

**MORSE** | GROUP  
ACCOUNTANTS & ADVISORS

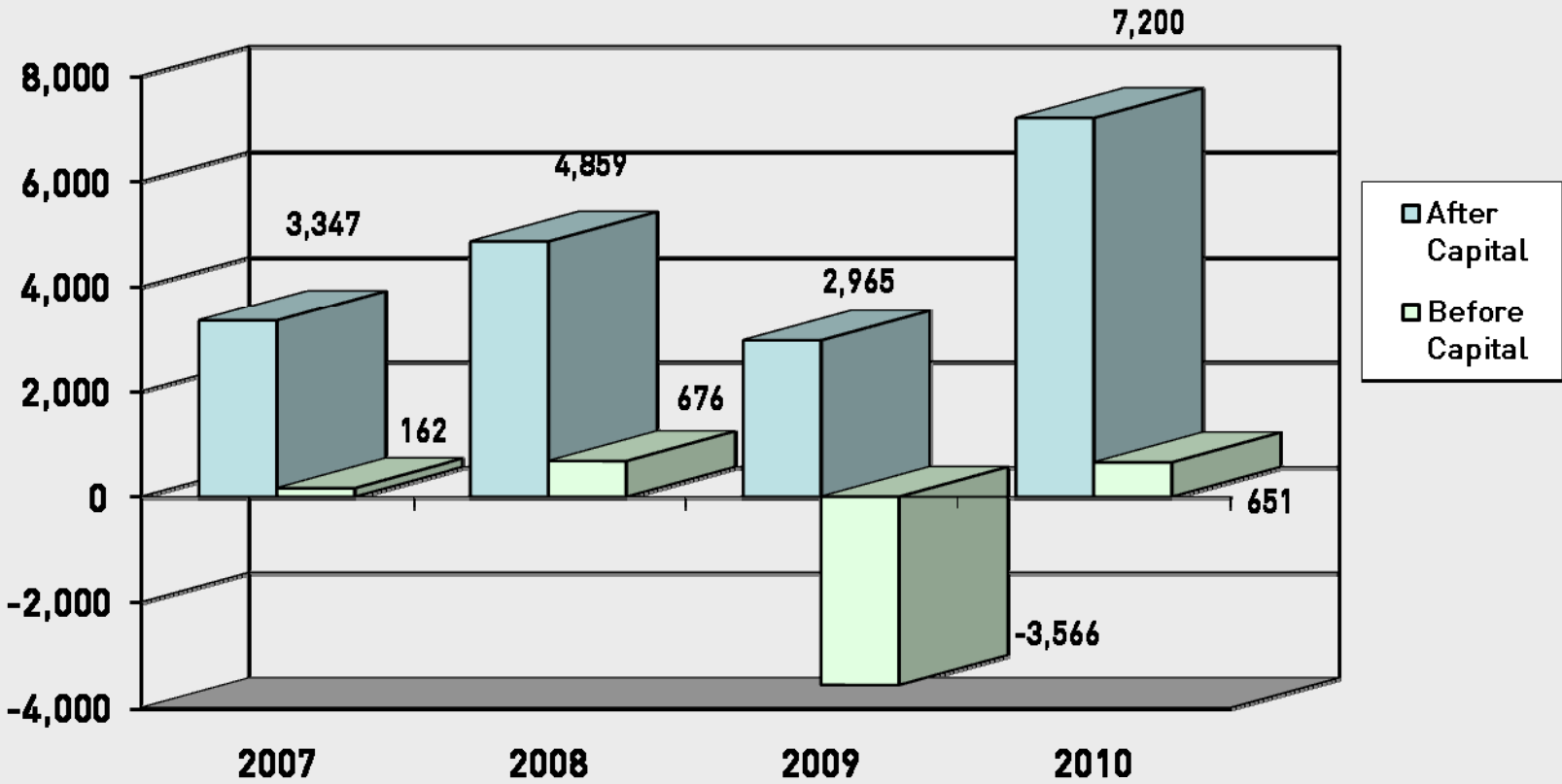


Lithgow City Council

# What are we going to cover?

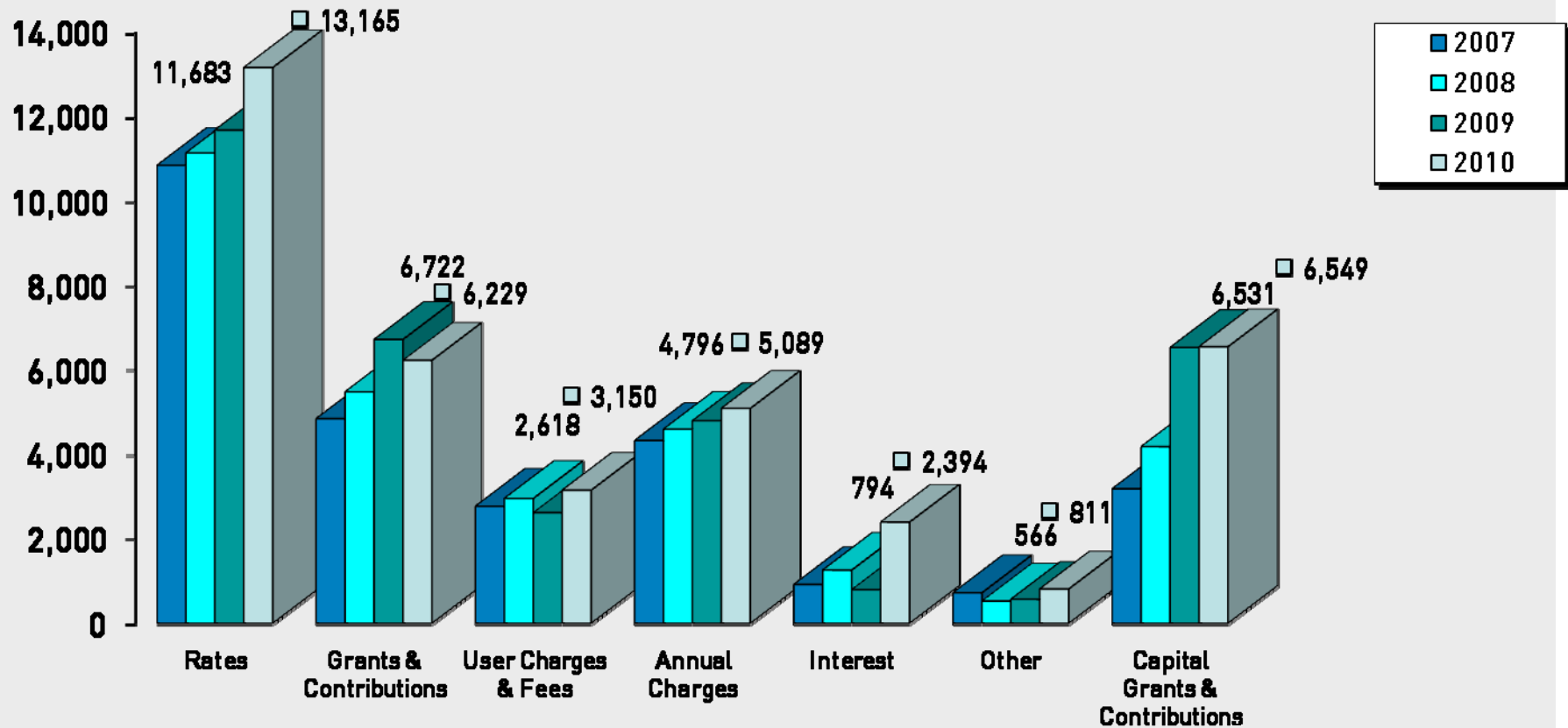
- **Operating Result**
- **Sources of Income**
- **Application of Expenditure**
- **Cash flows**
- **Level of Cash & Investments**
- **Level of Borrowings**
- **Ratio's**
- **Significant matters for 2010**
- **Observations**

# Operating Result



- Operating surplus \$7,200,000 after capital amounts
- 3. Operating surplus \$651,000 before capital amounts

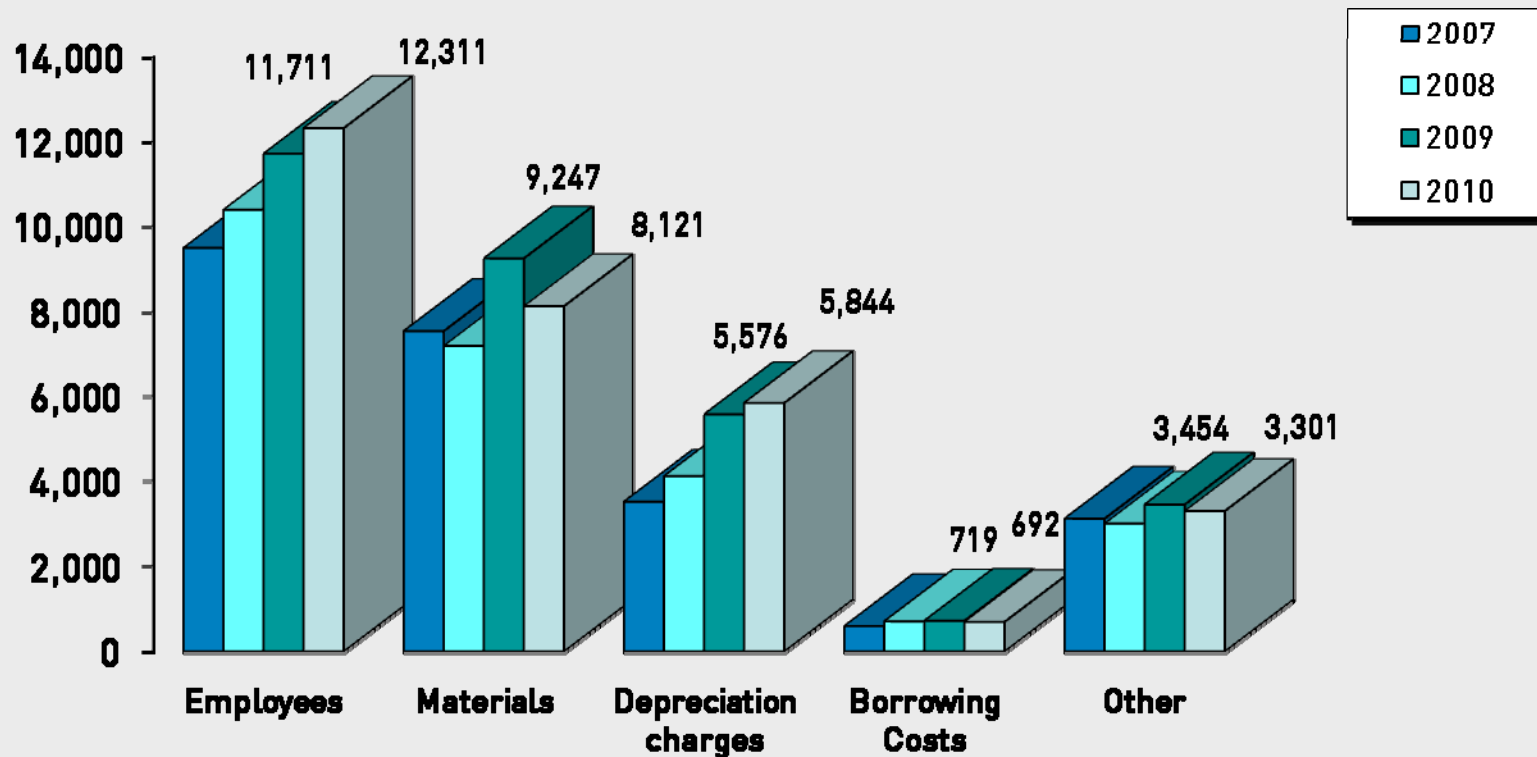
## Revenue – by source



- Total Revenue \$37,469,000 (2009 - \$33,710,000)
- Total Operating Revenue \$30,920,000 (2009 - \$27,179,000)
- Increase in rates and annual charges due to approved income variation of 8.7%
- Interest income included \$1,554,000 discount on interest free loan in accordance with accounting standards
- \$2,614,000 received for the upgrade of the Lithgow Sewerage Treatment Plant

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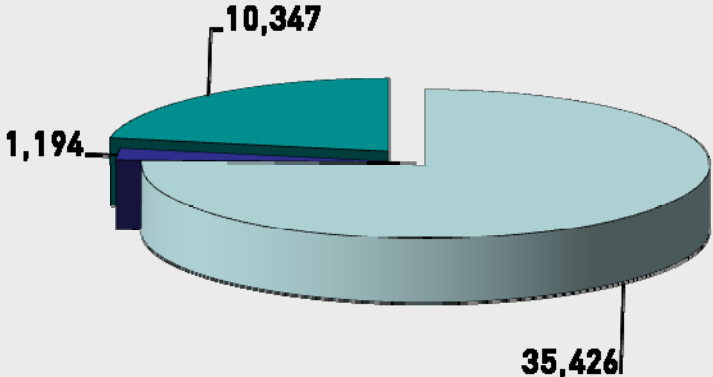
## Expenditure – by type



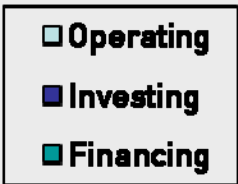
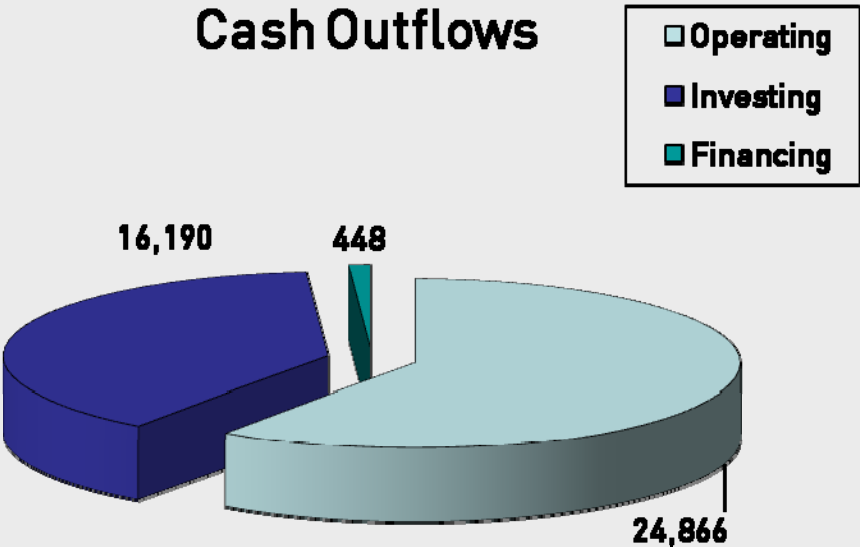
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- 2010 Total Expenses \$30,269,000
  - 2009 Total Expenses \$30,745,000

# Cash Flows

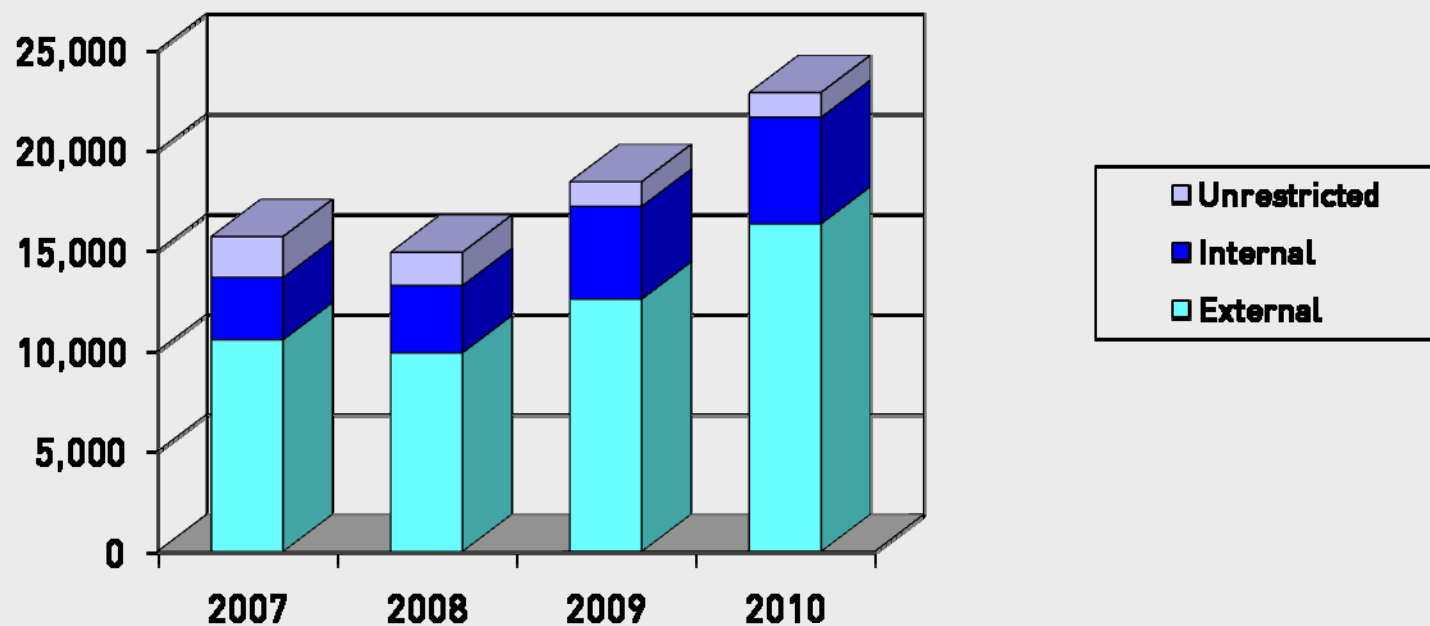
### Cash Inflows



### Cash Outflows



# Cash and Investments



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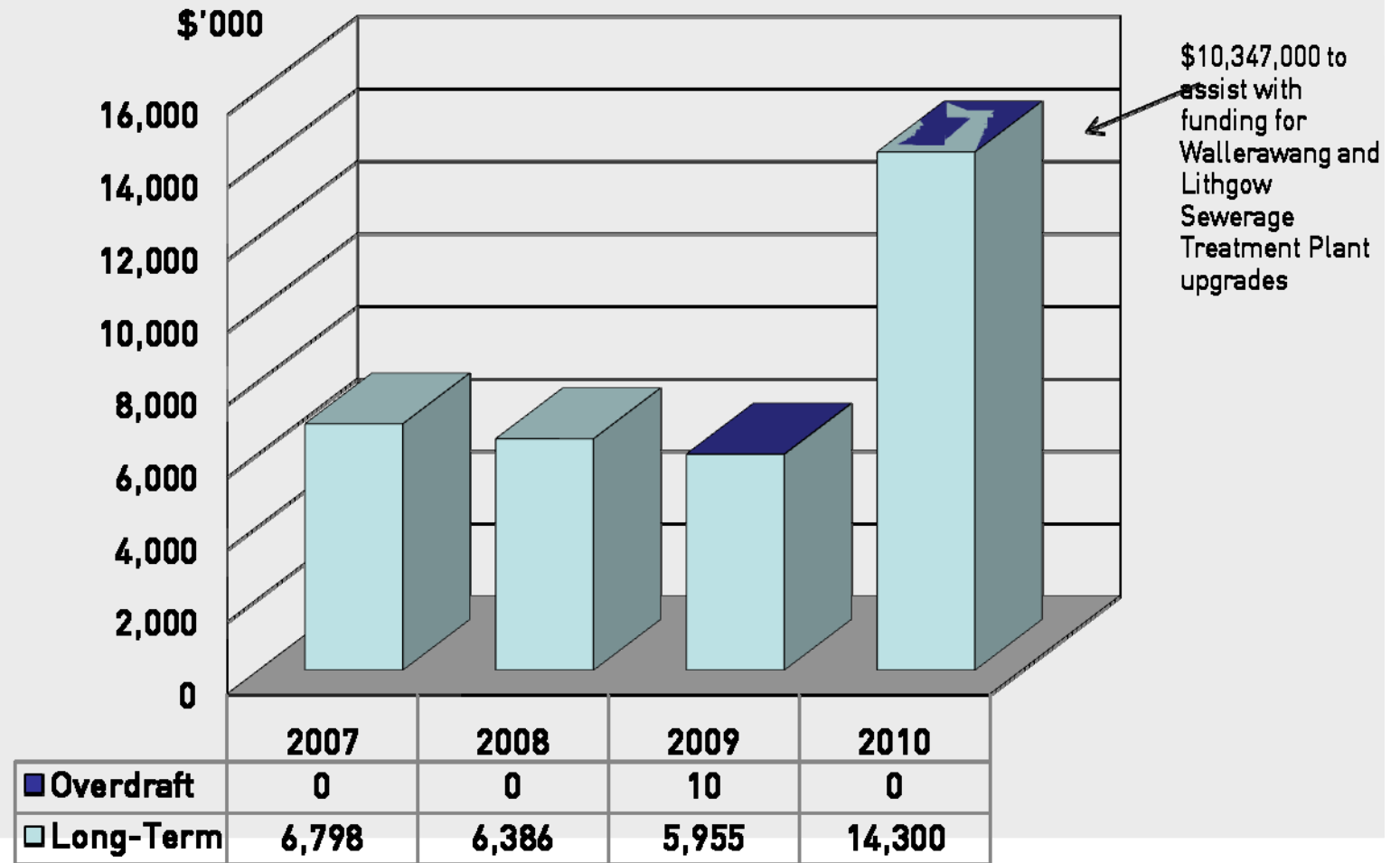
- Cash and investments total \$22,903,000 (2009 - \$18,452,000)
- Unrestricted cash is \$1,232,000 (2009 - \$1,222,000)

## Investments

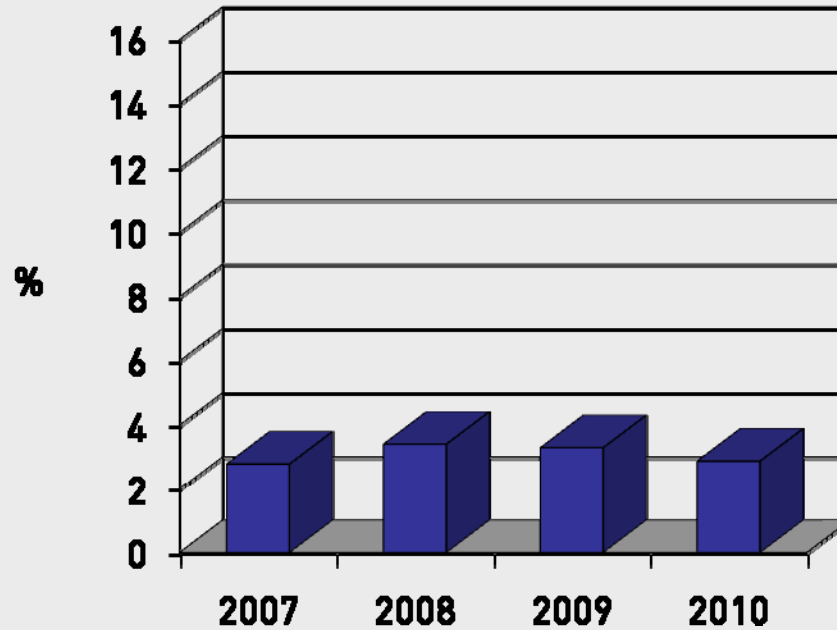
- Council has a low risk exposure to the market and has a conservative risk appetite.
- 100% of Council's portfolio is held in bank term deposits and other principal protected securities.
- Council's portfolio includes a \$500,000 market linked investments which at 30 June 2010 had been written down to nil.
- Interest revenue on Council's investment portfolio has increased from \$683,000 in 2009 to \$764,000 in 2010



# External Debt

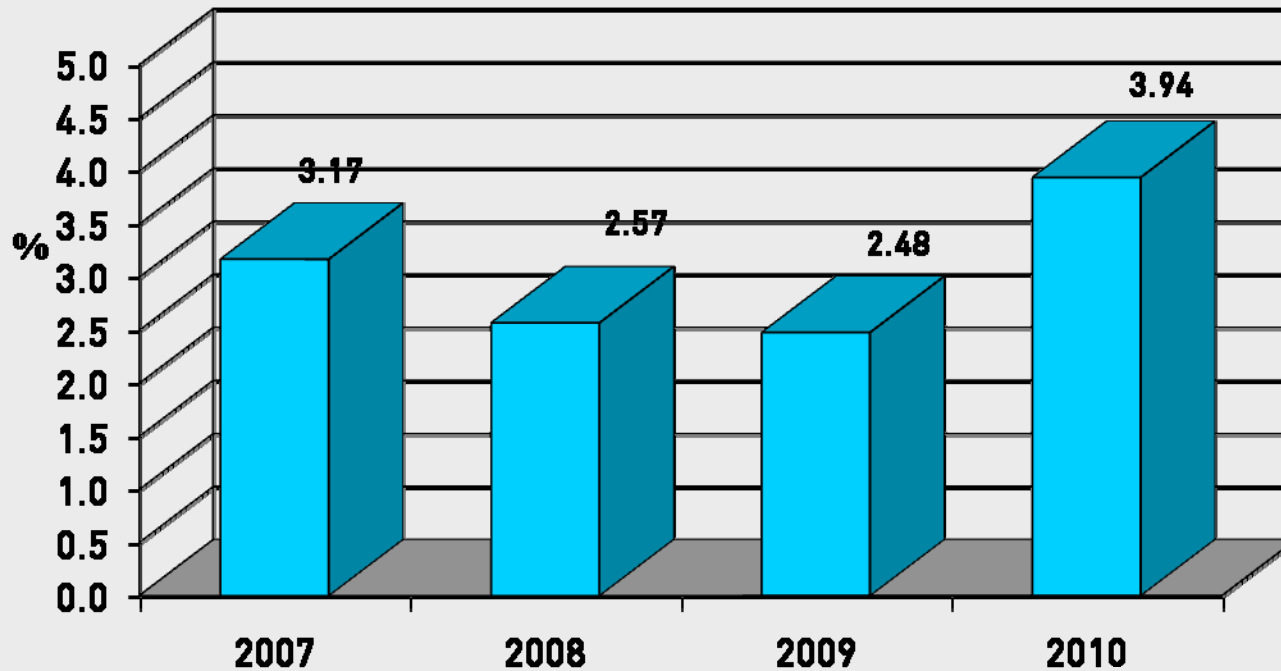


## Debt Service Ratio



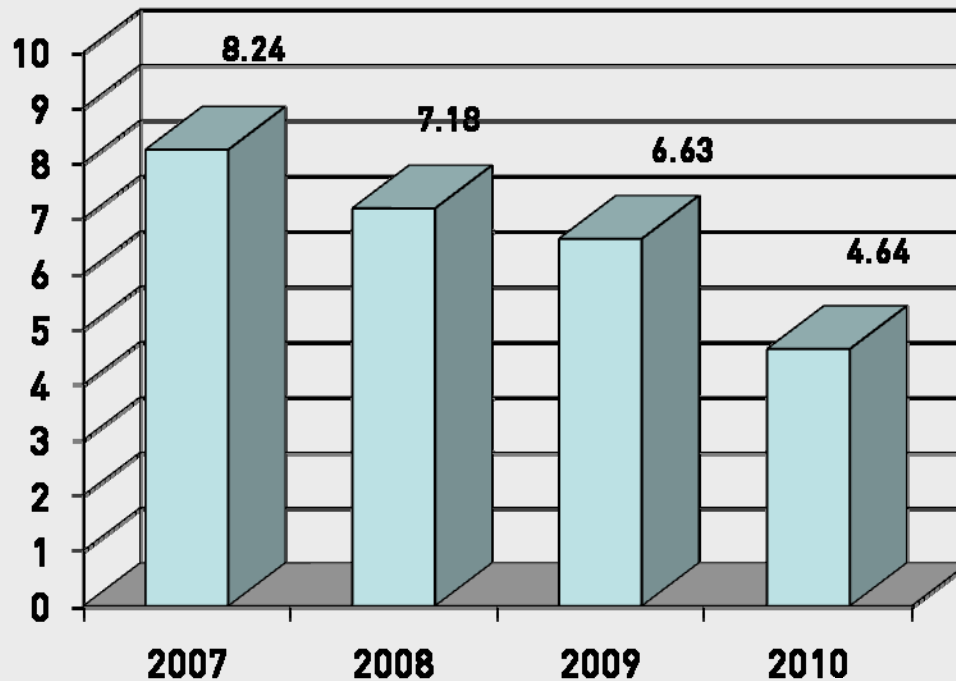
- The current debt service ratio of 2.88% reflects manageable debt and capacity to borrow. This ratio will increase in 2010-'11 as a result of the 2010-'11 borrowings

# Unrestricted Current Ratio



- This is a commonly used measure of liquidity, but it is important not to view it in isolation
- The unrestricted current ratio of 3.94:1 (2009 2.48:1) is strong
- It is important to note that only external restrictions are excluded from this calculation

## Unpaid Rates & Annual Charges Ratio



- Each percentage point equates to \$195,000
- The ratio of 4.64% is lower than the prior year, partly due to sale of land for unpaid rates
- Council should strive to cap this ratio at 6%.

## Key Observations

- The operating surplus before and after capital amounts was less than budget but better than the prior year
- Current year saw \$4,451,000 increase to Council's cash and investments
- Total cash and investments comprises
  - \$16,351,000 of externally restricted funds
  - \$5,320,000 of internally restricted funds
  - \$1,232,000 in unrestricted funds.

# Significant Matters for 2010

## ➤ Revaluation of Roads, Bridges, Footpaths and Drainage Assets

This has been an enormous project that has required the identification, measurement, condition assessment and valuation of all assets in these categories.

- Increase in carrying value of these assets - \$34,531,000
- Replacement Value of infrastructure, property, plant and equipment now \$507,658,000
- Estimated impact on 2010-'11 and future period in terms of depreciation is \$2,000,000



# Audit Findings

- Qualified audit report (emphasis of matter) issued in relation to timing of lodgment
- Other than the above, all reporting and disclosure obligations satisfied

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