



PENRITH



FINANCIAL STATEMENTS

For the year ended 30 June 2016

PENRITH
CITY COUNCIL

penrithcity.nsw.gov.au

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SUMMARY

INTRODUCTION

This section provides analysis on the 2015-16 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 Office of Local Government (OLG) by 31 October each year.

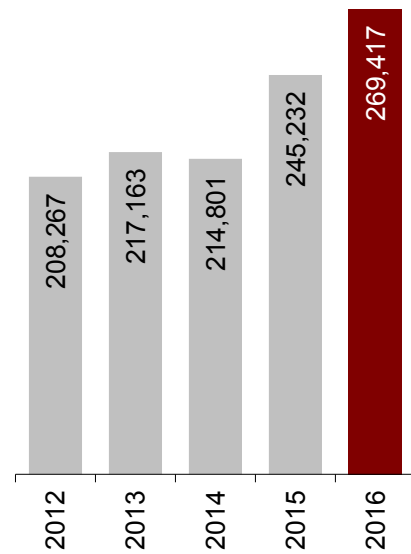
Under the 1993 NSW Local Government Act, Council is required to produce an audited set of Financial Statements. Key statements produced, and included in this document are:

- Income Statement and Statement of Comprehensive Income
- Statement of Financial Position
- Statement of Changes in Equity
- Statement of Cash Flows, and
- Notes to the Financial Statements.

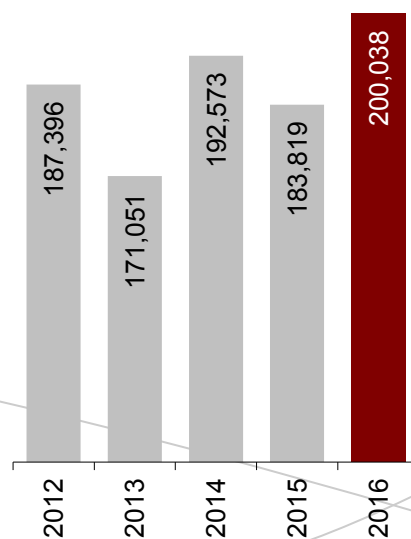
2015-16 KEY RESULTS AND EVENTS

- Overall income up by 9.9% to \$269.4m
- Total Expenses up by 8.8% to \$200m
- Total Assets up by 20.9% to \$3,614m
- Net Assets up by 21.6% to \$3,500m
- Assets per head of population is \$17,862
- Liabilities up by 0.8% to \$114.3m
- Liabilities per head of population is \$565
- Infrastructure, Property Plant & Equipment up by 21% to \$3,470m

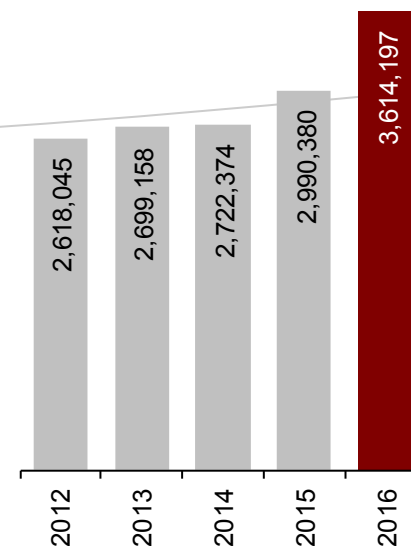
TOTAL INCOME (\$'000)



TOTAL EXPENSES (\$'000)

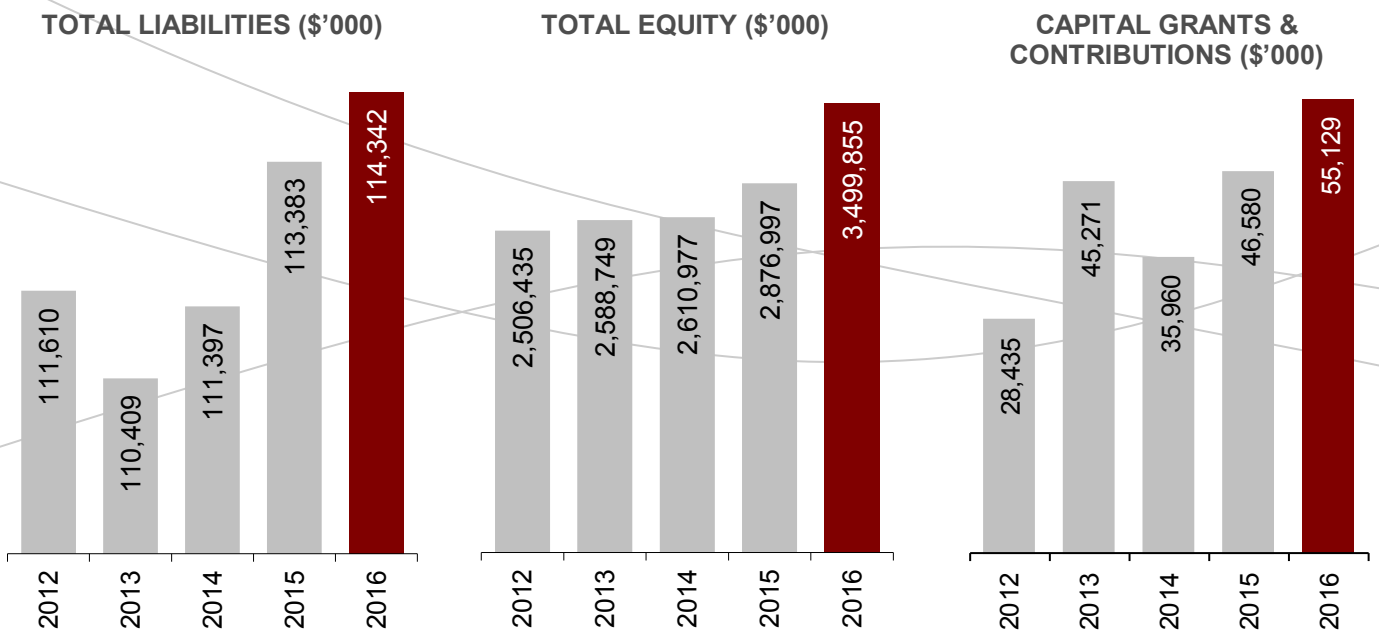


TOTAL ASSETS (\$'000)



FIVE-YEAR FINANCIAL SUMMARY

for the Year Ended 30 June	Units	2016	2015	2014	2013	2012
Total Income from Continuing Operations	\$000	269,417	245,232	214,801	217,163	208,267
Total Expenses from Continuing Operations	\$000	200,038	183,819	192,573	171,051	187,396
Net Operating Result for Year	\$000	69,379	61,413	22,228	46,112	20,871
Grants and Contributions	\$000	83,599	76,848	57,926	69,612	64,919
Net Operating Result before Capital Grants and Contributions	\$000	14,250	14,833	(13,732)	841	(7,564)
Further breakdown of Income Statement items are shown in Appendix 1						
Current Assets	\$000	100,590	85,409	60,562	78,617	74,779
Non-Current Assets	\$000	3,513,607	2,904,971	2,661,812	2,620,541	2,543,266
Current Liabilities	\$000	60,500	56,020	52,979	52,548	50,493
Non-Current Liabilities	\$000	53,842	57,363	58,418	57,861	61,117
Total Equity	\$000	3,499,855	2,876,997	2,610,977	2,588,749	2,506,435
Further breakdown of Balance Sheet items are shown in Appendix 1						
Cash Flows from Operating Activities	\$000	47,349	44,089	10,626	37,902	46,789
Cash Flows from Investing Activities	\$000	(74,907)	(36,802)	(10,953)	(40,165)	(10,022)
Cash Assets at the end of Reporting Period	\$000	18,903	50,118	42,768	41,880	45,453
Rates Outstanding	%	3.00	3.36	3.87	4.83	5.73
Unrestricted Current Ratio	Ratio	1.8:1	1.6:1	1.1:1	1.19:1	1.31:1
Debt Service Cover Ratio	%	208.0	264.5	72.1	199.4	286.3
Asset Renewal	%	53.0	39.2	60.5	53.5	34.0



OUR FINANCIAL PERFORMANCE

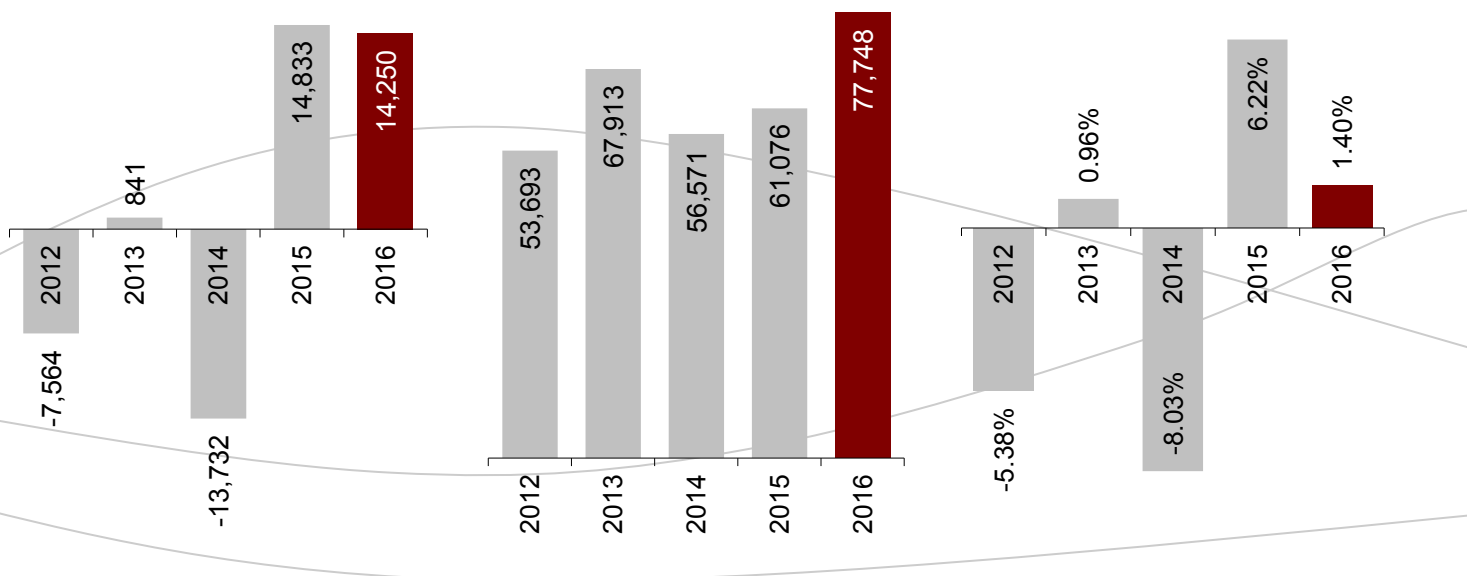
Council's **financial performance for 2015-16** is characterised by:

- a net surplus result of \$69.4m for the year
- a budget surplus of \$132,400 after allowing for a number of transfers to reserve
- an Unrestricted Current Ratio of 1.80:1, up from 1.60 in 2014-15
- an increase in assets from \$2,990m in 2014-15 to \$3,614m in 2015-16, with assets of \$17,862 per person (population estimate of 202,342) at 30 June 2016
- an increase of \$3.9m in the value of Council's Investment Properties to \$19.2m
- a slight increase in liabilities to a total of \$114.3m in 2015-16 – with liabilities per capita of \$565
- a decrease in Rates and Annual Charges outstanding to 3.00% (2014-15 of 3.36%)
- a capital works program of \$77.7m in 2015-16, including \$43.1m in dedicated roads, drainage, and land under these roads
- a total of 67.6% 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.

NET OPERATING RESULT BEFORE CAPITAL (\$'000)¹

ASSET ADDITIONS AND RENEWALS (\$'000)

OPERATING PERFORMANCE RATIO^{1,2}



1. During 2013-14, 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 was recognised as an expense in 2013-14 and had a significant impact on the 2013-14 Operating Result and indicators.

2. The Operating Performance Ratio measures Council's achievement of containing operating expenditure within operating revenue. This ratio focuses on operating performance, and therefore capital grants and contributions, and fair value adjustments are excluded. The benchmark is greater than 0%.

FINANCIAL OVERVIEW

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 2011-12 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 the recent years. Council's capacity to accommodate additional priorities can only be achieved through the reprioritisation of 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 2015-16. Council's average return on investments for 2015-16 was 2.96%, which has considerably outperformed the average 90 day BBSW rate of 2.19%. The weighted average interest rate on borrowings has continued to decrease due to the lower cost of capital, and an increase in renewal loans. 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 \$69.4m. During 2013-14, 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 was recognised as an expense in 2013-14. This non-standard use of Section 94 funds significantly impacted Council's operating result for 2013-14. This transaction should be taken into account when comparing the 2015-16 results with the historical results (in particular the 2013-14 results).

The 2015-16 financial year provided the fifth and final instalment of Council's 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.

Last year Penrith was deemed Fit for the Future by the Independent Pricing and Regulatory Tribunal (IPART), providing an independent validation of Council's current and future strategies. This is a clear endorsement of the Financial Capacity Review. Council applied to IPART in February 2016 for a Special Rate Variation (SRV). IPART announced on 17 May 2016 that it had fully agreed to Council's application for a SRV. This approval will see Council's financial sustainability remain strong, improve services to residents and provide the City with renewed infrastructure and assets. As part of Council's application, \$5 million of annual productivity savings were identified. The SRV will realise almost \$46 million over 4 years to maintain, renew and create new assets, pay down debt, boost Council's service levels and assist in delivering projects such as Our River Masterplan.

Council applied for an increase of 9.09% in 2016-17 followed by increases of 5.0%, 5.2% and 5.4% in each of the next three years from 2017-18 to 2019-20, a cumulative increase of 27% (including the renewal of AREAS) that would be retained permanently in the rate base. Penrith City Council is one of 12 councils that made an application for a special variation out of the 152 councils in NSW. IPART approved nine applications in full and one was partially approved.

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

FINANCIAL OVERVIEW (CONTINUED)

capacity to fully fund all identified asset renewal programs and addressing our infrastructure backlog was one of the key drivers for the 2011-12 and 2016-17 Special Rate Variations.

During 2014-15 JRA was commissioned by Council to provide a report on its Infrastructure Assets. JRA provided their "Infrastructure Assessment Report" in June 2015. This report found that Council's infrastructure backlog presents a manageable financial risk, with the infrastructure sustainability targets under Fit for the Future being achievable in 5 years with an allocation of funds to renewal of assets. Under this scenario, priority is allocated to maintenance, then high risk renewal to optimise service and life cycle costs – as the amount of deferred renewal goes down, the amount of maintenance also reduces.

The report of JRA recalculated the infrastructure backlog to align with community expectations for affordable levels of service and remove upgrade / expansion amounts. The primary strategy will be to continue an ongoing process of community engagement to balance service levels, and risks and revenues, while continuing to work with surrounding Councils on efficiency improvement. Special Schedule 7 - "Report on Infrastructure Assets" - in the attached Financial Statements has been updated with this methodology. This has resulted in a decrease in the estimated cost to bring to satisfactory standard (BTS) from \$42.1m in 2013-14 and maintained at \$15.9m for 2015-16.

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.

FINANCIAL OVERVIEW (CONTINUED)

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.

Council has continued its lobbying on this and associated s94 planning issues since changes to the planning process and \$30,000 cap were announced. In 2015 we secured lobbying support for Council's position from WSROC and neighbouring councils in Blue Mountains, Liverpool and Wollondilly and MACROC is also preparing to examine the issue. This recognises the wide implications of the cap and transitional provisions for local government. In August 2015, WSROC representatives met with the Minister for Planning to outline Council's concerns and the implications. The Minister undertook to be mindful of these matters in any future review of this issue.

From February – April 2016, Council sought release of the DP&E draft local infrastructure guidelines through a GIPA freedom of information application, however access was denied by the DP&E as the report was considered to address a subject that was still under active consideration by the Department and that release may prejudice final determination of these issue by the Minister and DP&E.

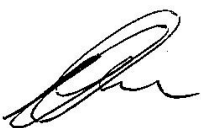
In May 2016 DP&E senior staff advised at a "listening/consultation" forum on review of the planning system that review of infrastructure issues was still under consideration and any changes to be announced would be those that were evolutionary and non-controversial. Further announcements were not expected until late 2016 or early 2017. At this forum, Council staff continued to alert DP&E representatives to Council's concerns regarding:

- the need for reasonable baseline infrastructure standards for all councils which recognised the cost and scope of infrastructure for release areas and metro fringe councils
- the impact of the \$30,000 cap on residential contributions and infrastructure delivery and the need for its abandonment or at least indexation
- the need for councils to regain authority over their contributions planning process and scope of plans and works, and
- the need for greater clarity regarding the DP&E role in reviewing and authorising contributions plans.

Council's performance in 2015-16 continues to ensure a stable financial position. This provides a strong grounding for Council for the growth, challenges, and opportunities that lie ahead.



BRETT RICHARDSON
ACTING FINANCIAL SERVICES MANAGER



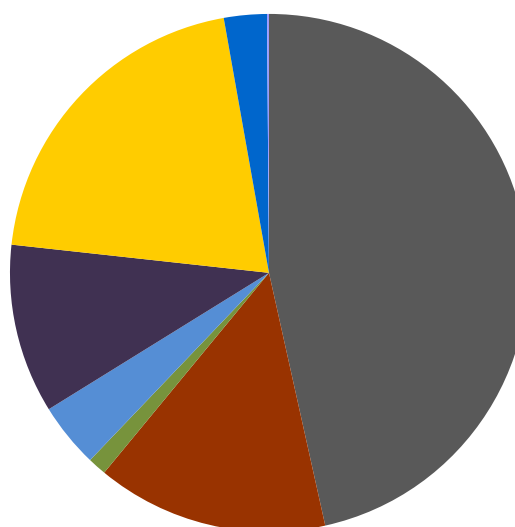
ANDREW MOORE
CHIEF FINANCIAL OFFICER
RESPONSIBLE ACCOUNTING OFFICER

INCOME

SUMMARY

- Overall income up by 9.9% to \$269.4m

- Rates & Annual Charges (\$125.3m)
- User Charges & Fees (\$39m)
- Investment Revenues (\$3.1m)
- Other Revenues (\$10.9m)
- Grants & Contributions - Operating (\$28.5m)
- Grants & Contributions - Capital (\$55.1m)
- Net gains from the disposal of assets (\$7.2m)
- Net share of interests in joint ventures and associates using the equity method (\$0.3m)



Income Item	2016 (\$'000)	2015 (\$'000)	% Change
Rates & Annual Charges	125,319	119,741	4.7%
User Charges & Fees	38,958	35,911	8.5%
Investment Revenues	3,127	2,926	6.9%
Other Revenues	10,878	8,584	26.7%
Grants & Contributions - Operating	28,470	30,268	(5.9%)
Grants & Contributions - Capital	55,129	46,580	18.4%
Net gains from the disposal of assets	7,211	587	1,128.4%
Net share of interests in joint ventures and associates using the equity method	325	635	(48.8%)
Total Income from Continuing Operations	269,417	245,232	9.9%

RATES & ANNUAL CHARGES

The increase in property numbers from 69,662 in 2014-15 to 70,854 in 2015-16, together with the general rate peg increase of 2.4% has added \$5.6m to Operating Revenue. Rates Outstanding, a key industry indicator, decreased to 3.00% in 2015-16 from 3.36% in 2014-15 and is below the industry target of 5%. This positive result has been achieved following the implementation of revised debt recovery processes. Council will remain active in debt recovery, with a view to maintaining this indicator below 5%.

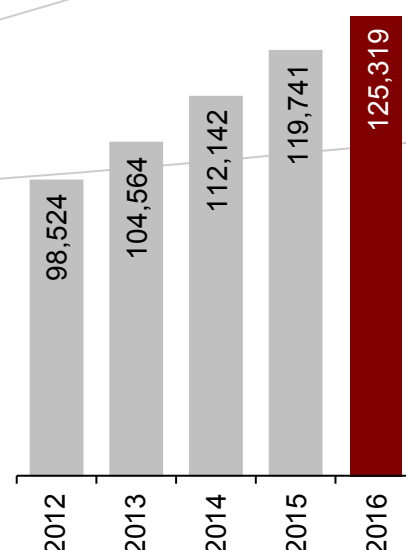
USER CHARGES & FEES

User Charges and Fees increased 8.5% over the 2015-16 Financial Year, in line with expectations.

INVESTMENT REVENUES

Council's investment portfolio as at 30 June 2016 has remained in line with expectations, at a total of \$108.3m (2014-15, \$86.7m). This increase is mainly attributable to the increase in grants and contributions received in 2015-16.

RATES & ANNUAL CHARGES
(\$'000)



INCOME (CONTINUED)

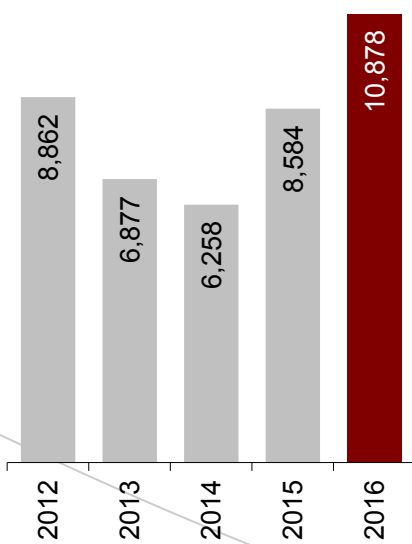
OTHER REVENUES

Other Revenues increased by 26.7% during 2015-16. This was mainly due to the increase in value of Council's Investment Properties of \$3.9m in 2015-16. Council also received a refund for the carbon price (\$1m) that Council paid to its waste disposal contractor to offset future emission liabilities. This refund was due to the repeal of the carbon emission scheme, and the future emissions requirements no longer applicable.

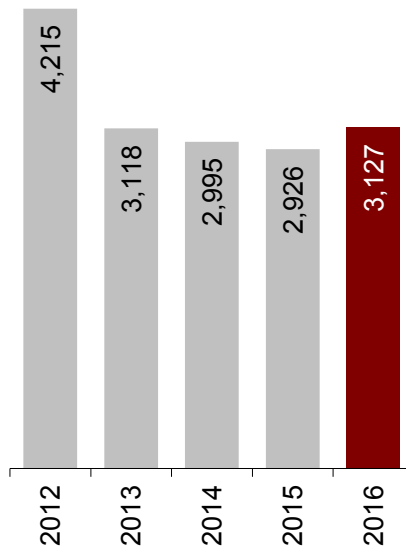
GRANTS & CONTRIBUTIONS

Grants & Contributions have increased overall by \$6.8m (8.8%). This is primarily due to increased levels of subdivider dedications.

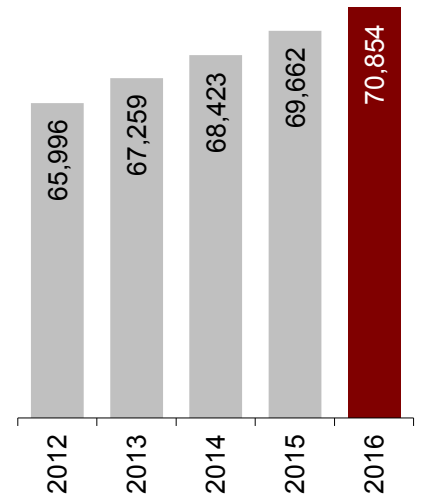
OTHER REVENUES (\$'000)



INVESTMENT REVENUE (\$'000)



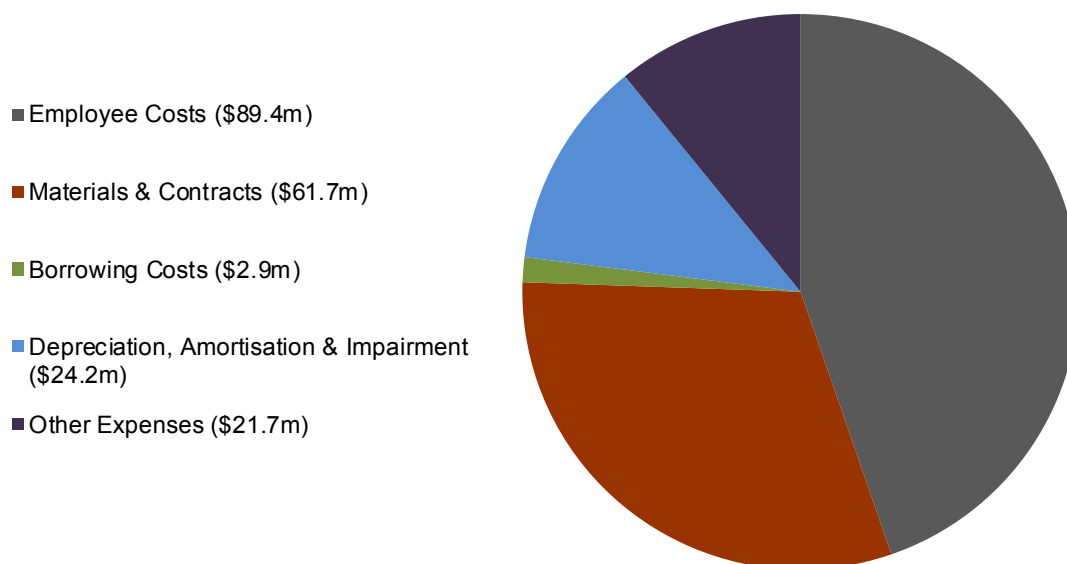
PROPERTY NUMBERS



EXPENSES

SUMMARY

- Total Expenses up by 8.8% to \$200m
- Employee costs up by 7.1% to \$89.4m



Expense Item	2016 (\$'000)	2015 (\$'000)	% Change
Employee Costs	89,378	83,430	7.1%
Materials & Contracts	61,650	54,595	12.9%
Borrowing Costs	3,024	3,710	(18.5%)
Depreciation, Amortisation & Impairment	24,244	21,915	10.6%
Other Expenses	21,742	20,169	7.8%
Total expenses from Continuing Operations	200,038	183,819	8.8%

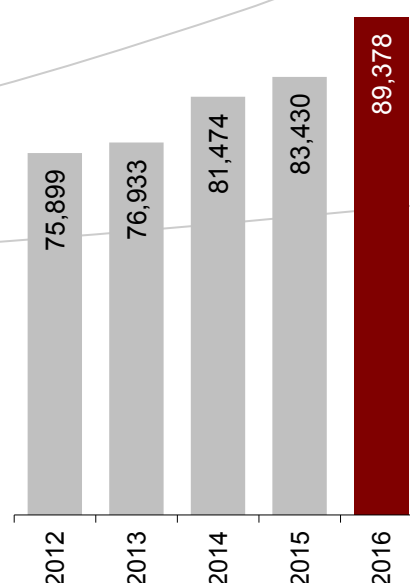
EMPLOYEE COSTS

Total employee costs increased \$5.9m in 2015-16. This equates to a 7.1% increase, after accommodating an award increase of 2.8% in July 2015, and also includes:

- Increase in total Superannuation costs - \$341,000
- Skills and knowledge progression - \$207,000
- Employee performance bonuses - \$535,000
- Increases for the provision for Employee Entitlements - \$1.4m

Council contributes 9.5% 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 contribution 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. This additional fee is expected to continue for a further 1 to 2 years.

EMPLOYEE COSTS (\$'000)



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 2015-16 was \$1.1m (2014-15, \$919,000), compared to the 2009-10 costs under the traditional premium of \$3.1m.

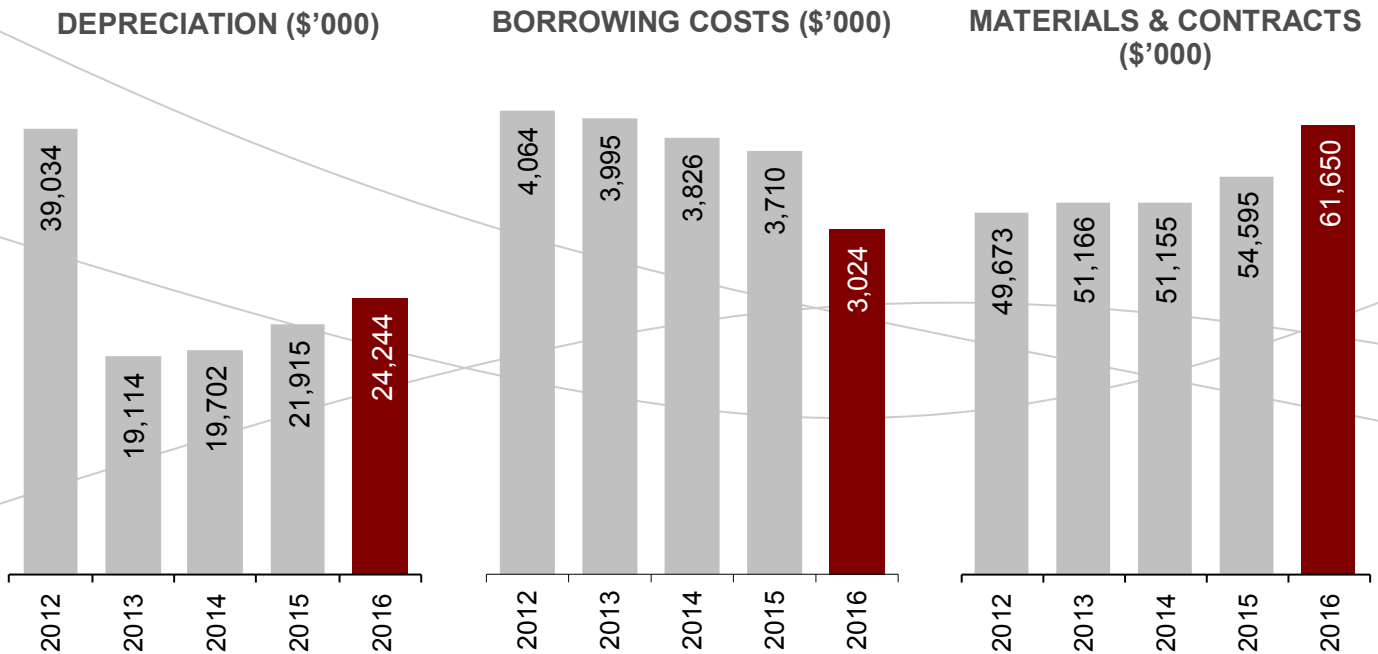
DEPRECIATION

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 \$24.2m (2014-15, \$21.9m). This figure is also impacted by the revaluation Council conducted in 2014-15 on its Roads and Drainage assets. This revaluation added \$205m to these asset classes, which is required to be depreciated in line with existing assets.

BORROWING COSTS

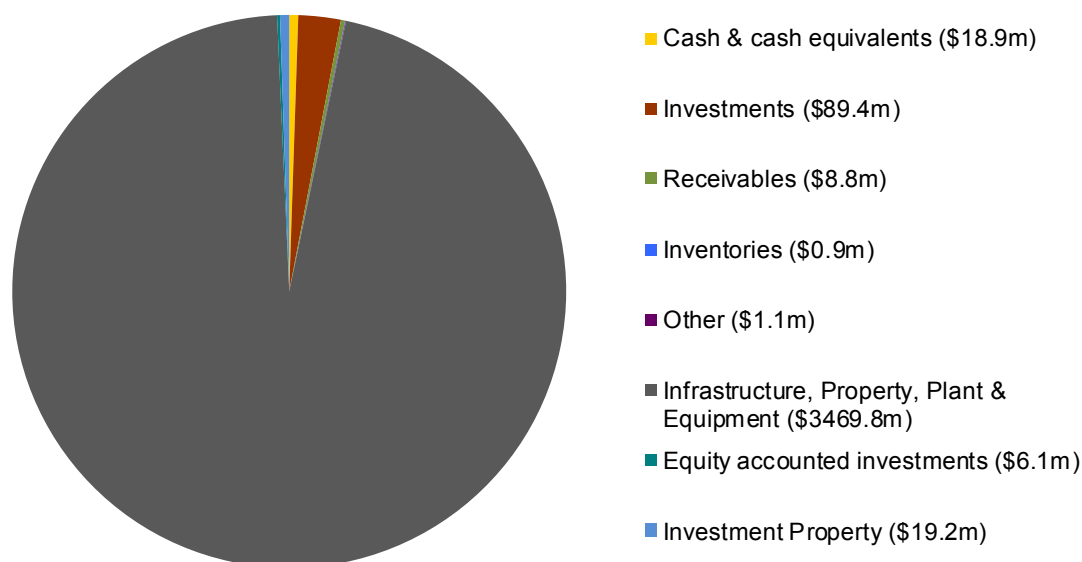
Council's borrowing costs continue to decrease, reflecting the lower cost that Council is able to borrow funds at. Council's loan portfolio has decreased by \$3.4m, and the average rate at which Council has borrowed funds has decreased from 4.5% in 2014-15, to 4.23% in 2015-16, reflected in a reduction of borrowing costs of \$686,000.



ASSETS

SUMMARY

- Total Assets up by 20.9% to \$3,614m
- Net Assets up by 21.6% to \$3,500m
- Assets per head of population is \$17,862
- Infrastructure, Property Plant & Equipment up by 21% to \$3,470m



Asset Item	2016 (\$'000)	2015 (\$'000)	% Change
CURRENT ASSETS			
Cash & cash equivalents	18,903	50,118	(62.3%)
Investments	71,861	22,054	225.8%
Receivables	7,818	10,483	(25.4%)
Inventories	874	1,206	(27.5%)
Other	1,134	1,548	(26.7%)
TOTAL CURRENT ASSETS	100,590	85,409	17.8%
NON-CURRENT ASSETS			
Investments	17,500	14,500	20.7%
Receivables	950	1,136	(16.4%)
Infrastructure, Property, Plant & Equipment	3,469,844	2,868,202	21.0%
Equity accounted investments	6,070	5,745	5.6%
Investment Property	19,243	15,388	25.1%
TOTAL NON-CURRENT ASSETS	3,513,607	2,904,971	21.0%
TOTAL ASSETS	3,614,197	2,990,380	20.9%

CASH POSITION

An assessment of Council's cash holdings at the end of the Financial Year provides a different view of the year's financial information. Council's Cash Flow Statement provides information relating to actual payments and receipts of cash. Investments have increased over the 2015-16 year, mainly due to an increase in Capital Grants and Contributions, and a gain from the sale of assets. At 30 June 2016, Council again recognised an increase in the value of its Mortgage Backed Securities (MBS) of \$30,000 (increase of \$104,000 in 2014-15) 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 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

ASSETS (CONTINUED)

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 2015-16 the holdings of \$3.9m are in line with Council’s targets.

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. There has been an increase in unrestricted funds held at 30 June 2016 of \$5.2m.

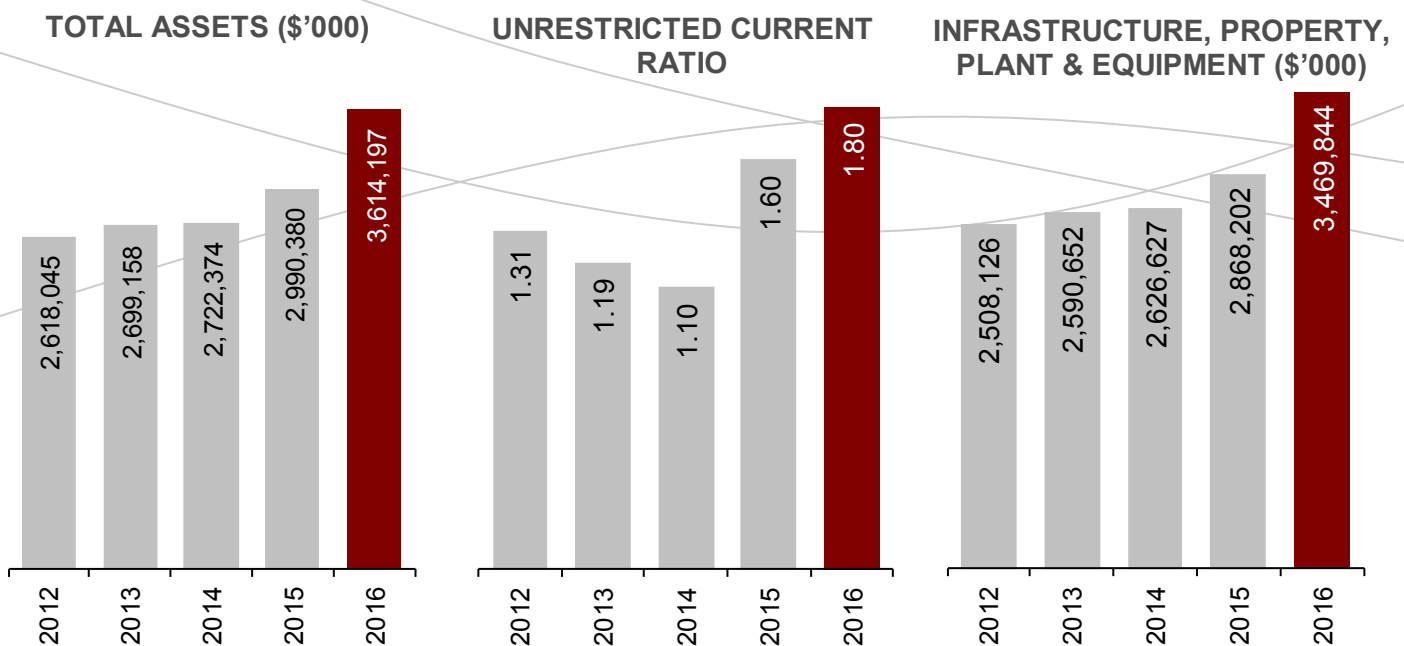
Council continues to maintain a number of internal reserves as detailed in Note 6. These reserves have been established by Council resolution, and include provisions for Employee Leave Entitlements, Property Development activities, and Council’s Children’s Services operations. The maintenance of these 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 2015-16 was 1.80:1. 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 2016, there were five Section 94 plans in deficit totaling \$7.8m (compared to \$9.0m in 2014-15). Two plans - the Cultural Facilities Plan and the Lambridge Estate Plan - accounted for \$6.2m of this deficit. Once adjusted for these internal borrowings, the adjusted indicator is 2.03:1 and is above Council’s adopted benchmark of 1.25:1, and above the Office of Local Government’s benchmark of 1.5:1.

RECEIVABLES

Receivables for 2015-16 totaled \$8.8m, a decrease compared to 2014-15 (\$11.6m). The Rates Outstanding percentage decreased from 3.36% in 2014-15 to 3.00% in 2015-16, which is below the industry benchmark of less than 5%.



ASSETS (CONTINUED)

INFRASTRUCTURE, PROPERTY, PLANT & EQUIPMENT

Infrastructure, Property, Plant & Equipment (IPPE) increased 21% over the 2015-16 year to \$3,470m, mainly due to the revaluation of Councils Land Under Roads and Community Land at 30 June 2016 which added \$552m to these assets. Total asset purchases of \$77.7m included \$9.8m of asset renewals and \$68m for new asset purchases and construction. A summary of IPPE transactions are shown below, with greater detail provided in Note 9.

PLANT AND EQUIPMENT

Vehicles purchased	84
Vehicles sold	95
Plant items purchased	28
Plant items sold	27

Total value of plant and vehicle purchases of \$4.4m, and includes:

Caterpillar Backhoe Loader	\$138,300
Isuzu FRR600 Crew Cab (x2)	\$147,900
Category 1 RFS Tanker	\$317,300
Category 7 RFS Tanker	\$192,500

OFFICE EQUIPMENT

Telephone System Upgrades	\$329,000
New Equipment and Upgrades	\$597,300

BUILDINGS AND OTHER STRUCTURE

Joan Sutherland Performing Arts Upgrade	\$1.2m
Captain Cook Tennis Upgrades	\$1.3m

ROAD WORKS AND DRAINAGE

Drainage Works (excl Dedications)	\$7.95m
Road Works (excl Dedications)	\$350,000
Includes:	
Bus Shelters	\$113,000
Pathpaving	\$2.9m

INFRASTRUCTURE

Road Dedications	\$14.3m
Drainage Dedications	\$16.8m

OTHER ASSETS

Library Resources	\$470,400
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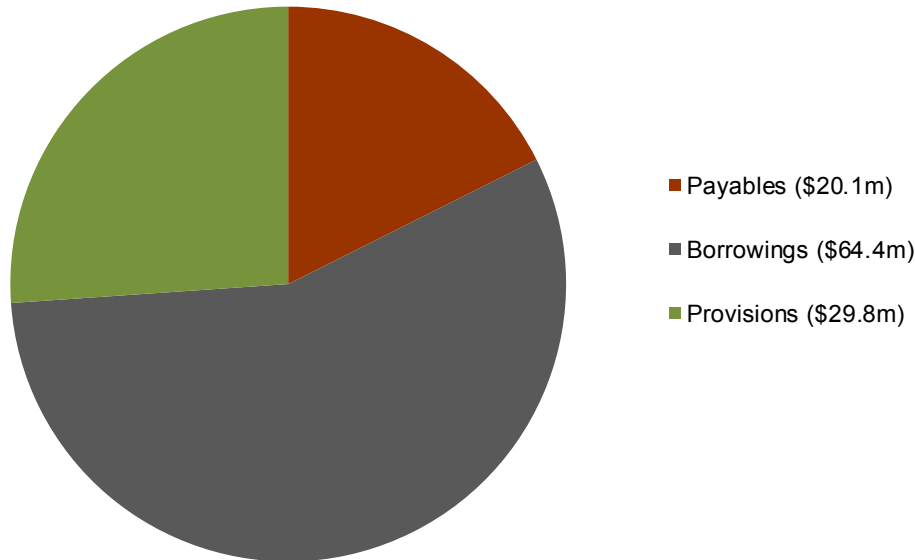
MAJOR CAPITAL PROJECTS worthy of note, either completed or underway during the year include:

North Cranebrook Park Improvement	\$747,000
Jamison Park Sports Field	\$554,000
Glenmore Park Sportsfield Stage 2	\$1.7m
Penrith Civic Arts Precinct	\$2.1m

LIABILITIES

SUMMARY

- Liabilities up by 0.8% to \$114.3m
- Borrowings down by 5% to \$64.4m
- Payables up by 17.1% to \$20.1m
- Provisions up by 5% to \$29.8m

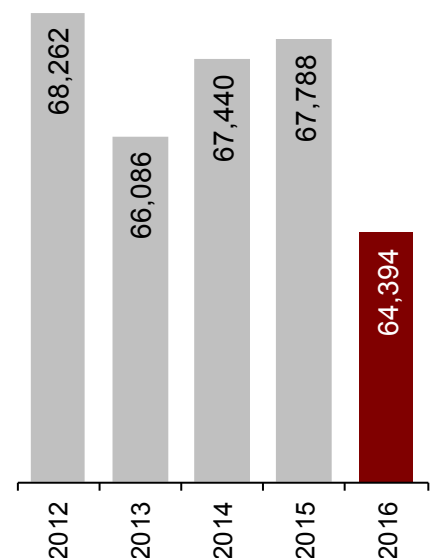


Liability Item	2016 (\$'000)	2015 (\$'000)	% Change
CURRENT LIABILITIES			
Payables	20,117	17,185	17.1%
Borrowings	11,293	11,066	2.1%
Provisions	29,090	27,769	4.8%
TOTAL CURRENT LIABILITIES	60,500	56,020	8.0%
NON-CURRENT LIABILITIES			
Borrowings	53,101	56,722	(6.4%)
Provisions	741	641	15.6%
TOTAL NON CURRENT LIABILITIES	53,842	57,363	(6.1%)
TOTAL LIABILITIES	114,342	113,383	0.8%

The 2015-16 Debt Service Cover Ratio was 2.08 (2.64 in 2014-15). 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 loan portfolio has 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 approvals under the Local Infrastructure Renewal Scheme (LIRS) also provides interest rates subsidies from the NSW Government.

Total borrowings now stand at \$64.4m, a decrease of \$3.4m (5%) over 2014-15.

TOTAL BORROWINGS (\$'000)



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	3,512	5,054	1,440
Operating Revenues (Excluding Council's Subsidy)	1,972	3,952	1,585
Surplus / (Deficit) before Subsidy	(1,540)	(1,102)	145
Subsidy	1,585	1,012	-
Surplus / (Deficit) from Ordinary Operations	46	(90)	145
Capital Grants			
Surplus/(Deficit)	46	(90)	145
Current Assets	1,368	196	528
Non-Current Assets	591	157	1,034
Total Assets	1,959	353	1,562
Current Liabilities	936	753	1,316
Non-Current Liabilities	177	-	201
Total Liabilities	1,113	753	1,517
Net Assets	846	(400)	45

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.

Category 1 (turnover greater than \$2m)	2016 Surplus / (Deficit)	2015 Surplus / (Deficit)	2014 Surplus / (Deficit)	2013 Surplus / (Deficit)	2012 Surplus / (Deficit)
Children's Services	35	(671)	(1,058)	(609)	137
Council Pools	(1,639)	(2,018)	(2,234)	(2,653)	(1,715)
Penrith Whitewater Stadium	84	(263)	(84)	(182)	(142)
Property Development	5,109	(739)	(1,137)	(930)	(1,338)
Penrith Performing & Visual Arts	(755)	(1,131)	(1,232)	(1,372)	(955)

Category 2 (turnover less than \$2m)	2016 Surplus / (Deficit)	2015 Surplus / (Deficit)	2014 Surplus / (Deficit)	2013 Surplus / (Deficit)	2012 Surplus / (Deficit)
Cemeteries	90	185	(29)	(156)	(86)
Tennis Courts	(333)	(358)	(383)	(369)	(216)
St Clair Recreation Centre	(201)	(281)	(335)	(332)	(159)
Halls	(1,816)	(1,996)	(1,863)	(1,198)	(1,106)
Contestable Services	199	144	125	71	(80)



STATEMENTS & NOTES

Penrith City Council

General Purpose Financial Statements

for the year ended 30 June 2016

Statement by Councillors and Management

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

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

- the *Local Government Act 1993 (NSW)* (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
- 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.

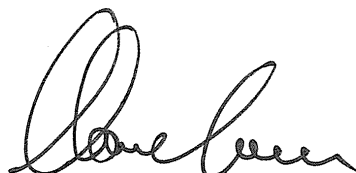
Signed in accordance with a resolution of Council made on 5 September 2016.



Clr Karen McKeown
Mayor



Clr Ross Fowler OAM
Councillor



Alan Stoneham
General Manager



Andrew Moore
Responsible Accounting Officer

INCOME STATEMENT

for the year ended 30 June 2016

Budget ¹			Actual	Actual
2016	\$ '000	Notes	2016	2015
Income from continuing operations				
<i>Revenue:</i>				
123,217	Rates and annual charges	3a	125,319	119,741
35,460	User charges and fees	3b	38,958	35,911
2,188	Interest and investment revenue	3c	3,127	2,926
4,104	Other revenues	3d	10,878	8,584
25,831	Grants and contributions provided for operating purposes	3e,f	28,470	30,268
23,233	Grants and contributions provided for capital purposes	3e,f	55,129	46,580
<i>Other income:</i>				
(486)	Net gains from the disposal of assets	5	7,211	587
50	Net share of interests in joint ventures and associates using the equity method	19	325	635
<u>213,597</u>	Total income from continuing operations		<u>269,417</u>	<u>245,232</u>
Expenses from continuing operations				
90,197	Employee benefits and on-costs	4a	89,378	83,430
3,327	Borrowing costs	4b	3,024	3,710
63,258	Materials and contracts	4c	61,650	54,595
22,796	Depreciation and amortisation	4d	24,244	21,915
15,733	Other expenses	4e	21,742	20,169
<u>195,311</u>	Total expenses from continuing operations		<u>200,038</u>	<u>183,819</u>
<u>18,286</u>	Operating result from continuing operations		<u>69,379</u>	<u>61,413</u>
<u>18,286</u>	Net operating result for the year		<u>69,379</u>	<u>61,413</u>
<u>(4,947)</u>	Net operating result for the year before grants and contributions provided for capital purposes		<u>14,250</u>	<u>14,833</u>

¹ Original budget as approved by Council – refer Note 16

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 30 June 2016

\$ '000	Notes	Actual 2016	Actual 2015
Net operating result for the year (as per Income Statement)		69,379	61,413
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of I,PP&E	20b (ii)	553,479	204,607
Total items which will not be reclassified subsequently to the operating result		553,479	204,607
Total comprehensive income for the year		622,858	266,020

STATEMENT OF FINANCIAL POSITION

as at 30 June 2016

\$ '000	Notes	Actual 2016	Actual 2015
ASSETS			
Current assets			
Cash and cash equivalents	6a	18,903	50,118
Investments	6b	71,861	22,054
Receivables	7	7,818	10,483
Inventories	8	874	1,206
Other	8	1,134	1,548
Total current assets		100,590	85,409
Non-current assets			
Investments	6b	17,500	14,500
Receivables	7	950	1,136
Infrastructure, property, plant and equipment	9	3,469,844	2,868,202
Investments accounted for using the equity method	19	6,070	5,745
Investment property	14	19,243	15,388
Total non-current assets		3,513,607	2,904,971
TOTAL ASSETS		3,614,197	2,990,380
LIABILITIES			
Current liabilities			
Payables	10	20,117	17,185
Borrowings	10	11,293	11,066
Provisions	10	29,090	27,769
Total current liabilities		60,500	56,020
Non-current liabilities			
Borrowings	10	53,101	56,722
Provisions	10	741	641
Total non-current liabilities		53,842	57,363
TOTAL LIABILITIES		114,342	113,383
Net assets		3,499,855	2,876,997
EQUITY			
Retained earnings	20	2,073,895	2,004,516
Revaluation reserves	20	1,425,960	872,481
Council equity interest		3,499,855	2,876,997
Total equity		3,499,855	2,876,997

STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2016

\$ '000	Notes	Retained earnings	Reserves (Refer 20b)	Council interest	Total equity
2016					
Opening balance <small>as per last year's audited accounts</small>		2,004,516	872,481	2,876,997	2,876,997
Revised opening balance (as at 1/7/15)		2,004,516	872,481	2,876,997	2,876,997
Net operating result for the year		69,379	–	69,379	69,379
Other comprehensive income					
– Revaluations: IPP&E asset revaluation rsve	20b (ii)	–	553,479	553,479	553,479
Other comprehensive income		(0)	553,479	553,479	553,479
Total comprehensive income (c&d)		69,379	553,479	622,858	622,858
Equity – balance at end of the reporting period		2,073,895	1,425,960	3,499,855	3,499,855

\$ '000	Notes	Retained Earnings	Reserves (Refer 20b)	Council Interest	Total Equity
2015					
Opening balance <small>as per last year's audited accounts</small>		1,943,103	667,874	2,610,977	2,610,977
Revised opening balance (as at 1/7/14)		1,943,103	667,874	2,610,977	2,610,977
Net operating result for the year		61,413	–	61,413	61,413
Other comprehensive income					
– Revaluations: IPP&E asset revaluation rsve	20b (ii)	–	204,607	204,607	204,607
Other comprehensive income		–	204,607	204,607	204,607
Total comprehensive income (c&d)		61,413	204,607	266,020	266,020
Equity – balance at end of the reporting period		2,004,516	872,481	2,876,997	2,876,997

STATEMENT OF CASH FLOWS

for the year ended 30 June 2016

Budget 2016	\$ '000	Notes	Actual 2016	Actual 2015
Cash flows from operating activities				
Receipts:				
122,924	Rates and annual charges		124,974	119,974
41,546	User charges and fees		40,886	38,116
2,190	Investment and interest revenue received		3,641	2,874
55,130	Grants and contributions		44,690	37,192
–	Bonds, deposits and retention amounts received		3,353	3,383
1,790	Other		14,722	15,214
Payments:				
(90,884)	Employee benefits and on-costs		(88,127)	(83,902)
(71,638)	Materials and contracts		(67,791)	(58,979)
(3,327)	Borrowing costs		(2,894)	(3,434)
–	Bonds, deposits and retention amounts refunded		(1,777)	(2,559)
(18,022)	Other		(24,328)	(23,792)
39,709	Net cash provided (or used in) operating activities	11b	47,349	44,089
Cash flows from investing activities				
Receipts:				
154,813	Sale of investment securities		212,199	223,584
–	Sale of investment property		–	6,541
1,514	Sale of infrastructure, property, plant and equipment		12,552	1,286
–	Sale of disposal groups		–	1,590
Payments:				
(133,259)	Purchase of investment securities		(264,976)	(245,320)
–	Purchase of investment property		(2)	(30)
(60,000)	Purchase of infrastructure, property, plant and equipment		(34,680)	(24,453)
(36,932)	Net cash provided (or used in) investing activities		(74,907)	(36,802)
Cash flows from financing activities				
Receipts:				
4,113	Proceeds from borrowings and advances		7,925	10,663
4	Deferred debtors receipts		8	3
Payments:				
(8,998)	Repayment of borrowings and advances		(11,449)	(10,591)
–	Deferred debtors and advances made		(141)	(12)
(4,881)	Net cash flow provided (used in) financing activities		(3,657)	63
(2,104)	Net increase/(decrease) in cash and cash equivalents		(31,215)	7,350
50,118	Plus: cash and cash equivalents – beginning of year	11a	50,118	42,768
48,014	Cash and cash equivalents – end of the year	11a	18,903	50,118
Additional Information:				
	plus: Investments on hand – end of year	6b	89,361	36,554
	Total cash, cash equivalents and investments		108,264	86,672

Please refer to Note 11 for information on the following:

- Non-cash financing and investing activities
- Financing arrangements

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2016

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 Office 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

NSW Council has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 1 July 2015, except for AASB2015-7 Amendments to Australian Accounting Standards – Fair Value Disclosures of not-for-profit Public Sector Entities, which has reduced the fair value disclosures for Level 3 assets.

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 2015.

c. Basis of Accounting

These Financial Statements have been prepared under the **historical cost convention** except for:

- i. certain financial assets and liabilities at fair value through profit or loss and available-for-sale financial assets which are all valued at fair value
- ii. the write down of any asset on the basis of impairment (if warranted) and certain classes of non-current assets (e.g. Infrastructure, Property, Plant & Equipment and Investment Property) that are accounted for at fair valuation, and
- iii. the accrual basis of accounting has also been applied in their preparation.

d. Significant 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. Significant 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.

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 2016. 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

Note 1—Summary of Significant Accounting Policies (continued)

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 Penrith Aquatic and Leisure 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 \$1.54m for Penrith Performing and Visual Arts, a loss of \$1.1m for the Penrith Aquatic and Leisure Limited and a gain of \$145,000 for the Penrith Whitewater Stadium Limited. 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.

Other Council Committees not included in the listing below include Emu Plains Tennis Courts. The operating result for the year for this Council committee could not be determined due to their financial records not being available but are not considered material.

b. Joint Arrangements

Joint Operations

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 Ventures

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 & 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

2015-16

Committee	Operating Surplus / (Deficit) \$	Net Assets \$
Andromeda Community Centre	1,465	10,847
Arms of Australia Inn	702	2,876
Autumnleaf Neighbourhood Centre Inc.	-	(4,033)
Cook Parade Neighbourhood Centre	(45)	(5,954)
Coowarra Cottage	-	22,259
Emu Plains Tennis Complex	-	18,774
Jamison Park Netball Complex	(30,082)	7,621
Masters Hall- U3A	2,618	5,093
Nepean & Community Neighbourhood Services	2,980	3,010
North Penrith Community Centre	151	4,810
North St Marys Neighbourhood Centre	2,999	5,604
Penrith International Friendship Committee	3,162	15,525
Penrith Schools Boatshed Management Committee	2,138	9,502
Penrith Valley Senior Citizens Centre	(1,930)	63,361
Regentville Hall	2,493	60,586
The Community Connection	1,375	7,499
Werrington Community Cottage	(16,987)	253
Youth Centre Cleaning	-	(14,432)
Total	(28,961)	213,201

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

Note 1—Summary of Significant Accounting Policies (continued)

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
- 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.

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

Note 1—Summary of Significant Accounting Policies (continued)

and equipment.

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

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

Non-current assets classified as held for sale are presented separately from the other assets in the Statement of Financial Position.

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 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

Note 1—Summary of Significant Accounting Policies (continued)

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 by discounting the future contractual cash flows at the current market interest rate that is available to Council for similar financial instruments.

Refer to Note 27 for further information on Fair Values.

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 revaluation by registered valuer)
- 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)
- Investment Properties (external valuation) – refer to Note 14

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 most 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 2016 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

Note 1—Summary of Significant Accounting Policies (continued)

calculated.

The asset's 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 2015-16 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 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	Capitalise
Stormwater Drainage	Capitalise

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

impairment. Assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's 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 2015 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. Changes in fair values are recorded in profit or loss as part of other income.

The last full revaluation for Council's Investment Properties was performed for the 2013-14 Financial Statements, with a desktop revaluation performed for 2015-16 by Independent Property Valuations (IPV) Pty Ltd, Registered Valuer No 140911321.

Note 1—Summary of Significant Accounting Policies (continued)

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.

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 employees have two types of membership, each of which is funded differently.

Accumulation Fund Members

Accumulation funds receives both employer and employee contributions on a progressive basis. Employer contributions are normally based on a fixed percentage of employee earnings in accordance with Superannuation Guarantee Levy (9.5% in 2016, 9.5% in 2015). 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 2015-16 was 1.9 times members'

Note 1—Summary of Significant Accounting Policies (continued)

contributions (1.9 times in 2014-15) plus a basic benefit of 2.5% of the member's salary (2.5% in 2014-15). Employees also make member contributions to the Fund. As such, assets accumulate in the Fund to meet the member's benefits, as defined in the Trust Deed, as they accrue. LGSS advised a revised payment calculation for contributions to this scheme would begin from 2012-13, which includes an additional flat rate contribution from Council to address the deficit that resulted from the Global Financial Crisis.

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

The amount of employer contributions to the defined benefits section of the Local Government Superannuation Scheme and recognised as an expense for the year ending 30 June 2016 was \$2.4m (\$2.4m in 2014-15).

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 this deficit that can be broadly attributed to Council was estimated to be in the order of \$1.5m as at 30 June 2016.

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 incidental 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 off 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 2016.

Council has not adopted any of these standards early.

19. RURAL FIRE SERVICE ASSETS

Under section 119 of the Rural Fire Services Act 1997, “all firefighting 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 firefighting 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
for the year ended 30 June 2016

Note 2(a) - Functions or Activities

Functions/activities	Income, expenses and assets have been directly attributed to the following functions/activities. Details of these functions/activities are provided in Note 2(b).													
	Income from continuing operations				Expenses from continuing operations				Operating result from continuing operations		Grants included in income from continuing operations		Total assets held (current & non-current)	
	Original budget	Actual 2016	Actual 2015	Actual 2016	Original budget	Actual 2016	Actual 2015	Actual 2016	Actual 2015	Actual 2016	Actual 2015	Actual 2016	Actual 2015	
	2016	2016	2015	2016	2016	2015	2015	2016	2015	2016	2015	2016	2015	
Corporate governance	-	-	-	968	832	813	(968)	(813)	-	-	-	140	(0)	
Building maintenance and construction	351	351	165	2,215	1,649	2,286	(1,864)	(2,121)	350	150	139,724	138,938		
Bushland management	20	295	49	310	261	276	(15)	(227)	295	49	-	-		
Business improvement	-	-	-	559	389	383	(559)	(383)	-	-	21	17		
Cemeteries	804	911	948	774	656	677	137	271	-	-	-	-		
Children's services	21,257	22,010	20,555	22,499	22,907	21,598	(489)	(1,043)	2,735	2,895	409	313		
City parks	46	12,132	12,645	13,367	13,356	11,759	(1,235)	886	4	117	-	-		
City partnerships	-	-	-	391	264	288	(391)	(288)	-	-	-	-		
City planning	3,660	11,155	8,519	2,369	2,283	2,316	8,786	6,203	-	-	-	-		
Civil construction and maintenance	23,465	35,371	28,944	34,908	32,262	28,911	(8,797)	463	33	2,049	999,132	971,809		
Communications	-	-	-	824	703	774	(824)	(774)	-	-	-	2		
Community and Cultural Development	245	499	277	3,411	2,238	2,125	(2,912)	(1,848)	243	231	-	1		
Community Safety	425	530	694	4,079	4,301	4,354	(3,876)	(3,660)	530	683	-	-		
Corporate Planning	-	-	-	688	809	816	(688)	(816)	-	-	15	15		
Council and Corporate Support	7	6	5	4,317	4,052	3,950	(4,311)	(3,945)	-	-	66	6		
Customer Service	-	3	-	1,393	1,465	1,413	(1,390)	(1,413)	-	-	-	-		
Design and Project Management	200	631	684	2,032	2,125	1,893	(1,401)	(1,209)	631	684	2	-		
Development Applications	1,550	2,616	3,038	5,299	4,793	5,771	(3,243)	(2,683)	7	12	-	-		
Development Engineering	356	443	438	1,435	1,273	1,235	(917)	(992)	-	-	-	-		
Emergency Services Management	2,484	3,146	2,830	5,388	4,417	4,359	(1,933)	(2,242)	3,086	2,773	250	337		
Environmental Health	573	758	1,818	3,366	3,630	3,838	(3,057)	(2,608)	205	1,340	15	30		
Financial Services	392	15,455	6,547	13,415	8,472	6,816	(8,080)	(269)	1,723	1,636	2,064,329	1,487,733		
Fire Safety Certification and Compliance	1,850	2,109	1,254	2,326	2,010	1,551	(160)	(297)	-	-	-	-		
Floodplain and Stormwater Management	14	237	27	1,292	1,176	744	(1,162)	(1,055)	212	6	-	-		
Information Technology	28	38	66	1,487	1,459	976	(2,118)	(910)	28	66	6,176	5,836		
Legal Services	7	8	52	114	107	207	(105)	(155)	-	-	3	-		
Libraries	824	819	856	7,034	6,998	7,680	(6,174)	(6,215)	574	591	2,041	2,165		

STATEMENTS & NOTES

STATEMENTS & NOTES

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2016

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

Functions/activities	Income, expenses and assets have been directly attributed to the following functions/activities. Details of these functions/activities are provided in Note 2(b).															
	Income from continuing operations				Expenses from continuing operations				Operating result from continuing operations				Grants included in income from continuing operations		Total assets held (current & non-current)	
	Original budget	Actual 2016	Actual 2015		Original budget	Actual 2016	Actual 2015		Original budget	Actual 2016	Actual 2015		Actual 2016	Actual 2015	Actual 2016	Actual 2015
	2016	2016	2015		2016	2016	2015		2016	2016	2015		2016	2015	2016	2015
Mapping Information/GIS	3	3	6		623	566	621		(620)	(563)	(615)		-	-	73	147
Marketing	8	131	101		1,948	2,194	2,024		(1,940)	(2,063)	(1,923)		-	-	11	11
Neighbourhood Facilities Management	736	841	806		1,516	1,489	1,609		(780)	(648)	(803)		-	-	264	274
Penrith Performing and Visual Arts	1,803	1,972	1,979		3,439	3,534	3,442		(1,636)	(1,562)	(1,463)		581	440	42	42
Penrith Whitewater Stadium	1,601	1,585	1,346		1,384	1,406	1,530		217	179	(184)		-	-	67	67
Place Management	662	672	642		1,843	1,752	1,711		(1,181)	(1,080)	(1,069)		10	-	73	-
Plant Maintenance	107	146	133		65	578	16		42	(432)	117		-	-	10,623	10,628
Property Development and Management	2,899	3,454	4,838		3,277	(4,720)	2,977		(378)	8,174	1,861		-	-	363,028	344,550
Public Domain Maintenance	7	78	71		10,448	10,179	10,223		(10,441)	(10,101)	(10,152)		-	-	16,714	17,086
Purchasing and Supply	3	1	6		731	747	685		(728)	(746)	(679)		-	-	672	655
Recn and Leisure Facilities Management	523	1,389	1,766		1,756	37	1,838		(1,233)	1,352	(72)		240	1,136	3,451	3,513
Records Management	13	18	19		150	1,794	(98)		(137)	(1,776)	117		-	-	-	1
Regional Planning and Advocacy	447	55	442		1,431	1,138	1,334		(984)	(1,083)	(892)		-	-	-	-
Regulatory Control	2,345	3,070	2,573		5,244	4,941	4,433		(2,899)	(1,871)	(1,860)		1	15	-	-
Ripples- St Marys Leisure Centre	4,115	3,952	3,562		5,083	5,079	4,837		(968)	(1,127)	(1,275)		-	-	-	-
Risk Management and Insurance		16	359		520	853	260		(520)	(837)	99		-	-	-	(331)
Sustainability Planning	27	77	54		786	771	784		(759)	(694)	(730)		77	54	-	-
Traffic Management and Road Safety	1,122	786	3,137		1,442	1,502	1,242		(320)	(716)	1,895		786	3,137	-	-
Waste Management	26,583	29,391	25,824		25,747	26,382	23,818		836	3,009	2,006		186	-	757	790
Workforce Development	120	95	143		2,956	2,888	2,724		(2,836)	(2,793)	(2,581)		65	117	29	-
Total functions and activities	101,682	157,255	138,218		195,311	200,038	183,819		(93,629)	(42,783)	(45,601)		14,618	16,245	3,608,127	2,984,635
Share of gains/(losses) in associates and joint ventures (using the equity method)		50	635		-	-	-		50	325	635		-	-	6,070	5,745
General purpose income ¹		111,865	111,837		-	-	-		111,865	111,837	106,379		11,907	12,274	-	-
Operating result from continuing operations	213,597	269,417	245,232		195,311	200,038	183,819		18,286	69,379	61,413		26,525	28,519	3,614,197	2,990,380

1. Includes: rates and annual charges (incl. ex-gratia), untied general purpose grants and unrestricted interest and investment income.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2016

Note 3—Income from Continuing Operations

\$ '000	Notes	Actual 2016	Actual 2015
(a) Rates and annual charges			
Ordinary rates			
Residential		73,724	71,138
Farmland		1,376	1,261
Business		21,703	21,288
Total ordinary rates		96,803	93,687
Annual charges (pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Domestic waste management services		26,475	24,161
Stormwater management services		1,884	1,782
Waste management services (non-domestic)		43	48
Section 611 charges		114	63
Total annual charges		28,516	26,054
TOTAL RATES AND ANNUAL CHARGES		125,319	119,741

Council has used 2015 year valuations provided by the NSW Valuer General in calculating its rates.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2016

Note 3—Income from Continuing Operations (continued)

\$ '000	Notes	Actual 2016	Actual 2015
(b) User charges and fees			
Specific user charges (per s.502 – specific 'actual use' charges)			
Domestic waste management services		4	4
Total user charges		4	4
Other user charges and fees			
(i) Fees and charges – statutory and regulatory functions (per s.608)			
Building fees		1,331	1,303
Other regulatory/statutory fees		707	638
Planning and building regulation		3,928	3,215
Section 149 certificates (EPA Act)		518	541
Section 603 certificates		344	354
Total fees and charges – statutory/regulatory		6,828	6,051
(ii) Fees and charges – other (incl. general user charges (per s.608))			
Cemeteries		893	926
Children's services		19,194	17,585
Companion animals		183	183
Halls and community centres		970	956
Penrith Whitewater stadium		1,581	1,342
Performing arts centre/gallery		1,369	1,425
Road reinstatements		1,863	1,551
Sport and recreation		335	291
Swimming centres		4,056	3,636
Vehicle costs recovered from employees		884	981
Other		798	980
Total fees and charges – other		32,126	29,856
TOTAL USER CHARGES AND FEES		38,958	35,911

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2016

Note 3—Income from Continuing Operations (continued)

\$ '000	Notes	Actual 2016	Actual 2015
(c) Interest and investment revenue (including losses)			
Interest			
– Interest on overdue rates and annual charges (incl. special purpose rates)		231	271
– Interest earned on section 94 contributions		340	317
– Other externally restricted		224	195
– Internally restricted		466	330
– Unrestricted		1,836	1,709
Fair value adjustments			
– Fair valuation movements in investments (at fair value or held for trading)		30	104
TOTAL INTEREST AND INVESTMENT REVENUE		<u>3,127</u>	<u>2,926</u>
Interest revenue is attributable to:			
Unrestricted investments/financial assets:			
Overdue rates and annual charges (general fund)		231	271
General Council cash and investments		2,896	2,655
Total interest and investment revenue recognised		<u>3,127</u>	<u>2,926</u>
(d) Other revenues			
Fair value increments – investment properties	14	3,853	1,310
Rental income – investment properties	14	835	1,332
Rental income – other council properties		1,905	1,626
Fines		1,946	1,469
Legal fees recovery – rates and charges (extra charges)		284	304
Legal fees recovery – other		8	50
Insurance claim recoveries		13	99
Other investment income		–	1,220
Purchasing / performance rebate		552	547
Carbon Price Refund		1,021	–
Other		461	627
TOTAL OTHER REVENUE		<u>10,878</u>	<u>8,584</u>

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2016

Note 3—Income from Continuing Operations (continued)

\$ '000	2016 Operating	2015 Operating	2016 Capital	2015 Capital
(e) Grants				
General purpose (untied)				
Financial assistance	8,610	9,015	–	–
Financial assistance – local roads component	2,257	2,232	–	–
Pensioners' rates subsidies – general component	1,040	1,027	–	–
Total general purpose	11,907	12,274	–	–
Specific purpose				
Pensioners' rates subsidies:				
– Domestic waste management	369	356	–	–
Bushfire and emergency services	2,675	2,288	411	485
Children's services	2,735	2,895	–	–
Civil construction (roads and drainage)	2,932	985	156	156
Community services	243	231	–	–
Cultural facilities	581	440	–	–
Design and major projects	631	684	–	–
Environmental and health management	205	1,340	–	–
Libraries	574	591	–	–
Local infrastructure renewal scheme (LIRS)	314	253	–	–
Parks environmental management	20	49	275	–
Recreation and leisure facilities management	24	201	216	935
Street lighting	530	508	–	175
Traffic and transport	786	3,137	–	–
Other	893	446	48	90
Total specific purpose	13,512	14,404	1,106	1,841
Total grants	25,419	26,678	1,106	1,841
Grant revenue is attributable to:				
– Commonwealth funding	14,407	14,474	36	175
– State funding	11,012	12,204	1,070	1,666
	25,419	26,678	1,106	1,841

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2016

Note 3—Income from Continuing Operations (continued)

\$ '000	2016 Operating	2015 Operating	2016 Capital	2015 Capital
(f) Contributions				
Developer contributions:				
(s93 & s94 – EP&A Act, s64 of the LGA):				
S 94 – contributions towards amenities/services 17	–	–	9,900	7,608
Planning Agreements	260	442	–	–
Total developer contributions	260	442	9,900	7,608
Other contributions:				
Dedications (other than by S94)	–	–	43,068	36,641
RMS contributions (regional roads, block grant)	1,108	1,089	300	300
Domestic waste	327	327	–	–
RID squad	815	757	–	–
Roads maintenance	165	103	31	–
Other	376	872	724	190
Total other contributions	2,791	3,148	44,123	37,131
Total contributions	3,051	3,590	54,023	44,739
TOTAL GRANTS AND CONTRIBUTIONS	28,470	30,268	55,129	46,580
\$ '000			Actual 2016	Actual 2015

(g) Restrictions relating to grants and contributions

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

Unexpended at the close of the previous reporting period	22,204	17,494
Add: grants and contributions recognised in the current period but not yet spent:	12,809	10,983
Less: grants and contributions recognised in a previous reporting period now spent:	(8,556)	(6,273)
Net increase (decrease) in restricted assets during the period	4,253	4,710
Unexpended and held as restricted assets	26,457	22,204
Comprising:		
– Specific purpose unexpended grants	2,569	3,006
– Developer contributions	23,888	19,198
	26,457	22,204

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2016

Note 4—Expenses from Continuing Operations

\$ '000	Notes	Actual 2016	Actual 2015
(a) Employee benefits and on-costs			
Salaries and wages		66,223	63,582
Travel expenses		10	13
Employee leave entitlements (ELE)		13,906	11,698
Superannuation – guarantee levy		6,109	5,703
Superannuation – defined benefit plans		2,371	2,436
Workers' compensation insurance		1,127	919
Fringe benefit tax (FBT)		138	155
Payroll tax		133	138
Training costs (other than salaries and wages)		221	284
Other		94	198
Total employee costs		90,332	85,126
Less: capitalised costs		(954)	(1,696)
TOTAL EMPLOYEE COSTS EXPENSED		89,378	83,430
Number of 'full-time equivalent' employees (FTE) at year end		1,064	1,056
(b) Borrowing costs			
(i) Interest bearing liability costs			
Interest on loans		2,894	3,434
Total interest bearing liability costs expensed		2,894	3,434
(ii) Other borrowing costs			
Amortisation of discounts and premiums: Interest-free loan		130	276
Total other borrowing costs		130	276
TOTAL BORROWING COSTS EXPENSED		3,024	3,710

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2016

Note 4—Expenses from Continuing Operations (continued)

\$ '000	Notes	Actual 2016	Actual 2015
(c) Materials and contracts			
Raw materials and consumables		11,106	9,065
Contractor and consultancy costs		–	–
– Building and parks services		3,104	3,335
– Cleaning services		1,630	1,550
– Computer software maintenance		1,161	1,404
– Engineering services		10,493	8,705
– Garbage services		7,523	6,688
– Organic services		4,152	4,063
– Recycling services		2,258	2,101
– Security services		587	670
– Sullage services		178	128
– Tipping services		648	1,950
– Contractor and consultancy costs		17,604	13,570
Auditors remuneration ⁽¹⁾		118	125
Legal expenses:			
– Legal expenses: planning and development		444	578
– Legal expenses: other		277	319
Operating leases:			
– Operating lease rentals: minimum lease payments ⁽²⁾		367	344
TOTAL MATERIALS AND CONTRACTS		61,650	54,595

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	62	60
– Audit and review of financial statements: other consolidated entity Auditors	56	65
Total Auditor remuneration	118	125

2. Operating lease payments are attributable to:

Office Equipment	367	344
	367	344

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2016

Note 4—Expenses from Continuing Operations (continued)

\$ '000	Notes	Depreciation/Amortisation	
		Actual 2016	Actual 2015
(d) Depreciation, amortisation and impairment			
Plant and equipment		2,486	2,658
Office equipment		1,567	1,506
Furniture and fittings		249	243
Land improvements (depreciable)		867	593
Infrastructure:			
– Buildings		6,432	6,511
– Roads		10,458	7,595
– Stormwater drainage		1,552	1,687
Other assets			
– Library books		596	1,082
– Other		37	40
Total depreciation and impairment costs		24,244	21,915
TOTAL DEPRECIATION AND IMPAIRMENT COSTS EXPENSED		24,244	21,915

Depreciation, amortisation, and impairment relates solely to depreciation and amortisation. After testing, no impairment of Council's assets in 2016 remains.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2016

Note 4—Expenses from Continuing Operations (continued)

\$ '000	Notes	Actual 2016	Actual 2015
(e) Other expenses			
Other expenses for the year include the following:			
Bad and doubtful debts		75	45
– Department of planning levy		166	162
– Emergency services levy (includes FRNSW, SES, and RFS levies)		1,834	1,720
– Waste levy		4,684	3,651
– Other levies		277	227
Councillor expenses – mayoral fee		79	78
Councillor expenses – councillors' fees		414	403
Councillors' expenses (incl. mayor) – other (excluding fees above)		–	–
– Telephone		31	37
– Training, conferences and seminars		74	106
– Other		23	29
District maintenance – rural fire service		1,466	1,070
Donations, contributions and assistance to other organisations (Section 356)		–	–
– Penrith Business Alliance		–	595
– Other donations and contributions		2,041	1,963
Electricity and heating		1,880	1,973
Infringement processing bureau		207	185
Insurance		2,535	2,148
Street lighting		3,337	3,593
Telephone and communications *		720	602
Water rates and charges		703	670
Other		1,196	912
TOTAL OTHER EXPENSES		21,742	20,169

* excludes disclosures shown separately in councillors' expenses

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2016

Note 5—Gain or Loss from Disposal of Assets

\$ '000	Notes	Actual 2016	Actual 2015
Property (excl. investment property)			
Proceeds from disposal – property		10,513	226
Less: carrying amount of property assets sold/written off		(2,749)	(18)
Net gain/(loss) on disposal		7,764	208
Plant and equipment			
Proceeds from disposal – plant and equipment		2,039	1,060
Less: carrying amount of plant and equipment assets sold/written off		(2,334)	(1,249)
Net gain/(loss) on disposal		(295)	(189)
Infrastructure			
Proceeds from disposal – infrastructure		–	–
Less: carrying amount of infrastructure assets sold/written off		(186)	(801)
Net gain/(loss) on disposal		(186)	(801)
Investment properties			
Proceeds from disposal – investment properties		–	6,541
Less: carrying amount of investment properties sold/written off		–	(6,170)
Net gain/(loss) on disposal		–	371
Financial assets			
Proceeds from disposal/redemptions/maturities – financial assets		212,199	223,584
Less: carrying amount of financial assets sold/redeemed/matured		(212,199)	(223,584)
Net gain/(loss) on disposal		–	–
Non-current assets classified as ‘held for sale’			
Proceeds from disposal – non-current assets ‘held for sale’		–	1,590
Less: carrying amount of ‘held for sale’ assets sold/written off		–	(398)
Net gain/(loss) on disposal		–	1,192
Library books			
Proceeds from disposal – library books		–	–
Less: carrying amount of library books assets sold/written off		(72)	(194)
Net gain/(loss) on disposal		(72)	(194)
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		7,211	587

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2016

Note 6—Cash and Cash Equivalents / Investments

\$ '000	Notes	2016 Actual Current	2016 Actual Non-current	2015 Actual Current	2015 Actual Non-current
Cash and cash equivalents (Note 6a)					
Cash on hand and at bank		900	–	415	–
Cash-equivalent assets ¹					
– Deposits at call		3,003	–	3,203	–
– Short-term deposits		15,000	–	46,500	–
Total cash and cash equivalents		18,903	–	50,118	–
Investments (Note 6b)					
– Long term deposits		67,100	–	20,215	–
– NCD's, FRN's (with maturities > 3 months)		3,000	17,500	–	14,500
– Mortgage backed securities		1,761	–	1,839	–
Total investments		71,861	17,500	22,054	14,500
TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS		90,764	17,500	72,172	14,500

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

Cash, cash equivalents and investments were classified at year end in accordance with AASB 139 as follows:

Cash and cash equivalents

a. 'At fair value through the profit and loss'		18,903	–	50,118	–
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Investments

a. 'At fair value through the profit and loss'					
– 'Held for trading'	6(b-i)	1,761	–	1,839	–
b. 'Held to maturity'	6(b-ii)	70,100	17,500	20,215	14,500
Investments		71,861	17,500	22,054	14,500

Refer to Note 27. Fair value measurement for information regarding the fair value of investments held.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2016

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

\$ '000	2016 Actual Current	2016 Actual Non-current	2015 Actual Current	2015 Actual Non-current
Note 6(b-i)				
Reconciliation of investments classified as 'at fair value through the profit and loss'				
Balance at the beginning of the year	1,839	–	1,884	–
Revaluations (through the Income Statement)	30	–	104	–
Disposals (sales and redemptions)	(108)	–	(149)	–
Balance at end of year	1,761	–	1,839	–
Comprising:				
– Mortgage backed securities	1,761	–	1,839	–
Total	1,761	–	1,839	–
Note 6(b-ii)				
Reconciliation of investments classified as 'held to maturity'				
Balance at the beginning of the year	20,215	14,500	4,330	8,500
Additions	261,976	3,000	239,320	6,000
Disposals (sales and redemptions)	(212,091)	–	(223,435)	–
Balance at end of year	70,100	17,500	20,215	14,500
Comprising:				
– Long term deposits	70,100	–	20,215	–
– NCD's, FRN's (with maturities > 3 months)	–	17,500	–	14,500
Total	70,100	17,500	20,215	14,500

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2016

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

\$ '000	2016 Actual Current	2016 Actual Non-current	2015 Actual Current	2015 Actual Non-current
Total cash, cash equivalents and investments	90,764	17,500	72,172	14,500
attributable to:				
External restrictions (refer below)	39,385	17,500	37,609	14,500
Internal restrictions (refer below)	43,177	–	31,574	–
Unrestricted	8,202	–	2,989	–
	90,764	17,500	72,172	14,500

2016 \$ '000	Opening balance	Transfers to restrictions	Transfers from restrictions	Closing balance
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Details of restrictions

External restrictions – included in liabilities				
Specific purpose unexpended loans – general (A)	13,848	5,659	(6,166)	13,341
External restrictions – included in liabilities	13,848	5,659	(6,166)	13,341
External restrictions – other				
Developer contributions – general (B)	19,198	10,240	(5,550)	23,888
RMS (formerly RTA) contributions (C)	–	2,527	(2,527)	–
Specific purpose unexpended grants (D)	3,006	9,252	(9,688)	2,569
Domestic waste management (E)	5,880	5,265	(1,995)	9,150
Sullage reserve	106	829	(513)	422
Childcare	2,060	1,574	(1,204)	2,430
Waste and sustainability	790	406	(1,108)	88
Stormwater management	1,266	1,885	(2,045)	1,106
Other	5,955	3,128	(5,192)	3,891
External restrictions – other	38,261	35,106	(29,822)	43,544
Total external restrictions	52,109	40,765	(35,988)	56,885

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2016

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

2016 \$ '000	Opening balance	Transfers to restrictions	Transfers from restrictions	Closing balance
Internal restrictions				
Plant and vehicle replacement	1,591	4,096	(3,155)	2,532
Employees leave entitlement	4,366	377	(39)	4,704
Deposits, retentions and bonds	3,134	1,601	(29)	4,706
Acquisition of land and buildings	6,161	13,908	(6,650)	13,419
Cemetery reserve	521	170	(68)	623
Children's services reserve	821	812	(273)	1,360
Election reserve	278	165	(2)	441
Environmental protection reserve	2	—	—	2
Infrastructure construction	6,079	3,491	(3,188)	6,382
Insurance reserve	2,653	962	(675)	2,940
Legal reserve	388	211	(86)	513
Revote reserve	702	909	(476)	1,135
Salary administration	127	327	(168)	286
Sustainability revolving fund	178	240	(1)	417
Voted works	282	168	(85)	365
Other	4,291	7,125	(8,064)	3,352
Total internal restrictions	31,574	34,562	(22,959)	43,177
TOTAL RESTRICTIONS	83,683	75,327	(58,947)	100,062

- A** Loan moneys 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) and 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 (2016 - \$7.8m, 2015 - \$9.0m).

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2016

Note 7—Receivables

\$ '000	Notes	2016		2015	
		Current	Non-current	Current	Non-current
Purpose					
Rates and annual charges		3,303	757	2,657	970
Interest and extra charges		492	441	1,042	504
User charges and fees		1,628	–	887	–
Accrued revenues					
– Interest on investments		551	–	459	–
– Other income accruals		1,420	–	814	–
Deferred debtors		1	356	3	221
Government grants and subsidies		1,010	–	5,169	–
Other debtors		2	–	4	–
Total		8,407	1,554	11,035	1,695
Less: provision for impairment					
Rates and annual charges		(411)	(302)	(350)	(275)
Interest and extra charges		(74)	(302)	(69)	(284)
User charges and fees		(104)	–	(133)	–
Total provision for impairment – receivables		(589)	(604)	(552)	(559)
TOTAL NET RECEIVABLES		7,818	950	10,483	1,136
Externally restricted receivables					
Domestic waste management		718	–	745	–
Stormwater management		35	–	37	–
Total external restrictions		753	–	782	–
Unrestricted receivables		7,065	950	9,701	1,136
TOTAL NET RECEIVABLES		7,818	950	10,483	1,136

Notes on debtors above:

- (i) Rates and annual charges outstanding are secured against the property.
- (ii) Doubtful rates debtors are provided for where the value of the property is less than the debt outstanding.
An allowance for other doubtful debts is made when there is objective evidence that a receivable is impaired.
- (iii) Interest was charged on overdue rates and charges at 8.50% (2015 8.50%).
Generally all other receivables are non-interest bearing.
- (iv) Please refer to Note 15 for issues concerning credit risk and fair value disclosures.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2016

Note 7—Receivables (continued)

RATES AND ANNUAL CHARGES

Rates are secured by underlying properties. Interest is charged on overdue rates at the rate allowable (2015-16—8.5%, 2014-15—8.5%) 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.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2016

Note 8—Inventories and Other Assets

\$ '000	Notes	2016		2015	
		Current	Non-current	Current	Non-current
(a) Inventories					
(i) Inventories at cost					
Stores and materials		774	–	768	–
Trading stock		74	–	73	–
Bushfire stores		–	–	338	–
Other		26	–	27	–
Total inventories at cost		874	–	1,206	–
TOTAL INVENTORIES		874	–	1,206	–
(b) Other assets					
Prepayments		1,031	–	665	–
GST		67	–	839	–
Other		36	–	44	–
TOTAL OTHER ASSETS		1,134	–	1,548	–
Externally restricted assets					
Other					
Inventories – bushfire stores		–	–	338	–
Total other		–	–	338	–
Total externally restricted assets		–	–	338	–
Total unrestricted assets		2,008	–	2,416	–
TOTAL INVENTORIES AND OTHER ASSETS		2,008	–	2,754	–

Note 9—Infrastructure, Property, Plant and Equipment

	as at 30/6/2015				Asset movements during the reporting period							as at 30/6/2016		
	At cost	At fair value	Accum deprn	Carrying value	Additions renewals	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Revaluation increments to equity (ARR)	At cost	At fair value	Accum deprn	Carrying value
\$ '000														
Capital work in progress	7,270	—	—	7,270	—	4,438	—	—	(7,270)	—	4,438	—	—	4,438
Plant and equipment	—	36,936	20,156	16,780	—	4,445	(2,334)	—	—	—	—	20,231	—	16,405
Office equipment	—	28,092	22,665	5,427	—	1,678	—	(1,567)	317	—	—	24,232	—	5,855
Furniture and fittings	—	6,515	4,893	1,622	—	379	—	(249)	—	—	—	5,141	—	1,752
Land:														
– Operational land	1,200	80,856	—	82,056	—	147	(2,749)	—	—	—	—	—	—	79,454
– Community land	—	181,379	—	181,379	—	3,589	—	—	—	10,211	—	—	—	195,179
– Land under roads (pre 1 July 2008)	—	1,341,687	—	1,341,687	—	—	—	—	—	527,871	—	—	—	1,869,558
– Land under roads (post 30 June 2008)	—	39,328	—	39,328	—	11,345	—	—	—	14,068	—	—	—	64,731
Land improvements – depreciable	—	10,570	1,470	9,100	—	7,246	—	(867)	2,965	—	—	2,337	—	18,444
Infrastructure:														
– Buildings	—	367,690	156,763	210,927	5,178	1,603	(186)	(6,432)	1,809	—	—	162,819	—	212,899
– Roads	—	1,045,904	320,881	725,023	4,603	16,300	—	(10,458)	1,468	—	—	331,339	—	736,936
– Bulk earthworks (non-depreciable)	3,218	—	—	3,218	—	69	—	—	—	—	3,287	—	—	3,287
– Stormwater drainage	—	331,577	91,774	239,803	—	16,254	—	(1,552)	711	—	—	93,327	—	255,216
Other assets:														
– Library books	—	13,768	11,714	2,054	—	474	(72)	(596)	—	—	—	11,620	—	1,860
– Other	—	3,381	853	2,528	—	—	—	(37)	—	1,339	—	889	—	3,830
TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIP.	11,688	3,487,683	631,169	2,868,202	9,781	67,967	(5,341)	(24,244)	—	553,479	7,725	4,114,054	651,935	3,469,844

a) 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 remains

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 other infrastructure, property, plant and equipment

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2016

Note 10—Payables, Borrowings, and Provisions

\$ '000	Notes	2016		2015	
		Current	Non-current	Current	Non-current
Payables					
Goods and services		2,992	–	3,300	–
Payments received in advance		1,683	–	1,408	–
Accrued expenses:					
– Salaries and wages		6	–	89	–
– Other expenditure accruals		7,604	–	6,404	–
Payments in advance of due date ¹		1,658	–	1,410	–
Security bonds, deposits and retentions		6,072	–	4,496	–
Other		102	–	78	–
Total payables		20,117	–	17,185	–
Borrowings					
Loans – secured ²		11,193	49,488	10,966	53,139
Interest-free government advances		100	3,613	100	3,583
Total borrowings		11,293	53,101	11,066	56,722
Provisions					
Employee benefits:					
Annual leave		6,499	–	6,118	–
Sick leave		5,858	–	5,764	–
Long service leave		15,815	741	14,887	641
Gratuities		918	–	1,000	–
Total provisions		29,090	741	27,769	641
TOTAL PAYABLES, BORROWINGS AND PROVISIONS		60,500	53,842	56,020	57,363

(i) Liabilities relating to restricted assets

	2016		2015	
	Current	Non-current	Current	Non-current
Externally restricted assets				
Domestic waste management	1,554	305	1,263	597
Liabilities relating to externally restricted assets	1,554	305	1,263	597
TOTAL PAYABLES, BORROWINGS, PROVISIONS	60,500	53,842	56,020	57,363

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

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2016

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

\$ '000	Actual 2016	Actual 2015
(ii) Current liabilities not anticipated to be settled within the next twelve months		
The following liabilities, even though classified as current, are not expected to be settled in the next 12 months.		
Provisions – employees benefits	21,460	21,619
Payables – security bonds, deposits and retentions	3,896	3,872
	<u>25,356</u>	<u>25,491</u>

Note 10b. Description of and movements in provisions

Class of provision	2015		2016	
	Opening balance as at 1/7/15	Additional provisions	Decrease due to payments	Closing balance as at 30/6/16
Annual leave	6,118	5,614	(5,233)	6,499
Sick leave	5,764	4,457	(4,363)	5,858
Long service leave	15,528	3,916	(2,888)	16,556
Gratuities	1,000	–	(82)	918
TOTAL	<u>28,410</u>	<u>13,987</u>	<u>(12,566)</u>	<u>29,831</u>

Employees leave entitlements and on-costs represents those benefits accrued and payable and an estimate of those that will become payable in the future as a result of past service.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2016

Note 11—Reconciliation of Cash Flow Statement

\$ '000	Notes	Actual 2016	Actual 2015
(a) Reconciliation of cash assets			
Total cash and cash equivalent assets	6a	18,903	50,118
Balance as per the Statement of Cash Flows		18,903	50,118
(b) Reconciliation of net operating result to cash provided from operating activities			
Net operating result from Income Statement		69,379	61,413
Adjust for non-cash items:			
Depreciation and amortisation		24,244	21,915
Net losses/(gains) on disposal of assets		(7,211)	(587)
Non-cash capital grants and contributions		(43,068)	(36,641)
Losses/(gains) recognised on fair value re-measurements through the P&L:			
– Investments classified as ‘at fair value’ or ‘held for trading’		(30)	(104)
– Investment properties		(3,853)	(1,310)
– Favourable financial liabilities (i.e. initial recognition at fair value)		–	276
Share of net (profits) or losses of associates/joint ventures		(325)	(635)
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		2,902	(1,591)
Increase/(decrease) in provision for doubtful debts		82	(43)
Decrease/(increase) in inventories		332	–
Decrease/(increase) in other assets		414	(242)
Increase/(decrease) in payables		(308)	1,076
Increase/(decrease) in other accrued expenses payable		1,117	23
Increase/(decrease) in other liabilities		2,123	960
Increase/(decrease) in employee leave entitlements		1,421	(421)
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		47,349	44,089

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2016

Note 11—Reconciliation of Cash Flow Statement (continued)

\$ '000	Notes	Actual 2016	Actual 2015
(c) Non-cash investing and financing activities			
Contributions 'in kind'		43,068	36,641
Total non-cash investing and financing activities		43,068	36,641
(d) Financing arrangements			
(i) Unrestricted access was available at balance date to the following lines of credit:			
Bank overdraft facilities ⁽¹⁾		520	520
Credit cards/purchase cards ⁽²⁾		677	340
Total financing arrangements		1,197	860

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 and other payables are disclosed in Note 15.

2. During 2015-16, Council changed Credit Card providers. While both facilities are still open, only one is being used. Once all cards are transitioned to the new provider, the previous facility will be closed.

(ii) Secured loan liabilities

Loans are secured by a mortgage over future years rate revenue only.

(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 (2016 – \$12.9m, 2015 – \$17.1m) to meet this requirement:

- Workcover NSW \$2,104,903
- Workcover NSW \$2,151,543
- Workcover NSW \$4,340,365
- Workcover NSW \$2,125,954
- Workcover NSW \$2,198,533

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2016

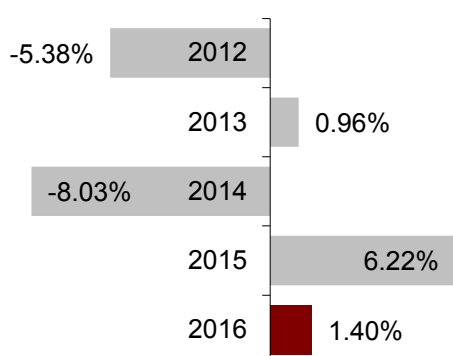
Note 12—Commitments

\$ '000	Notes	Actual 2016	Actual 2015
Capital commitments (exclusive of GST)			
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:			
Property, plant and equipment			
Buildings		1,679	1,150
Plant and equipment		228	445
Roadworks		72	103
Other		1,090	796
These expenditures are payable as follows:			
Within the next year		3,069	2,494
Total payable		3,069	2,494
Details of capital commitments			
- construction of amenities, store, and associated works for Glenmore Park Sports Field			
- relocation of Telstra assets			
- construction of Cranebrook Wetlands			
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		150	170
Later than one year and not later than 5 years		334	275
Total non-cancellable operating lease commitments		484	445
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.			
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 and maintenance		75	68
Total commitments		75	68
These expenditures are payable as follows:			
Within the next year		75	68
Total payable		75	68

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2016

Note 13—Statement of Performance Measures

\$ '000	Amounts	Indicator	Prior periods	
	2016	2016	2015	2014
1. Operating performance ratio				
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions less operating expenses	<u>2,831</u>	1.40%	6.22%	-8.03%
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	202,869			

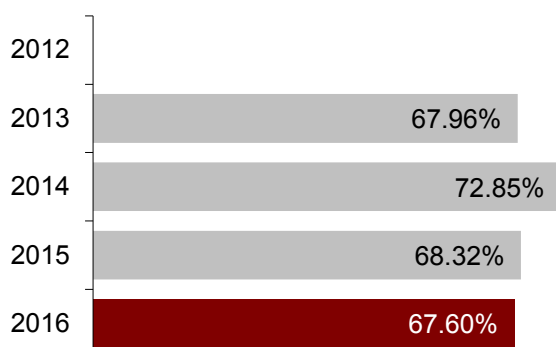


Commentary

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 2015-16, Council received \$55.1m from Capital Grants and Contributions as outlined in Note 3(e) and 3(f). The benchmark for this indicator is anything greater than 0%. The 2013-14 indicator was impacted by the \$14.1m payment for Erskine Park Link Road (see footnote 5).

2. Own source operating revenue ratio

Total continuing operating revenue ⁽¹⁾ excluding all grants and contributions	<u>174,399</u>	67.60%	68.32%	72.85%
Total continuing operating revenue ⁽¹⁾	257,998			



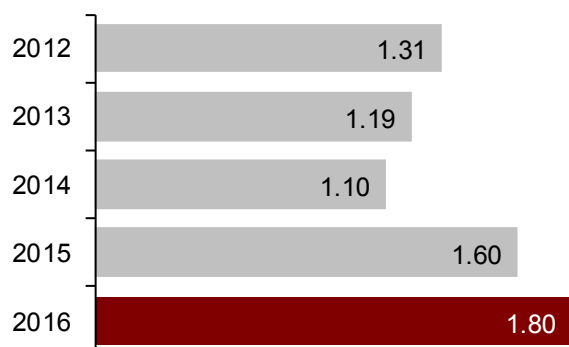
Commentary

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 2016

Note 13—Statement of Performance Measures (continued)

\$ '000	Amounts	Indicator	Prior periods	
	2016	2016	2015	2014
3. Unrestricted current ratio				
Current assets less all external restrictions ⁽²⁾	60,452	1.80x	1.60x	1.10x
Current liabilities less specific purpose liabilities ^(3,4)	33,590			

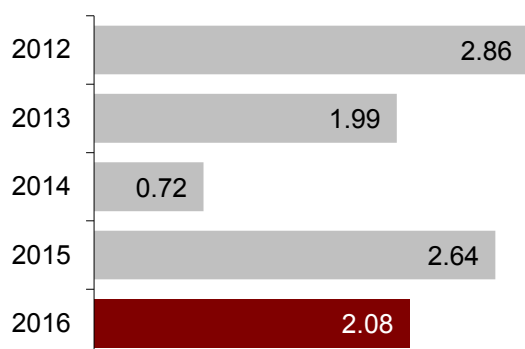


Commentary

This ratio measures Council's liquidity and solvency. This result is stronger than the 2015 result due to the increase in Current Assets of Investments and Cash, and is higher than the benchmark for this indicator of greater than 1.5. Once adjusted for internal borrowings, this indicator increases to 2.03 and exceeds Council's benchmark of 1.25. The 2013-14 indicator was impacted by the \$14.1m payment for Erskine Park Link Road (see footnote 5).

4. Debt service cover ratio

Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation	30,099	2.08x	2.64x	0.72x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	14,473			



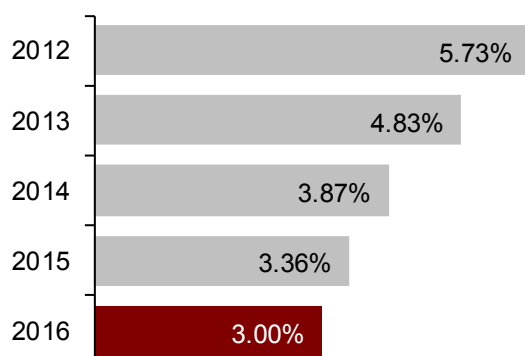
Commentary

This ratio measures the availability of operating cash to service debt including interest, principal, and lease payments. The benchmark is greater than 2 times. The indicator is impacted by the fluctuations in Grants and Contributions that Council receives. The 2013-14 indicator was impacted by the \$14.1m payment for Erskine Park Link Road (see footnote 5).

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2016

Note 13—Statement of Performance Measures (continued)

\$ '000	Amounts 2016	Indicator 2016	Prior periods	
			2015	2014
5. Rates, annual charges, interest and extra charges outstanding percentage				
Rates, annual and extra charges outstanding	<u>3,904</u>	3.00%	3.36%	3.87%
Rates, annual and extra charges collectible	<u>130,029</u>			

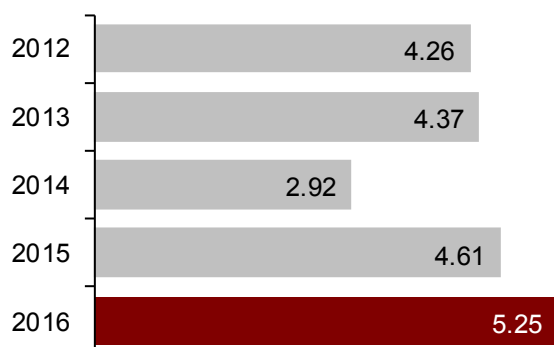


Commentary

This indicator has seen a further strong improvement over 2015-16, and is 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 plus all term deposits	x12	<u>86,003</u>	5.25 mths	4.6 mths	2.9 mths
Payments from cash flow of operating and financing activities		<u>16,376</u>			



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. The 2014 indicator is impacted by the \$14.1m payment to the Department of Infrastructure and Planning. Excluding the \$14.1m payment from the above calculation (see footnote 5), the 2014 indicator would be 3.80.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2016

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 the net share of interests in joint ventures and associates.
- ⁽²⁾ Refer Notes 6-8 inclusive.
Also excludes any real estate and 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 and provisions not expected to be paid in the next 12 months (incl. ELE).
- ⁽⁵⁾ During 2014, a one-off payment of \$14.1m was made to the Department of Planning and Infrastructure which significantly impacted some of these indicators.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2016

Note 14—Investment Properties

\$ '000	Notes	Actual 2016	Actual 2015
Investment properties at fair value			
<u>Investment properties on hand</u>		<u>19,243</u>	<u>15,388</u>
Reconciliation of annual movement:			
Opening balance		15,388	20,218
– Capitalised expenditure – this year		2	30
– Disposals during year		–	(6,170)
– Net gain/(loss) from fair value adjustments		3,853	1,310
CLOSING BALANCE – INVESTMENT PROPERTIES		<u>19,243</u>	<u>15,388</u>

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 2016 revaluations were based on independent assessments made by:
Independent Property Valuations (IPV) Pty Ltd, Registered Valuer No 140911321

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	788	671
Later than 1 year but less than 5 years	2,394	2,891
Later than 5 years	–	1,579
Total minimum lease payments receivable	<u>3,182</u>	<u>5,141</u>

Investment property income and expenditure – summary

Rental income from investment properties:

– Minimum lease payments
 835 | 1,332 |

Direct operating expenses on investment properties:

– that generated rental income
 (179) | (359) |

– that did not generate rental income
 (10) | (9) |

Net revenue contribution from investment properties **646** | **964** |

plus:

Fair value movement for year **3,853** | **1,310** |

Total income attributable to investment properties **4,499** | **2,274** |

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

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2016

Note 15—Financial Risk Management

\$ '000

Risk management

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

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

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

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

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

	Carrying value		Fair value	
	2016	2015	2016	2015
Financial assets				
Cash and cash equivalents	18,903	50,118	18,903	50,118
Investments				
– 'Held for trading'	1,761	1,839	1,761	1,839
– 'Held to maturity'	87,600	34,715	87,600	34,715
Receivables	8,768	11,619	8,768	11,619
Total financial assets	117,032	98,291	117,032	98,291
Financial liabilities				
Payables	18,434	15,777	18,434	15,777
Loans/advances	64,394	67,788	67,891	71,878
Total financial liabilities	82,828	83,565	86,325	87,655

Fair value is determined as follows:

– **Borrowings** and **held-to-maturity** investments – are based upon estimated future cash flows discounted by the current mkt interest rates applicable to assets and liabilities with similar risk profiles, unless quoted market prices are available.

Refer to Note 27. Fair value measurement for information regarding the fair value of financial assets

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2016

Note 15—Financial Risk Management (continued)

\$ '000

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 area manages the cash and investments portfolio with the assistance of independent advisors.

Council has an investment policy which complies with the *Local Government Act 1993* and Minister's investment order. This policy is regularly reviewed by Council and its staff and an investment report is tabled before Council on a monthly basis setting out the portfolio breakup and its performance.

The risks associated with the investments held are:

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

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

(a) Market risk – price risk and interest rate risk

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
2016				
Possible impact of a 10% movement in market values	176	176	(176)	(176)
Possible impact of a 1% movement in interest rates	1,065	1,065	(1,065)	(1,065)
2015				
Possible impact of a 10% movement in market values	184	184	(184)	(184)
Possible impact of a 1% movement in interest rates	848	848	(848)	(848)

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2016

Note 15—Financial Risk Management (continued)

\$ '000

(b) Credit risk

Council's major receivables comprise (i) rates and annual charges and (ii) 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 and annual charges at higher than market rates which further encourages the payment of debt.

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

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

Council makes suitable provision for doubtful receivables as required.

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:

	2016	2016	2015	2015
	Rates and	Other	Rates and	Other
	annual	receivables	annual	receivables
	charges		charges	receivables
(i) Ageing of receivables – %				
Current (not yet overdue)	0%	59%	0%	65%
Overdue	100%	41%	100%	35%
	100%	100%	100%	100%
(ii) Ageing of receivables – value				
Rates and annual charges	Rates and	Other	Rates and	Other
	annual	receivables	annual	receivables
	charges		charges	receivables
Current	817	4,323	86	5,772
< 1 year overdue	1,314	927	1,373	2,149
1 – 2 years overdue	581	130	594	286
2 – 5 years overdue	721	68	902	38
> 5 years overdue	627	453	672	858
	4,060	5,901	3,627	9,103

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2016

Note 15—Financial Risk Management (continued)

\$ '000

(c) Liquidity risk

Payables and 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	> 5 Yrs		
2016						
Trade/other payables	6,072	8,466	3,896	–	18,434	18,434
Loans and advances	–	14,193	44,703	10,450	69,346	64,394
Total financial liabilities	6,072	22,659	48,599	10,450	87,780	82,828
2015						
Trade/other payables	4,496	7,409	3,872	–	15,777	15,777
Loans and advances	–	14,356	46,075	14,095	74,526	67,788
Total financial liabilities	4,496	21,765	49,947	14,095	90,303	83,565

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:

	2016		2015	
	Carrying value	Average interest rate	Carrying value	Average interest rate
Trade/other payables	18,434	n/a	15,777	n/a
Loans and advances – fixed interest rate	60,681	4.23%	64,105	4.50%
Loans and advances – interest free	3,713	n/a	3,683	n/a
	<u>82,828</u>		<u>83,565</u>	

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2016

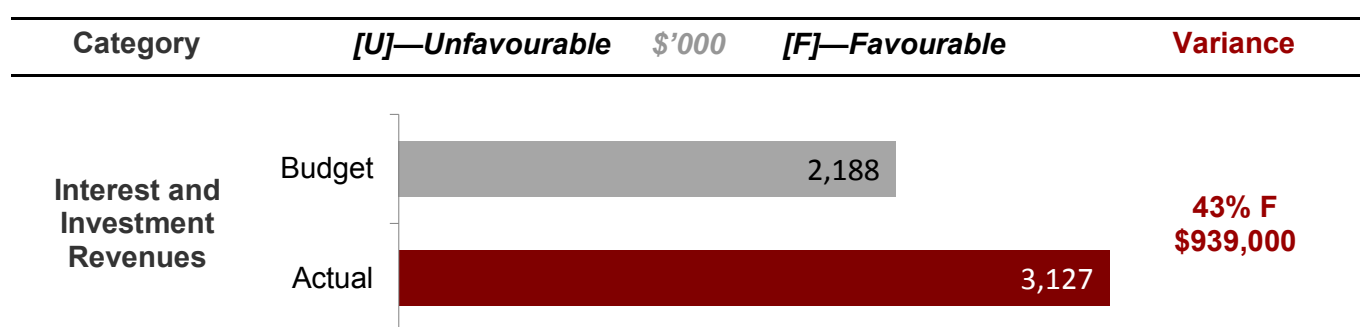
Note 16—Material Budget Variations

Council's original budget for 2015-16 was adopted by Council on 29 June 2015.

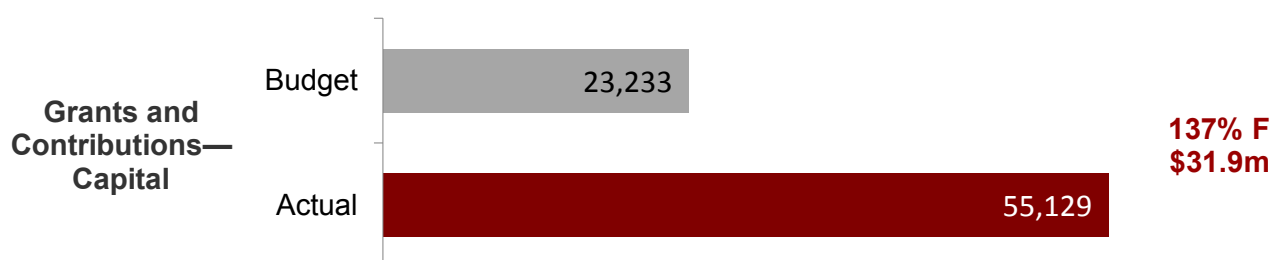
While the Income Statement included in this General Purpose Financial Report must disclose the original budget adopted by Council, the Local Government Act requires Council to review its budget on a quarterly basis, so that it is able to manage the variations between actuals and budget that occur throughout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



The end of year surplus was achieved due to the return on Council's investment portfolio exceeding the benchmarks throughout the year and the unrestricted portion of the portfolio being higher than anticipated. In addition, interest rates remained slightly higher than was anticipated when the original budget was prepared as the official cash rate at the start of this financial year had fallen to a record low 2% and was expected to fall even further.

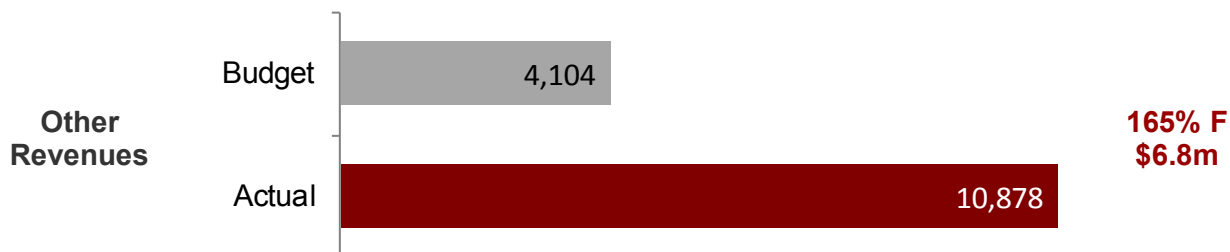


Subdivider Contributions for land, roads and drainage were not included in the original budget (\$23.4m) along with higher than anticipated Section 94 income (\$6.8m).

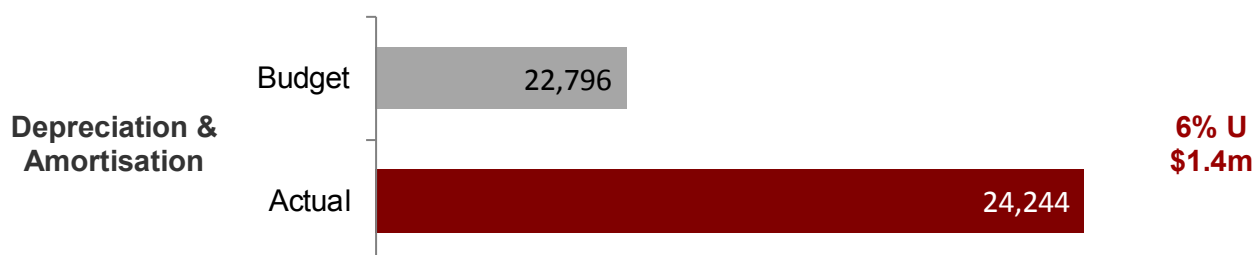
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2016

Note 16—Material Budget Variations (continued)

Category	[U]—Unfavourable	\$'000	[F]—Favourable	Variance
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Revenue from Parking Fines was greater than budgeted (\$347,000), income generated from rental properties was also higher than anticipated (\$514,000) and Council also received a contribution towards Better Waste and Recycling (\$406,000) which was not included in the original budget. Revenue from compliance fines were also over budget (\$304,000) along with Parental Payment Leave recovery being greater than original budget (\$120,000). Council also recognised a year end adjustment for Investment Properties Valuations for 30 June 2016 which was not included in the original budget of \$3.9m.



The budget is set on a conservative basis to cover any significant movements in depreciation resulting from changes in condition of Council's assets and adjusted at year end. The main variance is due to revaluations conducted on Council's roads in 2015, which will see increased depreciation expense until the next revaluations in June 2020.



Water rates (\$235,000) and insurance premiums (\$390,000) were higher than anticipated along with electricity and heating (\$577,000). Plan First DA application payments over budget (\$334,000), RFS over original estimate on other expenses (\$341,000), and Community Safety projects (\$224,000) over original estimate on other expenses, council rates and fees (\$264,000) over budget on other expenses (showing as materials in budget). Waste Disposal was also shown as contracts in the original budget but disclosed as Contracts for the preparation of the Financial Statements which has resulted in a \$1.4m variance.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2016

Note 16—Material Budget Variations (continued)

Category	<i>[U]—Unfavourable</i>	\$'000	<i>[F]—Favourable</i>	Variance
Net (Loss)/Gain from the Disposal of Assets	Budget			
	Actual		7,211	1584% F \$7.7m

This favourable variance relates primarily to the profit on sale of Council properties.

Cash Flows from Operating Activities	Budget	39,709		
	Actual		47,349	19% F \$7.6m

The budget for the Cash Flow Statements is based on a number of assumptions that are difficult to accurately predict. Payments for materials and contracts were less than budgeted for and other payments were higher than budgeted.

Cash Flows from Investing Activities	Budget	(36,928)		
	Actual	(74,907)		103% U \$38m

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 2014-15 actuals are finalised and are difficult to predict in advance.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2016

Note 16—Material Budget Variations (continued)

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

Income (by Functions)

Activity	Original Budget	Actual	Variance	Commentary
Bushland Management	\$ 20	\$ 295	1375.0% F	Grant income received for the 20 Million Trees Project. This income was not included in the original budget.
Cemeteries	\$ 804	\$ 911	13.3% F	Greater than budgeted revenue for cemetery fees due to increased demand and higher fees.
City Parks	\$ 46	\$ 12,132	26273.9% F	Relates to the recognition of value of Land Under Roads and Land Dedications.
City Planning	\$ 3,660	\$ 11,155	204.8% F	Additional S94 Contributions received earlier than anticipated.
Civil Construction & Maintenance	\$ 23,465	\$ 35,371	50.7% F	Additional roads and drainage dedications (\$12m) and additional Roads Recovery Grant funding (\$1m).
Community & Cultural Development	\$ 245	\$ 499	103.7% F	Transfer of a contributions reserve from Regional Planning and Advocacy service to Community and Cultural Development service.
Community Safety	\$ 425	\$ 530	24.7% F	Greater than budgeted income from RMS for the Traffic Route Light Subsidy Scheme.
Design & Project Management	\$ 200	\$ 631	215.5% F	Relates to the Western Sydney Infrastructure Plan - Local Roads Package Round 1 final receipts.
Development Applications	\$ 1,550	\$ 2,616	68.8% F	Development activity has increased with a rise in development applications for new residential flat buildings and mixed use developments.
Development Engineering	\$ 356	\$ 443	24.4% F	As the certifying authority for large developments and sustained activity in the sector, Construction and Compliance Certificate income has continued to exceed expectations.
Emergency Services Management	\$ 2,484	\$ 3,146	26.7% F	Grant income for the Cumberland Fire Control Centre Upgrade (\$255,000) was not included in the original budget and Bushfire grants (\$348,000) were greater than forecasted in original budget.
Environmental Health	\$ 573	\$ 758	32.3% F	An increase in the number of reinspections and improvement notices has resulted in higher than anticipated income.
Financial Services	\$ 392	\$ 15,455	3842.6% F	Actual includes \$2.1m for Stormwater Levy, \$283,000 for Legal costs recovered (rates), FARG - Roads \$2.2m and \$3.8m Net Gain/Loss on Fair Value Adjustment all shown against General Purpose Income in original budget.
Fire Safety Certification & Compliance	\$ 1,850	\$ 2,109	14.0% F	Increase in number/value of applications.
Floodplain & Stormwater Management	\$ 14	\$ 237	1592.9% F	Acceptance of NSW Floodplain Management Programs were adopted during the year for the undertaking of flood and floodplain risk management studies.
Information Technology	\$ 28	\$ 38	35.7% F	Relates to telephone rebate after change of supplier.
Marketing	\$ 8	\$ 131	1537.5% F	Includes Australia Day event sponsorship.
Neighbourhood Facilities Management	\$ 736	\$ 841	14.3% F	Neighbourhood Facilities additional Rental income and Room hire over original budget.
Plant Maintenance	\$ 107	\$ 146	36.4% F	Fuel Tax Credits received were greater than original budget.
Property Development & Management	\$ 2,899	\$ 3,454	19.1% F	Interest on reserve (\$79,000) greater than expected, rental income (\$405,000) greater than expected and easement income (\$59,300) not included in original budget.
Public Domain Maintenance	\$ 7	\$ 78	1014.3% F	Street Lighting contributions received for new release areas not originally included in the budget.
Records Management	\$ 13	\$ 18	38.5% F	Additional income for scanning fees.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2016

Note 16—Material Budget Variations (continued)

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

Income (by Functions) - continued

Activity	Original Budget	Actual	Variance	Commentary
Recreation & Leisure Facilities Management	\$ 523	\$ 1,389	165.6% F	Grants and contributions for recreation facility improvements not in original budget.
Regional Planning and Advocacy	\$ 447	\$ 55	-87.7% U	This variance relates to contributions to a Voluntary Planning Agreement (VPA) for Glenmore Park not being received due to the development not proceeding.
Regulatory Control	\$ 2,345	\$ 3,070	30.9% F	Increase in regulatory fines being issued and a new recovery time process from SDRO has increased income.
Risk Management & Insurance	\$ -	\$ 16	\$16k* F	Insurance claim recoveries not included in original budget.
Sustainability Planning	\$ 27	\$ 77	185.2% F	Relates to a new grant received for design and construction of climate adapted bus shelters.
Traffic Management & Road Safety	\$ 1,122	\$ 786	-29.9% U	Grant funding for the Traffic Management Program from the RMS has been returned whilst Nepean Avenue and Jane Street designs are proposed and developed.
Waste Management	\$ 26,583	\$ 29,391	10.6% F	Increase in the number of properties in the LGA and the reimbursement of the Carbon Tax Rebate.
Workforce Development	\$ 120	\$ 95	-20.8% U	Less income was received as the Trainee Incentive Payments are based on commencement and finish dates, with some traineeships going over 2 years.

* variance better shown in dollar amounts due to no Original Budget

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2016

Note 16—Material Budget Variations (continued)

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

Expenditure (by Functions)

Activity	Original Budget	Actual	Variance	Commentary
Building Maintenance & Construction	\$ 1,649	\$ 2,215	34.3% U	Variance relates to unscheduled maintenance works across Councils buildings portfolio including significant works at the Penrith City Council Civic Centre & Library, Ripples Leisure Centre, Joan Sutherland Performing Arts Centre, and Penrith Regional Gallery. Remedial building and electrical maintenance/repair works were undertaken at these centres.
Bushland Management	\$ 261	\$ 310	18.8% U	Relates to the Kingswood Park Rehabilitation Project which was not included in the original 2015-16 budget.
Business Improvement	\$ 389	\$ 559	43.7% U	The Capacity Improvement Program is a proposed revote for 2016-17.
Cemeteries	\$ 656	\$ 774	18.0% U	Greater than budgeted expenditure on contractors, materials and employee costs.
City Partnerships	\$ 264	\$ 391	48.1% U	Variance relates to the restructure within Council with Advocacy falling under City Partnerships (\$34,000) and the Council delegation to China, Korea and Japan in April 2016 and other international relations costs (\$83,000).
Communications	\$ 703	\$ 824	17% U	Relates to changes in staffing in this area, utilising savings from Customer Service.
Community & Cultural Development	\$ 2,238	\$ 3,411	52.4% U	Relates to the Penrith Affordable Housing Project.
Corporate Governance	\$ 832	\$ 968	16.3% U	Recent restructure within Council (\$65,000) and code of conduct matters (\$38,000).
Corporate Planning	\$ 809	\$ 688	-15.0% F	Relates to savings on the Capacity Review Project (\$28,000) and Strategic Research and Planning Project (\$34,000).
Development Applications	\$ 4,793	\$ 5,299	10.6% U	Department of Planning payment increased due to development activity and an increase in Legal Costs.
Development Engineering	\$ 1,273	\$ 1,435	12.7% U	Timing of grant funded Flood Studies Program.
Emergency Services Management	\$ 4,417	\$ 5,388	22.0% U	Grant income for the Cumberland Fire Control Centre Upgrade which was not included in the original budget.
Financial Services	\$ 8,472	\$ 13,415	58.3% U	Relates to net savings of \$1.78m in ELE movements and end of year oncost balancing including savings on Fleet Management (\$404,000) and salary savings due to departmental vacancies (\$181,000).
Information Technology	\$ 1,487	\$ 2,156	45.0% U	A number of ICT initiatives which have been reported to Council during the year, including moving Councils server infrastructure offsite to minimise risk.
Marketing	\$ 1,948	\$ 2,194	12.6% U	Events provided by Council which have received sponsorship income of \$130,000 and \$37,000 funding from reserve. Salaries were also \$50,000 more than budgeted due to restructures within the department.
Plant Maintenance	\$ 65	\$ 578	789.2% U	Over expenditure in operational and maintenance budgets of \$249,000. Variance also due to projects Plant Management & Optimisation Study and GPS Service Access \$180,000 not being part of the original budget.
Records Management	\$ 150	\$ 1,794	1096.0% U	A decrease in postage costs of \$50,000 due to an increased use of electronic mail practices within Council. Also \$52,000 salary savings within the department due to staff leave and vacancies over the year.
Regional Planning and Advocacy	\$ 1,431	\$ 1,138	-20.5% F	The majority of this variance relates to funds previously allocated to the Penrith Business Alliance (PBA) that were redirected to the Economic Initiatives reserve to fund projects and outcomes in future years.
Risk Management & Insurance	\$ 520	\$ 853	64.0% U	Movement in claims liability \$129,000 and \$256,000 insurance claims not included original budget.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2016

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 and levies and the value of all remaining funds which are 'restricted' in their future use.

SUMMARY OF CONTRIBUTIONS AND LEVIES

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Drainage	2,622	524	143	9	(524)	(93)	2,538	281
Roads	496	300	1,186	(379)	(687)	385	115	8,552
Open space	15,872	7,604	(10,636)	3,316	(2,912)	(3,056)	20,824	(7,654)
Community facilities	33	269	8,854	(2,474)	(159)	2,545	214	(1,779)
Other	175	1,203	453	(132)	(1,268)	219	197	600
Total contributions	19,198	9,900	-	340	(5,550)	-	23,888	-

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	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Drainage	-	26	-	-	(26)	-	-	-
Roads	-	144	-	-	(144)	-	-	-
Open space	-	88	-	-	(88)	-	-	-
Community facilities	-	53	-	-	(53)	-	-	-
Other	-	3	-	-	(3)	-	-	-
Total	-	314	-	-	(314)	-	-	-

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	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Drainage	-	498	-	-	(498)	-	-	1,098
Roads	-	60	-	-	(60)	-	-	(120)
Open space	-	318	-	-	(318)	-	-	(100)
Community facilities	-	32	-	-	(32)	-	-	(645)
Other	-	339	-	-	(339)	-	-	(233)
Total	-	1,247	-	-	(1,247)	-	-	-

Cultural Facilities

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Drainage	-	-	-	-	-	-	-	-
Roads	-	-	-	-	-	-	-	-
Open space	-	-	-	-	-	-	-	-
Community facilities	-	-	-	-	-	-	-	-
Other	-	711	-	-	(711)	-	-	-
Total	-	711	-	-	(711)	-	-	-

Erskine Business Park

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Drainage	2,541	-	-	46	-	(59)	2,528	(118)
Roads	469	-	-	2	(383)	-	88	-
Open space	-	-	-	-	-	-	-	-
Community facilities	-	-	-	-	-	-	-	-
Other	-	-	-	(2)	(57)	59	-	118
Total	3,010	-	-	46	(440)	-	2,616	-

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2016

Note 17—Statement of Developer Contributions (continued)

Erskine Park Residential

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Drainage	55	-	-	3	-	(48)	10	(1,121)
Roads	-	-	-	(48)	-	48	-	3,966
Open space	42	-	-	48	(1)	(72)	17	(2,882)
Community facilities	-	-	-	1	(70)	69	-	(22)
Other	-	-	-	(2)	(1)	3	-	59
Total	97	-	-	2	(72)	-	27	-

Footpath Construction

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Drainage	-	-	-	-	-	-	-	-
Roads	-	-	-	-	-	-	-	-
Open space	-	-	-	-	-	-	-	-
Community facilities	-	-	-	-	-	-	-	-
Other	21	2	-	-	(23)	-	-	-
Total	21	2	-	-	(23)	-	-	-

Glenmore Park

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Drainage	26	-	143	(40)	-	14	-	102
Roads	-	-	1,186	(331)	-	331	-	4,016
Open space	-	-	(10,636)	2,974	(26)	(2,948)	-	(3,997)
Community facilities	-	-	8,854	(2,476)	-	2,476	-	(584)
Other	-	-	453	(127)	-	127	-	463
Total	26	-	-	-	(26)	-	-	-

Glenmore Park Stage 2

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Drainage	-	-	-	-	-	-	-	-
Roads	-	-	-	-	-	-	-	-
Open space	-	7	-	-	(7)	-	-	-
Community facilities	-	4	-	-	(4)	-	-	-
Other	-	1	-	-	(1)	-	-	-
Total	-	12	-	-	(12)	-	-	-

Kingswood Neighbourhood Centre

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Drainage	-	-	-	-	-	-	-	-
Roads	-	-	-	-	-	-	-	-
Open space	-	-	-	-	-	-	-	-
Community facilities	-	-	-	-	-	-	-	-
Other	-	61	-	-	(38)	-	23	-
Total	-	61	-	-	(38)	-	23	-

Lambridge Estate

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Drainage	-	-	-	-	-	-	-	150
Roads	-	-	-	-	-	-	-	2
Open space	-	-	-	-	-	-	-	(152)
Community facilities	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2016

Note 17—Statement of Developer Contributions (continued)

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	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Drainage	-	-	-	-	-	-	-	-
Roads	-	-	-	-	-	-	-	-
Open space	-	-	-	-	-	-	-	-
Community facilities	-	-	-	-	-	-	-	-
Other	-	1	-	-	(1)	-	-	-
Total	-	1	-	-	(1)	-	-	-

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	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Drainage	-	-	-	-	-	-	-	170
Roads	-	-	-	-	-	-	-	335
Open space	-	-	-	-	-	-	-	-
Community facilities	-	-	-	-	-	-	-	(505)
Other	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-	-

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	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Drainage	-	-	-	-	-	-	-	-
Roads	-	-	-	-	-	-	-	11
Open space	-	-	-	-	-	-	-	-
Community facilities	-	-	-	-	-	-	-	(11)
Other	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-	-

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	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Drainage	-	-	-	-	-	-	-	-
Roads	-	-	-	-	-	-	-	-
Open space	13,941	4,666	-	260	(867)	-	18,000	(116)
Community facilities	-	-	-	-	-	-	-	-
Other	94	51	-	(1)	(33)	-	111	116
Total	14,035	4,717	-	259	(900)	-	18,111	-

Penrith City Local 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	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Drainage	-	-	-	-	-	-	-	-
Roads	-	-	-	-	-	-	-	-
Open space	968	1,080	-	19	(653)	-	1,414	(2)
Community facilities	-	-	-	-	-	-	-	-
Other	13	10	-	-	(5)	-	18	2
Total	981	1,090	-	19	(658)	-	1,432	-

Waterside

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Drainage	-	-	-	-	-	-	-	-
Roads	27	-	-	-	-	-	27	12
Open space	437	-	-	7	(108)	-	336	-
Community facilities	-	-	-	-	-	-	-	(12)
Other	47	-	-	1	(3)	-	45	-
Total	511	-	-	8	(111)	-	408	-

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2016

Note 17—Statement of Developer Contributions (continued)

Werrington Enterprise Living and Learning (WELL)

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Drainage	-	-	-	-	-	-	-	-
Roads	-	96	-	(2)	(100)	6	-	330
Open space	484	1,445	-	8	(844)	(36)	1,057	(405)
Community facilities	33	180	-	1	-	-	214	-
Other	-	24	-	(1)	(53)	30	-	75
Total	517	1,745	-	6	(997)	-	1,271	-

St Marys Town Centre

PURPOSE	Opening balance	Contributions received during the year		Interest earned in year	Expenditure during year	Internal borrowing (to)/from	Held as restricted asset	Cumulative internal borrowings due/(payable)
		Cash	Non-cash					
Drainage	-	-	-	-	-	-	-	-
Roads	-	-	-	-	-	-	-	-
Open space	-	-	-	-	-	-	-	-
Community facilities	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-
Total	-	-	-	-	-	-	-	-

\$ '000

Penrith City Council is committed to providing appropriate levels of infrastructure and will on occasion complete works intended by contribution plans ahead of receipts to facilitate development and/or provide essential works. In these instances these works are funded by borrowings against internal reserves. The reserve balances shown in Note 6 have taken these borrowings into account. The summary below illustrates the position of such plans and the contributions required to replace these internal borrowings.

Contribution Plan

	2016	2015
Civic Improvement Plan	(1,387)	(1,701)
Claremont Meadows	(65)	(919)
Cultural Facilities	(3,409)	(3,705)
Erskine Business Park	2,616	3,010
Erskine Park Residential	27	97
Footpath Construction	-	21
Glenmore Park	-	26
Glenmore Park Stage 2	(143)	(196)
Kingswood Neighbourhood Centre	23	(38)
Lambridge Estate	(2,822)	(2,458)
Library Facilities	-	-
Mt Vernon	-	-
North Cranebrook	-	-
Penrith City District Open Space	18,111	14,035
Penrith City Local Open Space	1,432	981
Waterside	408	511
Werrington Enterprise Living and Learning (WELL)	1,270	517
Borrowing from Internal Reserves to fund deficits	7,826	9,017
Total Contribution Plans	23,887	19,198

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2016

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 2015-16 was 1.9 times members' contributions (1.9 times in 2014-15) plus a basic benefit of 2.5% of the member's salary (2.5% in 2014-15). 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 2016 a deficit still exists. The last valuation of the Fund was performed by Mr Richard Boyfield, FIAA on 24 February 2016, relating to the period ending 30 June 2015.

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, however, the Trustees may also extend the timeframe for making additional contributions.

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 \$1.5m as at 30 June 2016. LGSS have advised a revised payment calculation for contributions to this scheme, which includes an additional flat rate of \$1.1m 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. 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

NOTES TO THE FINANCIAL STATEMENTS for the year ended 30 June 2016

Note 18—Contingencies (cont)

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.

Council has continued its lobbying on this and associated s94 planning issues since changes to the planning process and \$30,000 cap were announced. In 2015 we secured lobbying support for Council's position from WSROC and neighbouring councils in Blue Mountains, Liverpool and Wollondilly and MACROC is also preparing to examine the issue. This recognises the wide implications of the cap and transitional provisions for local government. In August 2015, WSROC representatives met with the Minister for Planning to outline Council's concerns and the implications. The Minister undertook to be mindful of these matters in any future review of this issue.

From February – April 2016, Council sought release of the DP&E draft local infrastructure guidelines through a GIPA freedom of information application, however access was denied by the DP&E as the report was considered to address a subject that was still under active consideration by the Department and that release may prejudice final determination of these issue by the Minister and DP&E.

In May 2016 DP&E senior staff advised at a "listening/consultation" forum on review of the planning system that review of infrastructure issues was still under consideration and any changes to be announced would be those that were evolutionary and non-controversial. Further announcements were not expected until late 2016 or early 2017. At this forum, Council staff continued to alert DP&E representatives to Council's concerns regarding:

- the need for reasonable baseline infrastructure standards for all councils which recognised the cost and scope of infrastructure for release areas and metro fringe councils
- the impact of the \$30,000 cap on residential contributions and infrastructure delivery and the need for its abandonment or at least indexation
- the need for councils to regain authority over their contributions planning process and scope of plans and works, and
- the need for greater clarity regarding the DP&E role in reviewing and authorising contributions plans.

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.

This matter was partially resolved during 2015-16, however further legal action is occurring. The outcome of this action will be reported in due course.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2016

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 and 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 council's (i) interest and (ii) control and the type (form) of entity/operation, as follows;

Joint ventures and associates

Note 19(b)

Joint ventures are operational arrangements where the parties that have joint control have rights to the net assets of the arrangement.

Associates are separate entities where Council has significant influence over the operations (but neither controls nor jointly controls them).

Accounting recognition:

- (i) Subsidiaries disclosed under Note 19(a) and joint 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) Joint ventures and associates as per Note 19(b) 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	Actual	Actual	Actual
	2016	2015	2016	2015
Joint ventures	325	635	6,070	5,745
Total	325	635	6,070	5,745

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2016

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

\$ '000

(b) Joint ventures and associates

Council has incorporated the following joint ventures and associates into its consolidated financial statements.

(a) Net carrying amounts – Council's share

Name of entity	Nature of relationship	Measurement method	2016	2015
Westpool	Joint venture	Equity	5,445	5,080
United Independent Pools (UIP)	Joint venture	Equity	625	665
Total carrying amounts – material joint ventures and associates			6,070	5,745

(b) Details

Name of entity	Principal activity	Place of business
Westpool	Insurance	Penrith
United Independent Pools (UIP)	Insurance	Penrith

(c) Relevant interests and fair values

Name of entity	Interest in outputs		Interest in ownership		Proportion of voting power	
	2016	2015	2016	2015	2016	2015
Westpool	17%	17%	17%	17%	10%	17%
United Independent Pools (UIP)	9%	9%	9%	9%	5%	9%

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2016

Note 20—Revaluation Reserves and Retained Earnings

\$ '000	Notes	Actual 2016	Actual 2015
(a) Retained earnings			
Movements in retained earnings were as follows:			
Balance at beginning of year (from previous years audited accounts)		2,004,516	1,943,103
Net operating result for the year		69,379	61,413
Balance at end of the reporting period		<u>2,073,895</u>	<u>2,004,516</u>
(b) Revaluation reserves			
(i) Reserves are represented by:			
– Infrastructure, property, plant and equipment revaluation reserve		1,425,960	872,481
Total		<u>1,425,960</u>	<u>872,481</u>
(ii) Reconciliation of movements in reserves:			
Infrastructure, property, plant and equipment revaluation reserve			
– Opening balance		872,481	667,874
– Revaluations for the year	9(a)	553,479	204,607
– Balance at end of year		<u>1,425,960</u>	<u>872,481</u>
TOTAL VALUE OF RESERVES		<u>1,425,960</u>	<u>872,481</u>

(iii) Nature and purpose of reserves

Infrastructure, property, plant and equipment revaluation reserve

– The infrastructure, property, plant and equipment revaluation reserve is used to record increments/decrements of non-current asset values due to their revaluation.

‘Available for sale’ financial investments revaluation reserve

– The ‘available for sale’ financial investments revaluation reserve is used to account for the fair value movements in all financial assets so classified that remain on hand at year end.

Upon sale, amounts in reserves are recognised in the Income Statement (in full) by way of transfer from the reserve.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2016

Note 23—Events Occurring After Reporting Date

Events that provide evidence of conditions that arose after the Reporting Period

These Financial Statements (and the figures therein) do not incorporate any "non-adjusting events" that have occurred after 30 June 2016 and which are only indicative of conditions that arose after 30 June 2016.

Council is assisting the Independent Commission Against Corruption (ICAC) with certain inquiries (Operation Scania). Council does not know if those inquiries will disclose matters that would otherwise have required disclosure in, or adjustments to, these Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2016

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 and 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 and recognised at fair values:

2016	Date of latest valuation	Fair value measurement hierarchy			Total
		Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Recurring fair value measurements					
Financial assets					
Investments					
– 'Held for trading'		–	–	1,761	1,761
Total financial assets		–	–	1,761	1,761
Investment properties					
Land and buildings		–	–	19,243	19,243
Total investment properties		–	–	19,243	19,243
Infrastructure, property, plant and equipment					
Plant and equipment		–	–	16,405	16,405
Office equipment		–	–	5,855	5,855
Furniture and fittings		–	–	1,752	1,752
Community land		–	–	195,179	195,179
Operating land		–	–	79,454	79,454
Land under roads		–	–	1,934,289	1,934,289
Land improvements		–	–	18,444	18,444
Buildings		–	–	212,899	212,899
Roads, bridges, footpaths		–	–	736,936	736,936
Stormwater drainage		–	–	255,216	255,216
Library books		–	–	1,860	1,860
Other		–	–	3,830	3,830
Total infrastructure, property, plant and equipment		–	–	3,462,120	3,462,120

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2016

Note 27—Fair Value Measurement (continued)

2015	Fair value measurement hierarchy			Total
	Level 1	Level 2	Level 3	
Recurring fair value measurements	Quoted prices in active mkts	Significant observable inputs	Significant unobservable inputs	
Financial assets				
Investments				
– ‘Available for sale’	–	–	1,839	1,839
Total financial assets	–	–	1,839	1,839
Investment properties				
Land and buildings	–	–	15,388	15,388
Total investment properties	–	–	15,388	15,388
Infrastructure, property, plant and equipment				
Plant and equipment	–	–	16,780	16,780
Office equipment	–	–	5,427	5,427
Furniture and fittings	–	–	1,622	1,622
Community land	–	–	181,379	181,379
Operating land	–	–	82,056	82,056
Land under roads	–	–	1,381,015	1,381,015
Land improvements	–	–	9,100	9,100
Buildings – specialised	–	–	126,328	126,328
Buildings – non-specialised	–	–	84,599	84,599
Roads, bridges, footpaths	–	–	725,023	725,023
Stormwater drainage	–	–	239,803	239,803
Library books	–	–	2,054	2,054
Other	–	–	2,528	2,528
Total infrastructure, property, plant and equipment	–	–	2,857,714	2,857,714

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2016

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	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	<ul style="list-style-type: none"> • Unit Price 	<ul style="list-style-type: none"> • Ranges between 69.5c and 78c per \$1.00 	Significant changes in the estimated unit price would result in significant changes to Fair Value measurement.

Investment Properties

Asset / Liability Category	Key Unobservable Inputs	Expected Range of Inputs	Description of how changes in inputs will affect Fair Value
Investment Properties	<ul style="list-style-type: none"> • Rental yield • External valuations • Valuation from Council's certified valuer. 	<ul style="list-style-type: none"> • Varies significantly from property to property 	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 2016

Note 27—Fair Value Measurement (continued)

Infrastructure, Property, Plant and Equipment (IPPE)

Asset / Liability Category	Key Unobservable Inputs	Expected Range of Inputs	Description of how changes in inputs will affect Fair Value
Plant & Equipment, Office Equipment, Furniture & Fittings	<ul style="list-style-type: none"> • Gross Replacement Cost • Remaining Useful Life • Residual Value 	<ul style="list-style-type: none"> • Varies significantly from asset to asset • 5 to 20 years • 0 – 30% 	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.
Operational Land	<ul style="list-style-type: none"> • Value is determined by increases in market values in the suburb where the land is located. 	<ul style="list-style-type: none"> • Varies significantly from asset to asset 	Changes in the median sale prices in the area where the land is located would directly affect the fair value measurements.
Community Land	<ul style="list-style-type: none"> • Value is provided by the Valuer General based on the changes in market values in the suburb where the land is located. 	<ul style="list-style-type: none"> • Varies significantly from asset to asset 	Changes in the median sale prices in the area which the land is located would directly affect the fair value measurements.
Land Under Roads	<ul style="list-style-type: none"> • Price per square metre 	<ul style="list-style-type: none"> • \$44.94 per square metre 	Significant changes in the price per square metre would result in significant changes to fair value measurement.
Land Improvements – Depreciable	<ul style="list-style-type: none"> • Gross Replacement Cost • Asset Condition • Remaining useful life • Residual value 	<ul style="list-style-type: none"> • Varies significantly from asset to asset • Very poor to excellent • 0 – 100 years 	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.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2016

Note 27—Fair Value Measurement (continued)

Asset / Liability Category	Key Unobservable Inputs	Expected Range of Inputs	Description of how changes in inputs will affect Fair Value
Buildings	<ul style="list-style-type: none"> • Gross Replacement Cost • Asset Condition • Remaining useful life • Residual value 	<ul style="list-style-type: none"> • Varies significantly from asset to asset • Very poor to excellent • 0 – 100 years 	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.
Roads	<ul style="list-style-type: none"> • Gross Replacement Cost • Asset Condition • Remaining useful life • Residual value 	<ul style="list-style-type: none"> • Varies significantly from asset to asset • Poor to excellent • 0 – 100 years • 0% - 100% 	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.
Stormwater Drainage	<ul style="list-style-type: none"> • Gross Replacement Cost • Asset condition • Remaining useful life • Residual value 	<ul style="list-style-type: none"> • Varies significantly from asset to asset • Very poor to very excellent • 0 – 100 years • 0% - 50% 	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.
Library Books	<ul style="list-style-type: none"> • Gross Replacement Cost • Asset Condition • Remaining Useful Life • Residual Value 	<ul style="list-style-type: none"> • Varies significantly from asset to asset • Very poor to excellent • 0 – 7 years • 0% 	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.

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2016

Note 27—Fair Value Measurement (continued)

5. Highest and best use

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



PENRITH CITY COUNCIL

GENERAL PURPOSE FINANCIAL STATEMENTS

INDEPENDENT AUDITORS' REPORT

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 2016, 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. 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

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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:
 - (iii) have been presented in accordance with the requirements of this Division;
 - (iv) are consistent with the Council's accounting records;
 - (v) present fairly the Council's financial position, the results of its operations and its cash flows; and
 - (vi) 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

GARY MOTTAU

Partner

Dated at Sydney this 6th day of September 2016

6 September 2016

The Mayor
Penrith City Council
PO Box 60
PENRITH NSW 2751

Mayor,

Audit Report - Year Ended 30 June 2016

We are pleased to advise completion of the audit of Council's books and records for the year ended 30 June 2016 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;

1. RESULTS FOR THE YEAR

1.1 Operating Result

The operating result for the year was a surplus of \$69.379 million as compared with \$61.413 million in the previous year.

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

	2016	% of Total	2015	% of Total	Increase (Decrease)
	\$'000		\$'000		\$'000
Revenues before capital items					
Rates & annual charges	125,319	58%	119,741	60%	5,578
User charges, fees & other revenues	57,372	27%	45,717	23%	11,655
Grants & contributions provided for operating purposes	28,470	13%	30,268	15%	(1,798)
Interest & investment revenue	3,127	1%	2,926	1%	201
	214,288	100%	198,652	100%	15,636
Expenses					
Employee benefits & costs	89,378	45%	83,430	45%	5,948
Materials, contracts & other expenses	83,392	42%	74,764	41%	8,628
Depreciation, amortisation & impairment	24,244	12%	21,915	12%	2,329
Borrowing costs	3,024	2%	3,710	2%	(686)
	200,038	100%	183,819	100%	16,219
Surplus (Deficit) before capital items	14,250		14,833		(583)
Grants & contributions provided for capital purposes	55,129		46,580		8,549
Net Surplus (Deficit) for the year	69,379		61,413		7,966
Performance Measures					
	2016		2015		
Operating Performance	1.40%		6.22%		
Own Source Operating Revenue	67.60%		68.32%		

The above table shows an overall increase of \$7.966 million over the previous year and is mainly attributable to increased developer contributions and dedications of \$8.719 million.

Operating Performance measures the ability to contain operating expenditure within operating revenue excluding capital amounts. For 2016, this indicator was 1.40% and exceeded the benchmark of 0%.

Own Source Operating Revenue measures the degree of reliance on external funding sources such as grants and contributions. For 2016, this indicator was 67.60% and exceeded the benchmark of 60%.



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.

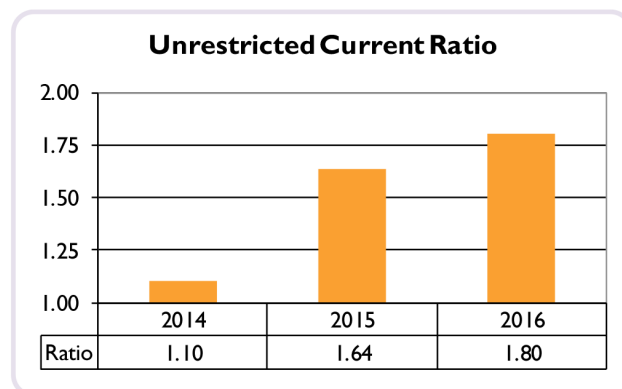
	2016	2015
	\$'000	\$'000
Funds were provided by:-		
Operating Result (as above)	69,379	61,413
Add back non funding items:-		
- Depreciation, amortisation & impairment	24,244	21,915
- Book value of non-current assets sold	5,341	8,830
- Fair value adjustment to interest free loan	130	276
- Non-cash contributions of assets acquired	(43,068)	(36,641)
- (Gain)/Loss of fair value to investment properties	(3,853)	(1,310)
- (Surplus)/Deficit in joint ventures	(325)	(635)
	<u>51,848</u>	<u>53,848</u>
New loan borrowings	7,925	10,663
Repayments from deferred debtors	9	3
Net Changes in current/non-current assets & liabilities	3,317	166
	<u>63,099</u>	<u>64,680</u>
Funds were applied to:-		
Purchase and construction of assets	(34,682)	(24,465)
Increase/Purchase in non-current investments	(3,000)	(6,000)
Principal repaid on loans	(11,449)	(10,591)
Transfers to externally restricted assets (net)	(1,118)	(7,790)
Transfers to internal reserves (net)	(11,603)	(14,819)
Advances to deferred debtors	(141)	(12)
	<u>(61,993)</u>	<u>(63,677)</u>
Increase/(Decrease) in Available Working Capital	1,106	1,003

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 \$26.862 million representing a factor of 1.80 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 \$4.783 million as detailed below;

	2016	2015	Change
	\$'000	\$'000	\$'000
Net Current Assets (Working Capital) as per Accounts	40,090	29,389	10,701
Add: Payables & provisions not expected to be realised in the next 12 months included above	25,356	25,491	(135)
Adjusted Net Current Assets	65,446	54,880	10,566
Add: Budgeted & expected to pay in the next 12 months			
- Borrowings	11,293	11,066	227
- Employees leave entitlements	7,630	6,150	1,480
- Deposits & retention moneys	2,176	624	1,552
- Deferred debtors	(1)	(3)	2
Less: Externally restricted assets	(38,584)	(37,466)	(1,118)
Less: Internally restricted assets	(43,177)	(31,574)	(11,603)
Available Working Capital as at 30 June	4,783	3,677	1,106

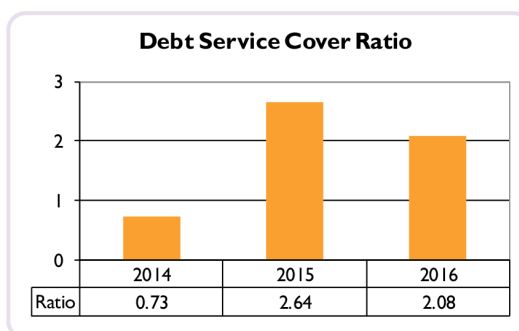
The balance of Available Working Capital should be at a level to manage Council's day to day operations including the financing of hard core debtors, stores and to provide a buffer against unforeseen and unbudgeted expenditures. Although an improvement over last year's balance, an optimal Available Working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

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 \$14.473 million and taking up new borrowings of \$7.925 million, total debt as at 30 June 2016 stood at \$64.394 million (2015 - \$67.788 million).

The debt service cover ratio measures the availability of operating cash to service debt repayments. For 2016, the ratio indicated that operating results before capital, interest and depreciation covered payments required to service debt by a factor of 2.08 to 1 compared to the benchmark of 2.



2.4 Summary

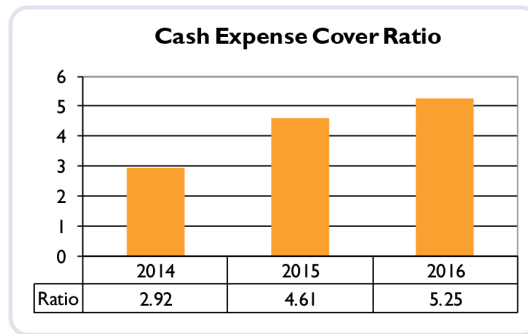
Council's overall financial position, when taking into account the above financial indicators was, in our opinion, satisfactory and we recommend that surplus budgets be developed in the short term to build up the level of Available Working Capital in order to provide a buffer for any unplanned and unbudgeted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

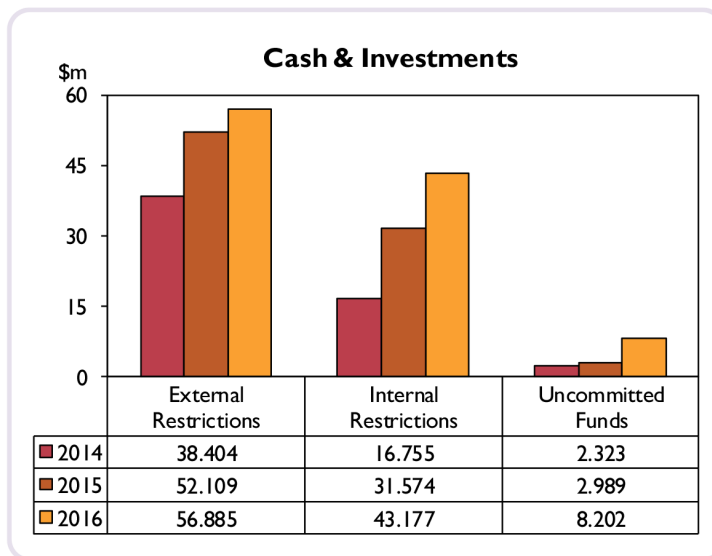
For 2016, this ratio stood at 5.25 months compared to the benchmark of 3.



3.2 Cash & Investment Securities

Cash and investments amounted \$108.264 million at 30 June 2016 as compared with \$86.672 million in 2015 and \$57.482 million in 2014.

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 (\$13.341 million), development contributions under Section 94 (\$23.888 million), domestic waste management charges (\$9.150 million) and specific purpose grants (\$2.569 million) and contributions (\$7.937 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 \$43.177 million and their purposes are more fully disclosed in Notes 6 of the financial statements.

Unrestricted cash and investments amounted to \$8.202 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 decreased by \$31.215 million to \$18.903 million at the close of the year.

In addition to operating activities which contributed net cash of \$47.349 million were the proceeds from the sale of investment securities (\$212.199 million), new loans (\$7.925 million), sale of assets (\$12.552 million) and receipts from deferred debtors (\$8,000). Cash outflows other than operating activities were used to purchase investment securities (\$264.976 million), repay loans and advances (\$11.449 million), make advances to deferred debtors (\$141,000) and to purchase and construct assets (\$34.682 million).

4. RECEIVABLES

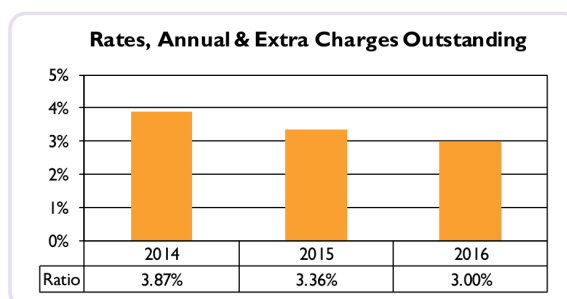
4.1 Rates & Annual Charges (excluding interest & extra charges)

Net rates and annual charges levied during the year totalled \$125.319 million and represented 47% of Council's total revenues.

Including arrears, the total rates and annual charges collectible was \$128.321 million of which \$124.974 million (97%) was collected.

4.2 Rates, Annual & Extra Charges

Arrears of rates, annual and extra charges stood at \$3.904 million at the end of the year and represented 3% of those receivables.



4.3 Other Receivables

Receivables (other than rates & annual charges) totalled \$4.968 million and consisted mainly of government grants and subsidies (\$1.01 million) and user charges and fees (\$1.628 million). Those considered to be uncertain of collection have been provided for as doubtful debts and this provision amounted to \$104,000.

5. PAYABLES

5.1 Employees Leave Entitlements

Council's provision for its liability toward employees leave entitlements and associated on costs amounted to \$29.831 million. Internally restricted cash and investments of \$4.704 million was held representing 16% of this liability and was, in our opinion, sufficient to meet unbudgeted and unanticipated retirements.

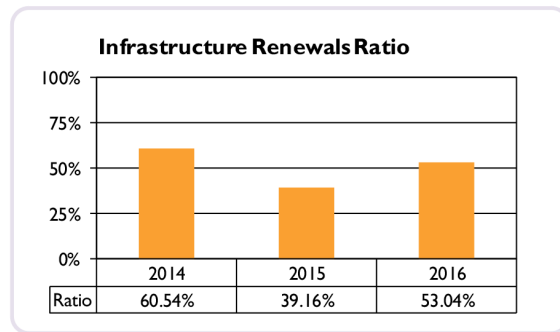
5.2 Deposits, Retentions & Bonds

Deposits, retentions and bonds held at year end amounted to \$6.072 million and were 77.5% funded by internally restricted cash and investments.

6. INFRASTRUCTURE RENEWALS

The 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 2016 represented 53% of the depreciation charges for these assets. An industry benchmark is considered to be 100%, measured annually over the long term.



7. REVALUATION OF ASSETS

Council's infrastructure, property, plant and equipment are required to be carried at fair value with revaluations of each asset class to be performed at least every five years.

During the year, community land and land under roads were revalued. This resulted in a net increase of \$553.479 million that was credited directly to Equity. Notes 1.9 and 9 of the financial statements provide further details.

8. MANAGEMENT LETTER

An audit management letter addressing the findings from our interim audit was issued on 4 May 2016. This included our suggestions on possible ways to strengthen and/or improve procedures, management's comments and their proposed actions.

9. 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

GARY MOTTAU
Partner

Penrith City Council

Special Purpose Financial Statements
for the year ended 30 June 2016

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:

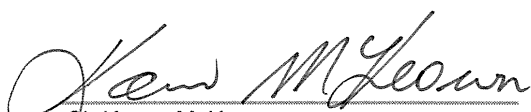
- the NSW Government Policy Statement 'Application of National Competition Policy to Local Government'
- the Division of Local Government Guidelines 'Pricing and Costing for Council Businesses – A Guide to Competitive Neutrality'
- the Local Government Code of Accounting Practice and Financial Reporting, and
- the NSW Office of Water Best-Practice Management of Water and Sewerage Guidelines.

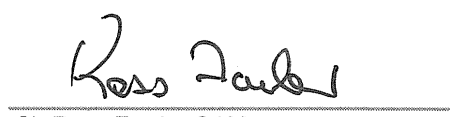
To the best of our knowledge and belief, these financial statements:

- 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.

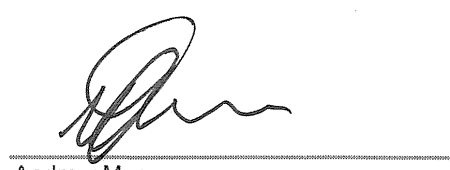
We are not aware of any matter that would render these statements false or misleading in any way.

Signed in accordance with a resolution of Council made on 5 September 2016.


 Cllr Karen McKeown
 Mayor


 Cllr Ross Fowler OAM
 Councillor


 Alan Stoneham
 General Manager


 Andrew Moore
 Responsible Accounting Officer

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2016

Income Statement by Business Activities

\$ '000	Childcare		Council pools	
	Category 1		Category 1	
	Actual 2016	Actual 2015	Actual 2016	Actual 2015
Income from continuing operations				
User charges	9,276	8,633	3,942	3,551
Interest	–	–	9	7
Grants and contributions provided for non-capital purposes	10,811	9,926	–	–
Other income	95	101	–	–
Total income from continuing operations	20,182	18,660	3,952	3,558
Expenses from continuing operations				
Employee benefits and on-costs	16,813	15,868	3,768	3,526
Materials and contracts	808	763	717	651
Depreciation and impairment	–	–	93	103
Calculated taxation equivalents	917	919	48	45
Debt guarantee fee (if applicable)	499	752	406	619
Other expenses	1,095	1,029	559	633
Total expenses from continuing operations	20,132	19,331	5,591	5,577
Surplus (deficit) from continuing operations before capital amounts	50	(671)	(1,639)	(2,019)
Grants and contributions provided for capital purposes	–	–	–	–
Surplus (deficit) from continuing operations after capital amounts	50	(671)	(1,639)	(2,019)
Surplus (deficit) from all operations before tax	50	(671)	(1,639)	(2,019)
Less: corporate taxation equivalent (30%) [based on result before capital]	(15)	–	–	–
SURPLUS (DEFICIT) AFTER TAX	35	(671)	(1,639)	(2,019)
Plus opening retained profits	960	(205)	(15,204)	(15,277)
Plus adjustments for amounts unpaid:				
– Taxation equivalent payments	917	919	48	45
– Debt guarantee fees	499	752	406	619
– Corporate taxation equivalent	15	–	–	–
Add:				
– Subsidy paid/contribution to operations	120	165	1,012	1,428
Closing retained profits	2,546	960	(15,377)	(15,204)
Return on capital %	n/a	n/a	-1043.0%	-855.5%
Subsidy from Council	–	671	1,642	2,026

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2016

Income Statement by Business Activities (continued)

\$ '000	Property Development		Whitewater	
	Category 1		Category 1	
	Actual 2016	Actual 2015	Actual 2016	Actual 2015
Income from continuing operations				
User charges	3,175	3,431	1,581	1,342
Interest	278	98	4	4
Profit from the sale of assets	7,764	578	–	–
Total income from continuing operations	11,217	4,107	1,585	1,346
Expenses from continuing operations				
Employee benefits and on-costs	791	757	778	754
Borrowing costs	–	39	34	45
Materials and contracts	1,149	1,454	107	310
Depreciation and impairment	881	1,500	111	117
Calculated taxation equivalents	620	676	2	–
Debt guarantee fee (if applicable)	–	9	23	34
Other expenses	478	411	410	349
Total expenses from continuing operations	3,919	4,846	1,465	1,609
Surplus (deficit) from continuing operations before capital amounts	7,299	(739)	120	(263)
Grants and contributions provided for capital purposes	–	–	–	–
Surplus (deficit) from continuing operations after capital amounts	7,299	(739)	120	(263)
Surplus (deficit) from all operations before tax	7,299	(739)	120	(263)
Less: corporate taxation equivalent (30%) [based on result before capital]	(2,190)	–	(36)	–
SURPLUS (DEFICIT) AFTER TAX	5,109	(739)	84	(263)
Plus opening retained profits	28,056	30,263	(24)	205
Plus adjustments for amounts unpaid:				
– Taxation equivalent payments	620	676	2	–
– Debt guarantee fees	–	9	23	34
– Corporate taxation equivalent	2,190	–	36	–
Less:				
– Dividend paid	(2,660)	(2,153)	–	–
Closing retained profits	33,315	28,056	121	(24)
Return on capital %	16.3%	-1.5%	14.9%	-19.4%
Subsidy from Council	–	2,121	–	252

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2016

Income Statement by Business Activities (continued)

\$ '000	Penrith Performing and Visual Arts Ltd		Cemeteries	
	Category 1		Category 2	
	Actual 2016	Actual 2015	Actual 2016	Actual 2015
Income from continuing operations				
User charges	1,369	1,378	910	948
Interest	23	29	–	–
Grants and contributions provided for non-capital purposes	2,166	1,992	–	–
Other income	–	47	–	–
Total income from continuing operations	3,558	3,446	910	948
Expenses from continuing operations				
Employee benefits and on-costs	2,102	1,911	298	275
Materials and contracts	962	999	388	322
Depreciation and impairment	51	38	9	11
Calculated taxation equivalents	41	41	–	–
Imputed rental	760	1,118	–	–
Other expenses	397	470	86	76
Total expenses from continuing operations	4,313	4,577	781	684
Surplus (deficit) from continuing operations before capital amounts	(755)	(1,131)	129	264
Grants and contributions provided for capital purposes	–	–	–	–
Surplus (deficit) from continuing operations after capital amounts	(755)	(1,131)	129	264
Surplus (deficit) from all operations before tax	(755)	(1,131)	129	264
Less: corporate taxation equivalent (30%) [based on result before capital]	–	–	(39)	(79)
SURPLUS (DEFICIT) AFTER TAX	(755)	(1,131)	90	185
Plus opening retained profits	(4,960)	(6,535)	(752)	(1,016)
Plus adjustments for amounts unpaid:				
– Taxation equivalent payments	41	41	–	–
– Corporate taxation equivalent	–	–	39	79
– Imputed rental	760	1,118	–	–
Add:				
– Subsidy paid/contribution to operations	1,585	1,547	–	–
Closing retained profits	(3,329)	(4,960)	(623)	(752)
Return on capital %	-127.7%	-206.0%	135.5%	121.1%
Subsidy from Council	768	1,148	–	–

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2016

Income Statement by Business Activities (continued)

\$ '000	Tennis courts		St Clair Recreation Centre	
	Category 2		Category 2	
	Actual 2016	Actual 2015	Actual 2016	Actual 2015
Income from continuing operations				
User charges	8	33	168	192
Interest	1	1	–	–
Other income	1	13	–	–
Total income from continuing operations	10	47	168	192
Expenses from continuing operations				
Employee benefits and on-costs	76	70	240	279
Materials and contracts	(12)	33	75	74
Depreciation and impairment	247	246	3	9
Imputed rental	–	–	27	37
Other expenses	32	56	24	72
Total expenses from continuing operations	343	405	369	473
Surplus (deficit) from continuing operations before capital amounts	(333)	(358)	(201)	(281)
Grants and contributions provided for capital purposes	–	–	–	–
Surplus (deficit) from continuing operations after capital amounts	(333)	(358)	(201)	(281)
Surplus (deficit) from all operations before tax	(333)	(358)	(201)	(281)
SURPLUS (DEFICIT) AFTER TAX	(333)	(358)	(201)	(281)
Plus opening retained profits	54	412	(4,754)	(4,473)
Plus adjustments for amounts unpaid:				
– Imputed rental	–	–	27	–
Closing retained profits	(279)	54	(4,928)	(4,754)
Return on capital %	-11.3%	-20.9%	-410.2%	-476.3%
Subsidy from Council	397	410	202	283

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2016

Income Statement by Business Activities (continued)

\$ '000	Halls		Contestable Services	
	Category 2		Category 2	
	Actual 2016	Actual 2015	Actual 2016	Actual 2015
Income from continuing operations				
User charges	161	149	600	591
Interest	2	2	–	–
Grants and contributions provided for non-capital purposes	–	5	–	–
Other income	679	650	–	–
Total income from continuing operations	842	806	600	591
Expenses from continuing operations				
Employee benefits and on-costs	683	682	223	261
Borrowing costs	8	12	–	–
Materials and contracts	539	579	2	2
Depreciation and impairment	1,180	1,193	–	–
Other expenses	248	336	91	122
Total expenses from continuing operations	2,658	2,802	316	385
Surplus (deficit) from continuing operations before capital amounts	(1,816)	(1,996)	284	206
Grants and contributions provided for capital purposes	–	–	–	–
Surplus (deficit) from continuing operations after capital amounts	(1,816)	(1,996)	284	206
Surplus (deficit) from all operations before tax	(1,816)	(1,996)	284	206
Less: corporate taxation equivalent (30%) [based on result before capital]	–	–	(85)	(62)
SURPLUS (DEFICIT) AFTER TAX	(1,816)	(1,996)	199	144
Plus opening retained profits	(1,962)	34	403	197
Plus adjustments for amounts unpaid:				
– Corporate taxation equivalent	–	–	85	62
Closing retained profits	(3,778)	(1,962)	687	403
Return on capital %	-5.3%	-5.7%	n/a	n/a
Subsidy from Council	2,550	3,043	–	–

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2016

Statement of Financial Position by Business Activities

\$ '000	Childcare		Council pools	
	Category 1		Category 1	
	Actual 2016	Actual 2015	Actual 2016	Actual 2015
ASSETS				
Current assets				
Cash and cash equivalents	–	–	92	127
Investments	944	956	–	–
Receivables	413	347	48	46
Inventories	–	–	18	27
Other	–	–	37	530
Total Current Assets	1,357	1,303	196	730
Non-current assets				
Infrastructure, property, plant and equipment	–	–	157	236
Other	1,817	256	–	–
Total non-current assets	1,817	256	157	236
TOTAL ASSETS	3,174	1,559	353	966
LIABILITIES				
Current liabilities				
Payables	628	599	405	408
Provisions	–	–	304	297
Total current liabilities	628	599	709	705
Non-current liabilities				
Other Liabilities	–	–	15,021	15,465
Total non-current liabilities	–	–	15,021	15,465
TOTAL LIABILITIES	628	599	15,730	16,170
NET ASSETS	2,546	960	(15,377)	(15,204)
EQUITY				
Retained earnings	2,546	960	(15,377)	(15,204)
Council equity interest	2,546	960	(15,377)	(15,204)
TOTAL EQUITY	2,546	960	(15,377)	(15,204)

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2016

Statement of Financial Position by Business Activities (continued)

\$ '000	Property Development		Whitewater	
	Category 1		Category 1	
	Actual 2016	Actual 2015	Actual 2016	Actual 2015
ASSETS				
Current assets				
Cash and cash equivalents	–	–	59	42
Investments	16,724	8,347	434	186
Receivables	–	–	22	9
Inventories	–	161	28	22
Other	10	6	(16)	(12)
Non-current assets classified as held for sale	924	763	–	–
Total Current Assets	17,658	9,277	527	247
Non-current assets				
Infrastructure, property, plant and equipment	44,742	47,049	1,034	1,123
Other	358	1,492	77	74
Total non-current assets	45,100	48,541	1,111	1,197
TOTAL ASSETS	62,758	57,818	1,638	1,444
LIABILITIES				
Current liabilities				
Payables	34	55	147	131
Borrowings	–	141	919	698
Provisions	(1)	–	250	251
Total current liabilities	33	196	1,316	1,080
Non-current liabilities				
Borrowings	–	156	201	388
Total non-current liabilities	–	156	201	388
TOTAL LIABILITIES	33	352	1,517	1,468
NET ASSETS	62,725	57,466	121	(24)
EQUITY				
Retained earnings	33,315	28,056	121	(24)
Revaluation reserves	29,410	29,410	–	–
Council equity interest	62,725	57,466	121	(24)
TOTAL EQUITY	62,725	57,466	121	(24)

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2016

Statement of Financial Position by Business Activities (continued)

\$ '000	Penrith Performing and Visual Arts Ltd		Cemeteries	
	Category 1		Category 2	
	Actual 2016	Actual 2015	Actual 2016	Actual 2015
ASSETS				
Current assets				
Cash and cash equivalents	149	97	–	–
Investments	1,049	899	750	676
Receivables	84	33	–	–
Inventories	10	16	–	–
Other	76	91	–	–
Total Current Assets	1,368	1,136	750	676
Non-current assets				
Infrastructure, property, plant and equipment	591	549	95	218
Total non-current assets	591	549	95	218
TOTAL ASSETS	1,959	1,685	845	894
LIABILITIES				
Current liabilities				
Payables	810	680	–	–
Provisions	126	136	2	3
Total current liabilities	936	816	2	3
Non-current liabilities				
Provisions	177	148	–	–
Other Liabilities	4,175	5,681	1,466	1,643
Total non-current liabilities	4,352	5,829	1,466	1,643
TOTAL LIABILITIES	5,288	6,645	1,468	1,646
NET ASSETS	(3,329)	(4,960)	(623)	(752)
EQUITY				
Retained earnings	(3,329)	(4,960)	(623)	(752)
Council equity interest	(3,329)	(4,960)	(623)	(752)
TOTAL EQUITY	(3,329)	(4,960)	(623)	(752)

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2016

Statement of Financial Position by Business Activities (continued)

\$ '000	Tennis courts		St Clair Recreation Centre	
	Category 2		Category 2	
	Actual 2016	Actual 2015	Actual 2016	Actual 2015
ASSETS				
Current assets				
Cash and cash equivalents	16	16	–	–
Receivables	7	7	–	–
Total Current Assets	23	23	–	–
Non-current assets				
Infrastructure, property, plant and equipment	2,944	1,712	49	59
Total non-current assets	2,944	1,712	49	59
TOTAL ASSETS	2,967	1,735	49	59
LIABILITIES				
Current liabilities				
Payables	(1)	–	–	70
Provisions	1	1	1	–
Total current liabilities	–	1	1	70
Non-current liabilities				
Other Liabilities	3,246	–	4,976	4,743
Total non-current liabilities	3,246	–	4,976	4,743
TOTAL LIABILITIES	3,246	1	4,977	4,813
NET ASSETS	(279)	1,734	(4,928)	(4,754)
EQUITY				
Retained earnings	(279)	54	(4,928)	(4,754)
Revaluation reserves	–	1,680	–	–
Council equity interest	(279)	1,734	(4,928)	(4,754)
TOTAL EQUITY	(279)	1,734	(4,928)	(4,754)

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2016

Statement of Financial Position by Business Activities (continued)

\$ '000	Halls		Contestable Services	
	Category 2		Category 2	
	Actual 2016	Actual 2015	Actual 2016	Actual 2015
ASSETS				
Current assets				
Cash and cash equivalents	202	198	–	–
Investments	51	65	–	–
Receivables	10	10	–	–
Total Current Assets	263	273	–	–
Non-current assets				
Infrastructure, property, plant and equipment	34,182	35,074	–	–
Other	–	–	688	405
Total non-current assets	34,182	35,074	688	405
TOTAL ASSETS	34,445	35,347	688	405
LIABILITIES				
Current liabilities				
Payables	37	40	1	1
Provisions	3	3	–	1
Total current liabilities	40	43	1	2
Non-current liabilities				
Other Liabilities	38,183	37,266	–	–
Total non-current liabilities	38,183	37,266	–	–
TOTAL LIABILITIES	38,223	37,309	1	2
NET ASSETS	(3,778)	(1,962)	687	403
EQUITY				
Retained earnings	(3,778)	(1,962)	687	403
Council equity interest	(3,778)	(1,962)	687	403
TOTAL EQUITY	(3,778)	(1,962)	687	403

NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2016

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 & 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 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, 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.

NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2016

Note 1—Significant Accounting Policies (continued)

Category 2

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

Cemeteries

Provides for burials and for interment 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

39 Halls may be hired and are managed under various structures. Catering services 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, with the exception of some figures disclosed in Note 2 (Water Supply Best Practice Management Disclosures) and Note 3 (Sewerage Best Practice Management Disclosures).

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

(i) Taxation Equivalent Charges

Council is liable to pay various taxes and financial duties in undertaking its business activities. Where 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 **\$482,000** of combined land values attracts **0%**. From \$482,001 to \$2,947,000 the rate is **1.6% + \$100**. For the remaining combined land value that exceeds \$2,947,000, 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 the "Council" as the owner of business operations, it represents an internal payment and has no effect on the operations of the council. Accordingly, there is no need for disclosure of internal charges in Council's General Purpose Financial Statements. The rate applied of 30% is the equivalent company tax rate prevalent as at balance date. No adjustments have been made for variations that have occurred during the year.

Local Government Rates & Charges

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

Loan & Debt Guarantee Fees

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

In order to calculate a debt guarantee fee, council has determined what the differential borrowing rate would have been between the commercial rate and the

NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2016

Note 1—Significant Accounting Policies (continued)

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 2.05% at 30 June 2016.

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

(iv) Dividends

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



PENRITH CITY COUNCIL

SPECIAL PURPOSE FINANCIAL STATEMENTS

INDEPENDENT AUDITORS' REPORT

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 2016, 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 Office 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. 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.

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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 Office of Local Government. As a result, the financial statements may not be suitable for another purpose.

HILL ROGERS**GARY MOTTAU**

Partner

Dated at Sydney this 6th day of September 2016

SPECIAL SCHEDULE NO. 1
for the year ended 30 June 2016

Net Cost of Services (\$'000)

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
Governance	6,181	9	–	(6,172)
Administration	30,320	51,967	28	21,675
Public order and safety				
Fire service levy, fire protection, emergency services	5,473	2,820	411	(2,242)
Beach control	–	–	–	–
Enforcement of local government regulations	2,903	2,481	–	(422)
Animal control	765	338	–	(427)
Other	716	14	–	(702)
Total public order and safety	9,857	5,653	411	(3,793)
Health	1,215	421	–	(794)
Environment				
Noxious plants and insect/vermin control	166	–	–	(166)
Other environmental protection	3,754	446	275	(3,033)
Solid waste management	26,382	1,999	–	(24,383)
Street cleaning	2,666	–	–	(2,666)
Drainage	–	–	–	–
Stormwater management	3,846	–	–	(3,846)
Total environment	36,814	2,445	275	(34,094)
Community services and education				
Administration and education	1,699	109	–	(1,590)
Social protection (welfare)	2,000	310	1,042	(648)
Aged persons and disabled	443	89	–	(354)
Children's services	22,508	22,020	–	(488)
Total community services and education	26,650	22,528	1,042	(3,080)
Housing and community amenities				
Public cemeteries	773	911	–	138
Public conveniences	1,045	–	–	(1,045)
Street lighting	3,363	–	–	(3,363)
Town planning	3,207	634	100	(2,473)
Other community amenities	–	–	–	–
Total housing and community amenities	8,388	1,545	100	(6,743)
Water supplies	–	–	–	–
Sewerage services	–	–	–	–

SPECIAL SCHEDULE NO. 1
for the year ended 30 June 2016

Net Cost of Services (\$'000) continued

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
Recreation and culture				
Public libraries	7,034	460	1	(6,573)
Museums	20	–	–	(20)
Art galleries	22	–	–	(22)
Community centres and halls	1,489	839	–	(650)
Performing arts venues	–	–	–	–
Other performing arts	–	–	–	–
Other cultural services	4,034	1,968	–	(2,066)
Sporting grounds and venues	3,527	31	–	(3,496)
Swimming pools	5,172	3,942	–	(1,230)
Parks and gardens (lakes)	9,368	11	19,980	10,623
Other sport and recreation	2,965	2,008	942	(15)
Total recreation and culture	33,631	9,259	20,923	(3,449)
Fuel and energy	–	–	–	–
Agriculture	–	–	–	–
Mining, manufacturing and construction				
Building control	8,218	4,925	–	(3,293)
Other mining, manufacturing and construction	–	–	–	–
Total mining, manufacturing and const.	8,218	4,925	–	(3,293)
Transport and communication				
Urban roads (UR) – local	27,079	2,306	1,129	(23,644)
Urban roads – regional	1,383	212	53	(1,118)
Sealed rural roads (SRR) – local	2,767	424	105	(2,238)
Sealed rural roads (SRR) – regional	346	53	13	(280)
Unsealed rural roads (URR) – local	346	53	13	(280)
Unsealed rural roads (URR) – regional	–	–	–	–
Bridges on UR – local	–	–	–	–
Bridges on SRR – local	–	–	–	–
Bridges on URR – local	–	–	–	–
Bridges on regional roads	–	–	–	–
Parking areas	47	–	–	(47)
Footpaths	517	–	–	(517)
Aerodromes	–	–	–	–
Other transport and communication	1,746	63	31,037	29,354
Total transport and communication	34,231	3,111	32,350	1,230
Economic affairs				
Camping areas and caravan parks	–	–	–	–
Other economic affairs	4,533	263	–	(4,270)
Total economic affairs	4,533	263	–	(4,270)
Totals – functions	200,038	102,126	55,129	(42,783)
General purpose revenues ⁽¹⁾		111,837		111,837
Share of interests – joint ventures and associates using the equity method	–	325		325
NET OPERATING RESULT ⁽²⁾	200,038	214,288	55,129	69,379

(2) As reported in the Income Statement

(1) Includes: rates and annual charges (including ex gratia, excluding water and sewer), non-capital general purpose grants, interest on investments (excluding externally restricted assets) and interest on overdue rates and annual charges

SPECIAL SCHEDULE NO. 2(a)
for the year ended 30 June 2016

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
Loans (by source)									
Financial institutions	11,350	52,755	7,925	11,349	-	-	2,894	11,524	49,157
Total loans	11,350	52,755	7,925	11,349	-	-	2,894	11,524	49,157
Other long term debt									
Interest-free government advances	100	3,967	-	100	-	-	-	100	3,867
Total long term debt	100	3,967	-	100	-	-	-	100	3,867
Total debt	11,450	56,722	7,925	11,449	-	-	2,894	11,624	53,024
									64,648

Notes: excludes (i) internal loans and (ii) principal inflow/s/outflow/s relating to loan re-financing.
This schedule is prepared using the **face value** of debt obligations, rather than **fair value** (which are reported in the GPFS).

Report on Infrastructure Assets (\$'000)

Asset class	Asset category	Estimated cost to bring assets to satisfactory standard	Estimated cost to bring to the agreed level of service set by Council	2015/16 Required maintenance ^a	2015/16 Actual maintenance	Carrying value	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Buildings	Buildings	1,193	9,233	6,034	6,193	212,899	486,488	7%	64%	15%	13%	1%
	Sub-total	1,193	9,233	6,034	6,193	212,899	486,488	6.5%	63.5%	15.4%	13.3%	1.3%
Roads	Sealed roads	13,855	12,944	12,874	14,373	516,139	643,702	38%	22%	25%	14%	1%
	Unsealed roads	-	-	66	152	2,586	4,394	2%	20%	60%	10%	8%
	Bridges	-	-	321	165	19,194	32,095	46%	16%	15%	23%	0%
	Footpaths	887	894	956	1,112	49,503	95,610	19%	35%	43%	2%	1%
	Other road assets	-	-	1,105	1,402	152,800	274,002	12%	33%	41%	10%	4%
	Sub-total	14,742	13,838	15,322	17,204	740,223	1,049,803	29.6%	25.9%	30.7%	12.1%	1.8%
Stormwater drainage	Stormwater drainage	-	-	1,874	1,413	255,216	349,066	12%	33%	41%	10%	4%
	Sub-total	-	-	1,874	1,413	255,216	349,066	12.0%	33.0%	41.0%	10.0%	4.0%
	TOTAL – ALL ASSETS	15,935	23,071	23,230	24,810	1,208,338	1,885,357	20.4%	36.9%	28.6%	12.0%	2.1%

Notes:

a Required maintenance is the amount identified in Council's asset management plans.

Infrastructure asset condition assessment 'key'

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

SPECIAL SCHEDULE NO. 7
as at 30 June 2016

Report on Infrastructure Assets (continued)

\$ '000	Amounts 2016	Indicator 2016	Prior periods	
			2015	2014
Infrastructure asset performance indicators *				
consolidated				
1. Infrastructure renewals ratio				
Asset renewals ⁽¹⁾	<u>9,781</u>	53.04%	39.16%	60.54%
Depreciation, amortisation and impairment	<u>18,442</u>			
2. Infrastructure backlog ratio				
Estimated cost to bring assets to a satisfactory standard	<u>15,935</u>	1.32%	1.36%	4.40%
Carrying value of infrastructure assets	<u>1,205,051</u>			
3. Asset maintenance ratio				
Actual asset maintenance	<u>24,810</u>	1.07	1.14	1.19
Required asset maintenance	<u>23,230</u>			

Notes

* All asset performance indicators are calculated using the asset classes identified in the previous table.

⁽¹⁾ Asset renewals represent the replacement and/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.

SPECIAL SCHEDULE NO. 8
as at 30 June 2016

Permissible Income Calculation

\$'000		Calculation 2015/16	Calculation 2016/17
Notional general income calculation ⁽¹⁾			
Last year notional general income yield	a	94,823	98,200
Plus or minus adjustments ⁽²⁾	b	1,261	1,215
Notional general income	c = (a + b)	96,084	99,415
Permissible income calculation			
Special variation percentage ⁽³⁾	d	0.00%	9.09%
Or rate peg percentage	e	2.40%	1.80%
Or crown land adjustment (incl. rate peg percentage)	f	0.00%	0.00%
Less expiring special variation amount	g	–	(4,091)
Plus special variation amount	h = d x (c – g)	–	8,665
Or plus rate peg amount	i = c x e	2,306	–
Or plus Crown land adjustment and rate peg amount	j = c x f	–	–
Sub-total	k = (c + g + h + i + j)	98,390	103,989
Plus (or minus) last year's carry forward total	l	(0)	(0)
Less valuation objections claimed in the previous year	m	(276)	(86)
Sub-total	n = (l + m)	(276)	(86)
Total permissible income	o = k + n	98,114	103,903
Less notional general income yield	p	98,200	103,952
Catch-up or (excess) result	q = o – p	(86)	(49)
Plus income lost due to valuation objections claimed ⁽⁴⁾	r	86	50
Less unused catch-up ⁽⁵⁾	s	–	–
Carry forward to next year	t = q + r – s	(0)	1

Notes

- (1) The notional general income will not reconcile with rate income in the financial statements in the corresponding year. The statements are reported on an accrual accounting basis which include amounts that relate to prior years' rates income.
- (2) Adjustments account for changes in the number of assessments and any increase or decrease in land value occurring during the year. The adjustments are called 'supplementary valuations' as defined in the *Valuation of Land Act 1916*.
- (3) The 'special variation percentage' is inclusive of the rate peg percentage and where applicable Crown land adjustment.
- (4) Valuation objections are unexpected changes in land values as a result of land owners successfully objecting to the land value issued by the Valuer-General. Councils can claim the value of the income lost due to valuation objections in any single year.
- (5) Unused catch-up amounts will be deducted if they are not caught up within 2 years. Usually councils will have a nominal carry forward figure. These amounts can be adjusted for in setting the rates in a future year.
- (6) Carry forward amounts which are in excess (an amount that exceeds the permissible income) require ministerial approval by order published in the *NSW Government Gazette* in accordance with section 512 of the *Local Government Act 1993*. The OLG will extract these amounts from Council's Special Schedule 8 in the financial data return (FDR) to administer this process.



PENRITH CITY COUNCIL

SPECIAL SCHEDULE NO. 8

INDEPENDENT AUDITORS' REPORT

REPORT ON SPECIAL SCHEDULE NO. 8

We have audited the accompanying special purpose financial statement comprising the reconciliation of total permissible general income (Special Schedule No. 8) of Penrith City Council for the year ending 30 June 2017.

Responsibility of Council for Special Schedule No. 8

The Council is responsible for the preparation and fair presentation of Special Schedule No. 8 in accordance with the Local Government Code of Accounting Practice and Financial Reporting Update No. 24. 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. 8 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. 8 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. 8 is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in Special Schedule No. 8. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of Special Schedule No. 8, 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. 8.

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.

In making our risk assessments, we consider internal controls relevant to the entity's preparation of Special Schedule No. 8 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.

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Independence

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

Audit Opinion

In our opinion, Special Schedule No. 8 of Penrith City Council for 2016/17 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**GARY MOTTAU**

Partner

Dated at Sydney this 6th day of September 2016



APPENDICES

APPENDIX 1—HISTORICAL FINANCIAL DATA

Income Statement

	30 June 2016 \$'000	30 June 2015 \$'000	30 June 2014 \$'000	30 June 2013 \$'000	30 June 2012 \$'000
OPERATING REVENUES					
Rates and Annual Charges	125,319	119,741	112,142	104,564	98,524
User Charges and Fees	38,958	35,911	34,325	32,265	31,414
Investment Revenues	3,127	2,926	2,995	3,118	4,215
Grants and Contributions provided for Operating Purposes	28,470	30,268	21,966	24,341	36,484
Grants and Contributions provided for Capital Purposes	55,129	46,580	35,960	45,271	28,435
Profit from Disposal of Assets	7,211	587	-	-	-
Profit from Interests in Joint Ventures & Associates	325	635	1,155	727	333
Other Operating Revenues	10,878	8,584	6,258	6,877	8,862
Total Operating Revenues	269,417	245,232	214,801	217,163	208,267
OPERATING EXPENSES					
Employee Costs	89,378	83,430	81,474	76,933	75,899
Materials and Contracts	61,650	54,595	51,155	51,166	49,673
Borrowing Costs	3,024	3,710	3,826	3,995	4,064
Depreciation, Amortisation & Impairment	24,244	21,915	19,702	19,114	39,034
Loss from the Disposal of Assets	-	-	421	684	264
Other Operating Expenses	21,742	20,169	35,995	19,159	18,462
Total Operating Expenses	200,038	183,819	192,573	171,051	187,396
NET OPERATING RESULT	69,379	61,413	22,228	46,112	20,871
Net Operating Result before Capital Grants & Contributions	14,250	14,833	(13,732)	841	(7,564)
CHANGE IN NET ASSETS RESULTING FROM OPERATIONS	69,379	61,413	22,228	46,112	20,871

APPENDIX 1—HISTORICAL FINANCIAL DATA
Statement of Financial Position

	30 June 2016 \$'000	30 June 2015 \$'000	30 June 2014 \$'000	30 June 2013 \$'000	30 June 2012 \$'000
CURRENT ASSETS					
Cash & Cash Equivalents	18,903	50,118	42,768	41,880	45,453
Investments	71,861	22,054	6,214	24,966	16,784
Receivables	7,818	10,483	8,619	8,316	9,068
Inventories	874	1,206	1,206	2,353	2,357
Other	1,134	1,548	1,306	1,102	1,117
Non-current assets classified as "held for sale"	-	-	449	-	-
Total Current Assets	100,590	85,409	60,562	78,617	74,779
NON-CURRENT ASSETS					
Investments	17,500	14,500	8,500	3,000	8,894
Receivables	950	1,136	1,357	2,215	2,468
Infrastructure, Property, Plant & Equipment	3,469,844	2,868,202	2,626,627	2,590,652	2,508,126
Investments Accounted for using the Equity Method	6,070	5,745	5,110	3,955	3,228
Investment Property	19,243	15,388	20,218	20,719	20,550
Total Non-Current Assets	3,513,607	2,904,971	2,661,812	2,620,541	2,543,266
TOTAL ASSETS	3,614,197	2,990,380	2,722,374	2,699,158	2,618,045
CURRENT LIABILITIES					
Payables	20,117	17,185	15,126	15,890	14,439
Borrowings	11,293	11,066	9,675	8,853	8,413
Provisions	29,090	27,769	28,178	27,805	27,641
Total Current Liabilities	60,500	56,020	52,979	52,548	50,493
NON-CURRENT LIABILITIES					
Borrowings	53,101	56,722	57,765	57,233	59,849
Provisions	741	641	653	628	1,268
Total Non-Current Liabilities	53,842	57,363	58,418	57,861	61,117
TOTAL LIABILITIES	114,342	113,383	111,397	110,409	111,610
NET ASSETS	3,499,855	2,876,997	2,610,977	2,588,749	2,506,435
EQUITY					
Retained Earnings	2,073,895	2,004,516	1,943,103	1,920,875	1,874,763
Revaluation Reserves	1,425,960	872,481	667,874	667,874	631,672
TOTAL EQUITY	3,499,855	2,876,997	2,610,977	2,588,749	2,506,435

APPENDIX 2—RATES AND CHARGES

Comparative Rates Statistics

	2016	2015	2014	2013	2012
LEVIES ON PROPERTIES NOT SUBDIVIDED OR CHANGED TO/FROM BEING RATEABLE DURING YEAR					
Property Values					
General residential (\$'M)	13,031	13,278	12,681	12,495	12,289
Residential on minimum (\$'M)	2,356	1,942	2,299	2,269	1,863
General business (\$'M)	2,128	2,153	2,145	2,138	1,989
Business on minimum (\$'M)	80	77	77	76	74
Penrith CBD (\$'M)	316	313	311	321	312
Penrith CBD on minimum(\$'M)	9	9	9	9	9
St Marys Town Centre (\$'M)	65	65	68	67	62
St Marys Town Centre on minimum (\$'M)	2	2	2	2	2
General farmland (\$'M)	596	574	556	565	497
SUB-TOTAL	18,583	18,413	18,148	17,942	17,097
Property Numbers as at 30 June					
General residential	47,755	49,115	46,164	45,291	45,873
Residential on minimum	19,329	16,870	18,636	18,342	16,114
General business	1,696	1,686	1,650	1,660	1,643
Business on minimum	992	948	942	931	909
Penrith CBD	272	267	266	269	272
Penrith CBD on minimum	145	145	144	145	140
St Marys Town Centre	173	173	173	173	175
St Marys Town Centre on minimum	61	61	61	61	60
General farmland	403	389	379	379	370
Famland Minimum	28	8	8	8	8
SUB-TOTAL	70,854	69,662	68,423	67,259	65,564
Rate Levies per Property					
Residential (cents per \$ valuation)	0.4547	0.4452	0.4262	0.4090	0.4002
Residential minimum charge (\$)	864.20	843.95	809.95	772.15	755.60
Business (cents per \$ valuation)	0.7919	0.7761	0.7414	0.7115	0.6962
Business minimum charge (\$)	1,105.80	1,079.90	1,036.40	988.00	966.80
Farmland (cents per \$ valuation)	0.2274	0.2226	0.2131	0.2045	0.2001
Penrith CBD (cents per \$ valuation)	0.8810	0.8810	0.8484	0.8142	0.7967
Penrith CBD on minimum charge(\$)	1,105.80	1,079.90	1,036.40	988.00	966.80
St Marys Town Centre (cents per \$)	1.2180	1.1925	1.1442	1.0981	1.0745
St Marys Town Centre min. charge(\$)	1,105.80	1,079.90	1,036.40	988.00	966.80

APPENDIX 2—RATES AND CHARGES

Comparative Rates Statistics (continued)

	2016	2015	2014	2013	2012
Total Value of Rates Charged					
General residential (\$'000)	58,574	58,520	53,279	50,747	49,185
Residential on minimum (\$'000)	16,545	13,407	14,716	12,534	12,176
General business (\$'000)	16,671	15,988	15,532	14,760	13,850
Business on minimum (\$'000)	1,066	1,015	970	905	879
Penrith CBD (\$'000)	2,816	2,746	2,660	2,599	2,490
Penrith CBD on minimum (\$'000)	160	157	149	138	135
St Marys Town Centre (\$'000)	786	774	746	686	671
St Marys Town Centre on minimum(\$'000)	67	66	63	60	58
General Farmland (\$'000)	1,366	1,241	1,202	970	990
Farmland on minimum (\$'000)	8	8	6	6	6
Rates charged for part of year (\$'000)	904	1,742	1,022	834	1,685
Prior year adjustments (\$'000)	162	103	82	109	221
SUB-TOTAL	99,126	95,767	90,427	84,348	82,346
CONSOLIDATION ADJUSTMENTS					
Rates charged on Council owned properties (\$'000)	151	181	162	158	157
ANNUAL GARBAGE AND RECYCLING CHARGES (as at year end)					
Number of Services - The Sustainable Service	35,664	36,068	36,813	37,947	38,526
General charge (\$)	359	341	322	298	279
Number of services - The Reduced Organic	2,746	2,539	2,338	1,967	1,757
General charge (\$)	330	312	294	272	255
Number of Services - The Large	5,681	4,889	4,096	3,354	2,853
General charge (\$)	426	402	381	353	329
Number of Services - The Weekly 140L Red	6,927	6,718	6,395	5,984	5,329
General charge (\$)	499	464	432	393	364
Number of Services - Non-Urban and Multi-Unit	15,000	15,743	15,293	15,151	14,881
General charge (\$)	378	347	328	298	279
Number of Services - Vacant Land	1,832	1,900	1,829	1,747	1,346
General charge (\$)	51.0	39.6	38.1	34.8	30
Number of Services - Other	4,563	3,140	2,658	1,959	1,827
Total charged (\$'000)	27,191	24,854	22,816	20,235	18,755
EXTRA CHARGES					
Interest charges (\$'000)	291	311	349	454	477
Legal costs (\$'000)	287	302	437	432	395
PENSIONER DISCOUNTS					
Number of Pensioners	10,004	10,003	9,746	9,566	9,324
Discounts funded by Council (\$'000)	1,101	1,131	1,101	1,076	1,048
Discounts funded by State Govt.(\$'000)	1,346	1,382	1,346	1,316	1,282

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 2015-16 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):

	2016		2015		2014		2013		2012	
			\$	%	\$	%	\$	%	\$	%
Rates and Charges										
- General Purpose	96.8	45.2	93.7	47.3	88.1	49.5	82.8	48.4	79.7	44.4
- Specific Purpose (DWM)	28.5	13.3	26.1	13.2	24.1	13.6	21.7	12.7	18.9	10.5
User Charges and Fees	39.0	18.2	35.9	18.1	34.3	19.3	32.3	18.9	31.4	17.5
Interest	3.1	1.4	2.9	1.5	3.0	1.7	3.1	1.8	4.2	2.3
Grants (Operating)										
- General Purpose	11.9	5.6	12.3	6.2	5.8	3.3	9.6	5.6	15.1	8.4
- Specific Purpose (DWM)	13.5	6.3	14.4	7.3	13.5	7.6	11.7	6.8	18.2	10.1
Contributions	3.1	1.4	3.6	1.8	2.7	1.5	3.0	1.8	3.1	1.7
Profit on Sale of Assets	7.2	3.4	0.6	0.3	-	-	-	-	-	-
Other	10.9	5.1	8.6	4.3	6.3	3.5	6.9	4.0	8.9	5.0
Total Ordinary Revenue before Capital	214.0	100.0	198.1	100.0	177.8	100.0	171.1	100.0	179.5	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 76.7% of Council's revenue in 2015-16. 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 Variations approved for Council.

2. CASH / LIQUIDITY POSITION

	2016	2015	2014	2013	2012
Unrestricted Current Ratio	1.80	1.60	1.10	1.19	1.31
Available Cash Position					
- Available Cash Assets (\$'000)	51,379	34,563	19,078	22,760	22,818
- Unrestricted Cash Assets (\$'000)	8,202	2,989	2,323	4,200	4,287
Availability of Cash Assets as a % of Total Revenue					
- Available Cash Assets	23.98	17.40	10.67	13.24	12.69
- Unrestricted Cash Assets	3.83	1.50	1.30	2.44	2.38

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

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 1.80:1 achieves a rating of **Amber** and is higher than last year (1.60:1). 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 2.03:1 for 2015-16.

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.

	2016	2015	2014	2013	2012
Result from Ordinary Operations before Capital Grants and Contributions	14,250	14,833	(13,732)	841	(7,564)

Comment: This year's result is similar to the previous year. The 2014 result was impacted by the \$14.1m payment to the Department of Infrastructure and Planning as Council's share of the Lenore Drive project. There was also an improvement in revenue in 2016 that added to this result.

4. ASSET CONDITION MANAGEMENT

	2016	2015	2014	2013	2012
Asset Renewal	3.21	2.79	2.87	3.55	1.38
Maintenance / Maintenance Required	1.07	1.14	1.19	1.17	1.06
Asset Life Position	18.79%	22.01%	16.92%	17.18%	16.60%

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

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 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. Council's commitment to addressing our infrastructure backlog has seen increased funding for asset maintenance and renewal, and development of renewal programs for all key asset classes in recent years. The review of the LTFP and Resource Strategy during 2011-12 highlighted that while progress is being made in a number of asset classes, 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 Special Rate Variation approved during the year. 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.

APPENDIX 3

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

5. DEBT AND DEBTOR MANAGEMENT

	2016	2015	2014	2013	2012
Debt Service Ratio	7.32%	7.92%	7.92%	7.80%	7.40%
Outstanding Rates, Charges & Fees	4.61%	4.87%	5.57%	6.24%	5.70%
Other Debtors Outstanding	-35.27%	19.22%	23.01%	19.90%	18.59%

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**

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 reduced slightly over the prior year due to a higher level of revenue, and a decrease in the level of borrowings between the two years and scores a **Green** rating. The Outstanding Rates, Charges and Fees has decreased compared to 2014-15, and scores a **Amber** rating. Other Debtors Outstanding has decreased over 2014-15 and scores a **Green** rating due to an higher level of receipts than new invoices raised, indicating an improvement in the repayment of debts owed to Council.

6. REVOTES OF EXPENDITURE

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

	2016	2015	2014	2013	2012
Total Revotes of Expenditure compared to Total Annual Expenditure	4.66%	5.84%	5.60%	4.20%	6.12%

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

Comment: Revotes of Expenditure score a rating of **Amber** this year, and is an slight decrease over 2014-15. Significant revotes include amounts for the City Centre Improvements, Penrith CBD Drainage Upgrade Program, and the Safer Roads Program.

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?	
<ul style="list-style-type: none"> • Do you report monthly to management – within 5 days of month end? (online reporting is available at all times) 	Yes
<ul style="list-style-type: none"> • Do you report quarterly statutory – within 21 days of quarter end? (reporting is within statutory timeframes) 	No
<ul style="list-style-type: none"> • 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