supplies	4,707	4,707	3,685	91	3,776	(931)	(931)
Sewerage Services	5,348	5,348	3,707	328	4,035	(1,313)	(1,313)

Special Schedules 2007

Recreation and Culture							
Public Libraries	750	-	87	-	(663)	-	
Museums	93	-	10	14	(69)	-	
Art Galleries	13	-	-	-	(13)	-	
Public Halls	312	-	45	367	100	-	
Other Cultural Services	10	-	8	-	(2)	-	
Swimming Pools	441	-	111	700	370	-	
Sporting Grounds	408	-	8	-	(400)	-	
Parks and Gardens (Lakes)	690	-	-	-	(690)	-	
Other Sport and Recreation	298	3,015	5	-	(293)	(1,660)	
Mining, Manufacturing and Construction							
Building Control	1,321	-	196	310	(815)	-	
Other	-	1,321	-	-	-	(815)	
Transport and Communication							
Urban Roads (UR) - Local	233	-	-	-	(233)	-	
Urban Roads - Regional	352	-	175	80	(97)	-	
Sealed Rural Roads (SRR) - Local	386	-	-	99	(287)	-	
Unsealed Rural Roads (URR) - Local	814	-	-	643	(171)	-	
Unsealed Rural Roads - Regional	41	-	-	-	(41)	-	
Bridges on UR - Local	38	-	-	-	(38)	-	
Footpaths	115	-	-	144	29	-	
Bus Shelters and Services	13	-	-	139	126	-	
Street Lighting	258	-	-	-	(258)	-	
Other	726	2,976	-	-	(726)	(1,696)	
Economic Affairs							
Tourism and Area Promotion	515	-	60	-	(455)	-	
Industrial Development Promotion	-	-	30	-	30	-	
Other Business Undertakings	258	773	448	-	190	(235)	
Totals – Functions		24,266	11,901	3,185	15,086	-	(9,180)
General Purpose Revenues⁽¹⁾			12,527		12,527	12,527	12,527
NET OPERATING RESULT FOR YEAR		24,266	24,428	3,185	27,613	3,347	3,347

Notes:

(1) Includes: Rates & Annual Charges (incl. Ex Gratia), Non Capital General Purpose Grants & Interest on Investments (excl. Restricted Assets)

Lithgow City Council

Special Schedule No. 2(a) - Statement of Long Term Debt (all purpose)
for the financial year ended 30 June 2007

\$'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		From Revenue	Sinking Funds			Current	Non-Current
Loans (by Source)									
Financial Institutions	317	4,380	2,425	324	-	-	323	440	6,358
Other									
Total Loans	317	4,380	2,425	324	-	-	323	440	6,358
Total Debt	317	4,380	2,425	324	-	-	323	440	6,358

Notes: Excludes (i) Internal Loans & (ii) Principal Inflows/Outflows relating to Loan Re-Financing.
This Schedule is prepared using the Face Value of debt obligations, rather than Fair Value (as per the GFRF's).

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 2007

\$'000	Actuals 2007	Actuals 2006
A Expenses and Income Expenses		
1. Management expenses		
a. Administration	1,320	1,112
b. Engineering and Supervision	359	315
2. Operation and Maintenance		
- Mains		
d. Maintenance expenses	984	584
- Reservoirs		
e. Operation expenses	29	61
f. Maintenance expenses	274	47
- Pumping Stations		
h. Energy costs	16	16
i. Maintenance expenses	23	9
- Treatment		
k. Chemical costs	39	44
l. Maintenance expenses	414	306
- Other		
n. Maintenance expenses	-	58
o. Purchase of water	931	722
3. Depreciation		
a. System assets	559	536
4. Miscellaneous expenses		
d. Tax Equivalents Dividends (actually paid)	-	33
5. Total expenses	4,948	3,843

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 2007

\$'000	Actuals 2007	Actuals 2006
Income		
6. Residential charges		
a. Access (including rates)	1,648	1,555
b. User charges	1,149	1,217
7. Non-residential charges		
b. User charges	567	551
9. Interest income	263	18
10. Other income	16	-
11. Grants		
b. Grants for pensioner rebates	91	89
c. Other grants	215	26
12. Contributions		
c. Other contributions	86	48
13. Total income	<u>4,035</u>	<u>3,504</u>
15. Operating Result	<u>(913)</u>	<u>(339)</u>
15a. Operating Result (less grants for acquisition of assets)	(913)	(339)

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 2007

\$'000	Actuals 2007	Actuals 2006
B Capital transactions		
Non-operating expenditures		
16. Acquisition of Fixed Assets		
b. Other new system assets	407	545
19. Totals	<u>407</u>	<u>545</u>
C Rates and charges		
24. Number of assessments		
a. Residential (occupied)	6,747	6,669
b. Residential (unoccupied)	725	640
c. Non-residential (occupied)	339	338
d. Non-residential (unoccupied)	52	41
25. Number of ETs for which developer charges were received	32 ET	41 ET
26. Total amount (actual dollars) of pensioner rebates	\$ 163,545	\$ 163,000

Lithgow City Council

Special Schedule No. 3 - Water Supply Cross Subsidies

for the financial year ended 30 June 2007

\$'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*?

YES	
-----	--

28. Developer charges

a. Has council completed a water supply Development Servicing** Plan?

	NO
--	----

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 Balance Sheet

Includes INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.
as at 30 June 2007

\$'000	Actuals Current	Actuals Non Current	Actuals Total
ASSETS			
30. Cash and investments			
b. Special purpose grants	1	-	1
c. Accrued leave	143	-	143
d. Unexpected loans	1,150	-	1,150
f. Other	2,332	-	2,332
31. Receivables			
a. Specific purpose grants	1	-	1
b. Rates and charges	578	-	578
c. Other	6	-	6
32. Inventories	148		148
33. Property, plant and equipment			
a. System assets	-	22,766	22,766
b. Plant and equipment	-	1	1
35. Total assets	<u>4,359</u>	<u>22,767</u>	<u>27,126</u>
LIABILITIES			
37. Creditors	858	-	858
38. Borrowings			
a. Loans	54	1,296	1,350
39. Provisions			
c. Other	143	-	143
40. Total liabilities	<u>1,055</u>	<u>1,296</u>	<u>2,351</u>
41. NET ASSETS COMMITTED	<u>3,304</u>	<u>21,471</u>	<u>24,775</u>
EQUITY			
42. Accumulated surplus			11,260
43. Asset revaluation reserve			<u>13,515</u>
44. TOTAL EQUITY			<u>24,775</u>
Note to system assets:			
45. Current replacement cost of system assets			51,088
46. Accumulated current cost depreciation of system assets			<u>(28,328)</u>
47. Written down current cost of system assets			22,760

Lithgow City Council

Special Schedule No. 5 - Sewerage Income Statement

Includes ALL INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.
for the financial year ended 30 June 2007

\$'000	Actuals 2007	Actuals 2006
A Expenses and Income Expenses		
1. Management expenses		
a. Administration	935	722
b. Engineering and Supervision	331	271
2. Operation and Maintenance		
- Mains		
b. Maintenance expenses	708	281
- Pumping Stations		
d. Energy costs	51	42
e. Maintenance expenses	286	179
- Treatment		
h. Energy costs	68	75
i. Effluent Management	508	196
k. Maintenance expenses	1,606	676
3. Depreciation		
a. System assets	614	540
4. Miscellaneous expenses		
c. Other expenses	-	8
d. Tax Equivalents Dividends (actually paid)	-	10
5. Total expenses	5,107	3,000

Lithgow City Council

Special Schedule No. 5 - Sewerage Income Statement (continued)

Includes ALL INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.
for the financial year ended 30 June 2007

\$'000	Actuals 2007	Actuals 2006
Income		
6. Residential charges (including rates)	2,714	2,630
7. Non-residential charges		
b. User charges	280	261
8. Trade Waste Charges		
a. Annual Fees	24	5
b. User charges	105	45
10. Interest income	153	-
11. Other income		
12. Grants		
a. Grants for acquisition of assets	328	672
b. Grants for pensioner rebates	85	83
13. Contributions		
a. Developer charges	87	46
14. Total income	<u>3,776</u>	<u>3,742</u>
16. Operating Result	<u>(1,331)</u>	<u>742</u>
16a. Operating Result (less grants for acquisition of assets)	(1,659)	70

Lithgow City Council

Special Schedule No. 5 - Sewerage Income Statement (continued)

Includes ALL INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.
for the financial year ended 30 June 2007

\$'000	Actuals 2007	Actuals 2006
B Capital transactions		
Non-operating expenditures		
17. Acquisition of Fixed Assets		
a. Subsidised scheme	18	34
20. Totals	<u>18</u>	<u>34</u>
Non-operating funds employed		
22. Borrowing utilised		
a. Loans	-	650
24. Totals	<u>-</u>	<u>650</u>
C Rates and charges		
25. Number of assessments		
a. Residential (occupied)	6,367	6,314
b. Residential (unoccupied)	537	473
c. Non-residential (occupied)	333	321
d. Non-residential (unoccupied)	37	32
26. Number of ETs for which developer charges were received	32 ET	ET
27. Total amount (actual dollars) of pensioner rebates	\$ 153,225	\$ 152,000

Lithgow City Council

Special Schedule No. 5 - Sewerage Cross Subsidies
for the financial year ended 30 June 2007

\$'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*?

YES	
-----	--

29. Developer charges

a. Has council completed a sewerage Development Servicing** Plan?

	NO
--	----

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 Balance Sheet

Includes INTERNAL TRANSACTIONS, ie. prepared on a Gross Basis.
as at 30 June 2007

\$'000	Actuals Current	Actuals Non Current	Actuals Total
ASSETS			
31. Cash and investments			
c. Accrued leave	196	-	196
d. Unexpected loans	500	-	500
f. Other	1,546	-	1,546
32. Receivables			
b. Rates and charges	261	-	261
c. Other	45	-	45
33. Inventories	14	-	14
34. Property, plant and equipment			
a. System assets	-	14,880	14,880
b. Plant and equipment	-	40	40
36. Total Assets	<u>2,562</u>	<u>14,920</u>	<u>17,482</u>
LIABILITIES			
38. Creditors	892	-	892
39. Borrowings			
a. Loans	59	1,091	1,150
40. Provisions			
c. Other	196	-	196
41. Total Liabilities	<u>1,147</u>	<u>1,091</u>	<u>2,238</u>
42. NET ASSETS COMMITTED	<u>1,415</u>	<u>13,829</u>	<u>15,244</u>
EQUITY			
42. Accumulated surplus			5,704
44. Asset revaluation reserve			9,540
45. TOTAL EQUITY			<u>15,244</u>
Note to system assets:			
46. Current replacement cost of system assets			51,972
47. Accumulated current cost depreciation of system assets			<u>(37,092)</u>
48. Written down current cost of system assets			14,880

Lithgow City Council

Notes to Special Schedule No.'s 3 & 5
for the financial year ended 30 June 2007**Administration⁽¹⁾**

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

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

Engineering and supervision⁽¹⁾

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

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

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

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

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

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

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

Trade waste charges (item 8 of Special Schedule 5) include all income from trade waste charges separated into 8a Annual Fees, 8b Usage Charges and 8c Excess Mass Charges and Re-inspection Fees.

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

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

Notes:

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

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

Lithgow City Council

Special Schedule No. 8 - Financial Projections

as at 30 June 2007

\$ million	Actual ⁽¹⁾ 06/07	Forecast 07/08	Forecast 08/09	Forecast ⁽²⁾ 09/10
(i) RECURRENT BUDGET				
Income from continuing operations	27.6	50.1	38.3	41.5
Expenses from continuing operations	24.3	28.5	31.7	37.0
Operating Result from Continuing Operations	<u>3.3</u>	<u>21.6</u>	<u>6.6</u>	<u>4.5</u>
(ii) CAPITAL BUDGET				
New Capital Works ⁽²⁾	4.8	21.7	6.6	4.6
Replacement/Refurbishment of Existing Assets	-	-	-	-
Total Capital Budget	<u>4.8</u>	<u>21.7</u>	<u>6.6</u>	<u>4.6</u>
Funded by:				
- Loans	2.4	5.6	-	4.0
- Asset sales	0.6	0.5	0.7	0.8
- Reserves	2.6	7.4	4.1	4.7
- Grants/Contributions	6.2	13.1	5.4	5.7
- Recurrent revenue	15.8	23.5	28.1	26.3
- Other	-	-	-	-
	<u>27.6</u>	<u>50.1</u>	<u>38.3</u>	<u>41.5</u>

Notes:

(1) From 06/07 Income Statement.

(2) New Capital Works are major non-recurrent projects, eg new Leisure Centre, new Library, new Swimming pool etc.

(3) If Council has only adopted 3 years of projections then only show 3 years.

Lithgow City Council

SPECIAL PURPOSE FINANCIAL REPORTS
for the year ended 30 June 2007

"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 Reports
for the financial year ended 30 June 2007

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Background

- (i) These Special Purpose Financial Reports have been prepared for the use by both Council and the Department of Local Government in fulfilling their requirements under National Competition Policy.
- (ii) The principle of competitive neutrality is based on the concept of a level playing field between persons 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 \$2Million that Council has formally declared as a Business Activity (defined as Category 1 activities).
- (iv) In preparing these financial reports for Councils 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

Income Statement of Councils Water Supply Business Activity
 for the financial year ended 30 June 2007

\$ '000	Actual 2007	Actual 2006	Actual 2005
Income from continuing operations			
Access charges	1,648	1,555	1,821
User charges	1,716	1,768	1,250
Fees	16	-	42
Interest	263	18	250
Grants and contributions provided for non capital purposes	306	163	428
Other income	86	-	-
Total income from continuing operations	4,035	3,504	3,791
Expenses from continuing operations			
Employee benefits and on-costs	1,464	1,489	1,557
Materials and contracts	1,994	1,063	917
Depreciation and impairment	559	536	541
Water purchase charges	931	722	851
Debt guarantee fee (if applicable)	-	33	22
Total expenses from continuing operations	4,948	3,843	3,888
Surplus (deficit) from Continuing Operations before capital amounts	(913)	(339)	(97)
SURPLUS (DEFICIT) AFTER TAX	(913)	(339)	(97)
plus Opening Retained Profits	19,296	19,635	19,732
plus Adjustments for amounts unpaid:			
- Debt guarantee fees	-	33	22
less:			
- Tax Equivalent Dividend paid	-	(33)	(22)
Closing Retained Profits	18,383	19,296	19,635
Return on Capital %	-10.4%	-2.1%	0.0%
Subsidy from Council	1,463	-	-
Calculation of dividend payable:			
Surplus (deficit) after tax	(913)	(339)	(97)

Lithgow City Council

Income Statement of Councils Sewerage Business Activity
 for the financial year ended 30 June 2007

\$ '000	Actual 2007	Actual 2006	Actual 2005
Income from continuing operations			
Access charges	2,714	2,635	2,177
User charges	280	261	71
Liquid Trade Waste Charges	105	45	-
Fees	24	-	-
Interest	153	-	140
Grants and contributions provided for non capital purposes	413	129	452
Other income	87	672	54
Total income from continuing operations	3,776	3,742	2,894
Expenses from continuing operations			
Employee benefits and on-costs	1,906	1,425	1,247
Materials and contracts	2,176	1,017	735
Depreciation and impairment	625	540	548
Debt guarantee fee (if applicable)	-	10	-
Other expenses	-	8	17
Total expenses from continuing operations	4,707	3,000	2,547
Surplus (deficit) from Continuing Operations before capital amounts	(931)	742	347
less: Corporate Taxation Equivalent (30%) [based on result before capital]	-	(223)	(104)
SURPLUS (DEFICIT) AFTER TAX	(931)	519	243
plus Opening Retained Profits	10,179	9,437	9,194
adjustments for amounts unpaid:			
- Debt guarantee fees	-	10	-
- Corporate taxation equivalent	-	223	-
less:			
- Tax Equivalent Dividend paid	-	(10)	-
Closing Retained Profits	9,248	10,179	9,437
Return on Capital %	-55.3%	9.1%	0.0%
Subsidy from Council	1,036	-	-
Calculation of dividend payable:			
Surplus (deficit) after tax	(931)	519	243
Surplus for dividend calculation purposes	(931)	519	243
Potential Dividend calculated from surplus	(466)	260	121

Lithgow City Council

Income Statement of Councils Other Business Activities
for the financial year ended 30 June 2007

\$ '000	Land Development	
	Actual 2007	Actual 2006
Income from continuing operations		
Total income from continuing operations	-	-
Expenses from continuing operations		
Materials and contracts	47	132
Total expenses from continuing operations	47	132
Surplus (deficit) from Continuing Operations before capital amounts	(47)	(132)
SURPLUS (DEFICIT) AFTER TAX	<u>(47)</u>	<u>(132)</u>
plus Opening Retained Profits	1,940	2,072
Closing Retained Profits	1,893	1,940
Return on Capital %	n/a	n/a
Subsidy from Council	-	47

Lithgow City Council

Balance Sheet of Councils Water Supply Business Activity
as at 30 June 2007

\$ '000	Actual 2007	Actual 2006
ASSETS		
Current Assets		
Cash and cash equivalents	3,626	3,592
Receivables	585	710
Inventories	148	165
Total Current Assets	4,359	4,467
Non-Current Assets		
Investments		-
Receivables		-
Inventories		-
Infrastructure, property, plant and equipment	22,766	17,189
Investments accounted for using equity method		-
Investment property		-
Other		-
Total non-Current Assets	22,766	17,189
TOTAL ASSETS	27,125	21,656
LIABILITIES		
Current Liabilities		
Interest bearing liabilities	64	32
Provisions	1,001	958
Total Current Liabilities	1,065	990
Non-Current Liabilities		
Interest bearing liabilities	1,286	708
Total Non-Current Liabilities	1,286	708
TOTAL LIABILITIES	2,351	1,698
NET ASSETS	24,774	19,958
EQUITY		
Retained earnings	24,774	19,296
Revaluation reserves		662
Council equity interest	24,774	19,958
TOTAL EQUITY	24,774	19,958

This Statement is to be read in conjunction with the attached Notes

Lithgow City Council

Balance Sheet of Councils Sewerage Business Activity
as at 30 June 2007

\$ '000	Actual 2007	Actual 2006
ASSETS		
Current Assets		
Cash and cash equivalents	2,242	3,013
Receivables	306	267
Inventories	14	19
Total Current Assets	2,562	3,299
Non-Current Assets		
Infrastructure, property, plant and equipment	14,921	11,081
Total non-Current Assets	14,921	11,081
TOTAL ASSETS	17,483	14,380
LIABILITIES		
Current Liabilities		
Interest bearing liabilities	452	32
Provisions	688	668
Total Current Liabilities	1,140	700
Non-Current Liabilities		
Payables		-
Interest bearing liabilities	1,100	618
Provisions		-
Total Non-Current Liabilities	1,100	618
TOTAL LIABILITIES	2,240	1,318
NET ASSETS	15,243	13,062
EQUITY		
Retained earnings	15,243	10,179
Revaluation reserves	-	2,883
Council equity interest	15,243	13,062
Minority equity interest	-	-
TOTAL EQUITY	15,243	13,062

Lithgow City Council

Balance Sheet of Councils Other Business Activities
as at 30 June 2007

	Land Development	
	Cat. 1/2 Actual 2007	Cat. 1/2 Actual 2006
\$ '000		
ASSETS		
Current Assets		
Receivables	1,249	1,249
Total Current Assets	<u>1,249</u>	<u>1,249</u>
Non-Current Assets		
Inventories	738	691
Total Non-Current Assets	<u>738</u>	<u>691</u>
TOTAL ASSETS	<u>1,987</u>	<u>1,940</u>
LIABILITIES		
Current Liabilities		
Total Current Liabilities	<u>-</u>	<u>-</u>
Non-Current Liabilities		
Total Non-Current Liabilities	<u>-</u>	<u>-</u>
TOTAL LIABILITIES	<u>-</u>	<u>-</u>
NET ASSETS	<u>1,987</u>	<u>1,940</u>
EQUITY		
Retained earnings	1,987	1,940
TOTAL EQUITY	<u>1,987</u>	<u>1,940</u>

Lithgow City Council

Notes to the Special Purpose Financial Reports

for the financial year ended 30 June 2007

Note 1. Significant Accounting Policies

These financial statements are Special Purpose Financial Reports (SPFR's) prepared for use by the Council, the Department of Local Government and the Department of Water & Energy.

For the purposes of these statements, the council's activities (listed herein) are based upon them not being reporting entities.

This special purpose financial report, unless otherwise stated, has been prepared in accordance with applicable Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Consensus Views, the Local Government Act and Regulations, the Local Government Code of Accounting Practice and Financial Reporting and the Local Government Asset Accounting Manual.

The statements are also prepared on an accruals basis. They are based on historic costs and do not take into account changing money values or, except where specifically stated, current values of non-current assets.

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

National Competition Policy

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

The framework for its application is set out in the June 1996 Government Policy statement on the "Application of National Competition Policy to Local Government". The "Pricing & Costing for Council Businesses A Guide to Competitive Neutrality" issued by the Department of Local Government in July 1997 has also been adopted.

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

Declared Business Activities

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

Category 1 (where gross operating turnover is over \$2 million)**a. Water 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 and treatment operations and net assets system servicing the Lithgow area.

Lithgow City Council

Notes to the Special Purpose Financial Reports

for the financial year ended 30 June 2007

Note 1. Significant Accounting Policies (continued)

Category 2 (where gross operating turnover is less than \$2 million)**c. Land Development**

Comprising land Council has specified for Real Estate Development in the Lithgow Local Government area.

Monetary Amounts

Amounts shown in the financial statements are in Australian currency and rounded to the nearest one thousand dollars, with the exception of Note 2 (Water Supply Best Practice Management Disclosures - A513) and Note 3 (Sewerage Best Practice Management Disclosures – A514).

As required by the Department of Water & Energy, the amounts shown in Notes 2 and Note 3 are shown in whole dollars.

(i) Taxation Equivalent Charges

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

However, where council does not pay some taxes which are generally paid by private sector businesses, such as income tax, these equivalent tax payments have been applied to all council nominated business activities and are reflected in the SPFR.

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

Notional Rate Applied %

Corporate Income Tax Rate – 30%

Land Tax – 1.7% + \$100 on combined land values above \$352,000

Payroll Tax – 6% on Salaries and Wages in excess of \$600,000

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

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

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

Income Tax

An income tax equivalent has been applied on the profits of the business. Whilst income tax is not a specific cost for the purpose of pricing a good or service, it needs to be taken into account of in terms of assessing the rate of return required on capital invested. Accordingly, the return on capital invested is set at a pre-tax level (gain/(loss) from ordinary activities before capital amounts) as would be applied by a private sector competitor – that is, it should include a provision equivalent to the corporate income tax rate, currently 30%.

Lithgow City Council

Notes to the Special Purpose Financial Reports

for the financial year ended 30 June 2007

Note 1. Significant Accounting Policies (continued)

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

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

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

Local Government Rates & Charges

A calculation of the equivalent rates and charges for all Category 1 businesses have been applied to all 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.

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

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

The overall effect of subsidies is contained within the Income Statement of Business Activities.

(iii) Return on Investments (Rate of Return)

The Policy statement requires that councils with Category 1 businesses "would be expected to generate a return on capital funds employed that is comparable to rates of return for private businesses operating in a similar field". Such funds are subsequently available for meeting commitments or financing future investment strategies. The rate of return is disclosed for each of Councils business activities on the 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 50% of this surplus in any one year, or the number of water supply or sewerage assessments at

Lithgow City Council

Notes to the Special Purpose Financial Reports
for the financial year ended 30 June 2007

Note 1. Significant Accounting Policies (continued)

30 June 2007 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

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

Lithgow City Council

Notes to the Special Purpose Financial Reports
for the financial year ended 30 June 2007Note 2. Water Supply Business
Best Practice Management disclosure requirements

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

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	23,589
(iii) Amounts payable for tax-equivalents [lesser of (i) and (ii)]	-
(iv) Amounts paid for Tax Equivalents	-

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	235,890
(iii) Cumulative surplus before Dividends for the 3 years to 30 June 2007, less the cumulative dividends paid for the 2 years to 30 June 2006	-
(iv) Maximum Dividend from Surplus [least of (i), (ii) and (iii) above]	-
(v) Dividend paid from Surplus [refer below for required pre-dividend payment Criteria]	-

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 31 October each year)	YES
(vi) Integrated Water Cycle Management Evaluation (by June 2007)	NO

Lithgow City Council

Notes to the Special Purpose Financial Reports
for the financial year ended 30 June 2007Note 2. Water Supply Business
Best Practice Management disclosure requirements

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

National Water Initiative (NWI) Financial Performance Indicators

NWI F4	Calculated Tax Equivalents Revenue from Residential Usage Charges (w6b) x 100 divided by the sum of [Residential Usage Charges (w6a) + Residential Access Charges (w6b) + Environmental Levies for Water Supply]	%	41.08%
NWI F1	Total Revenue (Water) Total Revenue (w13) + Gains/Loss on Disposal of Assets (w14) - Grants for the Acquisition of Assets (w11a) - Interest Income (w9)	\$'000	3,772
NWI F20	Capital Works Grants (Water) Grants for the Acquisition of Assets (w11a)	\$'000	-
NWI F13	Economic Real Rate of Return (Water) [Total Revenue (w13) - Interest Income (w9) - Grants for Assets (w11a) - Total Cost (NWI F9)] x 100 divided by Written Down Replacement Cost of Operational Assets (w47)	%	-5.17%
NWI F6	Operating Cost (OMA) (Water) Management Expenses (w1) + Operational & Maintenance Expenses (w2)	\$'000	4,389
NWI F9	Total Cost (Water) Operating Cost (NWI F6) + Current Cost Depreciation (w3a + w3b)	\$'000	4,948

Note: 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 Reports
for the financial year ended 30 June 2007Note 3. Sewerage Business
Best Practice Management disclosure requirements

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

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	21,822
(iii) Amounts payable for Tax Equivalents [lesser of (i) and (ii)]	-
(iv) Amounts paid for Tax Equivalents	-

Dividend from Surplus

(i) 50% of Surplus before Dividends [Calculated in accordance with Best Practice Management for Water Supply and Sewerage Guidelines]	(465,500)
(ii) No. of assessments multiplied by \$30/assessment, less tax equivalent charges/assessment	218,220
(iii) Cumulative surplus before dividends for the 3 years to 30 June 2007, less the cumulative dividends paid for the 2 years to 30 June 2006	(168,700)

2007 Surplus	(931,000)	2006 Surplus	519,400	2005 Surplus	242,900
		2006 Dividend	-	2005 Dividend	-

(iv) Maximum dividend from surplus [least of (i), (ii) and (iii) above]	n/a
(v) Dividend paid from surplus [refer below for required pre-dividend payment Criteria]	-

Required outcomes for 4 Criteria

[To be eligible for the payment of a "Dividend from Surplus", ALL the Criteria below need a "YES"]

(i) Completion of Strategic Business Plan (including Financial Plan)	YES
(ii) Pricing with full cost-recovery, without significant cross subsidies [Refer Item 2(a) in Table 1 on page 22 of the Best Practice Guidelines]	YES
Complying charges	
(a) Residential [Item 2(c) in Table 1]	YES
(b) Non Residential [Item 2(c) in Table 1]	YES
(c) Trade Waste [Item 2(d) in Table 1]	YES
DSP with Commercial Developer Charges [Item 2(e) in Table 1]	NO
Liquid Trade Waste Approvals & Policy [Item 2(f) in Table 1]	YES
(iii) Complete Performance Reporting Form (by 15 September each year)	YES
(iv) Integrated Water Cycle Management Evaluation (by June 2006)	NO

Lithgow City Council

Notes to the Special Purpose Financial Reports
for the financial year ended 30 June 2007Note 3. Sewerage Business
Best Practice Management disclosure requirements

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

National Water Initiative (NWI) Financial Performance Indicators

NWI F2	Total Revenue (Sewerage) Total Revenues (s14) + Gains/Losses on Disposal of Assets (s15) - Grants for Acquisition of Assets (s12a) - Interest Income (s10)	\$'000	3,295
NWI F21	Capital Works Grants (Sewerage) Grants for the Acquisition of Assets (12a)	\$'000	328
NWI F11	Capital Expenditure (Water & Sewerage) Acquisition of Fixed Assets (w16 + s17)	\$'000	425
NWI F14	Economic Real Rate of Return (Sewerage) [Total Revenue (s14) - Interest Income (s10) - Grants for Assets (s12a) - Total Cost (NWI F10)] x 100 divided by Written Down Replacement Cost (ie. WDRC) of Operational Assets (s48)	%	-12.18%
NWI F12	Economic Real Rate of Return (Water & Sewerage) [Total Revenue (w13 + s14) - Interest Income (w9 + s10) - Grants for Assets (w11a + s12a) minus Total Cost (NWI F9 + NWI F10)] x 100 divided by WDRC of Operational Assets (w47 + s48)	%	-7.94%
NWI F16	Net Debt to Equity (Water & Sewerage) Overdraft (w36 + s37) + Borrowings (w38 + s39) - Cash & Investments (w30 + s31) x 100 divided by [Total Assets (w35 + s36) - Total Liabilities (w40 + s41)]	%	-8.42%
NWI F17	Interest Cover (Water & Sewerage) Earnings before Interest & Tax x 100 divided by Net Interest (ie. Interest Expense - Interest Income) [Operating Result (w15a + s16a) - Interest (w9 - w4a + s10 - s4a) - Gain/Loss on Sale of Assets (w14 + s15)] x 100 divided by [Interest Expense 9w4a + s4a) - Interest Income (w9 + s10)]	%	718.27%
NWI F18	Net Profit After Tax (Water & Sewerage) [Surplus before Dividends less Tax Paid]. Refer Notes 2 & 3 previously.	\$'000	(1,844)
NWI F19	Community Service Obligations (Water & Sewerage) Grants for Pensioner Rebates (w11b + s12b)	\$'000	176
NWI F5	Revenue from Community Service Obligations (Water & Sewerage) Community Service Obligations (NWI F19) x 100 divided by Total Revenue (NWI F1 + NWI F2)	%	2.49%
NWI F7	Operating Cost (OMA) (Sewerage) Management Expenses (s1) + Operational & Maintenance Expenses (s2)	\$'000	4,493
NWI F10	Total Cost (Sewerage) Operating Cost (NWI F7) + Current Cost Depreciation (s3a + s3b)	\$'000	5,107

Note: The NWI Performance Indicators are based upon the National Performance Framework Handbook for Urban Performance Reporting Indicators & Definitions.