

A scenic view of a bridge over a river. The bridge is a steel truss bridge with a central stone pier. The water is blue and calm, with many ducks swimming. In the foreground, there is a waterfall with white foam. The background shows green trees and hills under a clear blue sky.

PENRITH

FINANCIAL STATEMENTS

for the year ended 30 June 2017

PENRITH
CITY COUNCIL

penrithcity.nsw.gov.au

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PENRITH
CITY COUNCIL

pencit@penrith.city
www.penrithcity.nsw.gov.au
PO Box 60
PENRITH NSW 2751

Penrith City Council

General Purpose Financial Statements for the year ended 30 June 2017

Understanding Council's financial statements

Introduction

Each year, individual local governments across New South Wales are required to present a set of audited financial statements to their council and community.

What you will find in the statements

The financial statements set out the financial performance, financial position and cash flows of Council for the financial year ended 30 June 2017.

The format of the financial statements is standard across all NSW Councils and complies with both the accounting and reporting requirements of Australian Accounting Standards and requirements as set down by the Office of Local Government.

About the Councillor/Management Statement

The financial statements must be certified by senior staff as 'presenting fairly' the Council's financial results for the year and are required to be adopted by Council – ensuring both responsibility for and ownership of the financial statements.

About the primary financial statements

The financial statements incorporate five 'primary' financial statements:

1. The Income Statement

Summarises Council's financial performance for the year, listing all income and expenses.

This statement also displays Council's original adopted budget to provide a comparison between what was projected and what actually occurred.

2. The Statement of Comprehensive Income

Primarily records changes in the fair value of Council's Infrastructure, Property, Plant and Equipment.

3. The Statement of Financial Position

A 30 June snapshot of Council's financial position indicating its assets, liabilities and "net wealth".

4. The Statement of Changes in Equity

The overall change for the year (in dollars) of Council's "net wealth".

5. The Statement of Cash Flows

Indicates where Council's cash came from and where it was spent. This statement also displays Council's original adopted budget to provide a comparison between what was projected and what actually occurred.

About the Notes to the Financial Statements

The Notes to the Financial Statements provide greater detail and additional information on the five primary financial statements.

About the Auditor's Reports

Council's annual financial statements are required to be audited by the NSW Audit Office. In NSW the auditor provides 2 audit reports:

1. an opinion on whether the financial statements present fairly the Council's financial performance and position, and
2. their observations on the conduct of the audit, including commentary on the Council's financial performance and financial position.

Who uses the financial statements?

The financial statements are publicly available documents and must be presented at a Council meeting between seven days and five weeks after the date of the Audit Report.

The public can make submissions to Council up to seven days subsequent to the public presentation of the financial statements.

Council is required to forward an audited set of financial statements to the Office of Local Government.

Penrith City Council

General Purpose Financial Statements for the year ended 30 June 2017

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.

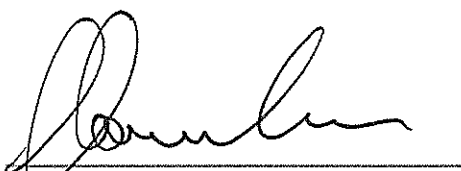
Signed in accordance with a resolution of Council made on 25 September 2017.



Clr John Thain
Mayor



Clr Tricia Hitchen
Deputy Mayor



Alan Stoneham
General Manager



Neil Farquharson
Acting Responsible Accounting Officer

Penrith City Council

Income Statement

for the year ended 30 June 2017

Budget ¹ 2017	\$ '000	Notes	Actual 2017	Actual 2016
Income from continuing operations				
Revenue:				
131,888	Rates and annual charges	3a	134,188	125,319
37,579	User charges and fees	3b	40,834	38,958
2,386	Interest and investment revenue	3c	3,437	3,127
4,614	Other revenues	3d	7,615	10,878
28,042	Grants and contributions provided for operating purposes	3e,f	37,233	28,470
31,503	Grants and contributions provided for capital purposes	3e,f	35,032	55,129
Other income:				
–	Net gains from the disposal of assets	5	–	7,211
50	Net share of interests in joint ventures and associates using the equity method	19	837	325
236,062	Total income from continuing operations		259,176	269,417
Expenses from continuing operations				
93,024	Employee benefits and on-costs	4a	89,267	89,378
2,768	Borrowing costs	4b	2,744	3,024
74,156	Materials and contracts	4c	64,299	61,650
23,175	Depreciation and amortisation	4d	26,198	24,244
15,391	Other expenses	4e	23,059	21,742
586	Net losses from the disposal of assets	5	1,547	–
209,100	Total expenses from continuing operations		207,114	200,038
26,962	Operating result from continuing operations		52,062	69,379
26,962	Net operating result for the year		52,062	69,379
(4,541)	Net operating result for the year before grants and contributions provided for capital purposes		17,030	14,250

¹ Original budget as approved by Council – refer Note 16

Penrith City Council

Statement of Comprehensive Income for the year ended 30 June 2017

\$ '000	Notes	Actual 2017	Actual 2016
Net operating result for the year (as per Income Statement)		52,062	69,379
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of I,PP&E	20b (ii)	(6,676)	55,533
Total items which will not be reclassified subsequently to the operating result		(6,676)	55,533
Total comprehensive income for the year		45,386	124,912

Penrith City Council

Statement of Financial Position

as at 30 June 2017

\$ '000	Notes	Actual 2017	Actual 2016	Actual 2015
ASSETS				
Current assets				
Cash and cash equivalents	6a	18,643	18,903	50,118
Investments	6b	93,091	71,861	22,054
Receivables	7	10,427	7,818	10,483
Inventories	8	700	874	1,206
Other	8	2,382	1,134	1,548
Total current assets		125,243	100,590	85,409
Non-current assets				
Investments	6b	25,000	17,500	14,500
Receivables	7	867	950	1,136
Infrastructure, property, plant and equipment	9	1,737,684	1,728,984	1,625,289
Investments accounted for using the equity method	19	6,907	6,070	5,745
Investment property	14	19,874	19,243	15,388
Total non-current assets		1,790,332	1,772,747	1,662,058
TOTAL ASSETS		1,915,575	1,873,337	1,747,467
LIABILITIES				
Current liabilities				
Payables	10	19,936	16,775	17,185
Income received in advance	10	3,269	3,341	–
Borrowings	10	11,758	11,293	11,066
Provisions	10	28,843	29,090	27,769
Total current liabilities		63,806	60,499	56,020
Non-current liabilities				
Payables	10	3,896	–	–
Borrowings	10	42,630	53,101	56,722
Provisions	10	861	741	641
Total non-current liabilities		47,387	53,842	57,363
TOTAL LIABILITIES		111,193	114,341	113,383
Net assets		1,804,382	1,758,996	1,634,084
EQUITY				
Retained earnings	20	1,130,037	1,077,975	1,008,596
Revaluation reserves	20	674,345	681,021	625,488
Council equity interest		1,804,382	1,758,996	1,634,084
Total equity		1,804,382	1,758,996	1,634,084

This Statement should be read in conjunction with the accompanying Notes.

Penrith City Council

Statement of Changes in Equity
for the year ended 30 June 2017

		2017					2016				
	Notes	Retained earnings	Asset revaluation reserve (Refer 20b)	Other reserves (Refer 20b)	Non-Council controlling interest	Total equity	Retained earnings	Asset revaluation reserve (Refer 20b)	Other reserves (Refer 20b)	Non-Council controlling interest	Total equity
\$ '000											
Opening balance (as per last year's audited accounts)		1,077,975	681,021	-	1,758,996	1,758,996	2,004,516	872,481	-	-	2,876,997
a. Correction of prior period errors	20 (c)	-	-	-	-	-	(995,920)	(246,993)	-	-	(1,242,913)
b. Changes in accounting policies (prior year effects)	20 (d)	-	-	-	-	-	-	-	-	-	-
Revised opening balance		1,077,975	681,021	-	1,758,996	1,758,996	1,008,596	625,488	-	1,634,084	1,634,084
c. Net operating result for the year		52,062			52,062	52,062	69,379	-	-	69,379	69,379
d. Other comprehensive income											
- Revaluations: IPP&E asset revaluation rsve	20b (ii)		(6,676)		(6,676)	(6,676)	-	55,533	-	55,533	55,533
Other comprehensive income		-	(6,676)	-	(6,676)	(6,676)	-	55,533	-	55,533	55,533
Total comprehensive income (c&d)		52,062	(6,676)	-	45,386	45,386	69,379	55,533	-	124,912	124,912
Equity – balance at end of the reporting period		1,130,037	674,345	-	1,804,382	1,804,382	1,077,975	681,021	-	1,758,996	1,758,996

This statement should be read in conjunction with the accompanying notes.

Penrith City Council

Statement of Cash Flows

for the year ended 30 June 2017

Budget 2017	\$ '000	Notes	Actual 2017	Actual 2016
Cash flows from operating activities				
Receipts:				
129,255			134,400	124,974
43,630			42,672	40,886
1,845			3,078	3,641
59,573			42,974	44,690
–			3,896	3,353
1,847			12,821	14,722
Payments:				
(95,074)			(89,398)	(88,127)
(75,231)			(68,317)	(67,791)
(3,209)			(2,744)	(2,894)
–			(1,967)	(1,777)
(17,880)			(25,124)	(24,328)
44,756		11b	52,291	47,349
Cash flows from investing activities				
Receipts:				
154,779			245,069	212,199
–			857	–
1,502			4,491	12,552
–			214	–
Payments:				
(128,128)			(273,936)	(264,976)
–			–	(2)
(70,400)			(19,240)	(34,680)
(42,247)			(42,545)	(74,907)
Cash flows from financing activities				
Receipts:				
3,972			1,625	7,925
5			–	8
Payments:				
(5,817)			(11,631)	(11,449)
–			–	(141)
(1,840)			(10,006)	(3,657)
669			(260)	(31,215)
18,903		11a	18,903	50,118
19,572		11a	18,643	18,903
Additional Information:				
		6b	118,091	89,361
			136,734	108,264

Penrith City Council

Notes to the Financial Statements

for the financial year ended 30 June 2017

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.

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.

1. BASIS OF PREPARATION

a. New and amended standards adopted by Council

During the current year, Council adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to its operations and effective for the current reporting period.

This included the application of AASB 124 Related Party Disclosures. As a result, Council has disclosed information about related parties and transactions with those related parties. This information is presented in Note 28.

The adoption of the new and revised Standards and Interpretations has not resulted in any material changes to Council's accounting policies, financial position, financial performance or cash flows.

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 2016.

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 (eg. 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. REVENUE RECOGNITION

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

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

Penrith City Council

Notes to the Financial Statements

for the financial year ended 30 June 2017

Note 1. Summary of Significant Accounting Policies (continued)

a. Rates, Annual Charges, Grants and Contributions

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

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

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

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

Where grants or contributions recognised as revenues during the financial year were obtained on condition that they be expended in a particular manner or used over a particular period and those conditions were undischarged at balance date, the unused grant or contribution is disclosed in Note 3(g). The note also discloses the amount of unused grant or contribution from prior years that was expended on Council's operations during the current year.

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

b. User Charges and Fees

User charges and fees are recognised as revenue when the service has been provided, the payment is received, or when the penalty has been applied, whichever first occurs.

A provision for doubtful debt is recognised when collection in full is no longer probable.

c. Sale of Plant, Property, Infrastructure and Equipment

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

d. Interest

Interest income is recognised using the effective interest rate at the date that interest is earned.

e. Rent

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

f. Other income

Other income is recorded when the payment is due, the value of the payment is notified, or the payment is received, whichever occurs first.

3. 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 2017. 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, 11 providing

Penrith City Council

Notes to the Financial Statements

for the financial year ended 30 June 2017

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 \$1.61m for Penrith Performing and Visual Arts, a loss of \$0.954m for the Penrith Aquatic and Leisure Limited and a loss of \$183,000 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. The Trust Fund

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

Trust monies and property held by Council but not subject to the control of Council have been excluded from these reports. A separate statement of monies held in the Trust Fund is available for inspection at the Council office by any person free of charge.

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.

2016-17

Committee	Operating Surplus / (Deficit) \$	Net Assets \$
Andromeda Community Centre	3,418	14,266
Arms of Australia Inn	189	3,065
Autumnleaf Neighbourhood Centre Inc.	1,653	(2,380)
Cook Parade Neighbourhood Centre	2,439	(3,515)
Coowarra Cottage	12,067	34,325
Emu Plains Tennis Complex	-	18,774
Jamison Park Netball Complex	(6,902)	719
Masters Hall- U3A	5,719	10,812
Nepean & Community Neighbourhood Services	428	3,438
North Penrith Community Centre	(1,005)	3,805
North St Marys Neighbourhood Centre	1,746	7,350
Penrith International Friendship Committee	(3,690)	11,834
Penrith Schools Boatshed Management Committee	108	9,609
Penrith Valley Senior Citizens Centre	5,184	68,545
Regentville Hall	291	60,877
The Community Connection	155	7,654
Youth Centre Cleaning	(3,564)	(17,996)
Total	18,236	231,182

Penrith City Council

Notes to the Financial Statements for the financial year ended 30 June 2017

Note 1. Summary of Significant Accounting Policies (continued)

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.

4. LEASES

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

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

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

5. IMPAIRMENT OF ASSETS

Intangible assets that have an indefinite useful life, or are not yet available for use, are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired.

Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

6. 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.

7. 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.

8. INVENTORIES

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

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. Costs of purchased inventory are determined after deducting rebates and discounts.

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.

Penrith City Council

Notes to the Financial Statements

for the financial year ended 30 June 2017

Note 1. Summary of Significant Accounting Policies (continued)

b. Inventory held for distribution

Inventory held for distribution is held at cost, adjusted where applicable for any loss of service potential.

c. Land held for resale/ capitalisation of borrowing costs

Land held for resale is stated at the lower of cost and net realisable value. Cost is assigned by specific identification and includes the cost of acquisition, and development and borrowing costs during development. When development is completed borrowing costs and other holding charges are expensed as incurred.

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

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

9. NON-CURRENT ASSETS (OR DISPOSAL GROUPS) HELD FOR SALE AND DISCONTINUED OPERATIONS

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use.

They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets; assets arising from employee benefits; financial assets; and investment properties that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write down of the asset (or disposal group) 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 (or disposal group) is recognised at the date of de-recognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and

other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

10. INVESTMENTS AND OTHER FINANCIAL ASSETS

Classification

Council classifies its financial assets 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, in the case of assets classified as held-to-maturity, re-evaluates this designation at each reporting date.

a. Financial Assets at Fair Value through Profit or Loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term. Assets in this category are classified as current assets.

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 are included in current assets, except for those with maturities greater than 12 months after the reporting date which that are classified as non-current assets.

Loans and receivables are included in other receivables (note 8) and receivables (note 7) in the Statement of Financial Position.

Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Receivables are generally due for settlement within 30 days.

Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

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. If

Penrith City Council

Notes to the Financial Statements for the financial year ended 30 June 2017

Note 1. Summary of Significant Accounting Policies (continued)

Council were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale.

Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the reporting date that are classified as current assets.

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 reporting date.

Investments are designated as available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long term.

Recognition and de-recognition

Regular purchases and sales of financial assets 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 carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expenses in the income statement.

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.

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in equity are included in the income statement as gains and losses from investment securities.

Subsequent measurement

Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method.

Changes in the fair value of other monetary and non-monetary securities classified as available-for-sale are recognised in equity.

Impairment

Council assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired.

A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the assets are impaired.

Assets carried at amortised cost

For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate.

The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Council may measure impairment on the basis of an instrument's fair value using an observable market price.

Collectability of receivables is reviewed on an on-going basis. Debts that are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of receivables) is used when there is objective evidence that Council will not be able to collect all amounts due according to the original terms of the receivables.

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows,

Penrith City Council

Notes to the Financial Statements for the financial year ended 30 June 2017

Note 1. Summary of Significant Accounting Policies (continued)

discounted at the original effective interest rate.

The amount of the impairment loss is recognised in the income statement within other expenses. When a receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the income statement.

Investment Policy

Council has an approved investment policy complying with Section 625 of the Local Government Act 1993 (NSW) and Clause 212 of the Local Government (General) Regulation 2005 (NSW).

Investments are placed and managed in accordance with that policy and having particular regard to authorised investments prescribed under the Ministerial Local Government Investment Order. Council maintains an investment policy that complies with the Act and ensures that it, or its representatives, exercise the care, diligence and skill that a prudent person would exercise in investing Council funds.

Council amended its policy following revisions to the Ministerial Local Government Investment Order (the order) arising from the Cole Inquiry recommendations. Certain investments the Council holds are no longer prescribed; however, they have been retained under grandfathering provisions of the Order. These will be disposed of when most financially advantageous to Council.

11. 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 reporting 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 reporting date. 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.

12. 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 (external 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

Non-specialised assets with short useful lives are measured at depreciated historical cost as an approximation of fair value. Council has assessed that any difference between fair value and depreciated historical cost is unlikely to be material.

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

Penrith City Council

Notes to the Financial Statements for the financial year ended 30 June 2017

Note 1. Summary of Significant Accounting Policies (continued)

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.

Depreciation

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

Buildings	20-100 years
Vehicles	5 years
Earthmoving Equipment	6-12 years
Office Equipment	3-10 years
Roads Structure	100 years
Bridges	100 years
Stormwater Pipes	200 years
Other Drainage Structures	100 years
Levee Banks	100 years

Detailed examination of the roads data held by Council's Asset Management department was again reviewed in 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 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 2016-17 with the revised depreciation amounts shown in Note 4.

The residual values now used for these classes of assets are:

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

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 given to the nature of the asset and its estimated service life.

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.

13. 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

Penrith City Council

Notes to the Financial Statements

for the financial year ended 30 June 2017

Note 1. Summary of Significant Accounting Policies (continued)

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. Changes in fair values are recorded in profit or loss as part of other income.

Properties that are under construction for future use as investment properties are regarded as investment properties. These are also carried at fair value unless the fair value cannot yet be reliably determined. Where that is the case, the property will be accounted for at a cost until either the fair value becomes reliably determinable or construction is complete.

14. PAYABLES

These amounts represent liabilities for goods and services provided to the Council prior to the end of financial year that are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

a. Goods and Services

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

b. Payments Received in Advance and Deposits

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

15. 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.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In the case, the fee is deferred until the draw down occurs. To the extent there is now evidence that is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and

amortised over the period of the facility to which it relates.

Borrowings are removed from the Statement of Financial Position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in other income or finance cost.

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 reporting date.

16. 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.

17. PROVISIONS

Provisions are recognised when Council has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated.

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.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

Penrith City Council

Notes to the Financial Statements for the financial year ended 30 June 2017

Note 1. Summary of Significant Accounting Policies (continued)

18. EMPLOYEE BENEFITS

a. Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be wholly 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 wholly 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 Council 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.

c. Retirement benefit obligations

All employees of the Council are entitled to benefits on retirement, disability or death. Council contributes to various defined benefit plans and defined contribution plans on behalf of its employees.

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.

Defined Benefit Plans

A liability or asset in respect of defined benefit superannuation plans would ordinarily be recognised in the Statement of Financial Position, and measured as the present value of the defined benefit obligation at the reporting date plus unrecognised actuarial gains (less unrecognised actuarial losses) less the fair value of the superannuation fund's assets at that date and any unrecognised past service cost.

The present value of the defined benefit obligation is based on expected future payments that arise from membership of the fund to the reporting date, calculated annually by independent actuaries using the projected unit credit method.

Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. However, when this information is not reliably available, Council accounts for its obligations to defined benefit plans on the same basis as its obligations to defined contribution plans, i.e. as an expense when it become payable.

Defined Contribution Plans

Contributions to defined contribution plans are recognised as an expense as they become payable. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

19. LAND UNDER ROADS (LUR)

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

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

Council has previously elected to recognise LUR acquired before 1 July 2008 in accordance with AASB 116—Property, Plant and Equipment, and AASB 1051—Land Under Roads. Circular 09-25 issued by the 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 is determined. This methodology has been determined and Council has recognised all acquired pre-1 July 2008 using the Valuer General's

Penrith City Council

Notes to the Financial Statements

for the financial year ended 30 June 2017

Note 1. Summary of Significant Accounting Policies (continued)

valuations at 30 June 2016 to determine a municipal rate.

Council has elected to discount its Land Under Roads using the Englobo Methodology commencing with the 2016-17 Financial Statements. Prior year's values have been restated to take into account the change. The total value of the adjustment is (\$1,741m). Council's total LUR is disclosed in Note 9.

20. SELF INSURANCE

Council has decided to self-insure for various risks, including public liability and professional indemnity.

A provision for self-insurance has been made to recognise outstanding claims, the amount of which is detailed in note 10. Council also maintains cash and investments to meet expected future claims; these are detailed in Note 6(c).

21. 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.

22. GOODS AND SERVICES TAX (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to the taxation authority is included with other receivables or payables in the Statement of Financial Position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which that are recoverable from, or payable to the taxation authority are presented as operating cash flows.

23. 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 2017.

Council has not adopted any of these standards early.

Applicable to Local Government with implications:

AASB 124 - Related Party Disclosures

From 1 July 2016, AASB 124 Related Party Disclosures will apply to Council.

This means that Council will be required to disclose information about related parties and Key Management Personnel transactions with those related parties.

Key Management Personnel include the Mayor, Councillors and certain Council staff. In addition, the close family members of those people and any organisations that they control or are associated with will be classified as related parties (and fall under the related party reporting requirements).

24. ROUNDING

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

Perinth City Council

Notes to the Financial Statements for the year ended 30 June 2017

Note 2(a). Council functions/activities – financial information

Functions/activities	Income, expenses and assets have been directly attributed to the following functions/activities. Details of these functions/activities are provided in Note 2(b).												
	Income from continuing operations			Expenses from continuing operations			Operating result from continuing operations			Grants included in income from continuing operations		Total assets held (current & non-current)	
	Original budget	Actual 2017	Actual 2016	Original budget	Actual 2017	Actual 2016	Original budget	Actual 2017	Actual 2016	Actual 2017	Actual 2016	Actual 2017	Actual 2016
	2017	2017	2016	2017	2017	2016	2017	2017	2016	2017	2016	2017	2016
Corporate governance	-	6	-	1,427	1,918	968	(1,427)	(1,912)	(968)	-	-	34	140
Building maintenance and construction	1	-	351	1,731	2,149	2,215	(1,730)	(2,149)	(1,864)	-	-	137,292	139,724
Bushland management	20	190	295	251	504	310	(231)	(314)	(15)	20	295	-	-
Business improvement	-	-	-	398	459	559	(398)	(459)	(559)	-	-	21	21
Cemeteries	804	1,090	911	651	849	774	153	241	137	-	-	-	-
Children's services	22,273	23,852	22,010	23,405	23,098	22,499	(1,132)	754	(489)	3,532	2,735	530	409
City parks	84	11,589	12,132	14,058	13,191	13,367	(13,974)	(1,602)	(1,235)	54	4	-	-
City partnerships	-	-	-	278	246	391	(278)	(246)	(391)	-	-	-	-
City planning	7,240	15,064	11,155	2,586	2,278	2,369	4,654	12,786	8,786	-	-	-	-
Civil construction and maintenance	24,944	15,462	35,371	32,801	36,165	34,908	(7,857)	(20,703)	463	3,151	2,049	543,893	999,132
Communications	-	-	-	777	976	824	(777)	(976)	(824)	-	-	-	-
Community and Cultural Development	434	453	499	2,330	2,418	3,411	(1,896)	(1,965)	(2,912)	406	243	3	-
Community Safety	521	838	530	4,207	3,860	4,079	(3,686)	(3,022)	(3,549)	550	530	-	-
Corporate Planning	-	-	-	540	452	688	(540)	(452)	(688)	-	-	15	15
Council and Corporate Support	7	-	6	4,347	3,828	4,317	(4,340)	(3,828)	(4,311)	-	-	2	66
Customer Service	-	1	3	1,542	1,841	1,393	(1,542)	(1,840)	(1,390)	-	-	5	-
Design and Project Management	5,200	2,493	631	6,856	4,201	2,032	(1,656)	(1,708)	(1,401)	138	631	1	2
Development Applications	1,950	2,744	2,616	4,762	4,966	5,299	(2,812)	(2,222)	(2,683)	19	7	-	-
Development Engineering	435	672	443	1,304	1,358	1,435	(869)	(686)	(992)	-	-	-	-
Emergency Services Management	2,947	2,534	3,146	5,031	5,139	5,388	(2,084)	(2,605)	(2,242)	2,294	3,086	-	250
Environmental Health	662	647	758	3,535	3,347	3,366	(2,873)	(2,700)	(2,608)	110	205	2	15
Financial Services	869	2,846	15,455	9,545	6,015	13,415	(8,676)	(3,169)	2,040	1,617	1,723	357,925	323,469
Fire Safety Certification and Compliance	1,867	1,990	2,109	2,553	2,216	2,326	(686)	(226)	(217)	-	-	-	-

Penrith City Council

Notes to the Financial Statements
for the year ended 30 June 2017

Note 2(a). Council functions/activities – financial information (continued)

Floodplain and Stormwater Management	200	270	237	1,117	1,322	1,292	(917)	(1,052)	(1,055)	216	212	-	-
Information Technology	-	50	38	1,733	2,509	2,156	(1,733)	(2,459)	(2,118)	-	28	6,277	6,176
Legal Services	7	31	8	114	237	113	(107)	(206)	(105)	-	-	-	3
Libraries	779	821	819	7,739	6,938	7,034	(6,960)	(6,117)	(6,215)	583	574	1,806	2,041
Mapping Information/GIS	4	3	3	603	594	566	(599)	(591)	(563)	-	-	73	73
Marketing	27	127	131	2,039	2,064	2,194	(2,012)	(1,937)	(2,063)	-	-	42	11
Neighbourhood Facilities Management	760	973	841	1,514	1,528	1,489	(754)	(555)	(648)	-	-	291	264
Penrith Performing and Visual Arts	2,042	2,021	1,972	3,697	3,655	3,534	(1,655)	(1,634)	(1,562)	574	581	42	42
Penrith Whitewater Stadium	1,644	1,213	1,585	1,480	1,374	1,406	164	(161)	179	-	-	67	67
Place Management	726	785	672	1,920	1,937	1,752	(1,194)	(1,152)	(1,080)	95	10	-	73
Plant Maintenance	107	100	146	152	(118)	578	(45)	218	(432)	-	-	10,305	10,623
Property Development and Management	3,008	3,637	3,454	3,017	4,679	(4,720)	(9)	(1,042)	8,174	-	-	829,080	363,028
Public Domain Maintenance	73	134	78	10,686	10,454	10,179	(10,613)	(10,320)	(10,101)	-	-	16,711	16,714
Purchasing and Supply	-	-	1	740	731	747	(740)	(731)	(746)	-	-	610	672
Recn and Leisure Facilities Management	500	1,521	1,389	2,065	1,884	1,794	(1,565)	(363)	(405)	70	240	2,762	3,451
Records Management	13	12	18	3	(233)	37	10	245	(19)	-	-	-	-
Regional Planning and Advocacy	262	161	55	1,325	1,541	1,138	(1,063)	(1,380)	(1,083)	-	-	1	-
Regulatory Control	2,351	2,937	3,070	4,789	4,597	4,941	(2,438)	(1,660)	(1,871)	10	1	-	-
Ripples- St Marys Leisure Centre	4,503	4,351	3,952	5,460	5,305	5,079	(957)	(954)	(1,127)	-	-	-	-
Risk Management and Insurance	-	551	16	548	1,295	853	(548)	(744)	(837)	-	-	15	-
Sustainability Planning	16	139	77	670	524	771	(654)	(385)	(694)	-	77	-	-
Traffic Management and Road Safety	1,393	1,500	786	1,317	1,319	1,502	76	181	(716)	1,500	786	-	-
Waste Management	30,041	30,778	29,391	28,446	28,177	26,382	1,595	2,601	3,009	46	186	824	757
Workforce Development	88	98	95	3,011	3,327	2,888	(2,923)	(3,229)	(2,793)	83	65	39	29
Total functions and activities	118,802	134,684	157,255	209,100	207,114	200,038	(90,298)	(72,430)	(42,783)	15,068	14,618	1,908,668	1,867,267
Share of gains/(losses) in associates and joint ventures (using the equity method)	50	1,042	325	-	-	-	50	1,042	325	-	-	6,907	6,070
General purpose income ¹	117,210	123,450	111,837	-	-	-	117,210	123,450	111,837	16,810	11,907	-	-
Operating result from continuing operations	236,062	259,176	269,417	209,100	207,114	200,038	26,962	52,062	69,379	31,878	26,525	1,915,575	1,873,337

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

Penrith City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 3. Income from continuing operations

\$ '000	Notes	Actual 2017	Actual 2016
(a) Rates and annual charges			
Ordinary rates			
Residential		81,674	73,724
Farmland		1,458	1,376
Business		20,071	21,703
Total ordinary rates		103,203	96,803
Annual charges (pursuant to s.496, s.496A, s.496B, s.501 & s.611)			
Domestic waste management services		28,938	26,475
Stormwater management services		1,911	1,884
Waste management services (non-domestic)		40	43
Section 611 charges		96	114
Total annual charges		30,985	28,516
TOTAL RATES AND ANNUAL CHARGES		134,188	125,319

Council has used 2016 year valuations provided by the NSW Valuer General in calculating its rates.

Penrith City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 3. Income from continuing operations (continued)

\$ '000	Notes	Actual 2017	Actual 2016
(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		1,613	1,331
Other regulatory/statutory fees		716	707
Planning and building regulation		3,925	3,928
Section 149 certificates (EPA Act)		518	518
Section 603 certificates		310	344
Total fees and charges – statutory/regulatory		7,082	6,828
(ii) Fees and charges – other (incl. general user charges (per s.608))			
Cemeteries		1,088	893
Children's services		20,254	19,194
Companion animals		133	183
Halls and community centres		1,062	970
Penrith whitewater stadium		1,211	1,581
Performing arts centre/gallery		1,430	1,369
Road reinstatements		1,894	1,863
Sport and recreation		398	335
Swimming centres		4,473	4,056
Vehicle costs recovered from employees		833	884
Other		972	798
Total fees and charges – other		33,748	32,126
TOTAL USER CHARGES AND FEES		40,834	38,958

Penrith City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 3. Income from continuing operations (continued)

\$ '000	Notes	Actual 2017	Actual 2016
(c) Interest and investment revenue (including losses)			
Interest			
– Interest on overdue rates and annual charges (incl. special purpose rates)		250	231
– Interest earned on section 94 contributions		611	340
– Other externally restricted		277	224
– Internally restricted		688	466
– Unrestricted		1,748	1,836
Fair value adjustments			
– Fair valuation movements in investments (at fair value or held for trading)		(137)	30
– Interest free (or favourable) loans and advances received		–	–
<u>TOTAL INTEREST AND INVESTMENT REVENUE</u>		<u>3,437</u>	<u>3,127</u>
Interest revenue is attributable to:			
Unrestricted investments/financial assets:			
Overdue rates and annual charges (general fund)		250	231
General Council cash and investments		3,187	2,896
<u>Total interest and investment revenue recognised</u>		<u>3,437</u>	<u>3,127</u>
(d) Other revenues			
Fair value increments – investment properties	14	1,419	3,853
Rental income – investment properties	14	842	835
Rental income – other council properties		1,811	1,905
Fines		1,893	1,946
Legal fees recovery – rates and charges (extra charges)		242	284
Legal fees recovery – other		17	8
Insurance claim recoveries		338	13
Carbon price refund		–	1,021
Purchasing / performance rebate		614	552
Other		439	461
<u>TOTAL OTHER REVENUE</u>		<u>7,615</u>	<u>10,878</u>

Penrith City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 3. Income from continuing operations (continued)

\$ '000	2017 Operating	2016 Operating	2017 Capital	2016 Capital
(e) Grants				
General purpose (untied)				
Financial assistance	8,171	8,610	–	–
Financial assistance – general component	4,224	–	–	–
Financial assistance – local roads component	2,251	2,257	–	–
Pensioners' rates subsidies – general component	1,009	1,040	–	–
Other grants	1,155	–	–	–
Total general purpose	16,810	11,907	–	–
Specific purpose				
Pensioners' rates subsidies:				
– Domestic waste management	369	369	–	–
Bushfire and emergency services	2,294	2,675	171	411
Children's services	3,532	2,735	–	–
Civil construction (roads and drainage)	3,474	2,932	–	156
Community services	346	243	–	–
Cultural facilities	574	581	–	–
Design and major projects	138	631	50	–
Environmental and health management	110	205	–	–
Libraries	583	574	–	–
Local infrastructure renewal scheme (LIRS)	239	314	–	–
Parks environmental management	20	20	170	275
Recreation and leisure facilities management	70	24	85	216
Street lighting	550	530	125	–
Traffic and transport	1,500	786	–	–
Arts NSW - ACDP Western Sydney Making Spaces	60	–	–	–
Other	523	893	85	48
Total specific purpose	14,382	13,512	686	1,106
Total grants	31,192	25,419	686	1,106
Grant revenue is attributable to:				
– Commonwealth funding	21,709	14,407	210	36
– State funding	9,483	11,012	431	1,070
– Other funding	–	–	45	–
	31,192	25,419	686	1,106

Penrith City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 3. Income from continuing operations (continued)

\$ '000	2017 Operating	2016 Operating	2017 Capital	2016 Capital
(f) Contributions				
Developer contributions:				
(s93 & s94 – EP&A Act, s64 of the LGA):				
S 94 – contributions towards amenities/services	–	–	13,542	9,900
Planning agreements	161	260	–	–
Total developer contributions	161	260	13,542	9,900
Other contributions:				
Dedications (other than by S94)	–	–	19,338	43,068
Domestic waste	327	327	–	–
Recreation and culture	9	–	928	–
RID squad	788	815	–	–
Roads maintenance	427	165	–	31
RMS contributions (regional roads, block grant)	1,127	1,108	300	300
Design and Major Projects	2,065	–	238	–
Other	1,137	376	–	724
Total other contributions	5,880	2,791	20,804	44,123
Total contributions	6,041	3,051	34,346	54,023
TOTAL GRANTS AND CONTRIBUTIONS	37,233	28,470	35,032	55,129

Penrith City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 3. Income from continuing operations (continued)

\$ '000	Actual 2017	Actual 2016
(g) Unspent 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	26,457	22,204
Add: grants and contributions recognised in the current period but not yet spent:	14,736	12,809
Less: grants and contributions recognised in a previous reporting period now spent:	(4,933)	(8,556)
Net increase (decrease) in restricted assets during the period	9,803	4,253
Unexpended and held as restricted assets	36,260	26,457
Comprising:		
– Specific purpose unexpended grants	1,237	2,569
– Developer contributions	35,023	23,888
	36,260	26,457

Penrith City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 4. Expenses from continuing operations

\$ '000	Notes	Actual 2017	Actual 2016
(a) Employee benefits and on-costs			
Salaries and wages		68,212	66,223
Travel expenses		10	10
Employee leave entitlements (ELE)		12,592	13,906
Superannuation – guarantee levy		6,427	6,109
Superannuation – defined benefit plans		1,871	2,371
Workers' compensation insurance		1,176	1,127
Fringe benefit tax (FBT)		161	138
Payroll tax		1	133
Training costs (other than salaries and wages)		152	221
Other		125	94
Total employee costs		90,727	90,332
Less: capitalised costs		(1,460)	(954)
TOTAL EMPLOYEE COSTS EXPENSED		89,267	89,378
Number of 'full-time equivalent' employees (FTE) at year end		1,084	1,064
(b) Borrowing costs			
(i) Interest bearing liability costs			
Interest on loans		2,568	2,894
Total interest bearing liability costs expensed		2,568	2,894
(ii) Other borrowing costs			
Amortisation of discounts and premiums: interest-free loan		176	130
Total other borrowing costs		176	130
TOTAL BORROWING COSTS EXPENSED		2,744	3,024

Penrith City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Actual 2017	Actual 2016
(c) Materials and contracts			
Raw materials and consumables		10,094	11,106
– Building and parks services		4,633	3,104
– Cleaning services		1,449	1,630
– Computer software maintenance		2,278	1,161
– Engineering services		10,044	10,493
– Garbage services		8,109	7,523
– Organic services		4,307	4,152
– Recycling services		2,409	2,258
– Security services		608	587
– Sullage services		119	178
– Tipping services		816	648
– Contractor and consultancy costs		18,011	17,604
Auditors remuneration ⁽¹⁾		154	118
Legal expenses:			
– Legal expenses: planning and development		483	444
– Legal expenses: other		458	277
Operating leases:			
– Operating lease rentals: minimum lease payments ⁽²⁾		327	367
<u>TOTAL MATERIALS AND CONTRACTS</u>		<u>64,299</u>	<u>61,650</u>
1. Auditor remuneration			
a. During the year, the following fees were incurred for services provided by the Auditor-General:			
(i) Audit and other assurance services			
– Audit and review of financial statements: Auditor-General		95	–
Total Auditor-General remuneration		<u>95</u>	<u>–</u>
b. During the year, the following fees were incurred for services provided by the other Council's Auditors (and the Auditors of other consolidated entities):			
(i) Audit and other assurance services			
– Audit and review of financial statements: Council's Auditor		7	62
– Audit and review of financial statements: other consolidated entity Auditors		52	56
Remuneration for audit and other assurance services		<u>59</u>	<u>118</u>
Total Auditor remuneration		<u>154</u>	<u>118</u>
2. Operating lease payments are attributable to:			
Office Equipment		327	367
		<u>327</u>	<u>367</u>

Penrith City Council

Notes to the Financial Statements for the year ended 30 June 2017

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Actual 2017	Actual 2016
(d) Depreciation, amortisation and impairment			
Depreciation and amortisation			
Plant and equipment		2,386	2,486
Office equipment		1,390	1,567
Furniture and fittings		287	249
Land improvements (depreciable)		1,685	867
Infrastructure:			
– Buildings		6,373	6,432
– Roads		11,891	10,458
– Stormwater drainage		1,556	1,552
Other assets			
– Library books		594	596
– Other		36	37
Total depreciation and amortisation costs		26,198	24,244
<u>TOTAL DEPRECIATION AND IMPAIRMENT COSTS EXPENSED</u>		<u>26,198</u>	<u>24,244</u>

Penrith City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 4. Expenses from continuing operations (continued)

\$ '000	Notes	Actual 2017	Actual 2016
(e) Other expenses			
Bad and doubtful debts		253	75
– Department of planning levy		797	166
– Emergency services levy (includes FRNSW, SES, and RFS levies)		1,871	1,834
– Waste levy		4,817	4,684
– Other levies		479	277
Councillor expenses – mayoral fee		84	79
Councillor expenses – councillors' fees		415	414
– Telephone		40	31
– Training, conferences and seminars		51	74
– Other		45	23
District maintenance – rural fire service		1,467	1,466
– Other donations and contributions		1,508	2,041
Electricity and heating		1,889	1,880
Infringement processing bureau		209	207
Insurance		2,655	2,535
Street lighting		3,374	3,337
Telephone and communications		1,256	720
Water rates and charges		821	703
Other		1,028	1,196
Total other expenses		23,059	21,742
TOTAL OTHER EXPENSES		23,059	21,742

Penrith City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 5. Gains or losses from the disposal of assets

\$ '000	Notes	Actual 2017	Actual 2016
Property (excl. investment property)			
Proceeds from disposal – property		3,155	10,513
Less: carrying amount of property assets sold/written off		<u>(3,832)</u>	<u>(2,749)</u>
Net gain/(loss) on disposal		<u>(677)</u>	<u>7,764</u>
Plant and equipment			
Proceeds from disposal – plant and equipment		1,336	2,039
Less: carrying amount of plant and equipment assets sold/written off		<u>(1,674)</u>	<u>(2,334)</u>
Net gain/(loss) on disposal		<u>(338)</u>	<u>(295)</u>
Infrastructure			
Proceeds from disposal – infrastructure		–	–
Less: carrying amount of infrastructure assets sold/written off		<u>(472)</u>	<u>(186)</u>
Net gain/(loss) on disposal		<u>(472)</u>	<u>(186)</u>
Investment properties			
Proceeds from disposal – investment properties		855	–
Less: carrying amount of investment properties sold/written off		<u>(786)</u>	<u>–</u>
Net gain/(loss) on disposal		<u>69</u>	<u>–</u>
Financial assets *			
Proceeds from disposal/redemptions/maturities – financial assets		245,069	212,199
Less: carrying amount of financial assets sold/redeemed/matured		<u>(245,069)</u>	<u>(212,199)</u>
Net gain/(loss) on disposal		<u>–</u>	<u>–</u>
Proceeds from disposal – Library books		–	–
Less: carrying amount of Library books assets sold/written off		<u>(129)</u>	<u>(72)</u>
Net gain/(loss) on disposal		<u>(129)</u>	<u>(72)</u>
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		<u><u>(1,547)</u></u>	<u><u>7,211</u></u>

Penrith City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 6a. – Cash assets and Note 6b. – investments

\$ '000	Notes	2017	2017	2016	2016
		Actual Current	Actual Non-current	Actual Current	Actual Non-current
Cash and cash equivalents (Note 6a)					
Cash on hand and at bank		1,143	–	900	–
Cash-equivalent assets ¹					
– Deposits at call		5,000	–	3,003	–
– Managed funds		–	–	–	–
– Short-term deposits		12,500	–	15,000	–
– NCD's, FRN's		–	–	–	–
– Other financial assets		–	–	–	–
Total cash and cash equivalents		18,643	–	18,903	–
Investments (Note 6b)					
– Long term deposits		89,026	–	67,100	–
– NCD's, FRN's (with maturities > 3 months)		2,500	25,000	3,000	17,500
– Mortgage backed securities		1,565	–	1,761	–
Total investments		93,091	25,000	71,861	17,500
TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS		111,734	25,000	90,764	17,500

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'

	18,643	–	18,903	–
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Investments

a. 'At fair value through the profit and loss'

– 'Held for trading'	6(b-i)	1,564	–	1,761	–
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b. 'Held to maturity'

	6(b-ii)	91,527	25,000	70,100	17,500
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Investments

	93,091	25,000	71,861	17,500
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Refer to Note 27. Fair value measurement for information regarding the fair value of investments held.

Penrith City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 6c. Restricted cash, cash equivalents and investments – details

\$ '000	2017	2017	2016	2016
	Actual Current	Actual Non-current	Actual Current	Actual Non-current
Total cash, cash equivalents and investments	111,734	25,000	90,764	17,500
attributable to:				
External restrictions (refer below)	38,514	25,000	39,383	17,500
Internal restrictions (refer below)	63,474	–	43,170	–
Unrestricted	9,746	–	8,211	–
	111,734	25,000	90,764	17,500

2017 \$ '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)	13,341	148	(5,971)	7,518
External restrictions – included in liabilities	13,341	148	(5,971)	7,518

External restrictions – other

Developer contributions – general (D)	23,888	14,154	(3,019)	35,023
RMS (formerly RTA) contributions (E)	–	2,919	(2,919)	–
Specific purpose unexpended grants (F)	2,569	–	(1,332)	1,237
Domestic waste management (G)	9,150	5,730	(2,894)	11,986
Stormwater management (G)	1,106	1,911	(1,909)	1,108
Sullage reserve	422	902	(991)	333
Childcare	2,430	935	(1,201)	2,164
Waste and sustainability	88	407	(448)	47
Other	3,889	5,401	(5,192)	4,098
External restrictions – other	43,542	32,359	(19,905)	55,996
Total external restrictions	56,883	32,507	(25,876)	63,514

Penrith City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 6c. Restricted cash, cash equivalents and investments – details (continued)

2017 \$ '000	Opening balance	Transfers to restrictions	Transfers from restrictions	Closing balance
Internal restrictions				
Plant and vehicle replacement	2,918	5,476	(4,122)	4,272
Employees leave entitlement	4,704	112	–	4,816
Deposits, retentions and bonds	4,700	1,763	–	6,463
Acquisition of land and buildings	13,419	10,825	(7,399)	16,845
Cemetery reserve	623	242	(24)	841
Children's services reserve	1,360	2,385	(798)	2,947
Election reserve	441	343	(750)	34
Environmental protection reserve	2	1	(3)	–
Infrastructure construction	2,708	2,796	(13)	5,491
Insurance reserve	2,939	1,499	(1,099)	3,339
Legal reserve	513	156	(395)	274
Revote reserve	1,135	2,797	(1,183)	2,749
Salary administration	286	560	(442)	404
Sustainability revolving fund	417	460	(118)	759
Voted works	365	182	(166)	381
Financial Management	5,163	17,853	(10,907)	12,109
Other	1,477	749	(476)	1,750
Total internal restrictions	43,170	48,199	(27,895)	63,474
TOTAL RESTRICTIONS	100,053	80,706	(53,771)	126,988

- A** Loan moneys which must be applied for the purposes for which the loans were raised.
- B** Advances by roads and maritime services for (RMS) works on the State's classified roads.
- C** Self insurance liability resulting from reported claims or incurred claims not yet reported.
- D** Development contributions which are not yet expended for the provision of services and amenities in accordance with contributions plans (refer Note 17).
- E** RMS contributions which are not yet expended for the provision of services and amenities in accordance with those contributions.
- F** Grants which are not yet expended for the purposes for which the grants were obtained. (refer Note 1 (b))
- G** 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.

Penrith City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 7. Receivables

\$ '000	Notes	2017		2016	
		Current	Non-current	Current	Non-current
Purpose					
Rates and annual charges		2,807	918	3,303	757
Interest and extra charges		925	483	492	441
User charges and fees		1,559	–	1,628	–
– Interest on investments		573	–	551	–
– Other income accruals		3,091	–	1,420	–
Deferred debtors		29	114	1	356
Government grants and subsidies		1,860	–	1,010	–
Other debtors		2	–	2	–
Total		10,846	1,515	8,407	1,554
Less: provision for impairment					
Rates and annual charges		(262)	(328)	(411)	(302)
Interest and extra charges		(57)	(320)	(74)	(302)
User charges and fees		(100)	–	(104)	–
Total provision for impairment – receivables		(419)	(648)	(589)	(604)
<u>TOTAL NET RECEIVABLES</u>		<u>10,427</u>	<u>867</u>	<u>7,818</u>	<u>950</u>
Externally restricted receivables					
Domestic waste management		788	–	718	–
Stormwater management		5	–	35	–
Total external restrictions		793	–	753	–
Unrestricted receivables		9,634	867	7,065	950
<u>TOTAL NET RECEIVABLES</u>		<u>10,427</u>	<u>867</u>	<u>7,818</u>	<u>950</u>

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 8.00% (2016 8.50%).
Generally all other receivables are non-interest bearing.
- (iv) Refer to Note 15 for issues concerning credit risk and fair value disclosures.

Penrith City Council

Notes to the Financial Statements for the year ended 30 June 2017

Note 8. Inventories and other assets

\$ '000	Notes	2017		2016	
		Current	Non-current	Current	Non-current
(a) Inventories					
(i) Inventories at cost					
Stores and materials		673	–	774	–
Trading stock		–	–	74	–
Other		27	–	26	–
Total inventories at cost		700	–	874	–
TOTAL INVENTORIES		700	–	874	–
(b) Other assets					
Prepayments		1,298	–	1,031	–
GST		854	–	67	–
Other		230	–	36	–
TOTAL OTHER ASSETS		2,382	–	1,134	–
TOTAL INVENTORIES AND OTHER ASSETS		3,082	–	2,008	–

Penrith City Council

Notes to the Financial Statements
for the year ended 30 June 2017

Note 9a. Infrastructure, property, plant and equipment

Asset class	as at 30/6/2016						Asset movements during the reporting period						as at 30/6/2017			
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Revaluation increments to equity (ARR)	At cost	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount			
\$ '000																
Capital work in progress	4,438	-	4,438	-	-	-	-	10,534	-	-	14,972	-	14,972	-	-	14,972
Plant and equipment	36,636	20,231	16,405	100	3,241	(1,674)	(2,386)	(235)	-	-	36,352	20,901	15,451	-	-	15,451
Office equipment	30,087	24,232	5,855	-	1,022	-	(1,390)	(11)	-	-	31,098	25,622	5,476	-	-	5,476
Furniture and fittings	6,893	5,141	1,752	-	1,626	-	(287)	(86)	-	-	8,433	5,428	3,005	-	-	3,005
Land:																
- Operational land	79,454	-	79,454	-	2,659	(3,832)	-	-	-	-	78,281	-	78,281	-	-	78,281
- Community land	195,179	-	195,179	-	-	-	-	-	-	-	195,179	-	195,179	-	-	195,179
- Land under roads (pre 1 July 2008)	186,956	-	186,956	-	-	-	-	-	-	-	186,956	-	186,956	-	-	186,956
- Land under roads (post 30 June 2008)	6,473	-	6,473	-	479	-	-	-	-	-	6,952	-	6,952	-	-	6,952
Land improvements – depreciable	20,781	2,337	18,444	-	5,518	-	(1,685)	(2,541)	-	-	23,757	4,021	19,736	-	-	19,736
Infrastructure:																
- Buildings	375,718	162,819	212,899	7,277	(2,450)	(472)	(6,373)	(1,356)	(6,973)	-	264,165	61,613	202,552	-	-	202,552
- Roads	1,068,275	331,339	736,936	1,636	16,636	-	(11,891)	(1,975)	-	-	1,084,572	343,230	741,342	-	-	741,342
- Bulk earthworks (non-depreciable)	3,287	-	3,287	-	31	-	-	-	-	-	3,318	-	3,318	-	-	3,318
- Stormwater drainage	348,543	93,327	255,216	-	9,340	-	(1,556)	(4,330)	-	-	353,553	94,883	258,670	-	-	258,670
Other assets:																
- Library books	13,480	11,620	1,860	-	566	(129)	(594)	-	-	-	12,861	11,158	1,703	-	-	1,703
- Other	4,719	889	3,830	-	-	-	(36)	-	297	-	5,016	925	4,091	-	-	4,091
TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIP.	2,380,919	651,935	1,728,984	9,013	38,668	(6,107)	(26,198)	-	(6,676)	-	2,305,465	567,781	1,737,684	-	-	1,737,684

- 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

Penrith City Council

Notes to the Financial Statements for the year ended 30 June 2017

Note 9b. Externally restricted infrastructure, property, plant and equipment

\$ '000

Council has no externally restricted infrastructure, property, plant and equipment.

Note 9c. Infrastructure, property, plant and equipment – current year impairments

\$ '000	Notes	Actual 2017	Actual 2016
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Council has recognised no impairment losses during the reporting period nor reversed any prior period losses.

Penrith City Council

Notes to the Financial Statements
for the year ended 30 June 2017

Note 10a. Payables, borrowings and provisions

\$ '000	Notes	2017		2016		
		Current	Non-current	Current	Non-current	
Payables						
Goods and services		5,229	–	2,991	–	
Accrued expenses:						
– Salaries and wages		89	–	6	–	
– Other expenditure accruals		10,513	–	7,604	–	
Security bonds, deposits and retentions		4,105	3,896	6,072	–	
Other		–	–	102	–	
Total payables		19,936	3,896	16,775	–	
Income received in advance						
Payments received in advance		1,273	–	1,683	–	
Payments in advance of due date		1,996	–	1,658	–	
Total income received in advance		3,269	–	3,341	–	
Borrowings						
Bank overdraft		–	–	–	–	
Loans – secured ¹		10,508	40,091	11,193	49,488	
Interest-free government advances		1,250	2,539	100	3,613	
Total borrowings		11,758	42,630	11,293	53,101	
Provisions						
Employee benefits:						
Annual leave		6,869	–	6,499	–	
Sick leave		5,185	–	5,858	–	
Long service leave		16,189	861	15,815	741	
Gratuities		600	–	918	–	
Total provisions		28,843	861	29,090	741	
<u>TOTAL PAYABLES, BORROWINGS AND PROVISIONS</u>		<u>63,806</u>	<u>47,387</u>	<u>60,499</u>	<u>53,842</u>	
(i) Liabilities relating to restricted assets						
		2017		2016		
		Current	Non-current	Current	Non-current	
Externally restricted assets						
Domestic waste management		2,215	–	1,554	305	
Liabilities relating to externally restricted assets		2,215	–	1,554	305	
Total liabilities relating to restricted assets		2,215	–	1,554	305	
Total liabilities relating to unrestricted assets		61,591	47,387	58,945	53,537	
TOTAL PAYABLES, BORROWINGS AND PROVISIONS		63,806	47,387	60,499	53,842	

¹ 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.

Penrith City Council

Notes to the Financial Statements for the year ended 30 June 2017

Note 10a. Payables, borrowings and provisions (continued)

\$ '000	Actual 2017	Actual 2016
(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	22,565	21,460
Payables – security bonds, deposits and retentions	4,215	3,896
	26,780	25,356

Note 10b. Description of and movements in provisions

Class of provision	2016			2017		
	Opening balance as at 1/7/16	Additional provisions	Decrease due to payments	Remeasurement effects due to discounting	Unused amounts reversed	Closing balance as at 30/6/17
Annual leave	6,499	5,589	(5,219)	–	–	6,869
Sick leave	5,858	561	(1,234)	–	–	5,185
Long service leave	16,556	3,001	(2,507)	–	–	17,050
Gratuities	918	(318)	–	–	–	600
TOTAL	29,831	8,833	(8,960)	–	–	29,704

- a. 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.

Penrith City Council

Notes to the Financial Statements
for the year ended 30 June 2017

Note 11. Statement of cash flows – additional information

\$ '000	Notes	Actual 2017	Actual 2016
(a) Reconciliation of cash assets			
Total cash and cash equivalent assets	6a	18,643	18,903
Balance as per the Statement of Cash Flows		18,643	18,903
(b) Reconciliation of net operating result to cash provided from operating activities			
Net operating result from Income Statement		52,062	69,379
<i>Adjust for non-cash items:</i>			
Depreciation and amortisation		26,198	24,244
Net losses/(gains) on disposal of assets		1,547	(7,211)
Non-cash capital grants and contributions		(28,441)	(43,068)
<i>Losses/(gains) recognised on fair value re-measurements through the P&L:</i>			
– Investments classified as 'at fair value' or 'held for trading'		137	(30)
– Investment properties		(1,419)	(3,853)
– Favourable financial liabilities (i.e. initial recognition at fair value)		–	–
– Other		–	130
Share of net (profits) or losses of associates/joint ventures		(837)	(325)
<i>+/- Movement in operating assets and liabilities and other cash items:</i>			
Decrease/(increase) in receivables		(2,614)	2,902
Increase/(decrease) in provision for doubtful debts		(126)	82
Decrease/(increase) in inventories		174	332
Decrease/(increase) in other assets		(1,248)	414
Increase/(decrease) in payables		2,238	(308)
Increase/(decrease) in other accrued expenses payable		2,992	1,117
Increase/(decrease) in other liabilities		1,755	2,123
Increase/(decrease) in employee leave entitlements		(127)	1,421
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		52,291	47,349

Penrith City Council

Notes to the Financial Statements for the year ended 30 June 2017

Note 11. Statement of cash flows – additional information (continued)

\$ '000	Notes	Actual 2017	Actual 2016
(c) Non-cash investing and financing activities			
Contributions 'in kind'		28,441	43,068
Total non-cash investing and financing activities		28,441	43,068
(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		344	677
Total financing arrangements		864	1,197

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.

(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 (2017 – \$10.8m, 2016 – \$12.9m) to meet this requirement:

- Department of Education \$3,801.70
- Department of Education \$3,801.70
- WorkCover NSW \$2,104,903
- WorkCover NSW \$2,151,543
- WorkCover NSW \$2,212,202
- WorkCover NSW \$2,125,954
- WorkCover NSW \$2,198,533

Penrith City Council

Notes to the Financial Statements for the year ended 30 June 2017

Note 12. Commitments for expenditure

\$ '000	Notes	Actual 2017	Actual 2016
(a) 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		178	1,679
Plant and equipment		49	228
Roadworks		1,104	72
Other		3,397	1,090
These expenditures are payable as follows:			
Within the next year		4,728	3,069
Total payable		4,728	3,069

Sources for funding of capital commitments:

Details of capital commitments

- Triangle Park construction
- CBD Drainage Upgrade
- River Road Upgrade

(b) Finance lease commitments

Nil

(c) Operating lease commitments (non-cancellable)

a. Commitments under non-cancellable operating leases at the reporting date, but not recognised as liabilities are payable:

Within the next year	108	150
Later than one year and not later than 5 years	231	334
Total non-cancellable operating lease commitments	339	484

Conditions relating to finance and operating leases:

- All finance and operating lease agreements are secured only against the leased asset.
- No lease agreements impose any financial restrictions on Council regarding future debt etc.

Penrith City Council

Notes to the Financial Statements for the year ended 30 June 2017

Note 12. Commitments for expenditure (continued)

\$ '000	Notes	Actual 2017	Actual 2016
(d) Investment property commitments			
Non-capital expenditure on investment properties committed for at the reporting date but not recognised in the financial statements as liabilities:			
Contractual obligations – repairs and maintenance		75	75
Total commitments		75	75
These expenditures are payable as follows:			
Within the next year		75	75
Total payable		75	75

(e) Investment in joint operations – commitments

For capital commitments and other commitments relating to investments in joint operations, refer to Note 19 (c)

Penrith City Council

Notes to the Financial Statements for the year ended 30 June 2017

Note 13a(i). Statement of performance measurement – indicators (consolidated)

\$ '000	Amounts 2017	Indicator 2017	Prior periods		Benchmark
			2016	2015	
Local government industry indicators – consolidated					
1. Operating performance ratio					
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions less operating expenses	<u>16,458</u>	7.41%	1.40%	6.22%	>0.00%
Total continuing operating revenue ⁽¹⁾ excluding capital grants and contributions	<u>222,025</u>				
2. Own source operating revenue ratio					
Total continuing operating revenue ⁽¹⁾ excluding all grants and contributions	<u>184,792</u>	71.89%	67.60%	68.32%	>60.00%
Total continuing operating revenue ⁽¹⁾	<u>257,057</u>				
3. Unrestricted current ratio					
Current assets less all external restrictions ⁽²⁾	<u>85,936</u>	2.47x	1.80x	1.60x	>1.5x
Current liabilities less specific purpose liabilities ^(3, 4)	<u>34,811</u>				
4. Debt service cover ratio					
Operating result ⁽¹⁾ before capital excluding interest and depreciation/impairment/amortisation	<u>45,400</u>	3.16x	2.08x	2.64x	>2x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	<u>14,375</u>				
5. Rates, annual charges, interest and extra charges outstanding percentage					
Rates, annual and extra charges outstanding	<u>4,166</u>	3.01%	3.00%	3.36%	< 5% Metro
Rates, annual and extra charges collectible	<u>138,584</u>				<10% Rural
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	<u>107,669</u>	6.49 mths	5.3 mths	4.6 mths	> 3 mths
Payments from cash flow of operating and financing activities	<u>16,598</u>				

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.

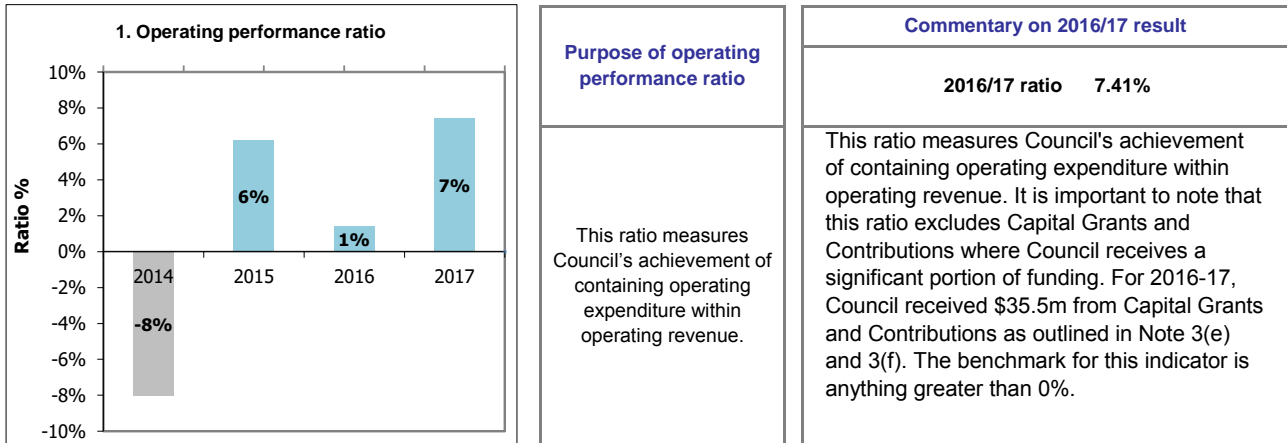
⁽³⁾ Refer to Note 10(a).

⁽⁴⁾ Refer to Note 10(a)(ii) – excludes all payables and provisions not expected to be paid in the next 12 months (incl. ELE).

Penrith City Council

Notes to the Financial Statements
for the year ended 30 June 2017

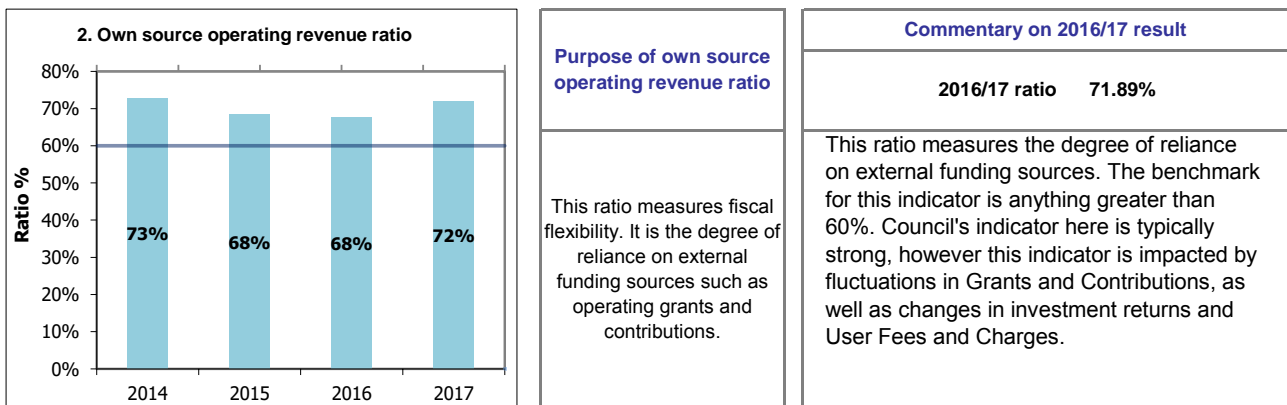
Note 13a(ii). Local government industry indicators – graphs (consolidated)



Minimum >=0.00%

Source for benchmark: Code of Accounting Practice and Financial Reporting #25

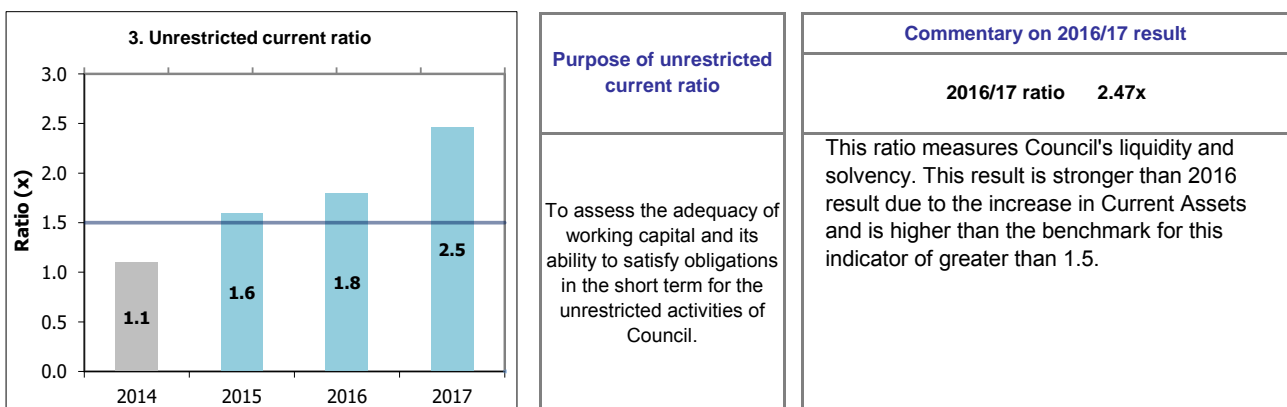
Ratio achieves benchmark
Ratio is outside benchmark



Minimum >=60.00%

Source for benchmark: Code of Accounting Practice and Financial Reporting #25

Ratio achieves benchmark
Ratio is outside benchmark



Minimum >=1.50

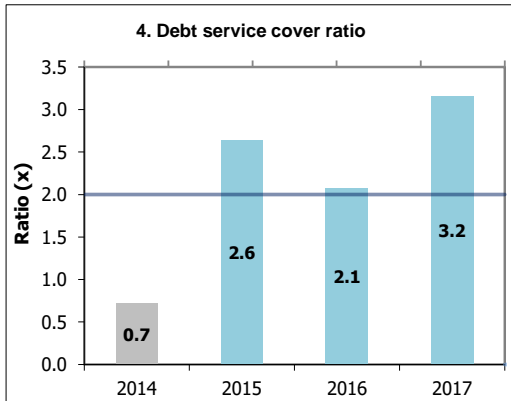
Source for benchmark: Code of Accounting Practice and Financial Reporting #25

Ratio achieves benchmark
Ratio is outside benchmark

Penrith City Council

Notes to the Financial Statements
for the year ended 30 June 2017

Note 13a(ii). Local government industry indicators – graphs (consolidated)



Minimum ≥ 2.00

Source for benchmark: Code of Accounting Practice and Financial Reporting #25

Purpose of debt service cover ratio

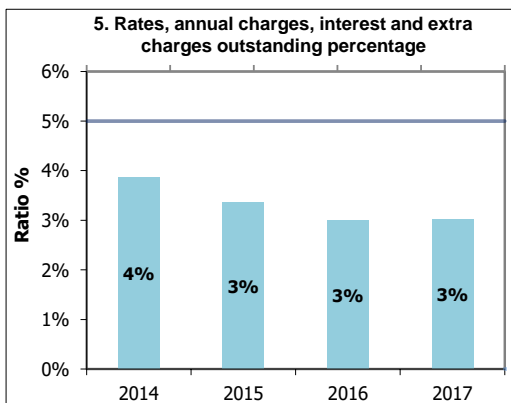
This ratio measures the availability of operating cash to service debt including interest, principal and lease payments

Commentary on 2016/17 result

2016/17 ratio 3.16x

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.

Ratio achieves benchmark
Ratio is outside benchmark



Maximum $< 5.00\%$

Source for Benchmark: Code of Accounting Practice and Financial Reporting #25

Purpose of rates and annual charges outstanding ratio

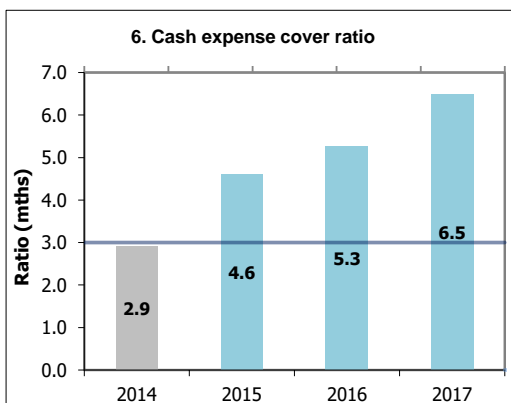
To assess the impact of uncollected rates and annual charges on Council's liquidity and the adequacy of recovery efforts.

Commentary on 2016/17 result

2016/17 ratio 3.01%

This indicator has remained consistent from last year 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.

Ratio is within Benchmark
Ratio is outside Benchmark



Minimum ≥ 3.00

Source for benchmark: Code of Accounting Practice and Financial Reporting #25

Purpose of cash expense cover ratio

This liquidity ratio indicates the number of months a Council can continue paying for its immediate expenses without additional cash inflow.

Commentary on 2016/17 result

2016/17 ratio 6.49 mths

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 was impacted by the \$14.1m payment to the Department of Infrastructure and Planning.

Ratio achieves benchmark
Ratio is outside benchmark

Penrith City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 14. Investment properties

\$ '000	Notes	Actual 2017	Actual 2016
(a) Investment properties at fair value			
<u>Investment properties on hand</u>		<u>19,874</u>	<u>19,243</u>
Reconciliation of annual movement:			
Opening balance		19,243	15,388
– Capitalised expenditure – this year		–	2
– Disposals during year		(786)	–
– Net gain/(loss) from fair value adjustments		1,419	3,853
– Other movements		(2)	–
CLOSING BALANCE – INVESTMENT PROPERTIES		<u>19,874</u>	<u>19,243</u>
(b) Valuation basis			
The basis of valuation of investment properties is fair value, being the amounts for which the properties could be exchanged between willing parties in arms length transaction, based on current prices in an active market for similar properties in the same location and condition and subject to similar leases.			
The 2017 revaluations were based on independent assessments made by: APV Valuers and Asset Management, Registered Valuer No 44694			
(c) Contractual obligations at reporting date			
Refer to Note 12 for disclosures relating to any capital and service obligations that have been contracted.			
(d) Leasing arrangements – Council as lessor			
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		839	788
Later than 1 year but less than 5 years		45	2,394
Total minimum lease payments receivable		<u>884</u>	<u>3,182</u>
(e) Investment property income and expenditure – summary			
Rental income from investment properties:			
– Minimum lease payments		842	835
Direct operating expenses on investment properties:			
– that generated rental income		(126)	(179)
– that did not generate rental income		(24)	(10)
Net revenue contribution from investment properties		<u>692</u>	<u>646</u>
plus:			
Fair value movement for year		<u>1,419</u>	<u>3,853</u>
Total income attributable to investment properties		<u>2,111</u>	<u>4,499</u>

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

Penrith City Council

Notes to the Financial Statements for the year ended 30 June 2017

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 assets and financial liabilities recognised in the financial statements is presented below.

	Carrying value		Fair value	
	2017	2016	2017	2016
Financial assets				
Cash and cash equivalents	18,643	18,903	18,643	18,903
Investments				
– 'Held for trading'	1,564	1,761	1,564	1,761
– 'Held to maturity'	116,527	87,600	116,527	87,600
Receivables	11,294	8,768	11,294	8,768
Total financial assets	148,028	117,032	148,028	117,032
Financial liabilities				
Payables	23,832	18,434	23,832	18,434
Loans/advances	54,388	64,394	57,469	67,891
Total financial liabilities	78,220	82,828	81,301	86,325

Fair value is determined as follows:

– Financial assets classified (i) 'at fair value through profit and loss' or (ii) 'available-for-sale' – are based upon quoted market prices (in active markets for identical investments) at the reporting date or independent valuation.

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

Penrith City Council

Notes to the Financial Statements

for the year ended 30 June 2017

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 it's 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
2017				
Possible impact of a 10% movement in market values	156	156	(156)	(156)
Possible impact of a 1% movement in interest rates	1,351	1,351	(1,351)	(1,351)
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)

Penrith City Council

Notes to the Financial Statements for the year ended 30 June 2017

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:

	2017 Rates and annual charges	2017 Other receivables	2016 Rates and annual charges	2016 Other receivables
(i) Ageing of receivables – %				
Current (not yet overdue)	0%	67%	0%	59%
Overdue	100%	33%	100%	41%
	100%	100%	100%	100%

		2017 Rates and annual charges	2017 Other receivables	2016 Rates and annual charges	2016 Other receivables
(ii) Ageing of receivables – value					
Rates and annual charges	Other receivables				
Current	Current	747	5,862	817	4,323
< 1 year overdue	0 – 30 days overdue	1,089	1,855	1,314	927
1 – 2 years overdue	31 – 60 days overdue	549	76	581	130
2 – 5 years overdue	61 – 90 days overdue	749	302	721	68
> 5 years overdue	> 91 days overdue	591	541	627	453
		3,725	8,636	4,060	5,901

Penrith City Council

Notes to the Financial Statements

for the year ended 30 June 2017

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	1-2 Yrs	2-3 Yrs	3-4 Yrs	4-5 Yrs	> 5 Yrs		
2017									
Trade/other payables	19,936	–	–	3,896	–	–	–	23,832	23,832
Loans and advances	–	14,077	–	–	41,078	–	17,959	73,114	54,388
Total financial liabilities	19,936	14,077	–	3,896	41,078	–	17,959	96,946	78,220
2016									
Trade/other payables	6,072	8,466	–	–	3,896	–	–	18,434	16,775
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	81,169

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:

	2017		2016	
	Carrying value	Average interest rate	Carrying value	Average interest rate
Trade/other payables	23,832	0.00%	16,775	0.00%
Loans and advances – fixed interest rate	50,599	4.14%	60,681	4.23%
Loans and advances – interest free	3,789	0.00%	3,713	0.00%
	<u>78,220</u>		<u>81,169</u>	

Penrith City Council

Notes to the Financial Statements for the year ended 30 June 2017

Note 16. Material budget variations

\$ '000

Council's original financial budget for 16/17 was adopted by the Council on 27 June 2016.

While the Income Statement included in this General Purpose Financial Report must disclose the original budget adopted by Council, the *Local Government Act 1993* requires Council to review its financial budget on a quarterly basis, so that it is able to manage the various variations between actuals versus budget that invariably 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 budget review.

Note that for variations* of budget to actual :

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

F = Favourable budget variation, **U** = Unfavourable budget variation

\$ '000	2017 Budget	2017 Actual	2017 Variance*	
REVENUES				
Interest and investment revenue	2,386	3,437	1,051	44% F
When original budgets were prepared for this financial year, economists were forecasting interest rates, already at record low levels, would continue falling further during the year. The official cash rate was reduced to 1.5% at the start of August 2016 but remained unchanged for the rest of the financial year, and the optimum mix of term deposits and Floating Rate Notes held in the portfolio returned a good margin above both the cash rate and the benchmark 90 day Bank Bill Swap Rate (BBSW) throughout the year. The unrestricted portion of the portfolio has also remained higher than originally estimated so the untied interest earned on the portfolio exceeded original budgets by \$450,000 over the course of the year.				
Other revenues	4,614	7,615	3,001	65% F
Revenue from Parking Fines was greater than budgeted (\$347,000), income generated from rental properties was also higher than anticipated (\$422,000). Revenue from compliance fines was also over budget (\$290,000) along with Parental Payment Leave recovery being greater than original budget (\$153,000). Insurance claims recovered not in original budget (\$338,000). Purchase Rebates were greater than original budget (\$97,000) Council also recognised a year end adjustment for Investment Properties Valuations for 30 June 2017 which was not included in the original budget of \$1.4m.				
Operating grants and contributions	28,042	37,233	9,191	33% F
Advance receipt of the first two instalments for the 2017/18 Financial Assistance Grant (\$5.3m), the Western Sydney Infrastructure Plan - Local Roads Package - Round 2 which was not included in the original budget (\$2.7m), top-up funding that was received from the Early Childhood Education & Care Start Strong Program (\$0.6m), and additional receipts from the Roads & Maritime Services Safer Roads and Black Spot Grants (\$0.6m) resulted in actual receipts being greater than original budget.				

Penrith City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 16. Material budget variations (continued)

\$ '000	2017 Budget	2017 Actual	2017 ----- Variance* -----	
Capital grants and contributions	31,503	35,032	3,529	11% F
Subdivider Contributions for roads and drainage was less than the original budget (\$2.04m) & Subdivider Contributions for Land was not included in the original budget (\$11.48m) along with higher than anticipated Section 94 income (\$6.92m). WSIP Local Roads round 2 was capital in original budget but during the year reclassified to operational (\$5m). Ripples Waterplay not included in original budget (\$750,000).				
Joint ventures and associates - net profits	50	837	787	1574% F
The original budget for the share of profit in Westpool and UIP (see note 19) is set assuming the joint venture will return a small surplus. These results vary each year depending on the expenses incurred in managing insurance activities.				

Penrith City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 16. Material budget variations (continued)

\$ '000	2017 Budget	2017 Actual	2017 ----- Variance* -----	
EXPENSES				
Materials and contracts	74,156	64,299	9,857	13% F
Expenditure for operational projects revoted during the year into next Financial Year (\$3.8m), cost savings in the operation and maintenance of Council's Light Vehicle and Plant Fleet, City Parks, Civil Construction & Maintenance and Public Domain Maintenance services have come under budget. There is also a variance with the budgeted expenditure being reported within this note on other expense categories.				
Depreciation and amortisation	23,175	26,198	(3,023)	(13%) U
The budget is set on a conservative basis to cover any significant movements in depreciation resulting from changes in condition of Councils assets and adjusted at year end. The main variance is due to revaluations conducted on Council's roads in 2015. Depreciation on Roads revalued for 2015 were not taken into account in the original budget which results in a variance of (\$3.3m). Budget for Library book depreciation was consistent with the depreciation expense charge for the 2014/15 year, which did not take into consideration the decrease in the acquisition of additional books in comparison to the amount disposed this resulted in the budget being overstated by (\$596,000). Original budget did not take into account assets that were reallocated from buildings to Land Improvements (\$683,000).				
Other expenses	15,391	23,059	(7,668)	(50%) U
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 Other Expenses for the preparation of the Financial Statements which has resulted in a \$1.39 variance. Councils insurance pool Westpool was also over budget (\$948,000) for other expenses.				
Net losses from disposal of assets	586	1,547	(961)	(164%) U
The major variation relates primarily to the sale of a Council Property with a loss on disposal (\$677,000), the disposal of buildings which were impaired during the year (\$472,000), and disposal of plant & equipment (\$338,000).				

Penrith City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 16. Material budget variations (continued)

\$ '000	2017 Budget	2017 Actual	2017 Variance*	
Budget variations relating to Council's Cash Flow Statement include:				
Cash flows from operating activities	44,756	52,291	7,535	16.8% F
The budget for the Cash Flow Statement 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	(42,247)	(42,545)	(298)	0.7% U
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 2015-16 actuals are finalised and are difficult to predict in advance.				
Cash flows from financing activities	(1,840)	(10,006)	(8,166)	443.8% U
The budget is an estimate set before prior year figures are finalised.				

Penrith City Council

Notes to the Financial Statements
for the year ended 30 June 2017

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	2,538	6	167	57	(251)	(220)	2,130	62
Roads	115	287	1,210	(32)	(406)	(980)	(1,016)	7,572
Traffic facilities	-	-	-	-	-	-	-	-
Parking	-	61	(8)	-	(53)	-	8	-
Open space	20,824	11,910	(338)	602	(1,556)	514	32,294	(7,153)
Community facilities	214	497	(874)	(10)	(178)	667	1,190	(1,089)
Other	197	782	(55)	(6)	(575)	18	416	609
Total contributions	23,888	13,543	102	611	(3,019)	(0)	35,023	0

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	-	6	(6)	-	-	-	6	-
Roads	-	38	(38)	-	-	-	38	-
Parking	-	8	(8)	-	-	-	8	-
Open space	-	21	(21)	-	-	-	21	-
Community facilities	-	13	(13)	-	-	-	13	-
Other	-	1	(1)	-	-	-	1	-
Total	-	87	(87)	-	-	-	87	-

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	-	-	195	-	(195)	-	(195)	1,098
Roads	-	-	-	-	-	-	-	(120)
Open space	-	-	195	-	(195)	-	(195)	(100)
Community facilities	-	-	-	-	-	-	-	(645)
Other	-	-	-	-	-	-	-	(232)
Total	-	-	390	-	(390)	-	(390)	0

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					
Other	-	529	(114)	-	(415)	-	114	-
Total	-	529	(114)	-	(415)	-	114	-

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	2,528	-	-	55	-	(286)	2,297	(404)
Roads	88	-	-	(5)	(306)	223	-	223
Other	-	-	-	(3)	(60)	63	-	181
Total	2,616	-	-	47	(366)	-	2,297	-

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	10	-	(78)	2	-	66	78	(1,054)
Roads	-	-	1,227	(24)	-	(1,203)	(1,227)	2,763
Open space	17	-	(1,213)	24	-	1,172	1,213	(1,710)
Community facilities	-	-	(26)	1	-	25	26	3
Other	-	-	90	(1)	(28)	(61)	(90)	(2)
Total	27	-	-	2	(28)	(0)	1	-

Penrith City Council

Notes to the Financial Statements
for the year ended 30 June 2017

Note 17. Statement of developer contributions (continued)

\$ '000

S94 CONTRIBUTIONS – UNDER A PLAN

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	-	-	-	-	-	-	-	102
Roads	-	-	-	-	-	-	-	4,016
Open space	-	-	-	-	-	-	-	(3,997)
Community facilities	-	-	-	-	-	-	-	(584)
Other	-	-	-	-	-	-	-	463
Total	-	-	-	-	-	-	-	-

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					
Roads	-	18	21	1	-	-	19	-
Open space	-	599	701	25	(324)	(642)	(342)	(642)
Community facilities	-	385	(835)	(14)	(178)	642	835	642
Other	-	52	(30)	-	(15)	-	37	-
Total	-	1,054	(143)	12	(517)	-	549	-

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					
Other	23	79	-	1	-	-	103	-
Total	23	79	-	1	-	-	103	-

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	-	-	56	-	(56)	-	(56)	150
Roads	-	-	-	-	-	-	-	2
Open space	-	-	-	-	-	-	-	(152)
Total	-	-	56	-	(56)	-	(56)	-

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
Community facilities	-	-	-	-	-	-	-	(505)
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					
Roads	-	-	-	-	-	-	-	11
Other	-	-	-	-	-	-	-	(11)
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					
Open space	18,000	8,295	-	472	(214)	-	26,553	(116)
Other	111	89	-	(1)	(20)	-	179	116
Total	18,111	8,384	-	471	(234)	-	26,732	-

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					
Open space	1,414	1,346	-	41	(416)	-	2,385	(2)
Other	18	14	-	-	(3)	-	29	2
Total	1,432	1,360	-	41	(419)	-	2,414	-

Penrith City Council

Notes to the Financial Statements
for the year ended 30 June 2017

Note 17. Statement of developer contributions (continued)

\$ '000

S94 CONTRIBUTIONS – UNDER A PLAN

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					
Roads	27	-	-	-	-	-	27	12
Open space	336	-	-	5	(177)	-	164	(12)
Other	45	-	-	1	(2)	-	44	-
Total	408	-	-	6	(179)	-	235	-

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					
Roads	-	231	-	(4)	(100)	-	127	330
Open space	1,057	1,649	-	35	(230)	(16)	2,495	(422)
Community facilities	214	99	-	3	-	-	316	-
Other	-	18	-	(3)	(32)	16	(1)	92
Total	1,271	1,997	-	31	(362)	-	2,937	-

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					
Parking	-	53	-	-	(53)	-	-	-
Total	-	53	-	-	(53)	-	-	-

Penrith City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 17. Statement of Developer Contributions (continued)

\$ '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	2017	2016
Civic Improvement Plan	(1,301)	(1,387)
Claremont Meadows	(455)	(65)
Cultural Facilities	(3,295)	(3,409)
Erskine Business Park	2,296	2,616
Erskine Park Residential	-	27
Glenmore Park Stage 2	405	(143)
Kingswood Neighbourhood Centre	104	23
Lambridge Estate	(2,879)	(2,822)
Penrith City District Open Space	26,733	18,111
Penrith City Local Open Space	2,415	1,432
Waterside	235	408
Werrington Enterprise Living and Learning (WELL)	2,937	1,270
Borrowing from Internal Reserves to fund deficits	7,930	7,826
Total Contribution Plans	35,125	23,887

Penrith City Council

Notes to the Financial Statements for the financial year ended 30 June 2017

Note 18. Contingencies and other assets/liabilities not recognised

The following contingencies do not qualify for recognition in the Statement of Financial Position but knowledge of those items is considered relevant to users 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.

LIABILITIES NOT RECOGNISED

1. Guarantees

- (i) Defined benefit superannuation contribution plans

Council is party to an Industry Defined Benefit plan under the Local Government Superannuation Scheme, named The Local Government Superannuation Scheme – Pool B (the Scheme) which is a defined benefit plan that has been deemed to be a “multi-employer fund” for purposes of AASB119 Employee Benefits. Sufficient information is not available to account for the Scheme as a defined benefit plan in accordance with AASB119 because the assets to the Scheme are pooled together for all councils.

The amount of employer contributions to the defined benefit section of the Scheme and recognised as an expense for the year ending 30 June 2017 was \$1.8m. The last valuation of the Scheme was performed by Mr Richard Boyfield, FIAA on 2 December 2016, and covers the ending 30 June 2017.

Council's share of that deficiency cannot be accurately calculated as the Scheme is a mutual arrangement where assets and liabilities are pooled together for all member councils. For this reason, no liability for the deficiency has been recognised in Council's accounts. Council has a possible obligation that may arise should the Scheme require immediate payment to correct the deficiency.

2. Other liabilities

(i) Third party claims

The Council is involved from time to time in various claims incidental to the ordinary course of business including claims from damages relating to its services.

Council believes that it is appropriately covered for all claims through its insurance coverage and does not expect any material liabilities to eventuate.

(ii) S94 Plans

Council levies Infrastructure Contributions upon various developments across the Council area through Section 94 Contribution Plans and Voluntary Planning Agreements (VPAs). Council had eleven (11) active s94 plans and eight (8) active VPAs throughout the reporting period. There was one (1) Contributions Plan repealed during 2016 /2017.

Penrith City Council

Notes to the Financial Statements

for the financial year ended 30 June 2017

Note 18. Contingencies and other assets/liabilities not recognised

Development Contribution Plans and Voluntary Planning Agreements applying to all of or parts of Penrith City include:

Section 94 Contribution Plans	Voluntary Planning Agreements
Claremont Meadows Development Contributions Plan (2004)	731-769 Great Western Highway, Werrington
Cultural Facilities Development Contributions Plan (2003)	Caddens Planning Agreement
Erskine Business Park Development Contributions Plan (2008)	Glenmore Park Stage 2 Planning Agreement
Glenmore Park Stage 2 Development Contributions Plan (2007)	Second Glenmore Park Stage 2 Planning Agreement & Amended Second Glenmore Park Stage 2 Planning Agreement
Lakes Environs (Waterside Green) Development Contributions Plan (2005)	Panthers Roadworks Voluntary Planning Agreement
Lambridge Industrial Estate North Penrith Development Contributions Plan (2004)	Panthers Outlet Centre Voluntary Planning Agreement
Penrith City Centre Civic Improvement Plan (2008, amended 2015)	St Marys Penrith Planning Agreement
Penrith City District Open Space Facilities Development Contributions Plan (2007)	Sydney Science Park Voluntary Planning Agreement
Penrith City Local Open Space Development Contributions Plan (2007)	
St Marys Town Centre Development Contributions Plan (1993)	
Werrington Enterprise Living and Learning (WELL) Precinct Development Contributions Plan (2008)	

As part of these Plans and VPAs, Council has received funds which are required to be expended only for the purpose for which they were levied. The Plans also indicate proposed future expenditure to be undertaken by Council, which will be funded by making levies and receipting funds in future years.

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

Planning Agreements also make provision for the future delivery of assets to Council for the dedication of community assets. The delivery of these assets remains contingent upon developer's actioning consents and they are not raised as receivable assets until contingencies have been met.

(iii) Potential land acquisitions due to planning

Council has classified a number of privately owned land parcels as local open space or bushland.

As a result, where notified in writing by the various owners, Council will be required to purchase these land parcels.

At reporting date, reliable estimates as to the value of any potential liability (and subsequent land asset) from such potential acquisitions has not been possible.

Penrith City Council

Notes to the Financial Statements for the year ended 30 June 2017

Note 19. Interests in other entities

\$ '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 2017	Actual 2016	Actual 2017	Actual 2016
Joint ventures	837	325	6,907	6,070
Total	837	325	6,907	6,070

Penrith City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 19. Interests in other entities (continued)

\$ '000

(a) Controlled entities (subsidiaries) – being entities and operations controlled by Council

Council's consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with AASB 10 and the accounting policy described in Note 1(c).

Name of operation/entity	Principal activity	Ownership		Voting rights	
		2017	2016	2017	2016
Penrith Aquatic and Leisure Ltd	Pools and Gym Penrith Pool in Penrith and Ripples in St Marys				
Interests in Subsidiary					
Council's interest in Subsidiary		100%	100%	100%	100%
Non-controlling interest in Subsidiary					

The nature of risks associated with Council's interests in the Subsidiary

Council provided Penrith Aquatic and Leisure Limited an amount of \$955,000 in subsidies during 2016-17. This subsidy is proposed to be \$1.055m in 2017-18.

Council will underwrite the operation of the Penrith Aquatic and Leisure Limited for a period of 30 months from 1 July 2016 until December 2018

Summarised financial information for the Subsidiary

	2017	2016
Summarised statement of comprehensive income		
Revenue	4,356	3,952
Expenses	(5,310)	(5,054)
Profit for the period	(954)	(1,102)
Other comprehensive income:		
Total comprehensive income ⁽¹⁾	(954)	(1,102)
Summarised statement of financial position		
Current assets	277	196
Non-current assets	199	157
Total assets	476	353
Current liabilities	876	753
Total liabilities	876	753
Net assets ⁽²⁾	(400)	(400)
Summarised statement of cash flows		
Cash flows from operating activities	4,348	3,943
Cash flows from investing activities	8	9
Net increase (decrease) in cash and cash equivalents	4,356	3,952

Penrith City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 19. Interests in other entities (continued)

\$ '000

Name of operation/entity	Principal activity	Ownership		Voting rights	
		2017	2016	2017	2016
Penrith Performing and Visual Arts	Cultural				
Ltd (PPVA)	Penrith				
Interests in Subsidiary					
Council's interest in Subsidiary		100%	100%	100%	100%
Non-controlling interest in Subsidiary					

The nature of risks associated with Council's interests in the Subsidiary

Council provided PPVA an amount of \$1.614m in subsidies during 2016-17.

This subsidy is proposed to be \$1.639m in 2017-18.

Council will underwrite the operation of the PPVA for a period of 30 months from 1 July 2016 until December 2018.

Summarised financial information for the Subsidiary

Summarised statement of comprehensive income	2017	2016
Revenue	2,021	1,972
Expenses	(3,631)	(3,512)
Profit for the period	(1,610)	(1,540)
Other comprehensive income:		
Total comprehensive income ⁽¹⁾	(1,610)	(1,540)
Summarised statement of financial position	2017	2016
Current assets	1,446	1,368
Non-current assets	1,560	591
Total assets	3,006	1,959
Current liabilities	1,033	936
Non-current liabilities	182	177
Total liabilities	1,215	1,113
Net assets ⁽²⁾	1,791	846
Summarised statement of cash flows	2017	2016
Cash flows from operating activities	2,004	1,949
Cash flows from investing activities	17	23
Net increase (decrease) in cash and cash equivalents	2,021	1,972

Penrith City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 19. Interests in other entities (continued)

\$ '000

Name of operation/entity	Principal activity				
Penrith Whitewater Stadium Ltd (PWS)	Management of Whitewater Stadium, Rafting & Leisure Cranebrook				
Interests in Subsidiary		2017	2016	2017	2016
Council's interest in Subsidiary		100%	100%	100%	100%
Non-controlling interest in Subsidiary					

The nature of risks associated with Council's interests in the Subsidiary

Council will underwrite the operation of PWS for a period of 30 months from 1 July 2016 until December 2018.

Summarised financial information for the Subsidiary

	2017	2016
Summarised statement of comprehensive income		
Revenue	1,213	1,585
Expenses	(1,396)	(1,440)
Profit for the period	(183)	145
Other comprehensive income:		
Total comprehensive income ⁽¹⁾	(183)	145
⁽¹⁾ Non-controlling interest share		
Summarised statement of financial position		
Current assets	372	528
Non-current assets	1,006	1,034
Total assets	1,378	1,562
Current liabilities	1,515	1,316
Non-current liabilities	–	201
Total liabilities	1,515	1,517
Net assets ⁽²⁾	(137)	45
⁽²⁾ Non-controlling interest share		
Summarised statement of cash flows		
Cash flows from operating activities	1,211	1,581
Cash flows from investing activities	2	4
Net increase (decrease) in cash and cash equivalents	1,213	1,585

Penrith City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 19. Interests in other entities (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	2017	2016
Westpool	Joint venture	Equity	6,375	5,445
United Independent Pools (UIP)	Joint venture	Equity	532	625
Total carrying amounts – material joint ventures and associates			6,907	6,070

(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	Quoted fair value		Interest in outputs		Interest in ownership		Proportion of voting power	
	2017	2016	2017	2016	2017	2016	2017	2016
Westpool	na	na	17%	17%	17%	17%	10%	10%
United Independent Pools (UIP)	na	na	8%	9%	8%	9%	6%	5%

(d) Summarised financial information for joint ventures and associates

Statement of financial position	Westpool		United Independent Pools (UIP)	
	2017	2016	2017	2016
Current assets				
Cash and cash equivalents	2,935	2,960	506	171
Other current assets	13,722	9,749	6,239	4,177
Non-current assets	47,434	47,864	5,889	8,539
Current liabilities				
Current financial liabilities (excluding trade and other payables and provisions)	5,008	4,999	2,890	2,800
Other current liabilities	677	523	423	346
Non-current liabilities				
Non-current financial liabilities (excluding trade and other payables and provisions)	20,429	22,856	2,830	2,455
Net assets	37,977	32,195	6,490	7,286

Penrith City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 19. Interests in other entities (continued)

\$ '000

Reconciliation of the carrying amount

Opening net assets (1 July)	32,195	29,943	7,286	7,517
Profit/(loss) for the period	7,455	3,498	(796)	(231)
Dividends paid	(1,673)	–	–	–
Other adjustments to equity	–	(1,246)	–	–
Closing net assets	37,977	32,195	6,490	7,286
Council's share of net assets (%)	16.8%	16.9%	8.2%	8.6%
Council's share of net assets (\$)	6,375	5,445	532	625

	Westpool		United Independent Pools	
	2017	2016	2017	2016
Statement of comprehensive income				
Income	7,066	7,421	8,302	8,551
Interest income	3,757	2,438	584	423
Interest expense	(17)	–	–	–
Other expenses	(3,351)	(6,361)	(9,682)	(9,205)
Profit/(loss) from continuing operations	7,455	3,498	(796)	(231)
Total comprehensive income	7,455	3,498	(796)	(231)
Share of income – Council (%)	15.2%	16.2%	11.2%	17.5%
Profit/(loss) – Council (\$)	926	366	(89)	(40)
Total comprehensive income – Council (\$)	926	366	(89)	(40)
Dividends received by Council	204	204		

Penrith City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 20. Retained earnings, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors

\$ '000	Notes	Actual 2017	Actual 2016
(a) Retained earnings			
Movements in retained earnings were as follows:			
Balance at beginning of year (from previous years audited accounts)		1,077,975	2,004,516
a. Correction of prior period errors	20 (c)	–	(995,920)
d. Net operating result for the year		52,062	69,379
Balance at end of the reporting period		<u>1,130,037</u>	<u>1,077,975</u>
(b) Revaluation reserves			
(i) Reserves are represented by:			
– Infrastructure, property, plant and equipment revaluation reserve		674,345	681,021
Total		<u>674,345</u>	<u>681,021</u>
(ii) Reconciliation of movements in reserves:			
Infrastructure, property, plant and equipment revaluation reserve			
– Opening balance		681,021	872,481
– Revaluations for the year	9(a)	(6,676)	55,533
– Correction of prior period errors	20(c)	–	(246,993)
– Balance at end of year		<u>674,345</u>	<u>681,021</u>
TOTAL VALUE OF RESERVES		<u>674,345</u>	<u>681,021</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.

Penrith City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 20. Retained earnings, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)

\$ '000	Notes	Actual 2017	Actual 2016
(c) Correction of error/s relating to a previous reporting period			
Correction of errors as disclosed in last year's financial statements:			
Land Under Roads Change in Valuation Basis			
Land Under Roads (LUR) valuation was adjusted to allow for a discounted rate of 90% due to restrictions associated with this land. As at 30 June 2015, Council valuation of total LUR was at the average unit value of land contained within its area of control without any discounting. Due to a change in the valuation basis, the discount factor (90%) needs to be applied to reflect restrictions places on Land Under Roads.			
As part of this change in the valuation basis for Land Under Roads, Council also adjusted the revaluation of this asset for 2016/17 to reflect the discount factor (90%).			
Adjustments to Revaluation Reserve 30/06/2016			
Land Under Roads Discounted			497,946
These amounted to the following equity adjustments:			
– Adjustments to opening equity – 1/7/16 (relating to adjustments for the 30/6/16 reporting year end and prior periods)		–	(1,242,913)
– Adjustments to closing equity – 30/6/17 (relating to adjustments for the 30/6/17 year end)		–	–
Total prior period adjustments – prior period errors		–	(1,242,913)

Penrith City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 20. Retained earnings, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)

(d) Voluntary changes in accounting policies

Council made no voluntary changes in any accounting policies during the year.

(e) Changes in accounting estimates

Council made no changes in accounting estimates during the year.

Note 21. Financial result and financial position by fund

Council utilises only a general fund for its operations.

Note 22. 'Held for sale' non-current assets and disposal groups

Council did not classify any non-current assets or disposal groups as 'held for sale'.

Penrith City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 23. Events occurring after the reporting date

Events that occur between the end of the reporting period (30 June 2017) and the date when the financial statements are 'authorised for issue' have been taken into account in preparing these statements.

Council has adopted the date of receipt of the Auditors' Report as the applicable 'authorised for issue' date relating to these General Purpose Financial Statements.

Accordingly, the 'authorised for issue' date is dd/mm/yy.

Events that occur after the reporting period represent one of two types:

(i) Events that provide evidence of conditions that existed at the reporting period

These financial statements (and the figures therein) incorporate all 'adjusting events' that provided evidence of conditions that existed at 30 June 2017.

(ii) Events that provide evidence of conditions that arose after the reporting period

These financial statements (and figures therein) do not incorporate any 'non-adjusting events' that have occurred after 30 June 2017 and which are only indicative of conditions that arose after 30 June 2017.

Council is unaware of any material or significant 'non-adjusting events' that should be disclosed.

Note 24. Discontinued operations

Council has not classified any of its operations as 'discontinued'.

Note 25. Intangible assets

Intangible assets represent identifiable non-monetary assets without physical substance.

Council is unaware of any control over intangible assets that warrant recognition in the financial statements, including either internally generated and developed assets or purchased assets.

Note 26. Reinstatement, rehabilitation and restoration liabilities

Council has no outstanding obligations to make, restore, rehabilitate or reinstate any of its assets/operations.

Penrith City Council

Notes to the Financial Statements

for the year ended 30 June 2017

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:

2017	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				
– 'Available for sale'	–	–	1,564	1,564
Total financial assets	–	–	1,564	1,564
Investment properties				
Land and buildings	–	–	19,874	19,874
Total investment properties	–	–	19,874	19,874
Infrastructure, property, plant and equipment				
Plant and equipment	–	–	15,451	15,451
Office equipment	–	–	5,476	5,476
Furniture and fittings	–	–	3,005	3,005
Community land	–	–	195,179	195,179
Operating land	–	–	78,281	78,281
Land under roads	–	–	193,908	193,908
Land improvements	–	–	19,736	19,736
Buildings	–	–	202,552	202,552
Roads, bridges, footpaths	–	–	741,342	741,342
Stormwater drainage	–	–	258,670	258,670
Library books	–	–	1,703	1,703
Other	–	–	4,091	4,091
Total infrastructure, property, plant and equipment	–	–	1,719,394	1,719,394

Penrith City Council

Notes to the Financial Statements

for the year ended 30 June 2017

Note 27. Fair value measurement (continued)

\$ '000

2016	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	–	–	3,462,119	3,462,120

Penrith City Council

Notes to the Financial Statements for the financial year ended 30 June 2017

Note 27. Fair Value Measurement

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 61 and 73 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 Valuation from Councils 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.

Penrith City Council

Notes to the Financial Statements

for the financial year ended 30 June 2017

Note 27. Fair Value Measurement (continued)

Infrastructure, Property, Plant & 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 which 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"> \$63.29 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.
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.

Penrith City Council

Notes to the Financial Statements for the financial year ended 30 June 2017

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
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.

Highest and best use

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

Penrith City Council

Notes to the Financial Statements
for the year ended 30 June 2017

Note 28. Related party disclosures

\$ '000

a. Key management personnel

Key management personnel (KMP) of the council are those persons having the authority and responsibility for planning, directing and controlling the activities of the council, directly or indirectly.

The aggregate amount of KMP compensation included in the Income Statement is:

	Actual 2017
Short-term benefits (including annual leave)	3,630
Other long-term benefits	169
Total	3,799

\$ '000

b. Other transactions with KMP and their related parties

Council has determined that transactions at arm's length between KMP and Council as part of Council delivering a public service objective (e.g. access to library or Council swimming pool by KMP) will not be disclosed.

Nature of the transaction	Value of transactions during year \$'000	Outstanding balance (incl. loans and commitments) \$'000	Terms and conditions	Provisions for doubtful debts outstanding \$'000	Doubtful debts expense recognised \$'000
Contribution to Civic Risk Mutual	1,344	-	30-day terms on invoices	-	-



INDEPENDENT AUDITOR'S REPORT

Report on the general purpose financial statements

Penrith City Council

To the Councillors of the Penrith City Council

Opinion

I have audited the accompanying financial statements of Penrith City Council (the Council), which comprise the statement of financial position as at 30 June 2017, the income statement, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the Statement by Councillors and Management.

In my opinion,

- the Council's accounting records have been kept in accordance with the requirements of the *Local Government Act 1993*, Chapter 13, Part 3, Division 2 (the Division)
- the financial statements:
 - have been presented, in all material respects, in accordance with the requirements of this Division
 - are consistent with the Council's accounting records
 - present fairly, in all material respects, the financial position of the Council as at 30 June 2017, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- all information relevant to the conduct of the audit has been obtained
- no material deficiencies in the accounting records or financial statements have come to light during the audit.

My opinion should be read in conjunction with the rest of this report.

Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under the standards are described in the 'Auditor's Responsibilities for the Audit of the Financial Statements' section of my report.

I am independent of the Council in accordance with the requirements of the:

- Australian Auditing Standards
- Accounting Professional and Ethical Standards Board's APES 110 'Code of Ethics for Professional Accountants' (APES 110).

I have fulfilled my other ethical responsibilities in accordance with APES 110.

Parliament promotes independence by ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of councils
- precluding the Auditor-General from providing non-audit services.

I believe the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Other Matter

The financial statements of the Council for the year ended 30 June 2016 were audited by another auditor who expressed an unmodified opinion on that financial statement on 6 September 2016.

The Councillors' Responsibility for the Financial Statements

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

In preparing the financial statements, the Councillors must assess the Council's ability to continue as a going concern except where the Council will be dissolved or amalgamated by an Act of Parliament. The assessment must disclose, as applicable, matters related to going concern and the appropriateness of using the going concern basis of accounting.

Auditor's Responsibility for the Audit of the Financial Statements

My objectives are to:

- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on the financial statements.

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/ar3.pdf. The description forms part of my auditor's report.

My opinion does *not* provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- on the Original Budget information included in the Income Statement, Statement of Cash Flows, Note 2(a) and Note 16 budget variation explanations
- on the attached Special Schedules
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.

A handwritten signature in cursive script, appearing to read "Karen Taylor".

Karen Taylor
Director, Financial Audit Services

26 September 2017
SYDNEY

Mayor
Penrith City Council
PO Box 60
PENRITH NSW 2751

26 September 2017

Dear Mayor

**Report on the Conduct of the Audit
for the year ended 30 June 2017
Penrith City Council**





I have audited the general purpose financial statements of the Penrith City Council (the Council) for the year ended 30 June 2017 as required by s415 of the *Local Government Act 1993* (the Act).

I expressed an unmodified opinion on the Council's general purpose financial statements.

This Report on the Conduct of the Audit (the Report) for the Council for the year ended 30 June 2017 is issued in accordance with section 417 of the Act. This Report should be read in conjunction with my audit opinion on the general purpose financial statements issued under section 417(2) of the Act.

INCOME STATEMENT

Operating result

	2017	2016	Variance
	\$m	\$m	%
Rates and annual charges revenue	134.2	125.3	7.1 
Grants and contributions revenue	72.3	83.6	(13.5) 
Operating result for the year	52.1	69.4	(24.9) 
Net operating result before capital amounts	17.0	14.2	19.7 

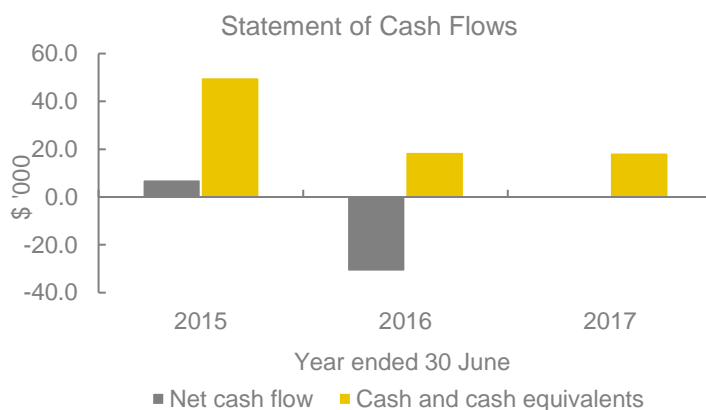
Council's operating result is impacted by the following:

- financial assistance grants for 17-18 being received in 16-17
- growth in rates and annual charges
- favourable budget variations.

STATEMENT OF CASH FLOWS

Cash balances remained steady whilst investments increased by \$118 million from \$36.6 million at 30 June 2015.

Negative cash flow in 2016 was due to higher asset investment. Net cash used in 2017 was \$0.3 million, whilst borrowings are being repaid at a steady rate.



FINANCIAL POSITION

Cash and Investments

Restricted Cash and Investments	2017	2016	Commentary
	\$m	\$m	
External restrictions	63.5	56.9	Externally restricted balances include unexpended specific loans, developer contributions and domestic waste management charges.
Internal restrictions	63.5	43.2	Balances are Internally restricted due to Council policy or decisions for forward plans including works program.
Unrestricted	9.7	8.2	Unrestricted balances provide liquidity for day-to-day operations.
Cash and investments	136.7	108.3	

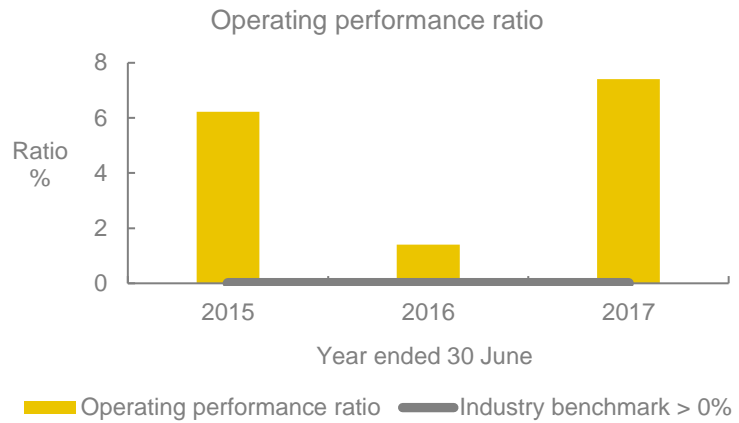
PERFORMANCE RATIOS

The definition of each ratio analysed below (except for the 'building and infrastructure renewals ratio') is included in Note 13 of the Council's audited general purpose financial statements. The 'building and infrastructure renewals ratio' is defined in Council's unaudited Special Schedule 7.

Operating performance ratio

Council continues to exceed the benchmark.

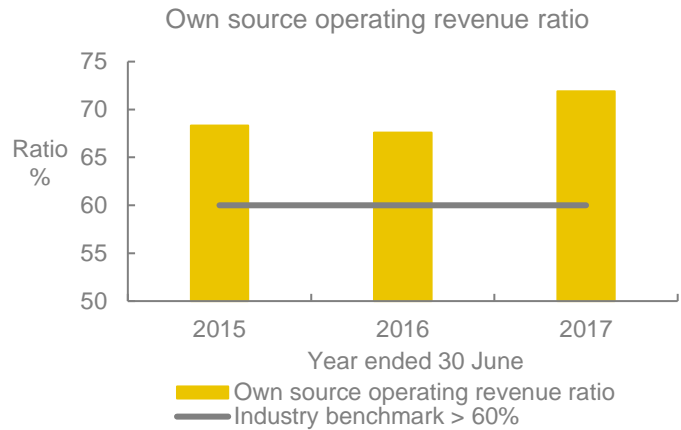
The 'operating performances ratio' measures how well council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The benchmark set by the Office of Local Government (OLG) is greater than zero per cent.



Own source operating revenue ratio

Council has strong growth in own source revenue. The ratio fluctuates with movements in grants and contributions.

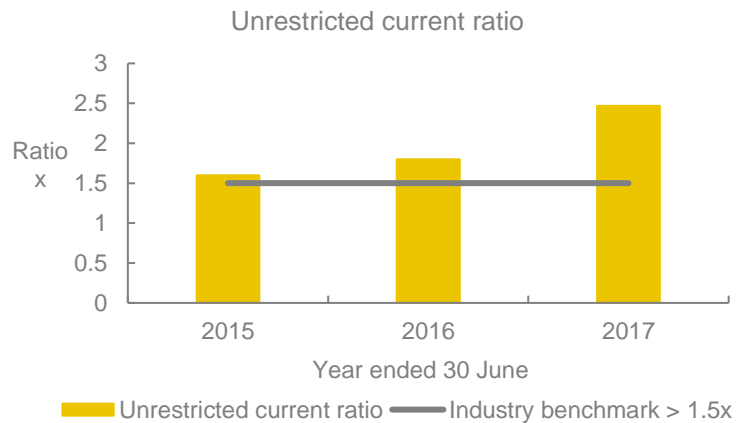
The 'own source operating revenue ratio' measures council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by OLG is greater than 60 per cent.



Unrestricted current ratio

Improved unrestricted current ratio due to increased current assets including investments.

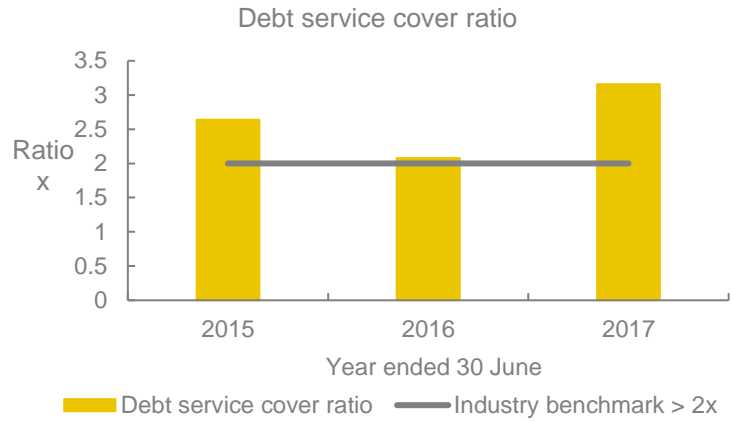
The 'unrestricted current ratio' is specific to local government and represents council's ability to meet its short-term obligations as they fall due. The benchmark set by OLG is greater than 1.5 times.



Debt service cover ratio

Improved ability to repay borrowings of \$54.4 million (\$64.4 million in 2016). Receipt of the 2017-18 financial assistance grant in the current financial year contributed to this result.

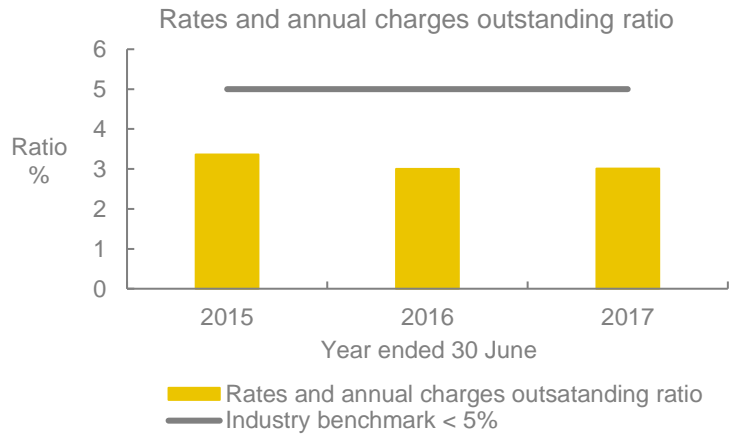
The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by OLG is greater than two times.



Rates and annual charges outstanding ratio

Performance better than benchmark and remains relatively consistent.

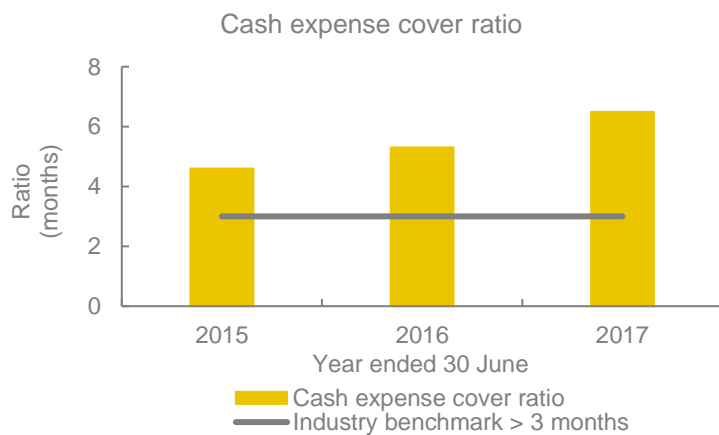
The 'rates and annual charges outstanding ratio' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by OLG is greater than 5 per cent for metro councils.



Cash expense cover ratio

Receipt of the 2017-18 financial assistance grant in the current financial year contributed to the improved result.

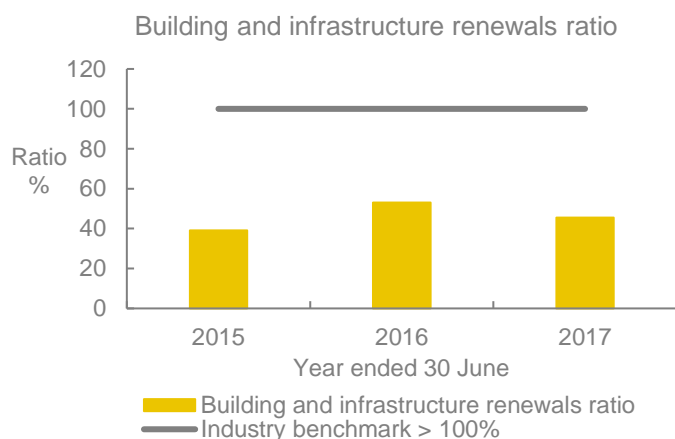
This liquidity ratio indicates the number of months the council can continue paying for its immediate expenses without additional cash inflow. The benchmark set by OLG is greater than three months.



Building and infrastructure renewals ratio

The 'building and infrastructure renewals ratio' assesses the rate at which these assets are being renewed against the rate at which they are depreciating. The benchmark set by OLG is greater than 100 per cent.

This ratio is sourced from council's Special Schedule 7 which is unaudited.



OTHER MATTERS

Council Entities

I did not audit the following council entities:

- Penrith Performing and Visual Arts Limited
- Penrith Aquatic and Leisure Limited
- Penrith Whitewater Stadium Limited.

These entities are audited by private sector auditors.

New accounting standards implemented

AASB 124 'Related Party Disclosures'

Effective for annual reporting periods beginning on or 1 July 2016

AASB 2015-6 extended the scope of AASB 124 to not-for-profit public sector entities. Council's financial statements disclosed the:

- compensation paid to their key management personnel
- nature of related party relationships
- amount and nature of related party transactions, outstanding balances and commitments and outstanding balances (including commitments).

Legislative compliance

My audit procedures did not identify any instances of non-compliance with legislative requirements or a material deficiency in the Council's accounting records or financial reports. The Council's:

- accounting records were maintained in a manner and form to allow the general purpose financial statements to be prepared and effectively audited
- staff provided all accounting records and information relevant to the audit.



Karen Taylor
Director, Financial Audit Services

26 September 2017
SYDNEY

Penrith City Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2017

Penrith City Council

Special Purpose Financial Statements

for the year ended 30 June 2017

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:

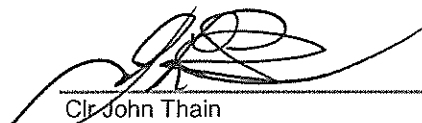
- the NSW Government Policy Statement 'Application of National Competition Policy to Local Government',
- the Division of Local Government Guidelines 'Pricing and Costing for Council Businesses – A Guide to Competitive Neutrality',
- the Local Government Code of Accounting Practice and Financial Reporting,
- 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 25 September 2017.



Clr John Thain
Mayor



Clr Tricia Hitchen
Deputy Mayor



Alan Stoneham
General Manager



Neil Farquharson
Acting Responsible Accounting Officer

Penrith City Council

Income Statement of Council's Other Business Activities for the year ended 30 June 2017

\$ '000	Childcare		Council pools	
	Category 1		Category 1	
	Actual 2017	Actual 2016	Actual 2017	Actual 2016
Income from continuing operations				
User charges	9,716	9,276	4,343	3,942
Interest	–	–	8	9
Grants and contributions provided for non-capital purposes	10,363	10,811	–	–
Profit from the sale of assets	–	–	5	–
Other income	85	95	–	–
Total income from continuing operations	20,164	20,182	4,356	3,951
Expenses from continuing operations				
Employee benefits and on-costs	17,340	16,813	4,006	3,768
Materials and contracts	740	808	1,968	717
Depreciation, amortisation and impairment	–	–	81	93
Calculated taxation equivalents	975	917	522	48
Debt guarantee fee (if applicable)	697	499	1,099	406
Other expenses	1,087	1,095	579	559
Total expenses from continuing operations	20,839	20,132	8,255	5,591
Surplus (deficit) from continuing operations before capital amounts	(675)	50	(3,899)	(1,639)
Surplus (deficit) from all operations before tax	(675)	50	(3,899)	(1,639)
Less: corporate taxation equivalent (30%) [based on result before capital]	–	(15)	–	–
SURPLUS (DEFICIT) AFTER TAX	(675)	35	(3,899)	(1,639)
Plus opening retained profits	2,546	960	(15,377)	(15,204)
Plus adjustments for amounts unpaid:				
– Taxation equivalent payments	975	917	522	48
– Debt guarantee fees	697	499	1,099	406
– Corporate taxation equivalent	–	15	–	–
Add:				
– Subsidy paid/contribution to operations	120	120	955	1,012
Closing retained profits	3,663	2,546	(16,700)	(15,377)
Return on capital %	n/a	n/a	-1959.3%	-1043.0%
Subsidy from Council	675	–	3,904	1,642

Penrith City Council

Income Statement of Council's Other Business Activities

for the year ended 30 June 2017

\$ '000	Property Development		Whitewater	
	Category 1		Category 1	
	Actual 2017	Actual 2016	Actual 2017	Actual 2016
Income from continuing operations				
User charges	3,110	3,175	1,211	1,581
Interest	527	278	2	4
Profit from the sale of assets	(607)	7,764	–	–
Total income from continuing operations	3,030	11,217	1,213	1,585
Expenses from continuing operations				
Employee benefits and on-costs	884	791	799	778
Borrowing costs	–	–	22	34
Materials and contracts	1,765	1,149	81	107
Depreciation, amortisation and impairment	734	881	113	111
Calculated taxation equivalents	2,680	620	3	2
Debt guarantee fee (if applicable)	–	–	30	23
Other expenses	519	478	381	410
Total expenses from continuing operations	6,582	3,919	1,429	1,465
Surplus (deficit) from continuing operations before capital amounts	(3,552)	7,298	(216)	120
Surplus (deficit) from all operations before tax	(3,552)	7,299	(216)	120
Less: corporate taxation equivalent (30%) [based on result before capital]	–	(2,190)	–	(36)
SURPLUS (DEFICIT) AFTER TAX	(3,552)	5,109	(216)	84
Plus opening retained profits	33,315	28,056	121	(24)
Plus adjustments for amounts unpaid:				
– Taxation equivalent payments	2,680	620	3	2
– Debt guarantee fees	–	–	30	23
– Corporate taxation equivalent	–	2,190	–	36
– Dividend paid	(2,218)	(2,660)	–	–
Closing retained profits	30,225	33,315	(62)	121
Return on capital %	-2.3%	16.3%	-19.3%	14.9%
Subsidy from Council	7,213	–	218	–

Penrith City Council

Income Statement of Council's Other Business Activities

for the year ended 30 June 2017

\$ '000	Penrith Performing and Visual Arts Ltd		Cemeteries	
	Category 1		Category 2	
	Actual 2017	Actual 2016	Actual 2017	Actual 2016
Income from continuing operations				
User charges	1,430	1,369	1,090	910
Interest	17	23	–	–
Grants and contributions provided for non-capital purposes	2,188	2,166	–	–
Total income from continuing operations	3,635	3,558	1,090	910
Expenses from continuing operations				
Employee benefits and on-costs	2,247	2,102	326	298
Materials and contracts	934	962	451	388
Depreciation, amortisation and impairment	38	51	8	9
Calculated taxation equivalents	82	41	–	–
Imputed rental	1,099	760	–	–
Other expenses	413	397	71	86
Total expenses from continuing operations	4,813	4,313	856	781
Surplus (deficit) from continuing operations before capital amounts	(1,178)	(755)	234	129
Surplus (deficit) from all operations before tax	(1,178)	(755)	234	129
Less: corporate taxation equivalent (30%) [based on result before capital]	–	–	(70)	(39)
SURPLUS (DEFICIT) AFTER TAX	(1,178)	(755)	164	90
Plus opening retained profits	(3,329)	(4,960)	(623)	(752)
– Taxation equivalent payments	82	41	–	–
– Corporate taxation equivalent	–	–	70	39
– Imputed rental	1,099	760	–	–
Add:				
– Subsidy paid/contribution to operations	1,614	1,585	–	–
Closing retained profits	(1,712)	(3,329)	(389)	(623)
Return on capital %	-75.5%	-127.7%	296.2%	135.5%
Subsidy from Council	1,215	768	–	–

Penrith City Council

Income Statement of Council's Other Business Activities

for the year ended 30 June 2017

\$ '000	Tennis courts		St Clair Recreation Centre	
	Category 2		Category 2	
	Actual 2017	Actual 2016	Actual 2017	Actual 2016
Income from continuing operations				
User charges	16	8	177	168
Interest	–	1	–	–
Other income	6	1	–	–
Total income from continuing operations	22	10	177	168
Expenses from continuing operations				
Employee benefits and on-costs	69	76	208	240
Materials and contracts	13	(12)	58	75
Depreciation, amortisation and impairment	92	247	3	3
Imputed rental	–	–	40	27
Other expenses	45	32	20	24
Total expenses from continuing operations	219	343	329	369
Surplus (deficit) from continuing operations before capital amounts	(197)	(333)	(152)	(201)
SURPLUS (DEFICIT) AFTER TAX	(197)	(333)	(152)	(201)
Plus opening retained profits	(279)	54	(4,928)	(4,754)
– Imputed rental	–	–	40	27
Closing retained profits	(476)	(279)	(5,040)	(4,928)
Return on capital %	-2.0%	-11.3%	-370.7%	-410.2%
Subsidy from Council	436	397	153	202

Penrith City Council

Income Statement of Council's Other Business Activities

for the year ended 30 June 2017

\$ '000	Halls		Contestable Services	
	Category 2		Category 2	
	Actual 2017	Actual 2016	Actual 2017	Actual 2016
Income from continuing operations				
User charges	191	161	646	600
Interest	1	2	–	–
Other income	781	679	–	–
Total income from continuing operations	973	842	646	600
Expenses from continuing operations				
Employee benefits and on-costs	695	683	246	223
Borrowing costs	4	8	–	–
Materials and contracts	470	539	–	2
Depreciation, amortisation and impairment	1,135	1,180	–	–
Other expenses	359	248	80	91
Total expenses from continuing operations	2,663	2,658	326	316
Surplus (deficit) from continuing operations before capital amounts	(1,690)	(1,816)	320	284
Surplus (deficit) from all operations before tax	(1,690)	(1,816)	320	284
Less: corporate taxation equivalent (30%) [based on result before capital]	–	–	(96)	(85)
SURPLUS (DEFICIT) AFTER TAX	(1,690)	(1,816)	224	199
Plus opening retained profits	(3,778)	(1,962)	687	403
– Corporate taxation equivalent	–	–	96	85
Closing retained profits	(5,468)	(3,778)	1,007	687
Return on capital %	-4.9%	-5.3%	n/a	n/a
Subsidy from Council	2,503	2,550	–	–

Penrith City Council

Statement of Financial Position – Council's Other Business Activities

as at 30 June 2017

\$ '000	Childcare		Council pools	
	Category 1		Category 1	
	Actual 2017	Actual 2016	Actual 2017	Actual 2016
ASSETS				
Current assets				
Cash and cash equivalents	–	–	202	92
Investments	715	944	–	–
Receivables	557	413	87	48
Inventories	–	–	21	18
Other	–	–	(32)	37
Total Current Assets	1,272	1,357	278	196
Non-current assets				
Infrastructure, property, plant and equipment	–	–	199	157
Other	2,940	1,817	–	–
Total non-current assets	2,940	1,817	199	157
TOTAL ASSETS	4,212	3,174	477	353
LIABILITIES				
Current liabilities				
Payables	549	628	432	405
Provisions	–	–	400	304
Total current liabilities	549	628	832	709
Non-current liabilities				
Other Liabilities	–	–	16,345	15,021
Total non-current liabilities	–	–	16,345	15,021
TOTAL LIABILITIES	549	628	17,177	15,730
NET ASSETS	3,663	2,546	(16,700)	(15,377)
EQUITY				
Retained earnings	3,663	2,546	(16,700)	(15,377)
Council equity interest	3,663	2,546	(16,700)	(15,377)
TOTAL EQUITY	3,663	2,546	(16,700)	(15,377)

Penrith City Council

Statement of Financial Position – Council's Other Business Activities

as at 30 June 2017

\$ '000	Property Development		Whitewater	
	Category 1		Category 1	
	Actual 2017	Actual 2016	Actual 2017	Actual 2016
ASSETS				
Current assets				
Cash and cash equivalents	–	–	19	59
Investments	20,627	16,724	317	434
Receivables	–	–	12	22
Inventories	–	–	28	28
Other	–	10	(3)	(16)
Non-current assets classified as held for sale	–	924	–	–
Total Current Assets	20,627	17,658	373	527
Non-current assets				
Infrastructure, property, plant and equipment	153,824	44,742	1,006	1,034
Other	–	358	74	77
Total non-current assets	153,824	45,100	1,080	1,111
TOTAL ASSETS	174,451	62,758	1,453	1,638
LIABILITIES				
Current liabilities				
Payables	34	34	111	147
Borrowings	–	–	1,142	919
Provisions	–	(1)	262	250
Total current liabilities	34	33	1,515	1,316
Non-current liabilities				
Borrowings	–	–	–	201
Other Liabilities	13,164	–	–	–
Total non-current liabilities	13,164	–	–	201
TOTAL LIABILITIES	13,198	33	1,515	1,517
NET ASSETS	161,253	62,725	(62)	121
EQUITY				
Retained earnings	30,225	33,315	(62)	121
Revaluation reserves	131,028	29,410	–	–
Council equity interest	161,253	62,725	(62)	121
Non-controlling equity interest	–	–	–	–
TOTAL EQUITY	161,253	62,725	(62)	121

Penrith City Council

Statement of Financial Position – Council's Other Business Activities

as at 30 June 2017

\$ '000	Penrith Performing and Visual Arts Ltd		Cemeteries	
	Category 1		Category 2	
	Actual 2017	Actual 2016	Actual 2017	Actual 2016
ASSETS				
Current assets				
Cash and cash equivalents	209	149	–	–
Investments	1,093	1,049	988	750
Receivables	63	84	–	–
Inventories	12	10	–	–
Other	70	76	–	–
Total Current Assets	1,447	1,368	988	750
Non-current assets				
Infrastructure, property, plant and equipment	1,560	591	79	95
Total non-current assets	1,560	591	79	95
TOTAL ASSETS	3,007	1,959	1,067	845
LIABILITIES				
Current liabilities				
Payables	906	810	–	–
Provisions	126	126	4	2
Total current liabilities	1,032	936	4	2
Non-current liabilities				
Provisions	182	177	–	–
Other Liabilities	3,505	4,175	1,452	1,466
Total non-current liabilities	3,687	4,352	1,452	1,466
TOTAL LIABILITIES	4,719	5,288	1,456	1,468
NET ASSETS	(1,712)	(3,329)	(389)	(623)
EQUITY				
Retained earnings	(1,712)	(3,329)	(389)	(623)
Council equity interest	(1,712)	(3,329)	(389)	(623)
TOTAL EQUITY	(1,712)	(3,329)	(389)	(623)

Penrith City Council

Statement of Financial Position – Council's Other Business Activities

as at 30 June 2017

\$ '000	Tennis courts		St Clair Recreation Centre	
	Category 2		Category 2	
	Actual 2017	Actual 2016	Actual 2017	Actual 2016
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	10,048	2,944	41	49
Total non-current assets	10,048	2,944	41	49
TOTAL ASSETS	10,071	2,967	41	49
LIABILITIES				
Current liabilities				
Payables	(1)	(1)	54	–
Provisions	1	1	–	1
Total current liabilities	–	–	54	1
Non-current liabilities				
Other Liabilities	3,577	3,246	5,027	4,976
Total non-current liabilities	3,577	3,246	5,027	4,976
TOTAL LIABILITIES	3,577	3,246	5,081	4,977
NET ASSETS	6,494	(279)	(5,040)	(4,928)
EQUITY				
Retained earnings	(476)	(279)	(5,040)	(4,928)
Revaluation reserves	6,970	–	–	–
Council equity interest	6,494	(279)	(5,040)	(4,928)
TOTAL EQUITY	6,494	(279)	(5,040)	(4,928)

Penrith City Council

Statement of Financial Position – Council's Other Business Activities

as at 30 June 2017

\$ '000	Halls		Contestable Services	
	Category 2		Category 2	
	Actual 2017	Actual 2016	Actual 2017	Actual 2016
ASSETS				
Current assets				
Cash and cash equivalents	227	202	–	–
Investments	52	51	–	–
Receivables	10	10	–	–
Other	3	–	–	–
Total Current Assets	292	263	–	–
Non-current assets				
Infrastructure, property, plant and equipment	34,332	34,182	–	–
Other	–	–	1,009	688
Total non-current assets	34,332	34,182	1,009	688
TOTAL ASSETS	34,624	34,445	1,009	688
LIABILITIES				
Current liabilities				
Payables	35	37	1	1
Provisions	4	3	1	–
Total current liabilities	39	40	2	1
Non-current liabilities				
Other Liabilities	40,053	38,183	–	–
Total non-current liabilities	40,053	38,183	–	–
TOTAL LIABILITIES	40,092	38,223	2	1
NET ASSETS	(5,468)	(3,778)	1,007	687
EQUITY				
Retained earnings	(5,468)	(3,778)	1,007	687
Council equity interest	(5,468)	(3,778)	1,007	687
TOTAL EQUITY	(5,468)	(3,778)	1,007	687

Penrith City Council

Notes to the Special Purpose Financial Statements for the financial year ended 30 June 2017

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) &
- 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, 11 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 City Council

Notes to the Special Purpose Financial Statements for the financial year ended 30 June 2017

Note 1. Significant Accounting Policies

Penrith Performing and Visual Arts Limited

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

Category 2

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

Cemeteries

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

Tennis Courts

43 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 **\$549,000** of combined land values attracts **0%**. From \$549,001 to \$3,357,000 the rate is **1.6% + \$100**. For the remaining combined land value that exceeds \$3,357,000, 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.

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

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

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

Penrith City Council

Notes to the Special Purpose Financial Statements for the financial year ended 30 June 2017

Note 1. Significant Accounting Policies

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 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 2.64% at 30/6/17.

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

Penrith City Council

Notes to the Special Purpose Financial Statements for the financial year ended 30 June 2017

Note 1. Significant Accounting Policies

(iv) Dividends

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

Local Government Water Supply and Sewerage Businesses are permitted to pay an annual dividend from its water supply or sewerage business surplus.

The dividend, calculated and approved in accordance with the Best Practice Management Guidelines, must not exceed either:

- (i) 50% of this surplus in any one year, or
- (ii) the number of water supply or sewerage assessments at 30 June 2016 multiplied by \$30 (less the payment for tax equivalent charges, not exceeding \$3 per assessment).

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



INDEPENDENT AUDITOR'S REPORT
Report on the special purpose financial statement
Penrith City Council

To the Councillors of the Penrith City Council

Opinion

I have audited the accompanying special purpose financial statements (the financial statements) of Penrith City Council's (the Council) Declared Business Activities, which comprise the statement of financial position of each Declared Business Activity as at 30 June 2017, the income statement of each Declared Business Activity for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information for the Business Activities declared by Council, and the Statement by Councillors and Management.

The Declared Business Activities of the Council are:

- Childcare
- Council Pools
- Property Development
- Whitewater
- Penrith Performing and Visual Arts Ltd
- Cemeteries
- Tennis Courts
- St Clair Recreation Centre
- Halls
- Contestable Services.

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Council's declared Business Activities as at 30 June 2017, and their financial performance for the year then ended, in accordance with the Australian Accounting Standards described in Note 1 and the Local Government Code of Accounting Practice and Financial Reporting (LG Code).

My opinion should be read in conjunction with the rest of this report and in particular, the Emphasis of Matter referring to the basis of accounting.

Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under the standards are described in the 'Auditor's Responsibilities for the Audit of the Financial Statements' section of my report.

I am independent of the Council in accordance with the requirements of the:

- Australian Auditing Standards
- Accounting Professional and Ethical Standards Board's APES 110 'Code of Ethics for Professional Accountants' (APES 110).

I have fulfilled my other ethical responsibilities in accordance with APES 110.

Emphasis of Matter - Basis of Accounting

Without modifying my opinion, I 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 Council's financial reporting responsibilities under the LG Code. As a result, the financial statements may not be suitable for another purpose.

Other Matter

The financial statements of the Council for the year ended 30 June 2016 were audited by another auditor who expressed an unmodified opinion on that financial statement on 6 September 2016.

The Councillors' Responsibility for the Financial Statements

The Councillors are responsible for the preparation and fair presentation of the financial statements and for determining that the accounting policies, described in Note 1 to the financial statements, are appropriate to meet the requirements in the LG Code. The Councillors' responsibility also includes such internal control as the Councillors determine is necessary to enable the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Councillors must assess the Council's ability to continue as a going concern except where the Council will be dissolved or amalgamated by an Act of Parliament. The assessment must disclose, as applicable, matters related to going concern and the appropriateness of using the going concern basis of accounting, as it affects the Council's Declared Business Activities.

Auditor's Responsibility for the Audit of the Financial Statements

My objectives are to:

- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on the financial statements.

A description of my responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at:

http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf.

The description forms part of my auditor's report.

My opinion does not provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.

A handwritten signature in blue ink that reads "Karen Taylor". The signature is written in a cursive style with a large initial 'K' and 'T'.

Karen Taylor
Director, Financial Audit Services
26 September 2017
SYDNEY

Penrith City Council

Special Schedule 1 – Net Cost of Services

for the year ended 30 June 2017

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
Governance	6,629	11	–	(6,618)
Administration	35,506	44,310	133	8,937
Public order and safety				
Fire service levy, fire protection, emergency services	5,139	2,363	171	(2,605)
Enforcement of local government regulations	2,660	2,392	–	(268)
Animal control	787	261	–	(526)
Other	483	79	125	(279)
Total public order and safety	9,069	5,095	296	(3,678)
Health	1,430	468	–	(962)
Environment				
Noxious plants and insect/vermin control	169	–	–	(169)
Other environmental protection	3,190	282	255	(2,653)
Solid waste management	28,176	872	–	(27,304)
Street cleaning	2,560	–	–	(2,560)
Stormwater management	3,525	–	–	(3,525)
Total environment	37,620	1,154	255	(36,211)
Community services and education				
Administration and education	2,043	197	–	(1,846)
Social protection (welfare)	881	112	1,104	335
Aged persons and disabled	409	178	–	(231)
Children's services	23,098	23,851	–	753
Total community services and education	26,431	24,338	1,104	(989)
Housing and community amenities				
Public cemeteries	849	1,090	–	241
Public conveniences	1,032	–	–	(1,032)
Street lighting	3,377	108	–	(3,269)
Town planning	2,821	663	173	(1,985)
Other community amenities	–	–	–	–
Total housing and community amenities	8,079	1,861	173	(6,045)

Penrith City Council

Special Schedule 1 – Net Cost of Services (continued)
for the year ended 30 June 2017

\$'000

Function or activity	Expenses from continuing operations	Income from continuing operations		Net cost of services
		Non-capital	Capital	
Recreation and culture				
Public libraries	6,938	455	–	(6,483)
Museums	29	–	–	(29)
Art galleries	23	–	–	(23)
Community centres and halls	1,528	972	–	(556)
Other cultural services	4,266	2,075	–	(2,191)
Sporting grounds and venues	3,274	2	–	(3,272)
Swimming pools	5,373	4,343	750	(280)
Parks and gardens (lakes)	9,805	68	14,291	4,554
Other sport and recreation	3,084	1,705	263	(1,116)
Total recreation and culture	34,320	9,620	15,304	(9,396)
Mining, manufacturing and construction				
Building control	7,330	5,177	–	(2,153)
Total mining, manufacturing and const.	7,330	5,177	–	(2,153)
Transport and communication				
Urban roads (UR) – local	28,158	6,180	696	(21,282)
Urban roads – regional	1,429	287	32	(1,110)
Sealed rural roads (SRR) – local	2,858	575	65	(2,218)
Sealed rural roads (SRR) – regional	357	72	8	(277)
Unsealed rural roads (URR) – local	357	72	8	(277)
Parking areas	755	236	–	(519)
Footpaths	192	–	–	(192)
Other transport and communication	1,511	64	16,958	15,511
Total transport and communication	35,617	7,486	17,767	(10,364)
Economic affairs				
Other economic affairs	5,083	337	–	(4,746)
Total economic affairs	5,083	337	–	(4,746)
Totals – functions	207,114	99,857	35,032	(72,225)
General purpose revenues ⁽¹⁾		123,450		123,450
Share of interests – joint ventures and associates using the equity method	–	837		837
NET OPERATING RESULT ⁽²⁾	207,114	224,144	35,032	52,062

(1) Includes: rates and annual charges (including ex gratia, excluding water and sewer), non-capital general purpose

(2) As reported in the Income Statement

grants, interest on investments (excluding externally restricted assets) and interest on overdue rates and annual charges

Penrith City Council

Special Schedule 2(a) – Statement of Long Term Debt (all purpose)
for the year ended 30 June 2017

\$'000

Classification of debt	Principal outstanding at beginning of the year			New loans raised during the year	Debt redemption during the year		Interest applicable for year	Principal outstanding at the end of the year	
	Current	Non-current	Total		From revenue	Sinking funds		Current	Non-current
Loans (by source)									
Financial institutions	11,524	49,157	60,681	1,625	11,531	-	2,568	10,672	40,103
Total loans	11,524	49,157	60,681	1,625	11,531	-	2,568	10,672	40,103
Other long term debt									
Interest-free government advances	100	3,867	3,967	-	100	-	-	1,250	2,617
Total long term debt	100	3,867	3,967	-	100	-	-	1,250	2,617
Total debt	11,624	53,024	64,648	1,625	11,631	-	2,568	11,922	42,720
									54,642

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

Penrith City Council

Special Schedule 7 – Report on Infrastructure Assets as at 30 June 2017

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	2016/17 Required maintenance ^a	2016/17 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
								1	2	3	4	5
Buildings	Buildings	-	-	3,278	3,112	121,887	387,470	3%	38%	58%	1%	0%
	Other	-	-	-	-	80,665	-	0%	0%	0%	0%	0%
	Sub-total	-	-	3,278	3,112	202,552	387,470	3.3%	38.0%	57.9%	0.8%	0.0%
Roads	Sealed roads	12,462	12,462	14,233	13,477	524,964	647,411	38%	22%	25%	14%	1%
	Unsealed roads	-	-	-	43	2,552	4,227	2%	20%	60%	10%	8%
	Bridges	-	-	300	93	19,021	32,095	46%	16%	15%	23%	0%
	Footpaths	681	681	367	1,137	50,720	97,415	19%	35%	44%	2%	0%
	Bulk earthworks	-	-	589	1,827	150,616	275,609	12%	33%	41%	10%	4%
	Other	-	-	-	-	(3,213)	-	0%	0%	0%	0%	0%
Stormwater drainage	Stormwater drainage	-	-	1,943	1,171	263,874	358,117	12%	33%	41%	10%	4%
	Other	-	-	-	-	(5,204)	-	0%	0%	0%	0%	0%
	Sub-total	-	-	1,943	1,171	258,670	358,117	12.0%	33.0%	41.0%	10.0%	4.0%
TOTAL – ALL ASSETS	13,143	13,143	20,710	20,860	1,205,882	1,802,344	20.4%	29.9%	38.6%	9.3%	1.8%	

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

Penrith City Council

Special Schedule 7 – Report on Infrastructure Assets (continued)
for the year ended 30 June 2017

\$ '000	Amounts 2017	Indicator 2017	Prior periods	
			2016	2015
Infrastructure asset performance indicators * consolidated				
1. Infrastructure renewals ratio				
Asset renewals ⁽¹⁾	<u>9,013</u>	45.47%	53.04%	39.16%
Depreciation, amortisation and impairment	<u>19,820</u>			
2. Infrastructure backlog ratio				
Estimated cost to bring assets to a satisfactory standard	<u>13,143</u>	1.08%	1.32%	1.36%
Net carrying amount of infrastructure assets	<u>1,222,300</u>			
3. Asset maintenance ratio				
Actual asset maintenance	<u>20,860</u>	1.01	1.07	1.14
Required asset maintenance	<u>20,710</u>			
4. Cost to bring assets to agreed service level				
Estimated cost to bring assets to an agreed service level set by Council	<u>13,143</u>	0.73%	0.00%	
Gross replacement cost	<u>1,802,344</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.

Penrith City Council

Special Schedule 7 – Report on Infrastructure Assets (continued) for the year ended 30 June 2017

\$ '000	Water 2017	Sewer 2017	General ⁽¹⁾ 2017
Infrastructure asset performance indicators by fund			
1. Infrastructure renewals ratio			
<u>Asset renewals ⁽²⁾</u>	n/a	n/a	45.47%
Depreciation, amortisation and impairment			
prior period:	n/a	n/a	24.96%
2. Infrastructure backlog ratio			
<u>Estimated cost to bring assets to a satisfactory standard</u>	n/a	n/a	1.08%
Net carrying amount of infrastructure assets			
prior period:	n/a	n/a	1.30%
3. Asset maintenance ratio			
<u>Actual asset maintenance</u>	n/a	n/a	1.01
Required asset maintenance			
prior period:	n/a	n/a	1.07
4. Cost to bring assets to agreed service level			
<u>Estimated cost to bring assets to an agreed service level set by Council</u>	n/a	n/a	0.73%
Gross replacement cost			

Notes

(1) General fund refers to all of Council's activities.

(2) 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.

Penrith City Council

Special Schedule 8 – Permissible Income Calculation

for the year ended 30 June 2018

\$'000		Calculation 2016/17	Calculation 2017/18
Notional general income calculation ⁽¹⁾			
Last year notional general income yield	a	98,200	103,952
Plus or minus adjustments ⁽²⁾	b	1,215	–
Notional general income	c = (a + b)	99,415	103,952
Permissible income calculation			
Special variation percentage ⁽³⁾	d	9.09%	0.00%
Or rate peg percentage	e	1.80%	0.00%
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	–	–
Or plus Crown land adjustment and rate peg amount	j = c x f	–	–
Sub-total	k = (c + g + h + i + j)	103,989	103,952
Plus (or minus) last year's carry forward total	l	(0)	1
Less valuation objections claimed in the previous year	m	(86)	(50)
Sub-total	n = (l + m)	(86)	(49)
Total permissible income	o = k + n	103,903	103,903
Less notional general income yield	p	103,952	–
Catch-up or (excess) result	q = o – p	(49)	103,903
Plus income lost due to valuation objections claimed ⁽⁴⁾	r	50	–
Less unused catch-up ⁽⁵⁾	s	–	–
Carry forward to next year	t = q + r – s	1	103,903

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.



INDEPENDENT AUDITOR'S REPORT

Special Schedule No. 8

Penrith City Council

To the Councillors of Penrith City Council

Opinion

I have audited the accompanying special purpose financial statement comprising the reconciliation of total permissible general income (Special Schedule No. 8) of Penrith City Council (the Council) for the year ending 30 June 2018.

In my opinion, Special Schedule No. 8 of Penrith City Council for 30 June 2018 is prepared, in all material respects in accordance with the requirements of the Local Government Code of Accounting Practice and Financial Reporting (LG Code) issued by the Office of Local Government (OLG), and is in accordance with the books and records of the Council.

My opinion should be read in conjunction with the rest of this report, and in particular the Emphasis of Matter paragraph, which describes the basis of accounting.

Basis for Opinion

I conducted my audit in accordance with Australian Auditing Standards. My responsibilities under the standards are described in the 'Auditor's Responsibilities for the Audit of Special Schedule No.8' section of my report.

I am independent of the Council in accordance with the requirements of the:

- Australian Auditing Standards
- ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 'Code of Ethics for Professional Accountants' (APES 110).

I have fulfilled my other ethical responsibilities in accordance with APES 110.

Parliament promotes independence by ensuring the Auditor-General and the Audit Office of New South Wales are not compromised in their roles by:

- providing that only Parliament, and not the executive government, can remove an Auditor-General
- mandating the Auditor-General as auditor of councils
- precluding the Auditor-General from providing non-audit services.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Emphasis of Matter - Basis of Accounting

Without modifying my opinion, I draw attention to the notes and explanations in Special Schedule No. 8 that instruct councils in its preparation so it complies with OLG's requirements as described in the LG Code. As a result, Special Schedule No. 8 may not be suitable for another purpose.

Other Matter

Special Schedule No.8 of the Council for the year ended 30 June 2017 was audited by another auditor who expressed an unmodified opinion on Special Schedule No. 8 on 6 September 2016.

Councillors' Responsibility for Special Schedule No. 8

The Councillors of the Council are responsible for the preparation of Special Schedule No. 8 in accordance with the LG Code. The Councillors' responsibility also includes such internal control as the Councillors determine is necessary to enable the preparation of Special Schedule No. 8 that is free from material misstatement, whether due to fraud or error.

In preparing Special Schedule No.8, the Councillors must assess the Council's ability to continue as a going concern except where the Council will be dissolved or amalgamated by an Act of Parliament. The assessment must disclose, as applicable, matters related to going concern and the appropriateness of using the going concern basis of accounting.

Auditor's Responsibility for the Audit of Special Schedule No. 8

My objectives are to:

- obtain reasonable assurance whether Special Schedule No. 8 as a whole is free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including my opinion.

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on Special Schedule No.8.

A description of my responsibilities for the audit of Special Schedule No.8 is located at the Auditing and Assurance Standards Board website at http://www.auasb.gov.au/auditors_responsibilities/ar8.pdf. The description forms part of my auditor's report.

My opinion does not provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- about the security and controls over the electronic publication of the audited Special Schedule No.8 on any website where they may be presented
- about any other information which may have been hyperlinked to/from Special Schedule No 8.



Karen Taylor
Director, Financial Audit Services

26 September 2017
SYDNEY