

# Financial Statements

*for the year ended 30 June 2014*





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# Summary



## Introduction

This section provides analysis on the 2013-14 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

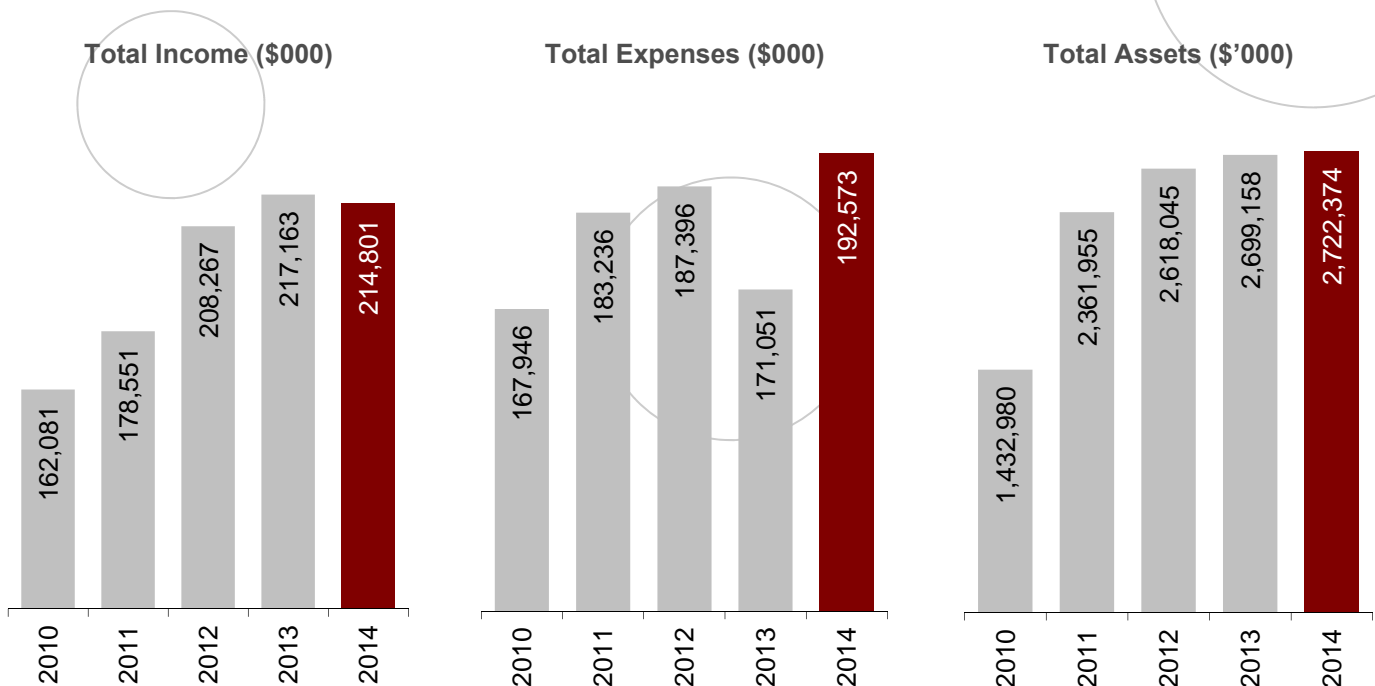
these Financial Statements. These statements are independently audited, reported to Council, placed on public exhibition and lodged with the Division of Local Government (DLG) by early November each year.

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
- Statement of Financial Position
- Statement of Cash Flows, and
- Notes to the Financial Statements.

## Summary of 2013-14 Key Results and Events

- Overall income ▼ 1.1% to \$214.8m
- Total Expenses ▲ 12.6% to \$192.6m
- Total Assets ▲ 0.9% to \$2,722m
- Net Assets ▲ 0.9% to \$2,611m
- Asset \$ per head of population is \$14,241
- Liabilities ▲ 0.9% to \$111.4m
- Liabilities per head of population is \$583
- Infrastructure, Property Plant & Equipment ▲ 1.4% to \$2,627m





## Summary

### Five-Year Financial Summary

<b>for the Year Ended 30 June</b>	Units	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
Total Income from Continuing Operations	\$000	<b>214,801</b>	217,163	208,267	178,551	162,081
Total Expenses from Continuing Operations	\$000	<b>192,573</b>	171,051	187,396	183,236	167,946
Net Operating Result for Year	\$000	<b>22,228</b>	46,112	20,871	(4,685)	(5,865)
Grants and Contributions	\$000	<b>57,926</b>	69,612	64,919	46,888	33,176
Net Operating Result before Capital Grants and Contributions	\$000	<b>(13,732)</b>	841	(7,564)	(18,020)	(10,340)
<b>Further breakdown of Income Statement items are shown in Appendix 1</b>						
Current Assets	\$000	<b>60,562</b>	78,617	74,779	71,355	55,571
Non-Current Assets	\$000	<b>2,661,812</b>	2,620,541	2,543,266	2,290,600	1,377,409
Current Liabilities	\$000	<b>52,979</b>	52,548	50,493	50,385	45,762
Non-Current Liabilities	\$000	<b>58,418</b>	57,861	61,117	61,527	64,092
Total Equity	\$000	<b>2,610,977</b>	2,588,749	2,506,435	2,250,043	1,323,126
<b>Further breakdown of Balance Sheet items are shown in Appendix 1</b>						
Cash Flows from Operating Activities	\$000	<b>10,626</b>	37,902	46,789	22,003	22,288
Cash Flows from Investing Activities	\$000	<b>(10,953)</b>	(40,165)	(10,022)	(15,684)	(27,901)
Cash Assets at the end of Reporting Period	\$000	<b>42,768</b>	41,880	45,453	8,361	4,049
Rates Outstanding	%	<b>3.87</b>	4.83	5.73	5.60	5.67
Unrestricted Current Ratio	Ratio	<b>1.1:1</b>	1.19:1	1.31:1	1.19:1	1.03:1
Debt Service Cover Ratio	%	<b>72.1</b>	199.4	286.3		
Asset Renewal	%	<b>60.5</b>	53.5	34.0	46.6	51.6



## Financial Overview

### Our Financial Performance

Council's financial performance for 2013-14 is characterised by:

- a net surplus result of \$22.2m for the year
- is a small budget surplus of \$34,216 after allowing for a number of transfers to reserve to provide a contingency in 2014-15
- an Unrestricted Current Ratio of 1.10:1, down from 1.19 in 2012-13
- an increase in assets from \$2,699m in 2012-13 to \$2,722m in 2013-14, with assets per capita of \$14,241 per person (population estimate of 191,170) per person during this period
- an increase in the value of Council's Investment Properties to \$20m
- a slight increase in liabilities to a total of \$111.4m in 2013-14 – with liabilities per capita of \$583
- a decrease in Rates and Annual Charges outstanding to 3.87% (2012-13, 4.83%)
- a capital works program of \$56.6m in 2013-14, including \$31.2m in dedicated roads, drainage, and land under these roads
- a total of 73% of Council's income being derived from sources not reliant on grants and contributions (such as Rates and Annual Charges, and User Fees and Charges)
- 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 remains in a sound and stable financial position, due in part to the recent SRV which focused on asset renewal and securing the right level of resources to ensure that Council's current services and service levels can be maintained. This financial sustainability however has not been achieved without challenges in both the current and recent years. Council's capacity to accommodate additional priorities can only be achieved through the reprioritisation of current service levels. Future budgets continue to demonstrate Council's commitment to productivity improvements and this continued pursuit and actively managing programs ensures that Council will remain financially sustainable and is building a sustainable long term platform.

Council's investment policies and strategies have been effective in producing strong returns on ratepayers' funds in 2013-14. Council's average return on investments for 2013-14 is 3.56%, which has considerably outperformed the average 90 day BBSW rate of 2.64%. The weighted average interest rate on borrowings has continued to decrease 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 \$22.2m. During the year, a once-off amount of \$14.1m was paid to the Department of Planning and Infrastructure as Council's share of the project costs of the Erskine Park Link Road. These funds were collected by Council through Section 94 contributions over prior years, and this payment has been recognised as an expense in 2013-14. This non-standard use of Section 94 funds has significantly impacted Council's operating result for the year. This amount has had a significant impact throughout the statements and on Council's indicators, particularly where the operating result and expenditure from operating activities are used in a calculation. Where appropriate, the discussion and impact of this transaction will be shown in the relevant parts of this document.

The 2013-14 financial year provided the third 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 is attached as Special Schedule 8.

### Financial Overview (continued)

#### 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.

#### 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.

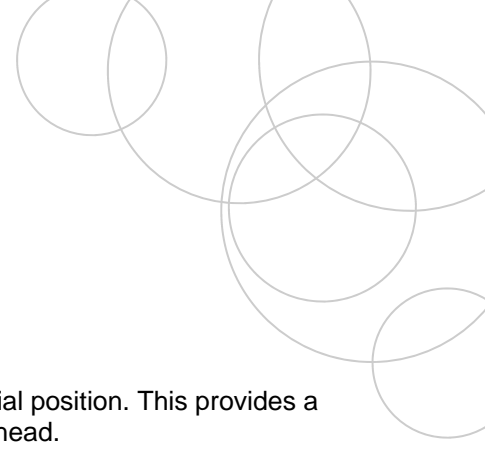
Following analysis of the physical, social and financial impacts of the cap on the WELL Precinct and the Penrith City community, Council, on 27 June 2011, resolved to require new development within the WELL Precinct to provide all drainage and most roadworks by way of conditions of development consent.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

The *White Paper – A new planning system for NSW* and draft planning legislation were released on 16 April 2013. If the White Paper changes to the new planning system are implemented, a minimum of approximately \$116 million in contributions income would be affected, or a significant reduction in the nature and scale of facilities being funded and our strategic directions for certain precincts – such as Penrith City centre - would occur. Contributions Plans funding open space, and community and cultural facilities would be especially significantly adversely affected. The White Paper does propose abandoning the \$30,000 cap on contributions.

The White Paper did not provide details on savings and transitional arrangements for existing contributions plans, resulting in uncertainty as to their future status and financial exposure for Council. Council has requested the Minister ensure appropriate transitional provisions apply, particularly for those s94 plans which repay advance funded local infrastructure. The Cultural Facilities and Kingswood Neighbourhood Centre s94 Plans are affected by this issue. The value of advance funded works in these plans is approximately \$5.6 million. The Minister's response to this issue recognises the need for appropriate transitional provisions, however to date there has yet to be an announcement on the Government's intended direction. When the transitional provisions are concluded, Council will be better informed as to the impact on the affected plans and thus the gap that would be required to be funded by Council if State funding is not available.

New planning legislation, including details on a new contributions system was scheduled to be enacted in January / February 2014, however this did not occur and no date has been announced as to when the new planning legislation will be enacted.

# Financial Statements

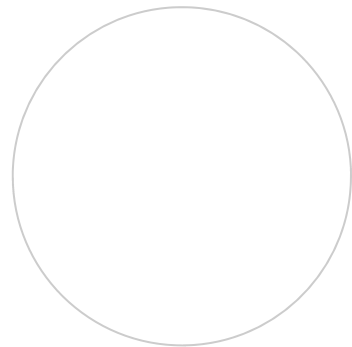
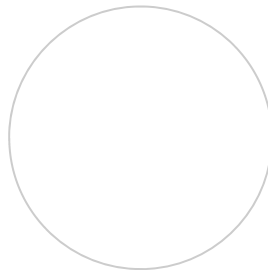
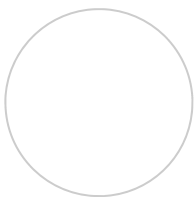


## Financial Overview (continued)

Council's performance in 2013-14 has provided continues to ensure a 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**  
Executive Manager—Corporate  
Responsible Accounting Officer



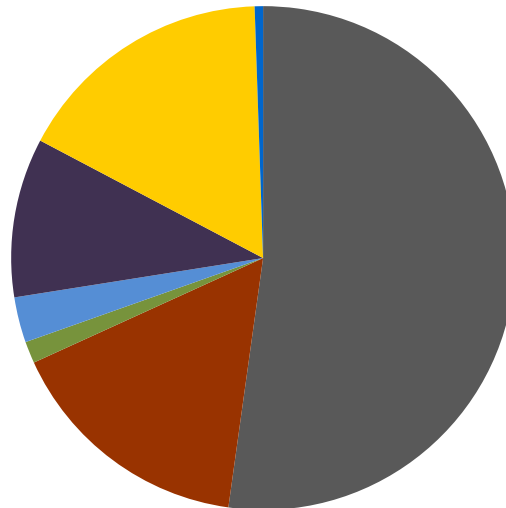
## Summary

### Income

#### Summary

- Overall income ▼ by 1.1% to \$214.8m

- Rates & Annual Charges (\$112.1m)
- User Charges & Fees (\$34.3m)
- Investment Revenues (\$3m)
- Other Revenues (\$6.3m)
- Grants & Contributions - Operating (\$22m)
- Grants & Contributions - Capital (\$36m)
- Profit from interests in Joint Ventures & Associates (\$1.2m)



Income Item	2014 (\$'000)	2013 (\$'000)	% Change
Rates & Annual Charges	112,142	104,564	7.2%
User Charges & Fees	34,325	32,265	6.4%
Investment Revenues	2,995	3,118	(3.9%)
Other Revenues	6,258	6,877	(9.0%)
Grants & Contributions - Operating	21,966	24,341	(9.8%)
Grants & Contributions - Capital	35,960	45,271	(20.6%)
Profit from interests in Joint Ventures & Associates	1,155	727	58.9%
<b>Total Income from Continuing Operations</b>	<b>214,801</b>	<b>217,163</b>	<b>(1.1%)</b>

#### Rates & Annual Charges

The increase in property numbers from 67,259 in 2012-13 to 68,423 in 2013-14, together with the approved rate increase of 4.9% (including the SRV) has added \$7.6m to Operating Revenue. Rates Outstanding, a key industry indicator, decreased to 3.87% in 2013-14 from 4.83% in 2012-13 and is below the industry target of 5%. This positive result has been achieved following the implementation of revised debt recovery processes and Council will remain active in debt recovery, with a view to maintaining this indicator below 5%.

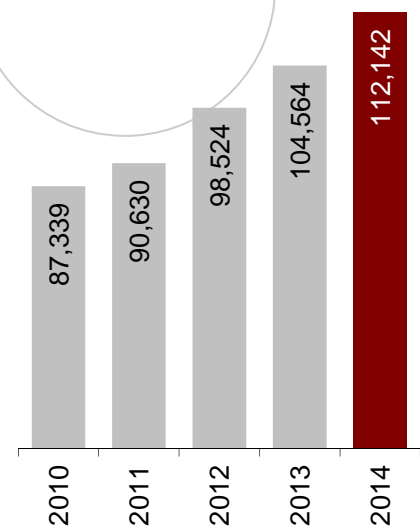
#### User Charges & Fees

User Charges and Fees increased 6.4% over the 2013-14 Financial Year, in line with expectations.

#### Investment Revenues

Council's investment portfolio as at 30 June 2014 has remained in line with expectations, at a total of \$57.5m (2012-13, \$69.8m). This decrease is mainly attributable to the \$14.1m payment to the Department of Planning and Infrastructure as payment for Council's

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



## Income (continued)

share of Lenore Drive as discussed in the Overview.

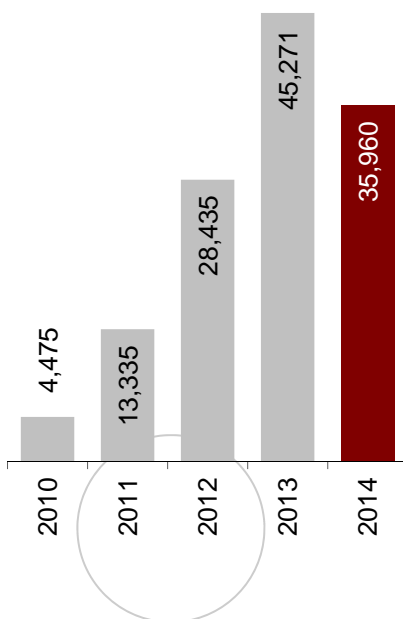
### Other Revenues

Other Revenues decreased by 9% during 2013-14. This was mainly due to change in the Environmental Performance Rebate that has now been replaced by grant income in 2013-14.

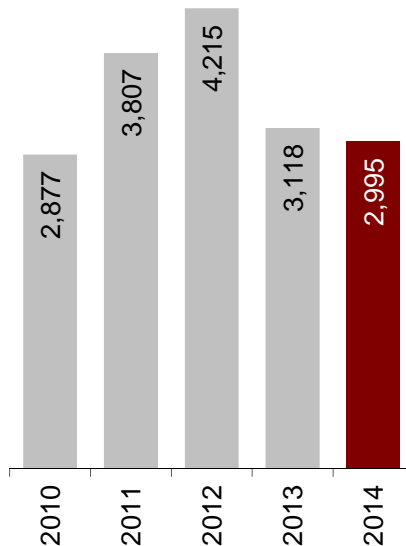
### Grants & Contributions

Grants & Contributions have decreased overall by \$11.7m (16.8%). This is primarily due to the change in methodology of the payment of the Financial Assistance Grant that was previously paid in advance, but is now paid in arrears. Refer to Note 3(e) for further details.

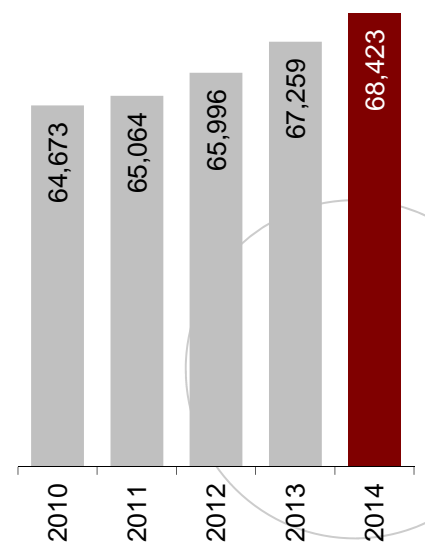
**Capital Grants & Contributions (\$'000)**



**Investment Revenue (\$'000)**



**Property Numbers**



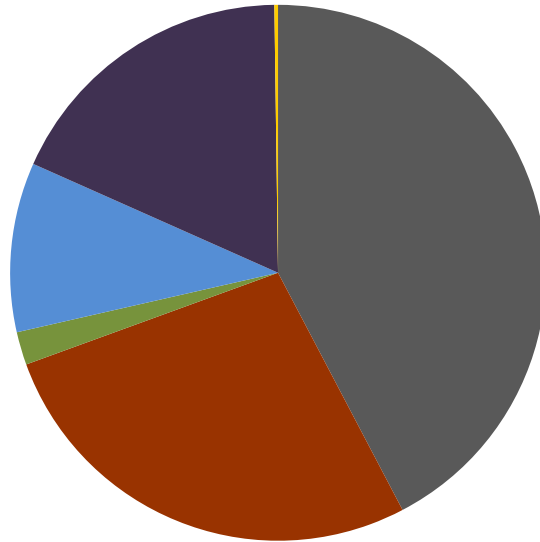
## Summary

## Expenses

### Summary

- Total Expenses ▲ 12.6% to \$192.6m
- Employee costs ▲ 5.9% to \$81.5m

- Employee Costs (\$81.5m)
- Materials & Contracts (\$52.3m)
- Borrowing Costs (\$3.8m)
- Depreciation, Amortisation & Impairment (\$19.7m)
- Other Expenses (\$34.9m)
- Loss from Disposal of Assets (\$0.4m)



Expense Item	2014 (\$'000)	2013 (\$'000)	% Change
Employee Costs	81,474	76,933	5.9%
Materials & Contracts	52,256	51,166	2.1%
Borrowing Costs	3,826	3,995	(4.2%)
Depreciation, Amortisation & Impairment	19,702	19,114	3.1%
Other Expenses	34,894	19,159	82.1%
Loss from Disposal of Assets	421	684	(38.5%)
<b>Total expenses from Continuing Operations</b>	<b>192,573</b>	<b>171,051</b>	<b>12.6%</b>

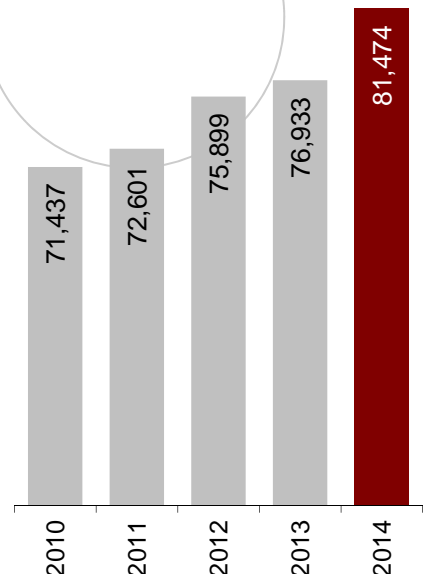
### Employee Costs

Total employee costs increased \$4.5m in 2013-14. This equates to a 5.9% increase, after accommodating an award increase of 3.25% in July 2013, and also includes:

- Increase in total Superannuation costs - \$358,000
- Skills and knowledge progression - \$447,000
- Employee performance bonuses - \$580,000
- Increases for the provision for Employee Entitlements - \$1.7m

Council contributes 9.25% 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 \$1.1m per year from 2013-14.

### Employee Costs (\$'000)



# Financial Statements

## Expenses (continued)

Council's transition to Workcover's Retro-paid Loss model for worker's compensation insurance continues to provide benefits and efficiencies for Council compared to the traditional claims experience insurance. The total worker's compensation expense for 2013-14 was \$1.5m (2012-13, \$1.2m), 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 2012-13, Council reviewed and amended the useful lives and residual value for its road, drainage, and building asset classes to more accurately reflect the consumption of these assets. The result was a decrease in depreciation expense from the previous years and more realistically represents the consumption of these assets. It is also a significant decrease over the previous methodology which saw depreciation as high as \$39m in 2011-12. The review and analysis of all Council's depreciation will continue to be conducted in future years.

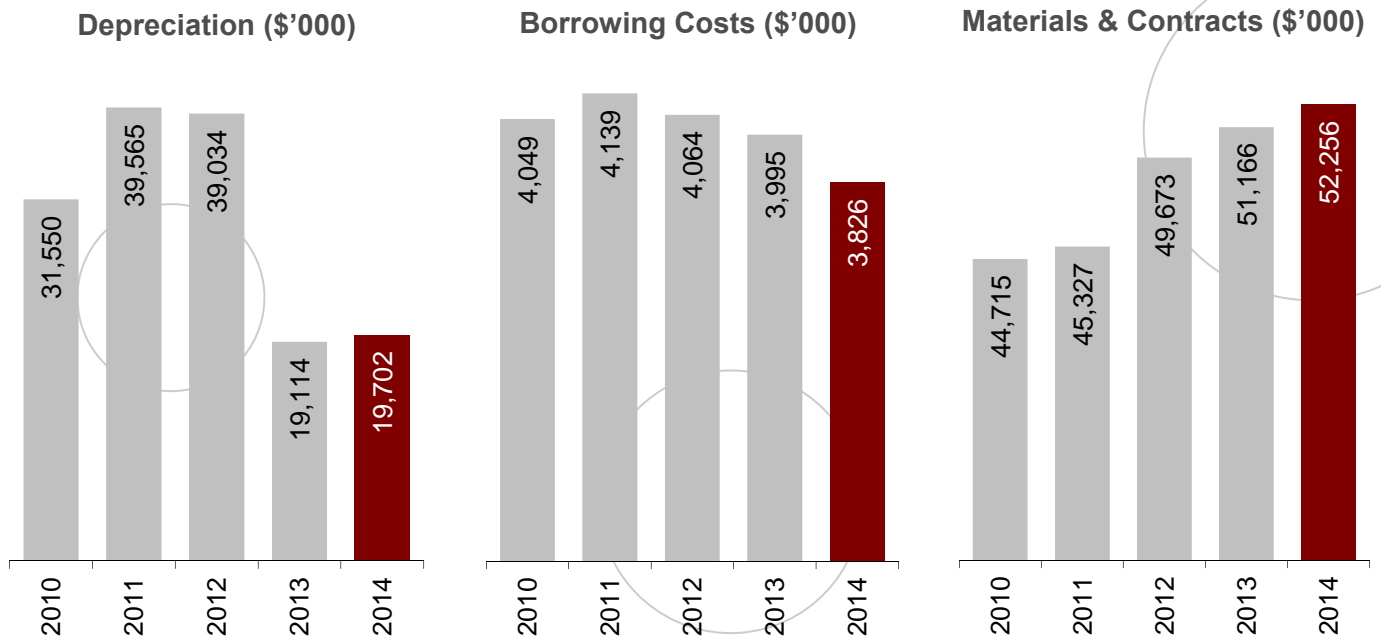
Total depreciation for the year was \$19.7m (2012-13, \$19.1m).

### Borrowing Costs

Council's borrowing costs continue to decrease, reflecting the lower cost that Council is able to borrow funds at. While Council's loan portfolio has increased \$1.4m, the average rate at which Council has borrowed funds has decreased from 5.8% in 2012-13, to 5.1% in 2013-14, reflected in a reduction of borrowing costs of \$169,000.

### Other Expenses

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





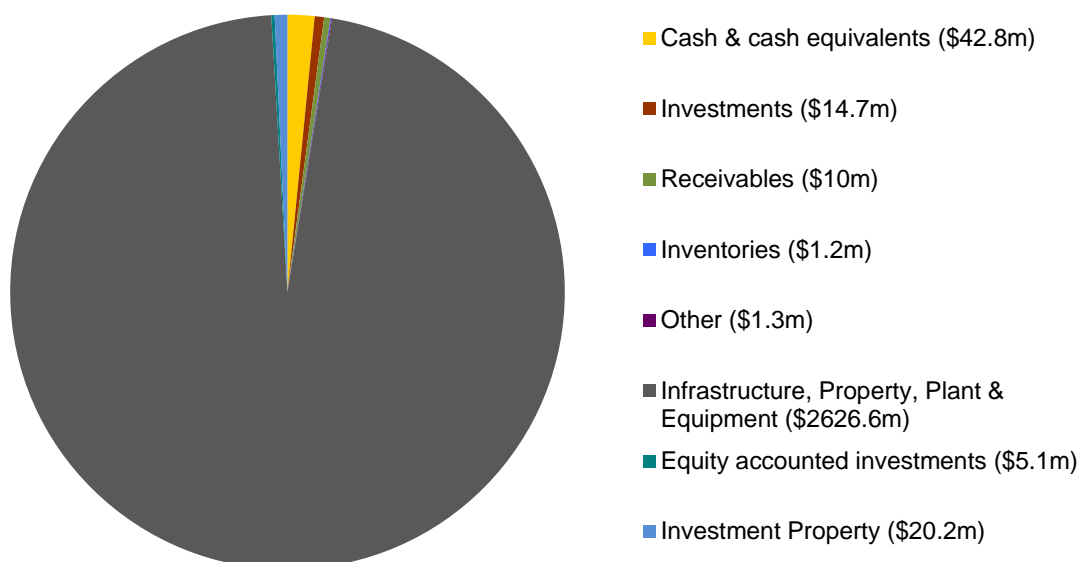
## Summary

### Assets

#### Summary

- Total Assets ▲ 0.9% to \$2,722m
- Net Assets ▲ 0.9% to \$2,611m

- Asset \$ per head of population is \$14,241
- Infrastructure, Property Plant & Equipment ▲ 1.4% to \$2,627m



Asset Item	2014 (\$'000)	2013 (\$'000)	% Change
<b>CURRENT ASSETS</b>			
Cash & cash equivalents	42,768	41,880	2.1%
Investments	6,214	24,966	(75.1%)
Receivables	8,619	8,316	3.6%
Inventories	1,206	2,353	(48.7%)
Other	1,306	1,102	18.5%
Non-current assets held for sale	449	-	100.0%
<b>TOTAL CURRENT ASSETS</b>	<b>60,562</b>	<b>78,617</b>	<b>(23.0%)</b>
<b>NON-CURRENT ASSETS</b>			
Investments	8,500	3,000	183.3%
Receivables	1,357	2,215	(38.7%)
Infrastructure, Property, Plant & Equipment	2,626,627	2,590,652	1.4%
Equity accounted investments	5,110	3,955	29.2%
Investment Property	20,218	20,719	(2.4%)
<b>TOTAL NON-CURRENT ASSETS</b>	<b>2,661,812</b>	<b>2,620,541</b>	<b>1.6%</b>
<b>TOTAL ASSETS</b>	<b>2,722,374</b>	<b>2,699,158</b>	<b>0.9%</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 decreased over the 2013-14 year, mainly due to the \$14.1m payment to the Department of Planning and Infrastructure as discussed in the overview. At 30 June 2014, Council recognised an increase in the value of its Mortgage Backed Securities (MBS) of \$281,000 (after a decrease of \$1m in 2012-13) after Council received valuations for these investments that took into account the change in market, and a redemption of principal for these investments. The maturity date of these investments were extended beyond their

## Assets (continued)

initial maturity date, and have a legal maturity date of 2051 and 2057. It is important to note that these investments are still paying coupons and penalty interest, and there have been no indications that these investments will default. Council continues to hold funds on call to ensure funds are immediately available if required. This amount can fluctuate and for 2013-14 the holdings of \$1.8m are in line with Council's targets. Council again shows its term deposits that had a maturity date of 3 months or less at 30 June 2014 as Cash and Cash Equivalents to more accurately reflect the amount of liquid funds Council has access to within these 3 months.

### 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. A decrease in unrestricted funds held at 30 June 2014, again impacted by the \$14.1m payment to the Department of Infrastructure and Planning, is also a contributing factor to the level of Council's investment portfolio.

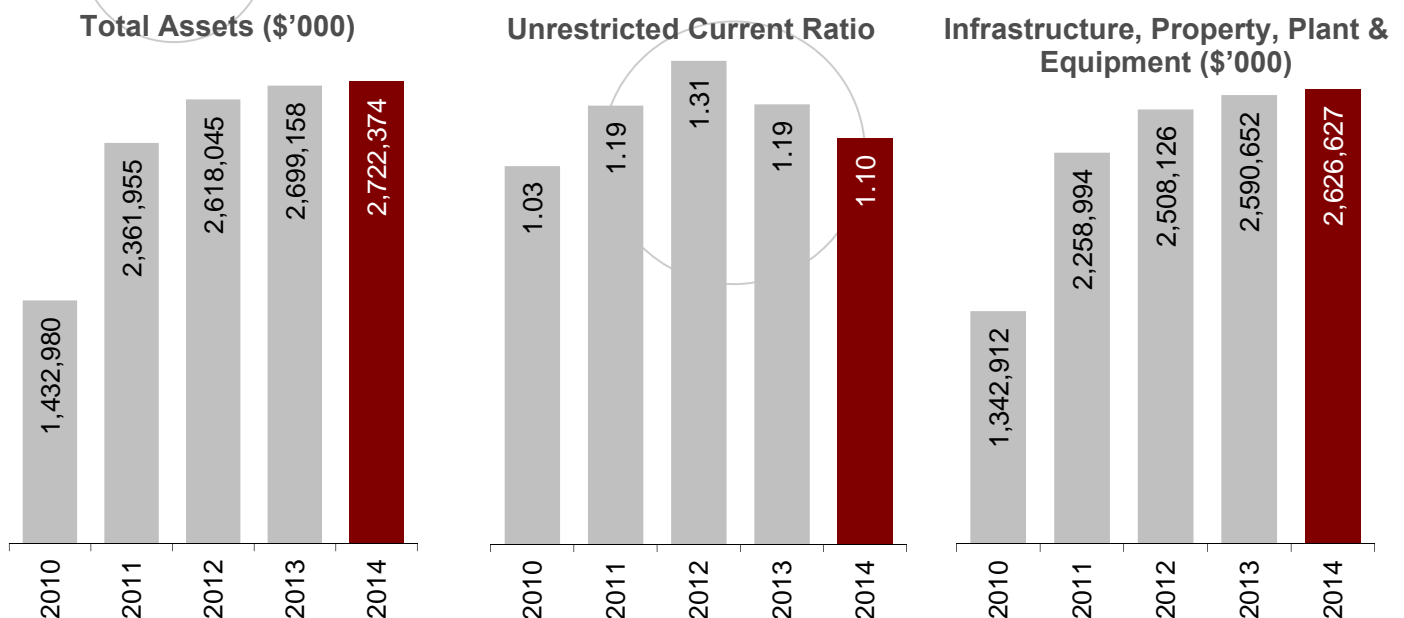
Council continues to maintain a number of internal reserves as detailed in Note 6. These reserves have been established by Council resolution, and include provisions for Employee Leave Entitlements, Property Development activities, and Council's Children's Services operations. The maintenance of these 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 2013-14 was 1.10:1. 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 2014, there were six Section 94 plans in deficit totaling \$8.7m (compared to \$7.9m in 2012-13). Two plans, the Cultural Facilities Plan and the Civic Improvement Plan, accounted for \$5.7m of this deficit. Once adjusted for these internal borrowings, the adjusted indicator is 1.43:1 and is above Council's adopted benchmark of 1.25:1, but slightly below the Division of Local Government's benchmark of 1.5:1.

### Receivables

Receivables for 2013-14 totaled \$10m, a slight decrease compared to 2012-13. The Rates Outstanding percentage decreased from 4.83% in 2012-13 to 3.87% in 2013-14, 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 2.76% (3.96% in 2012-13), below Council's target of 4.50%.



## Summary

### Assets (continued)

#### Infrastructure, Property, Plant & Equipment

Infrastructure, Property, Plant & Equipment (IPPE) increased 1.4% over the 2013-14 year to \$2,627m. Total asset purchases of \$56.6m included \$8.5m asset renewals and \$30.7m for new asset purchases/construction. A summary of IPPE transactions for 2013-14 are shown below and is provided in greater detail in Note 9.

#### Plant and Equipment

Vehicles Purchased	65
Vehicles Sold	67
Plant items purchased	26
Total value of purchases \$2.6m, and includes:	
Caterpillar 12M Grader	\$322,803
VT605 Road Sweeper	\$324,793
Cat 1 Tanker	\$294,219
Educator Pit Cleaner	\$267,690

#### Office Equipment

New Computer Purchases	\$21,376
SES Equipment	\$20,000

#### Buildings and Other Structure

Funeral Parlour	\$198,000
Canteen Upgrades – Various	\$76,987
Spotlight Car Park Ramp	\$30,000

#### Road Works and Drainage

Drainage Works (excl Dedications)	\$49,074
Road Works (excl Dedications)	\$20.5m
Includes:	
Bus Shelters	\$1.20m
Pathpaving	\$799,790

#### Infrastructure

Road Dedications	\$18.50m
Drainage Dedications	\$3.60m

#### Major Capital Projects worth of note, either

##### completed or underway during the year include:

NSW Bike Plan River Cities Program	\$2.25m
Property Development	\$2.05m
Building Asset Renewal Program	\$1.79m
City Centre Improvements	\$935,944
Park Assets Renewal	\$568,257
Public Amenity Replacement Program	\$409,755

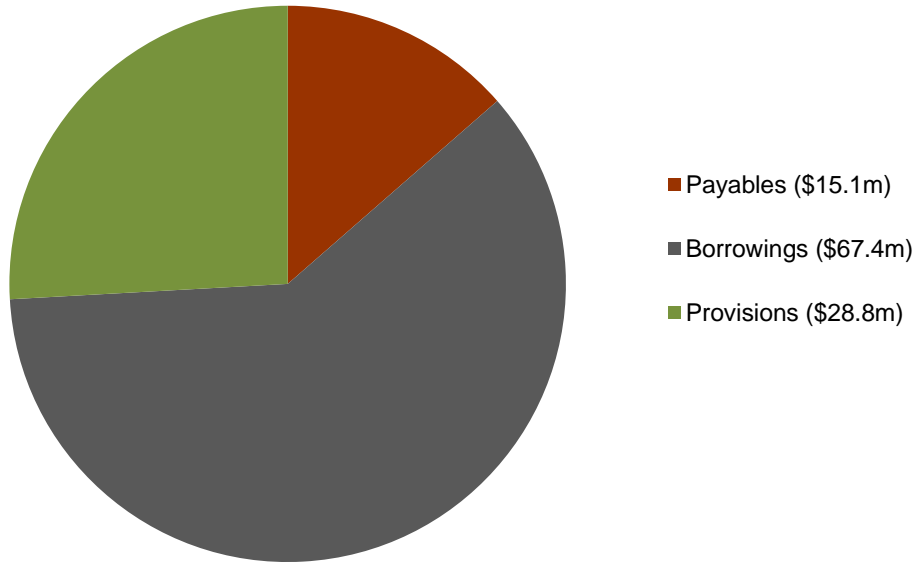
#### Other Assets

Library Resources	\$680,133
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## Liabilities

### Summary

- Liabilities ▲ 0.9% to \$111.4m
- Borrowings ▲ 2% to \$67.4m
- Payables ▼ 4.8% to \$15.1m
- Provisions ▲ 1.4% to \$28.8m

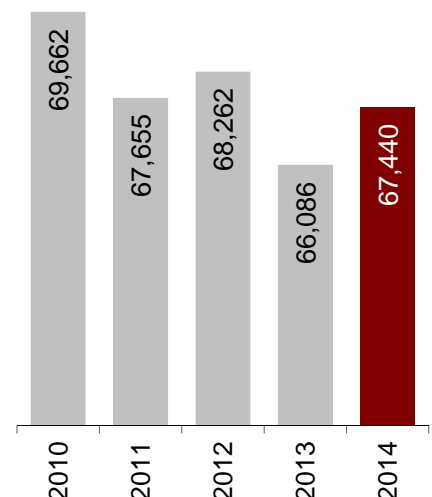


Liability Item	2014 (\$'000)	2013 (\$'000)	% Change
<b>CURRENT LIABILITIES</b>			
Payables	15,126	15,890	(4.8%)
Borrowings	9,675	8,853	9.3%
Provisions	28,178	27,805	1.3%
<b>TOTAL CURRENT LIABILITIES</b>	<b>52,979</b>	<b>52,548</b>	<b>0.8%</b>
<b>NON-CURRENT LIABILITIES</b>			
Borrowings	57,765	57,233	0.9%
Provisions	653	628	4.0%
<b>TOTAL NON CURRENT LIABILITIES</b>	<b>58,418</b>	<b>57,861</b>	<b>1.0%</b>
<b>TOTAL LIABILITIES</b>	<b>111,397</b>	<b>110,409</b>	<b>0.9%</b>

The 2013-14 Debt Service Cover Ratio was 72.08% (199.43% in 2012-13). This ratio measures the availability of operating cash to service debt including interest, principal, and lease payments. The Debt Service Cover Ratio 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. Council's recent approval under the Local Infrastructure Renewal Scheme (LIRS) also provides an interest rates subsidy from the NSW Government.

Total borrowings now stand at \$67.4m, an increase of \$1.3m (2%) over 2012-13.

Total Borrowings (\$'000)



## Summary

### 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	3,236	4,938	1,679
Operating Revenues (Excluding Council's Subsidy)	1,794	3,667	1,634
<b>Surplus / (Deficit) before Subsidy</b>	<b>(1,442)</b>	<b>(1,271)</b>	<b>(45)</b>
Subsidy	1,507	1,104	-
<b>Surplus / (Deficit) from Ordinary Operations</b>	<b>65</b>	<b>(167)</b>	<b>(45)</b>
Capital Grants			
<b>Surplus/(Deficit)</b>	<b>65</b>	<b>(167)</b>	<b>(45)</b>
Current Assets	1,093	168	310
Non-Current Assets	547	293	1,206
<b>Total Assets</b>	<b>1,640</b>	<b>461</b>	<b>1,516</b>
Current Liabilities	779	895	821
Non-Current Liabilities	168	-	564
<b>Total Liabilities</b>	<b>947</b>	<b>895</b>	<b>1,385</b>
<b>Net Assets</b>	<b>693</b>	<b>(434)</b>	<b>131</b>

## 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.

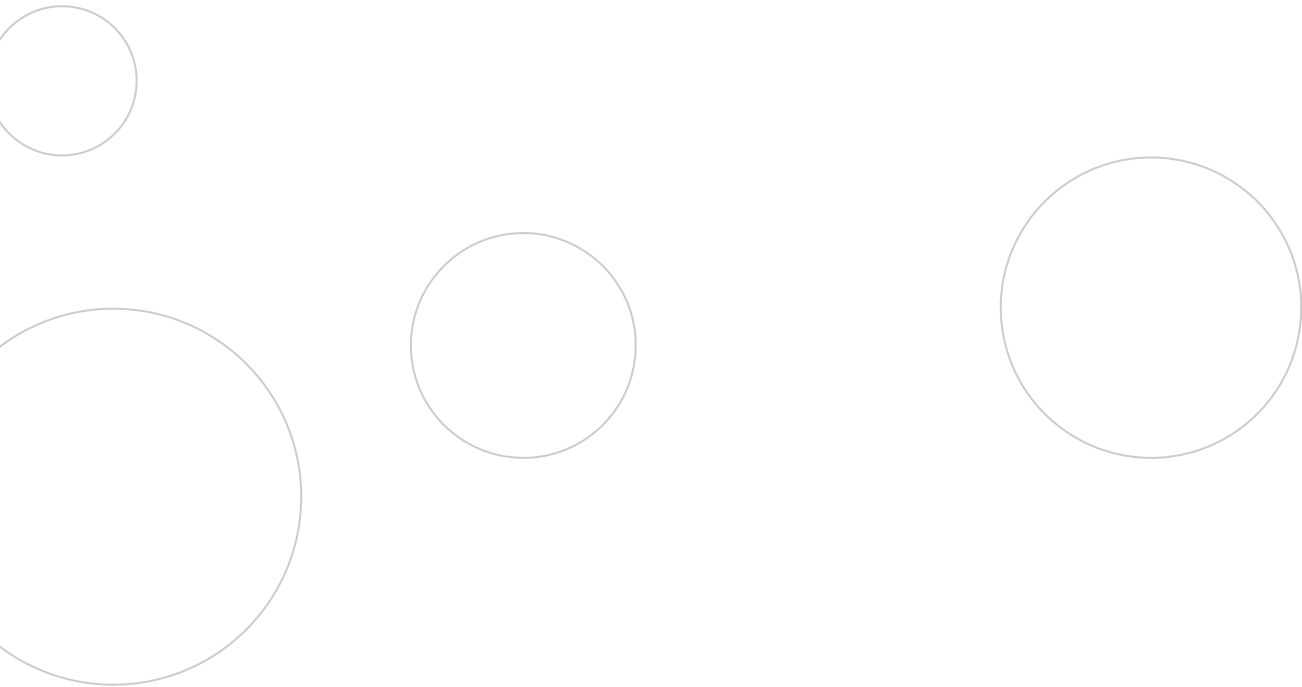
<b>Category 1 (turnover greater than \$2m)</b>	<b>2014 Surplus / (Deficit)</b>	<b>2013 Surplus / (Deficit)</b>	<b>2012 Surplus / (Deficit)</b>	<b>2011 Surplus / (Deficit)</b>	<b>2010 Surplus / (Deficit)</b>
Children's Services	(1,058)	(609)	137	(606)	(1,170)
Council Pools	(2,234)	(2,653)	(1,715)	(2,044)	(3,501)
Penrith Whitewater Stadium	(84)	(182)	(142)	182	(226)
Property Development	(1,137)	(930)	(1,338)	2,911	1,609
Penrith Performing & Visual Arts	(1,232)	(1,372)	(955)	(3,086)	(2,862)

<b>Category 2 (turnover less than \$2m)</b>	<b>2014 Surplus / (Deficit)</b>	<b>2013 Surplus / (Deficit)</b>	<b>2012 Surplus / (Deficit)</b>	<b>2011 Surplus / (Deficit)</b>	<b>2010 Surplus / (Deficit)</b>
Cemeteries	(29)	(156)	(86)	(152)	(164)
Tennis Courts	(383)	(369)	(216)	(299)	(1,309)
St Clair Recreation Centre	(335)	(332)	(159)	(196)	(378)
Lemongrove Retirement Village (sold 2011)	n/a	n/a	n/a	80	(289)
Halls	(1,863)	(1,198)	(1,106)	(1,161)	(4,571)
Contestable Services	125	71	(80)	(4)	106



# Summary

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# Statements & Notes



# Financial Statements

Penrith City Council

## General Purpose Financial Statements

for the financial year ended 30 June 2014

## 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.**

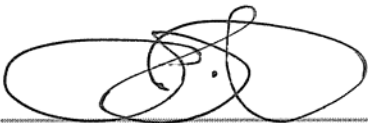
**Signed in accordance with a resolution of Council made on 27 October 2014.**



Cr Ross Fowler OAM  
MAYOR



Cr Greg Davies  
COUNCILLOR



Craig Butler  
ACTING GENERAL MANAGER



Vicki O'Kelly  
RESPONSIBLE ACCOUNTING OFFICER

# Statements and Notes

## INCOME STATEMENT for the year ended 30 June 2014

Budget <sup>1</sup> 2014	\$ '000	Notes	Actual 2014	Actual 2013
<b>Income from Continuing Operations</b>				
<i>Revenue:</i>				
110,586	Rates & Annual Charges	3a	112,142	104,564
33,279	User Charges & Fees	3b	34,325	32,265
2,002	Interest & Investment Revenue	3c	2,995	3,118
5,193	Other Revenues	3d	6,258	6,877
24,071	Grants & Contributions provided for Operating Purposes	3e,f	21,966 <sup>2</sup>	24,341
21,670	Grants & Contributions provided for Capital Purposes	3e,f	35,960	45,271
<i>Other Income:</i>				
50	Net Share of interests in Joint Ventures & Associated Entities using the equity method	19	1,155	727
196,851	<b>Total Income from Continuing Operations</b>		214,801	217,163
<b>Expenses from Continuing Operations</b>				
82,777	Employee Benefits & On-Costs	4a	81,474	76,933
3,934	Borrowing Costs	4b	3,826	3,995
55,746	Materials & Contracts	4c	52,256	51,166
39,029	Depreciation & Amortisation	4d	19,702	19,114
16,025	Other Expenses	4e	34,894	19,159
533	Net Losses from the Disposal of Assets	5	421	684
198,044	<b>Total Expenses from Continuing Operations</b>		192,573	171,051
<b>(1,193)</b>	<b>Operating Result from Continuing Operations</b>		<b>22,228</b>	<b>46,112</b>
<b>(1,193)</b>	<b>Net Operating Result for the Year</b>		<b>22,228</b>	<b>46,112</b>
<b>(1,193)</b>	<b>Net Operating Result attributable to Council</b>		<b>22,228</b>	<b>46,112</b>
<b>(22,863)</b>	<b>Net Operating Result for the year before Grants and Contributions provided for Capital Purposes</b>		<b>(13,732)</b>	<b>841</b>

1. Original Budget as approved by Council - refer Note 16

2. Financial Assistance Grants for 2013-14 are lower, reflecting a timing difference due to a change in how the grant is paid

**During the year, there was a once-off non-standard payment of \$14.1m to the Department of Planning and Infrastructure for Council's share of the costs of the Erskine Park Link Road project. This payment is recognised as an expense in the attached Financial Statements and has had a significant impact on the 2013-14 Operating Result and several indicators.**

## STATEMENT OF COMPREHENSIVE INCOME for the year ended 30 June 2014

\$ '000	Notes	Actual 2014	Actual 2013
<b>Net Operating Result for the year</b> as per Income statement		<b>22,228</b>	<b>46,112</b>
<b>Other Comprehensive Income:</b>			
Amounts which will not be reclassified subsequently to the Operating Result			
Gain (loss) on revaluation of I,PP&E	20b (ii)	-	36,202
<b>Total items which will not be reclassified subsequently to the Operating Result</b>		-	36,202
<b>Total Other Comprehensive Income for the year</b>		-	<b>36,202</b>
<b>Total Comprehensive Income for the Year</b>		<b>22,228</b>	<b>82,314</b>

# Statements and Notes

## STATEMENT OF FINANCIAL POSITION as at 30 June 2014

\$ '000	Notes	Actual 2014	Actual 2013
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash & Cash Equivalents	6a	42,768	41,880
Investments	6b	6,214	24,966
Receivables	7	8,619	8,316
Inventories	8	1,206	2,353
Other	8	1,306	1,102
Non-current assets classified as "held for sale"	22	449	-
<b>Total Current Assets</b>		<b>60,562</b>	<b>78,617</b>
<b>Non-Current Assets</b>			
Investments	6b	8,500	3,000
Receivables	7	1,357	2,215
Infrastructure, Property, Plant & Equipment	9	2,626,627	2,590,652
Investments accounted for using the equity method	19	5,110	3,955
Investment Property	14	20,218	20,719
<b>Total Non-Current Assets</b>		<b>2,661,812</b>	<b>2,620,541</b>
<b>TOTAL ASSETS</b>		<b>2,722,374</b>	<b>2,699,158</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Payables	10	15,126	15,890
Borrowings	10	9,675	8,853
Provisions	10	28,178	27,805
<b>Total Current Liabilities</b>		<b>52,979</b>	<b>52,548</b>
<b>Non-Current Liabilities</b>			
Borrowings	10	57,765	57,233
Provisions	10	653	628
<b>Total Non-Current Liabilities</b>		<b>58,418</b>	<b>57,861</b>
<b>TOTAL LIABILITIES</b>		<b>111,397</b>	<b>110,409</b>
<b>Net Assets</b>		<b>2,610,977</b>	<b>2,588,749</b>
<b>EQUITY</b>			
Retained Earnings	20	1,943,103	1,920,875
Revaluation Reserves	20	667,874	667,874
<b>Total Equity</b>		<b>2,610,977</b>	<b>2,588,749</b>

# Financial Statements

## STATEMENT OF CHANGES IN EQUITY for the year ended 30 June 2014

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council Interest	Total Equity
<b>2014</b>					
<b>Opening Balance</b> as per Last Year's Audited Accounts		1,920,875	667,874	2,588,749	2,588,749
<b>Revised Opening Balance</b> (as at 1 July 2013)		1,920,875	667,874	2,588,749	2,588,749
<b>a. Net Operating Result for the Year</b>		22,228	-	22,228	22,228
<b>Total Comprehensive Income</b>		22,228	-	22,228	22,228
<b>Equity - Balance at end of the reporting period</b>		1,943,103	667,874	2,610,977	2,610,977

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council Interest	Total Equity
<b>2013</b>					
<b>Opening Balance</b> as per Last Year's Audited Accounts		1,874,763	631,672	2,506,435	2,506,435
<b>Revised Opening Balance</b> (as at 1 July 2012)		1,874,763	631,672	2,506,435	2,506,435
<b>a. Net Operating Result for the Year</b>		46,112	-	46,112	46,112
<b>b. Other Comprehensive Income</b>					
- Revaluations : IPP&E Asset Revaluation Rsve	20b (ii)	-	36,202	36,202	36,202
<b>Other Comprehensive Income</b>		-	36,202	36,202	36,202
<b>Total Comprehensive Income</b>		46,112	36,202	82,314	82,314
<b>Equity - Balance at end of the reporting period</b>		1,920,875	667,874	2,588,749	2,588,749



## Statements and Notes

### STATEMENT OF CASH FLOWS for the year ended 30 June 2014

Budget 2014	\$ '000	Notes	Actual 2014	Actual 2013
<b>Cash Flows from Operating Activities</b>				
<b>Receipts:</b>				
109,407	Rates & Annual Charges		113,413	105,206
39,282	User Charges & Fees		35,576	34,218
3,537	Investment & Interest Revenue Received		2,331	3,385
41,242	Grants & Contributions		27,870	40,522
2,700	Bonds, Deposits & Retention amounts received		2,637	2,604
2,886	Other		13,061	13,960
<b>Payments:</b>				
(81,487)	Employee Benefits & On-Costs		(81,202)	(77,780)
(60,701)	Materials & Contracts		(56,851)	(57,390)
(3,889)	Borrowing Costs		(3,826)	(3,995)
(2,500)	Bonds, Deposits & Retention amounts refunded		(2,274)	(2,436)
(19,210)	Other		(40,109)	(20,392)
31,267	<b>Net Cash provided (or used in) Operating Activities</b>	11b	10,626	37,902
<b>Cash Flows from Investing Activities</b>				
<b>Receipts:</b>				
154,813	Sale of Investment Securities		287,153	212,691
750	Sale of Real Estate Assets		-	10
1,463	Sale of Infrastructure, Property, Plant & Equipment		1,224	1,792
<b>Payments:</b>				
(153,180)	Purchase of Investment Securities		(273,620)	(215,000)
(29,889)	Purchase of Infrastructure, Property, Plant & Equipment		(25,710)	(38,647)
-	Purchase of Real Estate Assets		-	(11)
-	Transfers between Cash & Cash Equivalents		-	(1,000)
(26,043)	<b>Net Cash provided (or used in) Investing Activities</b>		(10,953)	(40,165)
<b>Cash Flows from Financing Activities</b>				
<b>Receipts:</b>				
4,113	Proceeds from Borrowings & Advances		10,201	7,108
4	Deferred Debtors Receipts		65	2
<b>Payments:</b>				
(14,814)	Repayment of Borrowings & Advances		(9,051)	(8,420)
(10,697)	<b>Net Cash Flow provided (used in) Financing Activities</b>		1,215	(1,310)
(5,473)	<b>Net Increase/(Decrease) in Cash &amp; Cash Equivalents</b>		888	(3,573)
50,000	plus: <b>Cash &amp; Cash Equivalents - beginning of year</b>	11a	41,880	45,453
44,527	<b>Cash &amp; Cash Equivalents - end of the year</b>	11a	42,768	41,880
Additional Information:				
	plus: <b>Investments on hand - end of year</b>	6b	14,714	27,966
	<b>Total Cash, Cash Equivalents &amp; Investments</b>		57,482	69,846

Please refer to Note 11 for information on the following:

- Non Cash Financing & Investing Activities.
- Financing Arrangements.

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2014

### Note 1—Summary of 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

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

- AASB 13 Fair Value Measurement
- AASB 119 Employee Benefits

AASB 13 Fair Value Measurement has not affected the assets or liabilities which are to be measured at fair value, however it provides detailed guidance on how to measure fair value in accordance with the accounting standards. It introduces the concept of highest and best use for non-financial assets and has caused the Council to review their valuation methodology.

The level of disclosures regarding fair value have increased significantly and have been included in the financial statements at Note 27.

AASB 119 Employee Benefits introduced revised definitions for short-term employee benefits. Whilst the Council has reviewed the annual leave liability to determine the level of annual leave which is expected to be paid more than 12 months after the end of the reporting period, there has been no effect on the amounts disclosed as leave liabilities since Council's existing valuation policy was to discount annual leave payable more than 12 months after the end of the reporting period to present values.

##### 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 2013.

##### 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.

##### 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 of this report.

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

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 2014. 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 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 5 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 Penrith Pool and 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 \$1.44m for Penrith Performing and Visual Arts, a loss of \$1.3m for City of Penrith Regional Indoor Aquatic and Recreational Centre Limited and a loss of \$45,000 for the Penrith Whitewater Stadium. Council each year makes a resolution to continue to guarantee the operations of these entities for 24 months from 1 July each year.

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.

2013-14

Committee	Operating Surplus / (Deficit) \$	Net Assets \$
Andromeda Community Centre	(2,046)	6,759
Arms of Australia Inn	114	1,521
Autumnleaf Neighbourhood Centre Inc.	(3,287)	(5,757)
Cook Parade Neighbourhood Centre	1,051	(5,189)
Coowarra Cottage	12,965	19,254
Emu Plains Tennis Complex	(22,199)	18,774
Jamison Park Netball Complex		54,225
Masters Hall- U3A	1,796	6,994
Nepean & Community Neighbourhood Services	(1,283)	8
North Penrith Community Centre	52	8,434
North St Marys Neighbourhood Centre	(894)	(1,046)
Penrith International Friendship Committee		13,679
Penrith Schools Boatshed Management Committee	(4,843)	5,875
Penrith Valley Senior Citizens Centre	6,075	61,390
Regentville Hall	4,638	49,626
Samuel Marsden Road Riding Facility	-	(1,261)
St Marys Development Committee	(6,216)	21,036
The Community Connection	(9,557)	4,463
Werrington Community Cottage	1,672	17,603
Youth Centre Cleaning	(10,742)	(10,742)
<b>Total</b>	<b>(32,704)</b>	<b>265,646</b>

Other Council Committees not included in the listing below include the Jamison Park Netball Complex, and the Penrith International Friendship Committee. 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.

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

### **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 in Note 19.

#### **Joint venture entities**

Any interests in Joint Venture Entities & Partnerships are accounted for using the equity method and is carried at cost.

Under the equity method, the share of the profits or losses of the partnership is recognised in the income statement, and the share of movements in retained earnings and reserves is recognised in the balance sheet.

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**

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

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

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**

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

- cash on hand
- deposits held at call with financial institutions

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

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

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

### 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 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 off 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 Statement of Financial Position (see Note 22).

### 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 Statement of Financial Position date, which are classified as non-current assets. Loans and receivables are included in receivables in the

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

Statement of Financial Position.

### 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 Statement of Financial Position 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 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, Section 212 of the Local Government (General) Regulations 2005, and the Minister's Order.

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 Statement of Financial Position 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

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

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 Office of Local Government. At Statement of Financial Position 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)
- 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	100 years
Bridges	100 years
Stormwater Pipes	200 years
Other Drainage Structures	100 years
Levee Banks	100 years

Detailed examination of the roads data held by Council's Asset Management department was again reviewed in 2014 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 Statement of Financial Position 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.

From 2012-13, Council revised the useful lives and residual value for its road, drainage, and building asset classes to more accurately reflect the consumption of these assets. This change in method of incorporating both a change in useful lives and the use of a residual value resulted in a decrease in depreciation expense from the previous year and now more realistically represents the consumption of these assets. This review was again conducted in 2013-14 with the revised depreciation amounts shown in Note 4.

The residual values used for these classes of assets are:

Buildings	25%
Bulk Earthworks	100% (not depreciable)
Drainage	0-50%
Roads	25-50%

#### 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



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

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, Office Equipment, and Furniture & Fittings	Capitalise if Value > \$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 Stormwater Drainage	Capitalise 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 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.

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 Office of Local Government (OLG) 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 was 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 2012 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. For 2013-14, Council engaged an external valuer to independently value these properties.

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 cannot yet be reliably determined. Where that is the case, the property will be accounted for at cost until either the fair value becomes reliably determinable or construction is complete. 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 invoice date. 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.

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

### 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 Statement of Financial Position date.

#### a. Borrowings Costs

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

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale.

### 13. Provisions

Provisions for legal claims and service warranties are recognised when: Council has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

### 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 Statement of Financial Position 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's employee's have two types of membership, each of which is funded differently.

#### Accumulation Fund Members

Accumulation funds receive 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 Levy (9.25% in 2014, 9% in 2013). 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 2013-14 was 1.9 times the members' contributions (1.9 times in 2012-13) plus a basic benefit of 2.5% of the member's salary (2.5% in 2012-13). 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.

The Local Government Superannuation Scheme—

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

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 2014 was \$2.6m (\$2.7m in 2012-13). Effective from 1 July 2013, employers are required to contribute additional contributions to assist in extinguishing the deficit that resulted from the Global Financial Crisis. The amount of additional contributions payable until the deficit is extinguished is approximately \$1.1m per year. The additional contributions remitted during the year are included in the total employer contributions set out in Note 4(a).

The share of the deficit that can be broadly attributed to Council was estimated to be in the order of \$4.3m as at 30 June 2014.

### 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 Statement of Financial Position 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 Statement of Financial Position.

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 to the nearest thousand dollars.

### 18. New Accounting Standards and Interpretations

Certain new (or amended) accounting standards and interpretations have been published that are not mandatory for reporting periods ending 30 June 2014.

**Council has not adopted any of these standards early.**

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

**Applicable to Local Government with implications:**

***AASB 9 Financial Instruments, associated standards, AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 and AASB 2012-6 Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and transitional disclosures and AASB 2013-9 Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments (effective from 1 January 2017)***

AASB 9 Financial Instruments addresses the classification, measurement and de-recognition of financial assets and financial liabilities.

The standard is not applicable until 1 January 2015 but is available for early adoption.

When adopted, the standard will affect in particular Council's accounting for its available-for-sale financial

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

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 although there is currently a proposal by the IASB to introduce a Fair Value through the Other Comprehensive Income category for debt instruments.

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 de-recognition rules have been transferred from AASB 139 Financial Instruments: Recognition and Measurement and have not been changed.

Penrith Council has not yet fully assessed the impact on the reporting financial position and performance on adoption of AASB 9.

#### **Applicable to Local Government but no implications for Council**

##### ***AASB 2013-3 Amendments to AASB 136 Recoverable Amount Disclosures for Non-Financial Assets (effective for 30 June 2015 Financial Statements)***

There are no changes to reported financial position or performance from AASB 2013 – 3, however additional disclosures may be required.

#### **Applicable to Local Government but not relevant to Council at this stage**

##### ***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 for 30 June 2015 Financial Statements for not-for-profit entities)***

This suite of five new and amended standards 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.

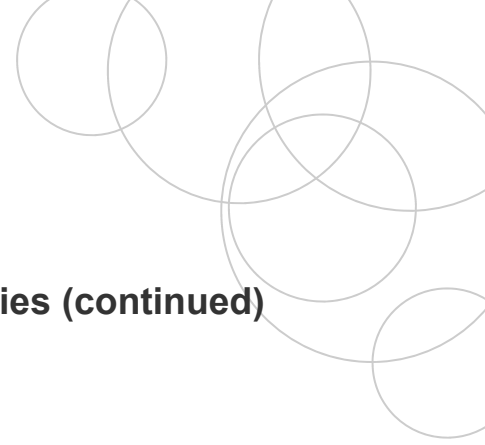
Joint ventures are accounted for using the equity method, and the choice to proportionately consolidate will no longer be permitted.

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



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

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 2015.

### **Not applicable to Local Government per se**

None.

There are no other standards that are not yet effective and that are expected to have a material impact on Council 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 2014

Note 2(a) - Functions or Activities

Services	Income, Expenses and Assets have been directly attributed to the following Functions / Activities.												
	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 2014	Actual 2014	Actual 2013	Original Budget 2014	Actual 2014	Actual 2013	Original Budget 2014	Actual 2014	Actual 2013	Actual 2014	Actual 2013	Actual 2014	Actual 2013
Corporate Governance	-	-	710	743	706	710	(743)	(706)	(710)	-	-	-	-
Building Maintenance & Construction	1	33	(3)	1,621	(36)	(3)	(1,620)	69	10	-	-	141,640	141,001
Bushland Management	-	57	204	163	251	204	(163)	(194)	(157)	57	47	-	-
Business Improvement	-	-	380	176	179	380	(176)	(179)	(380)	-	-	-	10
Cemeteries	546	642	701	605	667	701	(59)	(25)	(150)	-	-	-	-
Children's Services	19,581	18,666	20,217	20,951	19,625	20,217	(1,370)	(959)	(1,593)	2,330	2,701	403	228
City Parks	131	9,306	11,635	12,304	13,036	11,635	(12,173)	(3,730)	(1,611)	103	162	-	36
City Partnerships	-	-	333	422	367	333	(422)	(367)	(333)	-	-	-	-
City Planning	2,288	4,724	2,939	2,511	16,417	2,939	(223)	(11,693)	13,257	-	-	-	-
Civil Construction & Maintenance	22,249	26,738	27,795	39,739	29,320	27,795	(17,490)	(2,582)	(3,493)	2,534	2,855	743,317	721,567
Communications	-	-	530	562	589	530	(562)	(589)	(530)	-	-	-	-
Community & Cultural Development	268	264	2,111	2,190	2,146	2,111	(1,922)	(1,882)	(1,850)	230	229	-	-
Community Safety	314	341	4,540	4,609	4,621	4,540	(4,295)	(4,280)	(4,212)	323	310	-	-
Corporate Planning	-	-	591	605	474	591	(605)	(474)	(591)	-	-	14	-
Council & Corporate Support	10	4	4,383	4,219	3,749	4,383	(4,209)	(3,745)	(4,373)	-	-	-	-
Customer Service	-	1	1,417	1,723	1,580	1,417	(1,723)	(1,579)	(1,417)	-	-	-	-
Design & Project Management	100	525	1,383	1,572	1,516	1,383	(1,472)	(991)	(2,373)	489	(1,075)	-	-
Development Applications	2,135	2,655	5,112	5,486	5,676	5,112	(3,351)	(3,021)	(2,996)	14	35	-	-
Development Engineering	368	444	1,103	1,165	1,227	1,103	(797)	(783)	(677)	-	-	-	-
Emergency Services Management	2,484	3,452	4,299	4,528	5,151	4,299	(2,044)	(1,699)	(2,284)	3,396	1,941	338	338
Environmental Health	301	605	2,861	3,014	3,073	2,861	(2,713)	(2,468)	(3,490)	182	(1,010)	26	5
Financial Services	860	3,492	5,973	6,588	6,599	5,973	(5,728)	(3,107)	(2,564)	1,598	2,427	1,436,515	1,449,891
Fire Safety Certification & Compliance	1,258	1,172	1,974	2,640	1,848	1,974	(1,382)	(676)	(821)	-	-	-	-
Floodplain & Stormwater Management	14	53	570	724	809	570	(710)	(756)	(510)	33	6	-	-
Information Technology	37	(54)	1,098	1,198	1,114	1,098	(1,161)	(1,168)	(761)	(109)	337	6,279	6,500
Legal Services	7	55	141	114	174	141	(107)	(119)	(102)	-	-	-	-
Libraries	753	952	7,404	7,682	7,584	7,404	(6,929)	(6,632)	(6,618)	708	558	2,916	2,938

NOTES TO THE FINANCIAL STATEMENTS  
30 June 2014

Note 2(a) - Functions or Activities (cont)

Services	Income, Expenses and Assets have been directly attributed to the following Functions / Activities.															
	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 2014	Actual 2014	Actual 2013	Actual 2014	Original Budget 2014	Actual 2014	Actual 2013	Actual 2014	Original Budget 2014	Actual 2014	Actual 2013	Actual 2014	Actual 2013	Actual 2014	Actual 2013	Actual 2014
Mapping Information/GIS	3	4	3	617	649	613	613	(646)	(613)	(610)	-	-	-	213	208	
Marketing	18	9	99	1,866	1,929	2,245	2,245	(1,911)	(1,857)	(2,146)	(6)	-	-	20	16	
Neighbourhood Facilities Management	702	906	732	1,487	1,487	1,387	1,387	(785)	(846)	(655)	9	16	231	249		
Penrith Performing & Visual Arts	2,241	1,793	2,062	3,798	3,798	3,568	3,568	(1,557)	(1,467)	(1,506)	502	452	42	42		
Penrith Whitewater Stadium	2,074	1,634	1,664	1,623	1,850	1,756	1,756	224	11	(92)	-	-	67	67		
Place Management	616	616	-	1,499	1,230	551	551	(614)	(883)	(551)	-	-	(48)	-		
Plant Maintenance	-	342	2	63	-	(130)	(130)	-	279	132	-	-	-	11,652	11,953	
Property Development & Management	3,746	4,196	3,555	4,015	4,206	2,850	2,850	(460)	181	705	-	-	-	353,400	341,913	
Public Domain Maintenance	-	7	140	8,738	15,471	9,435	9,435	(15,471)	(8,731)	(9,295)	-	-	-	16,864	14,528	
Purchasing & Supply	4	2	18	717	710	692	692	(706)	(715)	(674)	-	-	-	655	695	
Recn & Leisure Facilities Management	371	919	1,500	2,007	1,990	3,135	3,135	(1,619)	(1,088)	(1,635)	75	25	2,230	2,187		
Records Management	9	19	13	(47)	13	20	20	(4)	66	(7)	-	-	-	-	-	
Regional Planning & Advocacy	-	353	838	1,028	971	989	989	(971)	(675)	(151)	-	-	1	66		
Regulatory Control	2,228	2,475	2,316	4,073	3,336	3,373	3,373	(1,108)	(1,598)	(1,057)	9	-	-	-	-	
Ripples- St Marys Leisure Centre	3,842	3,667	2,702	4,938	4,883	3,562	3,562	(1,041)	(1,271)	(860)	-	-	-	-	-	
Risk Management & Insurance	-	234	227	405	468	341	341	(468)	(171)	(114)	-	-	(336)	(229)		
Sustainability Planning	4	-	(43)	670	816	802	802	(812)	(670)	(845)	-	(48)	-	-	-	
Traffic Management & Road Safety	1,356	1,537	3,194	1,236	1,143	1,165	1,165	213	301	2,029	1,537	3,194	-	-	-	
Waste Management	22,897	23,760	22,093	22,701	22,395	21,321	21,321	502	1,059	772	448	51	823	994		
Workforce Development	155	204	142	2,950	2,845	2,975	2,975	(2,690)	(2,746)	(2,833)	149	113	2	-	-	
<b>Total Functions &amp; Activities</b>	<b>93,971</b>	<b>116,804</b>	<b>120,329</b>	<b>192,573</b>	<b>198,044</b>	<b>171,051</b>	<b>171,051</b>	<b>(104,073)</b>	<b>(75,769)</b>	<b>(50,722)</b>	<b>14,611</b>	<b>13,326</b>	<b>2,717,264</b>	<b>2,695,203</b>		
Share of gains/(losses) in Associates & Joint Ventures (using the Equity Method)	50	1,155	727	-	-	-	-	50	1,155	727	-	-	5,110	3,955		
General Purpose Income <sup>1</sup>	102,830	96,842	96,107	-	-	-	-	102,830	96,842	96,107	5,759	9,621	-	-		
<b>Operating Result from Continuing Operations</b>	<b>196,851</b>	<b>214,801</b>	<b>217,163</b>	<b>192,573</b>	<b>198,044</b>	<b>171,051</b>	<b>171,051</b>	<b>(1,193)</b>	<b>22,228</b>	<b>46,112</b>	<b>20,370</b>	<b>22,947</b>	<b>2,722,374</b>	<b>2,699,158</b>		

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

2. Includes an amount of grant funds received in prior years that were refunded to the provider

# Statements and Notes

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2014

### Note 3—Income from Continuing Operations

\$ '000	Notes	Actual 2014	Actual 2013
a) Rates & Annual Charges			
<b>Ordinary Rates</b>			
Residential		66,628	62,295
Farmland		1,211	1,140
Business		20,249	19,410
<b>Total Ordinary Rates</b>		<b>88,088</b>	<b>82,845</b>
<b>Annual Charges</b> (pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Domestic Waste Management Services		22,153	19,838
Stormwater Management Services		1,777	1,735
Waste Management Services (non-domestic)		49	78
Section 611 Charges		75	68
<b>Total Annual Charges</b>		<b>24,054</b>	<b>21,719</b>
<b>TOTAL RATES &amp; ANNUAL CHARGES</b>		<b>112,142</b>	<b>104,564</b>

Council has used 2012 year valuations provided by the NSW Valuer General in calculating its rates.



# Financial Statements

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2014

### Note 3—Income from Continuing Operations (continued)

\$ '000	Notes	Actual 2014	Actual 2013
<b>b) User Charges &amp; Fees</b>			
<b>Specific User Charges</b> (per s.502 - Specific "actual use" charges)			
Domestic Waste Management Services		6	7
<b>Total User Charges</b>		<b>6</b>	<b>7</b>
<b>Other User Charges &amp; Fees</b>			
<b>i) Fees &amp; Charges - Statutory &amp; Regulatory Functions</b> (per s.608)			
Building Fees		1,311	1,210
Planning & Building Regulation		2,836	2,181
Other Regulatory/ Statutory Fees		569	593
Section 149 Certificates (EPA Act)		481	445
Section 603 Certificates		344	271
<b>Total Fees &amp; Charges - Statutory/Regulatory</b>		<b>5,541</b>	<b>4,700</b>
<b>ii) Fees &amp; Charges - Other (incl. General User Charges</b> (per s.608)			
Cemeteries		634	538
Childrens Services		16,303	15,888
Companion Animals		177	131
Halls and Community Centres		1,012	916
Penrith Whitewater Stadium		1,629	1,676
Performing Arts Centre / Gallery		1,257	1,529
Road Reinstatements		1,692	1,602
Sport and Recreation		246	612
Swimming Centres		3,694	3,009
Vehicle costs recovered from Employees		663	597
Other		1,471	1,060
<b>Total Fees &amp; Charges - Other</b>		<b>28,778</b>	<b>27,558</b>
<b>TOTAL USER CHARGES &amp; FEES</b>		<b>34,325</b>	<b>32,265</b>

# Statements and Notes

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2014

### Note 3—Income from Continuing Operations (continued)

\$ '000	Notes	Actual 2014	Actual 2013
c) Interest & Investment Revenue (incl. losses)			
<b>Interest &amp; Dividends</b>			
- Interest on Overdue Rates & Annual Charges (incl. Special Purpose Rates)		293	412
- Interest earned on Section 94 Contributions		361	840
- Other Externally Restricted		109	99
- Internally Restricted		278	417
- Unrestricted		1,877	1,507
<b>Fair Value Adjustments</b>			
- Fair Valuation movements in Investments (at FV or Held for Trading)		281	(1,021)
<b>Fair Valuation of Financial Liabilities on recognition</b>			
- Interest Free (or favourable) Loans & Advances Received		(204)	864
<b>TOTAL INTEREST &amp; INVESTMENT REVENUE</b>		<u>2,995</u>	<u>3,118</u>
<b>Interest Revenue is attributable to:</b>			
<b>Unrestricted Investments/Financial Assets:</b>			
Overdue Rates & Annual Charges (General Fund)		293	412
General Purpose Cash & Investments		2,702	2,706
<b>Total Interest &amp; Investment Revenue Recognised</b>		<u>2,995</u>	<u>3,118</u>
d) Other Revenues			
Fair Value Adjustments - Investment Properties	14	-	169
Rental Income - Investment Properties	14	1,798	1,787
Rental Income - Other Council Properties		1,528	1,481
Environmental Performance Rebate (replaced by grant income in 2013-14)		-	1,149
Fines		1,373	1,292
Legal Fees Recovery - Rates & Charges (Extra Charges)		446	432
Legal Fees Recovery - Other		54	14
Purchasing Rebate		378	17
Insurance Claim Recoveries		233	121
Other		448	415
<b>TOTAL OTHER REVENUE</b>		<u>6,258</u>	<u>6,877</u>

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2014

### Note 3—Income from Continuing Operations (continued)

\$ '000	2014 Operating	2013 Operating	2014 Capital	2013 Capital
<b>e) Grants</b>				
<b>General Purpose (Untied)</b>				
Financial Assistance	4,754	2,927	-	-
Additional Financial Assistance Grant Payment	-	5,704	-	-
Pensioners' Rates Subsidies - General Component	1,005	990	-	-
<b>Total General Purpose</b>	<b>5,759</b>	<b>9,621</b>	<b>-</b>	<b>-</b>
1. The Financial Assistance Grant for 2013-14 reflects a one off reduction due to the fact that this grant is no longer being paid in advance by up to 50% as has occurred in previous years - it does not represent a loss of income but is instead a timing difference.				
<b>Specific Purpose</b>				
<b>Pensioners' Rates Subsidies:</b>				
- Domestic Waste Management	342	326	-	-
Bushfire & Emergency Services	2,908	1,941	487	-
Children's Services	2,330	2,701	-	-
Civil Construction (Roads & Drainage)	2,028	1,991	506	-
Community Services	230	229	-	-
Cultural Facilities	502	452	-	-
Design & Major Projects	489	-	-	-
Environmental and Health Management	182	-	-	-
- refund of surplus grant funds to provider <sup>2</sup>	-	(1,011)	-	-
Financial Assistance - Roads Component	1,073	2,065	-	-
Libraries	708	558	-	-
Local Infrastructure Renewal Scheme (LIRS)	182	35	-	-
Parks Environmental Management	57	47	103	-
Penrith Commuter Carpark	-	-	-	700
RLCIP (Regional & Local Community Infrastructure Program)				
- refund of surplus grant funds to provider <sup>3</sup>	-	(1,785)	-	-
Street Lighting	323	310	-	-
Traffic and Transport	1,537	3,194	-	865
Other	620	627	4	81
<b>Total Specific Purpose</b>	<b>13,511</b>	<b>11,680</b>	<b>1,100</b>	<b>1,646</b>
<b>Total Grants</b>	<b>19,270</b>	<b>21,301</b>	<b>1,100</b>	<b>1,646</b>
<b>Grant Revenue is attributable to:</b>				
- Commonwealth Funding	8,176	11,006	4	-
- State Funding	10,895	10,245	1,096	1,646
- Other Funding	199	50	-	-
	<b>19,270</b>	<b>21,301</b>	<b>1,100</b>	<b>1,646</b>

# Statements and Notes

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2014

### Note 3—Income from Continuing Operations (continued)

1. The Federal Government prepaid two instalments of the 2013-14 Financial Assistance Grant.
2. This funding was provided for the Managed Aquifer Recharge project by the NSW Government. This project's feasibility study determined the project was not viable and the surplus funds were returned.
3. This funding was provided for the Penrith Commuter Carpark by the Commonwealth Government. Council delivered this project below budget with the surplus funds being returned.

\$ '000	2014 Operating	2013 Operating	2014 Capital	2013 Capital
f) Contributions				
<b>Developer Contributions:</b>				
<b>(s93 &amp; s94 - EP&amp;A Act, s64 of the LGA):</b>				
S 94 - Contributions towards amenities/services	-	-	3,790	14,127
Subdivider Dedications	-	-	30,868	29,266
Other Developer Contributions	2,696	3,040	202	232
<b>Total Developer Contributions</b>	<b>2,696</b>	<b>3,040</b>	<b>34,860</b>	<b>43,625</b>
	17			
<b>TOTAL GRANTS &amp; CONTRIBUTIONS</b>	<b>21,966</b>	<b>24,341</b>	<b>35,960</b>	<b>45,271</b>

\$ '000	Actual 2014	Actual 2013
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#### g) Restrictions relating to Grants and Contributions

**Certain grants & contributions are obtained by Council on condition that they be spent in a specified manner:**

Unexpended at the Close of the Previous Reporting Period	29,970	31,977
<b>add:</b> Grants & contributions recognised in the current period but not yet spent:	6,088	16,851
<b>less:</b> Grants & contributions recognised in a previous reporting period now spent:	(18,564)	(18,858)
<b>Net Increase (Decrease) in Restricted Assets during the Period</b>	<b>(12,476)</b>	<b>(2,007)</b>
<b>Unexpended and held as Restricted Assets</b>	<b>17,494</b>	<b>29,970</b>
<b>Comprising:</b>		
- Specific Purpose Unexpended Grants	1,886	1,882
- Developer Contributions	15,608	28,088
	<b>17,494</b>	<b>29,970</b>

# Financial Statements

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2014

### Note 4—Expenses from Continuing Operations

\$ '000	Notes	Actual 2014	Actual 2013
<b>a) Employee Benefits &amp; On-Costs</b>			
Salaries and Wages		61,109	59,163
Travelling		12	10
Employee Leave Entitlements (ELE)		11,396	9,667
Superannuation - Guarantee Levy		5,343	4,923
Superannuation - Defined Benefit Plans		2,578	2,640
Workers' Compensation Insurance		1,469	1,236
Fringe Benefit Tax (FBT)		170	88
Payroll Tax		138	101
Training Costs (other than Salaries & Wages)		283	287
Other		179	229
<b>Total Employee Costs</b>		<b>82,677</b>	<b>78,344</b>
less: Capitalised Costs		(1,203)	(1,411)
<b>TOTAL EMPLOYEE COSTS EXPENSED</b>		<b>81,474</b>	<b>76,933</b>
Number of "Equivalent Full Time" Employees at year end		<b>1,061</b>	<b>1,042</b>
<b>b) Borrowing Costs</b>			
<b>i) Interest Bearing Liability Costs</b>			
Interest on Loans		3,826	3,995
<b>Total Interest Bearing Liability Costs Expensed</b>		<b>3,826</b>	<b>3,995</b>
<b>TOTAL BORROWING COSTS EXPENSED</b>		<b>3,826</b>	<b>3,995</b>

# Statements and Notes

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2014

### Note 4—Expenses from Continuing Operations (continued)

\$ '000	Notes	Actual 2014	Actual 2013
c) Materials & Contracts			
Raw Materials & Consumables		7,761	8,176
Contractor & Consultancy Costs			
- Garbage Services		6,359	6,028
- Recycling Services		2,110	2,004
- Organic Services		3,670	3,259
- Sullage Services		137	159
- Tipping Services		2,757	2,368
- Engineering Services		8,646	7,886
- Security Services		715	664
- Building and Parks Services		3,750	3,561
- Cleaning Services		1,596	1,538
- Computer Software Maintenance		1,249	1,230
- Contractor & Consultancy Costs		12,209	13,162
Auditors Remuneration <sup>1</sup>		136	131
Legal Expenses:			
- Legal Expenses: Planning & Development		435	120
- Legal Expenses: Other		321	349
Operating Leases:			
- Operating Lease Rentals: Minimum Lease Payments <sup>2</sup>		405	531
<b>Total Materials &amp; Contracts</b>		<b>52,256</b>	<b>51,166</b>
<b>TOTAL MATERIALS &amp; CONTRACTS</b>		<b>52,256</b>	<b>51,166</b>

#### 1. Auditor Remuneration

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

#### i) Audit and Other Assurance Services

- Audit and review of financial statements: Council's Auditor	61	77
- Audit and review of financial statements: Other Consolidated Entity Auditors	75	54
<b>Remuneration for audit and other assurance services</b>	<b>136</b>	<b>131</b>
<b>Total Auditor Remuneration</b>	<b>136</b>	<b>131</b>

#### 2. Operating Lease Payments are attributable to:

Other	405	531
	<b>405</b>	<b>531</b>

# Financial Statements

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2014

### Note 4—Expenses from Continuing Operations (continued)

\$ '000	Notes	Depreciation, Amortisation, and Impairment	
		Actual 2014	Actual 2013
d) Depreciation, Amortisation & Impairment			
Plant and Equipment		2,625	2,393
Office Equipment		1,519	1,536
Furniture & Fittings		163	132
Land Improvements (depreciable)		460	234
Buildings - Non Specialised		2,352	2,671
Buildings - Specialised		2,717	3,014
Infrastructure:			
- Roads		7,365	6,787
- Stormwater Drainage		1,650	1,476
Other Assets			
- Library Books		823	835
- Other		28	36
<b>Total Depreciation &amp; Impairment Costs</b>		<b>19,702</b>	<b>19,114</b>
<b>TOTAL DEPRECIATION &amp; IMPAIRMENT COSTS EXPENSED</b>		<b>19,702</b>	<b>19,114</b>

1. Depreciation, Amortisation, and Impairment relates solely to Depreciation and Amortisation. After testing, no impairment of Council's assets in 2014 has been identified.

# Statements and Notes

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2014

### Note 4—Expenses from Continuing Operations (continued)

\$ '000	Notes	Actual 2014	Actual 2013
e) Other Expenses			
Other Expenses for the year include the following:			
Bad & Doubtful Debts		20	35
Contributions/Levies to Other Levels of Government			
- Department of Planning Levy		157	153
- Emergency Services Levy (includes FRNSW, SES, and RFS Levies)		1,726	1,667
- Waste Levy		2,398	2,760
- Lenore Lane Extension - S94 <sup>1</sup>		14,140	-
- Other Levies		248	349
Councillor Expenses - Mayoral Fee		76	70
Councillor Expenses - Councillors' Fees		393	372
Councillors' Expenses (incl. Mayor) - Other (excluding fees above)			
- Telephone		32	23
- Training, Conferences and Seminars		102	74
- Other		14	38
District Maintenance - Rural Fire Service		1,663	1,127
Donations, Contributions & Assistance to other organisations (Section 356)			
- Penrith Business Alliance		517	487
- Other Donations & Contributions		1,567	1,310
Electricity & Heating		2,374	2,278
Infringement Processing Bureau		167	151
Insurance		2,366	2,451
Revaluation Decrements (Fair Valuation of Investment Properties)	14	501	-
Street Lighting		3,770	3,653
Telephone & Communications *		590	606
Water Rates and Charges		948	672
Other *		1,125	883
<b>TOTAL OTHER EXPENSES</b>		<b>34,894</b>	<b>19,159</b>

\* excludes disclosures shown separately in Councillors' Expenses

1. Paid to the Department of Planning and Infrastructure as full payment for Council's share of the total project costs for the Erskine Park Link Road. The funds were collected by Council through Section 94 Contributions over previous years.



# Financial Statements

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2014

### Note 5—Gain or Loss from Disposal of Assets

\$ '000	Notes	Actual 2014	Actual 2013
<b>Plant &amp; Equipment</b>			
Proceeds from Disposal - Plant & Equipment		1,224	1,792
less: Carrying Amount of P&E Assets Sold / Written Off		(1,645)	(2,475)
<b>Net Gain/(Loss) on Disposal</b>		<b>(421)</b>	<b>(683)</b>
<b>Financial Assets*</b>			
Proceeds from Disposal / Redemptions / Maturities - Financial Assets	6	287,153	212,691
less: Carrying Amount of Financial Assets Sold / Redeemed / Matured	6	(287,153)	(212,691)
<b>Net Gain/(Loss) on Disposal</b>		<b>-</b>	<b>-</b>
<b>Non Current Assets Classified as "Held for Sale"</b>			
Proceeds from Disposal - Non Current Assets "Held for Sale"		-	10
less: Carrying Amount of 'Held for Sale' Assets Sold / Written Off		-	(11)
<b>Net Gain/(Loss) on Disposal</b>		<b>-</b>	<b>(1)</b>
<b>NET GAIN/(LOSS) ON DISPOSAL OF ASSETS</b>		<b>(421)</b>	<b>(684)</b>

# Statements and Notes

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2014

### Note 6—Cash and Cash Equivalents / Investments

\$ '000	Notes	2014	2014	2013	2013
		Actual Current	Actual Non Current	Actual Current	Actual Non Current
<b>Note 6a - Cash &amp; Cash Equivalents</b>					
Cash on Hand and at Bank		1,015	-	877	-
Cash-Equivalent Assets <sup>1</sup>					
- Deposits at Call		753	-	1,503	-
- Term Deposits (with Maturities < 3 months)		41,000	-	39,500	-
<b>Total Cash &amp; Cash Equivalents</b>		<b>42,768</b>	<b>-</b>	<b>41,880</b>	<b>-</b>
<b>Note 6b - Investments</b>					
- Long Term Deposits		4,330	-	20,152	-
- NCD's, FRN's (with Maturities > 3 months)		-	8,500	3,000	3,000
- Mortgage Backed Securities		1,884	-	1,814	-
<b>Total Investments</b>		<b>6,214</b>	<b>8,500</b>	<b>24,966</b>	<b>3,000</b>
<b>TOTAL CASH ASSETS, CASH EQUIVALENTS &amp; INVESTMENTS</b>		<b>48,982</b>	<b>8,500</b>	<b>66,846</b>	<b>3,000</b>

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

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

#### Cash & Cash Equivalents

a. "At Fair Value through the Profit & Loss"		<b>42,768</b>	<b>-</b>	<b>41,880</b>	<b>-</b>
--	--	---------------	----------	---------------	----------

#### Investments

a. "At Fair Value through the Profit & Loss"					
- "Held for Trading"	6(b-i)	1,884	-	1,814	-
b. "Held to Maturity"	6(b-ii)	4,330	8,500	23,152	3,000
<b>Investments</b>		<b>6,214</b>	<b>8,500</b>	<b>24,966</b>	<b>3,000</b>

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

# Financial Statements

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2014

### Note 6—Cash and Cash Equivalents / Investments (continued)

\$ '000	2014	2014	2013	2013
	Actual Current	Actual Non Current	Actual Current	Actual Non Current
<b>Note 6(b-i)</b>				
<b>Reconciliation of Investments classified as "At Fair Value through the Profit &amp; Loss"</b>				
Balance at the Beginning of the Year	1,814	-	-	-
Revaluations (through the Income Statement)	281	-	(1,021)	-
Disposals (sales & redemptions)	(211)	-	(59)	-
Transfers between Current/Non Current	-	-	2,894	(2,894)
Transfers from/(to) "Held to Maturity"	-	-	-	2,894
<b>Balance at End of Year</b>	<b>1,884</b>	<b>-</b>	<b>1,814</b>	<b>-</b>
<b>Comprising:</b>				
- Mortgage Backed Securities	1,884	-	1,814	-
<b>Total</b>	<b>1,884</b>	<b>-</b>	<b>1,814</b>	<b>-</b>
<b>Note 6(b-ii)</b>				
<b>Reconciliation of Investments classified as "Held to Maturity"</b>				
Balance at the Beginning of the Year	23,152	3,000	16,784	8,894
Additions	268,120	5,500	215,000	-
Disposals (sales & redemptions)	(286,942)	-	(212,632)	-
Transfers between Current/Non Current	-	-	3,000	(3,000)
Transfers (to)/from Cash & Cash Equivalents	-	-	1,000	-
Transfers from/(to) "At Fair Value"	-	-	-	(2,894)
<b>Balance at End of Year</b>	<b>4,330</b>	<b>8,500</b>	<b>23,152</b>	<b>3,000</b>
<b>Comprising:</b>				
- Long Term Deposits	4,330	-	20,152	-
- NCD's, FRN's (with Maturities > 3 months)	-	8,500	3,000	3,000
<b>Total</b>	<b>4,330</b>	<b>8,500</b>	<b>23,152</b>	<b>3,000</b>

# Statements and Notes

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2014

### Note 6—Cash and Cash Equivalents / Investments (continued)

\$ '000	2014	2014	2013	2013
	Actual Current	Actual Non Current	Actual Current	Actual Non Current
Total Cash, Cash Equivalents and Investments	48,982	8,500	66,846	3,000
<b>attributable to:</b>				
External Restrictions (refer below)	29,904	8,500	44,086	3,000
Internal Restrictions (refer below)	16,755	-	18,560	-
Unrestricted	2,323	-	4,200	-
	<b>48,982</b>	<b>8,500</b>	<b>66,846</b>	<b>3,000</b>

2014 \$ '000	Opening Balance	Transfers to Restrictions	Transfers from Restrictions	Closing Balance
-----------------	--------------------	------------------------------	--------------------------------	--------------------

#### Details of Restrictions

##### External Restrictions - Included in Liabilities

Specific Purpose Unexpended Loans-General (A)	6,133	6,975	(4,645)	8,463
<b>External Restrictions - Included in Liabilities</b>	<b>6,133</b>	<b>6,975</b>	<b>(4,645)</b>	<b>8,463</b>

##### External Restrictions - Other

Developer Contributions - General (B)	28,088	4,151	(16,631)	15,608
RMS (formerly RTA) Contributions (C)	-	1,783	(1,731)	52
Specific Purpose Unexpended Grants (D)	1,882	4	-	1,886
Domestic Waste Management (E)	2,250	3,108	(1,737)	3,621
Sullage Reserve	559	823	(1,015)	367
Childcare	1,612	993	(795)	1,810
Waste & Sustainability	1,460	-	(793)	667
Other	5,102	3,875	(3,047)	5,930
<b>External Restrictions - Other</b>	<b>40,953</b>	<b>14,737</b>	<b>(25,749)</b>	<b>29,941</b>
<b>Total External Restrictions</b>	<b>47,086</b>	<b>21,712</b>	<b>(30,394)</b>	<b>38,404</b>

A. Loan monies which must be applied for the purposes for which the loans were raised.

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

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

D. Grants which are not yet expended for the purposes for which the grants were obtained (refer Note 1).

E. Water, Sewerage, Domestic Waste Management (DWM) & other Special Rates/Levies/Charges are externally restricted assets and must be applied for the purposes for which they were raised.

**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 (2014 - \$8.7m, 2013 - \$7.9m).**

# Financial Statements

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2014

### Note 6—Cash and Cash Equivalents / Investments (continued)

2014 \$ '000	Opening Balance	Transfers to Restrictions	Transfers from Restrictions	Closing Balance
<b>Internal Restrictions</b>				
Plant & Vehicle Replacement	1,045	2,816	(2,437)	1,424
Infrastructure Construction	5,243	2,895	(6,007)	2,131
Employees Leave Entitlement	3,223	195	-	3,418
Deposits, Retentions & Bonds	1,924	164	-	2,088
Acquisition of Land and Buildings	1,533	5,627	(6,379)	781
Insurance Reserve	1,418	888	(604)	1,702
Salary Administration	110	-	(4)	106
Revote Reserve	800	614	(825)	589
Cemetery Reserve	145	107	(85)	167
Legal Reserve	147	129	(100)	176
Environmental Protection Reserve	18	-	(1)	17
Children's Services Reserve	504	193	(93)	604
Election Reserve	72	77	-	149
Environmental Program Reserve	640	106	(347)	399
Voted Works	235	182	(234)	183
Sustainability Revolving Fund	-	154	(108)	46
Other	1,503	14,140	(12,868)	2,775
<b>Total Internal Restrictions</b>	<b>18,560</b>	<b>28,287</b>	<b>(30,092)</b>	<b>16,755</b>
<b>TOTAL RESTRICTIONS</b>	<b>65,646</b>	<b>49,999</b>	<b>(60,486)</b>	<b>55,159</b>

# Statements and Notes

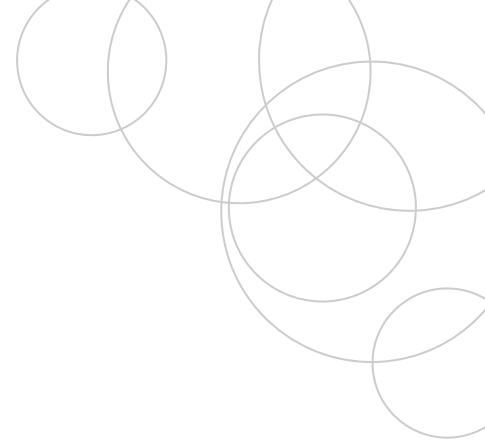
## NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2014

### Note 7—Receivables

\$ '000	Notes	2014		2013	
		Current	Non Current	Current	Non Current
<b>Purpose</b>					
Rates & Annual Charges		2,804	1,125	3,090	1,938
Interest & Extra Charges		1,098	578	1,160	-
User Charges & Fees		1,632	-	956	-
Accrued Revenues					
- Interest on Investments		357	-	241	-
- Other Income Accruals		912	-	959	-
Government Grants & Subsidies		2,154	-	2,966	-
Deferred Debtors		3	212	3	277
Other Debtors		255	-	4	-
<b>Total</b>		<b>9,215</b>	<b>1,915</b>	<b>9,379</b>	<b>2,215</b>
<b>less: Provision for Impairment</b>					
Rates & Annual Charges		(411)	(283)	(522)	-
Interest & Extra Charges		(54)	(275)	(284)	-
Other Debtors		(131)	-	(257)	-
<b>Total Provision for Impairment - Receivables</b>		<b>(596)</b>	<b>(558)</b>	<b>(1,063)</b>	<b>-</b>
<b>TOTAL NET RECEIVABLES</b>		<b>8,619</b>	<b>1,357</b>	<b>8,316</b>	<b>2,215</b>
<b>Externally Restricted Receivables</b>					
Domestic Waste Management		784	-	948	-
Stormwater Management		42	-	44	-
<b>Total External Restrictions</b>		<b>826</b>	<b>-</b>	<b>992</b>	<b>-</b>
<b>Unrestricted Receivables</b>		<b>7,793</b>	<b>1,357</b>	<b>7,324</b>	<b>2,215</b>
<b>TOTAL NET RECEIVABLES</b>		<b>8,619</b>	<b>1,357</b>	<b>8,316</b>	<b>2,215</b>

#### Notes on Debtors above:

1. Rates & Annual Charges Outstanding are secured against the property.
2. 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.
3. Interest was charged on overdue rates & charges at 9% (2013 - 10%)  
Generally all other receivables are non interest bearing.
4. Refer to Note 15 for issues concerning Credit Risk and Fair Value disclosures.



## NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2014

### Note 7—Receivables (continued)

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

Rates are secured by underlying properties. Interest is charged on overdue rates at the rate allowable (2013-14—9%, 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.

#### **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 for the year ended 30 June 2014

### Note 8—Inventories and Other Assets

\$ '000	Notes	2014		2013		
		Current	Non Current	Current	Non Current	
<b>Inventories</b>						
Real Estate for resale (refer below) <sup>1</sup>	22	-	-	1,193	-	
Stores & Materials		764	-	781	-	
Trading Stock		77	-	15	-	
Bushfire Stores		338	-	338	-	
Other		27	-	26	-	
<b>Total Inventories</b>		<b>1,206</b>	<b>-</b>	<b>2,353</b>	<b>-</b>	
<b>Other Assets</b>						
Prepayments		603	-	614	-	
GST		647	-	466	-	
Other		56	-	22	-	
<b>Total Other Assets</b>		<b>1,306</b>	<b>-</b>	<b>1,102</b>	<b>-</b>	
<b>TOTAL INVENTORIES / OTHER ASSETS</b>		<b>2,512</b>	<b>-</b>	<b>3,455</b>	<b>-</b>	

1. During the year Real Estate for Resale was reclassified as Non-Current Assets Held for Resale - refer to Note 22.

#### Externally Restricted Assets

##### Other

Inventories - Bushfire Stores		338	-	338	-
<b>Total Other</b>		<b>338</b>	<b>-</b>	<b>338</b>	<b>-</b>
<b>Total Externally Restricted Assets</b>		<b>338</b>	<b>-</b>	<b>338</b>	<b>-</b>
<b>Total Unrestricted Assets</b>		<b>2,174</b>	<b>-</b>	<b>3,117</b>	<b>-</b>
<b>TOTAL INVENTORIES &amp; OTHER ASSETS</b>		<b>2,512</b>	<b>-</b>	<b>3,455</b>	<b>-</b>



## NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2014

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

\$ '000	2014		2013	
	Current	Non Current	Current	Non Current
<b>i) Other Disclosures</b>				
<b>a) Details for Real Estate Development</b>				
Residential	-	-	1,193	-
<b>Total Real Estate for Resale</b>	<b>-</b>	<b>-</b>	<b>1,193</b>	<b>-</b>
(Valued at the lower of cost and net realisable value)				
<b>Represented by:</b>				
Acquisition Costs	-	-	1,193	-
<b>Total Costs</b>	<b>-</b>	<b>-</b>	<b>1,193</b>	<b>-</b>
<b>Total Real Estate for Resale</b>	<b>-</b>	<b>-</b>	<b>1,193</b>	<b>-</b>
<b>Movements:</b>				
Real Estate assets at beginning of the year	1,193	-	1,193	-
- Purchases and other costs	7	-	11	-
- Transfers in from (out to) Note 9	(1,200)	-	-	-
- WDV of Sales (exp) <span style="float: right;">5</span>	-	-	(11)	-
<b>Total Real Estate for Resale</b>	<b>-</b>	<b>-</b>	<b>1,193</b>	<b>-</b>

1. During the year Real Estate for Resale was reclassified as Non-Current Asset Held for Resale - refer to Note 22.

#### **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:

	<b>2014</b>	<b>2013</b>
Real Estate for Resale	-	443
	<b>-</b>	<b>443</b>

**NOTES TO THE FINANCIAL STATEMENTS**  
for the year ended 30 June 2014

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

	as at 30 June 2013				Asset Movements during the Reporting Period						as at 30 June 2014				
	At Cost	At Fair Value	Accum Dep'n	Carrying Value	Asset Additions	WDV of Asset Disposals	Depreciation Expense	WIP Transfers	Trns from/(to) "Held for Sale" category	Trns from/(to) Real Estate Assets (Note 8)	At Cost	At Fair Value	Accum Dep'n	Carrying Value	
<b>\$ '000</b>															
Capital Work in Progress	7,154	-	-	7,154	5,178	-	-	(7,154)	-	-	1,200	79,351	-	5,178	80,551
Plant & Equipment	-	35,771	17,378	18,393	3,641	(1,645)	(2,625)	-	-	-	-	36,383	18,619	17,764	17,764
Office Equipment	-	26,119	19,665	6,454	1,273	-	(1,519)	-	-	-	-	27,395	21,187	6,208	6,208
Furniture & Fittings	-	5,717	4,487	1,230	498	-	(163)	-	-	-	-	6,214	4,649	1,565	1,565
<b>Land:</b>															
- Operational Land	-	79,101	-	79,101	699	-	-	-	(449)	1,200	1,200	79,351	-	80,551	80,551
- Community Land	-	179,071	-	179,071	1,779	-	-	-	-	-	-	180,850	-	180,850	180,850
- Land under Roads (pre 1/7/08)	-	1,341,687	-	1,341,687	-	-	-	-	-	-	-	1,341,687	-	1,341,687	1,341,687
- Land under Roads (post 30/6/08)	-	18,798	-	18,798	8,641	-	-	-	-	-	-	27,439	-	27,439	27,439
Land Improvements - depreciable	-	6,483	380	6,103	2,233	-	(460)	-	-	-	-	8,724	848	7,876	7,876
Buildings - Non Specialised	-	153,588	65,525	88,063	716	-	(2,352)	-	-	-	-	148,368	61,941	86,427	86,427
Buildings - Specialised	-	212,346	86,378	125,968	4,957	-	(2,717)	505	-	-	-	217,808	89,095	128,713	128,713
<b>Infrastructure:</b>															
- Roads	-	705,340	230,116	475,224	22,722	-	(7,365)	5,967	-	-	-	734,029	237,481	496,548	496,548
- Bulk Earthworks (non-depreciable)	2,938	-	-	2,938	54	-	-	-	-	-	2,992	-	-	2,992	2,992
- Stormwater Drainage	-	321,809	86,637	235,172	3,402	-	(1,650)	682	-	-	-	325,893	88,287	237,606	237,606
<b>Other Assets:</b>															
- Library Books	-	14,106	11,176	2,930	679	-	(823)	-	-	-	-	14,785	11,999	2,786	2,786
- Other	-	3,163	797	2,366	99	-	(28)	-	-	-	-	3,254	817	2,437	2,437
<b>TOTAL INFRASTRUCTURE,</b>	<b>10,092</b>	<b>3,103,099</b>	<b>522,539</b>	<b>2,590,652</b>	<b>56,571</b>	<b>(1,645)</b>	<b>(19,702)</b>	<b>-</b>	<b>(449)</b>	<b>1,200</b>	<b>9,370</b>	<b>3,152,180</b>	<b>534,923</b>	<b>2,626,627</b>	<b>2,626,627</b>
<b>PROPERTY, PLANT &amp; EQUIP.</b>															

a) Additions to Depreciable Land Improvements, Buildings, Other Structures & Infrastructure Assets are made up of Asset Renewals (\$8,526) and New Assets (\$30,736). 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

g) Refer to Note 27 (Fair Value Measurement) for information regarding the Fair Value of IPPE

# Financial Statements

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2014

### Note 10—Payables, Borrowings, and Provisions

\$ '000	Notes	2014		2013	
		Current	Non Current	Current	Non Current
<b>Payables</b>					
Goods & Services		2,224	-	1,548	-
Payments Received In Advance		1,495	-	1,253	-
- Payments in Advance of due date <sup>1</sup>		1,265	-	1,092	-
Accrued Expenses:					
- Salaries & Wages		58	-	62	-
- Other Expenditure Accruals		6,412	-	8,516	-
Security Bonds, Deposits & Retentions		3,672	-	3,309	-
Other		-	-	110	-
<b>Total Payables</b>		<b>15,126</b>	<b>-</b>	<b>15,890</b>	<b>-</b>
<b>Borrowings</b>					
Loans - Secured <sup>2</sup>		9,571	54,358	8,749	53,926
Interest Free Government Advances		104	3,407	104	3,307
<b>Total Borrowings</b>		<b>9,675</b>	<b>57,765</b>	<b>8,853</b>	<b>57,233</b>
<b>Provisions</b>					
<b>Employee Benefits</b>					
Annual Leave		5,885	-	5,819	-
Sick Leave		6,917	-	7,623	-
Long Service Leave		14,108	653	13,262	628
Gratuities		1,268	-	1,101	-
<b>Total Provisions</b>		<b>28,178</b>	<b>653</b>	<b>27,805</b>	<b>628</b>
<b>Total Payables, Borrowings &amp; Provisions</b>		<b>52,979</b>	<b>58,418</b>	<b>52,548</b>	<b>57,861</b>

# Statements and Notes

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2014

### Note 10—Payables, Borrowings, and Provisions (continued)

#### i) Liabilities relating to Restricted Assets

	2014		2013	
	Current	Non Current	Current	Non Current
<b>Externally Restricted Assets</b>				
Domestic Waste Management	1,392	875	1,522	1,141
Liabilities relating to externally restricted assets	1,392	875	1,522	1,141
<b>Total Liabilities relating to restricted assets</b>	1,392	875	1,522	1,141
<b>Total Liabilities relating to Unrestricted Assets</b>	51,587	57,543	51,026	56,720
<b>TOTAL PAYABLES, BORROWINGS &amp; PROVISIONS</b>	<b>52,979</b>	<b>58,418</b>	<b>52,548</b>	<b>57,861</b>

1. Rate monies overpaid or deposited in advance of the rates being levied

2. Loans are secured over the general rating income of Council. Disclosures on liability interest rate risk exposures, Fair Value disclosures and security can be found in Note 15.

# Financial Statements

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2014

### Note 10—Payables, Borrowings, and Provisions (continued)

\$ '000	Actual 2014	Actual 2013
<b>ii) Current Liabilities not anticipated to be settled within the next 12 months</b>		
The following Liabilities, even though classified as current, are not expected to be settled in the next 12 months.		
Provisions - Employees Benefits	21,683	20,979
Payables - Security Bonds, Deposits & Retentions	3,082	2,608
	<u>24,765</u>	<u>23,587</u>

#### Note 10b. Description of and movements in Provisions

Class of Provision	2013		2014	
	Opening Balance as at 1/7/13	Additional Provisions	Decrease due to Payments	Closing Balance as at 30/6/14
Annual Leave	5,819	4,807	(4,741)	5,885
Sick Leave	7,623	3,295	(4,001)	6,917
Long Service Leave	13,890	3,062	(2,191)	14,761
Gratuities	1,101	232	(65)	1,268
<b>TOTAL</b>	<b>28,433</b>	<b>11,396</b>	<b>(10,998)</b>	<b>28,831</b>

1. 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.

# Statements and Notes

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2014

### Note 11—Reconciliation of Cash Flow Statement

\$ '000	Notes	Actual 2014	Actual 2013
a) Reconciliation of Cash Assets			
Total Cash & Cash Equivalent Assets	6a	42,768	41,880
<b>BALANCE as per the STATEMENT of CASH FLOWS</b>		<b>42,768</b>	<b>41,880</b>
b) Reconciliation of Net Operating Result to Cash provided from Operating Activities			
<b>Net Operating Result from Income Statement</b>		<b>22,228</b>	<b>46,112</b>
<b>Adjust for non cash items:</b>			
Depreciation & Amortisation		19,702	19,114
Net Losses/(Gains) on Disposal of Assets		421	684
Non Cash Capital Grants and Contributions		(30,868)	(29,266)
Losses/(Gains) recognised on Fair Value Re-measurements through the P&L:			
- Investments classified as "At Fair Value" or "Held for Trading"		(281)	1,021
- Investment Properties		501	(169)
- Favourable Financial Liabilities (ie. Initial Recognition at Fair Value)		204	(864)
Share of Net (Profits) or Losses of Associates/Joint Ventures		(1,155)	(727)
<b>+/- Movement in Operating Assets and Liabilities &amp; Other Cash Items:</b>			
Decrease/(Increase) in Receivables		399	858
Increase/(Decrease) in Provision for Doubtful Debts		91	145
Decrease/(Increase) in Inventories		(46)	4
Decrease/(Increase) in Other Assets		(204)	15
Increase/(Decrease) in Payables		676	(1,111)
Increase/(Decrease) in other accrued Expenses Payable		(2,108)	2,732
Increase/(Decrease) in Other Liabilities		668	(170)
Increase/(Decrease) in Employee Leave Entitlements		398	(476)
<b>NET CASH PROVIDED FROM/(USED IN)</b>			
<b>OPERATING ACTIVITIES from the STATEMENT of CASH FLOWS</b>		<b>10,626</b>	<b>37,902</b>

# Financial Statements

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2014

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

\$ '000	Notes	Actual 2014	Actual 2013
c) Non-Cash Investing & Financing Activities			
Contributions "in kind"		30,868	29,266
<b>Total Non-Cash Investing &amp; Financing Activities</b>		<b>30,868</b>	<b>29,266</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
Credit Cards / Purchase 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 year's Rates Revenue.

#### e) Bank Guarantees

Under the Workers Compensation Act 1987, participants of the Retro Paid Model are required to provide financial security to ensure that other employers in the State will not be required to meet the cost of claims if these entities are not able to meet their Workers Compensation liabilities. As a participant, Council has provided WorkCover with the following bank guarantees (2014-\$14.9m, 2013-\$12.8m) to meet this requirement:

- Workcover NSW \$4,190,084
- Workcover NSW \$2,104,903
- Workcover NSW \$2,151,543
- Workcover NSW \$4,340,365
- Workcover NSW \$2,125,954

# Statements and Notes

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2014

### Note 12—Commitments

\$ '000	Notes	Actual 2014	Actual 2013
<b>a) Capital Commitments (exclusive of GST)</b>			
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:			
<b>Property, Plant &amp; Equipment</b>			
Buildings		1,007	604
Plant & Equipment		336	333
Roadworks		262	241
Other		264	991
<b>Total Commitments</b>		<b>1,869</b>	<b>2,169</b>
<b>These expenditures are payable as follows:</b>			
Within the next year		1,869	2,169
<b>Total Payable</b>		<b>1,869</b>	<b>2,169</b>
<b>Sources for Funding of Capital Commitments:</b>			
Unrestricted General Funds		1,869	2,169
<b>Total Sources of Funding</b>		<b>1,869</b>	<b>2,169</b>

#### Details of Capital Commitments

**Contractual commitments for current capital works expected to be completed within 1 year.**

##### Included works:

- Continuation of the Great River Walk
- Victoria Park Masterplan
- Purchase of office technology and equipment
- Bike path construction under NSW Bike Plan

#### b) Operating Lease Commitments (Non Cancellable)

##### a. Commitments under Non Cancellable Operating Leases at the Reporting date, but not recognised as Liabilities are payable:

Within the next year	174	225
Later than one year and not later than 5 years	303	460
<b>Total Non Cancellable Operating Lease Commitments</b>	<b>477</b>	<b>685</b>

##### b. Non Cancellable Operating Leases include the following assets:

###### Office Equipment

- Information technology equipment leases ranging from 1 to 4 years



# Financial Statements

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2014

### Note 12—Commitments (continued)

\$ '000	Notes	Actual 2014	Actual 2013
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#### 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.

#### 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	56	52
<b>Total Commitments</b>	<b>56</b>	<b>52</b>

#### These expenditures are payable as follows:

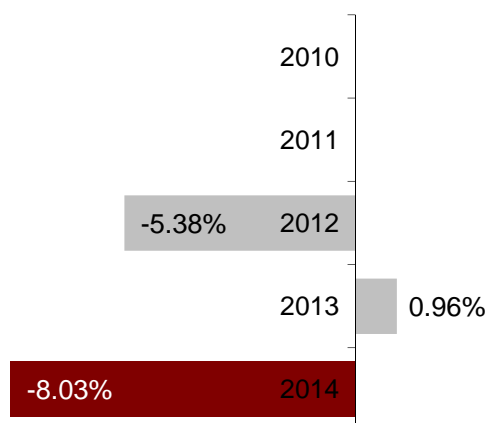
Within the next year	56	52
<b>Total Payable</b>	<b>56</b>	<b>52</b>

# Statements and Notes

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2014

### Note 13—Statement of Performance Measures

\$ '000	Amounts	Indicator	Prior Periods	
	2014	2014	2013	2012
<b>1. Operating Performance Ratio</b>				
Total continuing operating revenue <sup>1</sup>				
(excl. Capital Grants & Contributions) - Operating Expenses <sup>5</sup>	<b>(14,246)</b>	<b>-8.03%</b>	0.96%	-5.38%
Total continuing operating revenue <sup>1</sup>	<b>177,405</b>			
(excl. Capital Grants & Contributions)				

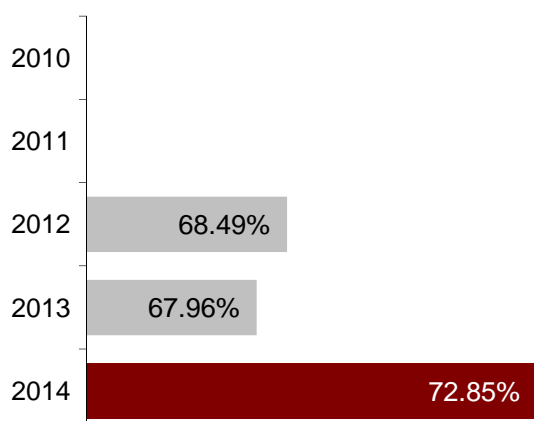


#### Commentary

This ratio measures Council's achievement of containing operating expenditure within operating revenue. It is important to note that this ratio excludes Capital Grants and Contributions, which fluctuates from year-to-year and is where Council receives a significant portion of its funding. For 2013-14, Council received \$36m from Capital Grants and Contributions as outlined in Note 3(e) and 3(f). The benchmark for this indicator is anything greater than 0%. Excluding the \$14.1m payment from the above calculation (see footnote 5 and the Financial Overview), this indicator would be (0.06%).

### 2. Own Source Operating Revenue Ratio

Total continuing operating revenue <sup>1</sup>				
(less ALL Grants & Contributions)	<b>155,439</b>	<b>72.85%</b>	67.96%	68.49%
Total continuing operating revenue <sup>1</sup>	<b>213,365</b>			



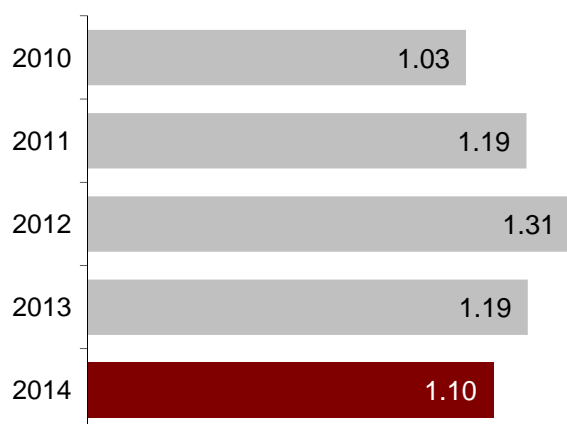
#### Commentary

This ratio measures the degree of reliance on external funding sources. The benchmark for this indicator is anything greater than 60%. Council's indicator here is typically strong, however this indicator is impacted by fluctuations in Grants and Contributions, as well as changes in investment returns, and User Fees and Charges.

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2014

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

\$ '000	Amounts	Indicator	Prior Periods	
	2014	2014	2013	2012
<b>3. Unrestricted Current Ratio</b>				
Current Assets less all External Restrictions <sup>2,5</sup>	<b>29,494</b>	<b>1.10 : 1</b>	1.19	1.31
Current Liabilities less Specific Purpose Liabilities <sup>3,4</sup>	<b>26,822</b>			

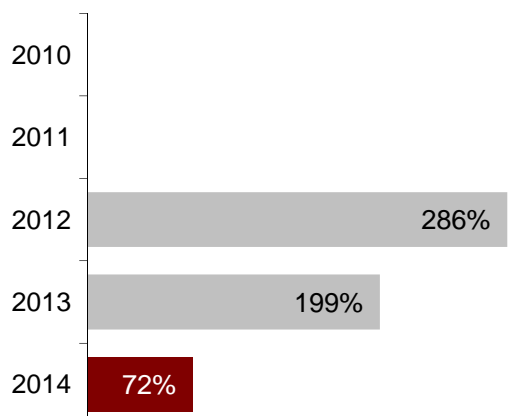


#### Commentary

This ratio measures Council's liquidity and solvency. This result is lower than last year's result mainly due to the \$14.1m payment to the Department of Infrastructure and Planning as discussed in the Overview. The benchmark for this indicator is greater than 1.5. Once adjusted for internal borrowings, this indicator increases to 1.43 and exceeds Council's benchmark of 1.25.

#### 4. Debt Service Cover Ratio

Operating Result <sup>1,5</sup> before capital excluding interest and depreciation / impairment / amortisation (EBITDA)	<b>9,282</b>	<b>72.08%</b>	199.43%	286.26%
Principal Repayments (from the Statement of Cash Flow s) + Borrowing Interest Costs (from the Income Statement)	<b>12,877</b>			



#### Commentary

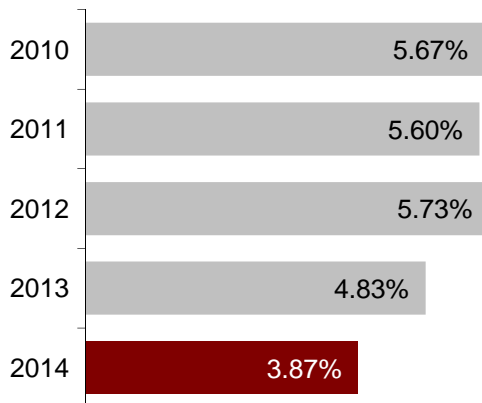
This ratio measures the availability of operating cash to service debt including interest, principal, and lease payments. The benchmark is greater than 200%. This indicator is also impacted by the \$14.1m payment to the Department of Infrastructure and Planning as discussed in the Overview, and is also impacted by the fluctuations in Grants and Contributions that Council receives. Excluding the \$14.1m payment from the above calculation (see footnote 5 and the Financial Overview), this indicator would be 181.89%.

# Statements and Notes

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2014

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

\$ '000	Amounts 2014	Indicator 2014	Prior Periods	
			2013	2012
<b>5. Rates, Annual Charges, Interest &amp; Extra Charges Outstanding Percentage</b>				
Rates, Annual and Extra Charges Outstanding	4,582	3.87%	4.83%	5.73%
Rates, Annual and Extra Charges Collectible	118,263			

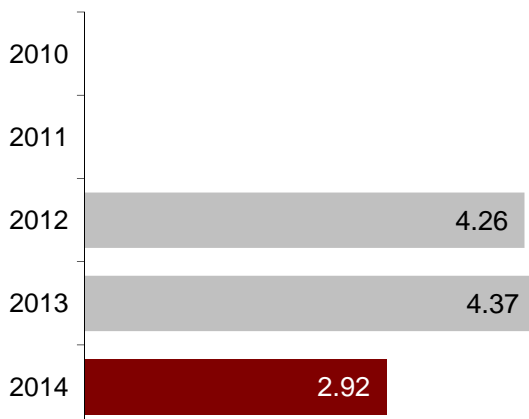


#### Commentary

This indicator has seen a strong improvement over 2013-14, and are below the OLG's benchmark of 5%. Council continues to remain active in the area of debt recovery to ensure that this indicator remains below the benchmark.

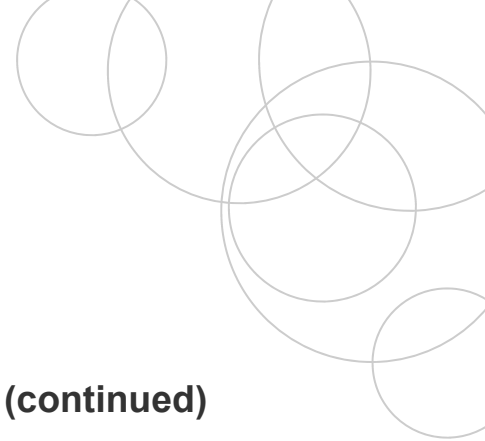
### 6. Cash Expense Cover Ratio

Current Year's Cash and Cash Equivalents including All Term Deposits <sup>5</sup>	x12	47,098	2.92	4.37	4.26
Payments from cash flow of operating and financing activities		16,109			



#### Commentary

This liquidity ratio indicates the number of months Council can continue paying for its immediate expenses without additional cash inflow. The benchmark is greater than 3 months. This indicator is also impacted by the \$14.1m payment to the Department of Infrastructure and Planning as discussed in the Overview. Excluding the \$14.1m payment from the above calculation (see footnote 5 and the Financial Overview), this indicator would be 3.80.



## NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2014

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

#### **Notes**

1. Excludes fair value adjustments and reversal of revaluation decrements, net gain/(loss) on sale of assets and net share of interests in joint ventures.
2. Refer Notes 6-8 inclusive. Also excludes any Real Estate & Land for resale not expected to be sold in the next 12 months
3. Refer to Note 10(a).
4. Refer to Note 10(a)(ii) - excludes all payables & provisions not expected to be paid in the next 12 months (incl ELE).
5. During the year a one-off payment of \$14.1m was made to the Department of Planning and Infrastructure (refer to Note 4) which has a significant impact on these line items.

# Statements and Notes

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2014

### Note 14—Investment Properties

\$ '000	Notes	Actual 2014	Actual 2013
a) Investment Properties at Fair value			
<u>Investment Properties on Hand</u>		<u>20,218</u>	<u>20,719</u>
<b>Reconciliation of Annual Movement:</b>			
<b>Opening Balance</b>		20,719	20,550
- Net Gain/(Loss) from Fair Value Adjustments		(501)	169
<b>CLOSING BALANCE - INVESTMENT PROPERTIES</b>		<u><b>20,218</b></u>	<u><b>20,719</b></u>

#### 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 2014 revaluations were based on independent external valuations conducted by Independent Property Valuations (IPV) Pty Ltd, Registered Valuer No. 140911321.

#### 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 receivable as follows:

Within 1 year	1,277	2,016
Later than 1 year but less than 5 years	5,504	5,741
Later than 5 years	3,006	3,135
<b>Total Minimum Lease Payments Receivable</b>	<u><b>9,787</b></u>	<u><b>10,892</b></u>

# Financial Statements

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2014

### Note 14—Investment Properties (cont)

\$ '000	Notes	Actual 2014	Actual 2013
e) Investment Property Income & Expenditure - summary			
<b>Rental Income from Investment Properties:</b>			
- Minimum Lease Payments		1,798	1,787
<b>Direct Operating Expenses on Investment Properties:</b>			
- that generated rental income		(461)	(511)
- that did not generate rental income		(4)	(10)
<b>Net Revenue Contribution from Investment Properties</b>		<b>1,333</b>	<b>1,266</b>
plus:			
<b>Fair Value Movement for year</b>		<b>(501)</b>	<b>169</b>
<b>Total Income attributable to Investment Properties</b>		<b>832</b>	<b>1,435</b>

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

# Statements and Notes

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2014

### 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.

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

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

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

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

	Carrying Value		Fair Value	
	2014	2013	2014	2013
<b>Financial Assets</b>				
Cash and Cash Equivalents	42,768	41,880	42,768	41,880
Investments				
- "Held for Trading"	1,884	1,814	1,884	1,814
- "Held to Maturity"	12,830	26,152	12,830	26,152
Receivables	9,976	10,531	9,976	10,531
<b>Total Financial Assets</b>	<b>67,458</b>	<b>80,377</b>	<b>67,458</b>	<b>80,377</b>
<b>Financial Liabilities</b>				
Payables	13,631	15,890	13,631	15,890
Loans / Advances	67,439	66,086	67,684	63,364
<b>Total Financial Liabilities</b>	<b>81,070</b>	<b>81,976</b>	<b>81,315</b>	<b>79,254</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.

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



## NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2014

### 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 and investments whilst maintaining an adequate level of liquidity and preserving capital.

Council's Finance section manages the Cash and Investments portfolio with the assistance of independent advisors as required.

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

The risks associated with the investments held are:

- **Price Risk** - the risk that the capital value of Investments may fluctuate due to changes in market prices, whether their changes are caused by factors specific to individual financial instruments or their issuers or are caused by factors affecting similar instruments traded in a market.
- **Interest Rate Risk** - the risk that movements in interest rates could affect returns and income.
- **Credit Risk** - the risk that the investment counterparty will not complete their obligations particular to a financial instrument, resulting in a financial loss to Council - be it of a capital or income nature.

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

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

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

	Increase of Values/Rates		Decrease of Values/Rates	
	Profit	Equity	Profit	Equity
<b>2014</b>				
Possible impact of a 10% movement in Market Values	188	188	(188)	(188)
Possible impact of a 1% movement in Interest Rates	556	556	(556)	(556)
<b>2013</b>				
Possible impact of a 10% movement in Market Values	181	181	(181)	(181)
Possible impact of a 1% movement in Interest Rates	680	680	(680)	(680)

# Statements and Notes

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2014

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

\$ '000

#### b) Receivables

Council's major receivables comprise (1) Rates and Annual charges and (2) User Charges and Fees.

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

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

Credit risk on rates and annual charges is minimised by the ability of Council to secure a charge over the land relating to the debts - that is, the land can be sold to recover the debt. Council is also able to charge interest on overdue rates & 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 monthly and benchmarks are set and monitored for acceptable collection performance.

Council makes suitable provision for doubtful receivables as required.

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

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

	2014 Rates & Annual Charges	2014 Other Receivables	2013 Rates & Annual Charges	2013 Other Receivables
<b>i) Ageing of Receivables - %</b>				
Current (not yet overdue)	0%	70%	0%	90%
Overdue	100%	30%	100%	10%
	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>
<b>ii) Ageing of Receivables - value (\$'000)</b>				
Current (not yet overdue)	95	5,560	62	5,626
Past due by up to 30 days	1,484	151	1,826	225
Past due between 31 and 60 days	10	287	11	229
Past due between 61 and 90 days	79	988	115	206
Past due by more than 90 days	2,261	215	3,014	280
	<u>3,929</u>	<u>7,201</u>	<u>5,028</u>	<u>6,566</u>

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2014

### 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 and overdraft facilities utilised as required.

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

\$ '000	Subject to no maturity		payable in:		Total Cash Outflows	Actual Carrying Values
			≤ 1 Year	2-5 Yrs		
<b>2014</b>						
Trade/Other Payables	3,672	5,299	3,082	-	12,053	13,631
Loans & Advances	-	13,652	39,577	18,587	71,816	67,440
<b>Total Financial Liabilities</b>	<b>3,672</b>	<b>18,951</b>	<b>42,659</b>	<b>18,587</b>	<b>83,869</b>	<b>81,071</b>
<b>2013</b>						
Trade/Other Payables	3,309	9,973	2,608	-	15,890	15,890
Loans & Advances	-	12,574	39,680	24,889	77,143	66,086
<b>Total Financial Liabilities</b>	<b>3,309</b>	<b>22,547</b>	<b>42,288</b>	<b>24,889</b>	<b>93,033</b>	<b>81,976</b>

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

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

	2014		2013	
	Carrying Value	Average Interest Rate	Carrying Value	Average Interest Rate
Trade/Other Payables	13,631	n/a	15,890	n/a
Loans & Advances - Fixed Interest Rate	63,929	5.1%	62,675	5.8%
Loans & Advances - Interest Free	3,511	0.0%	3,411	0.0%
	<u>81,071</u>		<u>81,976</u>	

# Statements and Notes

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2014

### Note 16—Material Budget Variations

Council's original budget for 2013-14 was adopted by Council on 24 June 2013.

While the Income Statement included in this General Purpose Financial Report must disclose the original budget adopted by Council, the Local Government Act requires Council to review its budget on a quarterly basis, so that it is able to manage the variations between actuals and budget that occur throughout the year.

This note sets out the details of MATERIAL VARIATIONS between Council's original budget and its actual results for the year as per the Income Statement - even though such variations may have been adjusted for during each quarterly review.

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

Category	[U]—Unfavourable	\$'000	[F]—Favourable	Variance
Interest and Investment Revenues	Budget	2,002		
	Actual		2,995	50% F \$993,000

Untied interest on investments has exceeded budget in the June quarterly review due to the unrestricted portion of the portfolio being substantially higher than anticipated for most of the financial year. An amount of \$14m from the Erskine Park S94 Plan was expected to be transferred to the Department of Planning and Infrastructure following the 30 September 2013 Council decision. However, the funds were retained by Council until late June pending receipt of relevant documentation, and continued to earn interest during that time. In addition, bank term deposit interest rates have remained very competitive throughout the year. Together with the high returns from the floating rate notes in the portfolio, earnings have exceeded the 3.5% estimate throughout the year.

Grants and Contributions—Capital	Budget	21,670		
	Actual		35,960	66% F \$14.3m

Land Under Roads recognition (\$8.6m) and Roads and Drainage Dedications (\$3.1m) not included in the original budget. In addition to this s94 income was higher than anticipated (\$1.9m).

# Financial Statements

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2014

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

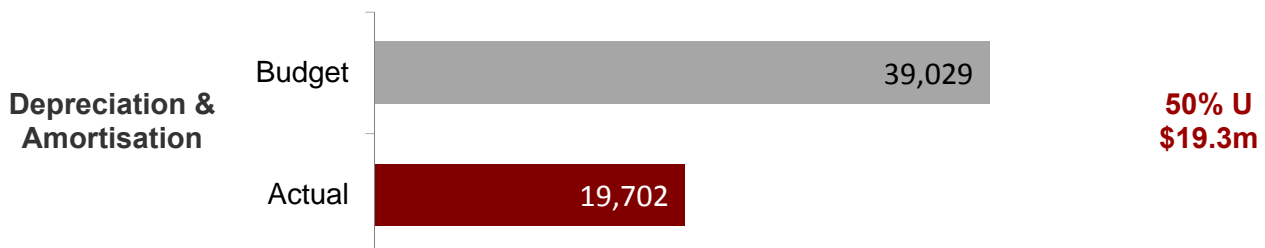
Category	[U]—Unfavourable	\$'000	[F]—Favourable	Variance
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The original budget for the share of profit in Westpool and UIP (see note 19) is set assuming the joint venture will return a small surplus. These results vary each year depending on the expenses incurred in managing insurance activities. The 2013-14 combined result was a surplus of \$1.1m, with this surplus being retained within Council's equity in the Joint Venture.



Fair Value Adjustments on Investments (\$77k) not included in original budget. Fuel Rebates on plant items (\$319k) and recovery of Insurance Claims (\$218k) were also not in the Original Budget.



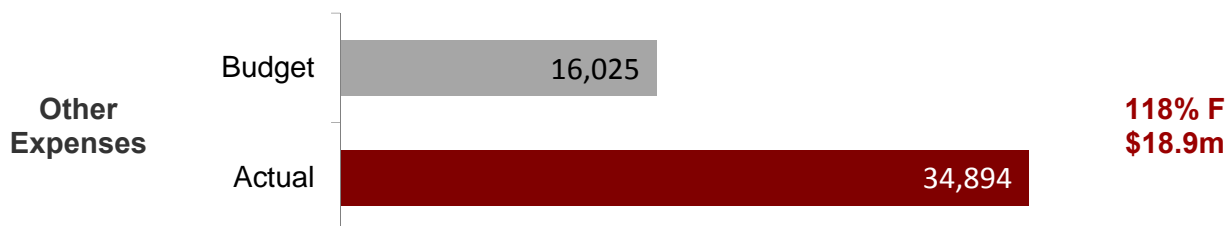
The original budget was set using the previous depreciation methodology for Roads, Drainage, and Building assets which did not include the revised useful lives or residual values.

# Statements and Notes

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2014

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

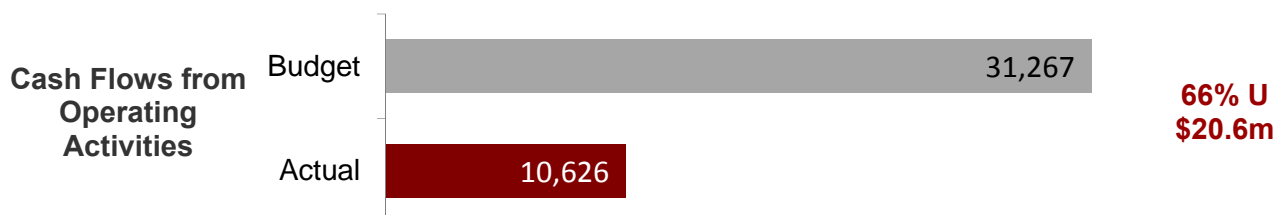
Category	[U]—Unfavourable	\$'000	[F]—Favourable	Variance
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Lenore Lane Extension payment to Department of Planning and Infrastructure (\$14.1m) and the Waste Levy (\$2.4m) not included in the original budget.



This variation relates primarily to plant and vehicle sales that are reliant on current market conditions and cannot be accurately budgeted.



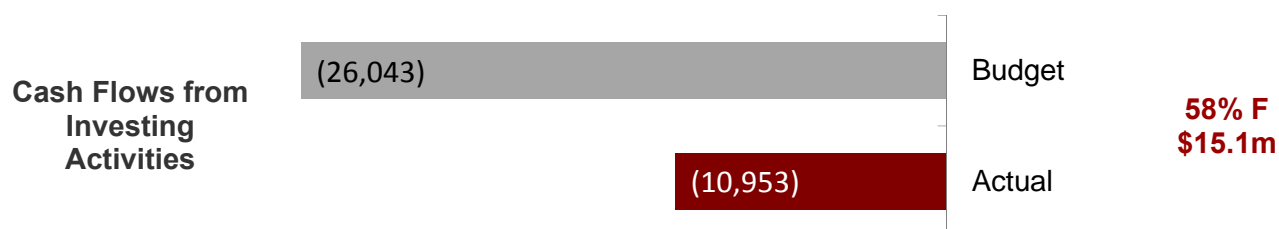
The budget for the Cash Flow Statement is based on a number of assumptions that are difficult to accurately predict. Receipts for grants and contributions (\$17.5m) and other receipts (\$12.1m) were higher than budgeted. Payments for materials and contracts (\$9.1m) were less than budgeted for and other payments (\$26.5m) were higher than budgeted.

# Financial Statements

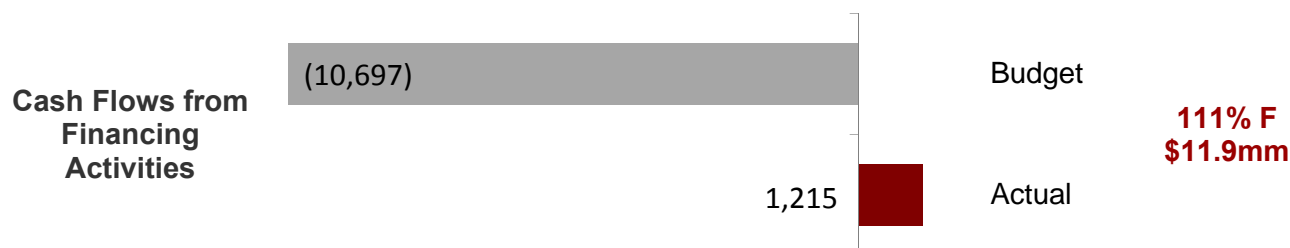
## NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2014

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

Category	[U]—Unfavourable	\$'000	[F]—Favourable	Variance
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The purchase of investment securities was significantly higher than budgeted for, as was the purchase of Infrastructure, Property, Plant & Equipment. The budget for these items is based on forecasted figures before 2012-13 actuals are finalised and are difficult to predict in advance.



Repayment of borrowings and advances was \$5.8m under budget and receipts were \$6.1m over budget resulting in a favourable variance of \$11.9m. The budget is an estimate set before prior year figures are finalised.

# Statements and Notes

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2014

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

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

#### Income (by Functions)

Activity	Original Budget	Actual	Variance	Commentary
<b>Building Maintenance &amp; Construction</b>	\$ 1	\$ 33	<b>\$32k* F</b>	Wentworth Area Health Services contribution for unscheduled building renewals at Penrith Baby Health Centre (\$30k)
<b>Bushland Management</b>	\$ -	\$ 57	<b>\$57k* F</b>	Grant income received for bush regeneration not in included original budget
<b>Cemeteries</b>	\$ 546	\$ 642	<b>18% F</b>	Higher than anticipated revenue for burial site fees
<b>City Parks</b>	\$ 131	\$ 9,306	<b>7004% F</b>	Recognition of Land Under Roads and Land Dedications not included in original budget
<b>City Planning</b>	\$ 2,288	\$ 4,724	<b>106% F</b>	Additional s94 contributions and interest received on contributions due to increased development activity (\$2.3m)
<b>Civil Construction &amp; Maintenance</b>	\$ 22,249	\$ 26,738	<b>20% F</b>	Higher than anticipated Roads and Drainage Dedications (\$3.2m)
<b>Council &amp; Corporate Support</b>	\$ 10	\$ 4	<b>-60% U</b>	Reduction in rental charged to coffee cart operator
<b>Design &amp; Project Management</b>	\$ 100	\$ 525	<b>425% F</b>	Metropolitan Green Space grant for Great River Walk Stage 7a and 7b not included in original budget (\$489k)
<b>Development Applications</b>	\$ 2,135	\$ 2,655	<b>24% F</b>	Increase in Development Applications received and associated payments
<b>Development Engineering</b>	\$ 368	\$ 444	<b>21% F</b>	Additional income for Compliance and Construction Certificates due to releases in development areas (\$67k)
<b>Emergency Services Management</b>	\$ 2,484	\$ 3,452	<b>\$968k* F</b>	Grant funding from NSW Rural Fire Fighting Fund to purchase vehicle and equipment (\$712k)
<b>Environmental Health</b>	\$ 301	\$ 605	<b>101% F</b>	Increase in Food Shop inspections and reinspections (\$180k)
<b>Financial Services</b>	\$ 860	\$ 3,492	<b>306% F</b>	Interest on s94 income in original budget, which was allocated to other programs during the year (\$496k)
<b>Floodplain &amp; Stormwater Management</b>	\$ 14	\$ 53	<b>279% F</b>	Grant funding from Ministry of Police and Emergency Services for Flood Modelling Studies (\$33k)
<b>Information Technology</b>	\$ 37	-\$ 54	<b>-246% U</b>	Digital Local Government Program Grant final milestone payment not claimed (\$37k)U and partially refunded as project was completed with savings (\$109k)U and income from purchasing rebate received but not included in original budget (\$55k)F



# Financial Statements

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2014

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

<i>[U]—Unfavourable    \$'000    [F]—Favourable</i>				
Activity	Original Budget	Actual	Variance	Commentary
Legal Services	\$ 7	\$ 55	<b>686% F</b>	Legal costs recovered which is difficult to estimate
Libraries	\$ 753	\$ 952	<b>26% F</b>	Digital Hub Grant income received not in original budget (\$152k)
Mapping Information/GIS	\$ 3	\$ 4	<b>33% F</b>	Higher than anticipated sale of aerial and zoning maps
Marketing	\$ 18	\$ 9	<b>-50% U</b>	Income from advertising in Council publications reduced due to publication no longer being circulated
Neighbourhood Facilities Management	\$ 702	\$ 906	<b>29% F</b>	Greater than anticipated income for hall hire
Plant Maintenance	\$ -	\$ 342	<b>\$342k* F</b>	Fuel rebate on plant items not included in the original budget (\$319k)
Property Development & Management	\$ 3,746	\$ 4,196	<b>12% F</b>	Additional income for telecommunications poles due to invoicing for prior years (\$514k)
Public Domain Maintenance	\$ -	\$ 7	<b>\$7k* F</b>	Clothing Bin income not charged prior to the 2013-14 year and was not included in original budget
Purchasing & Supply	\$ 4	\$ 2	<b>-50% U</b>	Purchasing rebate income less than expected
Recn & Leisure Facilities Management	\$ 371	\$ 919	<b>148% F</b>	Numerous grants and contributions for recreation projects not included in original budget, these included South Creek Park BMX track (\$78k), Storage Facility at Peppertree Reserve Erskine Park (\$78k), and Refurbish the Riding for the Disabled Indoor Riding Arena surface (\$45k).
Records Management	\$ 9	\$ 19	<b>111% F</b>	Higher than expected scanning fees collected for Development Applications submitted without an electronic copy
Regional Planning & Advocacy	\$ -	\$ 353	<b>\$353k* F</b>	Affordable housing contributions for Glenmore Park Stage 2 received earlier than anticipated
Regulatory Control	\$ 2,228	\$ 2,475	<b>11% F</b>	Increase in fine income (\$137k) and RID Squad income (\$70k)
Risk Management & Insurance	\$ -	\$ 234	<b>\$234k* F</b>	Insurance claims recovered not included in original budget (\$234k)
Sustainability Planning	\$ 4	\$ -	<b>-100% U</b>	Environmental Upgrade Program investigations which did not meet feasibility requirements
Traffic Management & Road Safety	\$ 1,356	\$ 1,537	<b>13% F</b>	NSW Bike Plan grant funding not included in original budget
Workforce Development	\$ 155	\$ 204	<b>32% F</b>	Additional Vocational Training income from Federal Government (\$35k)

# Statements and Notes

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2014

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

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

#### Expenditure (by Functions)

Activity	Original Budget	Actual	Variance	Commentary
<b>Building Maintenance &amp; Construction</b>	1,621	- 36	<b>-102% F</b>	Internal buildings rental charge over-recovered as a result of reduction to depreciation expense due to new method of calculation
<b>Bushland Management</b>	163	251	<b>54% U</b>	Weir Reserve and Ropes Crossing grant funded projects not included in original budget
<b>Cemeteries</b>	605	667	<b>10% U</b>	Expenditure on grounds maintenance higher than original budget, offset by higher than budgeted income.
<b>City Partnerships</b>	422	367	<b>-13% F</b>	Reduction in salaries for the service due to restructure
<b>City Planning</b>	2,511	16,417	<b>554% U</b>	Contribution to Department of Planning and Infrastructure for Erskine Park Link Road extension (\$14.1m)
<b>Civil Construction &amp; Maintenance</b>	39,739	29,320	<b>-26% F</b>	Depreciation budget did not take into account the new useful lives and residual values for roads (\$7.7m) and drainage (\$3.9m)
<b>Corporate Planning</b>	605	474	<b>-22% F</b>	Transfer of vacant position to other department as part of realignment
<b>Council &amp; Corporate Support</b>	4,219	3,749	<b>-11% F</b>	Two vacant Senior Manager positions were used to fund additional staff resource needs identified in other departments, including Place Management and Planning
<b>Emergency Services Management</b>	-	5,151	<b>\$5151k* U</b>	NSW Rural Fire Fighting Fund increase for district administration, and volunteer and state-wide support costs (\$637k)
<b>Fire Safety Certification &amp; Compliance</b>	2,640	1,848	<b>-30% F</b>	Actuals for 2 projects mover to Regulatory Control as result of department realignment (\$394k), and salary savings from maternity leave and filling vacancies at a lower level
<b>Floodplain &amp; Stormwater Management</b>	724	809	<b>12% U</b>	Flood Study grant expenditure not included in original budget (\$56k)
<b>Legal Services</b>	114	174	<b>53% U</b>	Additional expenditure on legal cases (\$28k) and additional salary costs due to secondments and position changes (\$27k)
<b>Neighbourhood Facilities Management</b>	1,487	1,752	<b>18% U</b>	Expenditure recognised for s377 committees greater than budgeted for (\$197k)
<b>Place Management</b>	1,230	1,499	<b>22% U</b>	New Place Management department structure
<b>Plant Maintenance</b>	-	63	<b>\$63k* U</b>	Depot Improvement Program for Kingswood and St Marys sites not included in the original budget

# Financial Statements

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2014

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

<i>[U]—Unfavourable    \$'000    [F]—Favourable</i>				
Activity	Original Budget	Actual	Variance	Commentary
<b>Public Domain Maintenance</b>	15,471	8,738	-44% F	Depreciation budget did not take into account new method of calculation (\$6.4m)
<b>Records Management</b>	13	- 47	-462% F	Support Service distribution based on original budget and not adjusted to reflect budget changes
<b>Regulatory Control</b>	3,336	4,073	22% U	No original budget for compliance services due to realignment of services (\$653k)
<b>Risk Management &amp; Insurance</b>	468	405	-13% F	Insurance premiums less than budgeted for (\$40k)
<b>Sustainability Planning</b>	816	670	-18% F	Environmental Upgrade Program investigations, which did not meet feasibility requirements

\* variance better shown in dollar amounts due to no original budget

# Statements and Notes

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2014

### Note 17—Statement of Developer Contributions

\$ '000

Council recovers contributions, raises levies and 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	2,633	81	-	36	-	(81)	2,669	36,506	(37,399)	1,776	610
Roads	14,627	847	-	72	(14,428)	(564)	554	66,231	(68,672)	(1,887)	9,158
Traffic Facilities	-	-	-	-	-	-	-	-	-	-	-
Parking	-	-	-	-	-	-	-	95,267	(95,267)	-	-
Open Space	10,370	3,371	-	331	(1,422)	(377)	12,273	178,486	(190,949)	(190)	(15,008)
Community Facilities	120	(781)	-	(71)	(344)	936	(140)	17,300	(17,283)	(123)	4,373
Other	338	272	-	(7)	(437)	86	252	7,324	(7,204)	372	867
<b>S94 Contributions - under a Plan</b>	<b>28,088</b>	<b>3,790</b>	<b>-</b>	<b>361</b>	<b>(16,631)</b>	<b>-</b>	<b>15,608</b>	<b>401,114</b>	<b>(416,774)</b>	<b>(52)</b>	<b>-</b>
<b>S94A Levies - under a Plan</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>				<b>-</b>
<b>Total S94 Revenue Under Plans</b>	<b>28,088</b>	<b>3,790</b>	<b>-</b>	<b>361</b>	<b>(16,631)</b>	<b>-</b>	<b>15,608</b>				<b>-</b>
S94 not under Plans	-	-	-	-	-	-	-	-	-	-	-
S93F Planning Agreements	-	-	-	-	-	-	-	-	-	-	-
S64 Contributions	-	-	-	-	-	-	-	-	-	-	-
<b>Total Contributions</b>	<b>28,088</b>	<b>3,790</b>	<b>-</b>	<b>361</b>	<b>(16,631)</b>	<b>-</b>	<b>15,608</b>	<b>401,114</b>	<b>(416,774)</b>	<b>(52)</b>	<b>-</b>

#### S94 CONTRIBUTIONS - UNDER A PLAN

##### Civic Improvement 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	-	-	-	-	-	-	-	2,232	(2,232)	-	-
Roads	-	-	-	-	-	-	-	32,082	(32,082)	-	-
Traffic Facilities	-	-	-	-	-	-	-	-	-	-	-
Parking	-	-	-	-	-	-	-	63,601	(63,601)	-	-
Open Space	-	-	-	-	-	-	-	16,737	(16,737)	-	-
Community Facilities	-	-	-	-	-	-	-	12,737	(12,737)	-	-
Other	-	-	-	-	-	-	-	602	(602)	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>127,991</b>	<b>(127,991)</b>	<b>-</b>	<b>-</b>

##### Claremont Meadows

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	-	-	-	-	-	-	-	1,912	(2,059)	(147)	1,098
Roads	-	-	-	-	-	-	-	390	(331)	59	(120)
Traffic Facilities	-	-	-	-	-	-	-	-	-	-	-
Parking	-	-	-	-	-	-	-	-	-	-	-
Open Space	-	-	-	-	-	-	-	2,494	(2,706)	(212)	(100)
Community Facilities	-	-	-	-	-	-	-	1,060	(1,027)	33	(645)
Other	-	-	-	-	-	-	-	3,259	(2,978)	281	(233)
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>9,115</b>	<b>(9,101)</b>	<b>14</b>	<b>-</b>

# Financial Statements

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2014

### Note 17—Statement of Developer Contributions (continued)

\$ '000

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	-	-	-	-	-	-	-	-	-	-	-
Roads	-	-	-	-	-	-	-	-	-	-	-
Traffic Facilities	-	-	-	-	-	-	-	-	-	-	-
Parking	-	-	-	-	-	-	-	-	-	-	-
Open Space	-	-	-	-	-	-	-	-	-	-	-
Community Facilities	-	-	-	-	-	-	-	-	-	-	-
Other	-	235	-	-	(235)	-	-	1,853	(1,853)	-	-
<b>Total</b>	-	<b>235</b>	-	-	<b>(235)</b>	-	-	<b>1,853</b>	<b>(1,853)</b>	-	-

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	2,517	-	-	36	-	-	2,553	-	(649)	1,904	-
Roads	14,600	-	-	107	(14,156)	-	551	5,697	(8,152)	(1,904)	-
Traffic Facilities	-	-	-	-	-	-	-	-	-	-	-
Parking	-	-	-	-	-	-	-	-	-	-	-
Open Space	-	-	-	-	-	-	-	-	-	-	-
Community Facilities	-	-	-	-	-	-	-	-	-	-	-
Other	46	-	-	-	(25)	-	21	343	(364)	-	-
<b>Total</b>	<b>17,163</b>	-	-	<b>143</b>	<b>(14,181)</b>	-	<b>3,125</b>	<b>6,040</b>	<b>(9,165)</b>	-	-

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	53	-	-	1	-	-	54	287	(384)	(43)	(1,072)
Roads	-	-	-	(21)	(5)	-	(26)	-	-	(26)	3,897
Traffic Facilities	-	-	-	-	-	-	-	-	-	-	-
Parking	-	-	-	-	-	-	-	-	-	-	-
Open Space	180	-	-	21	(49)	-	152	-	-	152	(2,789)
Community Facilities	78	-	-	3	(161)	-	(80)	-	-	(80)	(92)
Other	-	-	-	-	-	-	-	14	(13)	1	56
<b>Total</b>	<b>311</b>	-	-	<b>4</b>	<b>(215)</b>	-	<b>100</b>	<b>301</b>	<b>(397)</b>	<b>4</b>	-

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	-	-	-	-	-	-	-	-	-	-	-
Roads	-	-	-	-	-	-	-	-	-	-	-
Traffic Facilities	-	-	-	-	-	-	-	-	-	-	-
Parking	-	-	-	-	-	-	-	-	-	-	-
Open Space	-	-	-	-	-	-	-	-	-	-	-
Community Facilities	-	-	-	-	-	-	-	-	-	-	-
Other	70	47	-	1	(77)	-	41	-	(41)	-	-
<b>Total</b>	<b>70</b>	<b>47</b>	-	<b>1</b>	<b>(77)</b>	-	<b>41</b>	-	<b>(41)</b>	-	-

# Statements and Notes

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2014

### Note 17—Statement of Developer Contributions (continued)

\$ '000

Glenmore Park								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	63	-	-	(1)	-	-	62	-	-	62	264
Roads	-	-	-	(9)	(132)	141	-	-	(21)	(21)	4,816
Traffic Facilities	-	-	-	-	-	-	-	-	-	-	-
Parking	-	-	-	-	-	-	-	-	-	-	-
Open Space	470	-	-	94	(265)	(255)	44	-	(123)	(79)	(11,546)
Community Facilities	-	-	-	(75)	(39)	114	-	-	(16)	(16)	5,626
Other	63	-	-	(4)	-	-	59	-	-	59	840
<b>Total</b>	<b>596</b>	<b>-</b>	<b>-</b>	<b>5</b>	<b>(436)</b>	<b>-</b>	<b>165</b>	<b>-</b>	<b>(160)</b>	<b>5</b>	<b>-</b>

Glenmore Park Stage 2								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	-	2	-	-	-	-	2	6,386	(6,388)	-	-
Traffic Facilities	-	-	-	-	-	-	-	-	-	-	-
Parking	-	-	-	-	-	-	-	31,666	(31,666)	-	-
Open Space	-	82	-	-	-	-	82	31,327	(31,318)	91	-
Community Facilities	-	53	-	-	(144)	-	(91)	-	-	(91)	-
Other	-	7	-	-	-	-	7	169	(176)	-	-
<b>Total</b>	<b>-</b>	<b>144</b>	<b>-</b>	<b>-</b>	<b>(144)</b>	<b>-</b>	<b>-</b>	<b>69,548</b>	<b>(69,548)</b>	<b>-</b>	<b>-</b>

Kingswood Neighbourhood Centre								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	-	9	-	-	(9)	-	-	63	(72)	(9)	-
<b>Total</b>	<b>-</b>	<b>9</b>	<b>-</b>	<b>-</b>	<b>(9)</b>	<b>-</b>	<b>-</b>	<b>63</b>	<b>(72)</b>	<b>(9)</b>	<b>-</b>

Lambridge Estate								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	-	-	-	-	-	-	-	903	(903)	-	150
Roads	-	-	-	-	-	-	-	-	-	-	2
Traffic Facilities	-	-	-	-	-	-	-	-	-	-	-
Parking	-	-	-	-	-	-	-	-	-	-	-
Open Space	-	-	-	-	-	-	-	-	-	-	(152)
Community Facilities	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>903</b>	<b>(903)</b>	<b>-</b>	<b>-</b>

# Financial Statements

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2014

### Note 17—Statement of Developer Contributions (continued)

\$ '000

#### Library Facilities

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	-	-	-	-	-	-	-	-	-	-	-
Roads	-	-	-	-	-	-	-	-	-	-	-
Traffic Facilities	-	-	-	-	-	-	-	-	-	-	-
Parking	-	-	-	-	-	-	-	-	-	-	-
Open Space	-	-	-	-	-	-	-	-	-	-	-
Community Facilities	-	-	-	-	-	-	-	-	-	-	-
Other	-	4	-	-	(4)	-	-	-	-	-	-
<b>Total</b>	-	<b>4</b>	-	-	<b>(4)</b>	-	-	-	-	-	-

#### North Cranebrook

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	-	81	-	-	-	(81)	-	-	-	-	170
Roads	-	795	-	-	-	(795)	-	-	-	-	335
Traffic Facilities	-	-	-	-	-	-	-	-	-	-	-
Parking	-	-	-	-	-	-	-	-	-	-	-
Open Space	-	(19)	-	-	-	19	-	-	-	-	-
Community Facilities	-	(857)	-	-	-	857	-	-	-	-	(505)
Other	-	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	-	-	-	-	-	-	-	-	-	-	-

#### Mt Vernon

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	-	-	-	-	-	-	-	-	-	-	-
Roads	-	50	-	-	(35)	(15)	-	-	-	-	11
Traffic Facilities	-	-	-	-	-	-	-	-	-	-	-
Parking	-	-	-	-	-	-	-	-	-	-	-
Open Space	-	-	-	-	-	-	-	-	-	-	-
Community Facilities	12	23	-	-	-	(35)	-	-	-	-	(11)
Other	28	(63)	-	-	(15)	50	-	-	-	-	-
<b>Total</b>	<b>40</b>	<b>10</b>	-	-	<b>(50)</b>	-	-	-	-	-	-

#### Penrith City District Open Space

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	-	-	-	-	-	-	-	-	-	-	-
Roads	-	-	-	-	-	-	-	-	-	-	-
Traffic Facilities	-	-	-	-	-	-	-	-	-	-	-
Parking	-	-	-	-	-	-	-	-	-	-	-
Open Space	8,067	2,753	-	172	(862)	-	10,130	60,293	(70,423)	-	(166)
Community Facilities	-	-	-	-	-	-	-	-	-	-	-
Other	73	28	-	(1)	(31)	-	69	485	(554)	-	166
<b>Total</b>	<b>8,140</b>	<b>2,781</b>	-	<b>171</b>	<b>(893)</b>	-	<b>10,199</b>	<b>60,778</b>	<b>(70,977)</b>	-	-

# Statements and Notes

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2014

### Note 17—Statement of Developer Contributions (continued)

\$ '000

Penrith City Local Open Space								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	572	555	-	16	(245)	-	898	8,902	(9,800)	-	(2)
Community Facilities	-	-	-	-	-	-	-	-	-	-	-
Other	5	5	-	-	(4)	-	6	100	(106)	-	2
<b>Total</b>	<b>577</b>	<b>560</b>	<b>-</b>	<b>16</b>	<b>(249)</b>	<b>-</b>	<b>904</b>	<b>9,002</b>	<b>(9,906)</b>	<b>-</b>	<b>-</b>

Waterside								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	27	-	-	-	-	-	27	30	(57)	-	12
Traffic Facilities	-	-	-	-	-	-	-	-	-	-	-
Parking	-	-	-	-	-	-	-	-	-	-	-
Open Space	425	-	-	8	(1)	-	432	2,138	(2,570)	-	(12)
Community Facilities	-	-	-	-	-	-	-	-	-	-	-
Other	48	-	-	1	-	-	49	3	(52)	-	-
<b>Total</b>	<b>500</b>	<b>-</b>	<b>-</b>	<b>9</b>	<b>(1)</b>	<b>-</b>	<b>508</b>	<b>2,171</b>	<b>(2,679)</b>	<b>-</b>	<b>-</b>

Werrington Enterprise Living and Learning (WELL)								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	-	-	-	(5)	(100)	105	-	21,646	(21,641)	5	205
Traffic Facilities	-	-	-	-	-	-	-	-	-	-	-
Parking	-	-	-	-	-	-	-	-	-	-	-
Open Space	656	-	-	20	-	(141)	535	56,595	(57,272)	(142)	(241)
Community Facilities	30	-	-	1	-	-	31	3,503	(3,503)	31	-
Other	5	-	-	(4)	(37)	36	-	433	(393)	40	36
<b>Total</b>	<b>691</b>	<b>-</b>	<b>-</b>	<b>12</b>	<b>(137)</b>	<b>-</b>	<b>566</b>	<b>113,349</b>	<b>(113,981)</b>	<b>(66)</b>	<b>-</b>



## NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2014

### Note 17—Statement of Developer Contributions (continued)

Council recovers contributions, raises levies and 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.

<b>Contribution Plan</b>	<b>2014</b>	<b>2013</b>
Civic Improvement Plan	(2,218)	(2,218)
Claremont Meadows	(466)	(14)
Cultural Facilities	(3,483)	(3,536)
Erskine Business Park	3,125	17,163
Erskine Park Residential	100	311
Footpath Construction	41	70
Glenmore Park	165	596
Glenmore Park Stage 2	(425)	(382)
Kingswood Neighbourhood Centre	(63)	(73)
Lambridge Estate	(2,087)	(1,717)
Library Facilities	-	-
Mt Vernon	-	40
North Cranebrook	-	-
Penrith City District Open Space	10,199	8,140
Penrith City Local Open Space	904	577
Waterside	508	500
Werrington Enterprise Living and Learning (WELL)	566	691
Borrowing from Internal Reserves to fund deficits	8,742	7,940
<b>Total Contribution Plans</b>	<b>15,608</b>	<b>28,088</b>



# Statements and Notes

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2014

### Note 18—Contingencies

The following contingencies do not qualify for recognition in the Statement of Financial Position 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 \$450,000 to Penrith Valley Regional Sports Stadium. 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 2013-14 was 1.9 times members' contributions (1.9 times in 2012-13) plus a basic benefit of 2.5% of the member's salary (2.5% in 2012-13). 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 2014 a deficit still exists.

Effective from 1 July 2009, employers have been 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 \$4.3m as at 30 June 2014. LGSS have advised a revised payment calculation for contributions to this scheme from 1 July 2014, which includes an additional flat rate of \$1.08m per year.

#### 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. Application of this resolution seeks to ensure that no infrastructure funding gaps arise under the three contributions plans applying to the WELL Precinct.

The *White Paper – A new planning system for NSW* and draft planning legislation were released on 16 April 2013. If the White Paper changes to the new planning system are implemented, a minimum of approximately \$116 million in contributions income would be affected, or a significant reduction in the nature and scale of facilities being funded and our strategic directions for certain precincts – such as Penrith City centre – would occur.

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2014

### Note 18—Contingencies (cont)

Contributions Plans funding open space, and community and cultural facilities would be especially significantly adversely affected. The White Paper does propose abandoning the \$30,000 cap on contributions.

The White Paper did not provide details on savings and transitional arrangements for existing contributions plans, resulting in uncertainty as to their future status and financial exposure for Council. Council has requested the Minister ensure appropriate transitional provisions apply, particularly for those s94 plans which repay advance funded local infrastructure. The Cultural Facilities and Kingswood Neighbourhood Centre s94 Plans are affected by this issue. The value of advance funded works in these plans is approximately \$5.6 million. The Minister's response to this issue recognises the need for appropriate transitional provisions, however to date there has yet to be an announcement on the Government's intended direction. When the transitional provisions are concluded, Council will be better informed as to the impact on the affected plans and thus the gap that would be required to be funded by Council if State funding is not available.

New planning legislation, including details on a new contributions system was scheduled to be enacted in January / February 2014, however this did not occur and no date has been announced as to when the new planning legislation will be enacted.

#### RECOVERY OF INVESTMENTS

In June 2013 a Statement of Claim was lodged by Council against its investment advisors that were utilised between 2006 and 2011. The claim seeks to recover losses arising from Council's investments, and subsequent losses, in structured investment products, including \$2m in Collateralised Debt Obligations (CDOs) that were recommended by the investment advisors at the time prior to placement.

These investments were exposed to significant risk due to the United States sub-prime mortgage crisis and the CDOs gradually lost value during 2007 and 2008. Due to the minimal chance of recovering these investments, Council wrote off the total investment value of \$2m in the 2008-09 Financial Statements.

This Claim also involves Council's investment of \$3m in Mortgage Backed Securities (MBS), which were also recommended to Council by the same investment advisors during 2007. Although these MBS are continuing to pay regular coupons, they have lost considerable value and, subsequent after placement, have a deferred maturity date past 2050.

The case is ongoing through the legal system and a result will be known in due course.

# Statements and Notes

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2014

### Note 19—Interests in Joint Ventures and Associates

\$ '000

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;

#### 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 Joint Venture Entities, Council Jointly Controls the Operations with other parties.

#### Accounting Recognition:

i) **Subsidiaries disclosed under Note 19(a), and Joint Venture Operations disclosed at Note 19(c), are accounted for on a Line by Line Consolidation basis within the Income Statement and Statement of Financial Position.**

ii) **Associated Entities and Joint Venture Entities as per Notes 19(b)(i) & (ii) are accounted for using the Equity Accounting Method - and are disclosed as a 1 line entry in both the Income Statement and Statement of Financial Position.**

	Council's Share of Net Income		Council's Share of Net Assets	
	Actual 2014	Actual 2013	Actual 2014	Actual 2013
Joint Venture Entities	1,155	727	5,110	3,955
<b>Total</b>	<b>1,155</b>	<b>727</b>	<b>5,110</b>	<b>3,955</b>

# Financial Statements

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2014

### Note 19—Interests in Joint Ventures and Associates (continued)

\$ '000

Associated Entities & Joint Venture Entities (continued)

#### JOINT VENTURE ENTITIES

##### a) Carrying Amounts

Name of Entity	Principal Activity	2014	2013
Westpool	Insurance	4,512	3,378
United Independent Pools (UIP)	Insurance	598	577
<b>Total Carrying Amounts - Joint Venture Entities</b>		<b>5,110</b>	<b>3,955</b>

##### b) Relevant Interests

Name of Entity	Interest in Outputs		Interest in Ownership		Proportion of Voting Power	
	2014	2013	2014	2013	2014	2013
Westpool	16%	12%	16%	12%	16%	14%
United Independent Pools (UIP)	9%	10%	9%	10%	9%	9%

##### c) Movement in Carrying Amounts

	Westpool		United Independent Pools (UIP)	
	2014	2013	2014	2013
Opening Balance	3,378	2,786	577	442
Share in Operating Result	1,134	592	21	135
<b>Council's Equity Share in the Joint Venture Entity</b>	<b>4,512</b>	<b>3,378</b>	<b>598</b>	<b>577</b>

# Statements and Notes

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2014

### Note 19—Interests in Joint Ventures and Associates (continued)

\$ '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>2014</b>					
Westpool	4,687	3,656	658	3,173	4,512
United Independent Pools (UIP)	933	-	117	218	598
<b>Totals</b>	<b>5,620</b>	<b>3,656</b>	<b>775</b>	<b>3,391</b>	<b>5,110</b>
<b>2013</b>					
Westpool	6,676	3	454	2,847	3,378
United Independent Pools (UIP)	823	-	96	150	577
<b>Totals</b>	<b>7,499</b>	<b>3</b>	<b>550</b>	<b>2,997</b>	<b>3,955</b>

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

	2014			2013		
	Revenues	Expenses	Result	Revenues	Expenses	Result
Westpool	1,255	122	1,133	1,270	678	592
United Independent Pools (UIP)	765	743	22	815	680	135
<b>Totals</b>	<b>2,020</b>	<b>865</b>	<b>1,155</b>	<b>2,085</b>	<b>1,358</b>	<b>727</b>

# Financial Statements

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2014

### Note 20—Revaluation Reserves and Retained Earnings

\$ '000	Notes	Actual 2014	Actual 2013
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#### a) Retained Earnings

##### Movements in Retained Earnings were as follows:

<b>Balance at beginning of Year</b> (from previous years audited accounts)	1,920,875	1,874,763
- Net Operating Result for the Year	22,228	46,112
<b>Balance at End of the Reporting Period</b>	<u>1,943,103</u>	<u>1,920,875</u>

#### b) Reserves

##### i) Reserves are represented by:

- Infrastructure, Property, Plant & Equipment Revaluation Reserve	667,874	667,874
<b>Total</b>	<u>667,874</u>	<u>667,874</u>

##### ii) Reconciliation of movements in Reserves:

<b>Infrastructure, Property, Plant &amp; Equipment Revaluation Reserve</b>		
- Opening Balance	667,874	631,672
- Revaluations for the year	9(a) -	36,202
- <b>Balance at End of Year</b>	<u>667,874</u>	<u>667,874</u>
<b>TOTAL VALUE OF RESERVES</b>	<u>667,874</u>	<u>667,874</u>

##### iii) Nature & Purpose of Reserves

###### Infrastructure, Property, Plant & Equipment Revaluation Reserve

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

#### c) Correction of Error/s relating to a Previous Reporting Period

Council made no correction of errors during the current reporting period.

## Statements and Notes

### NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2014

#### Note 22—Non-Current Assets Classified as Held for Sale

\$ '000	2014		2013	
	Current	Non Current	Current	Non Current
Non Current Assets & Disposal Group Assets				
<b>Non Current Assets "Held for Sale"</b>				
Land	449	-	-	-
<b>Total Non Current Assets "Held for Sale"</b>	<b>449</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>TOTAL NON CURRENT ASSETS CLASSIFIED AS "HELD FOR SALE"</b>				
	449	-	-	-



# Financial Statements

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2014

### Note 27—Fair Value Measurement

\$ '000

The Council measures the following asset and liability classes at Fair Value on a recurring basis:

- Infrastructure, Property, Plant and Equipment
- Investment Property
- Financial Assets & Liabilities

The Fair Value of assets and liabilities must be estimated in accordance with various Accounting Standards for either recognition and measurement requirements or for disclosure purposes.

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

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

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

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

1) The following table presents all assets and liabilities that have been measured & recognised at Fair Values:

2014	Note	Fair Value Measurement Hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
<b>Recurring Fair Value Measurements</b>					
<b>Financial Assets</b>					
Investments					
- "Held for Trading"	6	-	-	1,884	1,884
<b>Total Financial Assets</b>		<b>-</b>	<b>-</b>	<b>1,884</b>	<b>1,884</b>
<b>Investment Properties</b>					
Land and Buildings	14	-	-	20,218	20,218
<b>Total Investment Properties</b>		<b>-</b>	<b>-</b>	<b>20,218</b>	<b>20,218</b>

# Statements and Notes

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2014

### Note 27—Fair Value Measurement (continued)

2014		Fair Value Measurement Hierarchy			Total
		Level 1	Level 2	Level 3	
		Quoted	Significant	Significant	
		prices in	observable	unobservable	
		active mkts	inputs	inputs	
<b>Recurring Fair Value Measurements</b>	Note				
<b>Infrastructure, Property, Plant &amp; Equipment</b>					
Plant & Equipment	9	-	-	17,764	17,764
Office Equipment	9	-	-	6,208	6,208
Furniture & Fittings	9	-	-	1,565	1,565
Community Land	9	-	-	180,850	180,850
Operating Land	9	-	-	79,351	79,351
Land Under Roads	9	-	-	1,369,126	1,369,126
Land Improvements	9	-	-	7,876	7,876
Buildings - Specialised	9	-	-	128,713	128,713
Buildings - Non Specialised	9	-	-	86,427	86,427
Roads, Bridges, Footpaths	9	-	-	496,548	496,548
Stormwater Drainage	9	-	-	237,606	237,606
Library Books	9	-	-	2,786	2,786
Other	9	-	-	2,437	2,437
<b>Total Infrastructure, Property, Plant &amp; Equipment</b>		<b>-</b>	<b>-</b>	<b>2,617,257</b>	<b>2,617,257</b>

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

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

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

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

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



## NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2014

### Note 27—Fair Value Measurement (continued)

#### Financial Assets

Investments at Fair Value through profit or loss are represented by Class A and Class B notes in the Barclays Emerald Reverse Mortgage Series 2006-1 and 2007-1. Council receives monthly valuations directly from Barclays but obtains independent valuations at 30 June each year to ensure the Financial Statements reflect the most up-to-date valuation. The best evidence of Fair Value is the current price in an active market for similar assets. The market for Australian mortgage backed securities, regardless of the robustness of the structure, is highly illiquid as a direct consequence of the global financial crisis. Therefore there is an absence of observable market data. The independent valuation suggests 65c and 76c in the dollar respectively as an anticipated bid level, representing a slight improvement during the past 12 months.

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#### Investment Properties

Council typically obtains valuations of its investment properties from Councils Property Development Manager. This is obtained on an annual basis at the end of the reporting period to ensure that Councils Financial Statements accurately reflect the most current valuation of these properties. The investment property valuation is included in level 2 of the hierarchy as there is an active market where significant inputs can be observed, to an extent. Some of Councils investment properties do not have an active market as they are too specialised.

For the 2013-14 Financial Year, independent external valuations were obtained from Independent Property Valuations Pty Ltd, Registered Valuer No. 140911321.

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#### Plant & Equipment, Office Equipment, Furniture & Fittings

Plant & Equipment, Office Equipment and Furniture & Fittings are currently valued at cost which is an acceptable representation of Fair Value in Councils Financial Statements. The Fair Value is calculated by depreciating the assets on a straight-line basis assuming a residual value and useful life. Examples of assets within these classes are as follows:

- Plant & Equipment Trucks, tractors, ride-on mowers, street sweepers, buses, motor vehicles
- Office Equipment Security systems, playground equipment, computer equipment, refrigerators
- Furniture & Fittings Chairs, desks, display systems

Council reviews the useful life and residual value of these assets on a regular basis by reviewing quoted prices for the current replacement cost of a similar asset. There has been no change to the valuation process during the reporting period.

# Statements and Notes

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2014

### Note 27—Fair Value Measurement (continued)

#### Valuation techniques used to derive Level 2 and Level 3 Fair Values

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

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

#### Financial Assets

Asset / Liability Category	Carrying Amount (at Fair Value) (30 June 2014) \$'000	Key Unobservable Inputs	Expected Range of Inputs	Description of how changes in inputs will affect Fair Value
Investments – At Fair Value through profit or loss	1,884	<ul style="list-style-type: none"> <li>Unit Price</li> </ul>	<ul style="list-style-type: none"> <li>Ranges between 65c and 76c per \$1.00</li> </ul>	Significant changes in the estimated unit price would result in significant changes to Fair Value measurement.

#### Investment Properties

Asset / Liability Category	Carrying Amount (at Fair Value) (30 June 2014) \$'000	Key Unobservable Inputs	Expected Range of Inputs	Description of how changes in inputs will affect Fair Value
Investment Properties	20,218	<ul style="list-style-type: none"> <li>Rental yield</li> <li>External valuations</li> <li>Valuation from Council's certified valuer.</li> </ul>	<ul style="list-style-type: none"> <li>Varies significantly from property to property</li> </ul>	Significant changes in the rental yield or housing prices in the suburb where the property is located would result in significant changes to fair value measurement.

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2014

### Note 27—Fair Value Measurement (continued)

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

Asset / Liability Category	Carrying Amount (at Fair Value) (30 June 2014) \$'000	Key Unobservable Inputs	Expected Range of Inputs	Description of how changes in inputs will affect Fair Value
<b>Plant &amp; Equipment, Office Equipment, Furniture &amp; Fittings</b>	25,537	<ul style="list-style-type: none"> <li>• Gross Replacement Cost</li> <li>• Remaining Useful Life</li> <li>• Residual Value</li> </ul>	<ul style="list-style-type: none"> <li>• Varies significantly from asset to asset</li> <li>• 5 to 20 years</li> <li>• 0 – 30%</li> </ul>	Changes in the pattern of consumption would affect the residual value and useful life of the asset resulting in a change in the fair value measurement.
<b>Operational Land</b>	79,351	<ul style="list-style-type: none"> <li>• Value is determined by increases in market values in the suburb where the land is located.</li> </ul>	<ul style="list-style-type: none"> <li>• Varies significantly from asset to asset</li> </ul>	Changes in the median sale prices in the area which the land is located would directly affect the fair value measurements.
<b>Community Land</b>	180,850	<ul style="list-style-type: none"> <li>• Value is provided by the Valuer General based on the changes in market values in the suburb where the land is located.</li> </ul>	<ul style="list-style-type: none"> <li>• Varies significantly from asset to asset</li> </ul>	Changes in the median sale prices in the area which the land is located would directly affect the fair value measurements.
<b>Land Under Roads</b>	1,369,126	<ul style="list-style-type: none"> <li>• Price per square metre</li> </ul>	<ul style="list-style-type: none"> <li>• \$424.76 per square metre</li> </ul>	Significant changes in the price per square metre would result in significant changes to fair value measurement.
<b>Land Improvements – Depreciable</b>	7,876	<ul style="list-style-type: none"> <li>• Gross Replacement Cost</li> <li>• Asset Condition</li> <li>• Remaining useful life</li> <li>• Residual value</li> </ul>	<ul style="list-style-type: none"> <li>• Varies significantly from asset to asset</li> <li>• Very poor to excellent</li> <li>• 0 – 100 years</li> </ul>	Significant changes in the gross replacement value, asset condition, and pattern of consumption affecting the remaining useful life or residual value would result in significant changes to fair value measurement.

## Statements and Notes

### NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2014

#### Note 27—Fair Value Measurement (continued)

Asset / Liability Category	Carrying Amount (at Fair Value) (30 June 2014) \$'000	Key Unobservable Inputs	Expected Range of Inputs	Description of how changes in inputs will affect Fair Value
<b>Buildings</b>	215,140	<ul style="list-style-type: none"> <li>• Gross Replacement Cost</li> <li>• Asset Condition</li> <li>• Remaining useful life</li> <li>• Residual value</li> </ul>	<ul style="list-style-type: none"> <li>• Varies significantly from asset to asset</li> <li>• Very poor to excellent</li> <li>• 0 – 100 years</li> </ul>	Significant changes in the gross replacement value, asset condition, and pattern of consumption affecting the remaining useful life or residual value would result in significant changes to fair value measurement.
<b>Roads</b>	496,548	<ul style="list-style-type: none"> <li>• Gross Replacement Cost</li> <li>• Asset Condition</li> <li>• Remaining useful life</li> <li>• Residual value</li> </ul>	<ul style="list-style-type: none"> <li>• Varies significantly from asset to asset</li> <li>• Poor to excellent</li> <li>• 0 – 100 years</li> <li>• 0% - 100%</li> </ul>	Significant changes in the gross replacement value, asset condition, and pattern of consumption affecting the remaining useful life or residual value would result in significant changes to fair value measurement.
<b>Stormwater Drainage</b>	237,606	<ul style="list-style-type: none"> <li>• Gross Replacement Cost</li> <li>• Asset condition</li> <li>• Remaining useful life</li> <li>• Residual value</li> </ul>	<ul style="list-style-type: none"> <li>• Varies significantly from asset to asset</li> <li>• Very poor to very excellent</li> <li>• 0 – 100 years</li> <li>• 0% - 50%</li> </ul>	Significant changes in the gross replacement value, asset condition, and pattern of consumption affecting the remaining useful life or residual value would result in significant changes to fair value measurement.
<b>Library Books</b>	2,786	<ul style="list-style-type: none"> <li>• Gross Replacement Cost</li> <li>• Asset Condition</li> <li>• Remaining Useful Life</li> <li>• Residual Value</li> </ul>	<ul style="list-style-type: none"> <li>• Varies significantly from asset to asset</li> <li>• Very poor to excellent</li> <li>• 0 – 7 years</li> <li>• 0%</li> </ul>	Significant changes in the gross replacement value, asset condition, and pattern of consumption affecting the remaining useful life or residual value would result in significant changes to fair value measurement.

# Financial Statements

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2014

### Note 27—Fair Value Measurement (continued)

#### 5. Highest and best use

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

# Statements and Notes

Hill Rogers  
Spencer Steer

**PENRITH CITY COUNCIL**  
**GENERAL PURPOSE FINANCIAL STATEMENTS**  
**INDEPENDENT AUDITORS' REPORT**

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## **REPORT ON THE FINANCIAL STATEMENTS**

We have audited the accompanying general purpose financial statements of Penrith City Council, which comprises the Statement of Financial Position as at 30 June 2014, Income Statement, Statement of Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the Statement by Councillors and Management. The financial statements include the consolidated financial statements of the economic entity and the entities it controlled at year end or from time to time during the year.

### ***Responsibility of Council for the Financial Statements***

The Council is 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. This responsibility includes the maintenance of adequate accounting records and internal controls designed to prevent and detect fraud and error; designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement. Our audit responsibility does not extend to the original budget information disclosed in the Income Statement, Statement of Cash Flows, and Note 2(a) or the budget variation explanations disclosed in Note 16. Nor does our responsibility extend to the projected future developer contributions and costs disclosed in Note 17. Accordingly, no opinion is expressed on these matters.

## **Assurance Partners**

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Practising as Hill Rogers Spencer  
Steer Assurance Partners

ABN 56 435 338 966

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# Financial Statements

Hill Rogers  
Spencer Steer

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 judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal 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 Council's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Council, as well as evaluating the overall presentation of the financial statements. Our audit did not involve an analysis of the prudence of business decisions made by Council or management.

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

## **Independence**

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

## **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; and
- (b) the financial statements:
  - (i) have been presented in accordance with the requirements of this Division;
  - (ii) are consistent with the Council's accounting records;
  - (iii) present fairly the Council's financial position, the results of its operations and its cash flows; and
  - (iv) are in accordance with applicable Accounting Standards and other mandatory professional reporting requirements in Australia.
- (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 we have become aware of during the course of the audit.

## **HILL ROGERS SPENCER STEER**



**GARY MOTTAU**  
Partner

Dated at Sydney this 28th day of October 2014

Penrith City Council  
General Purpose Financial Statements  
Independent Auditors' Report

Page 2

# Statements and Notes

Hill Rogers  
Spencer Steer

28 October 2014

The Mayor  
Penrith City Council  
PO Box 60  
**PENRITH NSW 2751**

Mayor,

## **Audit Report - Year Ended 30 June 2014**

We are pleased to advise completion of the audit of Council's books and records for the year ended 30 June 2014 and that all information required by us was readily available. We have signed our reports as required under Section 417(1) of the Local Government Act, 1993 and the Local Government Code of Accounting Practice and Financial Reporting to the General and Special Purpose Financial Statements.

Our audit has been conducted in accordance with Australian Auditing Standards so as to express an opinion on both the General and Special Purpose Financial Statements of the Council. We have ensured that the financial statements have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations and the Local Government Code of Accounting Practice and Financial Reporting.

This report on the conduct of the audit is also issued under Section 417(1) and we now offer the following comments on the financial statements and the audit;

### **I. RESULTS FOR THE YEAR**

#### **1.1 Operating Result**

The operating result for the year was a surplus of \$22.228 million as compared with \$46.112 million in the previous year.

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# Financial Statements

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The following table sets out the results for the year and the extent (%) that each category of revenue and expenses contributed to the total.

	2014	% of	2013	% of	Increase
	\$'000	Total	\$'000	Total	(Decrease)
					\$'000
<b>Revenues before capital items</b>					
Rates & annual charges	112,142	63%	104,564	61%	7,578
User charges, fees & other revenues	41,738	23%	39,869	23%	1,869
Grants & contributions provided for operating purposes	21,966	12%	24,341	14%	(2,375)
Interest & investment revenue	2,995	2%	3,118	2%	(123)
	<b>178,841</b>	<b>100%</b>	<b>171,892</b>	<b>100%</b>	<b>6,949</b>
<b>Expenses</b>					
Employee benefits & costs	81,474	42%	76,933	45%	4,541
Materials, contracts & other expenses	87,571	45%	71,009	42%	16,562
Depreciation, amortisation & impairment	19,702	10%	19,114	11%	588
Borrowing costs	3,826	2%	3,995	2%	(169)
	<b>192,573</b>	<b>100%</b>	<b>171,051</b>	<b>100%</b>	<b>21,522</b>
<b>Surplus (Deficit) before capital items</b>	<b>(13,732)</b>		<b>841</b>		<b>(14,573)</b>
Grants & contributions provided for capital purposes	35,960		45,271		(9,311)
<b>Net Surplus (Deficit) for the year</b>	<b>22,228</b>		<b>46,112</b>		<b>(23,884)</b>
<b>Performance Measures</b>		<b>2014</b>		<b>2013</b>	
Operating Performance		-8.03%		0.96%	
Own Source Operating Revenue		72.85%		67.96%	

The above table shows an overall decrease of \$23.884 million from the previous year and is mainly attributable to the following:-

- one-off payment to the State Government for the Lenore Lane extension (\$14.14 million)
- reduced developers contributions (\$8.765 million), and
- reduced financial assistance grants (\$3.877 million).

**Operating Performance** measures the ability to contain operating expenditure within operating revenue excluding capital amounts. For 2014, this indicator was -8.03% and was below the benchmark of 0%.

**Own Source Operating Revenue** measures the degree of reliance on external funding sources such as grants and contributions. For 2014, this indicator was 72.85% and exceeded the benchmark of 60%.

## Statements and Notes

*Hill Rogers  
Spencer Steer*

### 1.2 Funding Result

As the operating result only accounts for operating income and expenditure, in reviewing the overall financial performance of Council, it is useful to consider the total source of revenues and how they were applied during the year which is illustrated in the table below.

	2014	2013
	\$000	\$000
<b>Funds were provided by:-</b>		
<b>Operating Result (as above)</b>	<b>22,228</b>	<b>46,112</b>
Add back non funding items:-		
- Depreciation, amortisation & impairment	19,702	19,114
- Book value of non-current assets sold	1,645	2,475
- Fair value adjustment to interest free loan	204	(864)
- Non-cash contributions of assets acquired	(30,868)	(29,266)
- (Gain)/Loss of fair value to investment properties	501	(169)
- (Surplus)/Deficit in joint ventures	(1,155)	(727)
	12,257	36,675
Decrease/Redemption of non-current Investments	0	5,894
New loan borrowings	10,201	7,108
Transfers from externally restricted assets (net)	14,218	0
Transfers from internal reserves (net)	1,805	0
Repayments from deferred debtors	65	2
Net Changes in current/non-current assets & liabilities	1,246	0
	39,792	49,679
<b>Funds were applied to:-</b>		
Purchase and construction of assets	(25,703)	(38,647)
Increase/Purchase in non-current investments	(5,500)	0
Principal repaid on loans	(9,051)	(8,420)
Transfers to externally restricted assets (net)	0	(3,969)
Transfers to internal reserves (net)	0	(29)
Net Changes in current/non current assets & liabilities	0	(52)
	(40,254)	(51,117)
<b>Increase/(Decrease) in Available Working Capital</b>	<b>(462)</b>	<b>(1,438)</b>

# Financial Statements

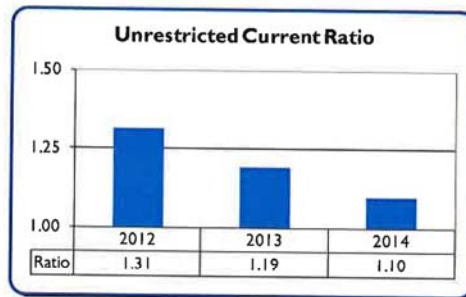
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## 2. FINANCIAL POSITION

### 2.1 Unrestricted Current Ratio

The Unrestricted Current Ratio is a financial indicator specific to local government and represents Council's ability to meet its debts and obligations as they fall due.

After eliminating externally restricted assets and current liabilities not expected to be paid within the next 12 months net current assets amounted to \$2.672 million representing a factor of 1.10 to 1 compared to the benchmark of 1.5 to 1.



### 2.2 Available Working Capital – (Working Funds)

At the close of the year the Available Working Capital of Council stood at \$2.674 million as detailed below;

	2014	2013	Change
	\$'000	\$'000	\$'000
<b>Net Current Assets (Working Capital) as per Accounts</b>	<b>7,583</b>	<b>26,069</b>	<b>(18,486)</b>
<b>Add:</b> Payables & provisions not expected to be realised in the next 12 months included above	24,765	23,144	1,621
<b>Adjusted Net Current Assets</b>	<b>32,348</b>	<b>49,213</b>	<b>(16,865)</b>
<b>Add:</b> Budgeted & expected to pay in the next 12 months			
- Borrowings	9,675	8,853	822
- Employees leave entitlements	6,495	6,826	(331)
- Deposits & retention moneys	590	701	(111)
- Deferred debtors	(3)	(3)	0
<b>Less:</b> Externally restricted assets	<b>(29,676)</b>	<b>(43,894)</b>	<b>14,218</b>
<b>Less:</b> Internally restricted assets	<b>(16,755)</b>	<b>(18,560)</b>	<b>1,805</b>
<b>Available Working Capital as at 30 June</b>	<b>2,674</b>	<b>3,136</b>	<b>(462)</b>

The balance of Available Working Capital should be at a level to manage Council's day to day operations including the financing of hard core debtors, stores and to provide a buffer against unforeseen and unbudgeted expenditures. An optimal Available Working Capital balance, in our opinion, would have been in the vicinity of \$8 million.



# Statements and Notes

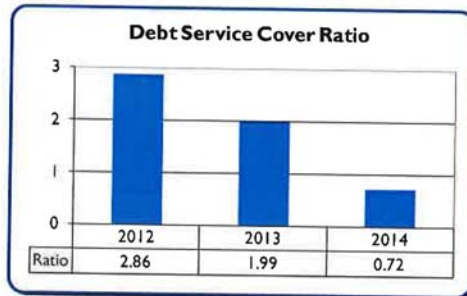
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Spencer Steer*

We note the nature and level of the internally restricted assets (Reserves) set aside to fund future works and services and liabilities. In the short term, internally restricted cash is available to fund Council's day to day operations, however when those reserves are spent, Council will need to increase its level of Available Working Capital.

## 2.3 Debt

After repaying principal and interest of \$12.877 million, total debt as at 30 June 2014 stood at \$67.44 million (2013 - \$66.086 million).

The debt service cover ratio measures the availability of operating cash to service debt repayments. For 2014, the ratio indicated that operating results before capital, interest and depreciation covered payments required to service debt by a factor of 0.72 to 1 compared to the benchmark of 2.



## 2.4 Summary

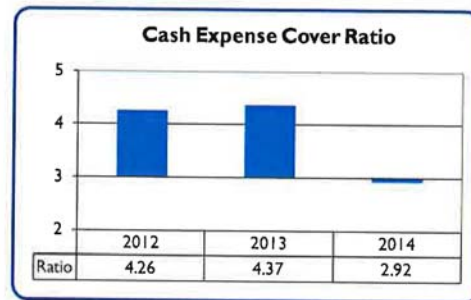
Council's overall financial position, when taking into account the above financial indicators was, in our opinion, satisfactory and we recommend that surplus budgets be developed in the short term to build up the level of Available Working Capital in order to provide a buffer for any unplanned and unbudgeted expenditure.

## 3. CASH ASSETS

### 3.1 Cash Expense Cover Ratio

This liquidity ratio indicates the number of months of expenditure requirements that can be met with available cash and term deposit balances without the need for additional cash inflow.

For 2014, this ratio stood at 2.92 months compared to the benchmark of 3.



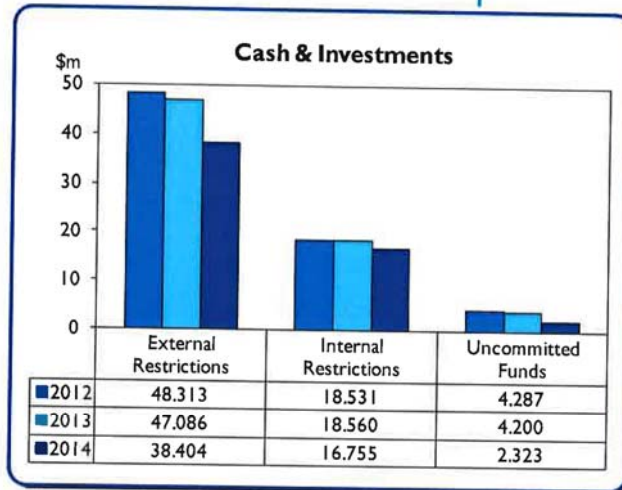
### 3.2 Cash & Investment Securities

Cash and investments amounted \$57.482 million at 30 June 2014 as compared with \$69.846 million in 2013 and \$71.131 million in 2012.

# Financial Statements

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The chart alongside summarises the purposes for which cash and investments securities were held.



**Externally restricted cash and investments** are restricted in their use by externally imposed requirements and consisted of unexpended loans (\$8.463 million), development contributions under Section 94 (\$15.608 million), domestic waste management charges (\$3.621 million) and specific purpose grants (\$1.886 million) and contributions (\$8.826 million).

**Internally restricted cash and investments** have been restricted in their use by resolution or policy of Council to reflect forward plans, identified programs of works, and are, in fact, Council's "**Reserves**". These Reserves totalled \$16.755 million and their purposes are more fully disclosed in Notes 6 of the financial statements.

**Unrestricted cash and investments** amounted to \$2.323 million, which is available to provide liquidity for day to day operations.

### 3.3 Cash Flows

The Statement of Cash Flows illustrates the flow of cash (highly liquid cash and investments) moving in and out of Council during the year and reveals that cash increased by \$888,000 to \$42.768 million at the close of the year.

In addition to operating activities which contributed net cash of \$10.626 million were the proceeds from the sale of investment securities (\$287.153 million), new loans (\$10.201 million), sale of assets (\$1.224 million) and receipts from deferred debtors (\$65,000). Cash outflows other than operating activities were used to purchase investment securities (\$273.62 million), repay loans and advances (\$9.051 million) and to purchase and construct assets (\$25.71 million).

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**4. RECEIVABLES**

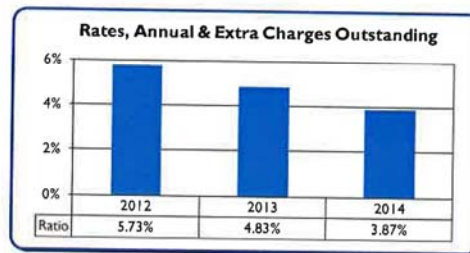
**4.1 Rates & Annual Charges (excluding interest & extra charges)**

Net rates and annual charges levied during the year totalled \$112.142 million and represented 52% of Council's total revenues.

Including arrears, the total rates and annual charges collectible was \$116.648 million of which \$113.413 million (97%) was collected.

**4.2 Rates, Annual & Extra Charges**

Arrears of rates, annual and extra charges stood at \$4.582 million at the end of the year and represented 3.87% of those receivables.



**4.3 Other Receivables**

Receivables (other than rates & annual charges) totalled \$5.525 million and consisted mainly of government grants and subsidies (\$2.154 million) and user charges and fees (\$1.632 million). Those considered to be uncertain of collection have been provided for as doubtful debts and this provision amounted to \$131,000.

**5. PAYABLES**

**5.1 Employees Leave Entitlements**

Council's provision for its liability toward employees leave entitlements and associated on costs amounted to \$28.831 million. Internally restricted cash and investments of \$3.418 million was held representing 12% of this liability and was, in our opinion, sufficient to meet unbudgeted and unanticipated retirements.

**5.2 Deposits, Retentions & Bonds**

Deposits, retentions and bonds held at year end amounted to \$3.672 million and were 57% funded by internally restricted cash and investments.

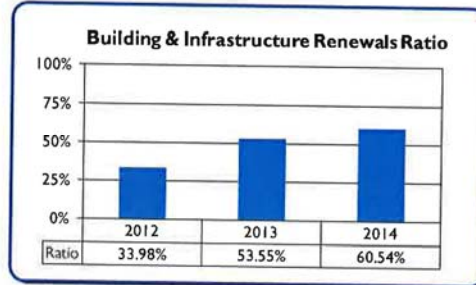


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**6. BUILDING AND INFRASTRUCTURE RENEWALS**

The Building and Infrastructure Renewals ratio measures the rate at which these assets are renewed against the rate at which they are depreciating.

Special Schedule No. 7 discloses that asset renewals for 2014 represented 61% of the depreciation charges for these assets. An industry benchmark is considered to be 100%, measured annually over the long term.



**7. MANAGEMENT LETTER**

An audit management letter addressing the findings from our interim audit was issued on 9 July 2014. This included our recommendations on possible ways to strengthen and/or improve procedures.

**8. CONCLUSION**

We wish to record our appreciation to your General Manager and his staff for their ready co-operation and the courtesies extended to us during the conduct of the audit.

Yours faithfully,  
**HILL ROGERS SPENCER STEER**

  
**GARY MOTTAU**  
Partner

# Statements and Notes

Penrith City Council

## Special Purpose Financial Statements

for the financial year ended 30 June 2014

### Statement by Councillors and Management

made pursuant to the Local Government Code of Accounting Practice and Financial Reporting

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

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

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

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

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

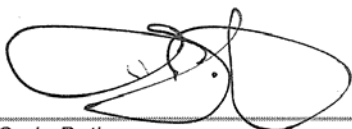
**Signed in accordance with a resolution of Council made on 27 October 2014.**



Cr Ross Fowler OAM  
MAYOR



Cr Greg Davies  
COUNCILLOR



Craig Butler  
ACTING GENERAL MANAGER



Vicki O'Kelly  
RESPONSIBLE ACCOUNTING OFFICER

# Financial Statements

## SPECIAL PURPOSE FINANCIAL STATEMENTS for the year ended 30 June 2014

### Income Statement by Business Activities

\$ '000	Childcare		Council Pools	
	Category 1		Category 1	
	Actual 2014	Actual 2013	Actual 2014	Actual 2013
<b>Income from continuing operations</b>				
User charges	8,446	8,649	3,643	3,371
Interest	-	-	10	6
Grants and contributions provided for non capital purposes	8,479	8,297	-	-
Profit from the sale of assets	-	-	-	2
Other income	77	99	15	-
<b>Total income from continuing operations</b>	<b>17,002</b>	<b>17,045</b>	<b>3,668</b>	<b>3,379</b>
<b>Expenses from continuing operations</b>				
Employee benefits and on-costs	14,601	14,101	3,505	3,304
Materials and contracts	785	911	749	796
Depreciation and impairment	-	-	90	80
Loss on sale of assets	-	-	3	-
Calculated taxation equivalents	792	732	23	175
Debt guarantee fee (if applicable)	814	880	741	889
Other expenses	1,068	1,030	791	788
<b>Total expenses from continuing operations</b>	<b>18,060</b>	<b>17,654</b>	<b>5,902</b>	<b>6,032</b>
<b>Surplus (deficit) from Continuing Operations before capital amounts</b>	<b>(1,058)</b>	<b>(609)</b>	<b>(2,234)</b>	<b>(2,653)</b>
Grants and contributions provided for capital purposes	-	-	-	-
<b>Surplus (deficit) from Continuing Operations after capital amounts</b>	<b>(1,058)</b>	<b>(609)</b>	<b>(2,234)</b>	<b>(2,653)</b>
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>(1,058)</b>	<b>(609)</b>	<b>(2,234)</b>	<b>(2,653)</b>
plus Opening Retained Profits	(921)	(2,110)	(14,911)	(14,434)
plus/less: Prior Period Adjustments	-	-	-	-
plus Adjustments for amounts unpaid:				
- Taxation equivalent payments	792	732	23	175
- Debt guarantee fees	814	880	741	889
- Corporate taxation equivalent	-	-	-	-
add:				
- Subsidy Paid/Contribution To Operations	168	186	1,104	1,112
<b>Closing Retained Profits</b>	<b>(205)</b>	<b>(921)</b>	<b>(15,277)</b>	<b>(14,911)</b>
<b>Return on Capital %</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>-749.4%</b>
<b>Subsidy from Council</b>	<b>1,058</b>	<b>609</b>	<b>2,244</b>	<b>2,666</b>

# Statements and Notes

## SPECIAL PURPOSE FINANCIAL STATEMENTS for the year ended 30 June 2014

### Income Statement by Business Activities (continued)

\$ '000	Property Development		Whitewater	
	Category 1		Category 1	
	Actual 2014	Actual 2013	Actual 2014	Actual 2013
<b>Income from continuing operations</b>				
User charges	4,116	3,403	1,629	1,676
Interest	81	152	5	8
Profit from the sale of assets	-	1	-	2
<b>Total income from continuing operations</b>	<b>4,197</b>	<b>3,556</b>	<b>1,634</b>	<b>1,686</b>
<b>Expenses from continuing operations</b>				
Employee benefits and on-costs	845	564	771	841
Borrowing costs	53	88	56	66
Materials and contracts	1,848	917	182	275
Depreciation and impairment	1,507	1,705	123	121
Calculated taxation equivalents	1,065	765	1	8
Debt guarantee fee (if applicable)	15	25	37	37
Other expenses	1	422	548	520
<b>Total expenses from continuing operations</b>	<b>5,334</b>	<b>4,486</b>	<b>1,718</b>	<b>1,868</b>
<b>Surplus (deficit) from Continuing Operations before capital amounts</b>	<b>(1,137)</b>	<b>(930)</b>	<b>(84)</b>	<b>(182)</b>
Grants and contributions provided for capital purposes	-	-	-	-
<b>Surplus (deficit) from Continuing Operations after capital amounts</b>	<b>(1,137)</b>	<b>(930)</b>	<b>(84)</b>	<b>(182)</b>
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>(1,137)</b>	<b>(930)</b>	<b>(84)</b>	<b>(182)</b>
<b>plus Opening Retained Profits</b>	<b>32,156</b>	<b>34,750</b>	<b>251</b>	<b>388</b>
<b>plus/less: Prior Period Adjustments</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>plus Adjustments for amounts unpaid:</b>				
- Taxation equivalent payments	1,065	765	1	8
- Debt guarantee fees	15	25	37	37
- Corporate taxation equivalent	-	-	-	-
<b>less:</b>				
- Dividend paid	(1,836)	(2,454)	-	-
<b>Closing Retained Profits</b>	<b>30,263</b>	<b>32,156</b>	<b>205</b>	<b>251</b>
<b>Return on Capital %</b>	<b>-1.6%</b>	<b>-1.7%</b>	<b>-2.3%</b>	<b>-9.3%</b>
<b>Subsidy from Council</b>	<b>3,533</b>	<b>2,705</b>	<b>71</b>	<b>163</b>

# Financial Statements

## SPECIAL PURPOSE FINANCIAL STATEMENTS for the year ended 30 June 2014

### Income Statement by Business Activities (continued)

\$ '000	Penrith Performing and Visual Arts Ltd		Cemeteries	
	Category 1		Category 2	
	Actual 2014	Actual 2013	Actual 2014	Actual 2013
<b>Income from continuing operations</b>				
User charges	1,233	1,500	642	547
Interest	28	37	-	-
Grants and contributions provided for non capital purposes	2,016	2,003	-	4
Other income	24	28	-	-
<b>Total income from continuing operations</b>	<b>3,301</b>	<b>3,568</b>	<b>642</b>	<b>551</b>
<b>Expenses from continuing operations</b>				
Employee benefits and on-costs	1,893	1,834	274	267
Materials and contracts	861	1,217	298	345
Depreciation and impairment	32	37	10	10
Loss on sale of assets	-	5	-	-
Calculated taxation equivalents	67	63	-	-
Imputed Rental	1,230	1,276	-	-
Other expenses	450	508	89	85
<b>Total expenses from continuing operations</b>	<b>4,533</b>	<b>4,940</b>	<b>671</b>	<b>707</b>
<b>Surplus (deficit) from Continuing Operations before capital amounts</b>	<b>(1,232)</b>	<b>(1,372)</b>	<b>(29)</b>	<b>(156)</b>
Grants and contributions provided for capital purposes	-	-	-	-
<b>Surplus (deficit) from Continuing Operations after capital amounts</b>	<b>(1,232)</b>	<b>(1,372)</b>	<b>(29)</b>	<b>(156)</b>
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>(1,232)</b>	<b>(1,372)</b>	<b>(29)</b>	<b>(156)</b>
<b>plus Opening Retained Profits</b>	<b>(8,107)</b>	<b>(9,581)</b>	<b>(987)</b>	<b>(831)</b>
<b>plus/less: Prior Period Adjustments</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>plus Adjustments for amounts unpaid:</b>				
- Taxation equivalent payments	67	63	-	-
- Debt guarantee fees	-	-	-	-
- Corporate taxation equivalent	-	-	-	-
- Imputed Rental	1,230	1,276	-	-
<b>add:</b>				
- Subsidy Paid/Contribution To Operations	1,507	1,507	-	-
<b>Closing Retained Profits</b>	<b>(6,535)</b>	<b>(8,107)</b>	<b>(1,016)</b>	<b>(987)</b>
<b>Return on Capital %</b>	<b>-225.2%</b>	<b>-246.8%</b>	<b>-4.3%</b>	<b>-26.8%</b>
<b>Subsidy from Council</b>	<b>1,251</b>	<b>1,393</b>	<b>53</b>	<b>178</b>

# Statements and Notes

## SPECIAL PURPOSE FINANCIAL STATEMENTS for the year ended 30 June 2014

### Income Statement by Business Activities (continued)

\$ '000	Tennis Courts		St Clair Recreation Centre	
	Category 2		Category 2	
	Actual 2014	Actual 2013	Actual 2014	Actual 2013
<b>Income from continuing operations</b>				
User charges	22	39	162	128
Interest	2	3	-	-
Grants and contributions provided for non capital purposes	26	-	-	-
Other income	29	30	-	-
<b>Total income from continuing operations</b>	<b>79</b>	<b>72</b>	<b>162</b>	<b>128</b>
<b>Expenses from continuing operations</b>				
Employee benefits and on-costs	85	63	301	282
Materials and contracts	80	18	78	53
Depreciation and impairment	241	305	9	2
Calculated taxation equivalents	11	11	-	-
Imputed Rental	-	-	53	57
Other expenses	45	44	56	66
<b>Total expenses from continuing operations</b>	<b>462</b>	<b>441</b>	<b>497</b>	<b>460</b>
<b>Surplus (deficit) from Continuing Operations before capital amounts</b>	<b>(383)</b>	<b>(369)</b>	<b>(335)</b>	<b>(332)</b>
Grants and contributions provided for capital purposes	-	-	-	-
<b>Surplus (deficit) from Continuing Operations after capital amounts</b>	<b>(383)</b>	<b>(369)</b>	<b>(335)</b>	<b>(332)</b>
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>(383)</b>	<b>(369)</b>	<b>(335)</b>	<b>(332)</b>
plus Opening Retained Profits	784	1,142	(4,191)	(3,916)
plus/less: Prior Period Adjustments	-	-	-	-
plus Adjustments for amounts unpaid:				
- Taxation equivalent payments	11	11	-	-
- Debt guarantee fees	-	-	-	-
- Corporate taxation equivalent	-	-	-	-
- Imputed Rental	-	-	53	57
<b>Closing Retained Profits</b>	<b>412</b>	<b>784</b>	<b>(4,473)</b>	<b>(4,191)</b>
<b>Return on Capital %</b>	<b>-14.8%</b>	<b>-15.3%</b>	<b>-465.3%</b>	<b>-3018.2%</b>
<b>Subsidy from Council</b>	<b>475</b>	<b>460</b>	<b>338</b>	<b>332</b>

# Financial Statements

## SPECIAL PURPOSE FINANCIAL STATEMENTS for the year ended 30 June 2014

### Income Statement by Business Activities (continued)

\$ '000	Halls		Contestable Services	
	Category 2		Category 2	
	Actual 2014	Actual 2013	Actual 2014	Actual 2013
<b>Income from continuing operations</b>				
User charges	297	81	603	597
Interest	2	2	-	-
Grants and contributions provided for non capital purposes	6	10	-	-
Other income	598	190	-	-
<b>Total income from continuing operations</b>	<b>903</b>	<b>283</b>	<b>603</b>	<b>597</b>
<b>Expenses from continuing operations</b>				
Employee benefits and on-costs	705	207	233	343
Borrowing costs	16	7	-	-
Materials and contracts	644	163	3	3
Depreciation and impairment	1,016	991	-	-
Other expenses	385	113	188	149
<b>Total expenses from continuing operations</b>	<b>2,766</b>	<b>1,481</b>	<b>424</b>	<b>495</b>
<b>Surplus (deficit) from Continuing Operations before capital amounts</b>	<b>(1,863)</b>	<b>(1,198)</b>	<b>179</b>	<b>102</b>
Grants and contributions provided for capital purposes	-	-	-	-
<b>Surplus (deficit) from Continuing Operations after capital amounts</b>	<b>(1,863)</b>	<b>(1,198)</b>	<b>179</b>	<b>102</b>
less: Corporate Taxation Equivalent (30%) [based on result before capital]	-	-	(54)	(31)
<b>SURPLUS (DEFICIT) AFTER TAX</b>	<b>(1,863)</b>	<b>(1,198)</b>	<b>125</b>	<b>71</b>
plus Opening Retained Profits	1,897	3,095	18	(84)
plus/less: Prior Period Adjustments	-	-	-	-
plus Adjustments for amounts unpaid:				
- Taxation equivalent payments	-	-	-	-
- Debt guarantee fees	-	-	-	-
- Corporate taxation equivalent	-	-	54	31
<b>Closing Retained Profits</b>	<b>34</b>	<b>1,897</b>	<b>197</b>	<b>18</b>
<b>Return on Capital %</b>	<b>-6.1%</b>	<b>-8.5%</b>	<b>n/a</b>	<b>n/a</b>
<b>Subsidy from Council</b>	<b>2,916</b>	<b>1,717</b>	<b>-</b>	<b>-</b>

# Statements and Notes

## SPECIAL PURPOSE FINANCIAL STATEMENTS for the year ended 30 June 2014

### Statement of Financial Position by Business Activities

\$ '000	Childcare		Council Pools	
	Category 1		Category 1	
	Actual 2014	Actual 2013	Actual 2014	Actual 2013
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and cash equivalents	-	-	33	87
Investments	547	1,313	-	-
Receivables	435	248	64	55
Inventories	-	-	29	20
Other	-	-	43	11
<b>Total Current Assets</b>	<b>982</b>	<b>1,561</b>	<b>169</b>	<b>173</b>
<b>Non-Current Assets</b>				
Infrastructure, property, plant and equipment	-	-	293	354
<b>Total Non-Current Assets</b>	<b>-</b>	<b>-</b>	<b>293</b>	<b>354</b>
<b>TOTAL ASSETS</b>	<b>982</b>	<b>1,561</b>	<b>462</b>	<b>527</b>
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Payables	579	755	589	457
Provisions	-	-	262	150
<b>Total Current Liabilities</b>	<b>579</b>	<b>755</b>	<b>851</b>	<b>607</b>
<b>Non-Current Liabilities</b>				
Payables	-	-	-	10
Other Liabilities	608	1,727	14,888	14,821
<b>Total Non-Current Liabilities</b>	<b>608</b>	<b>1,727</b>	<b>14,888</b>	<b>14,831</b>
<b>TOTAL LIABILITIES</b>	<b>1,187</b>	<b>2,482</b>	<b>15,739</b>	<b>15,438</b>
<b>NET ASSETS</b>	<b>(205)</b>	<b>(921)</b>	<b>(15,277)</b>	<b>(14,911)</b>
<b>EQUITY</b>				
Retained earnings	(205)	(921)	(15,277)	(14,911)
Council equity interest	(205)	(921)	(15,277)	(14,911)
<b>TOTAL EQUITY</b>	<b>(205)</b>	<b>(921)</b>	<b>(15,277)</b>	<b>(14,911)</b>



# Financial Statements

## SPECIAL PURPOSE FINANCIAL STATEMENTS for the year ended 30 June 2014

### Statement of Financial Position by Business Activities (continued)

\$ '000	Property Development		Whitewater	
	Category 1		Category 1	
	Actual 2014	Actual 2013	Actual 2014	Actual 2013
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and cash equivalents	-	-	19	26
Investments	1,312	2,283	287	247
Receivables	-	-	11	8
Inventories	750	750	14	15
Other	-	-	(21)	(16)
Non-current assets classified as held for sale	449	750	-	-
<b>Total Current Assets</b>	<b>2,511</b>	<b>3,783</b>	<b>310</b>	<b>280</b>
<b>Non-Current Assets</b>				
Inventories	-	443	-	-
Infrastructure, property, plant and equipment	68,795	49,414	1,206	1,242
Other	-	-	75	76
<b>Total Non-Current Assets</b>	<b>68,795</b>	<b>49,857</b>	<b>1,281</b>	<b>1,318</b>
<b>TOTAL ASSETS</b>	<b>71,306</b>	<b>53,640</b>	<b>1,591</b>	<b>1,598</b>
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Payables	-	17	111	126
Interest bearing liabilities	128	238	478	258
Provisions	-	1	233	235
<b>Total Current Liabilities</b>	<b>128</b>	<b>256</b>	<b>822</b>	<b>619</b>
<b>Non-Current Liabilities</b>				
Interest bearing liabilities	297	424	564	728
Other Liabilities	11,208	983	-	-
<b>Total Non-Current Liabilities</b>	<b>11,505</b>	<b>1,407</b>	<b>564</b>	<b>728</b>
<b>TOTAL LIABILITIES</b>	<b>11,633</b>	<b>1,663</b>	<b>1,386</b>	<b>1,347</b>
<b>NET ASSETS</b>	<b>59,673</b>	<b>51,977</b>	<b>205</b>	<b>251</b>
<b>EQUITY</b>				
Retained earnings	30,263	32,156	205	251
Revaluation reserves	29,410	19,821	-	-
Council equity interest	<b>59,673</b>	<b>51,977</b>	<b>205</b>	<b>251</b>
<b>TOTAL EQUITY</b>	<b>59,673</b>	<b>51,977</b>	<b>205</b>	<b>251</b>

# Statements and Notes

## SPECIAL PURPOSE FINANCIAL STATEMENTS for the year ended 30 June 2014

### Statement of Financial Position by Business Activities (continued)

\$ '000	Penrith Performing and Visual Arts Ltd		Cemeteries	
	Category 1		Category 2	
	Actual 2014	Actual 2013	Actual 2014	Actual 2013
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and cash equivalents	52	72	-	-
Investments	930	808	259	217
Receivables	23	25	-	-
Inventories	10	11	-	-
Other	78	66	-	-
<b>Total Current Assets</b>	<b>1,093</b>	<b>982</b>	<b>259</b>	<b>217</b>
<b>Non-Current Assets</b>				
Infrastructure, property, plant and equipment	547	556	671	582
<b>Total Non-Current Assets</b>	<b>547</b>	<b>556</b>	<b>671</b>	<b>582</b>
<b>TOTAL ASSETS</b>	<b>1,640</b>	<b>1,538</b>	<b>930</b>	<b>799</b>
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Payables	672	678	-	-
Provisions	107	93	2	1
<b>Total Current Liabilities</b>	<b>779</b>	<b>771</b>	<b>2</b>	<b>1</b>
<b>Non-Current Liabilities</b>				
Provisions	168	146	-	-
Other Liabilities	7,228	8,728	1,944	1,785
<b>Total Non-Current Liabilities</b>	<b>7,396</b>	<b>8,874</b>	<b>1,944</b>	<b>1,785</b>
<b>TOTAL LIABILITIES</b>	<b>8,175</b>	<b>9,645</b>	<b>1,946</b>	<b>1,786</b>
<b>NET ASSETS</b>	<b>(6,535)</b>	<b>(8,107)</b>	<b>(1,016)</b>	<b>(987)</b>
<b>EQUITY</b>				
Retained earnings	(6,535)	(8,107)	(1,016)	(987)
Council equity interest	(6,535)	(8,107)	(1,016)	(987)
<b>TOTAL EQUITY</b>	<b>(6,535)</b>	<b>(8,107)</b>	<b>(1,016)</b>	<b>(987)</b>

# Financial Statements

## SPECIAL PURPOSE FINANCIAL STATEMENTS for the year ended 30 June 2014

### Statement of Financial Position by Business Activities (continued)

\$ '000	Tennis Courts		St Clair Recreation Centre	
	Category 2		Category 2	
	Actual 2014	Actual 2013	Actual 2014	Actual 2013
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and cash equivalents	38	38	-	-
Receivables	7	8	-	-
<b>Total Current Assets</b>	<b>45</b>	<b>46</b>	<b>-</b>	<b>-</b>
<b>Non-Current Assets</b>				
Infrastructure, property, plant and equipment	2,593	2,413	72	11
Other	-	168	-	-
<b>Total Non-Current Assets</b>	<b>2,593</b>	<b>2,581</b>	<b>72</b>	<b>11</b>
<b>TOTAL ASSETS</b>	<b>2,638</b>	<b>2,627</b>	<b>72</b>	<b>11</b>
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Provisions	1	-	1	1
<b>Total Current Liabilities</b>	<b>1</b>	<b>-</b>	<b>1</b>	<b>1</b>
<b>Non-Current Liabilities</b>				
Other Liabilities	-	-	4,544	4,201
<b>Total Non-Current Liabilities</b>	<b>-</b>	<b>-</b>	<b>4,544</b>	<b>4,201</b>
<b>TOTAL LIABILITIES</b>	<b>1</b>	<b>-</b>	<b>4,545</b>	<b>4,202</b>
<b>NET ASSETS</b>	<b>2,637</b>	<b>2,627</b>	<b>(4,473)</b>	<b>(4,191)</b>
<b>EQUITY</b>				
Retained earnings	412	784	(4,473)	(4,191)
Revaluation reserves	2,225	1,843	-	-
Council equity interest	<b>2,637</b>	<b>2,627</b>	<b>(4,473)</b>	<b>(4,191)</b>
<b>TOTAL EQUITY</b>	<b>2,637</b>	<b>2,627</b>	<b>(4,473)</b>	<b>(4,191)</b>

# Statements and Notes

## SPECIAL PURPOSE FINANCIAL STATEMENTS for the year ended 30 June 2014

### Statement of Financial Position by Business Activities (continued)

\$ '000	Halls		Contestable Services	
	Category 2		Category 2	
	Actual 2014	Actual 2013	Actual 2014	Actual 2013
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and cash equivalents	172	373	-	-
Investments	48	97	-	-
Receivables	9	20	-	-
Other	2	-	-	-
<b>Total Current Assets</b>	<b>231</b>	<b>490</b>	<b>-</b>	<b>-</b>
<b>Non-Current Assets</b>				
Infrastructure, property, plant and equipment	30,042	13,961	-	-
Other	-	-	199	19
<b>Total Non-Current Assets</b>	<b>30,042</b>	<b>13,961</b>	<b>199</b>	<b>19</b>
<b>TOTAL ASSETS</b>	<b>30,273</b>	<b>14,451</b>	<b>199</b>	<b>19</b>
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Payables	38	42	1	-
Provisions	3	1	1	1
<b>Total Current Liabilities</b>	<b>41</b>	<b>43</b>	<b>2</b>	<b>1</b>
<b>Non-Current Liabilities</b>				
Other Liabilities	30,198	6,680	-	-
<b>Total Non-Current Liabilities</b>	<b>30,198</b>	<b>6,680</b>	<b>-</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>	<b>30,239</b>	<b>6,723</b>	<b>2</b>	<b>1</b>
<b>NET ASSETS</b>	<b>34</b>	<b>7,728</b>	<b>197</b>	<b>18</b>
<b>EQUITY</b>				
Retained earnings	34	1,897	197	18
Revaluation reserves	-	5,831	-	-
Council equity interest	<b>34</b>	<b>7,728</b>	<b>197</b>	<b>18</b>
<b>TOTAL EQUITY</b>	<b>34</b>	<b>7,728</b>	<b>197</b>	<b>18</b>

## NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS for the year ended 30 June 2014

### Note 1—Significant Accounting Policies

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

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

The figures presented in these special purpose financial statements, unless otherwise stated, have been prepared in accordance with:

- the recognition and measurement criteria of relevant Australian Accounting Standards
- other authoritative pronouncements of the Australian Accounting Standards Board (AASB), and
- Australian Accounting Interpretations.

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

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

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

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

#### **National Competition Policy**

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

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

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

The pricing and 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 5 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, 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,

## NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS for the year ended 30 June 2014

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

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.

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

#### **i) Taxation Equivalent Charges**

Council is liable to pay various taxes and financial duties in undertaking its business activities. Where 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 **\$412,000** of combined land values attracts **0%**. From \$412,001 to \$2,519,000 the rate is **1.6% + \$100**. For the remaining combined land value that exceeds \$2,519,000, a premium marginal rate of **2.0%** applies.

Payroll Tax – **5.45%** on the value of taxable salaries and wages in excess of \$750,000.

#### **Income Tax**

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

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

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

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

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

The rate applied of 30% is the equivalent company tax

## NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS for the year ended 30 June 2014

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

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 each reported Business Activity.

#### iii) Return on Investments (Rate of Return)

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

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

The Rate of Return on Capital is calculated as follows:

#### Operating Result before Capital Income + Interest Expense

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

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 3.54% at 30 June 2014.

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.

# Statements and Notes

Hill Rogers  
Spencer Steer

**PENRITH CITY COUNCIL**  
**SPECIAL PURPOSE FINANCIAL STATEMENTS**  
**INDEPENDENT AUDITORS' REPORT**

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## **REPORT ON THE FINANCIAL STATEMENTS**

We have audited the accompanying special purpose financial statements of Penrith City Council, which comprises the Statement of Financial Position as at 30 June 2014, Income Statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the Statement by Councillors and Management.

### ***Responsibility of Council for the Financial Statements***

The Council is responsible for the preparation and fair presentation of the financial statements in accordance with the Local Government Act 1993 and have determined that the accounting policies described in Note 1 to the financial statements, which form part of the financial statements, are appropriate to meet the financial reporting requirements of the Division of Local Government. This responsibility includes the maintenance of adequate accounting records and internal controls designed to prevent and detect fraud and error; designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### ***Auditors' Responsibility***

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal 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 Council's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Council, as well as evaluating the overall presentation of the financial statements.

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# Financial Statements

Hill Rogers  
Spencer Steer

Our audit did not involve an analysis of the prudence of business decisions made by Council or management.

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

## ***Independence***

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

## ***Auditor's Opinion***

In our opinion, the special purpose financial statements of the Council are presented fairly in accordance with the requirements of those applicable Accounting Standards detailed in Note 1 and the Local Government Code of Accounting Practice and Financial Reporting.

## ***Basis of Accounting***

Without modifying our opinion, we draw attention to Note 1 to the financial statements, which describes the basis of accounting. The financial statements have been prepared for the purpose of fulfilling the financial reporting requirements of the Division of Local Government. As a result, the financial statements may not be suitable for another purpose.

## **HILL ROGERS SPENCER STEER**



**GARY MOTTAU**  
Partner

Dated at Sydney this 28th day of October 2014

# Statements and Notes

## SPECIAL SCHEDULE NO. 1 for the year ended 30 June 2014

### 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>	<b>5,311</b>	<b>8</b>	<b>-</b>	<b>(5,303)</b>
<b>Administration</b>	<b>26,378</b>	<b>35,606</b>	<b>35</b>	<b>9,263</b>
<b>Public Order and Safety</b>				
Fire Service Levy, Fire Protection, Emergency Services	5,151	2,965	487	(1,699)
Beach Control	-	-	-	-
Enforcement of Local Govt. Regulations	2,613	2,094	-	(519)
Animal Control	747	273	-	(474)
Other	831	41	-	(790)
<b>Total Public Order &amp; Safety</b>	<b>9,342</b>	<b>5,373</b>	<b>487</b>	<b>(3,482)</b>
<b>Health</b>	<b>1,172</b>	<b>368</b>	<b>-</b>	<b>(804)</b>
<b>Environment</b>				
Noxious Plants and Insect/Vermin Control	157	-	-	(157)
Other Environmental Protection	3,354	374	-	(2,980)
Solid Waste Management	22,701	849	-	(21,852)
Street Cleaning	-	-	-	-
Drainage	-	-	-	-
Stormwater Management	3,926	1	-	(3,925)
<b>Total Environment</b>	<b>30,138</b>	<b>1,224</b>	<b>-</b>	<b>(28,914)</b>
<b>Community Services and Education</b>				
Administration & Education	1,500	107	-	(1,393)
Social Protection (Welfare)	824	81	298	(445)
Aged Persons and Disabled	433	75	-	(358)
Children's Services	19,615	18,655	-	(960)
<b>Total Community Services &amp; Education</b>	<b>22,372</b>	<b>18,918</b>	<b>298</b>	<b>(3,156)</b>
<b>Housing and Community Amenities</b>				
Public Cemeteries	667	642	-	(25)
Public Conveniences	926	-	-	(926)
Street Lighting	3,790	-	-	(3,790)
Town Planning	2,580	146	42	(2,392)
Other Community Amenities	-	-	-	-
<b>Total Housing and Community Amenities</b>	<b>7,963</b>	<b>788</b>	<b>42</b>	<b>(7,133)</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>

# Financial Statements

## SPECIAL SCHEDULE NO. 1 for the year ended 30 June 2014

### 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	7,584	606	4	(6,974)
Museums	8	-	-	(8)
Art Galleries	24	-	-	(24)
Community Centres and Halls	1,751	900	4	(847)
Performing Arts Venues	-	-	-	-
Other Performing Arts	-	-	-	-
Other Cultural Services	3,793	1,805	-	(1,988)
Sporting Grounds and Venues	3,252	9	103	(3,140)
Swimming Pools	5,115	3,659	-	(1,456)
Parks & Gardens (Lakes)	9,464	508	12,030	3,074
Other Sport and Recreation	3,191	2,337	167	(687)
<b>Total Recreation and Culture</b>	<b>34,182</b>	<b>9,824</b>	<b>12,308</b>	<b>(12,050)</b>
<b>Fuel &amp; Energy</b>	-	-	-	-
<b>Agriculture</b>	-	-	-	-
<b>Mining, Manufacturing and Construction</b>				
Building Control	7,117	4,200	-	(2,917)
Other Mining, Manufacturing & Construction	-	-	-	-
<b>Total Mining, Manufacturing and Const.</b>	<b>7,117</b>	<b>4,200</b>	-	<b>(2,917)</b>
<b>Transport and Communication</b>				
Urban Roads (UR) - Local	36,656	3,524	573	(32,559)
Urban Roads - Regional	1,705	164	27	(1,514)
Sealed Rural Roads (SRR) - Local	3,410	328	53	(3,029)
Sealed Rural Roads (SRR) - Regional	426	41	7	(378)
Unsealed Rural Roads (URR) - Local	426	41	7	(378)
Unsealed Rural Roads (URR) - Regional	-	-	-	-
Bridges on UR - Local	-	-	-	-
Bridges on SRR - Local	-	-	-	-
Bridges on URR - Local	-	-	-	-
Bridges on Regional Roads	-	-	-	-
Parking Areas	54	-	-	(54)
Footpaths	612	20	-	(592)
Aerodromes	-	-	-	-
Other Transport & Communication	1,486	55	22,123	20,692
<b>Total Transport and Communication</b>	<b>44,775</b>	<b>4,173</b>	<b>22,790</b>	<b>(17,812)</b>
<b>Economic Affairs</b>				
Camping Areas & Caravan Parks	-	-	-	-
Other Economic Affairs	3,823	362	-	(3,461)
<b>Total Economic Affairs</b>	<b>3,823</b>	<b>362</b>	-	<b>(3,461)</b>
<b>Totals – Functions</b>	<b>192,573</b>	<b>80,844</b>	<b>35,960</b>	<b>(75,769)</b>
<b>General Purpose Revenues</b> <sup>2</sup>		<b>96,842</b>		<b>96,842</b>
<b>Share of interests - joint ventures &amp; associates using the equity method</b>	-	<b>1,155</b>		<b>1,155</b>
<b>NET OPERATING RESULT</b> <sup>1</sup>	<b>192,573</b>	<b>178,841</b>	<b>35,960</b>	<b>22,228</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) & Interest on overdue Rates & Annual Charges

**SPECIAL SCHEDULE NO. 2(a)**  
for the year ended 30 June 2014

**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		Total	From Revenue			Sinking Funds	Current
<b>Loans (by Source)</b>									
Financial Institutions	8,749	53,926	10,201	8,947	-	-	3,826	10,231	53,698
<b>Total Loans</b>	<b>8,749</b>	<b>53,926</b>	<b>10,201</b>	<b>8,947</b>	<b>-</b>	<b>-</b>	<b>3,826</b>	<b>10,231</b>	<b>53,698</b>
<b>Other Long Term Debt</b>									
Interest Free Government Advances	104	4,171	-	104	-	-	-	104	4,067
<b>Total Long Term Debt</b>	<b>104</b>	<b>4,171</b>	<b>-</b>	<b>104</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>104</b>	<b>4,067</b>
<b>Total Debt</b>	<b>8,853</b>	<b>58,097</b>	<b>10,201</b>	<b>9,051</b>	<b>-</b>	<b>-</b>	<b>3,826</b>	<b>10,335</b>	<b>57,765</b>
									<b>68,100</b>

Notes: Excludes (i) Internal Loans & (ii) Principal Inflows/Outflows relating to Loan Re-Financing.

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

SPECIAL SCHEDULE NO. 7  
as at 30 June 2014

Report on Infrastructure Assets (\$'000)

Asset Class	Asset Category	Estimated cost to bring up to a satisfactory standard <sup>1</sup>	Required <sup>2</sup> Annual Maintenance	Actual <sup>3</sup> Maintenance 2013-14	Written Down Value (WDV) <sup>4</sup>	Assets in Condition as a % of WDV <sup>4, 5</sup>					
						1	2	3	4	5	
Buildings	Amenities / Toilets	903	10	144	8,348	4%	65%	19%	11%	1%	
	Art Gallery	27	33	82	2,337	6%	71%	11%	12%	0%	
	Business and Tourism	77	9	19	8,002	14%	52%	9%	24%	1%	
	Child Care Centres	658	112	471	20,556	4%	83%	5%	8%	0%	
	Community Buildings - Other	1,035	190	908	36,214	4%	70%	15%	10%	1%	
	Council Houses	-	-	-	32	0%	0%	0%	0%	0%	
	Council Offices / Administration Centres	959	212	1,548	46,232	5%	81%	9%	4%	1%	
	Council Public Halls	365	68	388	13,916	4%	86%	5%	5%	0%	
	Council Works Depot	166	14	84	2,730	4%	75%	14%	7%	0%	
	Libraries	44	6	24	1,594	2%	57%	21%	20%	0%	
	Other Cultural	1,864	104	431	28,758	0%	76%	10%	13%	1%	
	Public Order	105	22	45	5,914	2%	88%	9%	1%	0%	
	Sporting Ground Buildings	4,273	133	451	34,371	4%	67%	15%	12%	2%	
	Transport Buildings	-	-	-	6,136	8%	92%	0%	0%	0%	
	<b>sub total</b>	<b>10,476</b>	<b>913</b>	<b>4,595</b>	<b>215,140</b>	<b>4.1%</b>	<b>75.2%</b>	<b>10.8%</b>	<b>9.0%</b>	<b>0.9%</b>	
	Roads	Sealed Roads Surface	23,843	13,965	14,042	450,565	45%	38%	12%	3%	2%
		Unsealed Roads	72	72	87	1,667	2%	20%	60%	10%	8%
Bridges		236	236	27	16,378	5%	40%	70%	15%	0%	
Footpaths		4,658	932	1,073	25,277	4%	14%	71%	8%	3%	
Carparks		1,440	456	236	1,525	10%	20%	15%	40%	15%	
Road Furniture		969	951	674	5,459	15%	30%	40%	10%	5%	
<b>sub total</b>		<b>31,218</b>	<b>16,612</b>	<b>16,139</b>	<b>496,548</b>	<b>41.4%</b>	<b>37.0%</b>	<b>17.5%</b>	<b>3.9%</b>	<b>1.2%</b>	
Stormwater Drainage	Pits, Pipes, and Culverts	394	1,040	1,447	237,606	10%	30%	40%	15%	5%	
	<b>sub total</b>	<b>394</b>	<b>1,040</b>	<b>1,447</b>	<b>237,606</b>	<b>10.0%</b>	<b>30.0%</b>	<b>40.0%</b>	<b>15.0%</b>	<b>5.0%</b>	
	<b>TOTAL - ALL ASSETS</b>	<b>42,088</b>	<b>18,565</b>	<b>22,181</b>	<b>949,294</b>	<b>25.1%</b>	<b>43.9%</b>	<b>21.6%</b>	<b>7.8%</b>	<b>2.1%</b>	

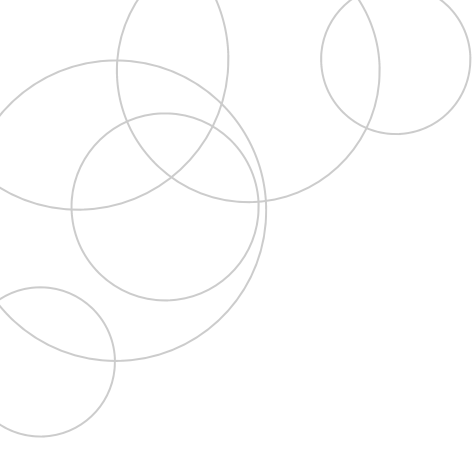
**Report on Infrastructure Assets (continued)**

**Notes:**

1. Satisfactory is defined as "satisfying expectations or needs, leaving no room for complaint, causing satisfaction, adequate". The estimated cost to bring assets to a satisfactory standard is the amount of money that is required to be spent on an asset to ensure that it is in a satisfactory standard. This estimated cost should not include any planned enhancements (ie. to heighten, intensify or improve the facilities).
2. Required Annual Maintenance is "what should be spent to maintain assets in a satisfactory standard".
3. Actual Maintenance is what has been spent in the current year to maintain the assets.
4. Actual Maintenance may be higher or lower than the required annual maintenance due to the timing of when the maintenance actually occurs.
4. Written Down Value is in accordance with Note 9 of Council's General Purpose Financial Statements.

**Infrastructure Asset Condition Assessment "Key"**

<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



# Financial Statements

## SPECIAL SCHEDULE NO. 7 as at 30 June 2014

### Report on Infrastructure Assets (continued)

\$ '000	Amounts 2014	Indicator 2014	Prior Periods	
			2013	2012
<b>Infrastructure Asset Performance Indicators</b>				
<b>Consolidated</b>				
<b>1. Building and Infrastructure Renewals Ratio</b>				
Asset Renewals (Building and Infrastructure) <sup>1</sup>	<u>8,526</u>	<b>60.54%</b>	53.55%	33.98%
Depreciation, Amortisation & Impairment	<u>14,084</u>			
<b>2. Infrastructure Backlog Ratio</b>				
Estimated Cost to bring Assets to a Satisfactory Condition	<u>42,088</u>	<b>0.04</b>	0.06	0.07
Total value <sup>2</sup> of Infrastructure, Building, Other Structures & depreciable Land Improvement Assets	<u>957,170</u>			
<b>3. Asset Maintenance Ratio</b>				
Actual Asset Maintenance	<u>22,182</u>	<b>1.19</b>	1.17	1.06
Required Asset Maintenance	<u>18,564</u>			
<b>4. Capital Expenditure Ratio</b>				
Annual Capital Expenditure	<u>54,926</u>	<b>2.79</b>	3.42	1.35
Annual Depreciation	<u>19,702</u>			

#### Notes

1. Asset Renewals represent the replacement &/or refurbishment of existing assets to an equivalent capacity/performance as opposed to the acquisition of new assets (or the refurbishment of old assets) that increases capacity/performance. Asset Renewals include building and infrastructure assets only.

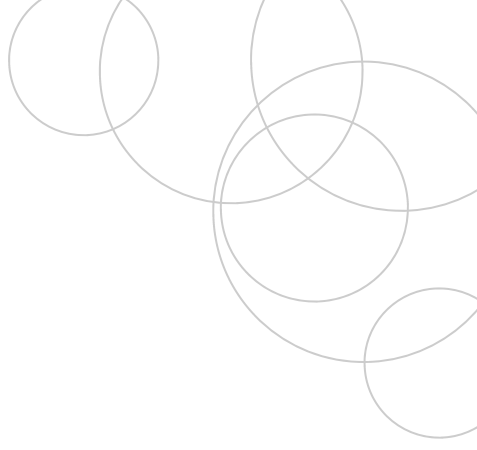
2. Written Down Value

SPECIAL SCHEDULE NO. 8  
Financial Projections

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
<b>OPERATIONS FROM ORDINARY ACTIVITIES</b>										
<b>Operating Expenditure</b>										
Employee Costs	(84,885.7)	(88,149.5)	(91,444.9)	(94,794.3)	(98,196.5)	(101,824.7)	(105,178.0)	(108,632.6)	(112,191.5)	(115,858.0)
Employee Costs - Employee Leave Entitlements	(2,660.3)	(2,660.3)	(2,660.3)	(2,660.3)	(2,660.3)	(2,660.3)	(2,660.3)	(2,660.3)	(2,660.3)	(2,660.3)
Interest Charges	(3,874.4)	(3,576.7)	(3,226.7)	(2,861.6)	(2,513.4)	(2,188.1)	(1,925.0)	(1,700.9)	(1,554.8)	(1,203.7)
Depreciation, Amortisation & Impairment	(26,324.9)	(19,214.4)	(19,466.7)	(19,724.2)	(19,433.7)	(19,690.8)	(19,953.1)	(20,220.8)	(20,494.0)	(20,233.6)
Materials	(25,753.4)	(26,181.4)	(26,530.0)	(27,410.2)	(28,291.8)	(29,271.6)	(30,228.6)	(31,224.2)	(32,260.1)	(33,337.6)
Contracts	(31,806.8)	(32,385.7)	(33,140.6)	(33,679.4)	(34,493.4)	(35,338.9)	(36,217.1)	(37,129.4)	(38,077.2)	(39,062.0)
Other Operating Expenses	(15,914.7)	(16,413.1)	(16,802.7)	(17,209.2)	(17,633.4)	(18,076.1)	(18,538.1)	(19,020.3)	(19,523.6)	(20,049.1)
Other Expenses - Internal Charges	304.2	670.0	670.0	670.0	670.0	670.0	670.0	670.0	670.0	670.0
<b>Total Expenditure</b>	<b>(190,916.0)</b>	<b>(187,911.1)</b>	<b>(192,601.9)</b>	<b>(197,669.2)</b>	<b>(202,552.5)</b>	<b>(208,380.5)</b>	<b>(214,030.2)</b>	<b>(219,918.5)</b>	<b>(226,091.5)</b>	<b>(231,734.3)</b>
<b>Operating Revenue</b>										
Rates & Annual Charges	116,785.8	122,254.9	126,906.1	131,701.5	136,590.6	141,733.7	147,188.4	152,642.5	158,313.2	163,979.0
User Charges & Fees	5,243.0	5,243.0	5,243.0	5,243.0	5,243.0	5,243.0	5,243.0	5,243.0	5,243.0	5,243.0
Fees for Commercially Available Services	31,756.5	32,292.5	32,844.8	33,413.9	34,000.4	34,604.6	35,227.3	35,868.9	36,530.1	37,211.4
Interest Income	1,603.3	1,605.9	1,620.1	1,634.7	1,649.4	1,665.2	1,682.1	1,698.7	1,716.0	1,733.0
Other Operating Revenues	2,058.4	2,058.4	2,058.4	2,058.4	2,058.4	2,058.4	2,058.4	2,058.4	2,058.4	2,058.4
Operating Grants	23,203.7	22,475.4	22,794.6	23,123.0	23,461.0	23,816.1	24,181.4	24,557.5	24,944.6	25,342.9
Operating Contributions	2,851.9	2,851.9	2,851.9	2,851.9	2,851.9	2,851.9	2,851.9	2,851.9	2,851.9	2,851.9
Profit on Sale of Assets	(485.9)	(485.9)	(485.9)	(485.9)	(485.9)	(485.9)	(485.9)	(485.9)	(485.9)	(485.9)
<b>Total Operating Revenue</b>	<b>183,016.7</b>	<b>188,296.1</b>	<b>193,833.0</b>	<b>199,540.5</b>	<b>205,368.8</b>	<b>211,487.0</b>	<b>217,946.6</b>	<b>224,435.0</b>	<b>231,171.3</b>	<b>237,933.7</b>
<b>Operating Result before Capital Grants &amp; Contributions</b>	<b>(7,899.3)</b>	<b>385.0</b>	<b>1,231.1</b>	<b>1,871.3</b>	<b>2,816.3</b>	<b>3,106.5</b>	<b>3,916.4</b>	<b>4,516.5</b>	<b>5,079.8</b>	<b>6,199.4</b>
Capital Grants & Contributions	23,083.9	23,446.8	23,784.8	26,080.7	21,266.8	20,879.0	20,134.8	76,033.1	77,429.2	25,189.3
<b>OPERATING RESULT</b>	<b>15,184.6</b>	<b>23,831.8</b>	<b>25,015.9</b>	<b>27,952.0</b>	<b>24,083.1</b>	<b>23,985.5</b>	<b>24,051.2</b>	<b>80,549.6</b>	<b>82,509.0</b>	<b>31,388.7</b>

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





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

Funding Statement (Source & Application)	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Add-back non-funded expenses - Depreciation, Amortisation & Impairment	26,324.9	19,214.4	19,466.7	19,724.2	19,433.7	19,690.8	19,953.1	20,220.8	20,494.0	20,233.6
Add-back non-funded Other										
Add-back non-funded expenses - Employee Leave Entitlements	2,660.3	2,660.3	2,660.3	2,660.3	2,660.3	2,660.3	2,660.3	2,660.3	2,660.3	2,660.3
Funds received from sale of assets	10,432.0	1,622.0	1,622.0	1,622.0	1,622.0	1,622.0	1,622.0	1,622.0	1,622.0	1,622.0
Loans received	4,345.8	4,345.8	3,432.8	3,432.8	3,432.8	3,432.8	3,432.8	3,432.8	3,432.8	3,432.8
Funds transferred (to) / from reserves held	(3,872.3)	512.2	(35.9)	1,762.1	1,737.9	2,924.1	(462.4)	(2,268.5)	(4,767.9)	(5,292.7)
<b>Subtotal</b>	<b>39,890.7</b>	<b>28,354.7</b>	<b>27,145.9</b>	<b>29,201.4</b>	<b>28,886.7</b>	<b>30,330.0</b>	<b>27,205.8</b>	<b>25,667.4</b>	<b>23,441.2</b>	<b>22,656.0</b>
<b>Net Funds Available</b>	<b>55,075.3</b>	<b>52,186.5</b>	<b>52,161.8</b>	<b>57,153.4</b>	<b>52,969.8</b>	<b>54,315.5</b>	<b>51,257.0</b>	<b>106,217.0</b>	<b>105,950.2</b>	<b>54,044.7</b>
<b>Application of Funds</b>										
Assets acquired (non-current)	(45,247.0)	(41,712.8)	(41,916.5)	(45,544.8)	(41,212.1)	(42,385.5)	(39,524.5)	(94,396.4)	(93,965.6)	(41,697.2)
Loan repayments made	(9,828.6)	(10,088.1)	(9,660.7)	(10,009.4)	(10,254.6)	(9,037.9)	(7,548.3)	(6,226.4)	(5,588.8)	(4,888.4)
<b>Total application</b>	<b>(55,075.6)</b>	<b>(51,800.9)</b>	<b>(51,577.2)</b>	<b>(55,554.2)</b>	<b>(51,466.7)</b>	<b>(51,423.4)</b>	<b>(47,072.8)</b>	<b>(100,622.8)</b>	<b>(99,554.4)</b>	<b>(46,585.6)</b>
<b>Net cost funded from Rates &amp; other income</b>	<b>(0.3)</b>	<b>385.6</b>	<b>584.6</b>	<b>1,599.2</b>	<b>1,503.1</b>	<b>2,892.1</b>	<b>4,184.2</b>	<b>5,594.2</b>	<b>6,395.8</b>	<b>7,459.1</b>

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

# Statements and Notes

## SPECIAL SCHEDULE NO. 9 as at 30 June 2014

### Permissible Income Calculation

\$'000		Calculation 2013-14	Calculation 2014-15
<b>Notional General Income Calculation <sup>1</sup></b>			
Last Year Notional General Income Yield	a	83,466	90,088
Plus or minus adjustments <sup>2</sup>	b	2,423	723
<b>Notional General Income</b>	c	<b>85,889</b>	<b>90,811</b>
<b>Permissible Income Calculation</b>			
Special Variation percentage <sup>3</sup>	d	4.90%	4.20%
or Rate Peg percentage	e	3.40%	2.30%
or Crown Land adjustment incl. Rate Peg percentage	f	0.00%	0.00%
less expiring Special Variation amount	g	-	-
plus Special Variation amount	h = c x d	4,209	3,814
or plus Rate Peg amount	i = c x e	-	-
or plus Crown Land adjustment and Rate Peg amount	j = c x f	-	-
<b>sub-total</b>	k = (c+g+h+i+j)	<b>90,098</b>	<b>94,625</b>
plus (or minus) last year's Carry Forward Total	l	4	(30)
less Valuation Objections claimed in the previous year	m	(91)	(47)
<b>sub-total</b>	n = (l + m)	<b>(87)</b>	<b>(77)</b>
<b>Total Permissible income</b>	o = k + n	<b>90,011</b>	<b>94,548</b>
less Notional General Income Yield	p	90,088	94,824
<b>Catch-up or (excess) result</b>	q = o - p	<b>(77)</b>	<b>(276)</b>
plus Income lost due to valuation objections claimed <sup>4</sup>	r	47	276
less Unused catch-up <sup>5</sup>	s	-	-
<b>Carry forward to next year</b>	t = q + r - s	<b>(30)</b>	<b>(0)</b>

#### Notes

1. The Notional General Income will not reconcile with rate income in the financial statements in the corresponding year. The statements are reported on an accrual accounting basis which include amounts that relate to prior years' rates income.
2. Adjustments account for changes in the number of assessments and any increase or decrease in land value occurring during the year. The adjustments are called "supplementary valuations" as defined in the Valuation of Land Act 1916.
3. The Special Variation Percentage is inclusive of the Rate Peg percentage and where applicable Crown Land adjustment.
4. Valuation objections are unexpected changes in land values as a result of land owners successfully objecting to the land value issued by the Valuer-General. Councils can claim the value of the income lost due to valuation objections in any single year.
5. Unused catch-up amounts will be deducted if they are not caught up within 2 years. Usually councils will have a nominal carry forward figure. These amounts can be adjusted for in setting the rates in a future year.

# Financial Statements

Hill Rogers  
Spencer Steer

**PENRITH CITY COUNCIL**  
**SPECIAL SCHEDULE NO. 9**  
**INDEPENDENT AUDITORS' REPORT**

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## **REPORT ON SPECIAL SCHEDULE NO. 9**

We have audited the accompanying special purpose financial statement comprising the reconciliation of total permissible general income (Special Schedule No. 9) of Penrith City Council for the year ending 30 June 2015.

### ***Responsibility of Council for Special Schedule No. 9***

The Council is responsible for the preparation and fair presentation of Special Schedule No. 9 in accordance with the Local Government Code of Accounting Practice and Financial Reporting (Guidelines) Update No. 22. This responsibility includes the maintenance of adequate accounting records and internal controls designed to prevent and detect fraud and error; designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of Special Schedule No. 9 that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on Special Schedule No. 9 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 Special Schedule No. 9 is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in Special Schedule No. 9. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of Special Schedule No. 9, whether due to fraud or error. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of Special Schedule No. 9.

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, there is an unavoidable risk that some material misstatements may not be detected, even though the audit is properly planned and performed in accordance with Australian Auditing Standards.

## **Assurance Partners**

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## Statements and Notes

Hill Rogers  
Spencer Steer

In making our risk assessments, we consider internal controls relevant to the entity's preparation of Special Schedule No. 9 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.

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

### **Independence**

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

### **Audit Opinion**

In our opinion, Special Schedule No. 9 of Penrith City Council for 2014/15 is properly drawn up in accordance with the requirements of the Office of Local Government and in accordance with the books and records of the Council.

### **Basis of Accounting**

Without modifying our opinion, we advise that this schedule has been prepared for distribution to the Office of Local Government for the purposes of confirming that Council's reconciliation of Council's total permissible general income is presented fairly. As a result, the schedule may not be suitable for another purpose.

### **HILL ROGERS SPENCER STEER**



### **GARY MOTTAU**

Partner

Dated at Sydney this 28th day of October 2014

# Appendices



# Financial Statements

## Appendix 1—Historical Financial Data Income Statement

	<b>30 June 2014 \$'000</b>	<b>30 June 2013 \$'000</b>	<b>30 June 2012 \$'000</b>	<b>30 June 2011 \$'000</b>	<b>30 June 2010 \$'000</b>
<b>OPERATING REVENUES</b>					
Rates and Annual Charges	<b>112,142</b>	104,564	98,524	90,630	87,339
User Charges and Fees	<b>34,325</b>	32,265	31,414	30,455	28,714
Investment Revenues	<b>2,995</b>	3,118	4,215	3,807	2,877
Grants and Contributions provided for Operating Purposes	<b>21,966</b>	24,341	36,484	33,553	28,701
Grants and Contributions provided for Capital Purposes	<b>35,960</b>	45,271	28,435	13,335	4,475
Profit from Disposal of Assets	-	-	-	-	2,734
Profit from Interests in Joint Ventures & Associates	<b>1,155</b>	727	333	426	826
Other Operating Revenues	<b>6,258</b>	6,877	8,862	6,345	6,415
<b>Total Operating Revenues</b>	<b>214,801</b>	<b>217,163</b>	<b>208,267</b>	<b>178,551</b>	<b>162,081</b>
<b>OPERATING EXPENSES</b>					
Employee Costs	<b>81,474</b>	76,933	75,899	72,601	71,437
Materials and Contracts	<b>52,256</b>	51,166	49,673	45,327	44,715
Borrowing Costs	<b>3,826</b>	3,995	4,064	4,139	4,049
Depreciation, Amortisation & Impairment	<b>19,702</b>	19,114	39,034	39,565	31,550
Loss from the Disposal of Assets	<b>421</b>	684	264	1,959	-
Other Operating Expenses	<b>34,894</b>	19,159	18,462	19,645	16,195
<b>Total Operating Expenses</b>	<b>192,573</b>	<b>171,051</b>	<b>187,396</b>	<b>183,236</b>	<b>167,946</b>
<b>NET OPERATING RESULT</b>	<b>22,228</b>	<b>46,112</b>	<b>20,871</b>	<b>(4,685)</b>	<b>(5,865)</b>
<b>Net Operating Result before Capital Grants &amp; Contributions</b>	<b>(13,732)</b>	<b>841</b>	<b>(7,564)</b>	<b>(18,020)</b>	<b>(10,340)</b>
<b>CHANGE IN NET ASSETS RESULTING FROM OPERATIONS</b>	<b>22,228</b>	<b>46,112</b>	<b>20,871</b>	<b>(4,685)</b>	<b>(5,865)</b>

## Appendix

### Appendix 1—Historical Financial Data Statement of Financial Position

	30 June 2014 \$'000	30 June 2013 \$'000	30 June 2012 \$'000	30 June 2011 \$'000	30 June 2010 \$'000
<b>CURRENT ASSETS</b>					
Cash & Cash Equivalents	42,768	41,880	45,453	8,361	4,049
Investments	6,214	24,966	16,784	46,142	42,752
Receivables	8,619	8,316	9,068	13,177	6,016
Inventories	1,206	2,353	2,357	2,328	2,304
Other	1,306	1,102	1,117	1,347	450
Non-current assets classified as "held for sale"	449	-	-	-	-
<b>Total Current Assets</b>	<b>60,562</b>	<b>78,617</b>	<b>74,779</b>	<b>71,355</b>	<b>55,571</b>
<b>NON-CURRENT ASSETS</b>					
Investments	8,500	3,000	8,894	7,921	11,945
Receivables	1,357	2,215	2,468	2,154	2,033
Infrastructure, Property, Plant & Equipment	2,626,627	2,590,652	2,508,126	2,258,994	1,342,912
Investments Accounted for using the Equity Method	5,110	3,955	3,228	2,896	2,470
Investment Property	20,218	20,719	20,550	18,635	18,049
<b>Total Non-Current Assets</b>	<b>2,661,812</b>	<b>2,620,541</b>	<b>2,543,266</b>	<b>2,290,600</b>	<b>1,377,409</b>
<b>TOTAL ASSETS</b>	<b>2,722,374</b>	<b>2,699,158</b>	<b>2,618,045</b>	<b>2,361,955</b>	<b>1,432,980</b>
<b>CURRENT LIABILITIES</b>					
Payables	15,126	15,890	14,439	15,688	12,894
Borrowings	9,675	8,853	8,413	7,656	6,877
Provisions	28,178	27,805	27,641	27,041	25,991
<b>Total Current Liabilities</b>	<b>52,979</b>	<b>52,548</b>	<b>50,493</b>	<b>50,385</b>	<b>45,762</b>
<b>NON-CURRENT LIABILITIES</b>					
Borrowings	57,765	57,233	59,849	59,999	62,785
Provisions	653	628	1,268	1,528	1,307
<b>Total Non-Current Liabilities</b>	<b>58,418</b>	<b>57,861</b>	<b>61,117</b>	<b>61,527</b>	<b>64,092</b>
<b>TOTAL LIABILITIES</b>	<b>111,397</b>	<b>110,409</b>	<b>111,610</b>	<b>111,912</b>	<b>109,854</b>
<b>NET ASSETS</b>	<b>2,610,977</b>	<b>2,588,749</b>	<b>2,506,435</b>	<b>2,250,043</b>	<b>1,323,126</b>
<b>EQUITY</b>					
Accumulated Surplus	1,943,103	1,920,875	1,874,763	1,853,892	885,297
Revaluation Reserves	667,874	667,874	631,672	396,151	437,829
<b>TOTAL EQUITY</b>	<b>2,610,977</b>	<b>2,588,749</b>	<b>2,506,435</b>	<b>2,250,043</b>	<b>1,323,126</b>



# Financial Statements

## Appendix 2—Rates and Charges Comparative Rates Statistics

	2014	2013	2012	2011	2010
<b>LEVIES ON PROPERTIES NOT SUBDIVIDED OR CHANGED TO/FROM BEING RATEABLE DURING YEAR</b>					
<b>Property Values</b>					
General residential (\$'M)	12,681	12,495	12,289	12,216	9,516
Residential on minimum (\$'M)	2,299	2,269	1,863	1,836	2,370
General business (\$'M)	2,145	2,138	1,989	2,049	1,735
Business on minimum (\$'M)	77	76	74	71	54
Penrith CBD (\$'M)	311	321	312	312	211
Penrith CBD on minimum(\$'M)	9	9	9	9	7
St Marys Town Centre (\$'M)	68	67	62	62	54
St Marys Town Centre on minimum (\$'M)	2	2	2	2	2
General farmland (\$'M)	556	565	497	539	422
<b>SUB-TOTAL</b>	<b>18,148</b>	<b>17,942</b>	<b>17,097</b>	<b>17,096</b>	<b>14,371</b>
<b>Property Numbers as at 30 June</b>					
General residential	46,164	45,291	45,873	45,526	40,117
Residential on minimum	18,636	18,342	16,114	15,894	20,917
General business	1,650	1,660	1,643	1,706	1,756
Business on minimum	942	931	909	882	792
Penrith CBD	266	269	272	273	289
Penrith CBD on minimum	144	145	140	140	126
St Marys Town Centre	173	173	175	176	176
St Marys Town Centre on minimum	61	61	60	60	60
General farmland	379	379	370	399	436
Famland Minimum	8	8	8	8	4
<b>SUB-TOTAL</b>	<b>68,423</b>	<b>67,259</b>	<b>65,564</b>	<b>65,064</b>	<b>64,673</b>
<b>Rate Levies per Property</b>					
Residential (cents per \$ valuation)	0.4262	0.40902	0.40024	0.37792	0.4321
Residential minimum charge (\$)	809.95	772.15	755.60	714.20	695.10
Business (cents per \$ valuation)	0.74136	0.71148	0.6962	0.65738	0.7799
Business minimum charge (\$)	1036.40	988.00	966.80	913.80	889.40
Farmland (cents per \$ valuation)	0.2131	0.20451	0.20012	0.18896	0.2161
Penrith CBD (cents per \$ valuation)	0.84842	0.81422	0.79673	0.7523	0.8957
Penrith CBD on minimum charge(\$)	1036.40	988.00	966.80	913.80	889.40
St Marys Town Centre (cents per \$)	1.1442	1.09808	1.0745	1.01458	1.2050
St Marys Town Centre min. charge(\$)	1036.40	988.00	966.80	913.80	889.40

# Appendix

## Appendix 2—Rates and Charges Comparative Rates Statistics (continued)

	2014	2013	2012	2011	2010
<b>Total Value of Rates Charged</b>					
General residential (\$'000)	53,279	50,747	49,185	46,166	41,124
Residential on minimum (\$'000)	14,716	12,534	12,176	11,317	14,499
General business (\$'000)	15,532	14,760	13,850	13,473	13,533
Business on minimum (\$'000)	970	905	879	802	704
Penrith CBD (\$'000)	2,660	2,599	2,490	2,350	1,893
Penrith CBD on minimum (\$'000)	149	138	135	128	110
St Marys Town Centre (\$'000)	746	686	671	633	645
St Marys Town Centre on minimum(\$'000)	63	60	58	56	53
General Farmland (\$'000)	1,202	970	990	1,013	909
Farmland on minimum (\$'000)	6	6	6	6	3
Rates charged for part of year (\$'000)	1,022	834	1,685	478	485
Prior year adjustments (\$'000)	82	109	221	378	159
<b>SUB-TOTAL</b>	<b>90,427</b>	<b>84,348</b>	<b>82,346</b>	<b>76,800</b>	<b>74,117</b>
<b>CONSOLIDATION ADJUSTMENTS</b>					
Rates charged on Council owned properties (\$'000)	162	158	157	155	140
<b>ANNUAL GARBAGE AND RECYCLING CHARGES (as at year end)</b>					
Number of Services - The Sustainable Service	36,813	37,947	38,526	39,629	41,502
General charge (\$)	322	298	279	249	245
Number of services - The Reduced Organic	2,338	1,967	1,757	1,630	1,517
General charge (\$)	294	272	255	225	195
Number of Services - The Large	4,096	3,354	2,853	2,258	1,775
General charge (\$)	381	353	329	299	295
Number of Services - The Weekly 140L Red	6,395	5,984	5,329	5,150	3,933
General charge (\$)	432	393	364	320	295
Number of Services - Non-Urban and Multi-Unit	15,293	15,151	14,881	14,614	13,497
General charge (\$)	328	298	279	253	245
Number of Services - Vacant Land	1,829	1,747	1,346	1,290	1,616
General charge (\$)	38.1	34.8	30	27	23
Number of Services - Other	2,658	1,959	1,827	-	-
Number of Services - 240L Bin	-	-	-	-	-
General charge (\$)	-	-	-	-	-
Number of Services - 140L Bin	-	-	-	-	-
General charge (\$)	-	-	-	-	-
Total charged (\$'000)	22,816	20,235	18,755	16,467	15,640
<b>EXTRA CHARGES</b>					
Interest charges (\$'000)	349	454	477	383	368
Legal costs (\$'000)	437	432	395	423	381
<b>PENSIONER DISCOUNTS</b>					
Number of Pensioners	9,746	9,566	9,324	9,172	8915
Discounts funded by Council (\$'000)	1,101	1,076	1,048	1,031	1,002
Discounts funded by State Govt.(\$'000)	1,346	1,316	1,282	1,261	1226

## 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 2013-14 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):

	2014		2013		2012		2011		2010	
	\$	%	\$	%	\$	%	\$	%	\$	%
Rates and Charges										
- General Purpose	88.1	49.5	82.8	48.4	79.7	44.4	74.0	44.9	71.5	45.6
- Specific Purpose (DWM)	24.1	13.6	21.7	12.7	18.9	10.5	16.6	10.1	15.8	10.1
User Charges and Fees	34.3	19.3	32.3	18.9	31.4	17.5	30.5	18.5	28.8	18.4
Interest	3.0	1.7	3.1	1.8	4.2	2.3	3.8	2.3	2.9	1.8
Grants (Operating)										
- General Purpose	5.8	3.3	9.6	5.6	15.1	8.4	12.4	7.5	11.9	7.6
- Specific Purpose (DWM)	13.5	7.6	11.7	6.8	18.2	10.1	18.7	11.3	13.9	8.9
Contributions	2.7	1.5	3.0	1.8	3.1	1.7	2.5	1.5	2.9	1.8
Profit on Sale of Assets	-	-	-	-	-	-	-	-	2.7	1.7
Other	6.3	3.5	6.9	4.0	8.9	5.0	6.3	3.8	6.4	4.1
<b>Total Ordinary Revenue before Capital</b>	<b>177.8</b>	<b>100.0</b>	171.1	100.0	179.5	100.0	164.8	100.0	156.8	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 82.4% of Council's revenue in 2013-14. Given the nature of these charges, this revenue stream is considered secure and sustainable in the long-term and has been strengthened by the Special Rate Variation.

#### 2. Cash / Liquidity Position

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

	2014	2013	2012	2011	2010
Unrestricted Current Ratio	1.10	1.19	1.31	1.19	1.03
Available Cash Position					
- Available Cash Assets (\$'000)	19,078	22,760	22,818	18,032	16,482
- Unrestricted Cash Assets (\$'000)	2,323	4,200	4,287	1,939	6,080
Availability of Cash Assets as a % of Total Revenue					
- Available Cash Assets	10.67	13.24	12.69	10.91	10.46
- Unrestricted Cash Assets	1.30	2.44	2.38	1.17	3.86

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 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 1.10:1 achieves a rating of **Amber** and is slightly lower 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 1.43:1 for 2013-14.

### 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.

	2014	2013	2012	2011	2010
Result from Ordinary Operations before Capital Grants and Contributions	(13,732)	841	(7,564)	(18,020)	(10,340)

**Comment:** This year's result was a decline over the previous year, which was the result of the \$14.1m payment to the Department of Infrastructure and Planning as Council's share of the Lenore Drive project. Details of this payment is further discussed in the Overview.

### 4. Asset Condition Management

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

	2014	2013	2012	2011	2010
Asset Renewal	2.87	3.55	1.38	0.85	1.22
Maintenance / Maintenance Required	1.19	1.17	1.06	1.06	0.95
Asset Life Position	16.92	16.92%	16.60%	16.97%	24.22%

**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

## Appendix 3

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

Resource Strategy during 2011-12 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 current 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**

	2014	2013	2012	2011	2010
Debt Service Ratio	7.92%	7.80%	7.40%	7.65%	7.82%
Outstanding Rates, Charges & Fees	5.57%	6.24%	5.70%	5.57%	5.94%
Other Debtors Outstanding	23.01%	19.90%	18.59%	23.63%	3.72%

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 increased slightly over the prior year due to a higher level of borrowings and scores a **Green** rating. The Outstanding Rates, Charges and Fees has decreased slightly compared to 2012-13, and scores a **Red** rating. Other Debtors Outstanding has increased slightly over 2013-14 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**

	2014	2013	2012	2011	2010
Total Revotes of Expenditure compared to Total Annual Expenditure	5.60%	4.20%	6.12%	4.09%	7.70%

**Comment:** Revotes of Expenditure score a rating of **Red** this year, and is an increase over 2012-13. Significant revotes include amounts for the NSW Bike Plan River Cities Program and RFS grant-funded equipment.

## 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