



2011-12  
FINANCIAL  
STATEMENTS

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# Summary



## Introduction

This section provides analysis on the 2011-12 Financial Statements. It compares the reported financial results to Council's own financial objectives. Readers of the Statements are encouraged to contact Council's Financial Services Department on (02) 4732 7815 for any assistance required in understanding the reported results.

These statements are produced in accordance with the Australian Accounting Standards and the NSW Local Government Code of Accounting Practice. The Australian Accounting Standards Board (AASB) has adopted International Financial Reporting Standards (IFRS) and issued the Australian equivalents (AIFRS). The application of AIFRS is reflected in

these Financial Statements. These statements are independently audited, reported to Council, placed on public exhibition and lodged with the Division of Local Government (DLG) by early November each year.

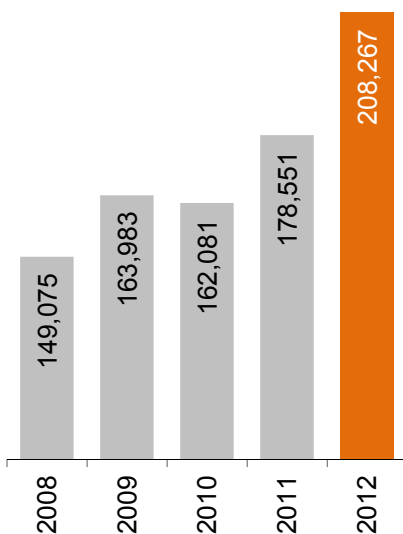
Under the 1993 NSW Local Government Act, Council is required to produce an audited set of Financial Statements. Key statements produced, and included in this document are:

- Income Statement and Statement of Comprehensive Income,
- Balance Sheet,
- Cash Flow Statement, and
- Notes to the Financial Statements.

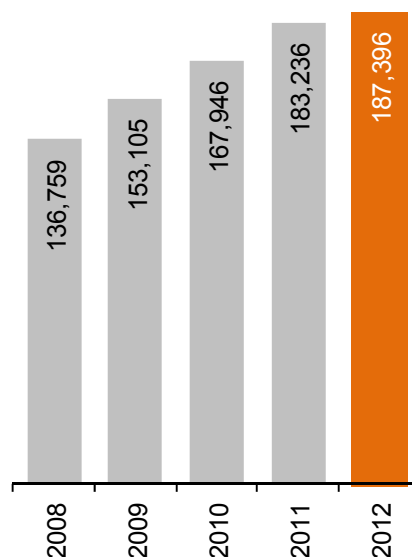
## Summary of 2011-12 Key Results and Events

- Overall income ▲ 16.6% to \$208.3m
- Total Expenses ▲ 2.3% to \$187.4m
- Total Assets ▲ 10.8% to \$2,617m
- Net Assets ▲ 11.4% to \$2,506m
- Asset \$ per head of population is \$14,171
- Liabilities ▼ 1.1% to \$110.7m
- Liabilities per head of population is \$599
- Infrastructure, Property Plant & Equipment ▲ 11.0% to \$2,508m

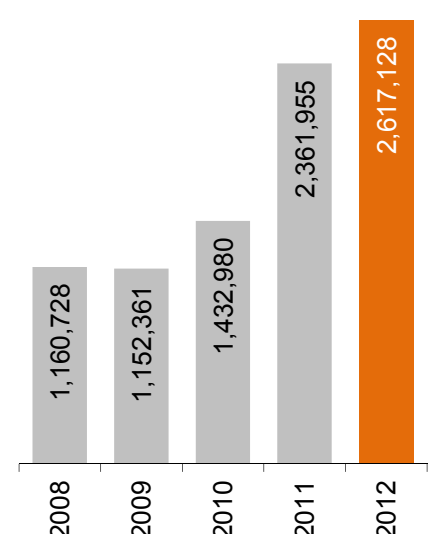
Total Income (\$'000)



Total Expenses (\$'000)



Total Assets (\$'000)



## Summary

### Five-Year Financial Summary

for the Year Ended 30 June	Units	2012	2011	2010	2009	2008
Total Income from Continuing Operations	\$000	208,267	178,551	162,081	163,983	149,075
Total Expenses from Continuing Operations	\$000	187,396	183,236	167,946	153,105	136,759
Net Operating Result for Year	\$000	20,871	(4,685)	(5,865)	10,878	12,316
Grants and Contributions	\$000	64,919	46,888	33,176	42,603	35,951
Net Operating Result before Capital Grants and Contributions	\$000	(7,564)	(18,020)	(10,340)	(1,190)	(2,059)
<b>Further breakdown of Income Statement items are shown in Appendix 1</b>						
Current Assets	\$000	73,862	71,355	55,571	56,588	60,302
Non-Current Assets	\$000	2,543,266	2,290,600	1,377,409	1,095,773	1,100,426
Current Liabilities	\$000	49,576	50,385	45,762	43,352	39,763
Non-Current Liabilities	\$000	61,117	61,527	64,092	59,077	58,455
Total Equity	\$000	2,506,435	2,250,043	1,323,126	1,049,932	1,062,510
<b>Further breakdown of Balance Sheet items are shown in Appendix 1</b>						
Cash Flows from Operating Activities	\$000	46,789	22,003	22,288	30,500	24,119
Cash Flows from Investing Activities	\$000	(50,804)	(15,684)	(27,901)	(27,903)	(32,221)
Cash Assets at the end of Reporting Period	\$000	4,953	8,361	4,049	5,035	809
<b>Rates Outstanding</b>						
Rates Outstanding	%	4.85	5.60	5.67	4.94	5.04
<b>Unrestricted Current Ratio</b>						
Unrestricted Current Ratio	Ratio	1.32:1	1.19:1	1.03:1	1.17:1	1.15:1
<b>Debt Service Ratio</b>						
Debt Service Ratio	%	7.40	7.65	7.82	7.45	7.13
<b>Asset Renewal</b>						
Asset Renewal	%	34.0	46.6	51.6	56.9	43.2



## Financial Overview

### Our financial performance

Council's financial performance for 2011-12 is characterised by:

- a net surplus result of \$20.9m for the year
- a balanced Budget after transferring \$274,430 to reserves for future contingencies
- an improvement in the Unrestricted Current Ratio from 1.19:1 in 2010-11 to 1.32:1 in 2011-12
- an increase in assets from \$2,362m in 2010-11 to \$2,617m in 2011-12, with assets per capita increasing from \$13,547 per person to \$14,171 (ABS population estimate of 184,681) per person during this period
- an increase in the value of Council's Investment Properties of \$1.9m (10.3%). The total value of Council's Investment Properties at 30 June 2012 was \$20.6m
- a decrease in liabilities from \$112m in 2010-11 to \$111m in 2011-12 – with liabilities per capita of \$599
- a decrease in Rates and Annual Charges outstanding to 4.85% (2010-11, 5.60%)
- a larger capital works program of \$53.7m in 2011-12 compared to \$33.6m in 2010-11, including the Penrith Commuter Carpark (\$10.8m) and an increase in roads and drainage dedications
- a total of 47% of Council's income being derived from Rates and Annual Charges. This is a decrease of 3% compared to 2010-11, largely the result of an increase in grants and contributions received in 2011-12
- other key ratios are outlined in Note 13.

### Ensuring financial sustainability

Council's financial performance is aligned with its continued focus on long-term financial sustainability. We regularly review our Operational Plan and financial performance throughout the year to adapt to changing conditions and requirements. Council regularly reviews its Long-Term Financial Plan (LTFP) to ensure short-term needs are considered against long-term sustainability.

Council's investment policies and strategies have been effective in producing strong returns on ratepayers' funds in 2011-12. Council's average return on investments for 2011-12 is 5.66%, which has considerably outperformed the average 90 day BBSW rate of 4.43%. Council was also able to complete its 2011-12 borrowing program at a lower rate than the average return on our investments. The weighted interest rate on borrowings decreased slightly due to the lower cost of capital. Council continues to use borrowings to fund an accelerated infrastructure program, however Council's level of debt is continually monitored to ensure it is sustainable without risking service levels.

Council's operating result for the year was a surplus of \$20.9m. This is taking into account the recent increases to depreciation as a result of the now completed transition to Fair Value of Council's assets.

The 2011-12 financial year provided the first instalment of Council's recent Special Rate Variation (SRV). The additional funding has ensured that asset renewal programs could be fully implemented and essential City Centre Renewal could be undertaken while maintaining the services and service levels being demanded by our community.

Council's LTFP demonstrates that the 2011-12 Special Rate Variation has ensured that Council's Long Term Financial Sustainability, highlighted in Special Schedule 8, has been secured.

### Delivering infrastructure

Local Government in NSW faces a large backlog of work to bring roads, drainage, and building assets to a satisfactory standard. Council's commitment to addressing our infrastructure backlog has seen increased funding for asset maintenance and renewal, and development of renewal programs for all key asset classes in recent years. The review of the LTFP and Resource Strategy during 2010-11 highlighted that while progress is being made in a number of asset classes, Council did not have the capacity to fully fund all identified asset renewal programs and addressing our infrastructure backlog was one of the key drivers for the recently approved Special Rate Variation. As a result, Council now has a program in place to address the identified infrastructure backlog for all key asset classes. Special Schedule 7 provides further information about the condition of these assets.

# Summary

## Financial Overview (continued)

### Developer contribution reforms

On 4 June 2010, the Premier of NSW announced changes to the Developer Contributions planning process which capped residential development contributions to \$20,000 per new lot/dwelling. On 31 August 2010, this cap was increased to \$30,000 per new lot/dwelling for greenfield release areas and applies to the Werrington Enterprise Living and Learning (WELL) Precinct and Glenmore Park Stage 2.

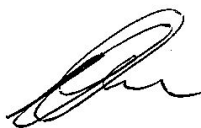
As a consequence of a Voluntary Planning Agreement (VPA) being negotiating with Glenmore Park Stage 2 landowners, the cap's impact is limited to the WELL Precinct. The infrastructure funding gap arising for new development in the WELL Precinct is estimated at \$46.5 million and would affect the WELL Precinct, District Open Space, and Cultural Facilities s94 Plans.

Following analysis of the physical, social and financial impacts of the cap on the WELL Precinct and the Penrith City community, on 27 June 2011 Council resolved to require new development within the WELL Precinct to provide all drainage and most roadworks by way of conditions of development consent. Contributions up to \$30,000 per lot would be levied for open space, community and cultural facilities. The consequence of this resolution would be no infrastructure funding gaps under the three contributions plans applying to the WELL Precinct.

Council has completed a review of its section 94 plans, as directed by the Minister for Planning, and these revised plans have been adopted by Council and submitted to the Minister for Planning for determination and remaking. The Minister has not made the revised Plans.

More recent changes to the development contributions process proposed in the Green Paper on a New Planning System for NSW would lead to infrastructure funding gaps across the City (among most Plans) estimated to be between \$90 million and \$147 million, or a significant reduction in the nature and scale of facilities being funded. Plans funding open space, and community and cultural facilities would be especially significantly adversely affected. Council will be submitting strong objections to these proposed changes. The absence of detail in the Green Paper – and the fact that it is a Discussion Paper rather than a legislative reform – makes it difficult to provide more precise analysis of the impacts. Further analysis will be available following release of a White Paper and new Planning Act, expected in the next nine to twelve months.

Council's performance in 2011-12 has provided solid results, and we remain in a sound and stable financial position. This provides a strong grounding for Council for the growth, challenges, and opportunities that lie ahead.



**Andrew Moore**  
Financial Services Manager



**Vicki O'Kelly**  
Group Manager Finance  
Responsible Accounting Officer



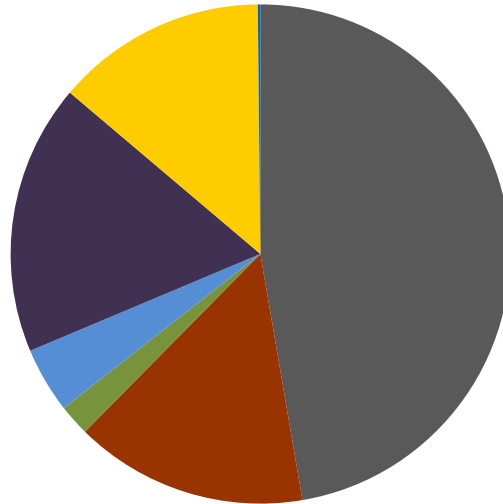


## Income

### Summary

- Overall income ▲ by 16.6% to \$208.3m

- Rates & Annual Charges (\$98.5m)
- User Charges & Fees (\$31.4m)
- Investment Revenues (\$4.2m)
- Other Revenues (\$8.9m)
- Grants & Contributions - Operating (\$36.5m)
- Grants & Contributions - Capital (\$28.4m)
- Profit from interests in Joint Ventures & Associates (\$0.3m)



Income Item	2012 (\$'000)	2011 (\$'000)	% Change
Rates & Annual Charges	98,524	90,630	8.7%
User Charges & Fees	31,414	30,455	3.1%
Investment Revenues	4,215	3,807	10.7%
Other Revenues	8,862	6,345	39.7%
Grants & Contributions - Operating	36,484	33,553	8.7%
Grants & Contributions - Capital	28,435	13,335	113.2%
Profit from interests in Joint Ventures & Associates	333	426	(21.8%)
<b>Total Income from Continuing Operations</b>	<b>208,267</b>	<b>178,551</b>	<b>16.6%</b>

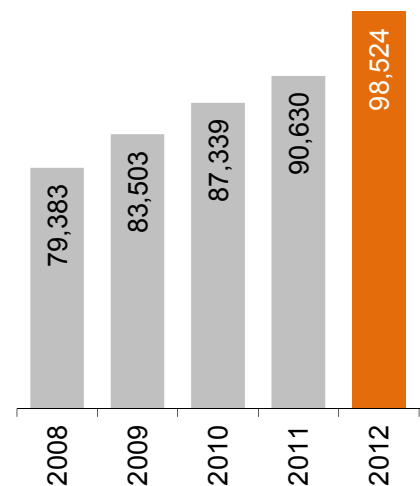
### Rates & Annual Charges

The increase in property numbers from 65,064 in 2010-11 to 65,996 in 2011-12, together with the approved rate increase of 5.9% (including the SRV) has added \$7.9m to Operating Revenue. Rates Outstanding, a key industry indicator, decreased to 4.85% in 2011-12 from 5.60% in 2010-11 and is now below the industry target of 5%. Council has been and will remain active in debt recovery, with a view to maintaining this indicator below 5%.

### User Charges & Fees

User Charges and Fees increased 3.1% over the 2011-12 Financial Year. Increases in Children's Services, Road Reinstatements, and Planning and Building income have been partly offset by decreases in the Performing Arts Centre, Penrith Whitewater Stadium, and Swimming Centre income.

### Rates & Annual Charges (\$'000)



# Summary

## Income (continued)

### Investment Revenues

Council's investment portfolio as at 30 June 2012 has increased to \$71.1m (2010-11, \$62.4m). The increase in the portfolio, along with strong investment returns, has seen investment revenues increase in 2011-12 by \$408,000. This result, given the continued uncertainty of global financial markets, is a credit to Council's strong portfolio management.

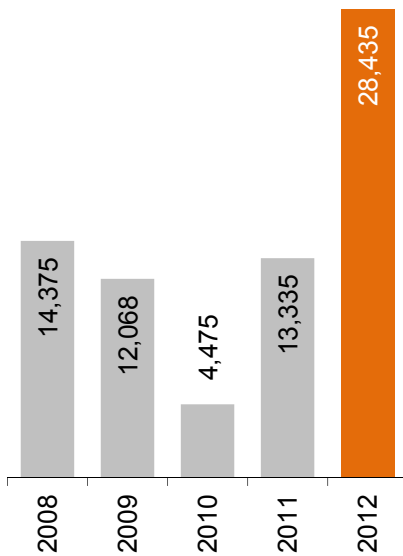
### Other Revenues

Other Revenues increased by \$2.5m (39.7%) during 2011-12. This was mainly due to the revaluation of Council's Investment Properties of \$1.9m (2010-11, \$586,000) in 2011-12. The Environmental Performance Rebate has also increased \$110,000 during 2011-12.

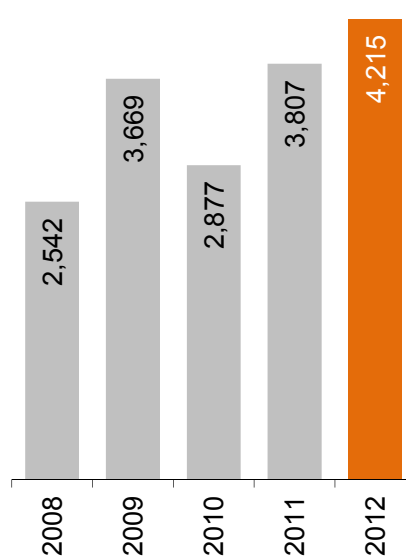
### Grants & Contributions

Grants & Contributions have increased overall by \$18.0m. This is mainly due to funding received for the Penrith Commuter Carpark (\$8.4m), and increased subdivider dedications in 2011-12 (up by \$4.8m). Council also received the first two instalments of the 2012-13 Financial Assistance Grant in 2011-12, up from one advance instalment for 2011-12 received in 2010-11.

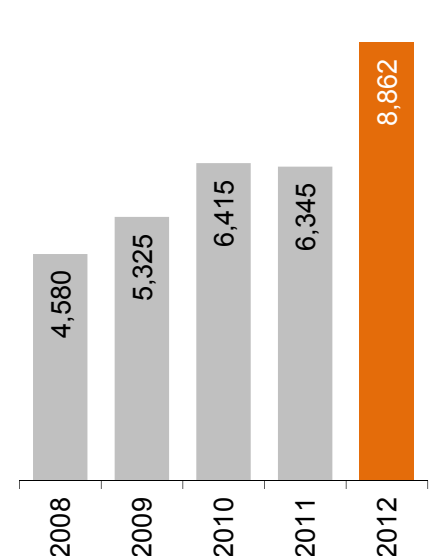
Capital Grants & Contributions (\$'000)



Investment Revenue (\$'000)



Other Revenues (\$'000)

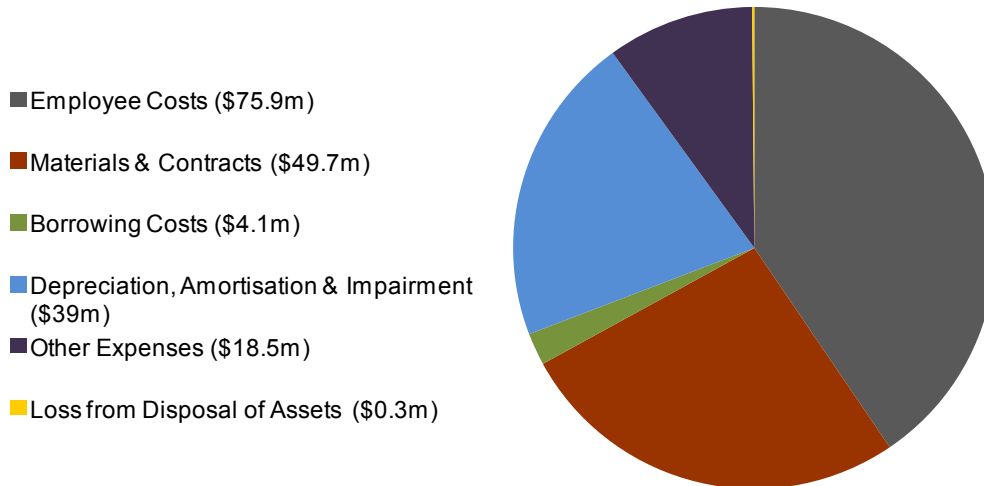




## Expenses

### Summary

- Total Expenses ▲ 2.3% to \$187.4m
- Employee costs ▲ 4.5% to \$75.9m



Expense Item	2012 (\$'000)	2011 (\$'000)	% Change
Employee Costs	75,899	72,601	4.5%
Materials & Contracts	49,673	45,327	9.6%
Borrowing Costs	4,064	4,139	(1.8%)
Depreciation, Amortisation & Impairment	39,034	39,565	(1.3%)
Other Expenses	18,462	19,645	(6.0%)
Loss from Disposal of Assets	264	1,959	100%
<b>Total expenses from Continuing Operations</b>	<b>187,396</b>	<b>183,236</b>	<b>2.3%</b>

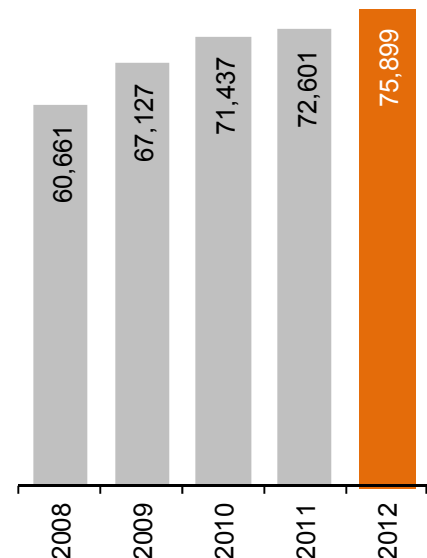
### Employee Costs

Total employee costs increased \$3.3m in 2011-12. This equates to a 4.5% increase, after accommodating an award increase of 2.15% in July 2011, and also includes:

- Decrease in total Superannuation costs - \$850,000
- Skills and knowledge progression - \$390,000
- Employee performance bonuses - \$459,000
- Increases for the provision for Employee Entitlements - \$340,000

Council contributes 9% Superannuation for all employees except those who are members of the Local Government Superannuation Defined Benefits Scheme (DBS). In March 2009, the Local Government Super Scheme (LGSS) advised that it had been impacted by the Global Financial Crisis and contributions rates from 2009-10 were doubled. In 2011-12 the LGSS revised their methodology of calculating Council's additional contribution, and have advised Council of a flat annual fee going forward of approximately \$850,000 per year from 2011-12 and returned Council's required contribution for these employees to the original rates. This change has provided annual savings of approximately \$850,000 from 2011-12.

### Employee Costs (\$'000)



# Summary

## Expenses (continued)

Council's transition to Workcover's "Burning Cost" model for worker's compensation insurance continues to provide significant savings compared to premium-based insurance. The total worker's compensation expense for 2011-12 was \$1.1m (2010-11, \$1.1m), compared to the 2009-10 costs under the traditional premium of \$3.1m.

### Depreciation

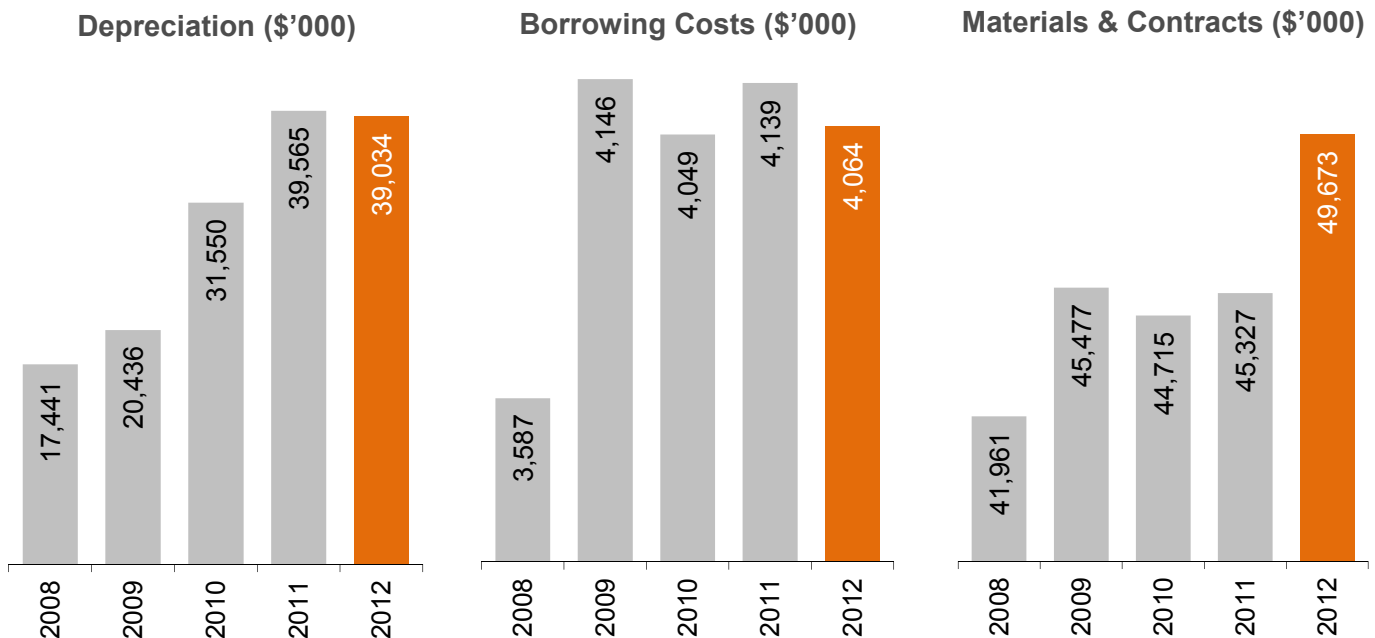
Depreciation is the allocation of the costs of an asset, based on the likely period of its useful life. The depreciation rates used by Council are set out in Note 1 of this document. In 2011-12, a review of the remaining useful life of road assets was once again undertaken to more accurately reflect the depreciation charge for these assets. The amended useful life is applied to the written-down value of the individual roads to determine a more appropriate depreciation charge. Roads and drainage assets were revalued at 30 June 2010 which has resulted in a higher depreciation expense on roads and drainage over the foreseeable future. Council is due to again revalue its road and drainage assets in 2014-15. The current written down value of Council's road and drainage assets is \$685m.

The transition of buildings to Fair Value in 2007-08, and componentisation and revaluation in 2008-09 has also resulted in an ongoing increase in the depreciation of Council's buildings. The current written down value of Council's buildings is \$183.1m.

Total depreciation for the year was \$39.0m (2010-11, \$39.6m).

### Other Expenses

The detailed Notes to the Financial Statements provide information on Other Expenses.

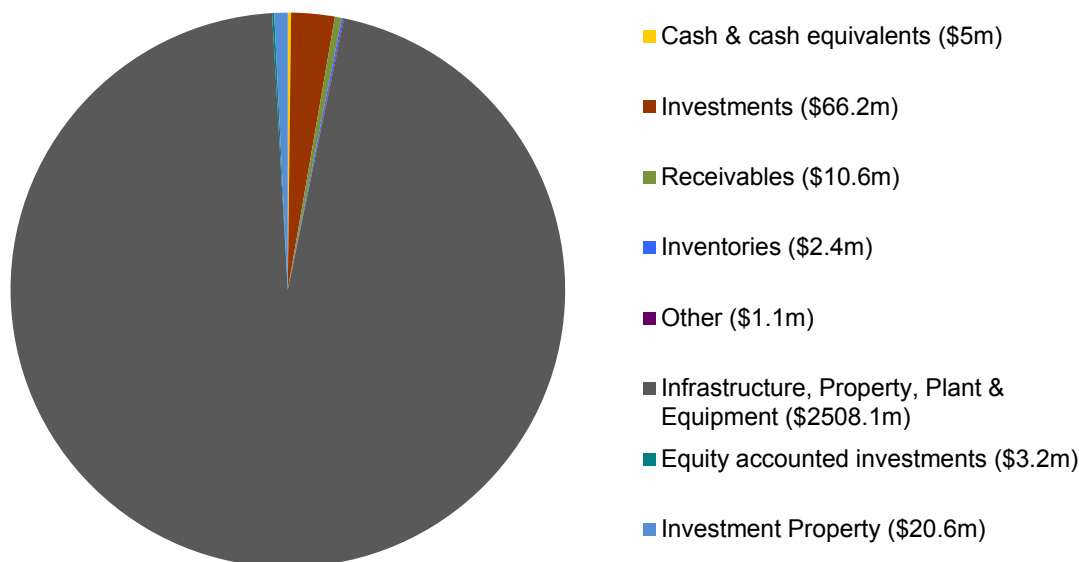




## Assets

### Summary

- Total Assets ▲ 10.8% to \$2,617m
- Net Assets ▲ 11.4% to \$2,506m
- Asset \$ per head of population is \$14,171
- Infrastructure, Property Plant & Equipment ▲ 11.0% to \$2,508m



Asset Item	2012 (\$'000)	2011 (\$'000)	% Change
<b>CURRENT ASSETS</b>			
Cash & cash equivalents	4,953	8,361	(40.8%)
Investments	57,284	46,142	24.1%
Receivables	8,151	13,177	(38.1%)
Inventories	2,357	2,328	1.2%
Other	1,117	1,347	(17.1%)
<b>TOTAL CURRENT ASSETS</b>	<b>73,862</b>	<b>71,355</b>	<b>3.5%</b>
<b>NON-CURRENT ASSETS</b>			
Investments	8,894	7,921	12.3%
Receivables	2,468	2,154	14.6%
Infrastructure, Property, Plant & Equipment	2,508,126	2,258,994	11.0%
Equity accounted investments	3,228	2,896	11.5%
Investment Property	20,550	18,635	10.3%
<b>TOTAL NON-CURRENT ASSETS</b>	<b>2,543,266</b>	<b>2,290,600</b>	<b>11.0%</b>
<b>TOTAL ASSETS</b>	<b>2,617,128</b>	<b>2,361,955</b>	<b>10.8%</b>

### Cash Position

An assessment of Council's cash holdings at the end of the Financial Year provides a different view of the year's financial information. Council's Cash Flow Statement provides information relating to actual payments and receipts of cash. Investments have increased over the 2011-12 year. Council continues to hold funds on call to ensure funds are immediately available if required. This amount can fluctuate and for 2011-12 the holdings of \$5m are in line with Council's targets. The 2010-11 result of \$8.4m was influenced by a property sale completed on 30 June 2011.

# Summary

## Assets (continued)

### Reserves

Council operates a number of internally and externally restricted reserves. External reserves include unspent Section 94 funds received, special purpose grants or unexpended loans, along with domestic waste and sullage reserves. These reserves are maintained to ensure that the funds received are expended on the intended purpose, and this restriction is imposed on Council through either legislation or the funding body. An increase in externally restricted funds held at 30 June 2012 of \$2.9m is also a contributing factor to the increase in Council's investment portfolio.

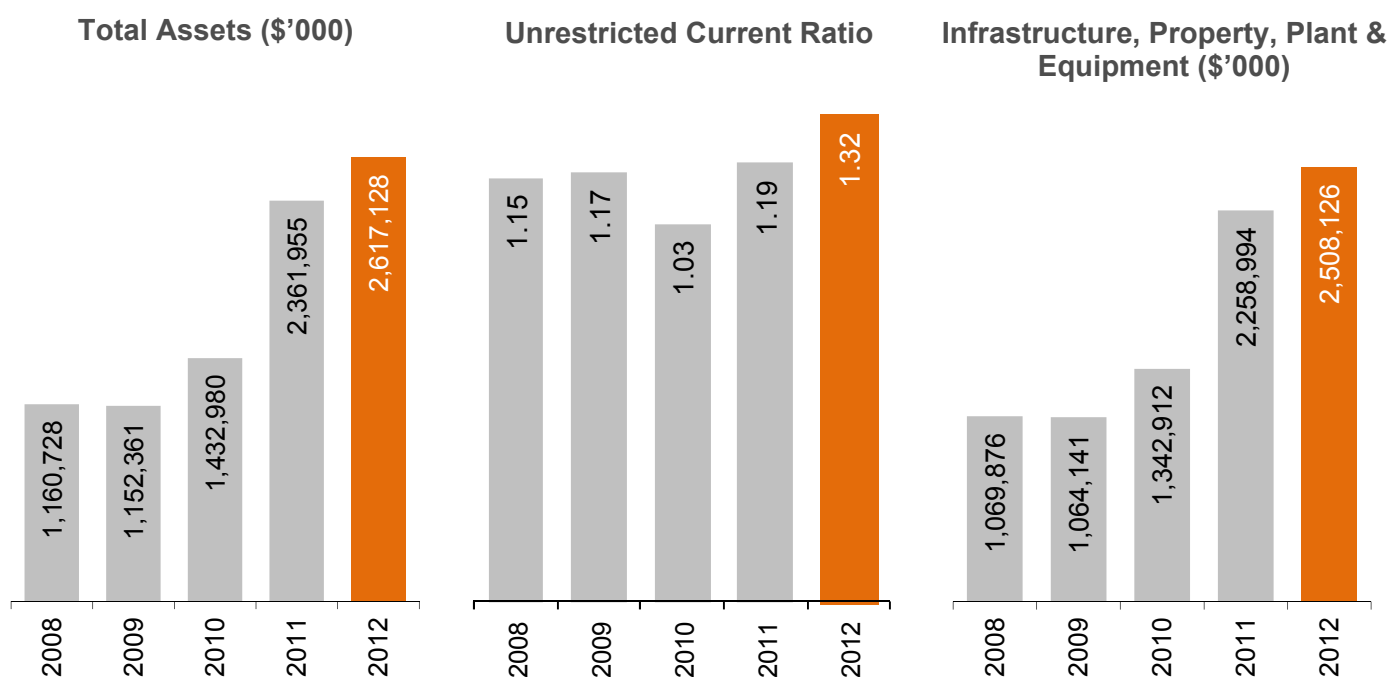
Council continues to maintain a number of internal reserves as detailed in Note 6. These reserves have been established by Council resolution, and include provisions for Employee Leave Entitlements, Property Development activities, and Council's Children's Services operations. The maintenance of these reserves ensures that Council has sufficient capacity to respond to planned calls for funding in these areas and also provides some ability to fund unplanned expenditure for these purposes.

### Unrestricted Current Ratio

The unrestricted current ratio for 2011-12 was 1.32:1. Council's practice of borrowing from internal reserves to meet the demands of essential works required in advance of receipt of Section 94 contributions has again been a major impact on the ratio this year. At 30 June 2012, there were seven Section 94 plans in deficit totaling \$8.4m (compared to 2010-11, \$7.2m). Two plans, the Cultural Facilities Plan and the Civic Improvement Plan, accounted for \$5.6m of this deficit. Once adjusted for these internal borrowings, the adjusted indicator is 1.67:1 and is above Council's adopted benchmark of 1.25:1, and the Division of Local Government's benchmark of 1.5:1.

### Receivables

Receivables for 2011-12 totaled \$10.6m, a decrease of \$4.7m over the 2010-11 year. This was mainly attributable to an decrease in Accrued Income resulting from the delayed receipt of settlement funds (\$5.7m) following the completion of the sale of Lemongrove Retirement Village and Hostel to Anglican Retirement Villages on 30 June 2011. The Rates Outstanding percentage decreased from 5.60% in 2010-11 to 4.85% in 2011-12, which is below the industry benchmark of less than 5%. Council has a long established policy of not actively pursuing pensioners for outstanding Rates and Annual Charges. Excluding pensioners from this calculation decreases this indicator to 3.43% (4.21% in 2010-11), below Council's target of 4.50%.





## Assets (continued)

### Infrastructure, Property, Plant & Equipment

Infrastructure, Property, Plant & Equipment (IPPE) increased 11% over the 2011-12 year to \$2,508m. This increase is mainly due to the revaluation of Council's Land Under Roads (LUR) using 2009 Land Valuations which were previously recognised using 2006 Land Valuations. Council's asset additions throughout the year (\$53.7m) also contributed to this increase. These asset additions included asset renewals of \$11.6m and new infrastructure asset purchases and constructions of \$23.7m. A summary of IPPE activity for 2011-12 is shown below, and is provided in greater detail in Note 9.

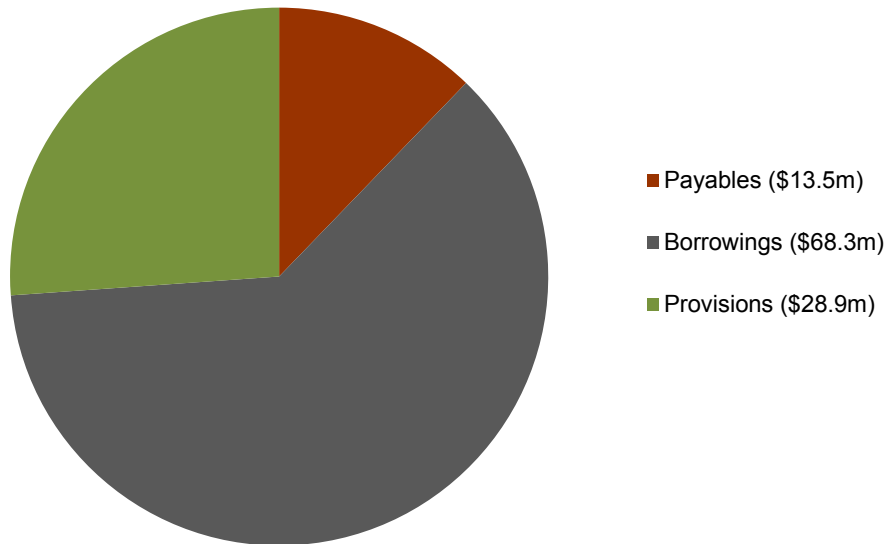
<b>Plant and Equipment</b>		<b>Infrastructure</b>	
Vehicles Purchased	30	Road Dedications	\$6.0m
Vehicles Sold	31	Drainage Dedications	\$5.7m
Plant items purchased	23		
Total value of purchases \$2.7m, and includes:		<b>Major Capital Projects worth of note, either completed or underway during the year include:</b>	
- Cat 1 Fire Tankers (x2)	\$549,202	Penrith Station Commuter Carpark	\$10.8m
- Toro Groundmaster Mowers (x3)	\$352,255	Shared Pathway construction	\$1.6m
- Street Sweeper (x1)	\$284,228	City Centre Renewal	\$1.32m
- Tipper Crew Trucks (x3)	\$227,340	Building Asset Renewal Program	\$731,054
		Parks Asset Renewal Program	\$185,928
<b>Office Equipment</b>		Public Amenity Replacement Program	\$191,880
New Computer Purchases	\$396,393	Community Safety Program	\$386,648
Other Hardware and Systems	\$698,611	Children Services Playground Upgrades	\$264,542
<b>Buildings and Other Structure</b>		<b>Other Assets</b>	
Howell Oval Pavilion (completed)	\$2.8m	Library Resources	\$635,000
Penrith Disability Resource Centre	\$498,397		
<b>Road Works and Drainage</b>			
Drainage Works (ex. Dedications)	\$297,208		
Road Works (ex. Dedications)	\$15.6m		
Includes:			
- Bus Shelters	\$83,565		
- Pathpaving	\$2.7m		

# Summary

## Liabilities

### Summary

- Liabilities ▼ 1.1% to \$111m
- Borrowings ▲ 0.9% to \$68.3m
- Payables ▼ 13.8% to \$13.5m
- Provisions ▲ 1.2% to \$28.9m

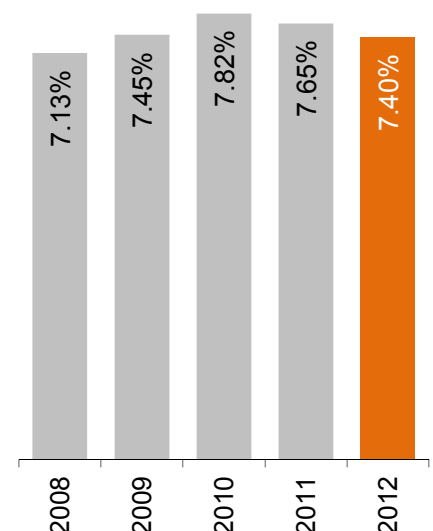


Liability Item	2012 (\$'000)	2011 (\$'000)	% Change
<b>CURRENT LIABILITIES</b>			
Payables	13,522	15,688	(13.8%)
Borrowings	8,413	7,656	9.9%
Provisions	27,641	27,041	2.2%
<b>TOTAL CURRENT LIABILITIES</b>	<b>49,576</b>	<b>50,385</b>	<b>(1.6%)</b>
<b>NON-CURRENT LIABILITIES</b>			
Borrowings	59,849	59,999	(0.3%)
Provisions	1,268	1,528	(17.0%)
<b>TOTAL NON CURRENT LIABILITIES</b>	<b>61,117</b>	<b>61,527</b>	<b>(0.7%)</b>
<b>TOTAL LIABILITIES</b>	<b>110,693</b>	<b>111,912</b>	<b>(1.1%)</b>

The 2011-12 Debt Service Ratio was 7.40% (7.65% in 2010-11). This means that 7.40% of Council's revenue (excluding capital grants and contributions and specific purpose operating grants and contributions) is used to meet Council's annual loan repayments. The Debt Service Ratio indicator can be misleading if comparisons are made without understanding the underlying situation. Much of Council's recent additions to the loan portfolio have income streams to fund the loan repayments. Knowledge of the principal and interest components of loan payments, along with any revenue streams used to fund these repayments, is required if any comparison to other Councils is to be meaningful.

Total borrowings now stand at \$68.3m, an increase of \$607,000 (0.9%) over 2010-11.

### Debt Service Ratio







## Controlled Entities

Council operates a number of controlled entities – Ripples Leisure Centre, Penrith Whitewater Stadium (PWS), and Penrith Performing & Visual Arts (PPVA). The financial results for these entities are consolidated with Council's operations to give the overall result for the year.

Each entity reports their results to Council on an annual basis. At this time, it is resolved that the operations of each entity are underwritten by Council until the next year's results are reported.

	\$'000		
	PPVA	Ripples	PWS
Operating Expenses	3,264	3,771	1,922
Operating Revenues (Excluding Council's Subsidy)	1,787	2,965	1,822
<b>Surplus / (Deficit) before Subsidy</b>	<b>(1,477)</b>	<b>(806)</b>	<b>(100)</b>
Subsidy	1,462	745	-
<b>Surplus / (Deficit) from Ordinary Operations</b>	<b>(16)</b>	<b>(61)</b>	<b>(100)</b>
Capital Grants	-	-	-
<b>Surplus/(Deficit)</b>	<b>(16)</b>	<b>(61)</b>	<b>(100)</b>
Current Assets	1,024	469	430
Non-Current Assets	588	115	1,283
<b>Total Assets</b>	<b>1,612</b>	<b>584</b>	<b>1,713</b>
Current Liabilities	818	793	440
Non-Current Liabilities	139	123	960
<b>Total Liabilities</b>	<b>957</b>	<b>916</b>	<b>1,400</b>
<b>Net Assets</b>	<b>655</b>	<b>(332)</b>	<b>313</b>

## Summary

### Business Activity Reporting

Business activity reporting shows certain activities of Council in accordance with the National Competition Policy (NCP) guidelines. It attempts to portray the Financial Statements of these activities as if all taxes and commercial principles that applied to private enterprise were also applied to these activities.

It must be emphasised that the business activity report is based on a number of factors:

- prescribed assumptions as to rates of return, taxes and other costs,
- the inclusion of assumed costs as if they were paid,
- a particular view of where the boundary between the activity and other Council operations should be drawn,
- the allocation of costs which are charged to other functions in first instance, and
- determination of the purpose for which each asset is owned, even though the purpose may be one of many joint purposes.

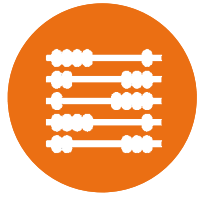
The reports also assume that each year can be separately taken and analysed. Where an activity has irregular revenue, great variations will be reported. Property Development may well show deficits in some years and large surpluses in others. This is because the property strategy results in varying sales from year-to-year.

In these statements all the businesses have generally been assumed to be operators and not owners of the applicable lands. This means for example, that Ripples is a business activity but the ownership of the land and building is outside the business activity. The business activity is then nominally charged a rental for use of the premises. The business activity reports show that if rentals, taxes and similar costs were charged some of the activities would then need a subsidy in order to pay these costs. As these costs are not charged, only assumed, the "Subsidy from Council" does not represent an amount actually paid or ever likely to be paid. It represents the difference between actual surplus and the assumed profit of a commercial operation.

<b>Category 1 (turnover greater than \$2m)</b>	<b>2012 Surplus / (Deficit)</b>	<b>2011 Surplus / (Deficit)</b>	<b>2010 Surplus / (Deficit)</b>	<b>2009 Surplus / (Deficit)</b>
Children's Services	137	(606)	(1,170)	(1,486)
Council Pools	(1,715)	(2,044)	(3,501)	(2,940)
Penrith Whitewater Stadium	(142)	182	(226)	(7)
Property Development	(1,338)	2,911	1,609	1,663
Penrith Performing & Visual Arts	(955)	(3,086)	(2,862)	(3,106)

<b>Category 2 (turnover less than \$2m)</b>	<b>2012 Surplus / (Deficit)</b>	<b>2011 Surplus / (Deficit)</b>	<b>2010 Surplus / (Deficit)</b>	<b>2009 Surplus / (Deficit)</b>
Cemeteries	(86)	(152)	(164)	(133)
Tennis Courts	(216)	(299)	(1,309)	(115)
St Clair Recreation Centre	(159)	(196)	(378)	(358)
Lemongrove Retirement Village (sold 2011)	n/a	80	(289)	(255)
Halls	(1,106)	(1,161)	(4,571)	(427)
Contestable Services	(80)	(4)	106	60

# **Statements & Notes**



Penrith City Council

## General Purpose Financial Statements

for the financial year ended 30 June 2012

### Statement by Councillors and Management

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

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

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

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

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

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

**Signed in accordance with a resolution of Council made on 3 September 2012.**

Cr Greg Davies  
**MAYOR**

Cr Kath Presdee  
**COUNCILLOR**

Alan Stoneham  
**GENERAL MANAGER**

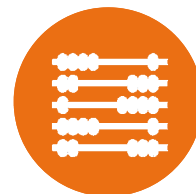
Vicki O'Kelly  
**RESPONSIBLE ACCOUNTING OFFICER**

# Statements and Notes

## INCOME STATEMENT for the year ended 30 June 2012

Budget <sup>(1)</sup>			Actual	Actual
2012	\$ '000	Notes	2012	2011
<b>Income from Continuing Operations</b>				
<i>Revenue:</i>				
97,016	Rates & Annual Charges	3a	98,524	90,630
29,746	User Charges & Fees	3b	31,414	30,455
3,664	Interest & Investment Revenue	3c	4,215	3,807
6,486	Other Revenues	3d	8,862	6,345
23,091	Grants & Contributions provided for Operating Purposes	3e,f	36,484	33,553
13,948	Grants & Contributions provided for Capital Purposes	3e,f	28,435	13,335
<i>Other Income:</i>				
	Net Share of interests in Joint Ventures & Associated			
50	Entities using the equity method	19	333	426
174,001	<b>Total Income from Continuing Operations</b>		208,267	178,551
<b>Expenses from Continuing Operations</b>				
74,051	Employee Benefits & On-Costs	4a	75,899	72,601
4,001	Borrowing Costs	4b	4,064	4,139
51,652	Materials & Contracts	4c	49,673	45,327
37,739	Depreciation & Amortisation	4d	39,034	39,565
15,213	Other Expenses	4e	18,462	19,645
537	Net Losses from the Disposal of Assets	5	264	1,959
183,193	<b>Total Expenses from Continuing Operations</b>		187,396	183,236
<b>(9,192)</b>	<b>Operating Result from Continuing Operations</b>		<b>20,871</b>	<b>(4,685)</b>
<b>Net Operating Result for the year before Grants and Contributions provided for Capital Purposes</b>				
(23,140)			(7,564)	(18,020)

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



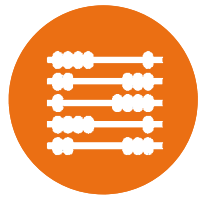
## STATEMENT OF COMPREHENSIVE INCOME for the year ended 30 June 2012

\$ '000	Notes	Actual 2012	Actual 2011
<b>Net Operating Result for the year (as per Income statement)</b>		<b>20,871</b>	<b>(4,685)</b>
<b>Other Comprehensive Income</b>			
Gain (loss) on revaluation of I,PP&E	20b (ii)	235,521	-
Other Movements in Reserves	20b (ii)	-	991,224
Correction of Operational Land on Revaluation	20c	-	(59,622)
<b>Total Other Comprehensive Income for the year</b>		<b>235,521</b>	<b>931,602</b>
<b>Total Comprehensive Income for the Year</b>		<b>256,392</b>	<b>926,917</b>
<b>Total Comprehensive Income attributable to Council</b>		<b>256,392</b>	<b>926,917</b>

# Statements and Notes

## BALANCE SHEET as at 30 June 2012

\$ '000	Notes	Actual 2012	Actual 2011
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash & Cash Equivalents	6a	4,953	8,361
Investments	6b	57,284	46,142
Receivables	7	8,151	13,177
Inventories	8	2,357	2,328
Other	8	1,117	1,347
<b>Total Current Assets</b>		<b>73,862</b>	<b>71,355</b>
<b>Non-Current Assets</b>			
Investments	6b	8,894	7,921
Receivables	7	2,468	2,154
Infrastructure, Property, Plant & Equipment	9	2,508,126	2,258,994
Investments accounted for using the equity method	19	3,228	2,896
Investment Property	14	20,550	18,635
<b>Total Non-Current Assets</b>		<b>2,543,266</b>	<b>2,290,600</b>
<b>TOTAL ASSETS</b>		<b>2,617,128</b>	<b>2,361,955</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Payables	10	13,522	15,688
Borrowings	10	8,413	7,656
Provisions	10	27,641	27,041
<b>Total Current Liabilities</b>		<b>49,576</b>	<b>50,385</b>
<b>Non-Current Liabilities</b>			
Borrowings	10	59,849	59,999
Provisions	10	1,268	1,528
<b>Total Non-Current Liabilities</b>		<b>61,117</b>	<b>61,527</b>
<b>TOTAL LIABILITIES</b>		<b>110,693</b>	<b>111,912</b>
<b>Net Assets</b>		<b>2,506,435</b>	<b>2,250,043</b>
<b>EQUITY</b>			
Retained Earnings	20	1,874,763	1,853,892
Revaluation Reserves	20	631,672	396,151
<b>Total Equity</b>		<b>2,506,435</b>	<b>2,250,043</b>



## STATEMENT OF CHANGES IN EQUITY for the year ended 30 June 2012

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council Interest	Total Equity
<b>2012</b>					
<b>Opening Balance</b> (per Last Year's Accounts)		1,853,892	396,151	<b>2,250,043</b>	<b>2,250,043</b>
<b>Revised Opening Balance</b> (as at 1/7/10)		<b>1,853,892</b>	<b>396,151</b>	<b>2,250,043</b>	<b>2,250,043</b>
<b>Net Operating Result for the Year</b>		<b>20,871</b>		<b>20,871</b>	<b>20,871</b>
Other Comprehensive Income					
- Revaluations : IPP&E Asset Revaluation Rsve	20b (ii)	-	235,521	<b>235,521</b>	<b>235,521</b>
<b>Other Comprehensive Income</b>		<b>-</b>	<b>235,521</b>	<b>235,521</b>	<b>235,521</b>
<b>Total Comprehensive Income</b>		<b>20,871</b>	<b>235,521</b>	<b>256,392</b>	<b>256,392</b>
<b>Equity - Balance at end of the reporting period</b>		<b>1,874,763</b>	<b>631,672</b>	<b>2,506,435</b>	<b>2,506,435</b>

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council Interest	Total Equity
<b>2011</b>					
<b>Opening Balance</b> (per Last Year's Accounts)		867,353	455,773	<b>1,323,126</b>	<b>1,323,126</b>
<b>Revised Opening Balance</b> (as at 1/7/09)		<b>867,353</b>	<b>455,773</b>	<b>1,323,126</b>	<b>1,323,126</b>
<b>Net Operating Result for the Year</b>		<b>(4,685)</b>	<b>-</b>	<b>(4,685)</b>	<b>(4,685)</b>
Other Comprehensive Income					
- Change in LUR acquired post 1 Jul 2008	20 (c)	(449)	-	<b>(449)</b>	<b>(449)</b>
- Recognition of LUR acquired pre 1 Jul 2008	20 (c)	1,107,027	-	<b>1,107,027</b>	<b>1,107,027</b>
- Change in Community Land valuations	20 (a)	(115,354)	-	<b>(115,354)</b>	<b>(115,354)</b>
- Correction of land on revaluation	20 (d)	-	(59,622)	<b>(59,622)</b>	<b>(59,622)</b>
<b>Other Comprehensive Income</b>		<b>991,224</b>	<b>(59,622)</b>	<b>931,602</b>	<b>931,602</b>
<b>Total Comprehensive Income</b>		<b>986,539</b>	<b>(59,622)</b>	<b>926,917</b>	<b>926,917</b>
<b>Equity - Balance at end of the reporting period</b>		<b>1,853,892</b>	<b>396,151</b>	<b>2,250,043</b>	<b>2,250,043</b>



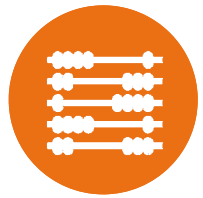
# Statements and Notes

## CASH FLOW STATEMENT for the year ended 30 June 2012

Budget		Notes	Actual	Actual
2012	\$ '000		2012	2011
<b>Cash Flows from Operating Activities</b>				
<b>Receipts:</b>				
96,282	Rates & Annual Charges		98,811	90,589
34,353	User Charges & Fees		32,612	32,075
4,655	Investment & Interest Revenue received		4,370	3,556
50,797	Grants & Contributions		49,644	36,031
2,200	Bonds, Deposits & Retention amounts received		2,057	2,261
7,271	Other		21,036	5,918
<b>Payments:</b>				
(73,573)	Employee Benefits & On-Costs		(76,371)	(71,193)
(61,823)	Materials & Contracts		(54,282)	(50,373)
(4,066)	Borrowing Costs		(4,064)	(4,140)
(2,320)	Bonds, Deposits & Retention amounts refunded		(1,926)	(2,602)
(18,876)	Other		(25,097)	(20,119)
<u>34,900</u>	<b>Net Cash provided (or used in) Operating Activities</b>	11b	<u>46,789</u>	<u>22,003</u>
<b>Cash Flows from Investing Activities</b>				
<b>Receipts:</b>				
160,000	Sale of Investment Securities		184,385	160,276
1,298	Sale of Infrastructure, Property, Plant & Equipment		784	7,623
4	Deferred Debtors Receipts		-	5
<b>Payments:</b>				
(166,119)	Purchase of Investment Securities		(196,500)	(159,642)
(30,000)	Purchase of Infrastructure, Property, Plant & Equipment		(39,134)	(23,918)
(50)	Purchase of Real Estate Assets		(57)	(28)
-	Deferred Debtors & Advances Made		(282)	-
<u>(34,867)</u>	<b>Net Cash provided (or used in) Investing Activities</b>		<u>(50,804)</u>	<u>(15,684)</u>
<b>Cash Flows from Financing Activities</b>				
<b>Receipts:</b>				
6,113	Proceeds from Borrowings & Advances		8,263	4,869
<b>Payments:</b>				
(8,969)	Repayment of Borrowings & Advances		(7,656)	(6,876)
<u>(2,856)</u>	<b>Net Cash Flow provided (used in) Financing Activities</b>		<u>607</u>	<u>(2,007)</u>
(2,823)	<b>Net Increase/(Decrease) in Cash &amp; Cash Equivalents</b>		(3,408)	4,312
4,000	plus: Cash & Cash Equivalents - beginning of year	11a	8,361	4,049
<u>1,177</u>	<b>Cash &amp; Cash Equivalents - end of the year</b>	11a	<u>4,953</u>	<u>8,361</u>
Additional Information:				
	plus: Investments on hand - end of year	6b	66,178	54,063
	<b>Total Cash, Cash Equivalents &amp; Investments</b>		<u>71,131</u>	<u>62,424</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



## NOTES TO THE FINANCIAL STATEMENTS 30 June 2012

### Note 1—Significant Accounting Policies

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

#### 1. Basis of Preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board, the Local Government Act (1993) and Regulation, and the NSW Local Government Code of Accounting Practice and Financial Reporting issued by the NSW Division of Local Government, Department of Premier and Cabinet. Penrith Council is a not for-profit entity for the purpose of preparing the financial statements.

##### a. New and amended standards adopted by Council

None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2011 affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods.

##### b. Early adoption of standards

Penrith Council has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 1 July 2011.

##### c. Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available for sale financial assets, financial assets and liabilities (including derivative instruments) at fair value through profit or loss, certain classes of property, plant and equipment and investment property.

##### d. Critical accounting estimates and judgements

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Council's accounting policies. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

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

Estimated fair values of investment properties.  
Estimated fair values of infrastructure, property, plant and equipment.

##### e. Critical judgements in applying the entity's accounting policies

###### *Impairment of Receivables*

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

###### *Projected Section 94 Commitments*

Council has used significant judgement in determining future Section 94 income and expenditure in Note 17.

#### 2. The Local Government Reporting Entity

The City of Penrith has its principal business office at Penrith Civic Centre, 601 High Street, Penrith NSW 2750. Penrith Council is empowered by the New South Wales Local Government Act (LGA) 1993 (as amended) and its Charter is specified in Section 8 of the Act.

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

The General Purpose Financial Statements incorporate the assets and liabilities of all entities controlled by Council (the parent entity) and the results of all controlled entities and Joint Ventures for the financial period ended 30 June 2012. They include the consolidated fund and other entities through which Council controls resources to carry on its functions. In the process of reporting on the Local Government as a single unit, all transactions and balances between activities (for example, loans and transfers) have been eliminated.

##### a. The Consolidated Fund

The consolidated fund and other entities through which Council controls resources to carry on its functions have been included in the Financial

## Statements and Notes

### Note 1—Significant Accounting Policies (continued)

Statements forming part of this report. Internal transactions between sections of the reporting entity have been eliminated in accordance with Australian equivalents to International Financial Reporting Standards.

Council operates a number of children's centres and includes the transactions associated with these centres in its consolidated fund. The centres include 18 providing long day care services, 9 providing before and after school care services, 1 occasional care service and 6 preschool services. The Penrith City Children's Services Co-operative, established in January 2003, manages the Children's Centres (excluding the Glenmore Park Child & Family Centre) through a delegation under S377 of the Local Government Act 1993.

The Penrith Performing and Visual Arts Limited (which administers the Joan Sutherland Performing Arts Centre and the Penrith Regional Gallery), the City of Penrith Regional Indoor Aquatic and Recreational Centre Limited (which administers Ripples), and Penrith Whitewater Stadium Limited are controlled entities within the meaning of the accounting standards. The operating results of these entities before Council subsidies was a loss of \$1.5m for Penrith Performing and Visual Arts, a loss of \$806,000 for Ripples and a loss of \$100,000 for the Penrith Whitewater Stadium. Council each year makes a resolution to continue to guarantee the operations of these entities until the presentation of their next Annual Reports.

Council committees operate the following centres whose finances are administered independently of Council. The contribution to the Financial Statements of each centre is shown in the table below.

Other Council Committees not included in the listing below include Jamison Park Netball Complex, Erskine Park Community Centre, The Community Connection, Samuel Marsden Road Riding Facility, St Marys Combined Pensioners & Superannuates Association, South Penrith Youth and Neighbourhood Centre, and North St Marys Neighbourhood Centre. The operating result for the year of these Council committees could not be determined due to their financial records not being available but are not considered material.

#### b. Joint ventures

##### *Jointly controlled assets*

The proportionate interests in the assets, liabilities and expenses of a joint venture activity have been incorporated in the financial statements under the appropriate headings. Details of the activity are set out

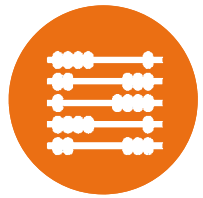
Committee	Operating Surplus / (Deficit) \$	Net Assets \$
Andromeda Community Centre	(4,141)	8,766
Arms of Australia Inn	(79)	3,584
Autumnleaf Neighbourhood Centre Inc.	(2,470)	-
Cook Parade Neighbourhood Centre	(6,240)	-
Coowarra Cottage	6,289	-
Emu Plains Tennis Complex	5,763	33,779
Kingswood Neighbourhood Centre	(7,627)	51,272
Masters Hall- U3A	441	3,367
North Penrith Community Centre	34	9,607
Penrith International Friendship Committee	3,926	16,820
Penrith Schools Boatshed Management Committee	4,974	9,590
Penrith Valley Senior Citizens Centre	(4,603)	49,511
Regentville Hall	3,697	41,405
St Marys Development Committee	20,728	33,927
The Community Connection	-	-
Werrington Community Cottage	1,479	16,753
<b>Total</b>	<b>22,171</b>	<b>278,382</b>

in Note 19.

##### *Joint venture entities*

The interest in a joint venture partnership is accounted for using the equity method after initially being recognised at cost. Under the equity method, the share of the profits or losses of the partnership is recognised in profit or loss, and the share of post acquisition movements in reserves is recognised in other comprehensive income. Details relating to the partnership are set out in Note 19.

Profits or losses on transactions establishing the joint venture partnership and transactions with the joint venture are eliminated to the extent of the Council's ownership interest until such time as they are realised by the joint venture partnership on consumption or sale. However, a loss on the transaction is recognised immediately if the loss provides evidence of a



## Note 1—Significant Accounting Policies (continued)

reduction in the net realisable value of current assets, or an impairment loss.

Information about joint ventures is contained in Note 19.

### 3. Revenue Recognition

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

Revenue is measured at the fair value of the consideration received or receivable. Revenue is measured on major income categories as follows:

#### a. Rates, Annual Charges, Grants and Contributions

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

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

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 is recognised when Council obtains control of the contribution or the right to receive the contribution, it is probable that the economic benefits comprising the contribution will flow to Council and 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). The note also discloses the amount of unused grant or contribution from prior years that was expended on Council's

operations during the current year.

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

#### b. User Charges and Fees

User charges and fees 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.

#### c. Sale of Plant, Property, Infrastructure and Equipment

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

#### d. Interest and Rents

Interest and 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.

Revenue is measured at the fair value of the consideration received or receivable. Revenue is recognised when Council obtains control over the assets comprising the revenue, or when the amount becomes an enforceable debt, whichever first occurs.

### 4. 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.

### 5. Receivables

Receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts. Receivables are due for settlement no more than 30 days from the date of recognition.

Collectability of receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful receivables is established when there is objective evidence that Council will not be able to collect all amounts due

# Statements and Notes

## Note 1—Significant Accounting Policies (continued)

according to the original terms of receivables. 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.

### 6. Inventories

Raw materials and stores, work in progress and finished goods are 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.

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, 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.

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 – these are retained in property, plant and equipment.

An impairment loss is recognised for any initial or subsequent write down of the asset to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset, but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset is recognised at the date of derecognition.

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.

### 7. Investments and Other Financial Assets

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

#### a. Financial Assets at Fair Value through Profit or Loss

All financial assets acquired for the purpose of generating a profit from short-term fluctuations in price, or part of a portfolio with a pattern of short-term profit taking.

#### b. 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 Council provides money, goods or services directly to a debtor with no intention of selling the 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. Loans and receivables are included in receivables in the Balance Sheet.

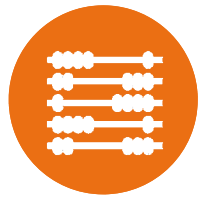
#### c. Held-to-Maturity Investments

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

#### d. 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. They are included in non-current assets unless Council's management intends to dispose of the investment within 12 months of the Balance Sheet date. Investments are designated as available-for-sale if they do not have fixed maturities and fixed or determinable payments and Council intends to hold them for the medium- to long-term.

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



## Note 1—Significant Accounting Policies (continued)

recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and Council has transferred substantially all the risks and rewards of ownership.

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 at 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.

Council has an approved investment policy complying with Section 625 of the Local Government Act and Section 212 of the Local Government (General) Regulations 2005.

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

### e. Impairment

Council assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the assets are impaired.

### *Assets carried at amortised cost*

For loans and receivables, the amount of the loss is measured as the difference between the asset's

carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the group of financial assets may have impairment measured on the basis of an instrument's fair value using an observable market price.

### 8. 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 Council for similar financial instruments.

### 9. Infrastructure, Property, Plant and Equipment (IPPE)

Council's assets have been progressively revalued to fair value in accordance with the staged implementation advised by the Division of Local Government. At balance sheet date, the following classes of IPPE were stated at their fair value:

- Operational land (internal valuation)
- Community Land (Valuer General's valuation)
- Buildings (external valuation)
- Plant and Equipment (as approximated by depreciated replacement cost)
- Road assets—roads, bridges, and footpaths (internal valuation based on current replacement costs)

## Statements and Notes

### Note 1—Significant Accounting Policies (continued)

Drainage assets (internal valuation based on current contract costs)

Bulk Earthworks (no revaluation as cannot be reliably measured)

Land improvements (as approximated by depreciated historical cost)

Other Structures (as approximated by depreciated historical cost)

Other assets (as approximated by depreciated historical cost)

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. All other decreases are charged to the Income Statement.

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

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

Buildings.....	20-100 years
Vehicles.....	5 years
Earthmoving Equipment.....	6-12 years
Office Equipment.....	3-10 years
Roads Structure .....	20-50 years
Bridges .....	50-100 years
Stormwater Pipes.....	100 years
Other Drainage Structures .....	80 years
Levee Banks.....	100 years

Detailed examination of the roads data held by Council's Asset Management department was again reviewed in 2012 to accurately reflect the depreciation charge for roads assets in light of the extensive

maintenance program that Council has for these assets. Amended remaining useful lives are identified for the roads network. The amended useful life is then applied to the written down value of the individual roads and a more appropriate depreciation figure calculated.

The assets' residual values and remaining 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. Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the Income Statement.

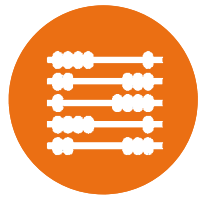
#### a. Materiality

Assets with an economic life in excess of one year are only capitalised where the cost of acquisition exceeds materiality thresholds established by Council for each type of asset. In determining (and in annually reviewing) such thresholds, regard is had to the nature of the asset and its estimated service life.

Examples of capitalisation thresholds applied during the year are shown below.

Plant & Equipment,	Capitalise
Office Equipment, and	if Value
Furniture & Fittings .....	> \$2,000
Land:	
- Council Land .....	Capitalise
- Open Space .....	Capitalise
- Land Under Roads .....	Capitalise
Buildings:	
- Construction/Extension .....	Capitalise
- Renovations .....	Capitalise
Other Structures .....	Capitalise
Roads, Bridges, Footpaths:	
- Construction/Reconstruction .....	Capitalise
Stormwater Drainage .....	Capitalise

Assets that have an indefinite useful life are not subject to depreciation and are reviewed annually for impairment. Assets that are subject to depreciation 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



## Note 1—Significant Accounting Policies (continued)

carrying amount exceeds its recoverable amount (which is the higher of the present value of future cash inflows or value in use).

For assets whose future economic benefits are not dependent on the ability to generate cash flows, and where the future economic benefits would be replaced if Council were deprived thereof, the value in use is the depreciated replacement cost. In assessing impairment for these assets, a rebuttable presumption is made that the current replacement cost exceeds the original cost of acquisition.

### b. Land Under Roads (LUR)

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

Land Under Roads (LUR) acquired after 1 July 2008 is recognised in accordance with AASB 116—Property, Plant and Equipment, and AASB 1051—Land Under Roads.

Council has previously elected to recognise LUR acquired before 1 July 2008 in accordance with AASB 116—Property, Plant and Equipment, and AASB 1051—Land Under Roads. Circular 09-25 issued by the Division of Local Government (DLG) had allowed councils to elect to recognise land under roads acquired before 1 July 2008 but defer that recognition until an industry-wide valuation methodology is determined. This methodology has been determined and Council has recognised all acquired pre-1 July 2008 using the Valuer General's valuations at 30 June 2009 to determine a municipal rate. Council's total LUR is disclosed in Note 9.

### 10. Investment Property

Investment property, principally comprising freehold office buildings, is held for long-term rental yields and is not occupied by Council. Investment property is carried at fair value, which is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, Council uses alternative valuation methods such as recent prices in less active markets or discounted cash flow projections. These valuations are reviewed annually by a registered property valuer on Council staff. Changes in fair values are recorded in profit or loss as part of other income.

Investment property now also includes properties that are under construction for future use as investment

properties. These are also carried at fair value unless the fair value can not yet be reliably determined. Where that is the case, the property will be accounted for at cost until either the fair value becomes reliably determinable or construction is complete. This is different to previous years where properties under construction were accounted for at cost and presented under property, plant and equipment until construction was complete. The change in policy was necessary following changes made to AASB 140 Investment Property as a result of the IASB's 2008 Improvements standard.

### 11. Payables

#### a. Goods and Services

Creditors are amounts due to external parties for the supply of goods and services and are recognised as liabilities when the goods and services are received. Creditors are normally paid 30 days after the month of invoice. No interest is payable on these amounts.

#### b. Payments Received in Advance and Deposits

Amounts received from external parties in advance of service delivery, and security deposits held against possible damage to Council's assets, are recognised as liabilities until the service is delivered or damage reinstated, or the amount is refunded as the case may be.

### 12. Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the Income Statement over the period of the borrowings using the effective interest method.

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

#### a. Borrowings 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.

### 13. Provisions

Provisions for legal claims and service warranties are



## Note 1—Significant Accounting Policies (continued)

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.

### 14. Employee Benefits

#### a. Short-term obligations

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

#### b. Other long-term employee benefit obligations

The liability for long service leave and annual leave which is not expected to be settled within 12 months after the end of the period in which the employees render the related service is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

The obligations are presented as current liabilities in the balance sheet if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting date, regardless of when the actual settlement is expected to occur. Leave entitlements not expected to be settled in the

next 12 months are detailed in Note 10a.

#### c. Superannuation

Council makes employer superannuation contributions in respect of its employees to the Local Government Superannuation Scheme and other complying funds. Council employee's have two types of membership, each of which is funded differently.

##### *Accumulation Fund Members*

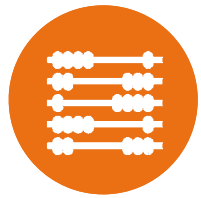
Accumulation funds receives both employer and employee contributions on a progressive basis. Employer contributions are normally based on a fixed percentage of employee earnings in accordance with Superannuation Guarantee Legislation (9% in 2012, 9% in 2011, 9% in 2010). No further liability accrues to the employer as the superannuation benefits accruing to employees are represented by their share of the net assets of the Fund.

##### *Defined Benefit Members*

Council makes employer contributions to the defined benefits categories of the Local Government Super Scheme (LGSS) at rates determined by the Scheme's Trustee. The rate for 2011-12 was 1.9 times members' contributions (3.8 times in 2010-11) plus a basic benefit of 5% of the member's salary (5% in 2009-10). Employees also make member contributions to the Fund. As such, assets accumulate in the Fund to meet the member's benefits, as defined in the Trust Deed, as they accrue. LGSS have advised a revised payment calculation for contributions to this scheme from 2011-12, which includes an additional flat rate.

The Local Government Superannuation Scheme—Pool B (the Scheme) is a defined benefit plan that has been deemed to be a "multi-employer fund" for the purposes of AASB 119. Sufficient information under AASB 119 is not available to account for the Scheme as a defined benefit plan, because the assets to the scheme are pooled together for all employers.

The amount of employer contributions to the defined benefits section of the Local Government Superannuation Scheme and recognised as an expense for the year ending 30 June 2012 was \$2.7m. The last valuation of the Scheme was performed by Mr Martin Stevenson BSc, FIA, FIAA on 16 February 2010 and covers the period ended 30 June 2009. However, the position is monitored annually and the actuary has estimated that as at 30 June 2012, a deficit still exists. Effective from 1 July 2009, employers are required to contribute additional



## Note 1—Significant Accounting Policies (continued)

contributions to assist in extinguishing this deficit. The amount of additional contributions included in the total employer contribution advised above is \$852,000.

The share of this deficit that can be broadly attributed to Council was estimated to be in the order of \$6m as at 30 June 2012.

### 15. Leases

Lease arrangements have been accounted for in accordance with AASB 117.

Council is not leasing any items under finance lease, which are leases that effectively transfer to Council substantially all of the risks and benefits incidental to ownership.

In respect of operating leases, where the lessor substantially retains all of the risks and benefits incident to ownership of the leased items, lease payments are charged to expense over the lease term.

### 16. GST Implications

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

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

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

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

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

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

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

### 17. Rounding

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

### 18. New Accounting Standards and Interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2012 reporting periods. Penrith Council's assessment of the impact of these new standards and interpretations is set out below.

i) AASB 9 Financial Instruments, AASB 2009 11 Amendments to Australian Accounting Standards arising from AASB 9 and AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) (effective from 1 January 2013\*)

AASB 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2013\* but is available for early adoption. When adopted, the standard will affect in particular Council's accounting for its available-for-sale financial assets, since AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognised directly in profit or loss. There will be no impact on Council's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and Council does not have any such liabilities. The derecognition rules have been transferred from AASB 139 Financial Instruments: Recognition and Measurement and have not been changed.

\* In December 2011, the IASB delayed the application date of IFRS 9 to 1 January 2015. The AASB is expected to make an equivalent amendment to AASB 9 shortly.

ii) AASB 10 Consolidated Financial Statements, AASB 11 Joint Arrangements, AASB 12 Disclosure of Interests in Other Entities, revised AASB 127 Separate Financial Statements and AASB 128 Investments in Associates and Joint Ventures and AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards (effective 1 January 2013)

### Note 1—Significant Accounting Policies (continued)

In August 2011, the AASB issued a suite of five new and amended standards which address the accounting for joint arrangements, consolidated financial statements and associated disclosures.

AASB 10 replaces all of the guidance on control and consolidation in AASB 127 Consolidated and Separate Financial Statements, and Interpretation 12 Consolidation – Special Purpose Entities. The core principle that a consolidated entity presents a parent and its subsidiaries as if they are a single economic entity remains unchanged, as do the mechanics of consolidation. However, the standard introduces a single definition of control that applies to all entities. It focuses on the need to have both power and rights or exposure to variable returns. Power is the current ability to direct the activities that significantly influence returns. Returns must vary and can be positive, negative or both. Control exists when the investor can use its power to affect the amount of its returns. There is also new guidance on participating and protective rights and on agent/principal relationships. Council does not expect the new standard to have a significant impact on its composition.

AASB 11 introduces a principles based approach to accounting for joint arrangements. The focus is no longer on the legal structure of joint arrangements, but rather on how rights and obligations are shared by the parties to the joint arrangement. Based on the assessment of rights and obligations, a joint arrangement will be classified as either a joint operation or a joint venture. Joint ventures are accounted for using the equity method, and the choice to proportionately consolidate will no longer be permitted. Parties to a joint operation will account their share of revenues, expenses, assets and liabilities in much the same way as under the previous standard. AASB 11 also provides guidance for parties that participate in joint arrangements but do not share joint control.

Council's investment in the joint venture partnership will be classified as a joint venture under the new rules. As Council already applies the equity method in accounting for this investment, AASB 11 will not have any impact on the amounts recognised in its financial statements.

AASB 12 sets out the required disclosures for entities reporting under the two new standards, AASB 10 and AASB 11, and replaces the disclosure requirements currently found in AASB 127 and AASB 128.

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

Amendments to AASB 128 provide clarification that an entity continues to apply the equity method and does not remeasure its retained interest as part of ownership changes where a joint venture becomes an associate, and vice versa. The amendments also introduce a "partial disposal" concept. Council is still assessing the impact of these amendments.

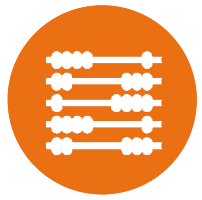
Council does not expect to adopt the new standards before their operative date. They would therefore be first applied in the financial statements for the annual reporting period ending 30 June 2014.

iii) AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13 (effective 1 January 2013)

AASB 13 was released in September 2011. It explains how to measure fair value and aims to enhance fair value disclosures. Council has yet to determine which, if any, of its current measurement techniques will have to change as a result of the new guidance. It is therefore not possible to state the impact, if any, of the new rules on any of the amounts recognised in the financial statements. However, application of the new standard will impact the type of information disclosed in the notes to the financial statements. Council does not intend to adopt the new standard before its operative date, which means that it would be first applied in the annual reporting period ending 30 June 2014.

iv) Revised AASB 119 Employee Benefits, AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 (September 2011) and AASB 2011-11 Amendments to AASB 119 (September 2011) arising from Reduced Disclosure Requirements (effective 1 January 2013)

In September 2011, the AASB released a revised standard on accounting for employee benefits. It requires the recognition of all remeasurements of defined benefit liabilities/assets immediately in other comprehensive income (removal of the so-called 'corridor' method) and the calculation of a net interest expense or income by applying the discount rate to the net defined benefit liability or asset. This replaces the expected return on plan assets that is currently included in profit or loss. The standard also introduces



## Note 1—Significant Accounting Policies (continued)

a number of additional disclosures for defined benefit liabilities/assets and could affect the timing of the recognition of termination benefits. The amendments will have to be implemented retrospectively. Council does not recognise defined benefit assets and liabilities for the reasons set out in note 1 (s)(iii) and so these changes will not have an impact on its reported results.

There are no other standards that are not yet effective and that are expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

### 19. Rural Fire Service Assets

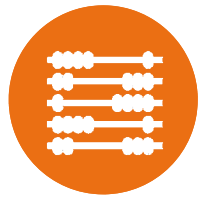
Under section 119 of the Rural Fire Services Act 1997, “all fire fighting equipment purchased or constructed wholly or from money to the credit of the fund is to be vested in the Council of the area for or on behalf of which the fire fighting equipment has been purchased or constructed”. Until such time 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.

**NOTES TO THE FINANCIAL STATEMENTS**  
30 June 2012

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

Functions/Activities	Income, Expenses and Assets have been directly attributed to the following Functions / Activities. Details of these Functions/Activities are provided in Note 2(b).													
	Income from Continuing Operations			Expenses from Continuing Operations			Operating Result from Continuing Operations			Grants included in Income from Continuing Operations		Total Assets held (Current & Non-current)		
	Original Budget	Actual 2012	Actual 2011	Original Budget	Actual 2012	Actual 2011	Original Budget	Actual 2012	Actual 2011	Actual 2012	Actual 2011	Actual 2012	Actual 2011	Actual 2012
	2012	2012	2011	2012	2012	2011	2012	2012	2011	2012	2011	2012	2011	2012
Children's Services	18,393	18,846	17,838	18,822	19,404	18,182	(430)	(558)	(344)	3,236	2,929	256	508	
Planning and Advocacy	2,798	10,641	4,288	4,358	4,652	4,259	(1,559)	5,989	29	-	50	19	1	
Community Facilities	1,143	1,393	1,224	1,775	1,979	1,872	(632)	(586)	(648)	30	77	260	264	
Community Information and Events	78	169	282	4,302	4,530	4,131	(4,224)	(4,360)	(3,849)	26	35	15	45	
Community Well Being	2,161	2,171	2,950	5,787	5,854	7,675	(3,626)	(3,683)	(4,725)	761	892	43	48	
Corporate Finance	5,597	4,364	3,381	10,348	11,086	10,362	(4,751)	(6,722)	(6,981)	307	288	1,761,806	1,511,853	
Corporate Governance	7	317	9	4,790	4,851	4,482	(4,784)	(4,534)	(4,473)	-	-	-	1	
Corporate Support	3	10	6	1,333	1,444	1,336	(1,330)	(1,434)	(1,330)	-	-	6,975	7,317	
Corporate Workforce	90	184	173	3,049	3,025	2,825	(2,958)	(2,841)	(2,652)	180	149	3	64	
Development Applications	2,645	3,047	2,805	6,698	7,636	5,975	(4,054)	(4,589)	(3,170)	12	7	-	4	
Environmental and Health Management	317	2,171	430	2,608	2,506	3,134	(2,291)	(335)	(2,704)	1,803	30	2	18	
Libraries	801	950	764	7,173	7,469	6,303	(6,372)	(6,519)	(5,539)	732	524	3,041	3,243	
Major Infrastructure Projects and Design	7,077	9,083	3,969	1,220	1,533	2,705	5,857	7,550	1,264	8,707	3,849	-	-	
Public Spaces and Community Safety	279	573	522	21,184	18,929	18,177	(20,905)	(18,356)	(17,655)	414	489	12,464	13,727	
Roads, Footpaths, and Buildings	7,550	14,859	10,563	38,327	40,068	40,519	(30,777)	(25,209)	(29,956)	2,367	2,395	825,383	818,351	
Sport and Recreation	6,297	5,792	10,436	9,031	8,859	9,184	(2,734)	(3,067)	1,252	20	3,910	2,243	2,244	
Strategic Planning	-	-	-	334	428	329	(334)	(428)	(329)	-	-	-	-	
Traffic, Parking, and Drainage	1,112	3,168	1,319	2,435	2,558	2,407	(1,323)	609	(1,088)	2,452	895	-	-	
Waste and Community Protection	23,714	25,198	23,232	26,738	28,003	26,085	(3,024)	(2,805)	(2,853)	2,776	3,123	1,390	1,367	
Parks	137	4,419	3,583	12,098	11,766	12,588	(11,961)	(7,347)	(9,005)	20	131	-	-	
Sustainability	-	130	15	783	815	706	(783)	(685)	(691)	130	-	-	4	
<b>Total Functions &amp; Activities</b>	<b>80,199</b>	<b>107,485</b>	<b>87,789</b>	<b>183,193</b>	<b>187,396</b>	<b>183,236</b>	<b>(102,994)</b>	<b>(79,911)</b>	<b>(95,447)</b>	<b>23,971</b>	<b>19,773</b>	<b>2,613,900</b>	<b>2,359,059</b>	
Share of gains/(losses) in Associates & Joint Ventures (Using the Equity Method)	50	333	426	-	-	-	50	333	426	-	-	3,228	2,896	
General Purpose Income <sup>1</sup>	93,752	100,449	90,336	-	-	-	93,752	100,449	90,336	15,093	12,356	-	-	
<b>Operating Result from Continuing Operations</b>	<b>174,001</b>	<b>208,267</b>	<b>178,551</b>	<b>183,193</b>	<b>187,396</b>	<b>183,236</b>	<b>(9,192)</b>	<b>20,871</b>	<b>(4,685)</b>	<b>39,064</b>	<b>32,129</b>	<b>2,617,128</b>	<b>2,361,955</b>	

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



## NOTES TO THE FINANCIAL STATEMENTS 30 June 2012

### Note 2(b) - Components of Functions

These programs are adopted in Council's Delivery Program and are used to report in Note 2(a):

#### **A Leading City**

- Community Information & Events
- Sustainability
- Planning & Advocacy
- Strategic Planning
- Corporate Finance
- Corporate Workforce
- Corporate Governance
- Corporate Support

#### **A City of Opportunity**

- Planning & Advocacy
- Development Applications
- Corporate Finance
- Community Wellbeing
- Children's Services
- Libraries
- Community Information & Events
- Strategic Planning

#### **A Green City**

- Environmental & Health Management
- Parks
- Sustainability
- Waste Management & Community Protection
- Planning & Advocacy

#### **A Liveable City**

- Planning & Advocacy
- Traffic, Parking & Drainage
- Roads, Footpaths & Buildings
- Major Infrastructure Projects & Design
- Public Spaces & Community Safety
- Parks
- Waste Management & Community Protection
- Community Facilities
- Sport & Recreation

#### **A Vibrant City**

- Community Wellbeing
- Environmental & Health Management
- Development Applications
- Community Information & Events

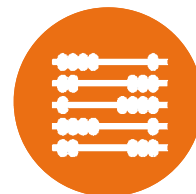
# Statements and Notes

## NOTES TO THE FINANCIAL STATEMENTS 30 June 2012

### Note 3—Income

\$ '000	Notes	Actual 2012	Actual 2011
a) Rates & Annual Charges			
<b>Ordinary Rates</b>			
Residential		59,714	55,397
Farmland		1,129	1,123
Business		18,829	17,464
<b>Total Ordinary Rates</b>		<b>79,672</b>	<b>73,984</b>
<b>Annual Charges</b> (pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Domestic Waste Management Services		18,717	16,434
Waste Management Services (non-domestic)		72	154
Section 611 Charges		63	58
<b>Total Annual Charges</b>		<b>18,852</b>	<b>16,646</b>
<b>TOTAL RATES &amp; ANNUAL CHARGES</b>		<b>98,524</b>	<b>90,630</b>

Council has used 2009 year valuations provided by the NSW Valuer General in calculating its rates.



## NOTES TO THE FINANCIAL STATEMENTS 30 June 2012

### Note 3—Income (continued)

\$ '000	Notes	Actual 2012	Actual 2011
<b>b) User Charges &amp; Fees</b>			
<b>Specific User Charges</b>			
Domestic Waste Management Services		3	4
<b>Total User Charges</b>		<b>3</b>	<b>4</b>
<b>Other User Charges &amp; Fees</b>			
<b>i) Fees &amp; Charges - Statutory &amp; Regulatory Functions</b>			
Building Fees		1,296	1,067
Planning & Building Regulation		2,200	1,907
Section 149 Certificates		408	322
Section 603 Certificates		247	210
Other Statutory & Regulatory Fees		528	538
<b>Total Fees &amp; Charges - Statutory/Regulatory</b>		<b>4,679</b>	<b>4,044</b>
<b>ii) Fees &amp; Charges - Other</b>			
Cemeteries		594	486
Children's Services		15,551	14,962
Companion Animals		105	185
Halls and Community Centres		814	673
Penrith Whitewater Stadium		1,804	2,143
Performing Arts Centre		1,291	1,373
Road Reinstatements		1,301	713
Sport and Recreation		522	495
Swimming Centres		3,242	3,458
Other		1,508	1,919
<b>Total Fees &amp; Charges - Other</b>		<b>26,732</b>	<b>26,407</b>
<b>TOTAL USER CHARGES &amp; FEES</b>		<b>31,414</b>	<b>30,455</b>

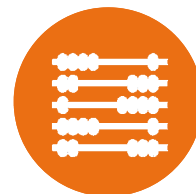


# Statements and Notes

## NOTES TO THE FINANCIAL STATEMENTS 30 June 2012

### Note 3—Income (continued)

\$ '000	Notes	Actual 2012	Actual 2011
c) Interest & Investment Revenue (incl. losses)			
<b>Interest &amp; Dividends</b>			
- Interest on Overdue Rates & Annual Charges		417	353
- Interest earned on Section 94 Contributions		924	859
- Other Externally Restricted		150	206
- Internally Restricted		718	679
- Unrestricted		2,006	1,710
<b>TOTAL INTEREST &amp; INVESTMENT REVENUE</b>		<u>4,215</u>	<u>3,807</u>
d) Other Revenues			
Fair Value Adjustments - Investment Properties	14	1,915	586
Rental Income - Investment Properties	14	1,751	1,534
Rental Income - Other Council Properties		1,322	1,344
Fines		1,315	1,264
Legal Fees Recovery - Rates & Charges (Extra Charges)		395	423
Legal Fees Recovery - Other		308	7
Environmental Performance Rebate		1,042	932
Insurance Claim Recoveries		248	57
Other		566	198
<b>TOTAL OTHER REVENUE</b>		<u>8,862</u>	<u>6,345</u>



## NOTES TO THE FINANCIAL STATEMENTS 30 June 2012

### Note 3—Income (continued)

\$ '000	2012 Operating	2011 Operating	2012 Capital	2011 Capital
<b>e) Grants</b>				
<b>General Purpose (Untied)</b>				
Financial Assistance	8,320	8,476	-	-
Individually Significant Item				
- Additional Grants Commission Payment	5,795	2,907	-	-
Pensioners' Rates Subsidies - General Component	978	973	-	-
<b>Total General Purpose</b>	<b>15,093</b>	<b>12,356</b>	<b>-</b>	<b>-</b>
<b>Specific Purpose</b>				
Pensioners' Rates Subsidies:				
- Domestic Waste Management	307	288	-	-
Bushfire & Emergency Services	2,328	2,490	385	595
Children's Services	2,486	2,264	2	24
Community Services	947	783	-	-
Cultural Facilities	399	547	-	-
Environmental Protection & Marketing	1,801	30	-	-
Libraries	345	342	-	-
Parks Environmental Management	20	131	-	-
Penrith Commuter Carpark	-	-	4,933	-
Penrith Stadium Precinct Redevelopment	20	3,910	-	-
RLCIP (Regional & Local Community Infrastructure Prog)	3,773	3,849	-	-
Street Lighting	294	285	-	-
Transport (Other Roads & Bridges Funding)	2,888	2,371	406	471
Other	2,637	1,393	-	-
<b>Total Specific Purpose</b>	<b>18,245</b>	<b>18,683</b>	<b>5,726</b>	<b>1,090</b>
<b>Total Grants</b>	<b>33,338</b>	<b>31,039</b>	<b>5,726</b>	<b>1,090</b>
<b>Grant Revenue is attributable to:</b>				
- Commonwealth Funding	21,258	20,782	-	-
- State Funding	12,073	10,244	5,726	1,090
- Other Funding	7	13	-	-
	<b>33,338</b>	<b>31,039</b>	<b>5,726</b>	<b>1,090</b>

# Statements and Notes

## NOTES TO THE FINANCIAL STATEMENTS 30 June 2012

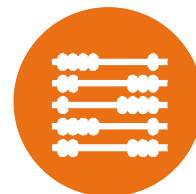
### Note 3—Income (continued)

\$ '000	2012 Operating	2011 Operating	2012 Capital	2011 Capital
f) Contributions				
<b>Developer Contributions:</b>				
<i>(s93 &amp; s94 - EP&amp;A Act, s64 of the NSW LG Act):</i>				
S 94 - Contributions towards amenities/services	-	-	7,968	2,431
Subdivider Dedications	-	-	14,558	9,709
Other Developer Contributions	3,146	2,514	183	105
<b>Total Developer Contributions</b>	<b>3,146</b>	<b>2,514</b>	<b>22,709</b>	<b>12,245</b>
Total Contributions	3,146	2,514	22,709	12,245
<b>TOTAL GRANTS &amp; CONTRIBUTIONS</b>	<b>36,484</b>	<b>33,553</b>	<b>28,435</b>	<b>13,335</b>

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	29,553	26,848
<b>add:</b> Grants & contributions recognised in the current period but not yet spent:	12,180	10,555
<b>less:</b> Grants & contributions recognised in a previous reporting period now spent:	(9,756)	(7,850)
<b>Net Increase (Decrease) in Restricted Assets during the Period</b>	<b>2,424</b>	<b>2,705</b>
<b>Unexpended and held as Restricted Assets</b>	<b>31,977</b>	<b>29,553</b>
<b>Comprising:</b>		
- Specific Purpose Unexpended Grants	5,726	7,265
- Developer Contributions	26,251	22,288
	<b>31,977</b>	<b>29,553</b>



## NOTES TO THE FINANCIAL STATEMENTS 30 June 2012

### Note 4—Expenses

\$ '000	Notes	Actual 2012	Actual 2011
<b>a) Employee Benefits &amp; On-Costs</b>			
Salaries and Wages		57,234	54,386
Travelling		15	16
Employee Leave Entitlements (ELE)		10,834	10,144
Superannuation - Guarantee Levy		4,580	4,349
Superannuation - Defined Benefit Plans		2,677	3,759
Workers' Compensation Insurance		1,099	1,118
Fringe Benefit Tax (FBT)		108	95
Payroll Tax		108	105
Training Costs (other than Salaries & Wages)		244	301
Other		188	163
<b>Total Employee Costs</b>		<b>77,087</b>	<b>74,436</b>
less: Capitalised Costs		(1,188)	(1,835)
<b>TOTAL EMPLOYEE COSTS EXPENSED</b>		<b>75,899</b>	<b>72,601</b>
Number of "Equivalent Full Time" Employees at year end		<b>1,040</b>	<b>1,042</b>
<b>b) Borrowing Costs</b>			
<b>i) Interest Bearing Liability Costs</b>			
Interest on Loans		4,064	4,139
<b>Total Interest Bearing Liability Costs Expensed</b>		<b>4,064</b>	<b>4,139</b>
<b>TOTAL BORROWING COSTS EXPENSED</b>		<b>4,064</b>	<b>4,139</b>

# Statements and Notes

## NOTES TO THE FINANCIAL STATEMENTS 30 June 2012

### Note 4—Expenses (continued)

\$ '000	Notes	Actual 2012	Actual 2011
<b>c) Materials &amp; Contracts</b>			
Raw Materials & Consumables		7,754	8,522
Contractor & Consultancy Costs			
- Garbage Services		5,538	5,346
- Recycling Services		1,813	1,775
- Organic Services		3,385	3,617
- Sullage Services		263	452
- Tipping Services		2,029	2,686
- Engineering Services		8,117	6,359
- Security Services		669	662
- Building and Parks Services		2,920	1,930
- Cleaning Services		1,397	1,172
- Computer Software Maintenance		1,124	1,032
- Penrith Stadium Precinct Redevelopment		-	7
- Rehabilitation of Ropes Creek and South Creek Corridor		-	630
- Other Contractor & Consultancy Costs		12,632	9,963
Auditors Remuneration <sup>(1)</sup>		132	137
Legal Expenses:			
- Legal Expenses: Planning & Development		1,062	315
- Legal Expenses: Other		238	270
Operating Leases:			
- Operating Lease Rentals: Minimum Lease Payments		600	452
<b>TOTAL MATERIALS &amp; CONTRACTS</b>		<b>49,673</b>	<b>45,327</b>

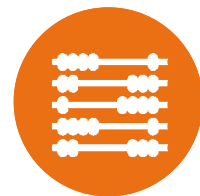
#### 1. Auditor Remuneration

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

##### i) Audit and Other Assurance Services

###### Audit and Review of Financial Statements:

- Council's Auditor	78	74
- Other Consolidated Entity Auditors	54	63
<b>Remuneration for audit and other assurance services</b>	<b>132</b>	<b>137</b>
<b>Total Auditor Remuneration</b>	<b>132</b>	<b>137</b>



## NOTES TO THE FINANCIAL STATEMENTS 30 June 2012

### Note 4—Expenses (continued)

\$ '000	Notes	Depreciation / Amortisation	
		Actual 2012	Actual 2011
d) Depreciation, Amortisation & Impairment			
Plant and Equipment		2,349	2,383
Office Equipment		1,485	1,536
Furniture & Fittings		86	79
Land Improvements (depreciable)		50	-
Buildings - Non Specialised		6,623	7,136
Buildings - Specialised		8,173	8,047
Infrastructure:			
- Roads, Bridges & Footpaths		14,796	14,990
- Stormwater Drainage		4,611	4,570
Other Assets			
- Library Books		823	788
- Other		38	36
<b>Total Depreciation &amp; Impairment Costs</b>		<b>39,034</b>	<b>39,565</b>
<b>TOTAL DEPRECIATION &amp; IMPAIRMENT COSTS EXPENSED</b>		<b>39,034</b>	<b>39,565</b>

Depreciation, Amortisation, and Impairment relates solely to Depreciation and Amortisation. After testing, no impairment of Council's assets in 2012 has been identified.

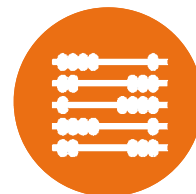
# Statements and Notes

## NOTES TO THE FINANCIAL STATEMENTS 30 June 2012

### Note 4—Expenses (continued)

\$ '000	Notes	Actual 2012	Actual 2011
e) Other Expenses			
Other Expenses for the year include the following:			
Bad & Doubtful Debts		9	121
Contribution on Sale of Business Activities		9	111
Contributions/Levies to Other Levels of Government			
- Department of Planning Levy		128	128
- Emergency Services Levy		1,672	1,669
- Waste Levy		2,047	1,932
- Other Levies		459	262
Councillor Expenses - Mayoral Fee		55	53
Councillor Expenses - Councillors' Fees		372	359
Councillors' Expenses (incl. Mayor) - Other (excluding fees above)			
- Telephone		14	11
- Training, Conferences & Seminars		50	35
- Interstate & Overseas Visits		-	49
- Other		30	27
District Maintenance - Rural Fire Service		1,278	1,371
Donations, Contributions & Assistance to other organisations			
- Contribution to Penrith Stadium Precinct Works		75	1,644
- Penrith Business Alliance		543	624
- Penrith Valley Regional Sports Centre		30	628
- Other Contributions and Donations		1,444	1,417
Electricity & Heating		2,356	1,980
Infringement Processing Bureau		158	201
Insurance		2,745	2,107
Street Lighting		2,846	2,798
Telephone & Communications *		610	453
Water Rates & Charges		602	699
Other *		930	966
<b>TOTAL OTHER EXPENSES</b>		<b>18,462</b>	<b>19,645</b>

\* excludes disclosures shown separately in Councillors' Expenses



## NOTES TO THE FINANCIAL STATEMENTS 30 June 2012

### Note 5—Profit or Loss on Disposal of Assets

\$ '000	Notes	Actual 2012	Actual 2011
<b>Property (excl. Investment Property)</b>			
Proceeds from Disposal - Property		-	3,100
less: Carrying Amount of Property Assets Sold / Written Off		-	(2,125)
<b>Net Gain/(Loss) on Disposal</b>		<b>-</b>	<b>975</b>
<b>Plant &amp; Equipment</b>			
Proceeds from Disposal - Plant & Equipment		784	1,993
less: Carrying Amount of P&E Assets Sold / Written Off		(870)	(2,441)
<b>Net Gain/(Loss) on Disposal</b>		<b>(86)</b>	<b>(448)</b>
<b>Infrastructure &amp; Buildings</b>			
Proceeds from Disposal - Infrastructure & Buildings		-	2,530
less: Carrying Amount of Infrastructure & Building Assets Sold / Written Off		(178)	(5,016)
<b>Net Gain/(Loss) on Disposal</b>		<b>(178)</b>	<b>(2,486)</b>
<b>Financial Assets</b>			
Proceeds from Disposal / Redemptions / Maturities - Financial Assets		184,385	160,276
less: Carrying Amount of Financial Assets Sold / Redeemed / Matured		(184,385)	(160,276)
<b>Net Gain/(Loss) on Disposal</b>		<b>-</b>	<b>-</b>
<b>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</b>		<b>(264)</b>	<b>(1,959)</b>

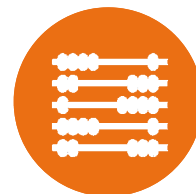


# Statements and Notes

## NOTES TO THE FINANCIAL STATEMENTS 30 June 2012

### Note 6—Cash Assets and Investment Securities

\$ '000	Notes	2012 Actual Current	2012 Actual Non Current	2011 Actual Current	2011 Actual Non Current
<b>Cash &amp; Cash Equivalents (Note 6a)</b>					
Cash on Hand and at Bank		2,100	-	6,008	-
Cash-Equivalent Assets					
- Deposits at Call		2,853	-	2,353	-
<b>Total Cash &amp; Cash Equivalents</b>		<b>4,953</b>	-	<b>8,361</b>	-
<b>Investment Securities (Note 6b)</b>					
- Long Term Deposits		55,284	-	42,142	-
- NCD's, FRN's (w ith Maturities > 3 months)		2,000	8,894	4,000	7,921
<b>Total Investment Securities</b>		<b>57,284</b>	<b>8,894</b>	<b>46,142</b>	<b>7,921</b>
<b>TOTAL CASH ASSETS, CASH EQUIVALENTS &amp; INVESTMENTS</b>		<b>62,237</b>	<b>8,894</b>	<b>54,503</b>	<b>7,921</b>
 <b>Cash, Cash Equivalents &amp; Investments were classified at year end in accordance with AASB 139 as follows:</b>					
 <b>Cash &amp; Cash Equivalents</b>					
"At Fair Value through the Profit & Loss"		<b>4,953</b>	-	<b>8,361</b>	-
 <b>Investments</b>					
"Held to Maturity"	6(b)	57,284	8,894	46,142	7,921
Investments		<b>57,284</b>	<b>8,894</b>	<b>46,142</b>	<b>7,921</b>



## NOTES TO THE FINANCIAL STATEMENTS 30 June 2012

### Note 6—Cash Assets and Investment Securities (continued)

\$ '000	2012	2012	2011	2011
	Actual Current	Actual Non Current	Actual Current	Actual Non Current
<b>Note 6(b)</b>				
<b>Reconciliation of Investments classified as "Held to Maturity"</b>				
Balance at the Beginning of the Year	46,142	7,921	42,752	11,945
Additions	196,500	-	159,642	-
Disposals (sales & redemptions)	(184,358)	(27)	(160,252)	(24)
Transfers between Current/Non Current	(1,000)	1,000	4,000	(4,000)
<b>Balance at End of Year</b>	<b>57,284</b>	<b>8,894</b>	<b>46,142</b>	<b>7,921</b>
<b>Comprising:</b>				
- Long Term Deposits	55,284	-	42,142	-
- NCD's, FRN's (with Maturities > 3 months)	2,000	6,000	4,000	5,000
- Mortgage Backed Securities	-	2,894	-	2,921
<b>Total</b>	<b>57,284</b>	<b>8,894</b>	<b>46,142</b>	<b>7,921</b>

# Statements and Notes

## NOTES TO THE FINANCIAL STATEMENTS 30 June 2012

### Note 6—Cash Assets and Investment Securities (continued)

\$ '000	2012 Actual Current	2012 Actual Non Current	2011 Actual Current	2011 Actual Non Current
Total Cash, Cash Equivalents and Investment Securities	62,237	8,894	54,503	7,921
<b>attributable to:</b>				
External Restrictions (refer below)	39,419	8,894	37,444	7,921
Internal Restrictions (refer below)	18,531	-	16,093	-
Unrestricted	4,287	-	966	-
	<u>62,237</u>	<u>8,894</u>	<u>54,503</u>	<u>7,921</u>

2012 \$ '000	Opening Balance	Transfers to Restrictions	Transfers from Restrictions	Closing Balance
-----------------	--------------------	------------------------------	--------------------------------	--------------------

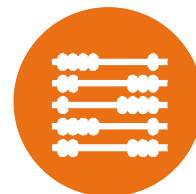
#### Details of Restrictions

##### External Restrictions - Included in Liabilities

Specific Purpose Unexpended Loans-General	9,149	5,322	(6,273)	8,198
<b>External Restrictions - Included in Liabilities</b>	<u>9,149</u>	<u>5,322</u>	<u>(6,273)</u>	<u>8,198</u>

##### External Restrictions - Other

Developer Contributions - General (a)	22,288	6,458	(2,495)	26,251
RMS (formerly RTA) Contributions (b)	8	2,188	(2,196)	-
Specific Purpose Unexpended Grants (c)	7,257	18,406	(19,938)	5,726
Domestic Waste Management (d)	2,830	1,549	(2,301)	2,078
Sullage Reserve	341	660	(650)	351
Other	3,492	6,881	(4,664)	5,709
<b>External Restrictions - Other</b>	<u>36,216</u>	<u>36,142</u>	<u>(32,244)</u>	<u>40,115</u>
<b>Total External Restrictions</b>	<u>45,365</u>	<u>41,464</u>	<u>(38,517)</u>	<u>48,313</u>



## NOTES TO THE FINANCIAL STATEMENTS 30 June 2012

### Note 6—Cash Assets and Investment Securities (continued)

2012 \$ '000	Opening Balance	Transfers to Restrictions	Transfers from Restrictions	Closing Balance
<b>Internal Restrictions (e)</b>				
Plant & Vehicle Replacement	667	2,155	(1,727)	1,095
Infrastructure Construction	2,640	8,079	(5,855)	4,864
Employees Leave Entitlements	2,985	261	-	3,246
Deposits, Retentions & Bonds	885	218	(551)	552
Acquisition of Land and Buildings	4,337	5,496	(6,593)	3,240
Insurance Reserve	668	1,134	(633)	1,169
Salary Administration	123	478	(486)	115
Revote Reserve	532	728	(735)	525
Cemetery Reserve	156	84	(86)	154
Legal Reserve	22	23	(35)	10
Environmental Protection Reserve	34	11	(27)	18
Children's Services Reserve	1,239	125	(313)	1,051
Election Reserve	314	169	(38)	445
Environmental Program Reserve	445	2,293	(2,042)	696
Voted Works	231	212	(273)	170
Other	815	5,416	(5,050)	1,181
<b>Total Internal Restrictions</b>	<b>16,093</b>	<b>26,882</b>	<b>(24,444)</b>	<b>18,531</b>
<b>TOTAL RESTRICTIONS</b>	<b>61,458</b>	<b>68,346</b>	<b>(62,961)</b>	<b>66,844</b>

a) Development contributions which are not yet expended for the provision of services and amenities in accordance with contributions plans (refer Note 17).

b) RMS Contributions which are not yet expended for the provision of services and amenities in accordance with those contributions.

c) Grants which are not yet expended for the purposes for which the grants were obtained.

d) Water, Sewerage, Domestic Waste Management (DWM) and other levies and charges are externally restricted assets and must be applied for the purposes for which they were raised.

e) Internal restrictions are pursuant to resolutions of Council to set aside reserves of cash resources either relating to liabilities recognised in these reports or to fund future expenditure for the stated purpose. Such reserves are not permitted to exceed the amount of cash assets and cash investments not otherwise restricted.

**Council's practice of completing works intended by Section 94 contribution plans ahead of receipts as identified in Note 17 are funded by borrowings distributed against internal reserves. The reserve balances shown above take these borrowings into account (2012-\$8.4m, 2011-\$7.2m).**

# Statements and Notes

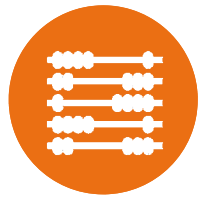
## NOTES TO THE FINANCIAL STATEMENTS 30 June 2012

### Note 7—Receivables

\$ '000	Notes	2012		2011	
		Current	Non Current	Current	Non Current
<b>Purpose</b>					
Rates & Annual Charges		2,478	2,189	2,708	2,154
Interest & Extra Charges		1,103	-	1,105	-
User Charges & Fees		1,281	-	915	-
Accrued Revenues					
- Interest on Investments		373	-	492	-
- Other Income Accruals		685	-	7,275	-
Government Grants & Subsidies		3,142	-	1,484	-
Deferred Debtors		3	279	-	-
Other Debtors		4	-	-	-
<b>Total</b>		<b>9,069</b>	<b>2,468</b>	<b>13,979</b>	<b>2,154</b>
<b>less: Provision for Impairment</b>					
Rates & Annual Charges		(436)	-	(344)	-
Interest & Extra Charges		(249)	-	(215)	-
Other Debtors		(233)	-	(243)	-
<b>Total Provision for Impairment - Receivables</b>		<b>(918)</b>	<b>-</b>	<b>(802)</b>	<b>-</b>
<b>TOTAL NET RECEIVABLES</b>		<b>8,151</b>	<b>2,468</b>	<b>13,177</b>	<b>2,154</b>
<b>Externally Restricted Receivables</b>					
Domestic Waste Management		1,003	-	987	-
<b>Total External Restrictions</b>		<b>1,003</b>	<b>-</b>	<b>987</b>	<b>-</b>
<b>Unrestricted Receivables</b>		<b>7,148</b>	<b>2,468</b>	<b>12,190</b>	<b>2,154</b>
<b>TOTAL NET RECEIVABLES</b>		<b>8,151</b>	<b>2,468</b>	<b>13,177</b>	<b>2,154</b>

#### Notes on Debtors above:

- Rates & Annual Charges Outstanding are secured against the property.
- 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.
- Interest was charged on overdue rates and charges at 11.00% (2011-9.00%). Generally all other receivables are non interest bearing.
- Please refer to Note 15 for issues concerning Credit Risk and Fair Value disclosures.



## NOTES TO THE FINANCIAL STATEMENTS 30 June 2012

### Note 7—Receivables (continued)

#### **Rates and Annual Charges**

Rates are secured by underlying properties. Interest is charged on overdue rates at the rate allowable (2011-12 – 11%, 2012-13 – 10%) under the Local Government Act. Rates are due for payment on the last day of August, November, February and May as determined in accordance with the Local Government Act.

Overdue Rates and Annual Charges are those not paid within one day of the due date. Interest is charged on the overdue amount. Where collection of the debt is doubtful and the assessed value of the property is less than the amount outstanding a provision for doubtful debt is recognised for the shortfall.

Although Council is not materially exposed to any individual ratepayer, credit risk exposure is concentrated within Council boundaries.

#### **User Charges and Fees**

User charges and fees are unsecured. The credit risk for this class of debtor is 100% of the carrying value. A provision for doubtful debts in respect for this class of debtor has already been provided in an amount shown on the previous page.

#### **Accrued Revenues**

The 2010-11 amount includes \$5.7m in relation to the sale of the Lemongrove Retirement Village completed on 30 June 2011, with proceeds received on 1 July 2011.

#### **Government Grants**

Government Grants & Subsidies (subject to the terms and conditions of the relevant agreement) have been guaranteed.

#### **Other Receivables**

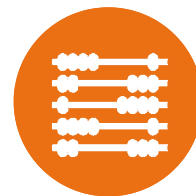
Amounts due (other than User Charges which are secured over the relevant land) are unsecured and do not bear interest. Although Council is not materially exposed to any individual debtor, credit risk exposure is concentrated within the Council's boundaries in the State of New South Wales.

# Statements and Notes

## NOTES TO THE FINANCIAL STATEMENTS 30 June 2012

### Note 8—Inventories and Other Assets

\$ '000	Notes	2012		2011	
		Current	Non Current	Current	Non Current
<b>Inventories</b>					
Real Estate for Resale (refer below)		1,193	-	1,136	-
Stores & Materials		785	-	808	-
Trading Stock		14	-	18	-
Bushfire Stores		338	-	338	-
Other		27	-	28	-
<b>Total Inventories</b>		<b>2,357</b>	-	<b>2,328</b>	-
<b>Other Assets</b>					
Prepayments		394	-	926	-
GST		690	-	384	-
Other		33	-	37	-
<b>Total Other Assets</b>		<b>1,117</b>	-	<b>1,347</b>	-
<b>TOTAL INVENTORIES / OTHER ASSETS</b>		<b>3,474</b>	-	<b>3,675</b>	-
<b>Externally Restricted Assets</b>					
<b>Other</b>					
Inventories - Bushfire Stores		338	-	338	-
<b>Total Other</b>		<b>338</b>	-	<b>338</b>	-
<b>Total Externally Restricted Assets</b>		<b>338</b>	-	<b>338</b>	-
<b>Total Unrestricted Assets</b>		<b>3,136</b>	-	<b>3,337</b>	-
<b>TOTAL INVENTORIES &amp; OTHER ASSETS</b>		<b>3,474</b>	-	<b>3,675</b>	-



## NOTES TO THE FINANCIAL STATEMENTS 30 June 2012

### Note 8—Inventories and Other Assets (continued)

\$ '000	2012		2011	
	Current	Non Current	Current	Non Current
<b>Other Disclosures</b>				
<b>a) Details for Real Estate Development</b>				
Residential	1,193	-	1,136	-
<b>Total Real Estate for Resale</b>	<b>1,193</b>	<b>-</b>	<b>1,136</b>	<b>-</b>
(Valued at the low er of cost and net realisable value)				
<b>Represented by:</b>				
Acquisition Costs	1,193	-	1,136	-
<b>Total Costs</b>	<b>1,193</b>	<b>-</b>	<b>1,136</b>	<b>-</b>
<b>Total Real Estate for Resale</b>	<b>1,193</b>	<b>-</b>	<b>1,136</b>	<b>-</b>
<b>Movements:</b>				
Real Estate assets at beginning of the year	1,136	-	1,108	-
- Purchases and other costs	57	-	28	-
<b>Total Real Estate for Resale</b>	<b>1,193</b>	<b>-</b>	<b>1,136</b>	<b>-</b>

#### b) Current Assets not anticipated to be settled within the next 12 months

The following Inventories & Other Assets, even though classified as current are not expected to be recovered in the next 12 months;

	2012	2011
Real Estate for Resale	448	390
	<b>448</b>	<b>390</b>



**NOTES TO THE FINANCIAL STATEMENTS**  
**30 June 2012**

**Note 9—Infrastructure, Property, Plant and Equipment**

	as at 30 June 2011						Asset Movements during the Reporting Period					as at 30 June 2012			
	At Cost	At Fair Value	Accumulated		Carrying Value	Asset Additions	WDV of Asset Disposals	Depreciation Expense	Adjustments & Transfers	Revaluation Increments to Equity (ARR)	At Cost	At Fair Value	Accumulated		Carrying Value
			Dep'n	Impairment									Dep'n	Impairment	
Plant & Equipment	-	32,411	15,125	-	17,286	2,803	(870)	(2,349)	(70)	-	-	33,131	16,331	-	16,800
Office Equipment	-	23,934	16,673	-	7,261	1,192	-	(1,485)	70	-	-	25,197	18,159	-	7,038
Furniture & Fittings	-	4,769	4,275	-	494	621	-	(86)	-	-	-	5,390	4,361	-	1,029
<b>Land:</b>															
- Operational Land	-	73,335	-	-	73,335	1,584	-	-	-	-	-	74,919	-	-	74,919
- Community Land	-	173,658	-	-	173,658	4,702	-	-	-	-	-	178,360	-	-	178,360
- Land under Roads (pre 1/7/08)	-	1,107,027	-	-	1,107,027	-	-	-	-	234,660	-	1,341,687	-	-	1,341,687
- Land under Roads (post 30/6/08)	-	4,059	-	-	4,059	4,164	-	-	-	861	-	9,084	-	-	9,084
Land Improvements - depreciable	-	-	-	-	-	2,821	-	(50)	-	-	-	2,821	50	-	2,771
Buildings - Non Specialised	-	133,156	57,029	-	76,127	924	-	(6,623)	-	-	-	134,080	63,652	-	70,428
Buildings - Specialised	-	186,584	69,345	-	117,239	3,801	(178)	(8,173)	-	-	-	189,697	77,008	-	112,689
<b>Infrastructure:</b>															
- Roads, Bridges, Footpaths	-	656,060	208,533	-	447,527	24,349	-	(14,796)	-	-	-	680,409	223,329	-	457,080
- Bulk Earthworks (non-depreciable)	2,812	-	-	-	2,812	51	-	-	-	-	2,863	-	-	-	2,863
- Stormwater Drainage	-	307,060	80,550	-	226,510	6,044	-	(4,611)	-	-	-	313,104	85,161	-	227,943
<b>Other Assets:</b>															
- Library Books	-	12,738	9,519	-	3,219	637	-	(823)	-	-	-	13,375	10,342	-	3,033
- Other	-	3,162	722	-	2,440	-	-	(38)	-	-	-	3,163	761	-	2,402
<b>TOTAL INFRASTRUCTURE, PROPERTY, PLANT &amp; EQUIP.</b>	<b>2,812</b>	<b>2,717,953</b>	<b>461,771</b>	<b>-</b>	<b>2,258,994</b>	<b>53,693</b>	<b>(1,048)</b>	<b>(39,034)</b>	<b>-</b>	<b>235,521</b>	<b>2,863</b>	<b>3,004,417</b>	<b>499,154</b>	<b>-</b>	<b>2,508,126</b>

a) Additions to Depreciable Land Improvements, Buildings, Other Structures & Infrastructure Assets are made up of Asset Renewals (\$11,623) and New Assets (\$23,679). Renewals are defined as the replacement of existing assets (as opposed to the acquisition of new assets).

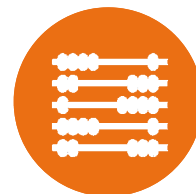
b) the above schedule excludes investment properties and non-current assets held for sale

c) land under roads (LUR) have been valued using a "municipal rate"

d) Council has elected not to revalue its Bulk Earthworks as it cannot be reliably measured

e) Depreciation Expense relates solely to depreciation. After testing, no impairment of Council assets has been identified

f) Council holds no restricted Infrastructure, Property, Plant, or Equipment



## NOTES TO THE FINANCIAL STATEMENTS 30 June 2012

### Note 10—Liabilities

\$ '000	Notes	2012		2011	
		Current	Non Current	Current	Non Current
<b>Payables</b>					
Goods & Services		2,659	-	2,329	-
Payments Received In Advance		1,776	-	1,320	-
Accrued Expenses:					
- Salaries & Wages		433	-	1,165	-
- Other Expenditure Accruals		5,413	-	7,814	-
Security Bonds, Deposits & Retentions		3,141	-	3,010	-
Other		100	-	50	-
<b>Total Payables</b>		<b>13,522</b>	<b>-</b>	<b>15,688</b>	<b>-</b>
<b>Borrowings</b>					
Loans - Secured <sup>1</sup>		8,309	55,574	7,552	55,620
Interest Free Government Advances		104	4,275	104	4,379
<b>Total Borrowings</b>		<b>8,413</b>	<b>59,849</b>	<b>7,656</b>	<b>59,999</b>
<b>Provisions</b>					
<b>Employee Benefits</b>					
Annual Leave		5,403	-	5,187	-
Sick Leave		8,202	-	8,701	-
Long Service Leave		13,390	633	12,555	601
Gratuities		646	635	598	927
<b>Total Provisions</b>		<b>27,641</b>	<b>1,268</b>	<b>27,041</b>	<b>1,528</b>
<b>Total Payables, Borrowings &amp; Provisions</b>		<b>49,576</b>	<b>61,117</b>	<b>50,385</b>	<b>61,527</b>

#### i) Liabilities relating to Restricted Assets

	2012		2011	
	Current	Non Current	Current	Non Current
<b>Externally Restricted Assets</b>				
Domestic Waste Management	835	-	-	-
<b>Total Liabilities relating to restricted assets</b>	<b>835</b>	<b>-</b>	<b>-</b>	<b>-</b>

<sup>1</sup>. 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.

## Statements and Notes

### NOTES TO THE FINANCIAL STATEMENTS 30 June 2012

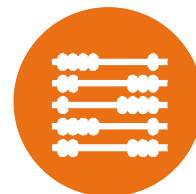
#### Note 10—Liabilities (continued)

\$ '000	2012	2011
Current Liabilities not anticipated to be settled within the next 12 months		
The following Liabilities, even though classified as current, are not expected to be settled in the next 12 months.		
Provisions - Employees Benefits	21,771	21,042
Payables - Security Bonds, Deposits & Retentions	2,301	2,210
	<b>24,072</b>	<b>23,252</b>

#### Description of and movements in Provisions

Class of Provision	2011	2012		Closing Balance as at 30/6/12
	Opening Balance as at 1/7/11	Additional Provisions	Decrease due to Payments	
Annual Leave	5,187	4,564	(4,348)	5,403
Sick Leave	8,701	3,352	(3,851)	8,202
Long Service Leave	13,156	2,917	(2,050)	14,023
Gratuities	1,525	1	(245)	1,281
<b>TOTAL</b>	<b>28,569</b>	<b>10,834</b>	<b>(10,494)</b>	<b>28,909</b>

Employee Leave Entitlements and 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.



## NOTES TO THE FINANCIAL STATEMENTS 30 June 2012

### Note 11—Reconciliation to Cash Flow Statement

\$ '000	Notes	Actual 2012	Actual 2011
a) Reconciliation of Cash Assets			
Total Cash & Cash Equivalent Assets	6a	4,953	8,361
<b>BALANCE as per the STATEMENT of CASH FLOWS</b>		<b>4,953</b>	<b>8,361</b>
b) Reconciliation of Net Operating Result to Cash provided from Operating Activities			
<b>Net Operating Result from Income Statement</b>		<b>20,871</b>	<b>(4,685)</b>
<b>Adjust for non cash items:</b>			
Depreciation & Amortisation		39,034	39,565
Net Losses/(Gains) on Disposal of Assets		264	1,959
Non Cash Capital Grants and Contributions		(14,558)	(9,709)
Losses/(Gains) recognised on Fair Value Re-measurements through the P&L:			
- Investment Properties		(1,915)	(586)
Share of Net (Profits) or Losses of Associates/Joint Ventures		(333)	(426)
<b>+/- Movement in Operating Assets and Liabilities &amp; Other Cash Items:</b>			
Decrease/(Increase) in Receivables		4,878	(7,463)
Increase/(Decrease) in Provision for Doubtful Debts		116	176
Decrease/(Increase) in Inventories		28	4
Decrease/(Increase) in Other Assets		230	(897)
Increase/(Decrease) in Payables		330	283
Increase/(Decrease) in other accrued Expenses Payable		(3,133)	2,863
Increase/(Decrease) in Other Liabilities		637	(352)
Increase/(Decrease) in Employee Leave Entitlements		340	1,271
<b>NET CASH PROVIDED FROM/(USED IN)</b>			
<b>OPERATING ACTIVITIES from the STATEMENT of CASH FLOWS</b>		<b>46,789</b>	<b>22,003</b>

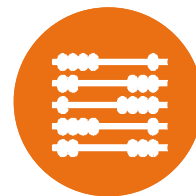
# Statements and Notes

## NOTES TO THE FINANCIAL STATEMENTS 30 June 2012

### Note 11—Reconciliation to Cash Flow Statement (continued)

\$ '000	Notes	Actual 2012	Actual 2011
c) Non-Cash Investing & Financing Activities			
Contributions "in kind"		14,558	9,709
<b>Total Non-Cash Investing &amp; Financing Activities</b>		<b>14,558</b>	<b>9,709</b>
d) Financing Arrangements			
i) Unrestricted access was available at balance date to the following lines of credit:			
Bank Overdraft Facilities <sup>(1)</sup>		520	520
Corporate Credit Cards		340	340
<b>Total Financing Arrangements</b>		<b>860</b>	<b>860</b>

1. The Bank overdraft facility may be drawn at any time and may be terminated by the bank without notice.  
Interest rates on overdrafts are Interest Rates on Loans & Other Payables are disclosed in Note 15.
2. Loans are secured by a mortgage over future years Rate Revenue only.



## NOTES TO THE FINANCIAL STATEMENTS 30 June 2012

### Note 12—Commitments for Expenditure

\$ '000	Notes	Actual 2012	Actual 2011
a) Capital Commitments (exclusive of GST)			
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:			
<b>Property, Plant &amp; Equipment</b>			
Buildings		3,081	11,315
Roadworks		4,981	-
Other		467	-
<b>Total Commitments</b>		<b>8,529</b>	<b>11,315</b>
These expenditures are payable as follows:			
Within the next year		8,529	11,315
<b>Total Payable</b>		<b>8,529</b>	<b>11,315</b>
b) Finance Lease Commitments			
Nil			
c) Operating Lease Commitments (Non Cancellable)			
a. Commitments under Non Cancellable Operating Leases at the Reporting date, but not recognised as Liabilities are payable:			
Within the next year		260	478
Later than one year and not later than 5 years		513	526
<b>Total Non Cancellable Operating Lease Commitments</b>		<b>773</b>	<b>1,004</b>

1. Non Cancellable Operating Leases are provided for Office Equipment.

#### Conditions relating to Operating Leases:

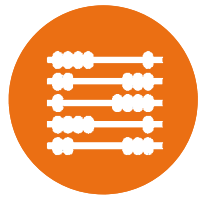
- All Operating Lease Agreements are secured only against the Leased Asset.
- No Lease Agreements impose any financial restrictions on Council regarding future debt etc.

# Statements and Notes

## NOTES TO THE FINANCIAL STATEMENTS 30 June 2012

### Note 12—Commitments for Expenditure (continued)

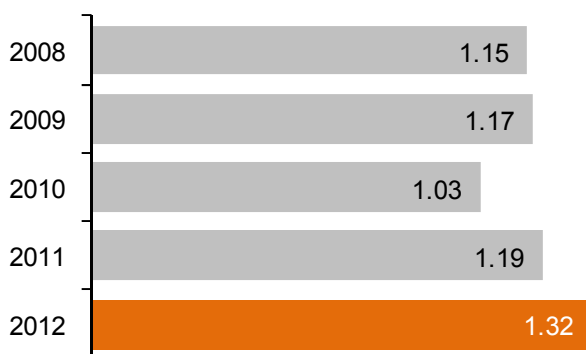
\$ '000	Notes	Actual 2012	Actual 2011
d) Investment Property Commitments			
Non Capital expenditure on Investment Properties committed for at the reporting date but not recognised in the financial statements as liabilities:			
Contractual Obligations - Repairs & Maintenance		46	40
<b>Total Commitments</b>		<b>46</b>	<b>40</b>



## NOTES TO THE FINANCIAL STATEMENTS 30 June 2012

### Note 13—Statement of Performance Measures

\$ '000	Amounts	Indicator	Prior Periods	
	2012	2012	2011	2010
<b>1. Unrestricted Current Ratio</b>				
Current Assets less all External Restrictions <sup>(1)</sup>	<b>32,654</b>	<b>1.32 : 1</b>	1.19	1.03
Current Liabilities less Specific Purpose Liabilities <sup>(2,3)</sup>	<b>24,669</b>			

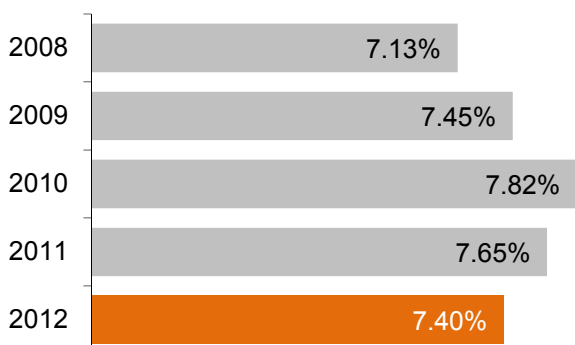


#### Commentary

This ratio aims to measure Council's liquidity, and more importantly, Council's solvency. This result is an improvement over last year however still remains below the DLG benchmark of 1.5:1. Once adjusted for internal borrowings this indicator increases to 1.67:1 and is above both Council's benchmark of 1.25:1, and the DLG's benchmark of 1.5:1.

### 2. Debt Service Ratio

Debt Service Cost	<b>11,720</b>	<b>7.40%</b>	7.65%	7.82%
Income from Continuing Operations excluding Capital Items & Specific Purpose Grants/Contributions	<b>158,441</b>			



#### Commentary

This ratio measures Council's debt servicing costs as a percentage of its revenue, and has seen a decrease over 2011 due to an increase in revenue from continuing operations, and a decrease in borrowing costs. This ratio remains below the DLG's benchmark of 10% and is in line with Council's expectations.

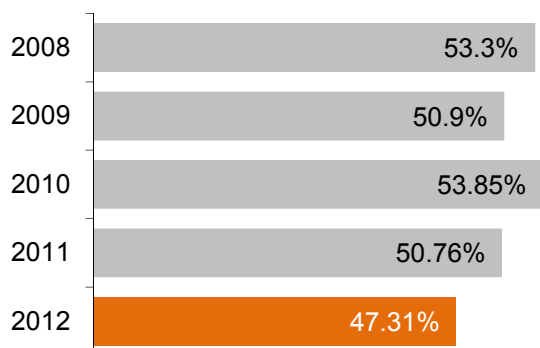


# Statements and Notes

## NOTES TO THE FINANCIAL STATEMENTS 30 June 2012

### Note 13—Statement of Performance Measures (continued)

\$ '000	Amounts	Indicator	Prior Periods	
	2012	2012	2011	2010
<b>3. Rates &amp; Annual Charges</b>				
<b>Coverage Ratio</b>				
Rates & Annual Charges	<b>98,524</b>	47.31%	50.76%	53.85%
Income from Continuing Operations	<b>208,267</b>			

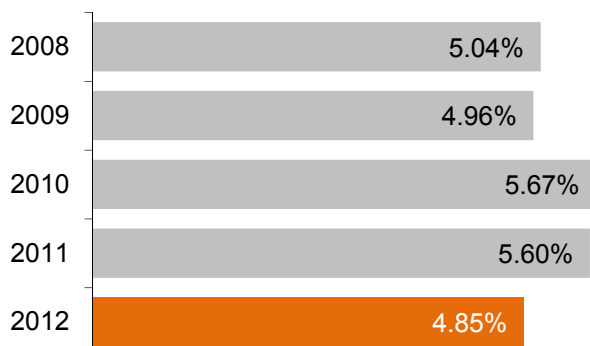


#### Commentary

Council's revenue generation in 2012 has seen a lower reliance on Rates and Annual Charges. This is mainly due to an increase in grants and contributions over 2011. The flow of these grants and contributions can fluctuate significantly from year-to-year.

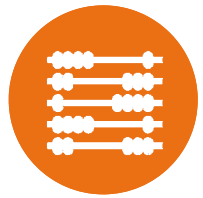
#### 4. Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage

Rates, Annual & Extra Charges Outstanding	<b>5,085</b>	4.85%	5.60%	5.67%
Rates, Annual & Extra Charges Collectible	<b>104,744</b>			



#### Commentary

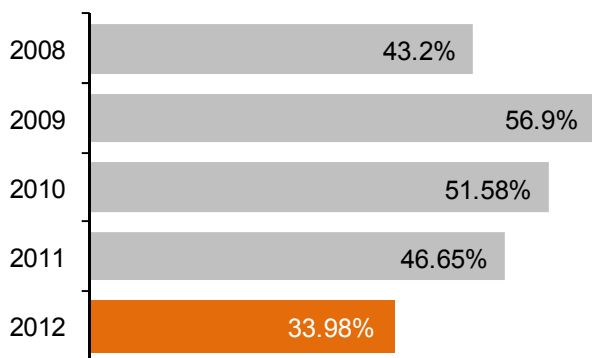
Rates arrears have improved significantly from 2011 and is now below the DLG's benchmark of 5%. Council will remain active in debt recovery with a view to maintaining this below the benchmark of 5%. This strong result is the lowest this indicator has been over the last five years.



## NOTES TO THE FINANCIAL STATEMENTS 30 June 2012

### Note 13—Statement of Performance Measures (continued)

\$ '000	Amounts	Indicator	Prior Periods	
	2012	2012	2011	2010
<b>5. Building &amp; Infrastructure Renewals Ratio</b>				
Asset Renewals <sup>(4)</sup>	<b>11,623</b>	<b>33.98%</b>	46.65%	51.58%
Depreciation, Amortisation & Impairment	<b>34,203</b>			



#### Commentary

This indicator has reduced over 2011. Prior year results have been influenced by large renewal projects funded by state and federal grants including the St Marys Memorial Hall refurbishment and Howell Oval redevelopments. Council remains committed to asset renewal as demonstrated in the recent special rate variation that provides additional funding for asset renewal. Council's Asset Management Plans have been completed as part of the resources strategy which will ensure the needs of the community are met.

#### Notes

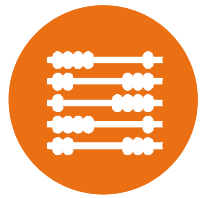
- Refer Notes 6-8 inclusive.  
Also excludes any Real Estate & Land for resale not expected to be sold in the next 12 months
- Refer to Note 10(a).
- Refer to Note 10(a)(ii) - excludes all payables & provisions not expected to be paid in the next 12 months (incl. ELE).
- Asset Renewals represent the replacement &/or refurbishment of existing assets to an equivalent capacity/performance as opposed to the acquisition of new assets (or the refurbishment of old assets) that increases capacity/performance. Asset Renewals include building and infrastructure assets only.

# Statements and Notes

## NOTES TO THE FINANCIAL STATEMENTS 30 June 2012

### Note 14—Investment Property

\$ '000	Notes	Actual 2012	Actual 2011
a) Investment Properties at Fair value			
<u>Investment Properties on Hand</u>		<u>20,550</u>	<u>18,635</u>
<b>Reconciliation of Annual Movement:</b>			
Opening Balance		18,635	18,049
- Net Gain/(Loss) from Fair Value Adjustments		1,915	586
<b>CLOSING BALANCE - INVESTMENT PROPERTIES</b>		<b><u>20,550</u></b>	<b><u>18,635</u></b>
b) Valuation Basis			
The basis of valuation of Investment Properties is Fair Value, being the amounts for which the properties could be exchanged between willing parties in arms length transaction, based on current prices in an active market for similar properties in the same location and condition and subject to similar leases.			
The 2012 revaluations were based on assessments made by Council's Property Development Manager.			
c) Contractual Obligations at Reporting Date			
Refer to Note 12 for disclosures relating to any Capital and Service obligations that have been contracted.			
d) Leasing Arrangements			
Details of leased Investment Properties are as follows;			
Future Minimum Lease Payments receivable under non-cancellable Investment Property Operating Leases not recognised in the Financial Statements are due:			
- Within 1 year		1,804	1,495
- Later than 1 year but less than 5 years		4,371	4,677
- Later than 5 years		1,804	4,078
<b>Total Minimum Lease Payments Receivable</b>		<b><u>7,979</u></b>	<b><u>10,250</u></b>
e) Investment Property Income & Expenditure - summary			
<b>Rental Income from Investment Properties:</b>			
- Minimum Lease Payments		1,751	1,534
<b>Direct Operating Expenses on Investment Properties:</b>			
- that generated rental income		(506)	(521)
- that did not generate rental income		(17)	(7)
<b>Net Revenue Contribution from Investment Properties</b>		<b><u>1,228</u></b>	<b><u>1,006</u></b>
plus:			
<b>Fair Value Movement for year</b>		<b><u>1,915</u></b>	<b><u>586</u></b>
<b>Total Income attributable to Investment Properties</b>		<b><u>3,143</u></b>	<b><u>1,592</u></b>



## NOTES TO THE FINANCIAL STATEMENTS 30 June 2012

### Note 15—Financial Risk Management

\$ '000

#### Risk Management

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

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

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

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

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

	Carrying Value		Fair Value	
	2012	2011	2012	2011
<b>Financial Assets</b>				
Cash and Cash Equivalents	4,953	8,361	4,953	8,361
Investments				
- "Held to Maturity"	66,178	54,063	64,979	54,063
Receivables	10,619	15,331	10,619	15,331
<b>Total Financial Assets</b>	<b>81,750</b>	<b>77,755</b>	<b>80,551</b>	<b>77,755</b>
<b>Financial Liabilities</b>				
Payables	13,522	15,688	13,522	15,688
Loans / Advances	68,262	67,655	71,311	66,440
<b>Total Financial Liabilities</b>	<b>81,784</b>	<b>83,343</b>	<b>84,833</b>	<b>82,128</b>

Fair Value is determined as follows:

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

# Statements and Notes

## NOTES TO THE FINANCIAL STATEMENTS 30 June 2012

### Note 15—Financial Risk Management (continued)

\$ '000

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

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

Council's Finance area manages the Cash & Investments portfolio with the assistance of independent advisors.

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

The major risk associated with Investments is price risk - the risk that the capital value of Investments may fluctuate due to changes in market prices, whether these changes are caused by factors specific to individual financial instruments or their issuers or are caused by factors affecting similar instruments traded in a market.

Cash & Investments are also subject to interest rate risk - the risk that movements in interest rates could affect returns and income.

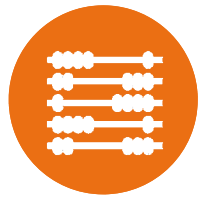
A further risk associated with Cash & Investments is credit risk - the risk that the investment counterparty will not complete their obligations particular to a financial instrument, resulting in a financial loss to Council - be it of a capital or income nature.

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

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

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

	Increase of Values/Rates		Decrease of Values/Rates	
	Profit	Equity	Profit	Equity
<b>2012</b>				
Possible impact of a 1% movement in Interest Rates	711	711	(711)	(711)
<b>2011</b>				
Possible impact of a 1% movement in Interest Rates	624	624	(624)	(624)



## NOTES TO THE FINANCIAL STATEMENTS 30 June 2012

### Note 15—Financial Risk Management (continued)

\$ '000

#### b) Receivables

Council's major receivables comprise **(i)** Rates & Annual charges and **(ii)** Government Grants & Subsidies.

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

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

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

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

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

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

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

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

Percentage of Rates and Annual Charges:	30-Jun-12	30-Jun-11
- Current	0%	1%
- Overdue	100%	99%
Percentage of Other Receivables:		
- Current	91%	89%
- Overdue	9%	11%

# Statements and Notes

## NOTES TO THE FINANCIAL STATEMENTS 30 June 2012

### Note 15—Financial Risk Management (continued)

\$ '000

#### c) Payables & Borrowings

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

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

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

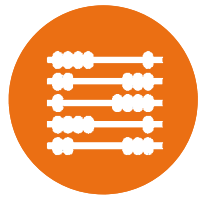
The contractual undiscounted cash outflows (ie. principal and interest) of Council's Payables & Borrowings are set out in the Liquidity Table below:

\$ '000	Subject to no maturity	payable in:			Total Cash Outflows	Actual Carrying Values
		≤ 1 Year	1-5 Yrs	> 5 Yrs		
<b>2012</b>						
Trade/Other Payables	3,141	8,080	2,301	-	13,522	13,522
Loans & Advances		12,400	44,194	25,208	81,802	68,262
<b>Total Financial Liabilities</b>	<b>3,141</b>	<b>20,480</b>	<b>46,495</b>	<b>25,208</b>	95,324	81,784
<b>2011</b>						
Trade/Other Payables	3,010	10,468	2,210	-	15,688	15,688
Loans & Advances	-	11,710	50,936	27,053	89,699	67,655
<b>Total Financial Liabilities</b>	<b>3,010</b>	<b>22,178</b>	<b>53,146</b>	<b>27,053</b>	105,387	83,343

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

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

	2012		2011	
	Carrying Value	Average Interest Rate	Carrying Value	Average Interest Rate
Trade/Other Payables	13,522		15,688	
Loans & Advances - Fixed Interest Rate	63,883	6.71%	63,172	6.88%
Loans & Advances - Interest Free	4,379	0.00%	4,483	0.00%
	<u>81,784</u>		<u>83,343</u>	

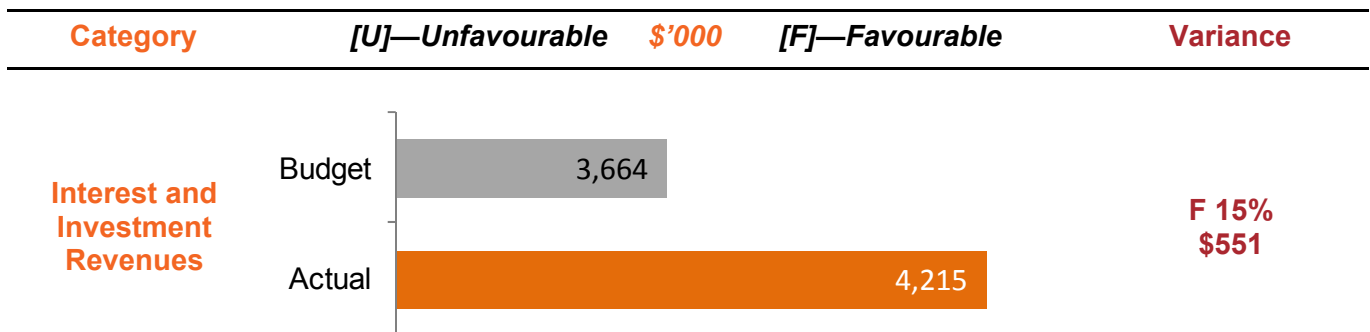


## NOTES TO THE FINANCIAL STATEMENTS 30 June 2012

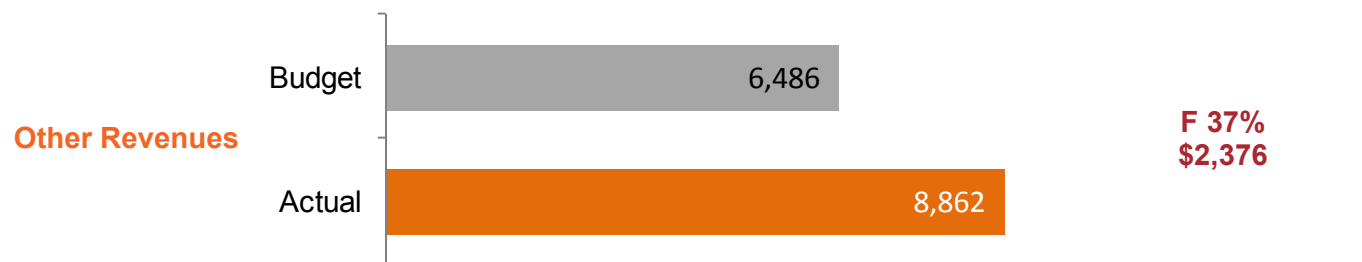
### Note 16—Material Budget Variations

Council's original budget was incorporated as part of the Operational Plan adopted by Council on 30 May 2011. Council then undertakes major quarterly reviews of its budget as well as making other changes throughout the year. The budget as it stands at the end of the Financial Year will vary from the original budget because of these changes. The original projections on which the budget was based have been affected by a number of factors. These include changing economic activity, State and Federal Government decisions including new grant programs, and other changes made by the Council.

Below are the details of material variations between the original budget and actual results for the Income Statement and Note 2(a). All variations have been monitored and reported to Council on a regular basis.



- Interest received was greater than budgeted due to better than expected investment returns (\$460,000)
- Interest on Rates and Annual Charges was higher than originally budgeted due to an increase in the interest rate set by the DLG and advised after the adoption of the annual budget (\$137,000)



- An increase in the fair value of Council's Investment Properties (\$1.9m)
- Legal costs recoverable were greater than the original budget (\$307,000)
- An increase in Property Development Income (\$291,000)

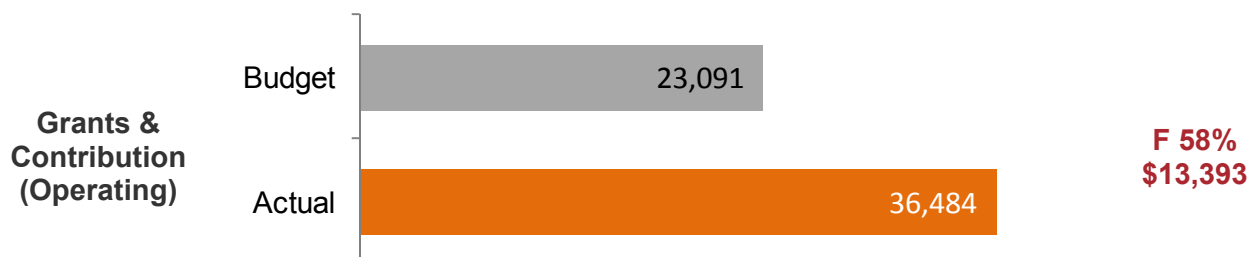


# Statements and Notes

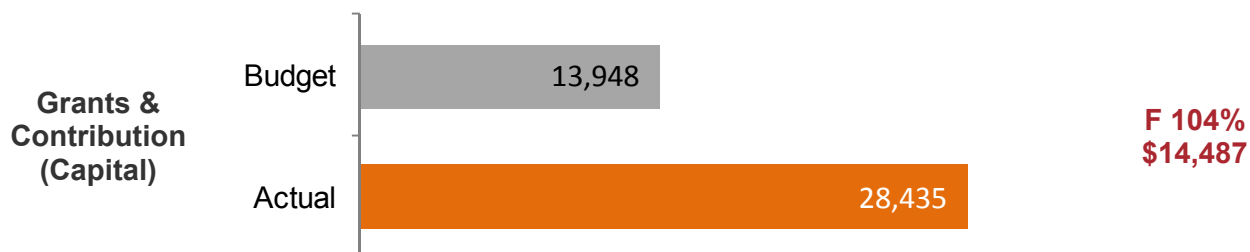
## NOTES TO THE FINANCIAL STATEMENTS 30 June 2012

### Note 16—Material Budget Variations (continued)

Category	[U]—Unfavourable	\$'000	[F]—Favourable	Variance
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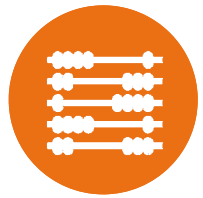
- Timing of grants received for the Penrith Commuter Carpark were not known when the original budget was set (\$3.5m)
- Financial Assistance Grant for quarters 1 and 2 of 2012-13 were received in 2011-12 (\$2.4m)
- Additional grants were received for the Stormwater Harvesting project (\$1.8m)
- NSW Bikeplan River Cities Program grant was not confirmed prior to the adoption of the original budget (\$1.5m)



- An increase in roads and drainage dedications due to increased development (\$5.8m)
- Recognition of 2011-12 Land Under Roads (\$4.2m)
- Higher than expected s94 income due to increased development (\$6.1m)



- Profit for Westpool / UIP was included as an estimate in the original budget (\$283,000)



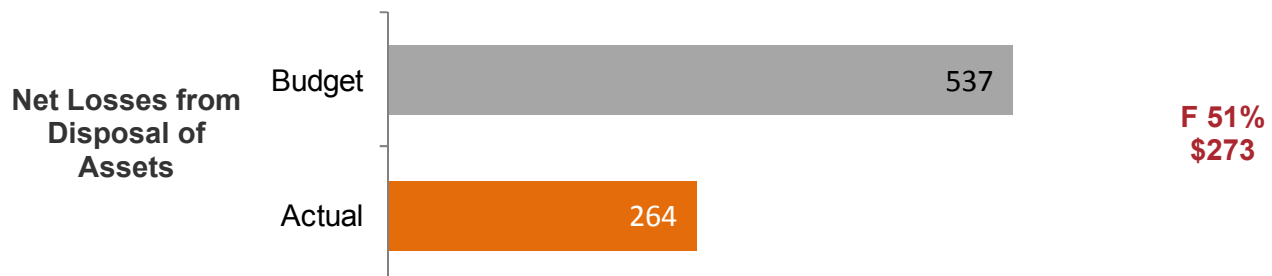
NOTES TO THE FINANCIAL STATEMENTS  
30 June 2012

**Note 16—Material Budget Variations (continued)**

Category	[U]—Unfavourable	\$'000	[F]—Favourable	Variance
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- Waste levy originally included in Materials and Contracts (\$2m)
- An increase in Rural Fire Service expenses, which is offset by increased grant funding (\$933,000)



- Changes in fleet management policies, and the impact of FBT changes, meant a reduction in the number of vehicle changeovers in 2011-12 (\$273,000)

# Statements and Notes

## NOTES TO THE FINANCIAL STATEMENTS 30 June 2012

### Note 16—Material Budget Variations (continued)

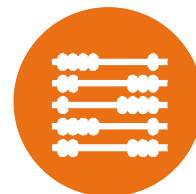
[U]—Unfavourable    \$'000    [F]—Favourable

#### Income (by Functions)

Activity	Original Budget	Actual	Variance	Commentary
Major Infrastructure Projects and Design	\$ 7,077	\$ 9,083	28.3% F	Penrith Commuter Carpark grant (\$3.5m)
Environmental and Health Management	\$ 279	\$ 2,171	678.1% F	Stormwater Harvesting grant (\$1.8m)
Roads, Footpaths, and Buildings	\$ 7,768	\$ 15,029	93.5% F	Roads and Drainage Dedications (\$5.8m)
Traffic, Parking, and Drainage	\$ 1,112	\$ 3,168	184.7% F	NSW Bikeplan River Cities grant (\$1.5m)
Parks	\$ 137	\$ 4,419	3119.0% F	Recognition of 2011-12 Land Under Roads (\$4.2m)

#### Expenditure (by Functions)

Activity	Original Budget	Actual	Variance	Commentary
Traffic, Parking, and Drainage	\$ 3,390	\$ 5,099	50.4% U	NSW Bikeplan River Cities Program, offset by above grant (\$1.5m)



## NOTES TO THE FINANCIAL STATEMENTS 30 June 2012

### Note 17—Statement of Contribution Plans

\$ '000

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

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

#### SUMMARY OF CONTRIBUTIONS & LEVIES

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Drainage	2,275	213	1,088	82	(155)	-	2,415	37,299	(40,631)	(917)	709
Roads	16,928	1,543	134	600	(419)	31	18,683	64,455	(83,093)	45	9,487
Traffic Facilities	-	-	-	-	-	-	-	-	-	-	-
Parking	-	-	-	-	-	-	-	-	-	-	-
Open Space	2,569	3,199	691	461	(1,306)	(571)	4,352	199,878	(204,485)	(255)	(14,032)
Community Facilities	122	26	73	(213)	(252)	482	165	13,891	(14,239)	(183)	3,072
Other	394	553	448	(6)	(363)	58	636	7,921	(7,578)	979	764
<b>S94 Contributions - under a Plan</b>	<b>22,288</b>	<b>5,534</b>	<b>2,434</b>	<b>924</b>	<b>(2,495)</b>	<b>-</b>	<b>26,251</b>	<b>323,444</b>	<b>(350,026)</b>	<b>(331)</b>	<b>-</b>
<b>Total Contributions</b>	<b>22,288</b>	<b>5,534</b>	<b>2,434</b>	<b>924</b>	<b>(2,495)</b>	<b>-</b>	<b>26,251</b>	<b>323,444</b>	<b>(350,026)</b>	<b>(331)</b>	<b>-</b>

#### North Cranebrook Contribution Plan

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Drainage	-	-	-	-	-	-	-	-	-	-	251
Roads	-	-	-	-	-	-	-	-	-	-	1,130
Traffic Facilities	-	-	-	-	-	-	-	-	-	-	-
Parking	-	-	-	-	-	-	-	-	-	-	-
Open Space	10	-	-	-	-	-	10	-	(18)	(8)	(28)
Community Facilities	8	-	-	-	-	-	8	-	-	8	(1,354)
Other	-	-	-	-	-	-	-	-	-	-	1
<b>Total</b>	<b>18</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>18</b>	<b>-</b>	<b>(18)</b>	<b>-</b>	<b>-</b>

#### Glenmore Park Contribution Plan

PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Projections			Cumulative Internal Borrowings due/(payable)
		Cash	Non Cash					Future income	Exp still outstanding	Over or (under) Funding	
Drainage	69	-	-	(3)	-	-	66	-	-	66	264
Roads	336	-	-	(16)	(236)	-	84	-	(238)	(154)	4,634
Traffic Facilities	-	-	-	-	-	-	-	-	-	-	-
Parking	-	-	-	-	-	-	-	-	-	-	-
Open Space	1,065	-	-	304	(85)	(472)	812	-	(606)	206	(10,956)
Community Facilities	-	-	-	(220)	(252)	472	-	-	(190)	(190)	5,218
Other	84	-	-	(12)	-	-	72	-	-	72	840
<b>Total</b>	<b>1,554</b>	<b>-</b>	<b>-</b>	<b>53</b>	<b>(573)</b>	<b>-</b>	<b>1,034</b>	<b>-</b>	<b>(1,034)</b>	<b>-</b>	<b>-</b>

# Statements and Notes

## NOTES TO THE FINANCIAL STATEMENTS 30 June 2012

### Note 17—Statement of Contribution Plans (continued)

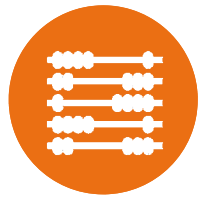
\$ '000

Mt Vernon Contribution Plan								Projections			Cumulative
PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Future income	Exp still outstanding	Over or (under) Funding	Internal Borrowings due/(payable)
		Cash	Non Cash								
Drainage	-	-	-	-	-	-	-	-	-	-	-
Roads	101	12	-	6	(5)	(10)	104	-	(193)	(89)	(24)
Traffic Facilities	-	-	-	-	-	-	-	-	-	-	-
Parking	-	-	-	-	-	-	-	-	-	-	-
Open Space	-	-	-	-	-	-	-	-	-	-	-
Community Facilities	-	4	-	(1)	-	10	13	-	-	13	24
Other	72	2	-	2	-	-	76	-	-	76	-
<b>Total</b>	<b>173</b>	<b>18</b>	<b>-</b>	<b>7</b>	<b>(5)</b>	<b>-</b>	<b>193</b>	<b>-</b>	<b>(193)</b>	<b>-</b>	<b>-</b>

Claremont Meadows Contribution Plan								Projections			Cumulative
PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Future income	Exp still outstanding	Over or (under) Funding	Internal Borrowings due/(payable)
		Cash	Non Cash								
Drainage	-	65	1,088	-	(65)	-	-	1,088	(2,071)	(983)	1,098
Roads	36	40	134	-	-	-	76	508	(296)	288	(120)
Traffic Facilities	-	-	-	-	-	-	-	-	-	-	-
Parking	-	-	-	-	-	-	-	-	-	-	-
Open Space	112	207	691	-	(695)	-	(376)	2,389	(2,464)	(451)	(100)
Community Facilities	73	22	73	-	-	-	95	1,181	(1,013)	263	(645)
Other	-	216	448	-	(11)	-	205	3,625	(2,975)	855	(233)
<b>Total</b>	<b>221</b>	<b>550</b>	<b>2,434</b>	<b>-</b>	<b>(771)</b>	<b>-</b>	<b>-</b>	<b>8,791</b>	<b>(8,819)</b>	<b>(28)</b>	<b>-</b>

Erskine Park (Residential) Contribution Plan								Projections			Cumulative
PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Future income	Exp still outstanding	Over or (under) Funding	Internal Borrowings due/(payable)
		Cash	Non Cash								
Drainage	56	-	-	2	-	-	58	542	(600)	-	(1,054)
Roads	-	-	-	(41)	-	41	-	-	-	-	3,853
Traffic Facilities	-	-	-	-	-	-	-	-	-	-	-
Parking	-	-	-	-	-	-	-	-	-	-	-
Open Space	100	-	-	39	-	(55)	84	(86)	-	(2)	(2,666)
Community Facilities	41	-	-	8	-	-	49	(50)	-	(1)	(171)
Other	1	-	-	-	(13)	14	2	14	(13)	3	38
<b>Total</b>	<b>198</b>	<b>-</b>	<b>-</b>	<b>8</b>	<b>(13)</b>	<b>-</b>	<b>193</b>	<b>420</b>	<b>(613)</b>	<b>-</b>	<b>-</b>

Penrith City Local Open Space Contribution Plan								Projections			Cumulative
PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Future income	Exp still outstanding	Over or (under) Funding	Internal Borrowings due/(payable)
		Cash	Non Cash								
Drainage	-	-	-	-	-	-	-	-	-	-	-
Roads	-	-	-	-	-	-	-	-	-	-	-
Traffic Facilities	-	-	-	-	-	-	-	-	-	-	-
Parking	-	-	-	-	-	-	-	-	-	-	-
Open Space	55	328	-	6	(154)	(2)	233	9,773	(10,006)	-	(2)
Community Facilities	-	-	-	-	-	-	-	-	-	-	-
Other	-	3	-	-	(5)	2	-	102	(102)	-	2
<b>Total</b>	<b>55</b>	<b>331</b>	<b>-</b>	<b>6</b>	<b>(159)</b>	<b>-</b>	<b>233</b>	<b>9,875</b>	<b>(10,108)</b>	<b>-</b>	<b>-</b>



## NOTES TO THE FINANCIAL STATEMENTS 30 June 2012

### Note 17—Statement of Contribution Plans (continued)

\$ '000

<b>Lambridge Estate Contribution Plan</b>							<b>Projections</b>			Cumulative	
PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Future income	Exp still outstanding	Over or (under) Funding	Internal Borrowings due/(payable)
		Cash	Non Cash								
Drainage	-	90	-	-	(90)	-	-	1,573	(1,573)	-	150
Roads	-	159	-	-	(159)	-	-	-	-	-	2
Traffic Facilities	-	-	-	-	-	-	-	-	-	-	-
Parking	-	-	-	-	-	-	-	-	-	-	-
Open Space	-	-	-	-	-	-	-	-	-	-	(152)
Community Facilities	-	-	-	-	-	-	-	-	-	-	-
Other	-	2	-	-	(2)	-	-	-	-	-	-
<b>Total</b>	-	251	-	-	(251)	-	-	1,573	(1,573)	-	-

<b>Library Facilities Contribution Plan</b>							<b>Projections</b>			Cumulative	
PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Future income	Exp still outstanding	Over or (under) Funding	Internal Borrowings due/(payable)
		Cash	Non Cash								
Drainage	-	-	-	-	-	-	-	-	-	-	-
Roads	-	-	-	-	-	-	-	-	-	-	-
Traffic Facilities	-	-	-	-	-	-	-	-	-	-	-
Parking	-	-	-	-	-	-	-	-	-	-	-
Open Space	-	-	-	-	-	-	-	-	-	-	-
Community Facilities	-	-	-	-	-	-	-	-	-	-	-
Other	105	63	-	4	(92)	-	80	-	(80)	-	-
<b>Total</b>	105	63	-	4	(92)	-	80	-	(80)	-	-

<b>Kingswood Neighbourhood Contribution Plan</b>							<b>Projections</b>			Cumulative	
PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Future income	Exp still outstanding	Over or (under) Funding	Internal Borrowings due/(payable)
		Cash	Non Cash								
Drainage	-	-	-	-	-	-	-	-	-	-	-
Roads	-	-	-	-	-	-	-	-	-	-	-
Traffic Facilities	-	-	-	-	-	-	-	-	-	-	-
Parking	-	-	-	-	-	-	-	-	-	-	-
Open Space	-	-	-	-	-	-	-	-	-	-	-
Community Facilities	-	-	-	-	-	-	-	-	-	-	-
Other	-	4	-	-	(4)	-	-	80	(84)	(4)	-
<b>Total</b>	-	4	-	-	(4)	-	-	80	(84)	(4)	-

<b>Footpath Construction Contribution Plan</b>							<b>Projections</b>			Cumulative	
PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Future income	Exp still outstanding	Over or (under) Funding	Internal Borrowings due/(payable)
		Cash	Non Cash								
Drainage	-	-	-	-	-	-	-	-	-	-	-
Roads	-	-	-	-	-	-	-	-	-	-	-
Traffic Facilities	-	-	-	-	-	-	-	-	-	-	-
Parking	-	-	-	-	-	-	-	-	-	-	-
Open Space	-	-	-	-	-	-	-	-	-	-	-
Community Facilities	-	-	-	-	-	-	-	-	-	-	-
Other	26	18	-	1	-	-	45	9	(54)	-	-
<b>Total</b>	26	18	-	1	-	-	45	9	(54)	-	-

# Statements and Notes

## NOTES TO THE FINANCIAL STATEMENTS 30 June 2012

### Note 17—Statement of Contribution Plans (continued)

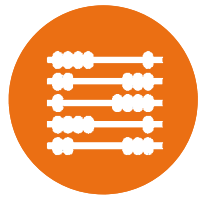
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Cultural Facilities Contribution Plans								Projections			Cumulative
PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Future income	Exp still outstanding	Over or (under) Funding	Internal Borrowings due/(payable)
		Cash	Non Cash								
Drainage	-	-	-	-	-	-	-	-	-	-	-
Roads	-	-	-	-	-	-	-	-	-	-	-
Traffic Facilities	-	-	-	-	-	-	-	-	-	-	-
Parking	-	-	-	-	-	-	-	-	-	-	-
Open Space	-	-	-	-	-	-	-	-	-	-	-
Community Facilities	-	-	-	-	-	-	-	-	-	-	-
Other	-	180	-	-	(180)	-	-	2,432	(2,432)	-	-
<b>Total</b>	-	<b>180</b>	-	-	<b>(180)</b>	-	-	<b>2,432</b>	<b>(2,432)</b>	-	-

Erskine Business Park Contribution Plan								Projections			Cumulative
PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Future income	Exp still outstanding	Over or (under) Funding	Internal Borrowings due/(payable)
		Cash	Non Cash								
Drainage	2,150	58	-	83	-	-	2,291	924	(3,215)	-	-
Roads	16,438	1,324	-	651	(19)	-	18,394	8,764	(27,158)	-	-
Traffic Facilities	-	-	-	-	-	-	-	-	-	-	-
Parking	-	-	-	-	-	-	-	-	-	-	-
Open Space	-	-	-	-	-	-	-	-	-	-	-
Community Facilities	-	-	-	-	-	-	-	-	-	-	-
Other	60	12	-	1	(24)	-	49	506	(555)	-	-
<b>Total</b>	<b>18,648</b>	<b>1,394</b>	-	<b>735</b>	<b>(43)</b>	-	<b>20,734</b>	<b>10,194</b>	<b>(30,928)</b>	-	-

Waterside Contribution Plan								Projections			Cumulative
PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Future income	Exp still outstanding	Over or (under) Funding	Internal Borrowings due/(payable)
		Cash	Non Cash								
Drainage	-	-	-	-	-	-	-	-	-	-	-
Roads	17	8	-	-	-	-	25	3,545	(3,570)	-	12
Traffic Facilities	-	-	-	-	-	-	-	-	-	-	-
Parking	-	-	-	-	-	-	-	-	-	-	-
Open Space	26	297	-	10	-	-	333	2,271	(2,604)	-	(12)
Community Facilities	-	-	-	-	-	-	-	-	-	-	-
Other	15	30	-	-	(3)	-	42	6	(48)	-	-
<b>Total</b>	<b>58</b>	<b>335</b>	-	<b>10</b>	<b>(3)</b>	-	<b>400</b>	<b>5,822</b>	<b>(6,222)</b>	-	-

Penrith City District Open Space Contribution Plan								Projections			Cumulative
PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Future income	Exp still outstanding	Over or (under) Funding	Internal Borrowings due/(payable)
		Cash	Non Cash								
Drainage	-	-	-	-	-	-	-	-	-	-	-
Roads	-	-	-	-	-	-	-	-	-	-	-
Traffic Facilities	-	-	-	-	-	-	-	-	-	-	-
Parking	-	-	-	-	-	-	-	-	-	-	-
Open Space	1,201	2,367	-	102	(372)	(42)	3,256	66,668	(69,924)	-	(116)
Community Facilities	-	-	-	-	-	-	-	-	-	-	-
Other	31	23	-	(2)	(29)	42	65	548	(613)	-	116
<b>Total</b>	<b>1,232</b>	<b>2,390</b>	-	<b>100</b>	<b>(401)</b>	-	<b>3,321</b>	<b>67,216</b>	<b>(70,537)</b>	-	-



## NOTES TO THE FINANCIAL STATEMENTS 30 June 2012

### Note 17—Statement of Contribution Plans (continued)

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Glenmore Park Stage 2 Contribution Plan								Projections			Cumulative
PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Future income	Exp still outstanding	Over or (under) Funding	Internal Borrowings due/(payable)
		Cash	Non Cash								
Drainage	-	-	-	-	-	-	-	-	-	-	-
Roads	-	-	-	-	-	-	14,997	(14,997)	-	-	-
Traffic Facilities	-	-	-	-	-	-	-	-	-	-	-
Parking	-	-	-	-	-	-	-	-	-	-	-
Open Space	-	-	-	-	-	-	31,091	(31,091)	-	-	-
Community Facilities	-	-	-	-	-	-	(243)	(33)	(276)	-	-
Other	-	-	-	-	-	-	382	(405)	(23)	-	-
<b>Total</b>	-	-	-	-	-	-	46,227	(46,526)	(299)	-	-

Civic Improvement Plan								Projections			Cumulative
PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Future income	Exp still outstanding	Over or (under) Funding	Internal Borrowings due/(payable)
		Cash	Non Cash								
Drainage	-	-	-	-	-	-	2,000	(2,000)	-	-	-
Roads	-	-	-	-	-	-	15,000	(15,000)	-	-	-
Traffic Facilities	-	-	-	-	-	-	-	-	-	-	-
Parking	-	-	-	-	-	-	-	-	-	-	-
Open Space	-	-	-	-	-	-	30,500	(30,500)	-	-	-
Community Facilities	-	-	-	-	-	-	9,500	(9,500)	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	-	-	-	-	-	-	57,000	(57,000)	-	-	-

Werrington Enterprise Living and Learning (WELL) Precinct Contribution Plan								Projections			Cumulative
PURPOSE	Opening Balance	Contributions received during the Year		Interest earned in Year	Expenditure during Year	Internal Borrowing (to)/from	Held as Restricted Asset	Future income	Exp still outstanding	Over or (under) Funding	Internal Borrowings due/(payable)
		Cash	Non Cash								
Drainage	-	-	-	-	-	-	31,172	(31,172)	-	-	-
Roads	-	-	-	-	-	-	21,641	(21,641)	-	-	-
Traffic Facilities	-	-	-	-	-	-	-	-	-	-	-
Parking	-	-	-	-	-	-	-	-	-	-	-
Open Space	-	-	-	-	-	-	57,272	(57,272)	-	-	-
Community Facilities	-	-	-	-	-	-	3,503	(3,503)	-	-	-
Other	-	-	-	-	-	-	217	(217)	-	-	-
<b>Total</b>	-	-	-	-	-	-	113,805	(113,805)	-	-	-



# Statements and Notes

## NOTES TO THE FINANCIAL STATEMENTS 30 June 2012

### Note 17—Statement of Contribution Plans (continued)

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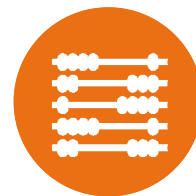
Penrith City Council is committed to providing appropriate levels of infrastructure and will on occasion complete works intended by contribution plans ahead of receipts to facilitate development and/or provide essential works.

In these instances these works are funded by borrowings against internal reserves.

The reserve balances shown in Note 6 have taken these borrowings into account.

The summary below illustrates the position of such plans and the contributions required to replace these internal borrowings:

<b>Contribution Plan</b>	<b>Amount</b>
North Cranebrook	18
Glenmore Park	1,034
Mt Vernon	193
Claremont Meadows	(278)
Erskine Park Residential	193
Penrith City Local Open Space	233
Lambridge Estate	(1,346)
Library Facilities	80
Kingswood Neighbourhood Centre	(84)
Footpath Construction	45
Cultural Facilities	(3,263)
Erskine Business Park	20,734
Waterside	400
Penrith City District Open Space	3,321
Glenmore Park Stage 2	(737)
Civic Improvement Plan	(2,311)
Werrington Enterprise Living and Learning (WELL)	(418)
Borrowing from Internal Reserves to fund deficits	8,437
	<hr/>
	<b>26,251</b>



## NOTES TO THE FINANCIAL STATEMENTS 30 June 2012

### Note 18—Contingencies, Assets, and Liabilities Not Recognised

The following contingencies do not qualify for recognition in the Balance Sheet but knowledge of those items is considered relevant to user of the financial statements in making and evaluating decisions about the allocation of scarce resources.

1. Council has guaranteed a loan of \$2m to Penrith Sports Stadium Limited. The loan financed building on land leased to Penrith Sports Stadium Ltd by Council until 10 October 2087. Council will be entitled to cancel the lease if action is taken to enforce the guarantee.
2. Borrowings are secured by mortgages over Council's incomes.

#### DEFINED BENEFIT SUPERANNUATION PLAN

Council contributes to the Local Government Superannuation Scheme which has a closed section where a portion of member entitlements are defined as a multiple of salary. The rate for 2011-12 was 1.9 times members' contributions (3.8 times in 2010-11) plus a basic benefit of 5% of the member's salary (5% in 2009-10). Member councils bear the responsibility of ensuring there are sufficient monies available to pay out benefits as these members cease employment. The position of this scheme is monitored annually and the Actuary has estimated that as at 30 June 2012, a deficit still exists.

Effective from 1 July 2009, employers are required to contribute additional contributions to assist in extinguishing this deficit. However, the Trustees may also call upon Councils to make an immediate payment sufficient to offset all or part of this deficit at any time. There is no current indication that such action will be necessary.

As the Scheme is a mutual arrangement where assets and liabilities are pooled together for all member councils, the amount of such a payment is not able to be reliably quantified. The share of this deficit that can be broadly attributed to Council was estimated to be in the order of \$6m as at 30 June 2012. LGSS have advised a revised payment calculation for contributions to this scheme from 2011-12, which includes an additional flat rate.

#### DEVELOPER CONTRIBUTIONS REVIEW

On 4 June 2010, the Premier of NSW announced changes to the Developer Contributions planning process which capped residential development contributions to \$20,000 per new lot/dwelling. On 31 August 2010, this cap was increased to \$30,000 per new lot/dwelling for greenfield release areas and applies to the Werrington Enterprise Living and Learning (WELL) Precinct and Glenmore Park Stage 2.

As a consequence of a Voluntary Planning Agreement (VPA) being negotiating with Glenmore Park Stage 2 landowners, the cap's impact is limited to the WELL Precinct. The infrastructure funding gap arising for new development in the WELL Precinct is estimated at \$46.5 million and would affect the WELL Precinct, District Open Space, and Cultural Facilities s94 Plans.

Following analysis of the physical, social and financial impacts of the cap on the WELL Precinct and the Penrith City community, Council, on 27 June 2011, resolved to require new development within the WELL Precinct to provide all drainage and most roadworks by way of conditions of development consent. Contributions up to \$30,000 per lot would be levied for open space, community and cultural facilities. The consequence of this resolution would be no infrastructure funding gaps under the three contributions plans applying to the WELL Precinct.

Council has completed a review of its section 94 plans, as directed by the Minister for Planning, and these revised plans have been adopted by Council and submitted to the Minister for Planning for determination and remaking. The Minister has not made the revised Plans.

More recent changes to the development contributions process proposed in the Green Paper on a New Planning System for NSW would lead to infrastructure funding gaps across the City (among most Plans) estimated to be between \$90 million and \$147 million, or a significant reduction in the nature and scale of facilities being funded. Plans funding open space, and community and cultural facilities would be especially significantly adversely affected. Council will be submitting strong objections to these proposed changes. The absence of detail in the Green Paper – and the fact that it is a Discussion Paper rather than a legislative reform – makes it difficult to provide more precise analysis of the impacts. Further analysis will be available following release of a White Paper and new Planning Act, expected in the next nine to twelve months.

# Statements and Notes

## NOTES TO THE FINANCIAL STATEMENTS 30 June 2012

### Note 19—Joint Ventures and Associated Entities

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\$ '000

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Council's objectives can and in some cases are best met through the use of separate entities & operations.

These operations and entities range from 100% ownership and control through to lower levels of ownership and control via co-operative arrangements with other Councils, Bodies and other Outside Organisations.

The accounting and reporting for these various entities, operations and arrangements varies in accordance with accounting standards, depending on the level of Councils (i) interest and (ii) control and the type (form) of entity/operation, as follows;

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#### Associated Entities & Joint Venture Entities

Arrangements in the form of a Separate Entity that deploys the resources of the operation itself.

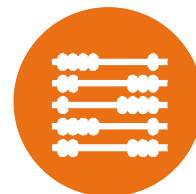
Under Associated Entities, Council significantly influences the operations (but does not control them), whilst for JV Entities, Council Jointly Controls the Operations with other parties.

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#### Accounting Recognition:

Associated Entities and Joint Venture Entities are accounted for using the Equity Accounting Method and are disclosed as a 1 line entry in both the Income Statement and Balance Sheet.

	Council's Share of Net Income		Council's Share of Net Assets	
	Actual	Actual	Actual	Actual
	2012	2011	2012	2011
Joint Venture Entities	333	426	3,228	2,896
<b>Total</b>	<b>333</b>	<b>426</b>	<b>3,228</b>	<b>2,896</b>



## NOTES TO THE FINANCIAL STATEMENTS 30 June 2012

### Note 19—Joint Ventures and Associated Entities

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#### Associated Entities & Joint Venture Entities

##### a) Carrying Amounts

Name of Entity	Principal Activity	2012	2011
Westpool	Insurance	2,786	2,754
United Independent Pools (UIP)	Insurance	442	142
<b>Total Carrying Amounts - Joint Venture Entities</b>		<b>3,228</b>	<b>2,896</b>

##### b) Relevant Interests

Name of Entity	Interest in Outputs		Interest in Ownership		Proportion of Voting Power	
	2012	2011	2012	2011	2012	2011
Westpool	14%	14%	14%	14%	14%	14%
United Independent Pools (UIP)	9%	10%	9%	10%	9%	10%

##### c) Movement in Carrying Amounts

	Westpool		United Independent Pools (UIP)	
	2012	2011	2012	2011
Opening Balance*	2,753	2,343	142	127
Share in Operating Result	33	411	300	15
<b>Council's Equity Share in the Joint Venture Entity</b>	<b>2,786</b>	<b>2,754</b>	<b>442</b>	<b>142</b>

\* an error found in the 2011 closing balance was corrected in the 2012 opening balance

# Statements and Notes

## NOTES TO THE FINANCIAL STATEMENTS 30 June 2012

### Note 19—Joint Ventures and Associated Entities

\$ '000

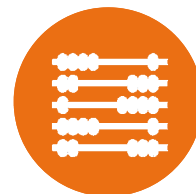
Associated Entities & Joint Venture Entities (continued)

#### d) Share of Joint Ventures Assets & Liabilities

	Assets		Liabilities		Net Assets
	Current	Non Current	Current	Non Current	
<b>2012</b>					
Westpool	5,424	4	355	2,287	2,786
United Independent Pools (UIP)	703	-	129	132	442
<b>Totals</b>	<b>6,127</b>	<b>4</b>	<b>484</b>	<b>2,419</b>	<b>3,228</b>
<b>2011</b>					
Westpool	4,762	5	300	1,713	2,754
United Independent Pools (UIP)	502	-	244	116	142
<b>Totals</b>	<b>5,264</b>	<b>5</b>	<b>544</b>	<b>1,829</b>	<b>2,896</b>

#### e) Share of Joint Ventures Revenues, Expenses & Results

	2012			2011		
	Revenues	Expenses	Result	Revenues	Expenses	Result
Westpool	1,192	1,159	33	1,299	888	411
United Independent Pools (UIP)	974	674	300	756	741	15
<b>Totals</b>	<b>2,166</b>	<b>1,833</b>	<b>333</b>	<b>2,055</b>	<b>1,629</b>	<b>426</b>



## NOTES TO THE FINANCIAL STATEMENTS 30 June 2012

### Note 20—Revaluation Reserves and Retained Earnings

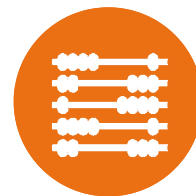
\$ '000	Notes	Actual 2012	Actual 2011
<b>a) Retained Earnings</b>			
<b>Movements in Retained Earnings were as follows:</b>			
Balance at beginning of Year (from previous years audited accounts)		1,853,892	867,353
<b>a. Changes in Accounting Policies (prior period effects)</b>	20 (d)	-	(991,224)
- Change in LUR acquired post 1 July 2008	20 (d)	-	(449)
- Recognition of LUR acquired pre-1 July 2008	20 (d)	-	1,107,027
- Change in Community Land valuations	20 (d)	-	(115,354)
<b>b. Other Comprehensive Income (excl. direct to Reserves transactions)</b>		-	991,224
<b>c. Net Operating Result for the Year</b>		20,871	(4,685)
<b>Balance at End of the Reporting Period</b>		<u>1,874,763</u>	<u>1,853,892</u>
<b>b) Reserves</b>			
<b>i) Reserves are represented by:</b>			
- Infrastructure, Property, Plant & Equipment Revaluation Rsv		631,672	396,151
<b>Total</b>		<u>631,672</u>	<u>396,151</u>
<b>ii) Reconciliation of movements in Reserves:</b>			
<b>Infrastructure, Property, Plant &amp; Equipment Revaluation Reserve</b>			
- Opening Balance		396,151	455,773
- Revaluations for the year	9(a)	235,521	-
- Correction of Operational Land on Revaluation	20(c)	-	(59,622)
- <b>Balance at End of Year</b>		<u>631,672</u>	<u>396,151</u>
<b>TOTAL VALUE OF RESERVES</b>		<u>631,672</u>	<u>396,151</u>
<b>iii) Nature &amp; Purpose of Reserves</b>			
<b>Infrastructure, Property, Plant &amp; Equipment Revaluation Reserve</b>			
- The Infrastructure, Property, Plant & Equipment Revaluation Reserve is used to record increments/decrements of Non Current Asset values due to their revaluation.			

# Statements and Notes

## NOTES TO THE FINANCIAL STATEMENTS 30 June 2012

### Note 20—Revaluation Reserves and Retained Earnings

\$ '000	Notes	Actual 2012	Actual 2011
c) Correction of Error/s relating to a Previous Reporting Period			
<b>Revaluation of Community Land classified as Operational Land</b>			
During the process of revaluing Council's Community Land, some Community Land was found to be misclassified as Operational Land.			
These misclassifications were revalued to VG valuations and resulted in a decrease in the value of Council's Operating Land of:			
		-	(59,622)
This adjustment resulted in a net increase / (decrease) in Council's Accumulated Surplus as at 30/6/11.			
<b>In accordance with AASB 108 - Accounting Policies, Changes in Accounting Estimates and Errors, the above Prior Period Errors have been recognised retrospectively.</b>			
<b>These amounted to the following Equity Adjustments:</b>			
- Adjustments to Opening Equity - 1/7/10			
		-	(59,622)
(relating to adjustments for the 30/6/10 reporting year end and prior periods)			
<b>Total Prior Period Adjustments - Prior Period Errors</b>		<u>-</u>	<u>(59,622)</u>



## NOTES TO THE FINANCIAL STATEMENTS 30 June 2012

### Note 20—Revaluation Reserves and Retained Earnings

\$ '000	Notes	Actual 2012	Actual 2011
d) Voluntary Changes in Accounting Policies			
<b>Accounting Policy Changes disclosed in last year's financial statements:</b>			
<b>Correction of Existing Land Under Roads (LUR)</b>			
Council corrected the value of its LUR acquired from 1 July 2008 to 30 June 2010 to align the valuation rates used for this portion of LUR to the total LUR recognised on Council's Balance Sheet. This error was corrected to ensure all LUR recognised on Council's Balance Sheet is valued using the same rate per hectare.			
This has had the effect of reducing I, PPE by:		-	(449)
<b>Recognition of Land Under Roads acquired prior to 1 July 2008</b>			
Council recognised for the first time previously unrecognised Land Under Road (LUR) Assets in accordance with the application of AASB 1051 - Land Under Roads held prior to 1 July 2008.			
This is a result of Council's election to recognise / derecognise LUR owned by Council as at 30 June 2008.			
This has had the effect of increasing I, PP&E by:		-	1,107,027
<b>Revaluation of Community Land</b>			
Council revalued its Community Land to the Valuer General's valuations. This land was previously valued using an area rate based on market values determined at the initial recognition of Council's Community Land booked in 1994-95.			
This has had the effect of reducing I, PP&E by:		-	(115,354)
<b>In accordance with AASB 108 - Accounting Policies, Changes in Accounting Estimates and Errors, the above changes in Accounting Policy have been recognised retrospectively.</b>			
<b>These amounted to the following Equity Adjustments:</b>			
- Adjustments to Opening Equity - 1/7/10 (relating to adjustments for the 30/6/10 reporting year end and prior periods)		-	991,224
- Adjustments to Closing Equity - 30/6/11 (relating to adjustments for the 30/6/11 year end)		-	-
<b>Total Prior Period Adjustments - Accounting Policy Changes</b>		<b>-</b>	<b>991,224</b>





## Penrith City Council

### **Independent auditor's report to the Council – s417(2) Report on the general purpose financial statements**

#### **Report on the financial statements**

We have audited the accompany financial statements of **Penrith City Council** (the Council), which comprise the balance sheet as at 30 June 2012 and the income statement, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, accompanying notes to the financial statements and the Statement by Councillors and Management in the approved form as required by Section 413(2) of the Local Government Act 1993.

#### *Councillors' responsibility for the financial statements*

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

#### *Auditor's responsibility*

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

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

When this audit report is included in an Annual Report, our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial statements.

Our audit responsibility does not extend to the Original Budget Figures included in the Income Statement, Statement of Cash Flows and the Original Budget disclosures in notes 2(a) and 16 and the Projections disclosed in note 17 to the financial statements, nor the attached Special Schedules, and accordingly, we express no opinion on them.

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**PricewaterhouseCoopers, ABN 52 780 433 757**  
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# Financial Statements



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

*Auditor's opinion:*

In our opinion:

- (a) the Council's accounting records have been kept in accordance with the requirements of the Local Government Act 1993, Chapter 13 part 3 Division 2 (the Division); and
- (b) the financial statements:
  - (i) have been presented, in all material respects, in accordance with the requirements of this Division
  - (ii) are consistent with the Council's accounting records
  - (iii) present fairly, in all material respects, the Council's financial position as of 30 June 2012 and its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- (c) all information relevant to the conduct of the audit has been obtained; and
- (d) there are no material deficiencies in the accounting records or financial statements that have come to light during the course of the audit.

A handwritten signature in blue ink, appearing to read 'PricewaterhouseCoopers'.

PricewaterhouseCoopers

A handwritten signature in blue ink, appearing to read 'Peter Buchholz'.

Peter Buchholz  
Partner

Sydney  
2012

3 September

# Statements and Notes



The Mayor  
Councillor Greg Davies  
Penrith City Council  
DX 8017  
PENRITH

Dear Councillor Davies

## REPORT ON THE CONDUCT OF THE AUDIT FOR YEAR ENDED 30 JUNE 2012 – SECTION 417(3)

We have completed our audit of the financial reports of Penrith City Council for the year ended 30 June 2012, in accordance with Section 415 of the Local Government Act 1993.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance as to whether the financial reports are free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial reports, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion as to whether, in all material respects, the financial reports are presented fairly in accordance with Australian Accounting Standards as well as Statutory requirements so as to present a view which is consistent with our understanding of the Council's financial position, the results of its operations and its cash flows.

This report should be read in conjunction with our audit opinion on the general purpose financial statements provided under Section 417(2) of the Local Government Act 1993.

Flowing from our audit, there are a number of comments we wish to raise concerning the trends in Council's finances. These are set out below:

### Operating Result

Council's operating result improved from a \$4.7m deficit in the previous year to a \$21m surplus in the current period. Large increases in capital grants and contributions (\$15m) contributed towards this improvement. The Operating result before Capital was a deficit of \$7.5m against the previous year's \$18m deficit.

### Cash Position

Council's overall cash position improved from \$62m to \$71m during the period under review. The following table highlights the composition of cash.

	2012 \$m	2011 \$m
Externally restricted	48.3	45.3
Internally restricted	18.5	16.1
Unrestricted	4.3	1.0
TOTAL	71.1	62.4

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# Financial Statements



## Working Capital

Council's net current assets improved from \$21m to \$24m during the period under review. The value of net current assets needs to be adjusted in order to establish the available working capital position.

	2012 \$'000	2011 \$'000
Net current assets	24,286	20,970
Less External restrictions	39,419	37,444
Internal restrictions	18,531	16,093
Inventories > 12mths	448	390
	<b>(34,112)</b>	<b>(32,957)</b>
Add current liabilities funded from other sources	38,355	36,907
Available Working Capital	4,243	3,950

The effective unrestricted or available working capital upon which Council could build its 2013 budget was \$4.2m.

## Performance Indicators

The financial reports disclose a number of indicators in Note 13 and these are detailed below:

	2012 %	2011 %
Unrestricted Current Ratio	132	119
Debt Service Ratio	7.4	7.6
Rate Coverage Ratio	47	51
Rates Outstanding Ratio	4.8	5.6
Asset Renewals Ratio	34	47

The Unrestricted Current Ratio improved and remained above the industry benchmark of 100%.

The Debt Service Ratio improved and remains below the industry benchmark of 10%.

The Rate Coverage Ratio declined to 47% of Revenue reflecting the higher capital grants and contributions received during the period.

The Rates Outstanding Ratio improved to 4.8% of collectibles and is now within the industry benchmark of 5%.

The Assets Renewals Ratio indicates that assets are only being renewed at 34% of the rate at which they are depreciating.

Council is considered to be in a sound and stable financial position. Most financial indicators are better than accepted industry benchmarks.

## Revaluations

Council revalued its land under roads during the period to reflect the latest valuations of land obtained from the Valuer General (2009 Base Dates). Council uses an average valuation of land in the Penrith local government area and the revised valuation resulted in \$236m being credited to the asset class and the asset revaluation reserve.

## General

The books of accounts and records inspected by us have been kept in an accurate and conscientious manner. We thank the General Manager and his staff for the cooperation and courtesy extended to us during the course of our audit.

Yours faithfully

PricewaterhouseCoopers

P L Buchholz  
Partner

Sydney  
2012

3 September

# Statements and Notes

Penrith City Council

Special Purpose Financial Statements  
for the financial year ended 30 June 2012

Statement by Councillors and Management  
made pursuant to the Local Government Code of Accounting Practice and Financial Reporting

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

- The NSW Government Policy Statement "Application of National Competition Policy to Local Government".
- The Division of Local Government Guidelines "Pricing & Costing for Council Businesses - A Guide to Competitive Neutrality".
- The Local Government Code of Accounting Practice and Financial Reporting.

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

- Present fairly the Operating Result and Financial Position for each of Council's declared Business Activities for the year, and
- Accord with Council's accounting and other records.

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

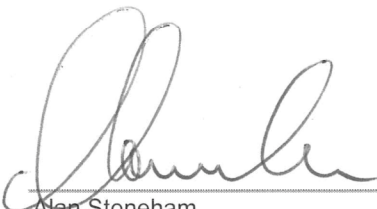
**Signed in accordance with a resolution of Council made on 3 September 2012.**



Cr Greg Davies  
MAYOR



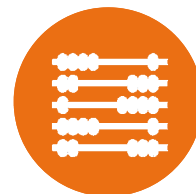
Cr Kath Presdee  
COUNCILLOR



Alan Stoneham  
GENERAL MANAGER



Vicki O'Kelly  
RESPONSIBLE ACCOUNTING OFFICER



## SPECIAL PURPOSE FINANCIAL STATEMENTS 30 June 2012

### Income Statement by Business Activities

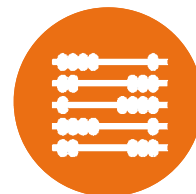
\$ '000	Childcare		Council Pools	
	Category 1		Category 1	
	Actual 2012	Actual 2011	Actual 2012	Actual 2011
<b>Income from continuing operations</b>				
User charges	9,197	9,464	2,989	3,155
Interest	-	-	10	13
Grants and contributions provided for non capital purposes	7,944	6,401	-	-
Profit from the sale of assets	-	-	-	-
Other income	90	151	1	34
<b>Total income from continuing operations</b>	<b>17,231</b>	<b>16,016</b>	<b>3,000</b>	<b>3,202</b>
<b>Expenses from continuing operations</b>				
Employee benefits and on-costs	13,513	13,046	2,738	2,740
Borrowing costs	-	-	-	-
Materials and contracts	1,120	791	776	827
Depreciation and impairment	-	-	45	57
Loss on sale of assets	-	-	-	-
Calculated taxation equivalents	735	656	30	30
Debt guarantee fee (if applicable)	620	1,028	655	1,150
Other expenses	1,047	1,101	471	442
<b>Total expenses from continuing operations</b>	<b>17,035</b>	<b>16,622</b>	<b>4,715</b>	<b>5,246</b>
<b>Surplus (deficit) from Continuing Operations before capital amounts</b>	<b>196</b>	<b>(606)</b>	<b>(1,715)</b>	<b>(2,044)</b>
Grants and contributions provided for capital purposes	-	-	-	-
<b>Surplus (deficit) from Continuing Operations after capital amounts</b>	<b>196</b>	<b>(606)</b>	<b>(1,715)</b>	<b>(2,044)</b>
Surplus (deficit) from discontinued operations	-	-	-	-
<b>Surplus (deficit) from ALL Operations before tax</b>	<b>196</b>	<b>(606)</b>	<b>(1,715)</b>	<b>(2,044)</b>
less: Corporate Taxation Equivalent (30%) [based on result before capital]	(59)	-	-	-
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>137</b>	<b>(606)</b>	<b>(1,715)</b>	<b>(2,044)</b>
plus Opening Retained Profits	(3,842)	(5,140)	(14,114)	(13,912)
plus Adjustments for amounts unpaid:				
- Taxation equivalent payments	735	656	30	30
- Imputed Rental	620	1,028	655	1,150
- Corporate taxation equivalent	59	-	-	-
add:				
- Subsidy Paid/Contribution To Operations	181	220	710	662
less:				
- TER dividend paid	-	-	-	-
- Dividend paid	-	-	-	-
<b>Closing Retained Profits</b>	<b>(2,110)</b>	<b>(3,842)</b>	<b>(14,434)</b>	<b>(14,114)</b>
<b>Return on Capital %</b>	<b>n/a</b>	<b>n/a</b>	<b>-1491.3%</b>	<b>-1635.2%</b>
<b>Subsidy from Council</b>	<b>-</b>	<b>606</b>	<b>1,718</b>	<b>2,051</b>

# Statements and Notes

## SPECIAL PURPOSE FINANCIAL STATEMENTS 30 June 2012

### Income Statement by Business Activities

\$ '000	Property Development Category 1		Whitewater Category 1	
	Actual	Actual	Actual	Actual
	2012	2011	2012	2011
<b>Income from continuing operations</b>				
User charges	3,530	8,640	1,804	2,143
Interest	186	168	18	21
Grants and contributions provided for non capital purposes	-	-	-	-
Profit from the sale of assets	-	-	-	4
Other income	-	-	-	-
<b>Total income from continuing operations</b>	<b>3,716</b>	<b>8,808</b>	<b>1,822</b>	<b>2,168</b>
<b>Expenses from continuing operations</b>				
Employee benefits and on-costs	591	581	878	750
Borrowing costs	126	55	75	86
Materials and contracts	1,081	1,088	313	410
Depreciation and impairment	1,974	1,769	127	146
Loss on sale of assets	-	-	-	-
Calculated taxation equivalents	764	754	11	5
Debt guarantee fee (if applicable)	38	-	31	-
Other expenses	480	403	529	511
<b>Total expenses from continuing operations</b>	<b>5,054</b>	<b>4,650</b>	<b>1,964</b>	<b>1,908</b>
<b>Surplus (deficit) from Continuing Operations before capital amounts</b>	<b>(1,338)</b>	<b>4,158</b>	<b>(142)</b>	<b>260</b>
Grants and contributions provided for capital purposes	-	-	-	-
<b>Surplus (deficit) from Continuing Operations after capital amounts</b>	<b>(1,338)</b>	<b>4,158</b>	<b>(142)</b>	<b>260</b>
Surplus (deficit) from discontinued operations	-	-	-	-
<b>Surplus (deficit) from ALL Operations before tax</b>	<b>(1,338)</b>	<b>4,158</b>	<b>(142)</b>	<b>260</b>
less: Corporate Taxation Equivalent (30%) [based on result before capital]	-	(1,247)	-	(78)
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>(1,338)</b>	<b>2,911</b>	<b>(142)</b>	<b>182</b>
plus Opening Retained Profits	56,466	53,839	488	292
plus Adjustments for amounts unpaid:				
- Taxation equivalent payments	764	754	11	5
- Imputed Rental	38	-	31	-
- Corporate taxation equivalent	-	1,247	-	78
add:				
- Subsidy Paid/Contribution To Operations	-	-	-	(69)
less:				
- TER dividend paid	-	-	-	-
- Dividend paid	(1,359)	(2,285)	-	-
<b>Closing Retained Profits</b>	<b>54,571</b>	<b>56,466</b>	<b>388</b>	<b>488</b>
<b>Return on Capital %</b>	<b>-2.5%</b>	<b>8.4%</b>	<b>-5.2%</b>	<b>25.0%</b>
<b>Subsidy from Council</b>	<b>2,687</b>	<b>-</b>	<b>106</b>	<b>-</b>



## SPECIAL PURPOSE FINANCIAL STATEMENTS 30 June 2012

### Income Statement by Business Activities

\$ '000	Penrith Performing and Visual Arts Ltd		Cemeteries	
	Category 1		Category 2	
	Actual 2012	Actual 2011	Actual 2012	Actual 2011
<b>Income from continuing operations</b>				
User charges	1,272	1,348	598	490
Interest	48	58	-	-
Grants and contributions provided for non capital purposes	1,913	547	-	-
Profit from the sale of assets	-	-	-	-
Other income	20	24	-	-
<b>Total income from continuing operations</b>	<b>3,253</b>	<b>1,977</b>	<b>598</b>	<b>490</b>
<b>Expenses from continuing operations</b>				
Employee benefits and on-costs	1,667	1,594	280	281
Borrowing costs	-	-	-	-
Materials and contracts	1,136	1,358	305	265
Depreciation and impairment	66	76	7	5
Loss on sale of assets	5	-	-	-
Calculated taxation equivalents	54	51	-	-
Imputed Rental	885	1,596	-	-
Other expenses	395	388	92	91
<b>Total expenses from continuing operations</b>	<b>4,208</b>	<b>5,063</b>	<b>684</b>	<b>642</b>
<b>Surplus (deficit) from Continuing Operations before capital amounts</b>	<b>(955)</b>	<b>(3,086)</b>	<b>(86)</b>	<b>(152)</b>
Grants and contributions provided for capital purposes	-	-	-	-
<b>Surplus (deficit) from Continuing Operations after capital amounts</b>	<b>(955)</b>	<b>(3,086)</b>	<b>(86)</b>	<b>(152)</b>
Surplus (deficit) from discontinued operations	-	-	-	-
<b>Surplus (deficit) from ALL Operations before tax</b>	<b>(955)</b>	<b>(3,086)</b>	<b>(86)</b>	<b>(152)</b>
less: Corporate Taxation Equivalent (30%) [based on result before capital]	-	-	-	-
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>(955)</b>	<b>(3,086)</b>	<b>(86)</b>	<b>(152)</b>
plus Opening Retained Profits	(11,478)	(11,535)	(745)	(593)
plus Adjustments for amounts unpaid:				
- Taxation equivalent payments	54	51	-	-
- Imputed Rental	885	1,596	-	-
- Corporate taxation equivalent	-	-	-	-
add:				
- Subsidy Paid/Contribution To Operations	1,913	1,496	-	-
less:				
- TER dividend paid	-	-	-	-
- Dividend paid	-	-	-	-
<b>Closing Retained Profits</b>	<b>(9,581)</b>	<b>(11,478)</b>	<b>(831)</b>	<b>(745)</b>
<b>Return on Capital %</b>	<b>-162.4%</b>	<b>-522.2%</b>	<b>-13.4%</b>	<b>-26.6%</b>
<b>Subsidy from Council</b>	<b>973</b>	<b>3,117</b>	<b>105</b>	<b>182</b>

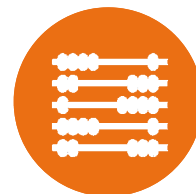


# Statements and Notes

## SPECIAL PURPOSE FINANCIAL STATEMENTS 30 June 2012

### Income Statement by Business Activities

	Tennis Courts		St Clair Recreation Centre	
	Category 2		Category 2	
\$ '000	Actual 2012	Actual 2011	Actual 2012	Actual 2011
<b>Income from continuing operations</b>				
User charges	55	70	-	-
Interest	3	4	-	-
Grants and contributions provided for non capital purposes	-	-	-	-
Profit from the sale of assets	-	-	-	-
Other income	31	-	-	-
<b>Total income from continuing operations</b>	<b>89</b>	<b>74</b>	<b>-</b>	<b>-</b>
<b>Expenses from continuing operations</b>				
Employee benefits and on-costs	29	24	87	84
Borrowing costs	-	-	-	-
Materials and contracts	21	20	-	-
Depreciation and impairment	221	300	3	3
Loss on sale of assets	-	-	-	-
Calculated taxation equivalents	8	11	-	-
Imputed Rental	-	-	40	71
Other expenses	26	18	29	38
<b>Total expenses from continuing operations</b>	<b>305</b>	<b>373</b>	<b>159</b>	<b>196</b>
<b>Surplus (deficit) from Continuing Operations before capital amounts</b>	<b>(216)</b>	<b>(299)</b>	<b>(159)</b>	<b>(196)</b>
Grants and contributions provided for capital purposes	-	-	-	-
<b>Surplus (deficit) from Continuing Operations after capital amounts</b>	<b>(216)</b>	<b>(299)</b>	<b>(159)</b>	<b>(196)</b>
Surplus (deficit) from discontinued operations	-	-	-	-
<b>Surplus (deficit) from ALL Operations before tax</b>	<b>(216)</b>	<b>(299)</b>	<b>(159)</b>	<b>(196)</b>
less: Corporate Taxation Equivalent (30%) [based on result before capital]	-	-	-	-
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>(216)</b>	<b>(299)</b>	<b>(159)</b>	<b>(196)</b>
plus Opening Retained Profits	3,193	3,481	(3,797)	(3,672)
plus Adjustments for amounts unpaid:				
- Taxation equivalent payments	8	11	-	-
- Imputed Rental	-	-	40	71
- Corporate taxation equivalent	-	-	-	-
add:				
- Subsidy Paid/Contribution To Operations	-	-	-	-
less:				
- TER dividend paid	-	-	-	-
- Dividend paid	-	-	-	-
<b>Closing Retained Profits</b>	<b>2,985</b>	<b>3,193</b>	<b>(3,916)</b>	<b>(3,797)</b>
<b>Return on Capital %</b>	<b>-9.1%</b>	<b>-10.2%</b>	<b>-1135.7%</b>	<b>-1152.9%</b>
<b>Subsidy from Council</b>	<b>288</b>	<b>451</b>	<b>159</b>	<b>196</b>



## SPECIAL PURPOSE FINANCIAL STATEMENTS 30 June 2012

### Income Statement by Business Activities

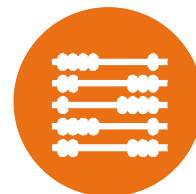
\$ '000	Lemongrove		Halls	
	Category 2		Category 2	
	Actual 2012	Actual 2011	Actual 2012	Actual 2011
<b>Income from continuing operations</b>				
User charges	-	1,418	277	123
Interest	-	60	3	-
Grants and contributions provided for non capital purposes	-	-	26	-
Profit from the sale of assets	-	-	-	-
Other income	-	78	178	163
<b>Total income from continuing operations</b>	-	<b>1,556</b>	<b>484</b>	<b>286</b>
<b>Expenses from continuing operations</b>				
Employee benefits and on-costs	-	23	192	182
Borrowing costs	-	-	-	-
Materials and contracts	-	163	297	178
Depreciation and impairment	-	117	981	976
Loss on sale of assets	-	-	-	-
Calculated taxation equivalents	-	-	-	-
Imputed Rental	-	-	-	-
Other expenses	-	1,139	120	111
<b>Total expenses from continuing operations</b>	-	<b>1,442</b>	<b>1,590</b>	<b>1,447</b>
<b>Surplus (deficit) from Continuing Operations before capital amounts</b>	-	<b>114</b>	<b>(1,106)</b>	<b>(1,161)</b>
Grants and contributions provided for capital purposes	-	-	-	-
<b>Surplus (deficit) from Continuing Operations after capital amounts</b>	-	<b>114</b>	<b>(1,106)</b>	<b>(1,161)</b>
Surplus (deficit) from discontinued operations	2,191	-	-	-
<b>Surplus (deficit) from ALL Operations before tax</b>	<b>2,191</b>	<b>114</b>	<b>(1,106)</b>	<b>(1,161)</b>
less: Corporate Taxation Equivalent (30%) [based on result before capital]	-	(34)	-	-
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>2,191</b>	<b>80</b>	<b>(1,106)</b>	<b>(1,161)</b>
plus Opening Retained Profits	(2,191)	(2,305)	10,032	11,193
plus Adjustments for amounts unpaid:				
- Taxation equivalent payments	-	-	-	-
- Imputed Rental	-	-	-	-
- Corporate taxation equivalent	-	34	-	-
add:				
- Subsidy Paid/Contribution To Operations	-	-	-	-
less:				
- TER dividend paid	-	-	-	-
- Dividend paid	-	-	-	-
<b>Closing Retained Profits</b>	-	<b>(2,191)</b>	<b>8,926</b>	<b>10,032</b>
<b>Return on Capital %</b>	n/a	n/a	-8.9%	-9.3%
<b>Subsidy from Council</b>	-	-	<b>1,482</b>	<b>1,812</b>

# Statements and Notes

## SPECIAL PURPOSE FINANCIAL STATEMENTS 30 June 2012

### Income Statement by Business Activities

	Contestable Services Category 2	
	Actual 2012	Actual 2011
<b>\$ '000</b>		
<b>Income from continuing operations</b>		
User charges	438	456
Interest	-	-
Grants and contributions provided for non capital purposes	-	-
Profit from the sale of assets	-	-
Other income	-	-
<b>Total income from continuing operations</b>	<b>438</b>	<b>456</b>
<b>Expenses from continuing operations</b>		
Employee benefits and on-costs	366	348
Borrowing costs	-	-
Materials and contracts	1	2
Depreciation and impairment	-	-
Loss on sale of assets	-	-
Calculated taxation equivalents	-	-
Debt guarantee fee (if applicable)	-	-
Other expenses	151	110
<b>Total expenses from continuing operations</b>	<b>518</b>	<b>460</b>
<b>Surplus (deficit) from Continuing Operations before capital amounts</b>	<b>(80)</b>	<b>(4)</b>
Grants and contributions provided for capital purposes	-	-
<b>Surplus (deficit) from Continuing Operations after capital amounts</b>	<b>(80)</b>	<b>(4)</b>
Surplus (deficit) from discontinued operations	-	-
<b>Surplus (deficit) from ALL Operations before tax</b>	<b>(80)</b>	<b>(4)</b>
less: Corporate Taxation Equivalent (30%) [based on result before capital]	-	-
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>(80)</b>	<b>(4)</b>
plus Opening Retained Profits	(4)	-
plus Adjustments for amounts unpaid:		
- Taxation equivalent payments	-	-
- Imputed Rental	-	-
- Corporate taxation equivalent	-	-
add:		
- Subsidy Paid/Contribution To Operations	-	-
less:		
- TER dividend paid	-	-
- Dividend paid	-	-
<b>Closing Retained Profits</b>	<b>(84)</b>	<b>(4)</b>
<b>Return on Capital %</b>	<b>n/a</b>	<b>n/a</b>
<b>Subsidy from Council</b>	<b>80</b>	<b>-</b>



## SPECIAL PURPOSE FINANCIAL STATEMENTS 30 June 2012

### Balance Sheet by Business Activities

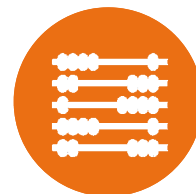
\$ '000	Childcare		Council Pools	
	Category 1		Category 1	
	Actual 2012	Actual 2011	Actual 2012	Actual 2011
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and cash equivalents	3	3	34	77
Investments	1,790	2,007	-	-
Receivables	251	270	396	32
Inventories	-	-	20	26
Other	-	-	19	5
Non-current assets classified as held for sale	-	-	-	-
<b>Total Current Assets</b>	<b>2,044</b>	<b>2,280</b>	<b>469</b>	<b>140</b>
<b>Non-Current Assets</b>				
Inventories	-	-	-	-
Infrastructure, property, plant and equipment	-	-	115	125
Investments accounted for using equity method	-	-	-	-
Investment property	-	-	-	-
Other	-	-	-	-
<b>Total Non-Current Assets</b>	<b>-</b>	<b>-</b>	<b>115</b>	<b>125</b>
<b>TOTAL ASSETS</b>	<b>2,044</b>	<b>2,280</b>	<b>584</b>	<b>265</b>
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Payables	977	963	658	323
Interest bearing liabilities	-	-	-	-
Provisions	-	-	257	213
<b>Total Current Liabilities</b>	<b>977</b>	<b>963</b>	<b>915</b>	<b>536</b>
<b>Non-Current Liabilities</b>				
Payables	-	-	-	-
Interest bearing liabilities	-	-	-	-
Provisions	-	-	-	-
Other Liabilities	3,177	5,159	14,103	13,843
<b>Total Non-Current Liabilities</b>	<b>3,177</b>	<b>5,159</b>	<b>14,103</b>	<b>13,843</b>
<b>TOTAL LIABILITIES</b>	<b>4,154</b>	<b>6,122</b>	<b>15,018</b>	<b>14,379</b>
<b>NET ASSETS</b>	<b>(2,110)</b>	<b>(3,842)</b>	<b>(14,434)</b>	<b>(14,114)</b>
<b>EQUITY</b>				
Retained earnings	(2,110)	(3,842)	(14,434)	(14,114)
Revaluation reserves	-	-	-	-
Council equity interest	<b>(2,110)</b>	<b>(3,842)</b>	<b>(14,434)</b>	<b>(14,114)</b>
<b>TOTAL EQUITY</b>	<b>(2,110)</b>	<b>(3,842)</b>	<b>(14,434)</b>	<b>(14,114)</b>

# Statements and Notes

## SPECIAL PURPOSE FINANCIAL STATEMENTS 30 June 2012

### Balance Sheet by Business Activities

\$ '000	Property Development Category 1		Whitewater Category 1	
	Actual 2012	Actual 2011	Actual 2012	Actual 2011
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and cash equivalents	-	-	10	26
Investments	4,791	6,537	369	503
Receivables	-	-	48	9
Inventories	745	745	17	14
Other	3	1	(14)	(16)
Non-current assets classified as held for sale	125	-	-	-
<b>Total Current Assets</b>	<b>5,664</b>	<b>7,283</b>	<b>430</b>	<b>536</b>
<b>Non-Current Assets</b>				
Inventories	448	390	-	-
Infrastructure, property, plant and equipment	48,693	49,863	1,283	1,384
Investments accounted for using equity method	-	-	-	-
Investment property	-	-	-	-
Other	1,019	720	75	-
<b>Total Non-Current Assets</b>	<b>50,160</b>	<b>50,973</b>	<b>1,358</b>	<b>1,384</b>
<b>TOTAL ASSETS</b>	<b>55,824</b>	<b>58,256</b>	<b>1,788</b>	<b>1,920</b>
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Payables	14	14	166	154
Interest bearing liabilities	576	538	143	134
Provisions	1	1	210	114
<b>Total Current Liabilities</b>	<b>591</b>	<b>552</b>	<b>519</b>	<b>402</b>
<b>Non-Current Liabilities</b>				
Payables	-	-	-	-
Interest bearing liabilities	662	1,238	881	1,024
Provisions	-	-	-	-
Other Liabilities	-	-	-	6
<b>Total Non-Current Liabilities</b>	<b>662</b>	<b>1,238</b>	<b>881</b>	<b>1,030</b>
<b>TOTAL LIABILITIES</b>	<b>1,253</b>	<b>1,790</b>	<b>1,400</b>	<b>1,432</b>
<b>NET ASSETS</b>	<b>54,571</b>	<b>56,466</b>	<b>388</b>	<b>488</b>
<b>EQUITY</b>				
Retained earnings	34,750	36,645	388	488
Revaluation reserves	19,821	19,821	-	-
Council equity interest	<b>54,571</b>	<b>56,466</b>	<b>388</b>	<b>488</b>
<b>TOTAL EQUITY</b>	<b>54,571</b>	<b>56,466</b>	<b>388</b>	<b>488</b>



## SPECIAL PURPOSE FINANCIAL STATEMENTS 30 June 2012

### Balance Sheet by Business Activities

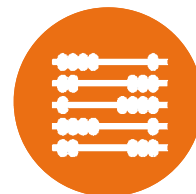
\$ '000	Penrith Performing and Visual Arts Ltd		Cemeteries	
	Category 1		Category 2	
	Actual 2012	Actual 2011	Actual 2012	Actual 2011
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and cash equivalents	37	13	-	-
Investments	820	1,000	390	235
Receivables	102	58	-	-
Inventories	9	8	-	-
Other	56	-	-	-
Non-current assets classified as held for sale	-	-	-	-
<b>Total Current Assets</b>	<b>1,024</b>	<b>1,079</b>	<b>390</b>	<b>235</b>
<b>Non-Current Assets</b>				
Inventories	-	-	-	-
Infrastructure, property, plant and equipment	588	591	642	571
Investments accounted for using equity method	-	-	-	-
Investment property	-	-	-	-
Other	-	103	-	-
<b>Total Non-Current Assets</b>	<b>588</b>	<b>694</b>	<b>642</b>	<b>571</b>
<b>TOTAL ASSETS</b>	<b>1,612</b>	<b>1,773</b>	<b>1,032</b>	<b>806</b>
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Payables	733	918	-	-
Interest bearing liabilities	-	-	-	-
Provisions	85	86	-	-
<b>Total Current Liabilities</b>	<b>818</b>	<b>1,004</b>	<b>-</b>	<b>-</b>
<b>Non-Current Liabilities</b>				
Payables	-	-	-	-
Interest bearing liabilities	-	-	-	-
Provisions	139	110	-	-
Other Liabilities	10,236	12,137	1,863	1,551
<b>Total Non-Current Liabilities</b>	<b>10,375</b>	<b>12,247</b>	<b>1,863</b>	<b>1,551</b>
<b>TOTAL LIABILITIES</b>	<b>11,193</b>	<b>13,251</b>	<b>1,863</b>	<b>1,551</b>
<b>NET ASSETS</b>	<b>(9,581)</b>	<b>(11,478)</b>	<b>(831)</b>	<b>(745)</b>
<b>EQUITY</b>				
Retained earnings	(9,581)	(11,478)	(831)	(745)
Revaluation reserves	-	-	-	-
Council equity interest	<b>(9,581)</b>	<b>(11,478)</b>	<b>(831)</b>	<b>(745)</b>
<b>TOTAL EQUITY</b>	<b>(9,581)</b>	<b>(11,478)</b>	<b>(831)</b>	<b>(745)</b>

# Statements and Notes

## SPECIAL PURPOSE FINANCIAL STATEMENTS 30 June 2012

### Balance Sheet by Business Activities

\$ '000	Tennis Courts Category 2		St Clair Recreation Centre Category 2	
	Actual 2012	Actual 2011	Actual 2012	Actual 2011
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and cash equivalents	67	34	-	-
Investments	-	-	-	-
Receivables	15	1	-	-
Inventories	-	-	-	-
Other	-	-	-	-
Non-current assets classified as held for sale	-	-	-	-
<b>Total Current Assets</b>	<b>82</b>	<b>35</b>	<b>-</b>	<b>-</b>
<b>Non-Current Assets</b>				
Inventories	-	-	-	-
Infrastructure, property, plant and equipment	2,382	2,924	14	17
Investments accounted for using equity method	-	-	-	-
Investment property	-	-	-	-
Other	523	234	-	-
<b>Total Non-Current Assets</b>	<b>2,905</b>	<b>3,158</b>	<b>14</b>	<b>17</b>
<b>TOTAL ASSETS</b>	<b>2,987</b>	<b>3,193</b>	<b>14</b>	<b>17</b>
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Payables	2	-	-	-
Interest bearing liabilities	-	-	-	-
Provisions	-	-	1	-
<b>Total Current Liabilities</b>	<b>2</b>	<b>-</b>	<b>1</b>	<b>-</b>
<b>Non-Current Liabilities</b>				
Payables	-	-	-	-
Interest bearing liabilities	-	-	-	-
Provisions	-	-	-	-
Other Liabilities	-	-	3,929	3,814
<b>Total Non-Current Liabilities</b>	<b>-</b>	<b>-</b>	<b>3,929</b>	<b>3,814</b>
<b>TOTAL LIABILITIES</b>	<b>2</b>	<b>-</b>	<b>3,930</b>	<b>3,814</b>
<b>NET ASSETS</b>	<b>2,985</b>	<b>3,193</b>	<b>(3,916)</b>	<b>(3,797)</b>
<b>EQUITY</b>				
Retained earnings	1,142	1,350	(3,916)	(3,797)
Revaluation reserves	1,843	1,843	-	-
Council equity interest	<b>2,985</b>	<b>3,193</b>	<b>(3,916)</b>	<b>(3,797)</b>
<b>TOTAL EQUITY</b>	<b>2,985</b>	<b>3,193</b>	<b>(3,916)</b>	<b>(3,797)</b>



## SPECIAL PURPOSE FINANCIAL STATEMENTS 30 June 2012

### Balance Sheet by Business Activities

\$ '000	Lemongrove		Halls	
	Category 2		Category 2	
	Actual 2012	Actual 2011	Actual 2012	Actual 2011
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and cash equivalents	-	-	574	171
Investments	-	578	125	75
Receivables	-	-	66	17
Inventories	-	-	-	-
Other	-	-	-	-
Non-current assets classified as held for sale	-	-	-	-
<b>Total Current Assets</b>	<b>-</b>	<b>578</b>	<b>765</b>	<b>263</b>
<b>Non-Current Assets</b>				
Inventories	-	-	-	-
Infrastructure, property, plant and equipment	-	-	12,397	12,498
Investments accounted for using equity method	-	-	-	-
Investment property	-	-	-	-
Other	-	-	-	-
<b>Total Non-Current Assets</b>	<b>-</b>	<b>-</b>	<b>12,397</b>	<b>12,498</b>
<b>TOTAL ASSETS</b>	<b>-</b>	<b>578</b>	<b>13,162</b>	<b>12,761</b>
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Payables	-	-	87	36
Interest bearing liabilities	-	-	-	-
Provisions	-	-	-	-
<b>Total Current Liabilities</b>	<b>-</b>	<b>-</b>	<b>87</b>	<b>36</b>
<b>Non-Current Liabilities</b>				
Payables	-	-	-	-
Interest bearing liabilities	-	-	-	-
Provisions	-	-	-	-
Other Liabilities	-	2,769	4,149	2,693
<b>Total Non-Current Liabilities</b>	<b>-</b>	<b>2,769</b>	<b>4,149</b>	<b>2,693</b>
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>2,769</b>	<b>4,236</b>	<b>2,729</b>
<b>NET ASSETS</b>	<b>-</b>	<b>(2,191)</b>	<b>8,926</b>	<b>10,032</b>
<b>EQUITY</b>				
Retained earnings	-	(2,191)	3,095	4,201
Revaluation reserves	-	-	5,831	5,831
Council equity interest	-	<b>(2,191)</b>	<b>8,926</b>	<b>10,032</b>
<b>TOTAL EQUITY</b>	<b>-</b>	<b>(2,191)</b>	<b>8,926</b>	<b>10,032</b>

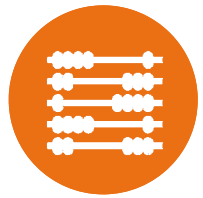


# Statements and Notes

## SPECIAL PURPOSE FINANCIAL STATEMENTS 30 June 2012

### Balance Sheet by Business Activities

	Contestable Services Category 2	
\$ '000	Actual 2012	Actual 2011
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	-	-
Investments	-	-
Receivables	-	-
Inventories	-	-
Other	-	-
Non-current assets classified as held for sale	-	-
<b>Total Current Assets</b>	<b>-</b>	<b>-</b>
<b>Non-Current Assets</b>		
Inventories	-	-
Infrastructure, property, plant and equipment	-	-
Investments accounted for using equity method	-	-
Investment property	-	-
Other	-	-
<b>Total Non-Current Assets</b>	<b>-</b>	<b>-</b>
<b>TOTAL ASSETS</b>	<b>-</b>	<b>-</b>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Payables	-	-
Interest bearing liabilities	-	-
Provisions	1	1
<b>Total Current Liabilities</b>	<b>1</b>	<b>1</b>
<b>Non-Current Liabilities</b>		
Payables	-	-
Interest bearing liabilities	-	-
Provisions	-	-
Other Liabilities	83	3
<b>Total Non-Current Liabilities</b>	<b>83</b>	<b>3</b>
<b>TOTAL LIABILITIES</b>	<b>84</b>	<b>4</b>
<b>NET ASSETS</b>	<b>(84)</b>	<b>(4)</b>
<b>EQUITY</b>		
Retained earnings	(84)	(4)
Revaluation reserves	-	-
Council equity interest	(84)	(4)
Minority equity interest	-	-
<b>TOTAL EQUITY</b>	<b>(84)</b>	<b>(4)</b>



## NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS 30 June 2012

### Note 1—Significant Accounting Policies

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

For the purposes of these statements, the Council's business activities (reported herein) are not reporting entities.

These special purpose financial statements, unless otherwise stated, have been prepared in accordance with;

- applicable Australian Accounting Standards,
- other authoritative pronouncements of the Australian Accounting Standards Board,
- Australian Accounting Interpretations,
- the Local Government Act and Regulation, and
- the Local Government Code of Accounting Practice and Financial Reporting.

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

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

#### National Competition Policy

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

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

The "*Pricing & Costing for Council Businesses A Guide to Competitive Neutrality*" issued by the Division 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)

##### Childcare

Council operates a number of children's centres and includes the transactions associated with these centres in its consolidated fund. The centres include 18 providing long day care services, 9 providing before and after school care services, 1 occasional care service and 6 preschool services. The Penrith City Children's Services Co-operative, established in January 2003, manages the Children's Centres (excluding the Glenmore Park Child & Family Centre) through a delegation under S377 of the Local Government Act 1993.

##### Council Pools

Includes all activities conducted at Ripples Aquatic Centre (such as gymnasium and aerobics). Penrith Pool is also included. The business activity is considered to be a tenant.

##### Property Development

The purchase, development, rental and management of real estate. Almost all assets would have dual purposes of revenue generation and community service. Community Service purposes include preventing inappropriate development, attracting business into the region and providing shopping facilities to new estates (when the population does not yet support profitable trading).

##### Whitewater Stadium

Penrith Whitewater Stadium Limited provides whitewater canoe slalom facilities for competition,

# Statements and Notes

## NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS 30 June 2012

### Note 1—Significant Accounting Policies (continued)

training and recreation purposes.

#### Penrith Performing and Visual Arts Limited

During 2006-07 the Penrith Regional Gallery and Lewers Bequest was joined with the Joan Sutherland Performing Arts Centre to be managed by a revised company structure named Penrith Performing and Visual Arts Limited. This new entity provides gallery, theatre, function and educational facilities. The centres organise activities and also provide for hire of venues. Many items, and in particular, the educational programs are community services. The Venues are provided to community groups at a discounted rental. The business is a tenant and a market rental has been estimated.

#### Category 2

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

#### Cemeteries

Provides for burials and for internment of ashes. The land on which these operations are conducted are owned by trusts and Council is the manager of the trusts. The management function is considered a business activity. No rental charge of the land has been imputed.

#### Tennis Courts

45 Tennis Courts are managed under various structures.

#### St Clair Recreation Centre

Indoor sporting and gymnastics facilities.

#### Halls

15 Halls may be hired and are managed under various structures. Catering service is not available from Council.

#### Contestable Services

Services that can be provided by either Council or other businesses.

#### Monetary Amounts

Amounts shown in the financial statements are in

Australian currency and rounded to the nearest one thousand dollars.

#### i) Taxation Equivalent Charges

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

However, where Council is exempt from paying taxes which are generally paid by private sector businesses (such as income tax), equivalent tax payments have been applied to all Council nominated business activities and are reflected in these financial statements.

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

#### Notional Rate Applied %

Corporate Income Tax Rate – 30%

Land Tax – The first **\$396,000** of combined land values attracts **0%**. From \$396,001 to \$2,421,000 the rate is **1.6% + \$100**. For the remaining combined land value that exceeds \$2,421,000, a premium marginal rate of **2.0%** applies.

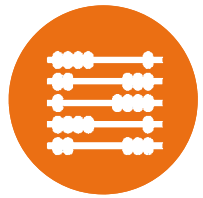
Payroll Tax – **5.45%** on the value of taxable salaries and wages in excess of \$678,000.

#### 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%.



## NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS 30 June 2012

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

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

#### Local Government Rates & Charges

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

#### Loan & Debt Guarantee Fees

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

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

#### ii) Subsidies

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

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 on Capital is calculated as follows:

$$\frac{\text{Operating Result before Capital Income + Interest Expense}}{\text{Written Down Value of I,PP\&E as at 30 June}}$$

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 3.03% at 30/6/12.

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

#### iv) Dividends

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



## **Penrith City Council**

### **Independent auditor's report Report on the special purpose financial report**

#### **Report on the financial report**

We have audited the accompanying financial report, being a special purpose financial report, of **Penrith City Council** (the Council), which comprises the Balance Sheets by Business Activity for the year ended 30 June 2012, the Income Statements by Business Activity for the year then ended, Notes to the financial report for the business activities identified by Council and the Statement by Councillors and Management for Council for the year ended 30 June 2012.

#### *Councillors' responsibility for the financial report*

The Councillors of the Council are responsible for the preparation and fair presentation of the financial report and have determined that the accounting policies described in note 1 to the financial statements which form part of the financial report, are appropriate to meet the requirements of the Local Government Code of Accounting Practice and Financial Reporting. The Councillors' responsibility also includes such internal control as the Councillors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to error or fraud.

#### *Auditor's responsibility*

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

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

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

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Liability limited by a scheme approved under Professional Standards Legislation.

# Financial Statements



*Auditor's opinion:*

In our opinion, the financial report presents fairly, in all material respects, the financial position by Business Activities of **Penrith City Council** as of 30 June 2012 and its financial performance by Business Activities for the year then ended in accordance with the requirements of those applicable Accounting Standards detailed in Note 1 to the financial report, and the Local Government Code of Accounting Practice and Financial Reporting.

*Basis of Accounting and Restriction on Distribution and Use*

Without modifying our opinion, we draw attention to Note 1 to the financial report, which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling the Council's financial reporting responsibilities under the Local Government Code of Accounting Practice and Financial Reporting. As a result, the financial report may not be suitable for another purpose. Our report is intended solely for the Council.

A handwritten signature in blue ink, appearing to read 'PricewaterhouseCoopers', is written over a faint, larger version of the same signature.

PricewaterhouseCoopers

A handwritten signature in blue ink, appearing to read 'Peter Buchholz', is written over a faint, larger version of the same signature.

Peter Buchholz  
Partner

Sydney  
2012

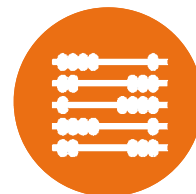
3 September.

# Statements and Notes

## SPECIAL SCHEDULE NO. 1 for the year ended 2012

### Net Cost of Services (\$'000)

Function or Activity	Expenses from Continuing Operations	Income from continuing operations		Net Cost of Services
		Non Capital	Capital	
<b>Governance</b>	5,382	10	-	(5,372)
<b>Administration</b>	32,016	11,803	5,102	(15,111)
<b>Public Order and Safety</b>				
Fire Service Levy, Fire Protection, Emergency Services	4,580	2,394	385	(1,801)
Beach Control	-	-	-	-
Enforcement of Local Govt. Regulations	2,396	2,069	-	(327)
Animal Control	712	220	-	(492)
Other	704	129	-	(575)
<b>Total Public Order &amp; Safety</b>	<b>8,392</b>	<b>4,812</b>	<b>385</b>	<b>(3,195)</b>
<b>Health</b>	<b>1,004</b>	<b>301</b>	<b>-</b>	<b>(703)</b>
<b>Environment</b>				
Noxious Plants and Insect/Vermin Control	128	-	-	(128)
Other Environmental Protection	3,129	2,076	-	(1,053)
Solid Waste Management	20,167	1,134	-	(19,033)
Street Cleaning	2,759	-	-	(2,759)
Drainage	-	-	-	-
Stormwater Management	6,818	-	-	(6,818)
<b>Total Environment</b>	<b>33,001</b>	<b>3,210</b>	<b>-</b>	<b>(29,791)</b>
<b>Community Services and Education</b>				
Administration & Education	1,472	103	-	(1,369)
Social Protection (Welfare)	585	69	283	(233)
Aged Persons and Disabled	323	212	-	(111)
Children's Services	19,378	18,809	2	(567)
<b>Total Community Services &amp; Education</b>	<b>21,758</b>	<b>19,193</b>	<b>285</b>	<b>(2,280)</b>
<b>Housing and Community Amenities</b>				
Public Cemeteries	677	598	-	(79)
Public Conveniences	1,975	-	-	(1,975)
Street Lighting	3,129	-	-	(3,129)
Town Planning	2,989	77	102	(2,810)
Other Community Amenities	-	-	-	-
<b>Total Housing and Community Amenities</b>	<b>8,770</b>	<b>675</b>	<b>102</b>	<b>(7,993)</b>
<b>Water Supplies</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Sewerage Services</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>



## SPECIAL SCHEDULE NO. 1 for the year ended 2012

### Net Cost of Services (\$'000) continued

Function or Activity	Expenses from Continuing Operations	Income from continuing operations		Net Cost of Services
		Non Capital	Capital	
<b>Recreation and Culture</b>				
Public Libraries	7,469	605	63	(6,801)
Museums	47	-	-	(47)
Art Galleries	22	-	-	(22)
Community Centres and Halls	1,302	791	-	(511)
Performing Arts Venues	-	-	-	-
Other Performing Arts	-	-	-	-
Other Cultural Services	3,765	1,818	-	(1,947)
Sporting Grounds and Venues	2,615	130	-	(2,485)
Swimming Pools	5,200	3,511	-	(1,689)
Parks & Gardens (Lakes)	8,551	60	8,688	197
Other Sport and Recreation	3,529	2,332	14	(1,183)
<b>Total Recreation and Culture</b>	<b>32,500</b>	<b>9,247</b>	<b>8,765</b>	<b>(14,488)</b>
<b>Fuel &amp; Energy</b>	-	-	-	-
<b>Agriculture</b>	-	-	-	-
<b>Mining, Manufacturing and Construction</b>				
Building Control	6,514	3,689	-	(2,825)
Other Mining, Manufacturing & Construction	-	-	-	-
<b>Total Mining, Manufacturing and Const.</b>	<b>6,514</b>	<b>3,689</b>	-	<b>(2,825)</b>
<b>Transport and Communication</b>				
Urban Roads (UR) - Local	27,312	4,136	2,987	(20,189)
Urban Roads - Regional	1,398	192	139	(1,067)
Sealed Rural Roads (SRR) - Local	2,796	385	278	(2,133)
Sealed Rural Roads (SRR) - Regional	350	48	35	(267)
Unsealed Rural Roads (URR) - Local	350	48	35	(267)
Unsealed Rural Roads (URR) - Regional	-	-	-	-
Bridges on UR - Local	-	-	-	-
Bridges on SRR - Local	-	-	-	-
Bridges on URR - Local	-	-	-	-
Bridges on Regional Roads	-	-	-	-
Parking Areas	61	-	-	(61)
Footpaths	363	2	-	(361)
Aerodromes	-	-	-	-
Other Transport & Communication	1,227	55	10,322	9,150
<b>Total Transport and Communication</b>	<b>33,857</b>	<b>4,866</b>	<b>13,796</b>	<b>(15,195)</b>
<b>Economic Affairs</b>				
Camping Areas & Caravan Parks	-	-	-	-
Other Economic Affairs	4,202	894	-	(3,308)
<b>Total Economic Affairs</b>	<b>4,202</b>	<b>894</b>	-	<b>(3,308)</b>
<b>Totals – Functions</b>	<b>187,396</b>	<b>58,700</b>	<b>28,435</b>	<b>(100,261)</b>
<b>General Purpose Revenues<sup>(2)</sup></b>		<b>120,799</b>		<b>120,799</b>
<b>Share of interests - joint ventures &amp; associates using the equity method</b>	-	<b>333</b>		<b>333</b>
<b>NET OPERATING RESULT<sup>(1)</sup></b>	<b>187,396</b>	<b>179,832</b>	<b>28,435</b>	<b>20,871</b>

(1) As reported in the Income Statement (2) Includes: Rates & Annual Charges (incl. Ex Gratia, excl. Water & Sewer), Non Capital General Purpose Grants & Interest on Investments (excl. Ext. Restricted Assets)



**SPECIAL SCHEDULE NO. 2(a)  
for the year ended 2012**

**Statement of Long-Term Debt (all purpose) - \$'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
<b>Loans (by Source)</b>									
Financial Institutions	7,552	55,620	8,263	7,552	-	4,064	8,309	55,574	63,883
<b>Total Loans</b>	<b>7,552</b>	<b>55,620</b>	<b>8,263</b>	<b>7,552</b>	<b>-</b>	<b>4,064</b>	<b>8,309</b>	<b>55,574</b>	<b>63,883</b>
<b>Other Long Term Debt</b>									
Interest Free Government Advances	104	4,379	-	104	-	-	104	4,275	4,379
<b>Total Long Term Debt</b>	<b>104</b>	<b>4,379</b>	<b>-</b>	<b>104</b>	<b>-</b>	<b>-</b>	<b>104</b>	<b>4,275</b>	<b>4,379</b>
<b>Total Debt</b>	<b>7,656</b>	<b>59,999</b>	<b>8,263</b>	<b>7,656</b>	<b>-</b>	<b>4,064</b>	<b>8,413</b>	<b>59,849</b>	<b>68,262</b>

Notes: Excludes (i) Internal Loans & (ii) Principal Inflow s/Outflow s relating to Loan Re-Financing.

This Schedule is prepared using the **face value** of debt obligations, rather than **fair value** (w hich are reported in the GPFS).



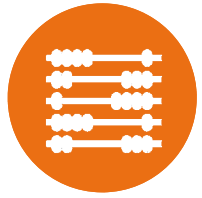
**Condition of Public Works (continued)**

**Notes:**

- (1). Satisfactory refers to estimated cost to bring the asset to a satisfactory condition as deemed by Council. It does not include any planned enhancements to the existing asset.
- (2). Required Annual Maintenance is what should be spent to maintain assets in a satisfactory standard.
- (3). Current Annual Maintenance is what has been spent in the current year to maintain assets.

**# Asset Condition "Key" - as per the DLG Integrated Planning & Reporting Manual**

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



**SPECIAL SCHEDULE NO. 8**  
**Financial Projections**

	2013	2014	2015	2016	2017	2018	2019	2020
<b>OPERATIONS FROM ORDINARY ACTIVITIES</b>								
<b>Operating Revenue</b>								
Rates & Annual Charges	104,099.0	109,407.0	114,625.2	118,933.0	122,885.3	127,426.6	132,309.3	137,350.8
User Charges & Fees	5,170.4	5,170.4	5,170.4	5,170.4	5,170.4	5,170.4	5,170.4	5,170.4
Fees for Commercially Available Services	29,916.6	30,540.9	31,191.8	31,870.3	32,577.7	33,315.4	34,084.8	34,887.4
Interest Income	3,378.7	3,537.3	3,516.1	3,536.8	3,555.2	3,574.0	3,594.4	3,615.4
Other Operating Revenues	3,088.9	3,123.6	3,159.4	3,196.3	3,196.3	3,190.3	3,190.3	3,190.3
Operating Grants	26,616.1	26,918.2	27,229.0	27,548.9	27,878.0	28,223.7	28,579.5	28,945.7
Operating Contributions	1,914.0	1,914.0	1,914.0	1,914.0	1,914.0	1,914.0	1,914.0	1,914.0
Profit on Sale of Assets	(536.7)	(536.7)	(536.7)	(536.7)	(536.7)	(536.7)	(536.7)	(536.7)
<b>Total Operating Revenue</b>	<b>173,647.0</b>	<b>180,074.7</b>	<b>186,269.2</b>	<b>191,633.0</b>	<b>196,640.2</b>	<b>202,277.7</b>	<b>208,306.0</b>	<b>214,537.3</b>
<b>Operating Expenditure</b>								
Employee Costs	(76,055.6)	(78,476.3)	(82,229.0)	(86,296.7)	(90,527.3)	(94,927.7)	(99,504.9)	(104,066.3)
Employee Costs - ELE	(2,374.6)	(2,374.6)	(2,374.6)	(2,374.6)	(2,374.6)	(2,374.6)	(2,374.6)	(2,374.6)
Interest Charges	(4,194.3)	(3,888.5)	(3,699.2)	(3,487.7)	(3,257.6)	(3,032.0)	(2,777.3)	(2,557.8)
Depreciation & Amortisation	(37,931.2)	(38,153.1)	(38,716.2)	(37,644.0)	(38,259.6)	(37,595.0)	(37,620.3)	(38,235.0)
Materials	(26,969.5)	(26,636.6)	(26,404.4)	(27,071.4)	(27,726.3)	(28,478.7)	(29,299.1)	(30,190.3)
Contracts	(33,807.8)	(26,894.9)	(26,894.9)	(26,894.9)	(26,894.9)	(26,894.9)	(26,894.9)	(26,894.9)
Other Operating Expenses	(17,471.1)	(17,630.0)	(17,989.5)	(18,376.6)	(18,790.1)	(19,232.3)	(19,705.6)	(20,212.6)
Other Expenses - Internal Charges	4,717.1	324.2	324.2	324.2	324.2	324.2	324.2	324.2
<b>Total Operating Expenditure</b>	<b>(194,087.0)</b>	<b>(193,729.8)</b>	<b>(197,983.6)</b>	<b>(201,821.7)</b>	<b>(207,506.2)</b>	<b>(212,211.0)</b>	<b>(217,852.5)</b>	<b>(224,207.3)</b>
<b>Operating Result before Capital Grants &amp; Contributions</b>	<b>(20,440.0)</b>	<b>(13,655.1)</b>	<b>(11,714.4)</b>	<b>(10,188.7)</b>	<b>(10,866.0)</b>	<b>(9,933.3)</b>	<b>(9,546.5)</b>	<b>(9,670.0)</b>
Capital Grants & Contributions	6,912.1	10,579.4	11,235.5	11,957.3	14,008.8	12,937.0	16,124.6	17,428.0
<b>OPERATING RESULT</b>	<b>(13,527.9)</b>	<b>(3,075.7)</b>	<b>(478.9)</b>	<b>101,768.6</b>	<b>3,142.8</b>	<b>3,003.7</b>	<b>6,578.1</b>	<b>7,758.0</b>

This model is based on various assumptions. A detailed list of the assumptions is available in Council's Resource Strategy.

**SPECIAL SCHEDULE NO. 8**  
**Financial Projections (continued)**

Funding Statement (Source & Application)	2013	2014	2015	2016	2017	2018	2019	2020
Add-back non-funded expenses -	37,931.2	38,153.1	38,716.2	37,644.0	38,259.6	37,595.0	37,620.3	38,235.0
Depreciation, Amortisation & Impairment								
Add back non funded Expenses - ELE	2,374.6	2,374.6	2,374.6	2,374.6	2,374.6	2,374.6	2,374.6	2,374.6
Funds Received from Sales of Assets	3,611.9	7,526.9	7,361.9	7,611.9	3,101.9	3,101.9	3,101.9	3,101.9
Loans Received	5,924.9	4,324.9	4,324.9	4,324.9	4,324.9	4,324.9	4,324.9	4,324.9
Budget Surplus	-	-	-	-	-	-	-	-
Funds Transferred (to) / from Reserves held	4,261.8	16,783.3	(11,436.5)	(10,560.9)	(17,654.3)	(475.3)	(17,026.9)	(23,141.2)
<b>Subtotal</b>	<b>54,104.4</b>	<b>69,162.8</b>	<b>41,341.1</b>	<b>41,394.5</b>	<b>30,406.7</b>	<b>46,921.1</b>	<b>30,394.8</b>	<b>24,895.2</b>
<b>Net Funds Available</b>	<b>40,576.5</b>	<b>66,087.1</b>	<b>40,862.2</b>	<b>143,163.1</b>	<b>33,549.5</b>	<b>49,924.8</b>	<b>36,972.9</b>	<b>32,653.2</b>
<b>Application of Funds</b>								
Asset Acquired (non current)	(32,167.5)	(58,090.6)	(31,553.0)	(133,448.9)	(24,252.1)	(40,495.1)	(27,425.7)	(23,221.8)
Loan Repayments Made	(8,276.6)	(7,652.9)	(7,933.6)	(8,351.8)	(8,231.0)	(8,438.0)	(8,347.3)	(7,055.0)
<b>Total application</b>	<b>(40,444.1)</b>	<b>(65,743.5)</b>	<b>(39,486.6)</b>	<b>(141,800.7)</b>	<b>(32,483.1)</b>	<b>(48,933.1)</b>	<b>(35,773.0)</b>	<b>(30,276.8)</b>
<b>Net cost funded from Rates &amp; other income</b>	<b>132.4</b>	<b>343.6</b>	<b>1,375.6</b>	<b>1,362.4</b>	<b>1,066.4</b>	<b>991.7</b>	<b>1,199.9</b>	<b>2,376.4</b>

This model is based on various assumptions. A detailed list of the assumptions is available in Council's Resource Strategy.

# **Appendices**



## Appendix 1—Historical Financial Data

### Income Statement

	30 June 2012 \$'000	30 June 2011 \$'000	30 June 2010 \$'000	30 June 2009 \$'000	30 June 2008 \$'000
<b>OPERATING REVENUES</b>					
Rates and Annual Charges	98,524	90,630	87,339	83,503	79,383
User Charges and Fees	31,414	30,455	28,714	28,554	25,788
Investment Revenues	4,215	3,807	2,877	3,669	2,542
Grants and Contributions provided for Operating Purposes	36,484	33,553	28,701	30,535	21,576
Grants and Contributions provided for Capital Purposes	28,435	13,335	4,475	12,068	14,375
Profit from Disposal of Assets	-	-	2,734	329	-
Profit from Interests in Joint Ventures & Associates	333	426	826	-	831
Other Operating Revenues	8,862	6,345	6,415	5,325	4,580
<b>Total Operating Revenues</b>	<b>208,267</b>	<b>178,551</b>	<b>162,081</b>	<b>163,983</b>	<b>149,075</b>
<b>OPERATING EXPENSES</b>					
Employee Costs	75,899	72,601	71,437	67,127	60,661
Materials and Contracts	49,673	45,327	44,715	45,477	41,961
Borrowing Costs	4,064	4,139	4,049	4,146	3,587
Depreciation, Amortisation & Impairment	39,034	39,565	31,550	20,436	17,441
Loss from the Disposal of Assets	264	1,959	-	-	355
Other Operating Expenses	18,462	19,645	16,195	15,919	12,754
<b>Total Operating Expenses</b>	<b>187,396</b>	<b>183,236</b>	<b>167,946</b>	<b>153,105</b>	<b>136,759</b>
<b>NET OPERATING RESULT</b>	<b>20,871</b>	<b>(4,685)</b>	<b>(5,865)</b>	<b>10,878</b>	<b>12,316</b>
<b>Net Operating Result before Capital Grants &amp; Contributions</b>	<b>(7,564)</b>	<b>(18,020)</b>	<b>(10,340)</b>	<b>(1,190)</b>	<b>(2,059)</b>
<b>CHANGE IN NET ASSETS RESULTING FROM OPERATIONS</b>	<b>20,871</b>	<b>(4,685)</b>	<b>(5,865)</b>	<b>10,878</b>	<b>12,316</b>

## Appendix

### Appendix 1—Historical Financial Data

#### Balance Sheet

	30 June 2012 \$'000	30 June 2011 \$'000	30 June 2010 \$'000	30 June 2009 \$'000	30 June 2008 \$'000
<b>CURRENT ASSETS</b>					
Cash & Cash Equivalents	4,953	8,361	4,049	5,035	809
Investments	57,284	46,142	42,752	41,586	48,691
Receivables	8,151	13,177	6,016	6,887	7,131
Inventories	2,357	2,328	2,304	2,527	2,521
Other	1,117	1,347	450	553	1,150
<b>Total Current Assets</b>	<b>73,862</b>	<b>71,355</b>	<b>55,571</b>	<b>56,588</b>	<b>60,302</b>
<b>NON-CURRENT ASSETS</b>					
Investments	8,894	7,921	11,945	16,445	15,876
Receivables	2,468	2,154	2,033	1,528	1,498
Infrastructure, Property, Plant & Equipment	2,508,126	2,258,994	1,342,912	1,064,141	1,069,876
Investments Accounted for using the Equity Method	3,228	2,896	2,470	1,644	1,644
Investment Property	20,550	18,635	18,049	12,015	11,532
<b>Total Non-Current Assets</b>	<b>2,543,266</b>	<b>2,290,600</b>	<b>1,377,409</b>	<b>1,095,773</b>	<b>1,100,426</b>
<b>TOTAL ASSETS</b>	<b>2,617,128</b>	<b>2,361,955</b>	<b>1,432,980</b>	<b>1,152,361</b>	<b>1,160,728</b>
<b>CURRENT LIABILITIES</b>					
Payables	13,522	15,688	12,894	11,098	9,759
Borrowings	8,413	7,656	6,877	7,109	5,909
Provisions	27,641	27,041	25,991	25,145	24,095
<b>Total Current Liabilities</b>	<b>49,576</b>	<b>50,385</b>	<b>45,762</b>	<b>43,352</b>	<b>39,763</b>
<b>NON-CURRENT LIABILITIES</b>					
Borrowings	59,849	59,999	62,785	57,926	57,497
Provisions	1,268	1,528	1,307	1,151	958
<b>Total Non-Current Liabilities</b>	<b>61,117</b>	<b>61,527</b>	<b>64,092</b>	<b>59,077</b>	<b>58,455</b>
<b>TOTAL LIABILITIES</b>	<b>110,693</b>	<b>111,912</b>	<b>109,854</b>	<b>102,429</b>	<b>98,218</b>
<b>NET ASSETS</b>	<b>2,506,435</b>	<b>2,250,043</b>	<b>1,323,126</b>	<b>1,049,932</b>	<b>1,062,510</b>
<b>EQUITY</b>					
Accumulated Surplus	1,874,763	1,853,892	885,297	891,162	880,284
Revaluation Reserves	631,672	396,151	437,829	158,770	182,226
<b>TOTAL EQUITY</b>	<b>2,506,435</b>	<b>2,250,043</b>	<b>1,323,126</b>	<b>1,049,932</b>	<b>1,062,510</b>





## Appendix 2—Rates and Charges

### Comparative Rates Statistics

	2012	2011	2010	2009	2008
<b>LEVIES ON PROPERTIES NOT SUBDIVIDED OR CHANGED TO/FROM BEING RATEABLE DURING YEAR</b>					
<b>Property Values</b>					
General residential (\$'M)	12,289	12,216	9,516	9,382	9,374
Residential on minimum (\$'M)	1,863	1,836	2,370	2,405	2,367
General business (\$'M)	1,989	2,049	1,735	1,648	1,402
Business on minimum (\$'M)	74	71	54	54	50
Penrith CBD (\$'M)	312	312	211	254	258
Penrith CBD on minimum(\$'M)	9	9	7	7	6
St Marys Town Centre (\$'M)	62	62	54	53	54
St Marys Town Centre on minimum (\$'M)	2	2	2	2	2
General farmland (\$'M)	497	539	422	430	382
<b>SUB-TOTAL</b>	<b>17,097</b>	<b>17,096</b>	<b>14,371</b>	<b>14,235</b>	<b>13,895</b>
<b>Property Numbers as at 30 June</b>					
General residential	45,873	45,526	40,117	39,763	40,062
Residential on minimum	16,114	15,894	20,917	21,038	20,399
General business	1,643	1,706	1,756	1,758	1,748
Business on minimum	909	882	792	791	749
Penrith CBD	272	273	289	295	299
Penrith CBD on minimum	140	140	126	127	112
St Marys Town Centre	175	176	176	176	174
St Marys Town Centre on minimum	60	60	60	59	61
General farmland	370	399	436	394	392
Famland Minimum	8	8	4	4	4
<b>SUB-TOTAL</b>	<b>65,564</b>	<b>65,064</b>	<b>64,673</b>	<b>64,405</b>	<b>64,000</b>
<b>Rate Levies per Property</b>					
Residential (cents per \$ valuation)	0.40024	0.37792	0.4321	0.4158	0.4023
Residential minimum charge (\$)	755.60	714.20	695.10	669.75	649.00
Business (cents per \$ valuation)	0.6962	0.65738	0.7799	0.7503	0.7260
Business minimum charge (\$)	966.80	913.80	889.40	856.95	830.40
Farmland (cents per \$ valuation)	0.20012	0.18896	0.2161	0.2079	0.2012
Penrith CBD (cents per \$ valuation)	0.79673	0.7523	0.8957	0.8617	0.8338
Penrith CBD on minimum charge(\$)	966.80	913.80	889.40	856.95	830.40
St Marys Town Centre (cents per \$)	1.0745	1.01458	1.2050	1.2626	1.1217
St Marys Town Centre min. charge(\$)	966.80	913.80	889.40	856.95	830.40

# Appendix

## Appendix 2—Rates and Charges

### Comparative Rates Statistics (continued)

	2012	2011	2010	2009	2008
<b>Total Value of Rates Charged</b>					
General residential (\$'000)	49,185	46,166	41,124	38,946	37,713
Residential on minimum (\$'000)	12,176	11,317	14,499	13,963	13,288
General business (\$'000)	13,850	13,473	13,533	11,139	10,181
Business on minimum (\$'000)	879	802	704	642	622
Penrith CBD (\$'000)	2,490	2,350	1,893	2,178	2,148
Penrith CBD on minimum (\$'000)	135	128	110	103	93
St Marys Town Centre (\$'000)	671	633	645	659	602
St Marys Town Centre on minimum(\$'000)	58	56	53	51	51
General Farmland (\$'000)	990	1,013	909	906	767
Farmland on minimum (\$'000)	6	6	3	3	3
Rates charged for part of year (\$'000)	1,685	478	485	1,303	780
Prior year adjustments (\$'000)	221	378	159	464	56
<b>SUB-TOTAL</b>	<b>82,346</b>	<b>76,800</b>	<b>74,117</b>	<b>70,357</b>	<b>66,304</b>
<b>CONSOLIDATION ADJUSTMENTS</b>					
Rates charged on Council owned properties (\$'000)	157	155	140	137	116
<b>ANNUAL GARBAGE AND RECYCLING CHARGES (as at year end)</b>					
Number of Services - The Sustainable Service	38,526	39,629	41,502	-	-
General charge (\$)	279	249	245	-	-
Number of services - The Reduced Organic	1,757	1,630	1,517	-	-
General charge (\$)	255	225	195	-	-
Number of Services - The Large	2,853	2,258	1,775	-	-
General charge (\$)	329	299	295	-	-
Number of Services - The Weekly 140L Red	5,329	5,150	3,933	-	-
General charge (\$)	364	320	295	-	-
Number of Services - Non-Urban and Multi-Unit	14,881	14,614	13,497	-	-
General charge (\$)	279	253	245	-	-
Number of Services - Vacant Land	1,346	1,290	1,616	-	-
General charge (\$)	30	27	23	17	16
Number of Services - Other	1,827	-	-	-	-
Number of Services - 240L Bin	-	-	-	61,487	61,250
General charge (\$)	-	-	-	249	243
Number of Services - 140L Bin	-	-	-	1,979	1,896
General charge (\$)	-	-	-	184	184
Total charged (\$'000)	18,755	16,467	15,640	15,643	15,207
<b>EXTRA CHARGES</b>					
Interest charges (\$'000)	477	383	368	365	334
Legal costs (\$'000)	395	423	381	448	423
<b>PENSIONER DISCOUNTS</b>					
Number of Pensioners	9,324	9,172	8915	8,745	8,519
Discounts funded by Council (\$'000)	1,048	1,031	1,002	980	953
Discounts funded by State Govt.(\$'000)	1,282	1,261	1226	1,198	1,165



## Appendix 3

### Local Government Managers Australia (LGMA) Sustainable Finances Health Check

The Local Government Managers Australia (LGMA) Sustainable Finances Health Check was developed through a consultative process aimed at establishing a tool allowing Council to better assess its financial condition. What resulted are the following indicators that were considered key to enabling this assessment to be made. In conjunction with the completion of the 2011-12 Financial Statements, the Local Government Managers Australia (LGMA) Sustainable Finances Health Check has been updated to incorporate these figures.

#### 1. Revenue Sources

Sources of Total Ordinary Revenue before Capital. Revenue from Ordinary Activities is classified by source as either from (shown in \$ millions):

	2012		2011		2010		2009		2008	
	\$	%	\$	%	\$	%	\$	%	\$	%
Rates and Charges										
- General Purpose	79.7	44.4	74.0	44.9	71.5	45.6	67.7	44.7	64.0	47.8
- Specific Purpose (DWM)	18.9	10.5	16.6	10.1	15.8	10.1	15.8	10.4	15.4	11.5
User Charges and Fees	31.4	17.5	30.5	18.5	28.8	18.4	28.6	18.9	25.8	19.3
Interest	4.2	2.3	3.8	2.3	2.9	1.8	3.7	2.4	2.5	1.9
Grants (Operating)										
- General Purpose	15.1	8.4	12.4	7.5	11.9	7.6	14.3	9.4	10.8	8.1
- Specific Purpose (DWM)	18.2	10.1	18.7	11.3	13.9	8.9	15.0	9.9	9.6	7.2
Contributions	3.1	1.7	2.5	1.5	2.9	1.8	1.2	0.8	1.2	0.9
Profit on Sale of Assets	-	-	-	-	2.7	1.7	-	-	-	-
Other	8.9	5.0	6.3	3.8	6.4	4.1	5.3	3.5	4.6	3.4
<b>Total Ordinary Revenue before Capital</b>	<b>179.5</b>	<b>100.0</b>	164.8	100.0	156.8	100.0	151.6	100.0	133.9	100.0

The revenue sources indicator provides the opportunity to understand and track the relative sources of revenue received by Council. Monitoring this indicator will enable Council to better measure and assess the degree of dependency on particular revenue sources. The stability of any 'over dependent' revenue source should be considered. A further dissection of the above information is available in Note 3 of Council's Financial Statements.

**Comment:** revenue from charges imposed on the community constituted 72.4% of Council's revenue in 2011-12. Given the nature of these charges, this revenue stream is considered secure and sustainable in the long-term and has been strengthened by the recent Special Rate Variation. Over the last five years, there has been very little change to the proportional make-up of total revenue.

#### 2. Cash / Liquidity Position

**Scale:** Unrestricted Current Ratio <1.1 = **Red**, 1.1 to 2.1 = **Amber**, Over 2.1 = **Green**

	2012	2011	2010	2009	2008
Unrestricted Current Ratio	1.32	1.19	1.03	1.17	1.15
Available Cash Position					
- Available Cash Assets (\$'000)	22,818	18,032	16,482	17,617	15,069
- Unrestricted Cash Assets (\$'000)	4,287	1,939	6,080	3,561	1,335
Availability of Cash Assets as a % of Total Revenue					
- Available Cash Assets	12.69	10.91	10.46	11.60	11.19
- Unrestricted Cash Assets	2.38	1.17	3.86	2.34	0.99

The **Unrestricted Current Ratio** aims to measure Council's liquidity and more importantly, Council's solvency. This indicator enables Council to assess whether debts will be able to be paid as they fall due, or whether arrangements should be put in place to raise additional funds or liquidate assets.

# Appendix

## Appendix 3

### Local Government Managers Australia (LGMA) Sustainable Finances Health Check (continued)

**Available Cash Assets** are defined as total cash assets held by Council less any externally restricted assets. This indicator presents the available cash assets as both a dollar value and percentage of total revenue respectively. This indicator is produced to enable users to better assess the Unrestricted Cash Ratio and the impact of unforeseen commitments.

**Unrestricted Available Cash Assets** takes the above one step further and subtracts both external and internal restrictions from the total cash assets held. This indicator highlights cash assets that are completely free of usage restriction and is similar to 'working funds'. Like the Available Cash Assets indicator, the Unrestricted Available Cash Assets indicator is used as a guide to interpreting and better understanding the Unrestricted Current Ratio.

**Comment:** the current year Unrestricted Current Ratio of 1.32:1 achieves a rating of **Amber** and is an improvement from last year (1.19:1). Council's practice of forward funding S94 expenditure in advance of contributions from internal reserves continues to constrain this indicator. Excluding these borrowings from the calculations would result in a UCR of 1.67:1 for 2011-12.

#### 3. Operating Result

Trend analysis of **Operating Results** enables Council to determine if the current level of services can be sustained in the future. Successive negative results suggest a review of Council's strategic directions may be required.

	2012	2011	2010	2009	2008
Result from Ordinary Operations before Capital Grants and Contributions	(7,564)	(18,020)	(10,340)	(1,190)	(2,059)

**Comment:** This year's result was an improvement over the previous year due to higher Grants and Contributions received in 2011-12.

#### 4. Asset Condition Management

**Scale:** Asset Renewal => 1 = **Green**, less than 1 = **Red**  
Asset Maintenance => 1 = **Green**, less than 1 = **Red**

	2012	2011	2010	2009	2008
Asset Renewal	1.38	0.85	1.22	1.92	1.59
Maintenance / Maintenance Required	1.06	1.06	0.95	1.01	0.81
Asset Life Position	16.60%	16.97%	24.22%	19.97%	17.27%

**Asset Renewal** is a ratio of funds spent renewing assets to annual depreciation of assets. This ratio allows an insight into the condition and cost to maintain public infrastructure assets.

**Asset Maintenance** is a comparison of the amount of funds spent on maintenance compared to the amount of funds required to maintain.

**Asset Life Position** shows the average life years of assets used to date as a percentage and is calculated by comparing Accumulated Depreciation and Total Depreciable Asset Value.

**Comment:** Asset Renewal has scored a rating of **Green**. Asset Maintenance scores a **Green** rating. Both indicators are measuring the amount of funds spent compared to the amount required to be spent to ensure that Council's existing assets remain at an acceptable standard. Local Government in NSW faces a large backlog of work to bring roads, drainage, and building assets to a satisfactory standard. Council's commitment to addressing our infrastructure backlog has seen increased funding for asset maintenance and renewal, and development of renewal programs for all key asset classes in recent years. The review of the LTFP and Resource Strategy during 2011-12 highlighted that while progress is being made in a number of asset classes,



Appendix 3

**Local Government Managers Australia (LGMA)  
Sustainable Finances Health Check (continued)**

Council did not have the capacity to fully fund all identified asset renewal programs and addressing our infrastructure backlog was one of the key drivers for the recently approved Special Rate Variation. As a result Council now has a program in place to address the identified infrastructure backlog for all key asset classes. Special Schedule 7 provides further information about the condition of these assets.

**5. Debt and Debtor Management**

**Scale:** Debt Service Ratio <15% = **Green**, 15-20% = **Amber**, >20% = **Red**  
 Outstanding Rates <4% = **Green**, 4-5% = **Amber**, > 5% = **Red**  
 Other Debtors <10% = **Green**, 10-15% = **Amber**, >15% = **Red**

	2012	2011	2010	2009	2008
Debt Service Ratio	7.40%	7.65%	7.82%	7.45%	7.13%
Outstanding Rates, Charges & Fees	5.12%	5.92%	5.94%	4.99%	5.09%
Other Debtors Outstanding	18.59%	23.63%	3.72%	18.88%	17.11%

The **Debt Service Ratio** shows what proportion of revenue is required as a commitment to fund Council’s long term capacity to repay loans.

Both the **Outstanding Rates, Charges and Fees** and **Other Debtors Outstanding** indicators reflect Councils ability to collect debts that are legally owed to it. Given the unique nature of each Local Government area it is difficult to benchmark and thus rate these indicators across Councils leaving them to be best used in trend analysis.

**Comment:** The debt service ratio has improved over the prior year due a higher level of revenue and scores a **Green** rating. The Outstanding Rates, Charges and Fees has declined slightly compared to 2010-11, and scores a **Red** rating. Other Debtors Outstanding has decreased over 2011 and scores a **Red** rating.

**6. Revotes of Expenditure**

**What % are your total revotes of expenditure compared to total annual expenditure?**

**Scale:** <2% = **Green**, 2-5% = **Amber**, >5% = **Red**

	2012	2011	2010	2009	2008
Total Revotes of Expenditure compared to Total Annual Expenditure	6.12%	4.09%	7.70%	15.39%	15.92%

**Comment:** Revotes of Expenditure score a rating of **Red** this year, and is an increase over 2010-11. Significant revotes include amounts for the Commuter Carpark, Erskine Park Road and Mamre Road intersection upgrade, St Marys Building air conditioning replacement, and NSW Bike Plan.

# Appendix

## Appendix 3

### Local Government Managers Australia (LGMA) Sustainable Finances Health Check (continued)

#### 7. Accuracy / Timeliness of Financial Data / Budget / Compliance

	Yes / No
Financial bottom line (before Capital) matched to forecasts to a level of + or - 10%?	No
Receipt of an unqualified audit report?	Yes
Statements lodged to meet compliance deadline?	Yes
Timeliness of results and reporting to management and statutory authorities?	
• Do you report monthly to management – within 5 days of month end? (online reporting is available at all times)	Yes
• Do you report quarterly statutory – within 21 days of quarter end? (reporting is within statutory timeframes)	No
• Do you report annual statutory – within 21 days of year end? (reporting is within statutory timeframes)	No
Budgets incorporate a 3-year plan where the 2nd year becomes the base for the following year (a high level third-year budget is incorporated)?	Yes
Rigour of budget review and then ongoing monthly / quarterly budget to actual results analysis?	Yes
Does the Responsible Accounting Officer formally report to Council on the sign-off of the Financial Statements (section 413)?	Yes