

PENRITH



2018-19

FINANCIAL STATEMENTS



This document provides audited information on Council's financial activities

PENRITH
CITY COUNCIL

penrithcity.nsw.gov.au

Penrith City Council

GENERAL PURPOSE FINANCIAL STATEMENTS

for the year ended 30 June 2019

*A sustainable and prosperous Regional City with a harmony
of urban and rural qualities.*

PENRITH
CITY COUNCIL

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Overview

Penrith City Council is constituted under the Local Government Act 1993 (NSW) and has its principal place of business at:

601 High St
Penrith NSW 2750

Council's guiding principles are detailed in Chapter 3 of the LGA and includes:

- principles applying to the exercise of functions generally by council,
- principles to be applied when making decisions,
- principles of community participation,
- principles of sound financial management, and
- principles for strategic planning relating to the development of an integrated planning and reporting framework.

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

Through the use of the internet, we have ensured that our reporting is timely, complete and available at minimum cost. All press releases, financial statements and other information are publicly available on our website: www.penrithcity.nsw.gov.au.

Penrith City Council

General Purpose Financial Statements

for the year ended 30 June 2019

Understanding Council's Financial Statements

Introduction

Each year, individual Local Governments across NSW 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 2019.

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 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.

General Purpose Financial Statements

for the year ended 30 June 2019

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 other pronouncements of the Australian Accounting Standards Board
- the *Local Government Code of Accounting Practice and Financial Reporting*.

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

- present fairly the Council's operating result and financial position for the year
- 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 23 September 2019.



Clr Ross Fowler OAM
Mayor
23 September 2019



Clr Greg Davies
Deputy Mayor
23 September 2019



Warwick Winn
General Manager
23 September 2019



Andrew Moore
Responsible Accounting Officer
23 September 2019

Penrith City Council

Income Statement

for the year ended 30 June 2019

Original unaudited budget 2019	\$ '000	Notes	Actual 2019	Actual 2018 ¹
Income from continuing operations				
<u>Revenue:</u>				
154,820	Rates and annual charges	3a	156,486	144,998
46,764	User charges and fees	3b	41,498	42,061
3,695	Interest and investment revenue	3c	4,722	3,962
2,282	Other revenues	3d	6,913	7,004
45,930	Grants and contributions provided for operating purposes	3e,3f	34,924	23,651
21,333	Grants and contributions provided for capital purposes	3e,3f	49,662	43,724
<u>Other income:</u>				
–	Fair value increment on investment properties	11	–	7,431
50	Net share of interests in joint ventures and associates using the equity method	16	721	716
274,874	Total income from continuing operations		294,926	273,547
Expenses from continuing operations				
102,245	Employee benefits and on-costs	4a	101,258	93,177
2,201	Borrowing costs	4b	1,798	2,145
94,946	Materials and contracts	4c	76,908	61,261
25,285	Depreciation and amortisation	4d	27,720	27,042
15,581	Other expenses	4e	22,455	22,239
486	Net losses from the disposal of assets	5	1,786	205
–	Fair value decrement on investment properties	11	1,535	–
240,744	Total expenses from continuing operations		233,460	206,069
34,130	Operating result from continuing operations		61,466	67,478
34,130	Net operating result for the year		61,466	67,478
34,130	Net operating result attributable to council		61,466	67,478
12,797	Net operating result for the year before grants and contributions provided for capital purposes		11,804	23,754

⁽¹⁾ The Council has not restated comparatives when initially applying AASB 9. The comparative information has been prepared under AASB 139 *Financial Instruments: Recognition and Measurement*

The above Income Statement should be read in conjunction with the accompanying notes.

Penrith City Council

Statement of Comprehensive Income

for the year ended 30 June 2019

\$ '000	Notes	2019	2018 ¹
Net operating result for the year (as per Income Statement)		61,466	67,478
Other comprehensive income:			
Amounts which will not be reclassified subsequently to the operating result			
Gain (loss) on revaluation of IPP&E	10	(7)	124,467
Other comprehensive income – joint ventures and associates	16b	(64)	–
Total items which will not be reclassified subsequently to the operating result		(71)	124,467
Total other comprehensive income for the year		(71)	124,467
Total comprehensive income for the year		61,395	191,945
Total comprehensive income attributable to Council		61,395	191,945

(1) The Council has not restated comparatives when initially applying AASB 9. The comparative information has been prepared under AASB 139 *Financial Instruments: Recognition and Measurement*

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Penrith City Council

Statement of Financial Position

as at 30 June 2019

\$ '000	Notes	2019	2018 ¹
ASSETS			
Current assets			
Cash and cash equivalent assets	6(a)	5,998	5,764
Investments	6(b)	152,200	128,246
Receivables	7	15,445	13,374
Inventories	8a	738	733
Other	8b	3,287	2,037
Total current assets		<u>177,668</u>	<u>150,154</u>
Non-current assets			
Investments	6(b)	11,121	20,970
Receivables	7	1,359	881
Infrastructure, property, plant and equipment	10	1,941,734	1,889,147
Investment property	11a	24,150	34,455
Intangible assets		–	–
Investments accounted for using the equity method	16	8,280	7,623
Total non-current assets		<u>1,986,644</u>	<u>1,953,076</u>
TOTAL ASSETS		<u>2,164,312</u>	<u>2,103,230</u>
LIABILITIES			
Current liabilities			
Payables	12	19,867	19,819
Income received in advance	12	3,771	3,670
Borrowings	12	10,211	11,050
Provisions	13	30,209	28,354
Total current liabilities		<u>64,058</u>	<u>62,893</u>
Non-current liabilities			
Payables	12	7,616	3,896
Borrowings	12	34,207	39,265
Provisions	13	709	849
Total non-current liabilities		<u>42,532</u>	<u>44,010</u>
TOTAL LIABILITIES		<u>106,590</u>	<u>106,903</u>
Net assets		<u>2,057,722</u>	<u>1,996,327</u>
EQUITY			
Accumulated surplus	14a	1,258,917	1,197,515
Revaluation reserves	14a	798,805	798,812
Council equity interest		<u>2,057,722</u>	<u>1,996,327</u>
Total equity		<u>2,057,722</u>	<u>1,996,327</u>

(1) The Council has not restated comparatives when initially applying AASB 9. The comparative information has been prepared under AASB 139 *Financial Instruments: Recognition and Measurement*

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

Penrith City Council

Statement of Changes in Equity for the year ended 30 June 2019

\$ '000	Notes	2019			2018 ¹		
		Accumulated surplus	IPP&E revaluation reserve	Total equity	Accumulated surplus	IPP&E revaluation reserve	Total equity
Opening balance		1,197,515	798,812	1,996,327	1,130,037	674,345	1,804,382
Net operating result for the year		61,466	–	61,466	67,478	–	67,478
Other comprehensive income							
– Gain (loss) on revaluation of IPP&E	10	–	(7)	(7)	–	124,467	124,467
– Joint ventures and associates	16b	(64)	–	(64)	–	–	–
Other comprehensive income		(64)	(7)	(71)	–	124,467	124,467
Total comprehensive income		61,402	(7)	61,395	67,478	124,467	191,945
Equity – balance at end of the reporting period		1,258,917	798,805	2,057,722	1,197,515	798,812	1,996,327

(1) The Council has not restated comparatives when initially applying AASB 9. The comparative information has been prepared under *AASB 139 Financial Instruments: Recognition and Measurement*

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Penrith City Council

Statement of Cash Flows

for the year ended 30 June 2019

Original unaudited budget 2019	\$ '000	Notes	Actual 2019	Actual 2018
Cash flows from operating activities				
<u>Receipts</u>				
154,820	Rates and annual charges		154,943	143,479
46,764	User charges and fees		41,873	44,016
3,695	Investment and interest revenue received		5,128	3,736
67,263	Grants and contributions		49,688	45,993
–	Bonds, deposits and retention amounts received		4,019	1,711
2,822	Other		7,608	14,162
<u>Payments</u>				
(102,245)	Employee benefits and on-costs		(98,752)	(93,767)
(94,946)	Materials and contracts		(76,550)	(75,035)
(2,201)	Borrowing costs		(1,798)	(2,145)
(15,581)	Other		(25,110)	(21,221)
60,391	Net cash provided (or used in) operating activities	15b	61,049	60,929
Cash flows from investing activities				
<u>Receipts</u>				
240,500	Sale of investment securities		242,596	284,715
–	Sale of investment property		2,073	–
4,492	Sale of infrastructure, property, plant and equipment		5,816	1,386
–	Deferred debtors receipts		–	32
<u>Payments</u>				
(250,500)	Purchase of investment securities		(256,489)	(315,839)
(68,375)	Purchase of infrastructure, property, plant and equipment		(48,267)	(40,028)
(647)	Deferred debtors and advances made		(647)	–
(74,530)	Net cash provided (or used in) investing activities		(54,918)	(69,734)
Cash flows from financing activities				
<u>Receipts</u>				
7,600	Proceeds from borrowings and advances		5,531	7,100
<u>Payments</u>				
(11,219)	Repayment of borrowings and advances		(11,428)	(11,174)
(3,619)	Net cash flow provided (used in) financing activities		(5,897)	(4,074)
(17,758)	Net increase/(decrease) in cash and cash equivalents		234	(12,879)
5,764	Plus: cash and cash equivalents – beginning of year	15a	5,764	18,643
(11,994)	Cash and cash equivalents – end of the year	15a	5,998	5,764
Additional Information:				
163,321	plus: Investments on hand – end of year	6(b)	163,321	149,216
151,327	Total cash, cash equivalents and investments		169,319	154,980

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

Notes to the Financial Statements

for the year ended 30 June 2019

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Penrith City Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 1. Basis of preparation

These financial statements were authorised for issue by Council on 23 September 2019. Council has the power to amend and reissue these financial statements.

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 Australian Accounting Interpretations, the *Local Government Act 1993 (NSW)* and Regulations, and the Local Government Code of Accounting Practice and Financial Reporting. Council is a not for-profit entity.

The financial statements are presented in Australian dollars and are rounded to the nearest thousand dollars.

Unless otherwise indicated, all amounts disclosed in the financial statements are actual amounts.

Specific budgetary amounts have been included for comparative analysis (to actuals) in the following reports and notes:

- Income statement
- Statement of cash flows
- Note 20 – Material budget variations

and are clearly marked.

(a) New and amended standards adopted by Council

During the year, Council adopted all standards which were mandatorily effective for the first time at 30 June 2019.

Those newly adopted standards which had an impact on reported position, performance and/or disclosures have been discussed in Note 14.

(b) Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain financial assets and liabilities and certain classes of infrastructure, property, plant and equipment and investment property.

(c) 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 Council and that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

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 include:

- estimated fair values of investment properties – refer Note 11
- estimated fair values of infrastructure, property, plant and equipment – refer Note 10
- employee benefit provisions – refer Note 13.

Significant judgements in applying the council's accounting policies

- Impairment of receivables

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 1. Basis of preparation (continued)

Monies and other assets received by Council

(a) The Consolidated Fund

In accordance with the provisions of Section 409(1) of the Local Government Act 1993 (NSW), all money and property received by Council is held in the Council's Consolidated Fund unless it is required to be held in the Council's Trust Fund.

Cash and other assets of the following entities have been included as part of the Consolidated Fund:

- General purpose operations
- Penrith Performing and Visual Arts
- Penrith Whitewater Stadium
- Ripples Leisure Centre

(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.

A separate statement of monies held in the Trust Fund is available for inspection at the council office by any person free of charge.

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 that are recoverable from, or payable to, the taxation authority are presented as operating cash flows.

New accounting standards and interpretations issued not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2019 reporting periods (and which have not been early adopted by Council).

Council's assessment of these new standards and interpretations (where they have been deemed as having a material impact on Council's future financial performance, financial position and cash flows) are set out below:

AASB 16 Leases

AASB 16 will result (for YE 19/20 and beyond) in almost all operating leases being recognised on the balance sheet by Council (alongside existing finance leases) with the distinction between operating and finance leases removed.

Under the new standard, a financial liability (ie. a lease liability) and an asset (ie. a right to use the leased item) will be recognised for nearly all arrangements where Council commits itself to paying a rental fee for the use of a specific asset.

The only exceptions are short-term and low-value leases which are exempt from the accounting (but not disclosure) requirements of AASB 16 - Leases.

Council staff have reviewed all of Council's leasing arrangements over the last 12 months taking into consideration the new lease accounting rules in AASB 16 (applicable from 1/7/19).

AASB 16 will (on the whole) affect Council's accounting for existing operating lease agreements that are in place as at 30/6/19.

At the end of this reporting period, Council has non-cancellable operating lease commitments of \$673,000 - refer Note 17.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 1. Basis of preparation (continued)

Of these commitments, approximately \$0 relate to short-term leases and \$419,000 to low value leases.

Both these lease types and amounts will continue to be accounted for as they currently are (being expensed on a straight-line basis within the Income Statement).

For the remaining operating lease commitments of \$254,000, Council anticipates it will recognise lease liabilities (on its balance sheet) of \$294,000 (after adjustments for prepayments and accrued lease payments recognised as at 30 June 2019) and also recognise complimentary right-of-use assets (on its balance sheet) totalling \$295,000 on 1 July 2019.

Additionally, AASB 16 broadens the definition of a lease to include contracts meeting certain conditions, Council entered a new waste contract on 01/07/19 which is being assessed and is likely to be material.

The impact on net operating result and cash flows will be immaterial for the 19/20 financial as a result of adopting the standard.

AASB 15 Revenue from Contracts with Customers and associated amending standards.

Effective date for annual reporting periods beginning on or after 1 January 2019; i.e. councils' financial statements for year ended 30 June 2020.

AASB 15 introduces a five-step process for revenue recognition, with the core principle of the new standard being for entities to recognise revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the entity expects to be entitled in exchange for those goods or services.

Accounting policy changes will arise in the timing of revenue recognition, treatment of contracts costs and contracts which contain a financing element.

Council is currently reviewing each revenue stream but particular impact is expected for grant income and rates which are paid before the commencement of the rating period.

The changes in revenue recognition requirements in AASB 15 may cause changes to the timing and amount of revenue recorded in the financial statements as well as additional disclosures.

The specific impacts of AASB 15 for Council are expected to be an opening balance reduction to retained earnings, with the income to be brought to account again during the 2019/20 financial year (or later). The budget impact to 2019/20 is not yet known.

AASB 1058 Income of NFP Entities

Effective date for annual reporting periods beginning on or after 1 January 2019; i.e. councils' financial statements for year ended 30 June 2020.

AASB 1058 supersedes all the income recognition requirements relating to councils, previously in AASB 1004 Contributions.

Under AASB 1058 the future timing of income recognition will depend on whether the transaction gives rise to a liability or other performance obligation (a promise to transfer a good or service) related to an asset (such as cash or another asset) received by an entity.

AASB 1058 also applies when a council receives volunteer services or enters into other transactions in which the consideration to acquire an asset is significantly less than the fair value of the asset, and where the council's objective is principally to enable the asset to further the council's objectives.

Upon initial recognition of the asset, this standard requires council to consider whether any other financial statement elements (called 'related amounts') should be recognised in accordance with the applicable accounting standard, such as:

- (a) contributions by owners
- (b) revenue, or a contract liability arising from a contract with a customer
- (c) a lease liability
- (d) a financial instrument, or
- (e) a provision.

If the transaction is a transfer of a financial asset to enable council to acquire or construct a recognisable non-financial asset to be controlled by council (i.e. an in-substance acquisition of a non-financial asset), the council recognises a liability for the

Notes to the Financial Statements

for the year ended 30 June 2019

Note 1. Basis of preparation (continued)

excess of the fair value of the transfer over any related amounts recognised. Council will then recognise income as it satisfies its obligations under the transfer similarly to income recognition in relation to performance obligations under AASB 15.

If the transaction does not enable council to acquire or construct a recognisable non-financial asset to be controlled by council, then any excess of the initial carrying amount of the recognised asset over the related amounts is recognised as income.

The specific impacts of AASB 1058 for Council are expected to be minimal in the area of volunteer services as in many cases Council already captures the value of donated goods and services.

AASB 2018-8 Amendments to Australian Accounting Standards – Right-of-Use Assets of Not-for-Profit Entities

This Standard provides a temporary option for not-for-profit entities to not apply the fair value initial measurement requirements for right-of-use assets arising under leases with significantly below market terms and conditions, principally to enable the entity to further its objectives (for example, concessionary or peppercorn leases).

The Standard requires an entity that elects to apply the option (i.e. measures a class or classes of such right-of-use assets at cost rather than fair value) to include additional disclosures in the financial statements to ensure users understand the effects on the financial position, financial performance and cash flows of the entity arising from these leases

As per the NSW Office of Local Government recommendation, Council has elected to measure right-of-use assets (under a concessionary or peppercorn lease) at cost. The standard requires additional disclosures be provided in relation to below market-value leases measured at cost.

The specific impacts of AASB2018-8 for Council are expected to be nil as Council is currently not a lessee for a lease significantly below market terms and conditions.

Council has not applied any pronouncements before its operative date in the annual reporting period beginning 1 July 2018.

Notes to the Financial Statements

for the year ended 30 June 2019

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

Income, expenses and assets have been directly attributed to the following functions or activities.
Details of those functions or activities are provided in Note 2(b).

\$ '000	Income from continuing operations		Expenses from continuing operations		Operating result from continuing operations		Grants included in income from continuing operations		Total assets held (current and non-current)	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Functions or activities										
Advocacy	–	–	422	161	(422)	(161)	–	–	–	–
Asset Maintenance and Renewal	4,029	1,831	10,430	6,330	(6,401)	(4,499)	–	–	153,429	154,183
Business Performance	–	–	870	942	(870)	(942)	–	–	15	–
Cemeteries	2,380	817	812	777	1,568	40	–	–	–	–
Children's Services	25,868	24,559	25,885	25,214	(17)	(655)	3,302	3,081	769	510
City Partnerships	–	–	219	187	(219)	(187)	–	–	–	–
City Planning	7,996	16,180	3,021	2,684	4,975	13,496	750	–	–	–
Civil Maintenance and Renewal	33,503	26,353	37,118	37,080	(3,615)	(10,727)	597	1,508	1,258,630	1,033,920
Communications	–	–	803	811	(803)	(811)	–	–	39	–
Community & Cultural Development	310	315	2,504	2,328	(2,194)	(2,013)	190	256	–	–
Community Safety	454	131	509	543	(55)	(412)	454	131	–	–
Corporate Planning	–	–	643	478	(643)	(478)	–	–	10	16
Council and Corporate Governance	–	1	1,432	1,650	(1,432)	(1,649)	–	–	17	114
Council and Executive Support	1	–	4,607	4,020	(4,606)	(4,020)	–	–	–	–
Customer Experience	1	–	2,335	2,176	(2,334)	(2,176)	–	–	–	–
Design & Projects	13,438	1,703	13,717	3,189	(279)	(1,486)	808	337	–	–
Development Applications	2,161	2,646	5,090	4,940	(2,929)	(2,294)	12	12	–	–
Development Compliance	608	453	1,398	1,178	(790)	(725)	–	–	–	–
Development Engineering	465	601	1,375	1,277	(910)	(676)	–	–	–	–
Economic Initiatives	97	100	1,300	1,012	(1,203)	(912)	–	–	1	1
Environmental Health	692	724	3,265	3,037	(2,573)	(2,313)	10	40	14	74
Financial Services	(612)	(455)	4,689	4,757	(5,301)	(5,212)	209	1,574	201,617	362,639
Fire Safety and Certification	1,619	1,965	2,439	2,320	(820)	(355)	–	–	–	–
Fleet and Plant Management	779	782	1,300	243	(521)	539	–	–	15,376	14,827
Floodplain & Stormwater Management	383	210	1,413	962	(1,030)	(752)	350	164	–	–
GIS Mapping	2	2	751	585	(749)	(583)	–	–	64	73
Information and Communication Technology	16	23	3,046	1,652	(3,030)	(1,629)	–	–	9,365	6,564
Information Management	3	6	145	(11)	(142)	17	–	–	–	–
Legal Services	234	214	348	344	(114)	(130)	–	–	–	–

Penrith City Council

Notes to the Financial Statements

for the year ended 30 June 2019

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

Income, expenses and assets have been directly attributed to the following functions or activities.
Details of those functions or activities are provided in Note 2(b).

\$ '000	Income from continuing operations		Expenses from continuing operations		Operating result from continuing operations		Grants included in income from continuing operations		Total assets held (current and non-current)	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Libraries	751	840	6,574	6,944	(5,823)	(6,104)	576	593	1,772	1,401
Marketing and Events	82	115	2,728	2,561	(2,646)	(2,446)	20	20	11	18
Neighbourhood Facilities Management	1,007	902	1,698	1,527	(691)	(625)	–	–	256	235
Penrith Performing & Visual Arts	2,190	2,198	4,429	3,938	(2,239)	(1,740)	686	652	2,892	42
Penrith Whitewater Stadium	1,064	1,146	1,227	1,389	(163)	(243)	–	–	1,127	67
Place Management	791	812	2,024	1,827	(1,233)	(1,015)	28	87	–	–
Property Development & Management	3,766	3,476	4,662	4,260	(896)	(784)	–	–	504,477	488,634
Public Space Maintenance	686	960	24,214	22,644	(23,528)	(21,684)	593	769	–	–
Purchasing & Supply	–	–	981	867	(981)	(867)	–	–	620	615
Recreation Facilities Management	5,952	1,380	1,597	1,500	4,355	(120)	5,137	1,420	3,852	3,714
Regulatory Control	3,049	2,857	3,739	3,535	(690)	(678)	–	–	2	2
Ripples Leisure Centres	4,760	4,588	6,083	5,649	(1,323)	(1,061)	–	–	506	–
Risk management, Insurance and Internal Audit	575	1,634	691	2,150	(116)	(516)	–	–	–	16
Security and Emergency Services	577	1,109	2,900	2,921	(2,323)	(1,812)	513	1,078	–	–
Sustainability	10	68	540	602	(530)	(534)	–	16	2	2
Traffic Management, Parking & Road Safety	1,714	4,134	1,557	1,405	157	2,729	1,234	2,519	–	–
Waste & Resource Recovery	35,661	32,281	32,753	28,353	2,908	3,928	233	10	1,061	853
Workforce and Organisational Development	91	125	3,177	3,131	(3,086)	(3,006)	77	109	109	43
General Revenue	137,052	135,045	–	–	137,052	135,045	10,873	11,132	–	–
Other	721	716	–	–	721	716	–	(1,323)	8,279	34,667
Total functions and activities	294,926	273,547	233,460	206,069	61,466	67,478	26,652	24,185	2,164,312	2,103,230

Penrith City Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 2(b). Council functions/activities - component descriptions

Details relating to the Council's functions/activities as reported in Note 2(a) are as follows:

Advocacy

This function advocates and promotes Council's preferred positions and priorities relevant to Western Sydney's growth and development issues that affect Penrith City at sub-regional and metropolitan levels.

Asset Maintenance and Renewal

This function is responsible for the maintenance and renewal of Council's buildings, including neighbourhood halls and facilities, child care centres and community centres.

Business Performance

The Business and Innovative Performance function is responsible for working with managers across the organisation to improve key business process.

Cemeteries

The Cemeteries function is responsible for the management and maintenance of Council managed Cemeteries within Penrith City and the preservation and conservation of heritage elements in Penrith, St Marys, St Stephen – the Martyr and Emu Plains Cemeteries.

Children's Services

Children's Services provides children's centres, staff, resources and support for the benefit of families and children across the City. The service also plans for and supports others to provide child and family services that meet the needs of the community.

City Partnerships

The City Partnerships function maintains and develops existing international cultural and economic relationships and responds to emerging opportunities.

City Planning

City Planning establishes a City-wide policy framework of planning controls, strategies and actions based on analysis of the principles of sustainability, community needs, job creation, community values and the characteristics of the City.

Civil Maintenance and Renewal

The Civil Maintenance and Renewal function sits as part of the City Presentation Department. This function is responsible for the maintenance and renewal of Council's road and pathway network, drains and drainage infrastructure (including Gross Pollutant Traps) and bus shelters.

Communications

The Communications function manages issues which impact on Council and communicates Council's policy and services by facilitating media relations and liaison. This service also incorporates graphic design.

Community & Cultural Development

Community and Cultural Development identifies the City's priority social issues and needs, and with its government and community partners develops strategies to contribute to community wellbeing.

Community Safety

Community Safety implements the Penrith Community Safety Plan to provide crime prevention strategies for a safer community.

Penrith City Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 2(b). Council functions/activities - component descriptions (continued)

Corporate Planning

The Corporate Planning function compiles reporting under the Integrated Planning and Reporting framework. Reports include the Community Strategic Plan, Delivery Program and Operational Plans.

Council and Corporate Governance

The Council and Corporate Governance function ensures the required governance standards are met. Service activities include management of governance codes, registers, policies and reports; ward boundary reviews and quadrennial elections. The function also provides administrative support to the Mayor, Councillors, General Manager, and the Corporate Leadership Team.

Council and Executive Support

Council and Executive Support function assists tasks that the Councils Executive undertake.

Customer Experience

The Customer Experience function provides a first point of enquiry for residents through the front counter and main switchboard.

Design & Projects

This function provides civil, architectural and landscape designs, advice, assessments and project management for the organisation.

Development Applications

The Development Applications function implements State, Regional and Local planning policies which guide development to achieve sustainable outcomes in social, economic and environmental areas, by providing prelodgement information, assessment and determination of Development Applications (DA), support to Council in appeals and advice to Council and stakeholders in all aspects of the DA process.

Development Compliance

This function provides regulation of companion animals and stock, on-street and Council parking areas and enforcement of regulatory compliance issues, through patrols, education and enforcement.

Development Engineering

This function delivers a certification, compliance and advice service for civil engineering works within our City.

Economic Initiatives

The Economic Initiatives service is responsible for implementation of the Penrith Progression and the 'Invest in New West' marketing program.

Environmental Health

The purpose of this function is to help protect and improve the health of the community and the environment in the City. This is achieved through assessment, inspections, monitoring, education and advocacy programs and projects.

Financial Services

Financial Services is responsible for the oversight of all Council's financial obligations, management and planning. It provides key financial information and advice to Council's decision makers to assist in maintaining long term financial sustainability.

Fire Safety and Certification

This function assesses and determines the issue of Construction, Complying Development and Building Certificates, registration of Annual Fire Safety Statements and upgrading fire safety in existing buildings.

Penrith City Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 2(b). Council functions/activities - component descriptions (continued)

Fleet and Plant Management

This function is responsible for the maintenance of Council's heavy vehicles and equipment, including mowers, tractors, trucks, rollers etc. This function does not manage the light vehicle fleet.

Floodplain & Stormwater Management

This function provides the framework for land use and floodplain management policy within Penrith City. This service manages flood studies across the city (undertaken in priority order) and provides advice on appropriate development of flood prone land.

GIS Mapping

The Mapping Information/GIS Service provides accurate and current mapping/geographical information to customers and includes the management and maintenance of Council's Geographic Information System (GIS) and user training support.

Information and Communication Technology

The Information and Communication Technology function provides advice and support to Council staff, entities and Councillors, and manages, protects and maintains hardware, software and data.

Information Management

The Information Management function provides the management, administration, maintenance, control and access for Council's recorded and documented information. All records management activities are carried out in accordance with the State Records Act 1998 and Council's Records Management Policy and Procedures.

Legal Services

Legal Services provide accurate quality legal advice, representation and support to Council in matters of dispute, litigation, mediation, drafting and interpreting of agreements, conveyancing and administration. This function also includes risk management (strategic and operational risk), insurance and internal audit.

Libraries

The Library Services function provides information, education and recreation facilities, resources and services for residents of Penrith and visitors to Penrith through multiple locations, a Home Library Service, a Community Toy Library and on-line services. This is achieved through a central and 2 branch libraries, a Mobile Library and on-line services).

Marketing and Events

The Marketing and Events function promotes Council's image through various mediums and events.

Neighbourhood Facilities Management

The Neighbourhood Facilities Management function is responsible for the overall management and operation of Council's 39 neighbourhood centres, community centres, youth centres, senior centres and community halls.

Penrith Performing & Visual Arts

The Penrith Performing & Visual Arts function provides Penrith the best in music, theatre and dance; with world class performances from artists acclaimed nationally and internationally on the same stages that host community festivals, shows and events.

Penrith Whitewater Stadium

This Function is the only man-made river of its kind in the southern hemisphere with Olympic sized rapids. This unique facility is a major sporting and recreation facility in Western Sydney.

Penrith City Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 2(b). Council functions/activities - component descriptions (continued)

Place Management

The Place Management function supports better outcomes in key identified places within Penrith City. Place Management coordinates existing service provision from Council while supporting enhanced coordination of partner organisations.

Property Development & Management

The Property Development Service provides a property management function for Council's property portfolio. This service is also currently managing the Surplus Lands project, which includes the Public Open Space Reinvestment Project, Opportunity Sites Project and a review of our Operational Land.

Public Space Maintenance

The Public Space Maintenance function sits as part of the City Presentation Department. This function is responsible for the maintenance of public spaces across the City, including mowing parks and sports fields, graffiti removal, litter removal and tree management.

Purchasing & Supply

The Purchasing and Supply function ensures contemporary policies and practices are in place for contract implementation, management for provision of goods and services, purchasing and inventory management and the distribution of products that support the ongoing maintenance and management of Council's assets.

Recreation Facilities Management

This service manages council recreation and leisure facilities, including sportsgrounds and the St Clair Leisure Centre.

Regulatory Control

This function provides regulation of companion animals and stock, on-street and Council parking areas and enforcement of regulatory compliance issues, through patrols, education and enforcement.

Ripples Leisure Centres

This function offers the opportunity to participate in a wide range of Aquatic and Fitness activities at two locations. Facilities include; Hydrotherapy, Spa & Sauna, Gym & Pool and Crèche.

Risk management, Insurance and Internal Audit

Legal Services provide accurate quality legal advice, representation and support to Council in matters of dispute, litigation, mediation, drafting and interpreting of agreements, conveyancing and administration. This function also includes risk management (strategic and operational risk), insurance and internal audit.

Security and Emergency Services

The Security and Emergency Services function sits as part of the Asset Management Department. This function is responsible for managing the security of Council's buildings and liaising with Emergency Services across the City.

Sustainability

The Sustainability function develops strategies and coordinates programs that integrate sustainability into the planning, decision making and operational activities of Council, to ensure the continual improvement of Council's operating environment and contribute to the long-term sustainability of the City.

Traffic Management, Parking & Road Safety

This service provides technical advice to other areas of council, assesses traffic impact assessments, develops road safety programs, manages traffic facility/footpath bicycle facility and bus shelter construction programs, and administers the functions of the Local Traffic Committee, on all public roads (except classified main roads) in Penrith City.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 2(b). Council functions/activities - component descriptions (continued)

Waste & Resource Recovery

The Waste and Resource Recovery function contributes significantly to the community through the management of waste collection services, sustainable resource management and community education.

Workforce and Organisational Development

The Workforce and Organisational Development function provides Human Resources Management, Learning and Development, Payroll, Industrial Relations, WHS and Injury Management services to support the organisation's strategic objectives and the delivery of Council's strategic plan.

Penrith City Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations

\$ '000	2019	2018
(a) Rates and annual charges		
Ordinary rates		
Residential	96,363	88,854
Farmland	1,533	1,894
Business	23,349	21,608
Less: pensioner rebates	(1,826)	(1,810)
Rates levied to ratepayers	119,419	110,546
Pensioner rate subsidies received	1,018	965
Total ordinary rates	120,437	111,511
Annual charges		
<small>(pursuant to s.496, s.496A, s.496B, s.501 & s.611)</small>		
Domestic waste management services	34,173	31,694
Stormwater management services	2,242	2,169
Waste management services (non-domestic)	36	35
Section 611 charges	100	99
Less: pensioner rebates (Domestic waste services)	(653)	(653)
Less: pensioner rebates (Stormwater management services)	(216)	(216)
Annual charges levied	35,682	33,128
Pensioner subsidies received:		
– Domestic waste management	367	359
Total annual charges	36,049	33,487
TOTAL RATES AND ANNUAL CHARGES	156,486	144,998

Council has used 2017 year valuations provided by the NSW Valuer General in calculating its rates.

Accounting policy for rates and charges

Rates and annual charges are recognised as revenue when the Council obtains control over the assets comprising these receipts.

Pensioner rebates relate to reductions in rates and certain annual charges for eligible pensioners' place of residence in the local government council area that are not subsidised by the NSW Government.

Pensioner rate subsidies are received from the NSW Government to provide a contribution towards the pensioner rebates.

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.

Penrith City Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

\$ '000	2019	2018
(b) User charges and fees		
Specific user charges		
<small>(per s.502 - specific 'actual use' charges)</small>		
Domestic waste management services	5	4
Total specific user charges	5	4
Other user charges and fees		
(i) Fees and charges – statutory and regulatory functions (per s.608)		
Building fees	1,166	1,544
Planning and building regulation	3,531	4,523
Other regulatory/statutory fees	916	865
Section 10.7 certificates (EP&A Act)	434	530
Section 603 certificates	250	310
Total fees and charges – statutory/regulatory	6,297	7,772
(ii) Fees and charges – other (incl. general user charges (per s.608))		
Cemeteries	715	800
Children's services	22,130	21,415
Companion animals	214	183
Halls and community centres	1,111	1,034
Penrith Whitewater Stadium	1,063	1,144
Performing Arts Centre/Gallery	1,489	1,532
Road reinstatements	1,341	1,781
Sport and recreation	304	356
Swimming centres	4,754	4,581
Vehicle costs recovered from employees	772	773
Other	1,303	686
Total fees and charges – other	35,196	34,285
TOTAL USER CHARGES AND FEES	41,498	42,061

Accounting policy for user charges and fees

User charges and fees are recognised as revenue when the service has been provided.

(c) Interest and investment revenue (including losses)

Interest on financial assets measured at amortised cost		
– Overdue rates and annual charges (incl. special purpose rates)	243	230
– Cash and investments	4,267	3,732
Fair value adjustments		
– Movements in investments at fair value through profit and loss	212	–
TOTAL INTEREST AND INVESTMENT REVENUE	4,722	3,962

Interest revenue is attributable to:

Unrestricted investments/financial assets:

Overdue rates and annual charges (general fund)	243	230
General Council cash and investments	3,640	3,004

Restricted investments/funds – external:

Development contributions		
– Section 7.11	839	728
Total interest and investment revenue	4,722	3,962

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

Accounting policy for interest and investment revenue

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

Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment.

\$ '000	Notes	2019	2018
(d) Other revenues			
Rental income – investment property	11	455	943
Rental income – other council properties		2,272	1,626
Fines		2,163	2,006
Legal fees recovery – rates and charges (extra charges)		203	237
Legal fees recovery – other		226	214
Insurance claims recoveries		596	1,223
Purchasing / performance rebate		271	287
Other		727	468
<u>TOTAL OTHER REVENUE</u>		<u>6,913</u>	<u>7,004</u>

Accounting policy for other revenue

Council recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Council and specific criteria have been met for each of the 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.

Parking fees and fines are recognised as revenue when the service has been provided, or when the penalty has been applied, whichever occurs first.

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

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

Miscellaneous sales are recognised when physical possession has transferred to the customer which is deemed to be the point of transfer of risks and rewards.

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

Penrith City Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

\$ '000	Operating 2019	Operating 2018	Capital 2019	Capital 2018
(e) Grants				
General purpose (untied)				
Financial Assistance				
Relating to current year	4,132	4,320	–	–
Prepayment received in advance for subsequent year	4,283	4,435	–	–
Financial Assistance - Roads Component				
Relating to current year	1,206	1,172	–	–
Prepayment received in advance for subsequent year	1,251	1,207	–	–
Total general purpose	10,872	11,134	–	–
Specific purpose				
Bushfire and emergency services	509	532	4	546
Children's services	3,233	3,042	69	39
Civil construction (roads and drainage)	597	1,508	–	–
Community services	190	256	–	–
Cultural facilities	686	652	–	–
Design and major projects	30	–	778	337
Environmental and health management	10	40	–	–
Libraries	576	593	–	–
Local infrastructure renewal scheme (lirs)	210	250	–	–
Parks environmental management	44	–	–	162
Recreation and leisure facilities management	30	–	5,107	1,420
Street lighting	549	668	454	–
Traffic and transport	72	71	1,162	2,448
Other	1,442	417	28	70
Total specific purpose	8,178	8,029	7,602	5,022
Total grants	19,050	19,163	7,602	5,022
Grant revenue is attributable to:				
– Commonwealth funding	12,289	12,118	5,486	1,420
– State funding	6,761	7,045	2,116	3,602
	19,050	19,163	7,602	5,022

Penrith City Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

\$ '000	Notes	Operating 2019	Operating 2018	Capital 2019	Capital 2018
(f) Contributions					
Developer contributions: (s7.4 & s7.11 - EP&A Act, s64 of the LGA):					
Cash contributions					
S 7.11 – contributions towards amenities/services	24	–	–	5,364	14,110
Planning agreements		238	29	–	–
Total developer contributions – cash		238	29	5,364	14,110
Total developer contributions		238	29	5,364	14,110
Other contributions:					
Cash contributions					
Design and major projects		12,630	1,365	–	–
Domestic waste		8	–	–	–
Recreation and culture		25	7	324	(477)
RID squad		940	752	–	–
RMS contributions (regional roads, block grant)		1,012	990	456	456
Other		209	800	614	1,693
Roads maintenance		778	545	33	169
Total other contributions – cash		15,602	4,459	1,427	1,841
Non-cash contributions					
Subdivision Dedications (other than by s7.11)		–	–	32,952	22,751
Other		34	–	2,317	–
Total other contributions – non-cash		34	–	35,269	22,751
Total other contributions		15,636	4,459	36,696	24,592
Total contributions		15,874	4,488	42,060	38,702
TOTAL GRANTS AND CONTRIBUTIONS		34,924	23,651	49,662	43,724

Accounting policy for grants and contributions

Control over grants and contributions is normally obtained upon their receipt (or acquittal) and is valued at the fair value of the granted or contributed asset at the date of transfer.

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 un-discharged at reporting date, the unused grant or contribution is disclosed below.

Council has obligations to provide facilities from contribution revenues levied on developers under the provisions of sections 7.4, 7.11 and 7.12 of the *Environmental Planning and Assessment Act 1979*.

While Council generally incorporates these amounts as part of a Development Consents Order, such developer contributions are only recognised as income upon receipt by Council, due to the possibility that individual development consents may not be acted upon by the applicant and, accordingly, would not be payable to Council.

Developer contributions may only be expended for the purposes for which the contributions were required, but the Council may apply contributions according to the priorities established in work schedules

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 reporting date.

Penrith City Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 3. Income from continuing operations (continued)

\$ '000	2019	2018
(g) Unspent grants and contributions		
Certain grants and contributions are obtained by Council on condition that they be spent in a specified manner:		
Operating grants		
Unexpended at the close of the previous reporting period	1,554	1,494
Add: operating grants recognised in the current period but not yet spent	447	621
Less: operating grants recognised in a previous reporting period now spent	(889)	(561)
Unexpended and held as restricted assets (operating grants)	<u>1,112</u>	<u>1,554</u>
Capital grants		
Unexpended at the close of the previous reporting period	(63)	(358)
Add: capital grants recognised in the current period but not yet spent	718	(63)
Less: capital grants recognised in a previous reporting period now spent	94	358
Unexpended and held as restricted assets (capital grants)	<u>749</u>	<u>(63)</u>
Contributions		
Unexpended at the close of the previous reporting period	43,360	35,124
Add: contributions recognised in the current period but not yet spent	7,671	16,286
Less: contributions recognised in a previous reporting period now spent	(9,186)	(8,050)
Unexpended and held as restricted assets (contributions)	<u>41,845</u>	<u>43,360</u>

Penrith City Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 4. Expenses from continuing operations

\$ '000	2019	2018
(a) Employee benefits and on-costs		
Salaries and wages	77,614	72,375
Travel expenses	10	7
Employee leave entitlements (ELE)	14,589	12,204
Superannuation – guarantee levy	7,328	6,961
Superannuation – defined benefit plans	1,626	1,717
Workers' compensation insurance	1,173	817
Fringe benefit tax (FBT)	143	143
Training costs (other than salaries and wages)	98	94
Other	461	380
Total employee costs	103,042	94,698
Less: capitalised costs	(1,784)	(1,521)
TOTAL EMPLOYEE COSTS EXPENSED	101,258	93,177
Number of 'full-time equivalent' employees (FTE) at year end	1,067	1,031

Accounting policy for employee benefits and on-costs

Employee benefit expenses are recorded when the service has been provided by the employee.

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 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.

Council participates in a defined benefit plan under the Local Government Superannuation Scheme, however, sufficient information to account for the plan as a defined benefit is not available and therefore 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 becomes payable – refer to Note 18 for more information.

(b) Borrowing costs

(i) Interest bearing liability costs

Interest on loans	1,756	2,109
Total interest bearing liability costs expensed	1,756	2,109

(ii) Other borrowing costs

Fair value adjustments on recognition of advances and deferred debtors

Amortisation of discounts and premiums: interest-free loan	42	36
Total other borrowing costs	42	36

TOTAL BORROWING COSTS EXPENSED	1,798	2,145
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Accounting policy for borrowing costs

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

Penrith City Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 4. Expenses from continuing operations (continued)

\$ '000	2019	2018
(c) Materials and contracts		
Raw materials and consumables	6,007	3,903
– Building and parks services	17,284	7,285
– Cleaning services	1,393	1,521
– Computer software maintenance	2,522	1,512
– Engineering services	7,785	9,250
– Garbage services	7,677	7,194
– Organic services	4,198	3,680
– Recycling services	3,154	2,792
– Security services	1,050	624
– Sullage services	141	142
– Tipping services	2,020	1,483
– Contractor and consultancy costs	22,136	19,997
Auditors remuneration ²	191	180
Legal expenses:		
– Legal expenses: planning and development	587	666
– Legal expenses: other	490	718
Operating leases:		
– Operating lease rentals: minimum lease payments ¹	273	314
Total materials and contracts	<u>76,908</u>	<u>61,261</u>
TOTAL MATERIALS AND CONTRACTS	<u>76,908</u>	<u>61,261</u>

Accounting policy for operating leases

Leases in which a significant portion of the risks and rewards of ownership are not transferred to Council as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

1. Operating lease payments are attributable to:

Office Equipment	273	314
	<u>273</u>	<u>314</u>

2. Auditor remuneration

During the year, the following fees were incurred for services provided by the auditor of Council, related practices and non-related audit firms

Auditors of the Council - NSW Auditor-General:

(i) Audit and other assurance services

Audit and review of financial statements	137	126
Remuneration for audit and other assurance services	<u>137</u>	<u>126</u>
Total Auditor-General remuneration	<u>137</u>	<u>126</u>

Non NSW Auditor-General audit firms

(i) Audit and other assurance services

Audit and review of financial statements	54	54
Remuneration for audit and other assurance services	<u>54</u>	<u>54</u>
Total remuneration of non NSW Auditor-General audit firms	<u>54</u>	<u>54</u>
Total Auditor remuneration	<u>191</u>	<u>180</u>

continued on next page ...

Penrith City Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 4. Expenses from continuing operations (continued)

\$ '000	2019	2018
(d) Depreciation, amortisation and impairment of intangible assets and IPP&E		
Depreciation and amortisation		
Plant and equipment	2,480	2,313
Office equipment	1,660	1,389
Furniture and fittings	544	413
Land improvements (depreciable)	2,638	2,090
Infrastructure:		
– Buildings	5,320	5,184
– Roads	12,296	13,242
– Stormwater drainage	2,523	1,737
Other assets:		
– Library books	236	639
– Other	23	35
Total depreciation and amortisation costs	27,720	27,042
TOTAL DEPRECIATION, AMORTISATION AND IMPAIRMENT / REVALUATION DECREMENT FOR INTANGIBLES AND IPP&E	27,720	27,042

Accounting policy for depreciation, amortisation and impairment expenses of intangibles and IPP&E

Depreciation and amortisation

Depreciation and amortisation are calculated using the straight line method to allocate their cost, net of their residual values where relevant, over their estimated useful lives. Useful lives are included in Note 10 for IPPE assets.

Impairment of non-financial assets

Council assets held at fair value that are not held primarily for their ability to generate net cash flow, and that are deemed to be specialised, are no longer required to be tested for impairment under AASB 136. This is because these assets are assessed on an annual basis to ensure that the carrying amount is not materially different from fair value and therefore an impairment loss would be captured during this assessment.

Intangible assets that have an indefinite useful life, or are not yet available for use, are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets that do not meet the criteria above 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.

Impairment losses for revalued assets are firstly offset against the amount in the revaluation surplus for the class of asset, with only the excess to be recognised in the Income Statement.

Penrith City Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 4. Expenses from continuing operations (continued)

\$ '000	2019	2018
(e) Other expenses		
Bad and doubtful debts	58	77
Contributions/levies to other levels of government		
– Department of Planning Levy	753	762
– Emergency Services Levy (includes FRNSW, SES, and RFS levies)	1,734	1,843
– Waste levy	5,046	4,844
– Other levies	450	488
Councillor expenses – mayoral fee	80	81
Councillor expenses – councillors' fees	444	424
Councillors' expenses (incl. mayor) – other (excluding fees above)		
– Telephone	27	42
– Training, conferences and seminars	43	53
– Other	9	35
District maintenance – Rural Fire Service	12	21
Donations, contributions and assistance to other organisations (Section 356)		
– Other donations and contributions	2,168	1,477
Electricity and heating	2,233	2,002
Infringement processing bureau	207	232
Insurance	1,843	3,140
Street lighting	3,918	3,449
Telephone and communications	1,251	954
Water rates and charges	955	1,064
Other	1,224	1,251
<u>TOTAL OTHER EXPENSES</u>	<u>22,455</u>	<u>22,239</u>

Accounting policy for other expenses

Other expenses are recorded on an accruals basis as the Council receives the goods or services.

Penrith City Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 5. Gains or losses from the disposal, replacement and de-recognition of assets

\$ '000	Notes	2019	2018
Property (excl. investment property)	10		
Proceeds from disposal – property		4,137	–
Less: carrying amount of property assets sold/written off		(2,564)	–
Net gain/(loss) on disposal		<u>1,573</u>	<u>–</u>
Plant and equipment	10		
Proceeds from disposal – plant and equipment		1,679	1,386
Less: carrying amount of plant and equipment assets sold/written off		(1,907)	(1,306)
Net gain/(loss) on disposal		<u>(228)</u>	<u>80</u>
Infrastructure	10		
Less: carrying amount of infrastructure assets sold/written off		(35)	(50)
Net gain/(loss) on disposal		<u>(35)</u>	<u>(50)</u>
Investment property	11		
Proceeds from disposal – investment property		2,073	–
Less: carrying amount of investment property sold/written off		(5,095)	–
Net gain/(loss) on disposal		<u>(3,022)</u>	<u>–</u>
Investments	6(b)		
Proceeds from disposal/redemptions/maturities – investments		242,596	284,715
Less: carrying amount of investments sold/redeemed/matured		(242,596)	(284,715)
Net gain/(loss) on disposal		<u>–</u>	<u>–</u>
Library books	10		
Less: carrying amount of Library books assets sold/written off		(74)	(235)
Net gain/(loss) on disposal		<u>(74)</u>	<u>(235)</u>
NET GAIN/(LOSS) ON DISPOSAL OF ASSETS		<u>(1,786)</u>	<u>(205)</u>

Accounting policy for disposal of assets

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the Income Statement.

The gain or loss on sale of an asset is determined when control of the asset has irrevocably passed to the buyer and the asset is de-recognised.

Penrith City Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 6(a). Cash and cash equivalent assets

\$ '000	2019	2018
Cash and cash equivalents		
Cash on hand and at bank	1,672	740
Cash-equivalent assets		
– Deposits at call	3,326	3,024
– Short-term deposits	1,000	2,000
Total cash and cash equivalents	5,998	5,764

Accounting policy for cash and cash equivalents

For Statement of Cash Flow presentation purposes, cash and cash equivalents include: 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 Statement of Financial Position.

Note 6(b). Investments

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Investments				
a. 'Financial assets at fair value through profit and loss'				
– 'Held for trading'	152,200	11,121	–	–
b. 'Financial assets at amortised cost' / 'held to maturity' (2018)	–	–	128,246	20,970
Total Investments	152,200	11,121	128,246	20,970

TOTAL CASH ASSETS, CASH EQUIVALENTS AND INVESTMENTS

158,198	11,121	134,010	20,970
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Financial assets at fair value through the profit and loss

Long term deposits	142,200	–	–	–
NCD's, FRN's (with maturities > 3 months)	10,000	9,590	–	–
Mortgage backed securities	–	1,531	–	–
Total	152,200	11,121	–	–

Financial assets at amortised cost / held to maturity (2018)

Long term deposits	–	–	122,746	–
Floating rate notes	–	–	5,500	19,500
Mortgage backed securities	–	–	–	1,470
Total	–	–	128,246	20,970

Accounting policy for investments

Accounting policy under AASB 9 – applicable from 1 July 2018

Financial instruments are recognised initially on the date that the Council becomes party to the contractual provisions of the instrument.

On initial recognition, all financial instruments are measured at fair value plus transaction costs (except for instruments measured at fair value through profit or loss where transaction costs are expensed as incurred).

Financial assets

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 6(b). Investments (continued)

Classification

On initial recognition, Council classifies its financial assets into the following categories – those measured at:

- amortised cost
- fair value through profit and loss (FVTPL)
- fair value through other comprehensive income – equity instrument (FVOCI-equity)

Financial assets are not reclassified subsequent to their initial recognition.

Amortised cost

Assets measured at amortised cost are financial assets where:

- the business model is to hold assets to collect contractual cash flows, and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Council's financial assets measured at amortised cost comprise trade and other receivables and cash and cash equivalents in the Statement of Financial Position.

Subsequent to initial recognition, these assets are carried at amortised cost using the effective interest rate method less provision for impairment.

Interest income, impairment and gains or loss on de-recognition are recognised in profit or loss.

Fair value through other comprehensive income – equity instruments

Council has a number of strategic investments in entities over which they do not have significant influence nor control. Council has made an irrevocable election to classify these equity investments as fair value through other comprehensive income as they are not held for trading purposes.

These investments are carried at fair value with changes in fair value recognised in other comprehensive income (financial asset reserve). On disposal any balance in the financial asset reserve is transferred to accumulated surplus and is not reclassified to profit or loss.

Other net gains and losses excluding dividends are recognised in Other Comprehensive Income Statement.

Financial assets through profit or loss

All financial assets not classified as measured at amortised cost or fair value through other comprehensive income as described above are measured at fair value through profit or loss.

Net gains or losses, including any interest or dividend income, are recognised in profit or loss.

Council's financial assets measured at fair value through profit or loss comprise investments in FRNs and NCDs in the Statement of Financial Position.

Accounting policy under AASB 139 – applicable for 2018 comparatives only

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 held at fair value with changes in value taken through profit or loss at each reporting period.

(b) 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. Assets in this category are measured at amortised cost.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 6(b). Investments (continued)

(c) 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 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.

(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. 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. Assets in this category are held at fair value with changes in fair value taken to other comprehensive income.

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 expensed in the income statement. Investments 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.

Impairment of financial assets

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.

Impairment of available for sale investments

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.

Penrith City Council

Notes to the Financial Statements

for the year ended 30 June 2019

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

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Total cash, cash equivalents and investments	158,198	11,121	134,010	20,970
attributable to:				
External restrictions	67,462	11,121	52,688	20,970
Internal restrictions	87,408	–	76,373	–
Unrestricted	3,328	–	4,949	–
	<u>158,198</u>	<u>11,121</u>	<u>134,010</u>	<u>20,970</u>

\$ '000	2019	2018
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Details of restrictions

External restrictions – included in liabilities

Specific purpose unexpended loans – general	5,899	4,492
External restrictions – included in liabilities	<u>5,899</u>	<u>4,492</u>

External restrictions – other

Developer contributions – general	41,755	43,358
RMS contributions	90	(53)
Specific purpose unexpended grants	1,861	1,490
Domestic waste management	19,893	15,853
Stormwater management	1,256	1,439
Sullage reserve	120	88
Childcare	2,808	3,230
Waste and sustainability	30	102
Other	4,871	3,659
External restrictions – other	<u>72,684</u>	<u>69,166</u>

Total external restrictions

	<u>78,583</u>	<u>73,658</u>
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Internal restrictions

Plant and vehicle replacement	3,876	5,607
Employees leave entitlement	4,148	5,141
Deposits, retentions and bonds	10,892	8,356
Acquisition of land and buildings	21,228	16,949
Cemetery reserve	839	935
Children's services reserve	1,850	1,266
Election reserve	424	(203)
Financial management	26,278	21,679
Infrastructure construction	6,374	6,392
Insurance reserve	4,808	4,237
Legal reserve	173	102
Revote reserve	1,270	1,698
Salary administration	55	111
Sustainability revolving fund	1,469	1,169
Voted works	564	519
Other	3,160	2,415
Total internal restrictions	<u>87,408</u>	<u>76,373</u>

TOTAL RESTRICTIONS

	<u>165,991</u>	<u>150,031</u>
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Penrith City Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 7. Receivables

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Purpose				
Rates and annual charges	4,346	1,113	3,051	970
Interest and extra charges	403	499	877	487
User charges and fees	1,196	–	1,476	–
Accrued revenues				
– Interest on investments	690	–	832	–
– Other income accruals	3,598	–	5,888	–
Deferred debtors	330	428	53	58
Government grants and subsidies	3,761	–	1,815	–
Net GST Receivable	1,600	–	–	–
Other debtors	1	–	6	–
Total	15,925	2,040	13,998	1,515
Less: provision of impairment				
Rates and annual charges	(230)	(356)	(362)	(329)
Interest and extra charges	(55)	(325)	(61)	(305)
User charges and fees	(195)	–	(201)	–
Total provision for impairment – receivables	(480)	(681)	(624)	(634)
TOTAL NET RECEIVABLES	15,445	1,359	13,374	881
Externally restricted receivables				
Domestic waste management	1,053	–	848	–
Stormwater management	46	–	41	–
Total external restrictions	1,099	–	889	–
Unrestricted receivables	14,346	1,359	12,485	881
TOTAL NET RECEIVABLES	15,445	1,359	13,374	881

\$ '000	2019	2018
Movement in provision for impairment of receivables		
Balance at the beginning of the year (calculated in accordance with AASB 139)	1,258	1,067
+ new provisions recognised during the year	(97)	191
Balance at the end of the period	1,161	1,258

Accounting policy for receivables

Recognition and measurement

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

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.

Impairment

Notes to the Financial Statements

for the year ended 30 June 2019

Note 7. Receivables (continued)

Accounting policy under AASB 9 applicable from 1 July 2018

Impairment of financial assets measured at amortised cost is recognised on an expected credit loss (ECL) basis.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition, and when estimating ECL, the Council considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on Council's historical experience and informed credit assessment, and including forward-looking information.

When considering the ECL for rates debtors, Council takes into account that unpaid rates represent a charge against the rateable property that will be recovered when the property is next sold. For non-rates debtors, Council uses the presumption that an asset which is more than 30 days past due has seen a significant increase in credit risk.

The Council uses the presentation that a financial asset is in default when:

- the other party is unlikely to pay its credit obligations to the Council in full, without recourse by the Council to actions such as realising security (if any is held) or
- the financial assets (for non-rates debtors) are more than 90 days past due.

Credit losses are measured as the present value of the difference between the cash flows due to the entity in accordance with the contract, and the cash flows expected to be received. This is applied using a probability weighted approach.

On initial recognition of the asset, an estimate of the expected credit losses for the next 12 months is recognised. Where the asset has experienced significant increase in credit risk then the lifetime losses are estimated and recognised.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

The Council writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the receivables are over two years past due, whichever occurs first.

None of the receivables that have been written off are subject to enforcement activity.

Where the Council renegotiates the terms of receivables due from certain customers, the new expected cash flows are discounted at the original effective interest rate and any resulting difference to the carrying value is recognised in profit or loss.

Accounting policy under AASB 139 – applicable for 2018 comparatives only

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.

Collectability of receivables is reviewed on an ongoing basis. Debts that are known to be uncollectable 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 the 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. When a receivable for which an impairment allowance had been recognised becomes uncollectable 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.

Rates and annual charges outstanding are secured against the property.

Penrith City Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 8. Inventories and other assets

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
(a) Inventories				
(i) Inventories at cost				
Stores and materials	738	–	707	–
Other	–	–	26	–
Total inventories at cost	738	–	733	–
<u>TOTAL INVENTORIES</u>	<u>738</u>	<u>–</u>	<u>733</u>	<u>–</u>

(b) Other assets

Prepayments	655	–	811	–
Refundable bonds paid by Council	2,632	–	–	–
Other	–	–	376	–
GST	–	–	850	–
<u>TOTAL OTHER ASSETS</u>	<u>3,287</u>	<u>–</u>	<u>2,037</u>	<u>–</u>

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Total externally restricted assets	2,632	–	–	–
Total unrestricted assets	1,393	–	2,770	–
<u>TOTAL INVENTORIES AND OTHER ASSETS</u>	<u>4,025</u>	<u>–</u>	<u>2,770</u>	<u>–</u>

Accounting policy for inventories and other assets

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. 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.

Inventory held for distribution

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 9. Non-current assets classified as held for sale

Details of assets and disposal groups

Council did not have any non-current assets classified as held for sale in 2018-19.

Accounting policy for non-current assets classified as held for sale

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 continued use. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as assets arising from employee benefits; financial assets; and investment properties that are carried at fair value.

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 (or disposal group), 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.

Penrith City Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 10. Infrastructure, property, plant and equipment

\$ '000	as at 30/6/2018			Asset movements during the reporting period							as at 30/6/2019		
	Gross carrying amount	Accumulated depreciation	Net carrying amount	Additions renewals ¹	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Tfrs from/(to) investment properties	Revaluation increments to equity (ARR)	Gross carrying amount	Accumulated depreciation	Net carrying amount
Capital work in progress	3,523	–	3,523	–	–	–	–	19,095	–	–	22,618	–	22,618
Plant and equipment	36,343	(21,448)	14,895	351	4,809	(1,907)	(2,480)	(4,082)	–	–	33,494	(21,908)	11,586
Office equipment	33,017	(27,011)	6,006	–	4,622	–	(1,660)	307	–	–	37,962	(28,687)	9,275
Furniture and fittings	9,252	(5,841)	3,411	1,147	1,506	–	(544)	(2,815)	–	–	9,123	(6,418)	2,705
Land:													
– Operational land	189,945	–	189,945	–	717	(2,564)	–	–	3,675	–	191,774	–	191,774
– Community land	204,176	–	204,176	–	5,836	–	–	–	–	–	210,011	–	210,011
– Land under roads (pre 1/7/08)	186,956	–	186,956	–	–	–	–	–	–	–	186,956	–	186,956
– Land under roads (post 30/6/08)	7,735	–	7,735	–	907	–	–	–	–	–	8,643	–	8,643
Land improvements – depreciable	37,500	(6,111)	31,389	6,372	1,751	–	(2,638)	(5,116)	–	–	40,508	(8,750)	31,758
Infrastructure:													
– Buildings	270,755	(66,834)	203,921	5,763	1,220	(35)	(5,320)	(4,760)	–	–	273,002	(72,213)	200,789
– Roads	1,110,329	(356,473)	753,856	8,676	23,053	–	(12,296)	(2,629)	–	–	1,139,429	(368,768)	770,661
– Bulk earthworks (non-depreciable)	3,328	–	3,328	–	–	–	–	–	–	–	3,328	–	3,328
– Stormwater drainage	370,174	(96,620)	273,554	–	13,774	–	(2,523)	–	–	–	383,948	(99,143)	284,805
Other assets:													
– Library books	12,075	(10,716)	1,359	–	627	(74)	(236)	–	–	–	12,114	(10,438)	1,676
– Other	6,053	(960)	5,093	3	83	–	(23)	–	–	(7)	6,132	(983)	5,149
Total Infrastructure, property, plant and equipment	2,481,161	(592,014)	1,889,147	22,312	58,905	(4,580)	(27,720)	–	3,675	(7)	2,559,042	(617,308)	1,941,734

(1) Renewals are defined as the replacement of existing assets (as opposed to the acquisition of new assets).

Notes to the Financial Statements

for the year ended 30 June 2019

Note 10. Infrastructure, property, plant and equipment (continued)

Accounting policy for infrastructure, property, plant and equipment

Infrastructure, property, plant and equipment are held at fair value. Independent valuations are performed at least every five years, however the carrying amount of assets is assessed at each reporting date to confirm that it is not materially different from current fair value.

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 relating to that asset class, the increase is first recognised as profit or loss. Decreases that reverse previous increases of assets in the same class are first charged against revaluation reserves directly in equity to the extent of the remaining reserve attributable to the class; 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.

When infrastructure, property, plant and equipment are acquired by council for nil or nominal consideration, the assets are initially recognised at their fair value at acquisition date.

Land and Bulk Earthworks are not depreciated. Depreciation on other assets is calculated using the straight line method to allocate their cost, net of their residual values where relevant, over their estimated useful lives as follows:

Plant and equipment	Years	Other equipment	Years
Office equipment	5 to 10	Playground equipment	5 to 15
Office furniture	15	Benches, seats etc.	15
Computer equipment	4		
Vehicles	5	Buildings	
Heavy plant/road making equipment	5 to 8	Buildings: masonry	50 to 100
Other plant and equipment	5 to 15	Buildings: other	20 to 40
Transportation assets		Stormwater assets	
Roads Structure	100	Drains	100
Bridges	100	Culverts	100
Stormwater Pipes	200	Flood control structures	100
		Other infrastructure assets	
		Swimming pools	50
		Unsealed roads	20
		Other open space/recreational assets	20
		Other infrastructure	20

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the Income statement.

Land under roads

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

Council has elected not to recognise land under roads acquired before 1 July 2008 in accordance with AASB 1051 Land Under Roads.

Land under roads acquired after 1 July 2008 is recognised in accordance with AASB 116 Property, Plant and Equipment.

Crown reserves

Crown reserves under Council's care and control are recognised as assets of the Council. While ownership of the reserves remains with the Crown, Council retains operational control of the reserves and is responsible for their maintenance and use in accordance with the specific purposes to which the reserves are dedicated.

Improvements on Crown reserves are also recorded as assets, while maintenance costs incurred by Council and revenues relating to the reserves are recognised within Council's Income Statement.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 10. Infrastructure, property, plant and equipment (continued)

Rural Fire Service assets

Under Section 119 of the *Rural Fire Services Act 1997 (NSW)*, “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”.

Penrith City Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 11. Investment property

\$ '000	2019	2018
(a) Investment property at fair value		
Investment property on hand	24,150	34,455
Reconciliation of annual movement:		
Opening balance	34,455	19,874
– Disposals during year	(5,095)	–
– Net gain/(loss) from fair value adjustments	(1,535)	7,431
– Transfers from/(to) owner occupied (Note 10)	(3,675)	7,150
CLOSING BALANCE – INVESTMENT PROPERTY	24,150	34,455

(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 2019 revaluations were based on independent assessments made by:
Independent Property Valuations Pty Ltd, Registered Valuer No 020549 (3574)

(c) Contractual obligations at reporting date

Refer to Note 18 for disclosures relating to any capital and service obligations that have been contracted.

(d) Leasing arrangements – Council as lessor

The investment properties are leased to tenants under long-term operating leases with rentals payable monthly.

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	75	856
Later than 1 year but less than 5 years	893	45
Total minimum lease payments receivable	968	901

(e) Investment property income and expenditure – summary

Rental income from investment property:		
– Minimum lease payments	1,162	943
Direct operating expenses on investment property:		
– that generated rental income	(353)	(156)
– that did not generate rental income	(4)	(6)
Net revenue contribution from investment property	805	781
plus:		
Fair value movement for year	(1,535)	7,431
Total income attributable to investment property	(730)	8,212

Accounting policy for investment property

Investment property, principally comprising freehold office buildings, is held for long-term rental yields and is not occupied by the Council. Changes in fair values are recorded in the Income Statement as a separate line item.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 11. Investment property (continued)

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

Penrith City Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 12. Payables and borrowings

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Payables				
Government departments and agencies	204	–	–	–
Goods and services	3,180	–	2,817	–
Accrued expenses:				
– Salaries and wages	1,387	–	–	–
– Other expenditure accruals	8,981	–	11,186	–
Security bonds, deposits and retentions	6,115	7,616	5,816	3,896
Total payables	19,867	7,616	19,819	3,896
Income received in advance				
Payments received in advance	1,240	–	1,365	–
Payments in advance of due date	2,531	–	2,305	–
Total income received in advance	3,771	–	3,670	–
Borrowings				
Loans – secured ¹	8,845	34,207	9,800	37,941
Interest-free government advances	1,366	–	1,250	1,324
Total borrowings	10,211	34,207	11,050	39,265
TOTAL PAYABLES AND BORROWINGS	33,849	41,823	34,539	43,161

(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 19.

\$ '000	2019	2018
(a) Current payables and borrowings 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.		
Payables – security bonds, deposits and retentions	7,616	4,082
Total payables and borrowings	7,616	4,082

(b) Changes in liabilities arising from financing activities

\$ '000	as at 30/6/2018					as at 30/6/2019
	Opening Balance	Cash flows	Non-cash acquisitions	Non-cash fair value changes	Other non-cash movements	Closing balance
Loans – secured	47,741	(4,689)	–	–	–	43,052
Interest-free government advances	2,574	(1,208)	–	–	–	1,366
TOTAL	50,315	(5,897)	–	–	–	44,418

Penrith City Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 12. Payables and borrowings (continued)

\$ '000	as at 30/6/2017		Non-cash acquisitions	Non-cash fair value changes	Other non-cash movements	as at 30/6/2018
	Opening Balance	Cash flows				Closing balance
Loans – secured	50,599	(2,858)	–	–	–	47,741
Interest-free government advances	3,789	(1,250)	–	35	–	2,574
TOTAL	54,388	(4,108)	–	35	–	50,315

\$ '000	2019	2018
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(c) 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	700	408
Total financing arrangements	1,220	928

Undrawn facilities as at balance date:

– Bank overdraft facilities	520	520
– Credit cards/purchase cards	578	408
Total undrawn financing arrangements	1,098	928

(1) The bank overdraft facility may be drawn at any time and may be terminated by the bank without notice.

Accounting policy for payables and borrowings

Council measures all financial liabilities initially at fair value less transaction costs, subsequently financial liabilities are measured at amortised cost using the effective interest rate method.

The financial liabilities of the Council comprise trade payables, bank and other loans and finance lease liabilities.

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.

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 this case, the fee is deferred until the drawdown occurs. To the extent that there is no evidence that it 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.

Penrith City Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 13. Provisions

\$ '000	2019 Current	2019 Non-current	2018 Current	2018 Non-current
Provisions				
Employee benefits				
Annual leave	6,821	–	6,986	–
Sick leave	5,006	–	4,484	–
Long service leave	17,359	709	16,767	849
Gratuities	427	–	117	–
Sub-total – aggregate employee benefits	29,613	709	28,354	849
Other provisions				
Self insurance – public liability	596	–	–	–
Sub-total – other provisions	596	–	–	–
TOTAL PROVISIONS	30,209	709	28,354	849

\$ '000	2019	2018
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(a) Current provisions not anticipated to be settled within the next twelve months

The following provisions, even though classified as current, are not expected to be settled in the next 12 months.

Provisions – employees benefits	21,349	24,841
	21,349	24,841

(b) Description of and movements in provisions

\$ '000	ELE provisions				Total
	Annual leave	Sick leave	Long service leave	Other employee benefits	
2019					
At beginning of year	6,986	4,484	17,616	117	29,203
Additional provisions	5,913	4,379	3,987	310	14,589
Amounts used (payments)	(6,078)	(3,857)	(3,535)	–	(13,470)
Total ELE provisions at end of period	6,821	5,006	18,068	427	30,322
2018					
At beginning of year	6,869	5,185	17,050	600	29,704
Other	117	(701)	566	(483)	(501)
Total ELE provisions at end of period	6,986	4,484	17,616	117	29,203

\$ '000	Other provisions	
	Self insurance	Total
2019		
Other	596	596
Total other provisions at end of period	596	596

Notes to the Financial Statements

for the year ended 30 June 2019

Note 13. Provisions (continued)

Accounting policy for 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.

Employee benefits

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.

Other long-term employee benefit obligations

The liability for long-service leave and annual leave that 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.

On-costs

The employee benefit provisions include the aggregate on-cost liabilities that will arise when payment of current employee benefits is made in future periods.

These amounts include superannuation, payroll tax and workers compensation expenses which will be payable upon the future payment of certain leave liabilities which employees are entitled to at the reporting period.

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 12 months after the reporting date, regardless of when the actual settlement is expected to occur.

Self-insurance

Council self-insures, to defined limits, for various risks, including public liability and professional indemnity, through its membership of the Local Government insurance pool CivicRisk Mutual. A provision for self-insurance has been made to recognise outstanding claims. Council also maintains cash and investments to meet expected future claims; refer to Note 6(c).

Notes to the Financial Statements

for the year ended 30 June 2019

**Note 14. Accumulated surplus, revaluation reserves, changes in accounting policies,
changes in accounting estimates and errors**

(a) 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.

(b) Correction of errors relating to a previous reporting period

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 14. Accumulated surplus, revaluation reserves, changes in accounting policies, changes in accounting estimates and errors (continued)

(c) Changes in accounting policies due to adoption of new accounting standards (not-retrospective)

During the year, Council adopted a number of new accounting standards. The impact of the adoption and associated transition disclosures are shown below.

The Council has adopted AASB 9 Financial Instruments for the first time in the current year with a date of initial adoption of 1 July 2017. As part of the adoption of AASB 9, the Council adopted consequential amendments to other accounting standards arising from the issue of AASB 9 as follows:

– AASB 7 Financial Instruments: Disclosures requires amended disclosures due to changes arising from AASB 9. These disclosures have been provided for the current year.

The key changes to Council's accounting policy and the impact on these financial statements from applying AASB 9 are described below.

Changes in accounting policies resulting from the adoption of AASB 9 have been applied retrospectively except Council has not restated any amounts relating to classification and measurement requirements, including impairment, which have been applied from 1 July 2018.

Classification of financial assets

The financial assets of Council have been reclassified into one of the following categories on adoption of AASB 9, based primarily on the business model in which a financial asset is managed and its contractual cash flow characteristics are:

- measured at amortised cost
- fair value through profit or loss
- fair value through other comprehensive income – equity instruments

Measurement of equity instruments

All equity instruments of the Council are measured at fair value under AASB 9 whereas there was a cost exception under AASB 139 that allowed certain unlisted investments to be carried at amortised cost in the absence of a reliable measurement of fair value. Any difference in the previous carrying amount and the fair value is recognised in the opening retained earnings (or other component of equity, as appropriate) at 1 July 2018.

Equity instruments are no longer subject to impairment testing and therefore all movements on equity instruments, classified as fair value through other comprehensive income, are taken to the relevant reserve.

Impairment of financial assets

The incurred loss model from AASB 139 has been replaced with an expected credit loss model in AASB 9 for assets measured at amortised cost. This has resulted in the earlier recognition of credit loss (bad debt provisions).

(d) Changes in accounting policies due to adoption of new accounting standards (retrospective)

The above change in accounting policy had an immaterial impact on the Statement of Financial Position at 1 July, 2017.

(e) Voluntary changes in accounting policies

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

(f) Changes in accounting estimates

Council made no changes in accounting estimates during the year.

Penrith City Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 15. Statement of cash flows - additional information

\$ '000	Notes	2019	2018
(a) Reconciliation of cash assets			
Total cash and cash equivalent assets	6(a)	5,998	5,764
Balance as per the Statement of Cash Flows		5,998	5,764
(b) Reconciliation of net operating result to cash provided from operating activities			
Net operating result from Income Statement		61,466	67,478
Adjust for non-cash items:			
Depreciation and amortisation		27,720	27,042
Net losses/(gains) on disposal of assets		1,786	205
Non-cash capital grants and contributions		(32,952)	(22,751)
Losses/(gains) recognised on fair value re-measurements through the P&L:			
– Investments classified as ‘at fair value’ or ‘held for trading’		(212)	–
– investment property		1,535	(7,431)
Share of net (profits)/losses of associates/joint ventures using the equity method		(721)	(716)
+/- Movement in operating assets and liabilities and other cash items:			
Decrease/(increase) in receivables		(1,805)	(3,184)
Increase/(decrease) in provision for impairment of receivables		(97)	191
Decrease/(increase) in inventories		(5)	(33)
Decrease/(increase) in other current assets		(1,250)	345
Increase/(decrease) in payables		363	(2,412)
Increase/(decrease) in other accrued expenses payable		(818)	584
Increase/(decrease) in other liabilities		4,324	2,112
Increase/(decrease) in provision for employee benefits		1,119	(501)
Increase/(decrease) in other provisions		596	–
Net cash provided from/(used in) operating activities from the Statement of Cash Flows		61,049	60,929
(c) Non-cash investing and financing activities			
Developer contributions ‘in kind’		32,952	22,751
Total non-cash investing and financing activities		32,952	22,751

Penrith City Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 16. Interests in other entities

\$ '000	Council's share of net income		Council's share of net assets	
	2019	2018	2019	2018
Joint ventures	721	716	8,280	7,623
Total	721	716	8,280	7,623

(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 below.

Council's consolidated financial statements also include controlled entities with ownership interest of 50% or less.

Name of Operation/Entity	Principal activity
Penrith Aquatic and Leisure Ltd	Pools and Gym Penrith Pool in Penrith and Ripples in St Marys

Interests in Subsidiary	Ownership 2019	Ownership 2018	Voting rights 2019	Voting rights 2018
Council's interest in Subsidiary	100%	100%	100%	100%

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

Council provided Penrith Aquatic and Leisure Limited an amount of \$1.15m in subsidies during 2018-19.

Summarised financial information for the Subsidiary

	2019	2018
Summarised statement of comprehensive income		
Revenue	4,760	4,588
Expenses	(6,058)	(5,649)
Profit for the period	(1,298)	(1,061)
Total comprehensive income (1)	(1,298)	(1,061)
Summarised statement of financial position		
Current assets	353	374
Non-current assets	153	205
Total assets	506	579
Current liabilities	1,089	1,015
Total liabilities	1,089	1,015
Net assets (2)	(583)	(436)
Summarised statement of cash flows		
Cash flows from operating activities	107	(6,328)
Cash flows from investing activities	(20)	(82,133)
Net increase (decrease) in cash and cash equivalents	87	(88,461)

Penrith City Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 16. Interests in other entities (continued)

Name of Operation/Entity	Principal activity
Penrith Performing and Visual Arts Ltd (PPVA)	Cultural Penrith

Interests in Subsidiary	Ownership 2019	Ownership 2018	Voting rights 2019	Voting rights 2018
Council's interest in Subsidiary	100%	100%	100%	100%

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

Council provided PPVA an amount of \$2.127m in subsidies during 2018-19. This subsidy is proposed to be \$2.184m in 2019-20.

Council will underwrite the operation of the PPVA for a period of 36 months from 1 July 2017 until June 2020.

Summarised financial information for the Subsidiary

	2019	2018
Summarised statement of comprehensive income		
Revenue	2,189	2,198
Expenses	(4,388)	(3,993)
Profit for the period	(2,199)	(1,795)
Total comprehensive income (1)	(2,199)	(1,795)
Summarised statement of financial position		
Current assets	989	1,410
Non-current assets	1,861	1,747
Total assets	2,850	3,157
Current liabilities	818	1,060
Non-current liabilities	158	168
Total liabilities	976	1,228
Net assets (2)	1,874	1,929
Summarised statement of cash flows		
Cash flows from operating activities	(168)	118
Cash flows from investing activities	(179)	(195)
Net increase (decrease) in cash and cash equivalents	(347)	(77)

Penrith City Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 16. Interests in other entities (continued)

Name of Operation/Entity	Principal activity
Penrith Whitewater Stadium Ltd (PWS)	Management of Whitewater Stadium, Rafting & Leisure Cranebrook

Interests in Subsidiary	Ownership 2019	Ownership 2018	Voting rights 2019	Voting rights 2018
Council's interest in Subsidiary	100%	100%	100%	100%

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

Council's proposed subsidy for 2019-20 is \$120,000.

Council will underwrite the operation of the PPVA for a period of 36 months from 1 July 2017 until June 2020.

Summarised financial information for the Subsidiary

	2019	2018
Summarised statement of comprehensive income		
Revenue	1,064	2,288
Expenses	(1,223)	(1,389)
Profit for the period	(159)	899
Total comprehensive income (1)	(159)	899
Summarised statement of financial position		
Current assets	211	266
Non-current assets	849	941
Total assets	1,060	1,207
Current liabilities	458	446
Total liabilities	458	446
Net assets (2)	602	761
Summarised statement of cash flows		
Cash flows from operating activities	(1)	(160)
Cash flows from investing activities	(10)	(12)
Net increase (decrease) in cash and cash equivalents	(11)	(172)

Notes to the Financial Statements

for the year ended 30 June 2019

Note 16. Interests in other entities (continued)

Accounting policy for subsidiaries

Subsidiaries are all entities (including structured entities) over which the Council has control. Control is established when the Council is exposed to, or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the relevant activities of the entity.

These consolidated financial statements include the financial position and performance of controlled entities from the date on which control is obtained until the date that control is lost. Intragroup assets, liabilities, equity, income, expenses and cash flows relating to transactions between entities in the consolidated entity have been eliminated in full for the purpose of these financial statements. Appropriate adjustments have been made to a controlled entity's financial position, performance and cash flows where the accounting policies used by that entity were different from those adopted by the consolidated entity. All controlled entities have a June financial year end.

(b) Joint arrangements

(i) Joint ventures

The following information is provided for joint ventures that are individually material to the Council. Included are the total amounts as per the joint venture financial statements, adjusted for fair-value adjustments at acquisition date and differences in accounting policies, rather than the Council's share.

(a) Net carrying amounts – Council's share

	Nature of relationship	Measurement method	2019	2018
CivicRisk West	Joint venture	Equity	7,657	6,895
CivicRisk Mutual	Joint venture	Equity	623	728
Total carrying amounts – material joint ventures			8,280	7,623

(b) Details

	Principal activity	Place of business
CivicRisk West	Insurance	Penrith
CivicRisk Mutual	Insurance	Penrith

(c) Relevant interests and fair values

	Quoted fair value		Interest in outputs		Interest in ownership		Proportion of voting power	
	2019	2018	2019	2018	2019	2018	2019	2018
CivicRisk West	7,657	–	16.0%	16.0%	16.0%	16.0%	10.0%	10.0%
CivicRisk Mutual	623	–	9.0%	9.0%	9.0%	9.0%	6.0%	6.0%

Penrith City Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 16. Interests in other entities (continued)

	CivicRisk West		CivicRisk Mutual	
	2019	2018	2019	2018
(d) Summarised financial information for joint ventures				
Statement of financial position				
Current assets				
Cash and cash equivalents	2,961	3,022	1,813	1,158
Other current assets	27,419	19,442	7,216	5,759
Non-current assets	36,522	41,740	5,368	5,989
Current liabilities				
Current financial liabilities (excluding trade and other payables and provisions)	6,657	6,111	4,827	2,690
Other current liabilities	740	720	346	299
Non-current liabilities				
Non-current financial liabilities (excluding trade and other payables and provisions)	12,116	15,612	2,279	1,448
Net assets	47,389	41,761	6,945	8,469
Reconciliation of the carrying amount				
Opening net assets (1 July)	41,761	37,977	8,469	6,490
Profit/(loss) for the period	5,627	5,912	(1,524)	1,979
Dividends paid	–	(2,128)	–	–
Closing net assets	47,388	41,761	6,945	8,469
Council's share of net assets (%)	16.2%	16.5%	9.0%	8.6%
Council's share of net assets (\$)	7,658	6,895	625	728
Statement of comprehensive income				
Income	6,275	6,076	11,320	9,425
Interest income	3,672	3,261	447	439
Interest expense	–	(17)	–	–
Other expenses	(4,320)	(3,408)	(13,291)	(7,886)
Profit/(loss) from continuing operations	5,627	5,912	(1,524)	1,978
Profit/(loss) for the period	5,627	5,912	(1,524)	1,978
Total comprehensive income	5,627	5,912	(1,524)	1,978
Share of income – Council (%)	14.7%	14.6%	6.9%	9.8%
Profit/(loss) – Council (\$)	827	–	(105)	194
Total comprehensive income – Council (\$)	827	863	(105)	194
Dividends received by Council	–	341	–	–
Summarised Statement of cash flows				
Cash flows from operating activities	2,439	113	2,904	903
Cash flows from investing activities	(2,500)	1,510	(2,250)	–
Cash flows from financing activities	–	(1,537)	–	(250)
Net increase (decrease) in cash and cash equivalents	(61)	86	654	653

Penrith City Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 17. Commitments

\$ '000	2019	2018
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(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	1,651	1,581
Plant and equipment	117	1,139
Roadworks	499	281
Other	2,382	12,792
Total commitments	4,649	15,793

These expenditures are payable as follows:

Within the next year	4,649	15,793
Total payable	4,649	15,793

Sources of funding of capital commitments:

Unrestricted general funds	4,649	15,793
Total sources of funding	4,649	15,793

Details of capital commitments

- Better Boating Program
- City Centres Improvements
- Kingsway Sporting Complex and Blair Oval All Weather Athletics

(b) Operating lease commitments (non-cancellable)

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

Within the next year	167	153
Later than one year and not later than 5 years	506	101
Total non-cancellable operating lease commitments	673	254

b. Non-cancellable operating leases include the following assets:

The above non-cancellable operating lease commitments relate to leases of office equipment - printers.

Conditions relating to finance and operating leases:

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

Notes to the Financial Statements

for the year ended 30 June 2019

Note 18. Contingencies and other assets/liabilities not recognised

The following assets and liabilities do not qualify for recognition in the Statement of Financial Position, but their knowledge and disclosure is considered relevant to the users of Council's financial report.

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 2019 was \$1.45m. The last valuation of the Scheme was performed by Mercer Consulting on 30 June 2019, and covers the year ended 30 June 2019.

However, the position is monitored annually and the actuary has estimated that, as at 30 June 2019, a deficit still exists. Effective from 1 July 2009, employers are required to make additional contributions to assist in extinguishing this deficit. The amount of additional contributions included in the total employer contribution advised above is \$750,000. Council's expected contribution to the plan for the next annual reporting period is \$725,600.

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.

Pooled Employers are required to pay standard employer contributions and additional lump sum contributions to the Fund. The standard employer contributions were determined using the new entrant rate method under which a contribution rate sufficient to fund the total benefits over the working life-time of a typical new entrant is calculated. The current standard employer contribution rates are:

Division B	1.9 times employee contributions for non-180 Point Members; Nil for 180 point Members*
Division C	2.5% salaries
Division D	1.64 times employee contributions

* For 180 Point Members, Employers are required to contribute 7% of salaries to these members' accumulation accounts, which are paid in addition to members' defined benefits.

The additional lump sum contribution for each Pooled Employer is a share of the total additional contributions of \$40 million per annum from 1 July 2018 for 3 years to 30 June 2021, apportioned according to each employer's share of the accrued liabilities as at 30 June 2018. These additional lump sum contributions are used to fund the deficit of assets to accrued liabilities as at 30 June 2018.

The adequacy of contributions is assessed at each triennial actuarial investigation and monitored annually between triennials.

As stated above, each sponsoring employer (Council) is exposed to the actuarial risks associated with current and former employees of other sponsoring employers and hence shares in the associated gains and losses.

However, there is no relief under the Fund's trust deed for employers to walk away from their defined benefit obligations. Under limited circumstances, an employer may withdraw from the plan when there are no active members, on full payment of outstanding additional contributions. There is no provision for allocation of any surplus which may be present at the date of withdrawal of the Council.

There are no specific provisions under the Fund's trust deed dealing with deficits or surplus on wind-up.

There is no provision for allocation of any surplus which may be present at the date of withdrawal of an employer.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 18. Contingencies and other assets/liabilities not recognised (continued)

The estimated employer reserves financial position for the Pooled Employers at 30 June 2019 is:

Employer reserves only *	\$millions	Asset Coverage
Assets	1,798.7	
Past Service Liabilities	1,784.2	100.8%
Vested Benefits	1,792.0	100.4%

* excluding member accounts and reserves in both assets and liabilities.

The key economic long term assumptions used to calculate the present value of accrued benefits are:

Investment return	5.75% per annum
Salary inflation *	3.5% per annum
Increase in CPI	2.5% per annum

* Plus promotional increases

The contribution requirements may vary from the current rates if the overall sub-group experience is not in line with the actuarial assumptions in determining the funding program; however, any adjustment to the funding program would be the same for all sponsoring employers in the Pooled Employers group. Please note that the estimated employer reserves financial position above is a preliminary calculation, and once all the relevant information has been received by the Funds Actuary, the 2019 triennial review will be completed around December 2019.

An employer's additional lump sum contribution per annum as a percentage of the total additional lump sum contributions for all Pooled Employers (of \$40m each year from 1 July 2018 to 30 June 2021) provides an indication of the level of participation of that employer compared with other employers in the Pooled Employer subgroup.

(ii) Statewide Limited

Council is a member of Statewide Mutual, a mutual pool scheme providing liability insurance to local government.

Membership includes the potential to share in either the net assets or liabilities of the fund depending on its past performance. Council's share of the net assets or liabilities reflects Council's contributions to the pool and the result of insurance claims within each of the fund years.

The future realisation and finalisation of claims incurred but not reported to 30/6 this year may result in future liabilities or benefits as a result of past events that Council will be required to fund or share in respectively.

(iii) StateCover Limited

Council is a member of StateCover Mutual Limited and holds a partly paid share in the entity.

StateCover is a company providing workers compensation insurance cover to the NSW local government industry and specifically Council.

Council has a contingent liability to contribute further equity in the event of the erosion of the company's capital base as a result of the company's past performance and/or claims experience or as a result of any increased prudential requirements from APRA.

These future equity contributions would be required to maintain the company's minimum level of net assets in accordance with its licence requirements.

(iv) Other guarantees

Council has provided no other guarantees other than those listed above.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 18. Contingencies and other assets/liabilities not recognised (continued)

Bank Guarantee

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. Council has also provided bank guarantees to the value of \$7,600 to the Department of Education for Out of School Hours facilities in Public Schools and \$541,668 to Sydney Water for a road realignment project.

- WorkCover NSW \$2,212,202
- WorkCover NSW \$2,212,202
- WorkCover NSW \$2,198,533
- Sydney Water \$ 541,668
- Department of Education \$3,801.70
- Department of Education \$3,801.70

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 for 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) Potential land acquisitions due to planning restrictions imposed by Council

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.

ASSETS NOT RECOGNISED

(i) Land under roads

As permitted under AASB 1051, Council has elected not to bring to account land under roads that it owned or controlled up to and including 30/6/08.

(ii) Infringement notices/fines

Fines and penalty income, the result of Council issuing infringement notices is followed up and collected by the Infringement Processing Bureau.

Council's revenue recognition policy for such income is to account for it as revenue on receipt.

Accordingly, at year end, there is a potential asset due to Council representing issued but unpaid infringement notices.

Due to the limited information available on the status, value and duration of outstanding notices, Council is unable to determine the value of outstanding income.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 19. Financial risk management

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.

The fair value of Council's financial assets and financial liabilities approximates their carrying amount.

\$ '000	Carrying value 2019	Carrying value 2018	Fair value 2019	Fair value 2018
Financial assets				
Measured at amortised cost				
Cash and cash equivalents	5,998	5,764	5,998	5,763
Receivables	16,804	14,255	16,804	14,255
Investments				
– 'Financial assets at amortised cost' / 'held to maturity' (2018)	–	149,216	162,321	149,216
Fair value through profit and loss				
Investments				
– 'Held for trading'	163,321	–	–	–
Total financial assets	186,123	169,235	185,123	169,234
Financial liabilities				
Payables	27,483	23,715	27,483	23,714
Loans/advances	44,418	50,315	43,928	52,898
Total financial liabilities	71,901	74,030	71,411	76,612

Fair value is determined as follows:

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

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 625. 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 as required by Local Government regulations.

The risks associated with the instruments held are:

Notes to the Financial Statements

for the year ended 30 June 2019

Note 19. Financial risk management (continued)

- **Price risk** – the risk that the capital value of Investments may fluctuate due to changes in market prices, whether these changes are caused by factors specific to individual financial instruments or their issuers or are caused by factors affecting similar instruments traded in a market.
- **Interest rate risk** – the risk that movements in interest rates could affect returns and income.
- **Liquidity risk** – the risk that Council will not be able to pay its debts as and when they fall due.
- **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 impact on result for the year and equity of a reasonably possible movement in the price of investments held and interest rates is shown below. The reasonably possible movements were determined based on historical movements and economic conditions in place at the reporting date.

\$ '000	Increase of values/rates		Decrease of values/rates	
	Profit	Equity	Profit	Equity
2019				
Possible impact of a 10% movement in market values	153	153	(153)	(153)
Possible impact of a 1% movement in interest rates	1,693	1,693	(1,693)	(1,693)
2018				
Possible impact of a 10% movement in market values	147	147	(147)	(147)
Possible impact of a 1% movement in interest rates	1,535	1,535	(1,535)	(1,535)

Notes to the Financial Statements

for the year ended 30 June 2019

Note 19. Financial risk management (continued)

(b) Credit risk

Council's major receivables comprise (i) rates and annual charges and (ii) user charges and fees.

Council manages the credit risk associated with these receivables by monitoring outstanding debt and employing stringent debt recovery procedures. Council also encourages ratepayers to pay their rates by the due date through incentives.

The credit risk for liquid funds and other short-term financial assets is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

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 quarterly and benchmarks are set and monitored for acceptable collection performance.

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

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

Credit risk profile

Receivables – rates and annual charges

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.

	Not yet overdue	< 1 year overdue	1 - 2 years overdue	2 - 5 years overdue	> 5 years overdue	Total
2019						
Gross carrying amount	1,945	2,513	561	795	617	6,431
2018						
Gross carrying amount	1,064	1,067	612	708	570	4,021

Receivables - non-rates and annual charges

Council applies the simplified approach for non-rates and annual charges debtors to provide for expected credit losses prescribed by AASB 9, which permits the use of the lifetime expected loss provision. To measure the expected credit losses, non-rates and annual charges debtors have been grouped based on shared credit risk characteristics and the days past due.

The loss allowance provision as at 30 June 2019 is determined as follows. The expected credit losses incorporate forward-looking information.

	Not yet overdue	0 - 30 days overdue	31 - 60 days overdue	61 - 90 days overdue	> 91 days overdue	Total
2019						
Gross carrying amount	7,603	3,780	203	46	874	12,506
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	22.00%	1.54%
ECL provision	–	–	–	–	192	192
2018						
Gross carrying amount	8,642	2,062	114	55	619	11,492
Expected loss rate (%)	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
ECL provision	–	–	–	–	–	–

Notes to the Financial Statements

for the year ended 30 June 2019

Note 19. Financial risk management (continued)

(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.

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 diversification of borrowing types, maturities and interest rate structures. The finance team regularly reviews interest rate movements to determine if it would be advantageous to refinance or renegotiate part or all of the loan portfolio.

The timing of cash flows presented in the table below to settle financial liabilities reflects the earliest contractual settlement dates. The timing of expected outflows is not expected to be materially different from contracted cashflows.

The amounts disclosed in the table are the undiscounted contracted cash flows and therefore the balances in the table may not equal the balances in the statement of financial position due to the effect of discounting.

\$ '000	Weighted average interest rate	Subject to no maturity	≤ 1 Year	payable in: 1 - 5 Years	> 5 Years	Total cash outflows	Actual carrying values
2019							
Trade/other payables	0.00%	13,731	14,278	–	–	28,009	27,483
Loans and advances	3.40%	–	11,604	24,855	9,892	46,351	44,418
Total financial liabilities		13,731	25,882	24,855	9,892	74,360	71,901
2018							
Trade/other payables	0.00%	9,712	–	–	–	9,712	23,715
Loans and advances	3.82%	–	16,707	35,714	17,049	69,470	50,315
Total financial liabilities		9,712	16,707	35,714	17,049	79,182	74,030

Loan agreement breaches

There have not been any breaches to loan agreements which have occurred during the reporting year.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 20. Material budget variations

Council's original financial budget for 18/19 was adopted by the Council on 25 June 2018 and is not required to be audited.

While the Income Statement included in this General Purpose Financial Statements 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.

Material variations represent those variances between the original budget figure and the actual result that amount to more than **10%**.

Variation Key: **F** = Favourable budget variation, **U** = Unfavourable budget variation.

\$ '000	2019 Budget	2019 Actual	2019 ----- Variance -----	
REVENUES				
User charges and fees	46,764	41,498	(5,266)	(11)% U
Material Budget Variations were identified in seven areas, which includes revenue below original budgets; Childcare fees (-\$2.3m), Cemetery income (-\$377,000), Development Application (-\$809,000), Leaseback and Vehicle Package (-\$189,000). As well as revenue above original budgets; Land rezoning application income (\$249,000), Miscellaneous income (\$632,000). Property development rental was moved to the Other Revenue account during the year (-\$2.4m).				
Interest and investment revenue	3,695	4,722	1,027	28% F
Material Budget Variations were identified in four areas, attributed to external factors. When original budgets were prepared for the financial year, economists were forecasting interest rates, already at low levels, would remain the same throughout the year. The official cash rate was 1.5% for the majority of the year reducing to 1.25% at the start of June 2019. 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 \$408,000 over the course of the year. Interest of s711 reserves also exceeded the original budget by \$93,000 as well as interest on other investments \$239,000, which included interest on depots for land sale. No budget was included to recognised the net gain/ loss on Fair Value interest free loan which was favourable by \$171,000.				
Other revenues	2,282	6,913	4,631	203% F
Material Budget Variations were attributed to several areas performing greater than the anticipated budgets for the year, they include: Insurance Claims recovered that were not reported in the original budget (\$596,000), Fines - including parking and compliance/regulatory generating greater revenue than budgeted (\$445,000), Building Rental revenue greater than the original budget (\$2.6m), Legal costs recoverable which were greater than the original budget (\$201,000).				
Operating grants and contributions	45,930	34,924	(11,006)	(24)% U
Material Budget Variations for Operating Grants and Contributions were recognised in eight areas, they include: Accelerated LEP Review - not in original budget (\$750,000), Floodplain Management - not in original budget (\$350,000), Expanding Horizons - not in original budget (\$233,000), Roads Maintenance contributions includes forfeiture of retention and bonds and not included in original budget (\$659,000), Children's Services grants (\$2.4m), RMS Block Grant - transfer from capital to operating (\$493,000), Revotes of Better Boating Program (-\$5.8m) and Revotes of Local Roads Package (-\$9.9m).				
Capital grants and contributions	21,333	49,662	28,329	133% F
Material Budget Variations for Capital Grants and Contributions were recognised in four areas, they include: Subdivider Contributions - Roads & Drainage not in the original budget (\$15.2m), Subdivider Contributions - Land not in the original budget (\$3.7m), Lower than anticipated s711 contributions (-\$501,000), Capital Contribution to works not in the original budget (\$1.1m), Bushfire Grant less than anticipated (-\$750,000), CDG Grant Income not in original budget (\$5m) and Crown Land dedications not in original budget (\$2.3m).				

Joint ventures and associates – net profits	50	721	671	1,342%	F
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Penrith City Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 20. Material budget variations (continued)

The original budget for the share of profit in CivicRisk West & CivicRisk Mutual (see Note 16) is set assuming the joint venture will return a small surplus. These results vary each year depending on the expenses incurred in managing insurance activities. The budget for 2019/20 will be reviewed to be more in line with historical net profits.

Penrith City Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 20. Material budget variations

\$ '000	2019 Budget	2019 Actual	2019 ----- Variance -----	
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EXPENSES

Borrowing costs	2,201	1,798	403	18% F
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The variance for debt servicing is due to loan refinancing and new borrowings at significantly lower rates.

Materials and contracts	94,946	76,908	18,038	19% F
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Material Budget Variations for Materials and Contracts include, Expenses over the original budget; Marketing (\$589,000), General Hardware (\$2.1m), Security (\$389,000), Roadworks (\$1.1m), Legal Costs (\$487,000), Building Works (\$16.1m), Engineering Works (\$7m), Electrical (\$937,000), Traffic Control (\$463,000), Computer Contractor (\$1.9m), Waste removal (\$716,000), Asbestos Disposal (\$1m), Agency Charges (\$336,000), Subscriptions (\$157,000), Plant Expenditure (\$253,000), Catering (\$175,000), Cleaning (\$133,000), Audit Services (\$124,000) and Entertainers (\$223,000). As well as expenses under the original budget; Garbage & Recycling (-\$2,737,000), Consultancy Services (-\$7.7m), Parks Works (-\$470,000), Cost Recoverable (-\$333,000), Materials (-\$744,000), Miscellaneous Materials and Contracts – actuals allocated to specific accounts (-\$36.2m).

Other expenses	15,581	22,455	(6,874)	(44)% U
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Material Budget Variations for Other Expenses were recognised in eight areas, they include, Expenses over the original budget; Electricity/ Heating (\$889,000), Telephone (\$340,000), Water (\$282,000), Waste Levy not included in original budget (\$5m), Other expenses (\$132,000). As well as expense items under the original budget, including; Insurance (-\$775,00), Contributions/ Donations (-\$138,000) and Other contributions (-\$179,000).

Net losses from disposal of assets	486	1,786	(1,300)	(267)% U
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The variance in assets disposal is primarily due to the sale of two properties. During the 2018-19 financial year, 154 Henry St. was sold for (\$1.32m) which was valued at (\$2.54m) resulted in a loss of (\$1.22m). Furthermore, Morula House OCC site that is located on Woodriff St was sold for (\$2.073m). This site was valued at (\$5.095m) and the sale meant a loss of (\$3.022m). These two losses combined contributed to the large variance which was not accounted for in the original budget.

Fair value decrement on investment property	-	1,535	(1,535)	∞ U
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During 2018-19 financial year, an investment property, worth circa \$5m was sold and two properties were re-classified to Operational land from investment properties. As per AASB 140 (Aus9.1), these two properties were found to meet service delivery objective rather than strategic purpose. Moreover, similar to prior financial year, an independent property valuers have been engaged to obtain fair values of investment properties. The revaluation resulted in (\$0.650m) increment and (\$2.185m) decrement in one and seven properties respectively compared to 2017-18 values. This ultimately meant total decrement of (\$1.535m) in 2018-19 financial year.

Penrith City Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 20. Material budget variations

\$ '000	2019 Budget	2019 Actual	2019 ----- Variance -----	
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STATEMENT OF CASH FLOWS

Net cash provided from (used in) operating activities	60,391	61,049	658	1% F
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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.

Net cash provided from (used in) investing activities	(74,530)	(54,918)	19,612	(26)% F
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The purchase of investment securities was significantly higher than budgeted for, as was the purchase of Infrastructure, Property, Plant & Equipment. The budget for these items is based on forecasted figures before 2017-18 actuals are finalised and are difficult to predict in advance.

Net cash provided from (used in) financing activities	(3,619)	(5,897)	(2,278)	63% U
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The budget is an estimate set before prior year figures are finalised.

Notes to the Financial Statements

for the year ended 30 June 2019

Note 21. Fair Value Measurement

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) Assets and liabilities that have been measured and recognised at fair values

2019	Notes	Date of latest valuation	Fair value measurement hierarchy			Total
			Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Investment property	11					
Land and buildings		30/06/19	–	24,150	–	24,150
Total investment property			–	24,150	–	24,150
Infrastructure, property, plant and equipment	10					
Plant and equipment			–	–	11,586	11,586
Office equipment			–	–	9,274	9,274
Furniture and fittings			–	–	2,705	2,705
Community land		30/06/16	–	–	210,011	210,011
Operating land		30/06/18	–	–	191,774	191,774
Land under roads		30/06/16	–	–	195,599	195,599
Land improvements			–	–	31,758	31,758
Buildings		30/06/17	–	–	200,790	200,790
Roads, bridges, footpaths		30/06/15	–	–	770,660	770,660
Stormwater drainage		30/06/15	–	–	284,806	284,806
Library books			–	–	1,676	1,676
Other		30/06/18	–	–	5,149	5,149
Total infrastructure, property, plant and equipment			–	–	1,915,788	1,915,788

Notes to the Financial Statements

for the year ended 30 June 2019

Note 21. Fair Value Measurement (continued)

2018	Notes	Date of latest valuation	Fair value measurement hierarchy			Total
			Level 1 Quoted prices in active mkts	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	
Investment property	11					
Land and buildings		30/06/18	–	34,455	–	34,455
Total investment property			–	34,455	–	34,455
Infrastructure, property, plant and equipment	10					
Plant and equipment			–	–	14,895	14,895
Office equipment			–	–	6,006	6,006
Furniture and fittings			–	–	3,411	3,411
Community land		30/06/16	–	–	196,666	196,666
Operating land		30/06/18	–	–	189,945	189,945
Land under roads		30/06/16	–	–	194,692	194,692
Land improvements			–	–	31,389	31,389
Buildings		30/06/17	–	–	203,291	203,291
Roads, bridges, footpaths		30/06/15	–	–	753,856	753,856
Stormwater drainage		30/06/15	–	–	273,554	273,554
Library books			–	–	1,359	1,359
Other		30/06/18	–	–	5,093	5,093
Total infrastructure, property, plant and equipment			–	–	1,874,157	1,874,157

Note that capital WIP is not included above since it is carried at cost.

(2) Transfers between level 1 and level 2 fair value hierarchies

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

(3) Valuation techniques used to derive level 2 and level 3 fair values

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

The fair valuation techniques Council has employed while utilising level 2 and level 3 inputs are as follows:

Class	Fair value (30/06/19) \$'000	Valuation technique(s)	Unobservable Inputs
Investment Properties	24,150	Valuation obtained by registered valuer	Land value, land area, building condition

Notes to the Financial Statements

for the year ended 30 June 2019

Note 21. Fair Value Measurement (continued)

Infrastructure, property, plant and equipment (IPP&E)

Class	Fair value (30/06/19) \$'000	Valuation technique(s)	Unobservable Inputs
Plant & Equipment, Office Equipment, Furniture & Fittings	23,566	Cost approach	Current replacement cost of modern equivalent asset, asset condition, useful life and residual value
Operational Land	191,774	Market-based direct comparison	Land value, land area, restrictions over use
Community Land	210,011	Land values obtained from the NSW Valuer-General	Land value, land area, restrictions over use
Land Under Roads	195,599	Unit rate based on Valuer-General average m2 price less Englobo discounting methodology	Extent and impact of use, market cost of land per square metre. The market value of land varies significantly depending on the location of the land and current market conditions.
Land Improvements – Depreciable	31,758	Cost approach	Current replacement cost of modern equivalent asset, asset condition, remaining lives, residual value
Buildings	200,790	Market-based direct comparison	Asset condition, remaining lives
Roads	770,660	Unit rates per m2 or length	Asset condition, remaining lives
Stormwater Drainage	284,806	Unit rates per m2 or length	Asset condition, remaining lives
Library Books	1,676	Cost approach	Current replacement cost of modern equivalent asset, asset condition, remaining lives, residual value

Notes to the Financial Statements
for the year ended 30 June 2019

Note 22. Related Party Transactions

(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:

\$ '000	2019	2018
Compensation:		
Short-term benefits (including annual leave)	3,121	3,856
Post-employment benefits	1,126	–
Other long-term benefits	137	155
Termination benefits	211	–
Total	4,595	4,011

(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	Outstanding balance (incl. loans and commitments)	Terms and conditions	Provisions for impairment of receivables outstanding	Expense recognised for impairment of receivables
2019					
Contribution to Civic Risk Mutual ¹	869	–	30-day terms on invoices	–	–
Contribution to Civic Risk West ²	719	–		–	–
2018					
Contribution to Civic Risk Mutual ¹	716	–		–	–
Contribution to Civic Risk West ²	684	–		–	–

1 Director and Council is a Joint Venture partner

2 Director and Council is a Joint Venture partner

Notes to the Financial Statements

for the year ended 30 June 2019

Note 23. Events occurring after the reporting date

Council is aware of the following 'non-adjusting events' that merit disclosure:

At the June Ordinary Meeting, Council resolved that from 26 August 2019 the staff and operations of Ripples will be brought back into Council, rather than a controlled entity. All services offered by Ripples will continue as normal and there will be no change to the Ripples brand or logo. Employment benefits will be paid out to the employees upon transfer to Council at an estimated cost of \$386,000.

Penrith City Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 24. Statement of developer contributions

Under the *Environmental Planning and Assessment Act 1979*, Council has significant obligations to provide Section 7.11 (contributions towards provision or improvement of amenities or services) infrastructure in new release areas.

It is possible that the funds contributed may be less than the cost of this infrastructure, requiring Council to borrow or use general revenue to fund the difference.

Summary of contributions and levies

\$ '000	as at 30/6/2018						as at 30/6/2019	
	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	1,063	250	–	(16)	(752)	99	644	2,490
Roads	(1,102)	447	–	(74)	(1,691)	2,506	86	6,368
Open space	41,802	3,874	300	918	(4,364)	(2,061)	40,169	(7,141)
Community facilities	527	122	–	3	(178)	(6)	468	(962)
Other	1,068	371	–	8	(521)	(538)	388	(755)
S7.11 contributions – under a plan	43,358	5,064	300	839	(7,506)	–	41,755	–
Total S7.11 and S7.12 revenue under plans	43,358	5,064	300	839	(7,506)	–	41,755	–
Total contributions	43,358	5,064	300	839	(7,506)	–	41,755	–

S7.11 Contributions – under a plan

Claremont Meadows

Drainage	–	–	–	(42)	(166)	208	–	3,987
Roads	47	–	–	7	–	(54)	–	(652)
Open space	–	–	–	12	(612)	600	–	(323)
Community facilities	–	–	–	15	–	(15)	–	(1,615)
Other	721	–	–	18	–	(739)	–	(1,397)
Total	768	–	–	10	(778)	–	–	–

Penrith City Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 24. Statement of developer contributions (continued)

\$ '000	as at 30/6/2018				as at 30/6/2019			
	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					
Cultural Facilities								
Other	–	305	–	–	(305)	–	–	–
Total	–	305	–	–	(305)	–	–	–
Erskine Business Park								
Drainage	985	–	–	26	(337)	(30)	644	(514)
Roads	–	–	–	(6)	–	6	–	282
Other	–	–	–	(5)	(19)	24	–	232
Total	985	–	–	15	(356)	–	644	–
Erskine Park Residential								
Drainage	78	–	–	–	1	(79)	–	(1,133)
Roads	(1,227)	–	–	–	–	1,227	–	3,990
Open space	1,213	–	–	–	–	(1,213)	–	(2,923)
Community facilities	26	–	–	–	–	(26)	–	(23)
Other	(91)	–	–	–	–	91	–	89
Total	(1)	–	–	–	1	–	–	–
Glenmore Park Stage 2								
Roads	51	6	–	2	–	–	59	–
Open space	423	189	–	34	(323)	(35)	288	(676)
Community facilities	46	121	–	(24)	(178)	35	–	676
Other	18	16	–	1	(18)	–	17	–
Total	538	332	–	13	(519)	–	364	–
Kingswood Neighbourhood Centre								
Other	110	6	–	2	–	–	118	–
Total	110	6	–	2	–	–	118	–

Penrith City Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 24. Statement of developer contributions (continued)

\$ '000	as at 30/6/2018						as at 30/6/2019	
	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					
Lambridge Estate								
Drainage	–	250	–	–	(250)	–	–	150
Roads	–	441	–	–	(441)	–	–	2
Open space	–	–	–	–	–	–	–	(152)
Other	–	6	–	–	(6)	–	–	–
Total	–	697	–	–	(697)	–	–	–
Penrith City District Open Space								
Open space	33,872	2,987	–	681	(2,114)	–	35,426	(116)
Other	229	31	–	–	(90)	–	170	116
Total	34,101	3,018	–	681	(2,204)	–	35,596	–
Penrith City Local Open Space								
Open space	3,128	692	–	60	(1,085)	–	2,795	(2)
Other	38	7	–	1	(4)	–	42	2
Total	3,166	699	–	61	(1,089)	–	2,837	–
Waterside								
Roads	27	–	–	–	–	–	27	12
Open space	167	–	–	4	–	–	171	(12)
Other	43	–	–	1	(3)	–	41	–
Total	237	–	–	5	(3)	–	239	–
Werrington Enterprise Living and Learning (WELL)								
Roads	–	–	–	(77)	(1,250)	1,327	–	2,734
Open space	2,999	6	300	127	(230)	(1,413)	1,489	(2,937)
Community facilities	455	1	–	12	–	–	468	–
Other	–	–	–	(10)	(76)	86	–	203
Total	3,454	7	300	52	(1,556)	–	1,957	–

Penrith City Council

Notes to the Financial Statements

for the year ended 30 June 2019

Note 25(a). Statement of performance measures – consolidated results

\$ '000	Amounts 2019	Indicator 2019	Prior periods		Benchmark
			2018	2017	
1. Operating performance ratio					
Total continuing operating revenue excluding capital grants and contributions less operating expenses ^{1,2}	14,192	5.81%	7.13%	7.41%	>0.00%
Total continuing operating revenue excluding capital grants and contributions ¹	244,331				
2. Own source operating revenue ratio					
Total continuing operating revenue excluding all grants and contributions ¹	208,022	70.76%	74.11%	71.89%	>60.00%
Total continuing operating revenue ¹	293,993				
3. Unrestricted current ratio					
Current assets less all external restrictions	106,475	3.07x	3.01x	2.46x	>1.50x
Current liabilities less specific purpose liabilities	34,638				
4. Debt service cover ratio					
Operating result before capital excluding interest and depreciation/impairment/amortisation ¹	43,710	3.30x	3.38x	3.16x	>2.00x
Principal repayments (Statement of Cash Flows) plus borrowing costs (Income Statement)	13,226				
5. Rates, annual charges, interest and extra charges outstanding percentage					
Rates, annual and extra charges outstanding	5,395	3.37%	2.92%	3.01%	<5.00%
Rates, annual and extra charges collectible	159,875				
6. Cash expense cover ratio					
Current year's cash and cash equivalents plus all term deposits	148,198	8.32 mths	7.58 mths	6.50 mths	>3.00 mths
Monthly payments from cash flow of operating and financing activities	17,803				

(1) Excludes fair value adjustments, reversal of revaluation decrements, net gain on sale of assets, and net loss of interests in joint ventures and associates.

(2) Excludes impairment/revaluation decrements, net loss on sale of assets, and net loss on share of interests in joint ventures and associates



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 Income Statement and Statement of Comprehensive Income for the year ended 30 June 2019, the Statement of Financial Position as at 30 June 2019, the 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. The financial statements include the consolidated financial statements of the Council and the entities it controlled at the year's end or from time to time during the year.

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 2019, 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 Information

The Council's annual report for the year ended 30 June 2019 includes other information in addition to the financial statements and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the special purpose financial statements and Special Schedules (the Schedules).

My opinion on the financial statements does not cover the other information. Accordingly, I do not express any form of assurance conclusion on the other information. However, as required by the *Local Government Act 1993*, I have separately expressed an opinion on the special purpose financial statements and Special Schedule - Permissible income for general rates.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude there is a material misstatement of the other information, I must report that fact.

I have nothing to report in this regard.

The Councillors' Responsibilities 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 are responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting except where the Council will be dissolved or amalgamated by an Act of Parliament, or otherwise cease operations.

Auditor's Responsibilities 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/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
- on the Original Budget information included in the Income Statement, Statement of Cash Flows, and Note 20 Material budget variations
- on the Special Schedules. A separate opinion has been provided on Special Schedule - Permissible income for general rates
- 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.



Karen Taylor
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

24 September 2019
SYDNEY



Mayor
 Penrith City Council
 PO Box 60
 PENRITH NSW 2751

Contact: Karen Taylor
 Phone no: 02 9275 7311
 Our ref: D1921684/1777

24 September 2019

Dear Mayor

**Report on the Conduct of the Audit
 for the year ended 30 June 2019
 Penrith City Council**





I have audited the general purpose financial statements (GPFS) of the Penrith City Council (the Council) for the year ended 30 June 2019 as required by section 415 of the *Local Government Act 1993* (the Act).

I expressed an unmodified opinion on the Council's GPFS.

This Report on the Conduct of the Audit (the Report) for the Council for the year ended 30 June 2019 is issued in accordance with section 417 of the Act. This Report should be read in conjunction with my audit opinion on the GPFS issued under section 417(2) of the Act.

INCOME STATEMENT

Operating result

	2019	2018	Variance
	\$m	\$m	%
Rates and annual charges revenue	156.5	145.0	 7.9
Grants and contributions revenue	84.6	67.4	 25.5
Operating result for the year	61.5	67.5	 8.9
Net operating result before capital grants and contributions	11.8	23.8	 50.4

Rates and annual charges revenue (\$156.5 million) increased by \$11.5 million (7.9 per cent) in 2018–19. Council had an approved 5.2 per cent special rate variation leading to an increase in rates revenue.

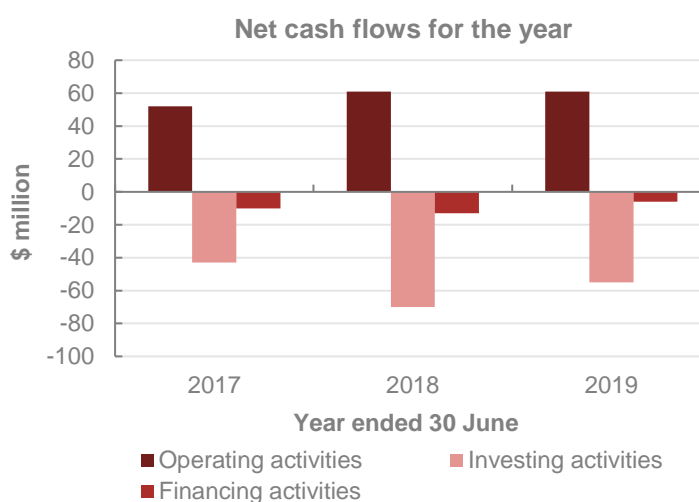
Grants and contributions revenue (\$84.6 million) increased by \$17.2 million (25.5 per cent) in 2018–19 due to \$10.2 million increase in subdivision dedications and fluctuations in timing of financial assistance grants over the past few years.

Council’s operating result (\$61.5 million including the effect of depreciation and amortisation expense of \$27.7 million) was \$6.0 million lower than the 2017–18 result. This was mainly due to fluctuations in the fair value of investment property in the past two years.

The net operating result before capital grants and contributions (\$11.8 million) was \$12.0 million lower than the 2017–18 result.

STATEMENT OF CASH FLOWS

Cash balances remained steady at 30 June 2019. Net cash used in investing and financing activities reduced in the current year. Overall cash and investments have grown by \$14.3 million.



FINANCIAL POSITION

Cash and investments

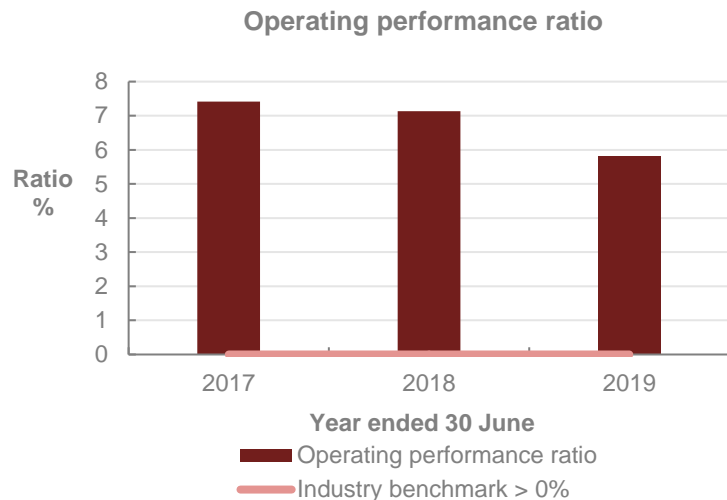
Cash and investments	2019	2018	Commentary
	\$m	\$m	
External restrictions	78.6	73.7	Externally restricted balances include unexpended specific loans, developer contributions and domestic waste management charges.
Internal restrictions	87.4	76.4	
Unrestricted	3.3	4.9	Balances are internally restricted due to Council policy or decisions for forward plans including works program. Unrestricted balances provide liquidity for day-to-day operations.
Cash and investments	169.3	155.0	

PERFORMANCE

The definition of each ratio analysed below are included in Note 25 (a) of the Council's audited general purpose financial statements.

Operating performance ratio

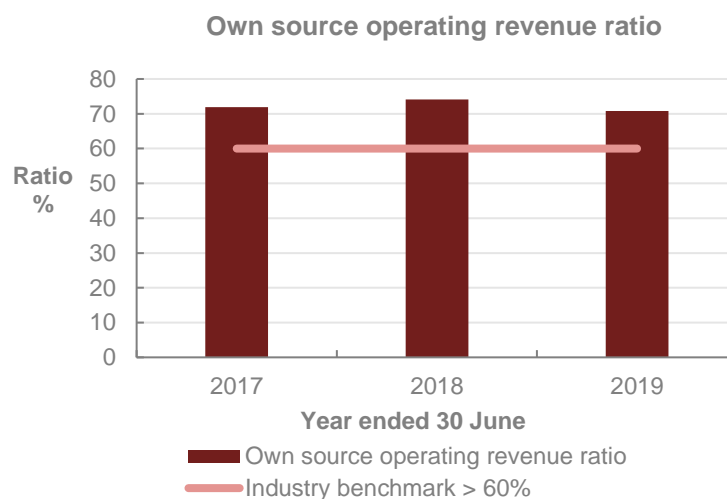
Council continues to exceed the benchmark. The decrease in the current year is mainly due to lower than budgeted user charges and fees and lower than budgeted operating grants and contributions. The 'operating performance ratio' measures how well council contained operating expenditure within operating 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 continues to exceed the benchmark. The ratio fluctuates with movements in grants and contributions. The special rate variation has a positive impact on this ratio.

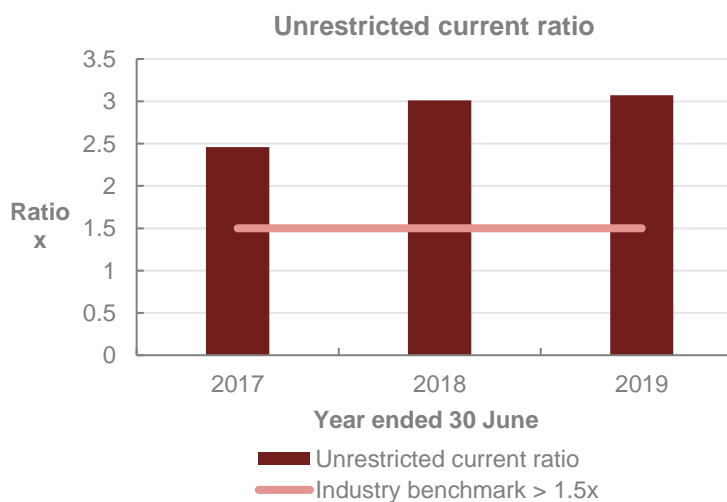
The 'own source operating revenue ratio' measures council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The benchmark set by OLG is greater than 60 per cent.



Unrestricted current ratio

Council continues to exceed the benchmark. Improved unrestricted current ratio mainly due to higher current investment balances.

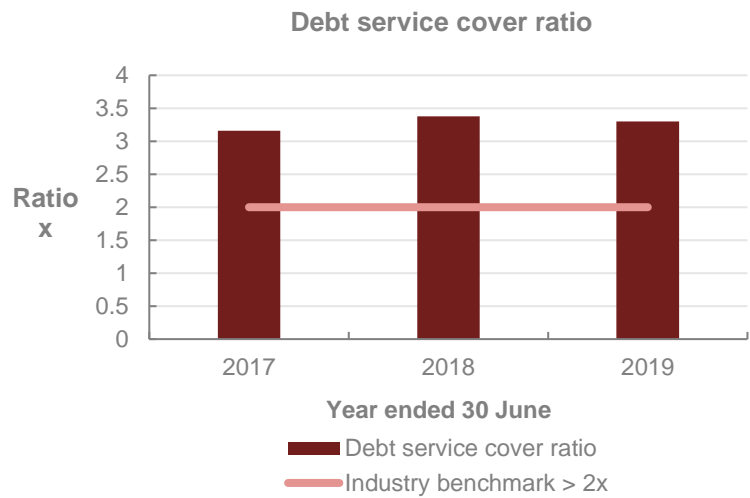
The 'unrestricted current ratio' is specific to local government and represents council's ability to meet its short-term obligations as they fall due. The benchmark set by OLG is greater than 1.5 times.



Debt service cover ratio

Council continues to exceed the benchmark due to repaying borrowings to reduce the outstanding balance, \$44.4 million at 30 June 2019 (\$50.3 million at 30 June 2018).

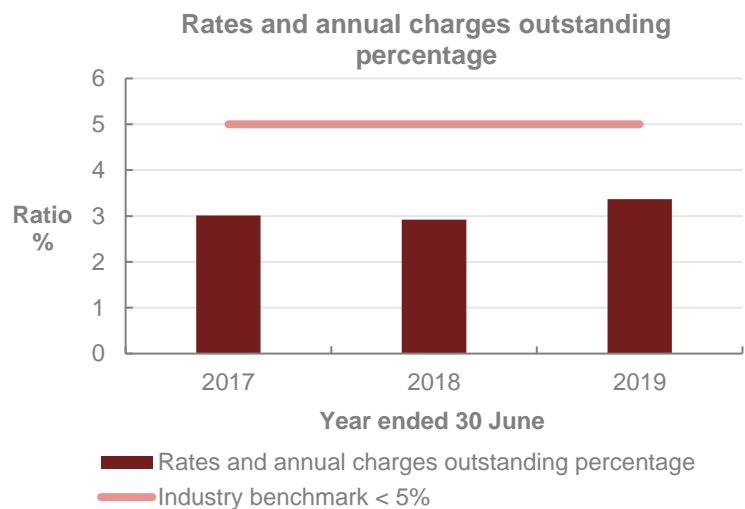
The 'debt service cover ratio' measures the operating cash to service debt including interest, principal and lease payments. The benchmark set by OLG is greater than two times.



Rates and annual charges outstanding percentage

Performance better than benchmark and remains relatively consistent.

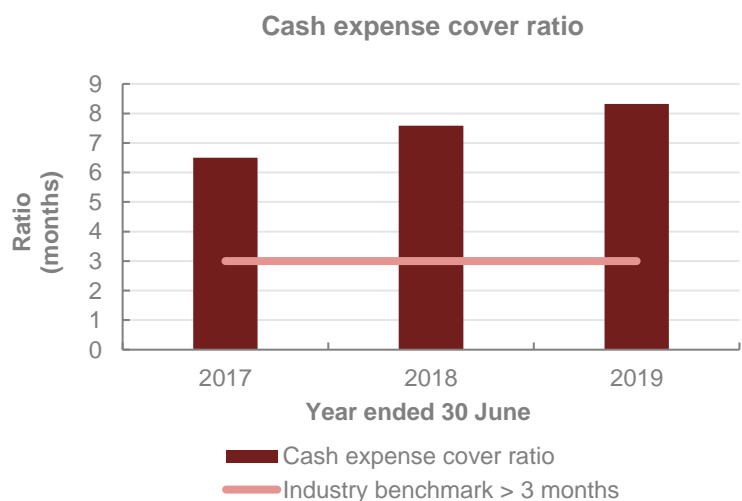
The 'rates and annual charges outstanding ratio' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The benchmark set by OLG is less than 5 per cent for metro councils.



Cash expense cover ratio

Council continues to exceed the benchmark. Improved cover due to a \$24.2 million increase in cash and current investments to \$158.2 million at 30 June 2019.

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.



Infrastructure, property, plant and equipment renewals

Council's performance is as follows:

- asset renewals were \$22.3 million in 2018–19 compared to \$18.8 million in the prior year, \$8.7 million relating to road renewals
- the unaudited infrastructure renewals ratio was 71.7 per cent compared to 48.4 per cent in the prior year (benchmark set by OLG is 100)
- during 2018–19, \$58.9 million was spent on new assets including \$23.1 million of roads infrastructure and \$13.8 million on stormwater drainage.

OTHER MATTERS

New accounting standards implemented

Application period	Overview
AASB 9 'Financial Instruments' and revised AASB 7 'Financial Instruments: Disclosures'	
For the year ended 30 June 2019	<p>AASB 9 replaces AASB 139 'Financial Instruments: Recognition and Measurement' and changes the way financial instruments are treated for financial reporting.</p> <p>Key changes include:</p> <ul style="list-style-type: none">• a simplified model for classifying and measuring financial assets• a new method for calculating impairment• a new type of hedge accounting that more closely aligns with risk management. <p>The revised AASB 7 includes new disclosures as a result of AASB 9. Council's disclosure of the impact of adopting AASB 9 is disclosed in Note 14.</p>

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 statements. The Council's:

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



Karen Taylor
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

Penrith City Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2019

*A sustainable and prosperous Regional City with a harmony
of urban and rural qualities.*

PENRITH
CITY COUNCIL

Special Purpose Financial Statements

for the year ended 30 June 2019

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Background

- i. These Special Purpose Financial Statements have been prepared for the use by both Council and the Office of Local Government in fulfilling their requirements under National Competition Policy.
- ii. The principle of competitive neutrality is based on the concept of a 'level playing field' between persons/entities competing in a market place, particularly between private and public sector competitors.

Essentially, the principle is that government businesses, whether Commonwealth, state or local, should operate without net competitive advantages over other businesses as a result of their public ownership.

- iii. For Council, the principle of competitive neutrality and public reporting applies only to declared business activities.

These include **(a)** those activities classified by the Australian Bureau of Statistics as business activities being water supply, sewerage services, abattoirs, gas production and reticulation, and **(b)** those activities with a turnover of more than \$2 million that Council has formally declared as a business activity (defined as Category 1 activities).

- iv. In preparing these financial statements for Council's self-classified Category 1 businesses and ABS-defined activities, councils must **(a)** adopt a corporatisation model and **(b)** apply full cost attribution including tax-equivalent regime payments and debt guarantee fees (where the business benefits from Council's borrowing position by comparison with commercial rates).

Special Purpose Financial Statements

for the year ended 30 June 2019

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 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.
- present overhead reallocation charges to the water and sewerage businesses as fair and reasonable.

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

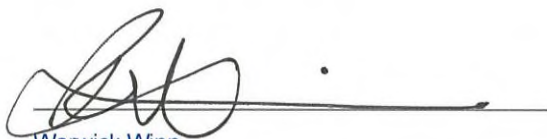
Signed in accordance with a resolution of Council made on 23 September 2019.



Clr Ross Fowler OAM
Mayor
23 September 2019



Clr Greg Davies
Deputy Mayor
23 September 2019



Warwick Winn
General Manager
23 September 2019



Andrew Moore
Responsible Accounting Officer
23 September 2019

Income Statement – Childcare

for the year ended 30 June 2019

\$ '000	2019	2018
Income from continuing operations		
User charges	8,469	9,693
Grants and contributions provided for non-capital purposes	16,122	12,949
Other income	93	105
Total income from continuing operations	24,684	22,747
Expenses from continuing operations		
Employee benefits and on-costs	21,194	18,662
Materials and contracts	915	1,058
Calculated taxation equivalents	1,134	1,018
Debt guarantee fee (if applicable)	325	555
Imputed rental	170	–
Other expenses	1,264	1,219
Total expenses from continuing operations	25,002	22,512
Surplus (deficit) from continuing operations before capital amounts	(318)	235
Surplus (deficit) from continuing operations after capital amounts	(318)	235
Surplus (deficit) from all operations before tax	(318)	235
Less: corporate taxation equivalent (27.5%) [based on result before capital] Prior Year corporate taxation equivalent (30.0%)	–	(70)
SURPLUS (DEFICIT) AFTER TAX	(318)	165
Plus accumulated surplus	5,561	3,663
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	1,134	1,018
– Debt guarantee fees	325	555
– Corporate taxation equivalent	–	70
– Imputed Rental	170	–
Add:		
– Subsidy paid/contribution to operations	90	90
Closing accumulated surplus	6,962	5,561
Subsidy from Council	318	–

Income Statement – Council pools

for the year ended 30 June 2019

\$ '000	2019	2018
Income from continuing operations		
User charges	4,753	4,581
Interest	7	7
Total income from continuing operations	<u>4,760</u>	<u>4,588</u>
Expenses from continuing operations		
Employee benefits and on-costs	4,495	4,264
Materials and contracts	856	770
Depreciation, amortisation and impairment	71	82
Calculated taxation equivalents	321	326
Debt guarantee fee (if applicable)	257	550
Other expenses	722	670
Total expenses from continuing operations	<u>6,722</u>	<u>6,662</u>
Surplus (deficit) from continuing operations before capital amounts	<u>(1,962)</u>	<u>(2,074)</u>
Surplus (deficit) from continuing operations after capital amounts	(1,962)	(2,074)
Surplus (deficit) from all operations before tax	(1,962)	(2,074)
SURPLUS (DEFICIT) AFTER TAX	<u>(1,962)</u>	<u>(2,074)</u>
Plus accumulated surplus	(16,874)	(16,700)
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	321	326
– Debt guarantee fees	257	550
Add:		
– Subsidy paid/contribution to operations	1,150	1,024
Closing accumulated surplus	<u>(17,108)</u>	<u>(16,874)</u>
Return on capital %	(1,282.4)%	(1,011.7)%
Subsidy from Council	1,964	2,079

Income Statement – Property Development

for the year ended 30 June 2019

\$ '000	2019	2018
Income from continuing operations		
User charges	3,161	3,060
Interest	605	416
Profit from the sale of assets	1,573	–
Total income from continuing operations	5,339	3,476
Expenses from continuing operations		
Employee benefits and on-costs	1,352	1,109
Borrowing costs	156	202
Materials and contracts	1,770	2,080
Depreciation, amortisation and impairment	212	428
Calculated taxation equivalents	1,380	1,559
Debt guarantee fee (if applicable)	29	20
Other expenses	447	442
Total expenses from continuing operations	5,346	5,840
Surplus (deficit) from continuing operations before capital amounts	(7)	(2,364)
Surplus (deficit) from continuing operations after capital amounts	(7)	(2,364)
Surplus (deficit) from all operations before tax	(7)	(2,364)
SURPLUS (DEFICIT) AFTER TAX	(7)	(2,364)
Plus accumulated surplus	29,055	30,225
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	1,380	1,559
– Debt guarantee fees	29	20
Less:		
– Dividend paid	(110)	(385)
Closing accumulated surplus	30,347	29,055
Return on capital %	0.2%	(2.4)%
Subsidy from Council	933	4,533

Income Statement – Whitewater

for the year ended 30 June 2019

\$ '000	2019	2018
Income from continuing operations		
User charges	1,063	1,144
Interest	1	1
Total income from continuing operations	1,064	1,145
Expenses from continuing operations		
Employee benefits and on-costs	642	759
Materials and contracts	82	81
Depreciation, amortisation and impairment	103	113
Other expenses	395	437
Total expenses from continuing operations	1,222	1,390
Surplus (deficit) from continuing operations before capital amounts	(158)	(245)
Surplus (deficit) from continuing operations after capital amounts	(158)	(245)
Surplus (deficit) from all operations before tax	(158)	(245)
SURPLUS (DEFICIT) AFTER TAX	(158)	(245)
Plus accumulated surplus	835	(62)
Add:		
– Subsidy paid/contribution to operations	–	1,142
Closing accumulated surplus	677	835
Return on capital %	(18.6)%	(26.0)%
Subsidy from Council	169	269

Income Statement – Penrith Performing and Visual Arts Ltd

for the year ended 30 June 2019

\$ '000	2019	2018
Income from continuing operations		
User charges	1,489	1,532
Interest	14	14
Grants and contributions provided for non-capital purposes	2,813	2,451
Total income from continuing operations	4,316	3,997
Expenses from continuing operations		
Employee benefits and on-costs	2,683	2,300
Materials and contracts	1,218	1,117
Depreciation, amortisation and impairment	83	57
Calculated taxation equivalents	100	84
Imputed rental	581	1,166
Other expenses	404	431
Total expenses from continuing operations	5,069	5,155
Surplus (deficit) from continuing operations before capital amounts	(753)	(1,158)
Surplus (deficit) from continuing operations after capital amounts	(753)	(1,158)
Surplus (deficit) from all operations before tax	(753)	(1,158)
SURPLUS (DEFICIT) AFTER TAX	(753)	(1,158)
Plus accumulated surplus	175	(1,712)
Plus adjustments for amounts unpaid:		
– Taxation equivalent payments	100	84
– Imputed rental	581	1,166
Add:		
– Subsidy paid/contribution to operations	2,127	1,795
Closing accumulated surplus	2,230	175
Return on capital %	(40.5)%	(66.3)%
Subsidy from Council	778	1,206

Income Statement – Cemeteries

for the year ended 30 June 2019

\$ '000	2019	2018
Income from continuing operations		
Interest	21	20
User charges	719	797
Total income from continuing operations	740	817
Expenses from continuing operations		
Employee benefits and on-costs	426	341
Materials and contracts	309	360
Depreciation, amortisation and impairment	11	12
Other expenses	76	75
Total expenses from continuing operations	822	788
Surplus (deficit) from continuing operations before capital amounts	(82)	29
Surplus (deficit) from continuing operations after capital amounts	(82)	29
Surplus (deficit) from all operations before tax	(82)	29
Less: corporate taxation equivalent (27.5%) [based on result before capital] Prior Year	–	(9)
corporate taxation equivalent (30.0%)		
SURPLUS (DEFICIT) AFTER TAX	(82)	20
Plus accumulated surplus	(360)	(389)
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	–	9
Closing accumulated surplus	(442)	(360)
Return on capital %	(26.2)%	24.4%
Subsidy from Council	86	–

Income Statement – Tennis courts

for the year ended 30 June 2019

\$ '000	2019	2018
Income from continuing operations		
User charges	39	66
Other income	–	1
Total income from continuing operations	39	67
Expenses from continuing operations		
Employee benefits and on-costs	27	39
Materials and contracts	20	23
Depreciation, amortisation and impairment	87	88
Other expenses	27	52
Total expenses from continuing operations	161	202
Surplus (deficit) from continuing operations before capital amounts	(122)	(135)
Surplus (deficit) from continuing operations after capital amounts	(122)	(135)
Surplus (deficit) from all operations before tax	(122)	(135)
SURPLUS (DEFICIT) AFTER TAX	(122)	(135)
Plus accumulated surplus	(611)	(476)
Closing accumulated surplus	(733)	(611)
Return on capital %	(4.3)%	(4.6)%
Subsidy from Council	159	211

Income Statement – St Clair Recreation Centre

for the year ended 30 June 2019

\$ '000	2019	2018
Income from continuing operations		
User charges	151	141
Total income from continuing operations	151	141
Expenses from continuing operations		
Employee benefits and on-costs	181	209
Materials and contracts	32	37
Depreciation, amortisation and impairment	11	11
Imputed rental	33	68
Other expenses	25	41
Total expenses from continuing operations	282	366
Surplus (deficit) from continuing operations before capital amounts	(131)	(225)
Surplus (deficit) from continuing operations after capital amounts	(131)	(225)
Surplus (deficit) from all operations before tax	(131)	(225)
SURPLUS (DEFICIT) AFTER TAX	(131)	(225)
Plus accumulated surplus	(5,197)	(5,040)
Plus adjustments for amounts unpaid:		
- Imputed rental	33	68
Closing accumulated surplus	(5,295)	(5,197)
Return on capital %	(363.9)%	(478.7)%
Subsidy from Council	131	226

Income Statement – Halls

for the year ended 30 June 2019

\$ '000	2019	2018
Income from continuing operations		
User charges	941	130
Interest	25	1
Grants and contributions provided for non-capital purposes	23	22
Other income	–	749
Total income from continuing operations	989	902
Expenses from continuing operations		
Employee benefits and on-costs	766	673
Borrowing costs	–	1
Materials and contracts	688	485
Depreciation, amortisation and impairment	777	925
Other expenses	393	368
Total expenses from continuing operations	2,624	2,452
Surplus (deficit) from continuing operations before capital amounts	(1,635)	(1,550)
Surplus (deficit) from continuing operations after capital amounts	(1,635)	(1,550)
Surplus (deficit) from all operations before tax	(1,635)	(1,550)
SURPLUS (DEFICIT) AFTER TAX	(1,635)	(1,550)
Plus accumulated surplus	(7,018)	(5,468)
Closing accumulated surplus	(8,653)	(7,018)
Return on capital %	(6.3)%	(5.9)%
Subsidy from Council	1,979	2,243

Income Statement – Contestable Services

for the year ended 30 June 2019

\$ '000	2019	2018
Income from continuing operations		
User charges	420	594
Total income from continuing operations	420	594
Expenses from continuing operations		
Employee benefits and on-costs	372	305
Materials and contracts	2	2
Other expenses	95	86
Total expenses from continuing operations	469	393
Surplus (deficit) from continuing operations before capital amounts	(49)	201
Surplus (deficit) from continuing operations after capital amounts	(49)	201
Surplus (deficit) from all operations before tax	(49)	201
Less: corporate taxation equivalent (27.5%) [based on result before capital] Prior Year	–	(60)
corporate taxation equivalent (30.0%)		
SURPLUS (DEFICIT) AFTER TAX	(49)	141
Plus accumulated surplus	1,208	1,007
Plus adjustments for amounts unpaid:		
– Corporate taxation equivalent	–	60
Closing accumulated surplus	1,159	1,208
Subsidy from Council	49	–

Statement of Financial Position – Childcare

for the year ended 30 June 2019

\$ '000	2019	2018
ASSETS		
Current assets		
Investments	987	884
Receivables	766	521
Total current assets	1,753	1,405
Non-current assets		
Other	5,807	4,771
Total non-current assets	5,807	4,771
TOTAL ASSETS	7,560	6,176
LIABILITIES		
Current liabilities		
Payables	598	616
Total current liabilities	598	616
TOTAL LIABILITIES	598	616
NET ASSETS	6,962	5,560
EQUITY		
Accumulated surplus	6,962	5,560
TOTAL EQUITY	6,962	5,560

Statement of Financial Position – Council pools

for the year ended 30 June 2019

\$ '000	2019	2018
ASSETS		
Current assets		
Cash and cash equivalents	200	223
Receivables	110	117
Inventories	35	18
Other	8	17
Total current assets	353	375
Non-current assets		
Infrastructure, property, plant and equipment	153	205
Total non-current assets	153	205
TOTAL ASSETS	506	580
LIABILITIES		
Current liabilities		
Payables	354	494
Income received in advance	290	–
Provisions	401	477
Total current liabilities	1,045	971
Non-current liabilities		
Other Liabilities	16,569	16,483
Total non-current liabilities	16,569	16,483
TOTAL LIABILITIES	17,614	17,454
NET ASSETS	(17,108)	(16,874)
EQUITY		
Accumulated surplus	(17,108)	(16,874)
TOTAL EQUITY	(17,108)	(16,874)

Statement of Financial Position – Property Development

for the year ended 30 June 2019

\$ '000	2019	2018
ASSETS		
Current assets		
Investments	25,245	19,725
Other	20	–
Total current assets	25,265	19,725
Non-current assets		
Infrastructure, property, plant and equipment	81,946	90,177
Total non-current assets	81,946	90,177
TOTAL ASSETS	107,211	109,902
LIABILITIES		
Current liabilities		
Payables	56	56
Borrowings	778	778
Provisions	(1)	–
Total current liabilities	833	834
Non-current liabilities		
Borrowings	1,451	2,229
Other Liabilities	–	12,429
Total non-current liabilities	1,451	14,658
TOTAL LIABILITIES	2,284	15,492
NET ASSETS	104,927	94,410
EQUITY		
Accumulated surplus	30,347	29,055
Revaluation reserves	74,580	65,355
TOTAL EQUITY	104,927	94,410

Statement of Financial Position – Whitewater
for the year ended 30 June 2019

\$ '000	2019	2018
ASSETS		
Current assets		
Cash and cash equivalents	33	22
Investments	118	142
Receivables	40	81
Inventories	20	22
Total current assets	211	267
Non-current assets		
Infrastructure, property, plant and equipment	848	941
Other	76	75
Total non-current assets	924	1,016
TOTAL ASSETS	1,135	1,283
LIABILITIES		
Current liabilities		
Payables	59	136
Income received in advance	90	–
Provisions	309	311
Total current liabilities	458	447
TOTAL LIABILITIES	458	447
NET ASSETS	677	836
EQUITY		
Accumulated surplus	677	836
TOTAL EQUITY	677	836

Statement of Financial Position – Penrith Performing and Visual Arts Ltd
for the year ended 30 June 2019

\$ '000	2019	2018
ASSETS		
Current assets		
Cash and cash equivalents	4	228
Investments	873	996
Receivables	31	108
Inventories	10	10
Other	72	68
Total current assets	990	1,410
Non-current assets		
Infrastructure, property, plant and equipment	1,861	1,747
Other	354	–
Total non-current assets	2,215	1,747
TOTAL ASSETS	3,205	3,157
LIABILITIES		
Current liabilities		
Payables	192	945
Income received in advance	501	–
Provisions	124	115
Total current liabilities	817	1,060
Non-current liabilities		
Provisions	158	169
Other Liabilities	–	1,755
Total non-current liabilities	158	1,924
TOTAL LIABILITIES	975	2,984
NET ASSETS	2,230	173
EQUITY		
Accumulated surplus	2,230	173
TOTAL EQUITY	2,230	173

Statement of Financial Position – Cemeteries

for the year ended 30 June 2019

\$ '000	2019	2018
ASSETS		
Current assets		
Investments	942	1,029
Total current assets	942	1,029
Non-current assets		
Infrastructure, property, plant and equipment	313	119
Total non-current assets	313	119
TOTAL ASSETS	1,255	1,148
LIABILITIES		
Current liabilities		
Provisions	(4)	(4)
Total current liabilities	(4)	(4)
Non-current liabilities		
Other Liabilities	1,701	1,504
Total non-current liabilities	1,701	1,504
TOTAL LIABILITIES	1,697	1,500
NET ASSETS	(442)	(352)
EQUITY		
Accumulated surplus	(442)	(360)
TOTAL EQUITY	(442)	(360)

Statement of Financial Position – Tennis courts

for the year ended 30 June 2019

\$ '000	2019	2018
ASSETS		
Current assets		
Cash and cash equivalents	9	10
Receivables	98	9
Total current assets	107	19
Non-current assets		
Infrastructure, property, plant and equipment	2,825	2,909
Total non-current assets	2,825	2,909
TOTAL ASSETS	2,932	2,928
LIABILITIES		
Current liabilities		
Provisions	1	1
Total current liabilities	1	1
Non-current liabilities		
Other Liabilities	3,664	3,538
Total non-current liabilities	3,664	3,538
TOTAL LIABILITIES	3,665	3,539
NET ASSETS	(733)	(611)
EQUITY		
Accumulated surplus	(733)	(611)
TOTAL EQUITY	(733)	(611)

Statement of Financial Position – St Clair Recreation Centre

for the year ended 30 June 2019

\$ '000	2019	2018
ASSETS		
Non-current assets		
Infrastructure, property, plant and equipment	36	47
Total non-current assets	36	47
TOTAL ASSETS	36	47
LIABILITIES		
Current liabilities		
Payables	–	56
Provisions	2	2
Total current liabilities	2	58
Non-current liabilities		
Other Liabilities	5,329	5,186
Total non-current liabilities	5,329	5,186
TOTAL LIABILITIES	5,331	5,244
NET ASSETS	(5,295)	(5,197)
EQUITY		
Accumulated surplus	(5,295)	(5,197)
TOTAL EQUITY	(5,295)	(5,197)

Statement of Financial Position – Halls
for the year ended 30 June 2019

\$ '000	2019	2018
ASSETS		
Current assets		
Cash and cash equivalents	202	181
Investments	44	43
Receivables	10	10
Total current assets	256	234
Non-current assets		
Infrastructure, property, plant and equipment	26,080	26,418
Total non-current assets	26,080	26,418
TOTAL ASSETS	26,336	26,652
LIABILITIES		
Current liabilities		
Payables	27	67
Income received in advance	6	–
Provisions	7	6
Total current liabilities	40	73
Non-current liabilities		
Other Liabilities	34,955	33,597
Total non-current liabilities	34,955	33,597
TOTAL LIABILITIES	34,995	33,670
NET ASSETS	(8,659)	(7,018)
EQUITY		
Accumulated surplus	(8,653)	(7,018)
TOTAL EQUITY	(8,653)	(7,018)

Statement of Financial Position – Contestable Services

for the year ended 30 June 2019

\$ '000	2019	2018
ASSETS		
Non-current assets		
Other	1,160	1,210
Total non-current assets	1,160	1,210
TOTAL ASSETS	1,160	1,210
LIABILITIES		
Current liabilities		
Payables	1	1
Total current liabilities	1	1
TOTAL LIABILITIES	1	1
NET ASSETS	1,159	1,209
EQUITY		
Accumulated surplus	1,159	1,209
TOTAL EQUITY	1,159	1,209

Notes to the Special Purpose Financial Statements

for the year ended 30 June 2019

Note 1. Significant Accounting Policies

A statement summarising the supplemental accounting policies adopted in the preparation of the Special Purpose Financial Statements (SPFS) for National Competition Policy (NCP) reporting purposes follows.

These financial statements are SPFS prepared for use by Council and the Office of Local Government. For the purposes of these statements, the Council is a non-reporting not-for-profit entity.

The figures presented in these Special Purpose Financial Statements have been prepared in accordance with the recognition and measurement criteria of relevant Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and Australian Accounting Interpretations.

The disclosures in these Special Purpose Financial Statements have been prepared in accordance with the Local Government Act 1993 (NSW), the *Local Government (General) Regulation 2005*, and the Local Government Code of Accounting Practice and Financial Reporting.

The statements are prepared on an accruals basis. They are based on historic costs and do not take into account changing money values or, except where specifically stated, current values of non-current assets. Certain taxes and other costs, appropriately described, have been imputed for the purposes of the National Competition Policy.

The Statement of Financial Position includes notional assets/liabilities receivable from/payable to Council's general fund. These balances reflect a notional intra-entity funding arrangement with the declared business activities.

National Competition Policy

Council has adopted the principle of 'competitive neutrality' in 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 NSW government policy statement titled 'Application of National Competition Policy to Local Government'.

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

The pricing and costing guidelines outline the process for identifying and allocating costs to activities and provide a standard for 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.

Notes to the Special Purpose Financial Statements

for the year ended 30 June 2019

Note 1. Significant Accounting Policies (continued)

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

Tennis Courts

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.

Notes to the Special Purpose Financial Statements

for the year ended 30 June 2019

Note 1. Significant Accounting Policies (continued)

Monetary amounts

Amounts shown in the financial statements are in Australian currency and rounded to the nearest one thousand dollars.

(i) Taxation equivalent charges

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

However, where Council does not pay some taxes which are generally paid by private sector businesses, such as income tax, these equivalent tax payments have been applied to all Council-nominated business activities and are reflected in Special Purpose 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 (%)

Company income tax rate – **27.5%** Lower company tax rate for base rate entities under the \$50m threshold.

Land tax – the first \$692,000 of combined land values attracts **0%**. For the combined land values in excess of \$692,001 up to \$4,231,000 the rate is **1.6% + \$100**. For the remaining combined land value that exceeds \$4,231,000 a premium marginal rate of **2.0%** applies.

Payroll tax – **5.45%** on the value of taxable salaries and wages in excess of \$850,000.

In accordance with the Department of Industry (DoI) – Water guidelines, 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 to in the DoI – Water guidelines as a 'dividend for taxation equivalent', may be applied for any purpose allowed under the *Local Government Act, 1993*.

Achievement of substantial compliance to the DoI – Water guidelines is not a prerequisite for the payment of the tax equivalent charges, however the payment must not exceed \$3 per assessment.

Income tax

An income tax equivalent has been applied on the profits of the business activities.

Whilst income tax is not a specific cost for the purpose of pricing a good or service, it needs to be taken into account 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 company income tax rate, currently 27.5%.

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

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

The rate applied of 27.5% is the equivalent company tax rate prevalent at reporting date. No adjustments have been made for variations that have occurred during the year.

Local government rates and 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.

Notes to the Special Purpose Financial Statements for the year ended 30 June 2019

Note 1. Significant Accounting Policies (continued)

Loan and 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 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 when 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 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 NCP 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 actual rate of return achieved by each business activity is disclosed at the foot of each respective Income Statement.

The rate of return 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 1.32% at 30/6/19.

(iv) Dividends

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



INDEPENDENT AUDITOR'S REPORT
Report on the special purpose financial statements
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 Income Statement of each declared business activity for the year ended 30 June 2019, the Statement of Financial Position of each declared business activity as at 30 June 2019, Note 1 Significant accounting policies 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 2019, and its 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 – update number 27 (LG Code).

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 the 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.

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 the Council's financial reporting responsibilities under the LG Code. As a result, the financial statements may not be suitable for another purpose.

Other Information

The Council's annual report for the year ended 30 June 2019 includes other information in addition to the financial statements and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the general purpose financial statements and Special Schedules (the Schedules).

My opinion on the financial statements does not cover the other information. Accordingly, I do not express any form of assurance conclusion on the other information. However, as required by the *Local Government Act 1993*, I have separately expressed an opinion on the general purpose financial statements and Special Schedule 'Permissible income for general rates'.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude there is a material misstatement of the other information, I must report that fact.

I have nothing to report in this regard.

The Councillors' Responsibilities 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 are responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless it is not appropriate to do so.

Auditor's Responsibilities 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/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.



Karen Taylor
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

24 September 2019
SYDNEY

Penrith City Council

SPECIAL SCHEDULES
for the year ended 30 June 2019

*A sustainable and prosperous Regional City with a harmony
of urban and rural qualities.*

PENRITH
CITY COUNCIL

Special Schedules

for the year ended 30 June 2019

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**¹ Special Schedules are not audited (with the exception of Permissible income for general rates).
Schedules are not audited (with the exception of Permissible income for general rates).**

Permissible income for general rates for the year ended 30 June 2019

\$ '000		Calculation 2019/20	Calculation 2018/19
Notional general income calculation ¹			
Last year notional general income yield	a	119,090	110,663
Plus or minus adjustments ²	b	2,781	2,573
Notional general income	c = a + b	121,871	113,236
Permissible income calculation			
Special variation percentage ³	d	5.40%	5.20%
Or rate peg percentage	e	2.70%	2.30%
Plus special variation amount	h = d x (c + g)	6,581	5,888
Sub-total	k = (c + g + h + i + j)	128,452	119,124
Plus (or minus) last year's carry forward total	l	1	1
Less valuation objections claimed in the previous year	m	(54)	(89)
Sub-total	n = (l + m)	(53)	(88)
Total permissible income	o = k + n	128,399	119,036
Less notional general income yield	p	128,469	119,090
Catch-up or (excess) result	q = o - p	(70)	(54)
Plus income lost due to valuation objections claimed ⁴	r	71	55
Carry forward to next year ⁶	t = q + r - s	1	1

Notes

- (1) The notional general income will not reconcile with rate income in the financial statements in the corresponding year. The statements are reported on an accrual accounting basis which include amounts that relate to prior years' rates income.
- (2) Adjustments account for changes in the number of assessments and any increase or decrease in land value occurring during the year. The adjustments are called 'supplementary valuations' as defined in the Valuation of Land Act 1916.
- (3) The 'special variation percentage' is inclusive of the rate peg percentage and where applicable Crown land adjustment.
- (4) Valuation objections are unexpected changes in land values as a result of land owners successfully objecting to the land value issued by the Valuer-General. Councils can claim the value of the income lost due to valuation objections in any single year.
- (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 Permissible income for general rates Statement in the financial data return (FDR) to administer this process.



INDEPENDENT AUDITOR'S REPORT

Special Schedule - Permissible income for general rates

Penrith City Council

To the Councillors of Penrith City Council

Opinion

I have audited the accompanying Special Schedule – Permissible income for general rates (the Schedule) of Penrith City Council (the Council) for the year ending 30 June 2020.

In my opinion, the Schedule is prepared, in all material respects in accordance with the requirements of the Local Government Code of Accounting Practice and Financial Reporting – update number 27 (LG Code), 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.

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 Schedule' 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 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 special purpose framework used to prepare the Schedule. The Schedule has been prepared for the purpose of fulfilling the Council's reporting obligations under the LG Code. As a result, the Schedule may not be suitable for another purpose.

Other Information

The Council's annual report for the year ended 30 June 2019 includes other information in addition to the Schedule and my Independent Auditor's Report thereon. The Councillors are responsible for the other information. At the date of this Independent Auditor's Report, the other information I have received comprise the general purpose financial statements, special purpose financial statements and Special Schedule 'Report on infrastructure assets as at 30 June 2019'.

My opinion on the Schedule does not cover the other information. Accordingly, I do not express any form of assurance conclusion on the other information. However, as required by the *Local Government Act 1993*, I have separately expressed an opinion on the general purpose financial statements and the special purpose financial statements.

In connection with my audit of the Schedule, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Schedule or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude there is a material misstatement of the other information, I must report that fact.

I have nothing to report in this regard.

The Councillors' Responsibilities for the Schedule

The Councillors are responsible for the preparation of the Schedule 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 the Schedule that is free from material misstatement, whether due to fraud or error.

In preparing the Schedule, the Councillors are responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless it is not appropriate to do so.

Auditor's Responsibilities for the Audit of the Schedule

My objectives are to:

- obtain reasonable assurance whether the Schedule 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 the Schedule.

A description of my responsibilities for the audit of the Schedule is located at the Auditing and Assurance Standards Board website at: 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 Schedule on any website where it may be presented
- about any other information which may have been hyperlinked to/from the Schedule.



Karen Taylor
Director, Financial Audit Services

Delegate of the Auditor-General for New South Wales

24 September 2019
SYDNEY

Report on Infrastructure Assets

as at 30 June 2019

Asset Class	Asset Category	Estimated cost		2018/19 Required maintenance ^a	2018/19 Actual maintenance	Net carrying amount	Gross replacement cost (GRC)	Assets in condition as a percentage of gross replacement cost				
		Estimated cost to bring assets to satisfactory standard	to bring to the agreed level of service set by Council					1	2	3	4	5
Buildings	Buildings	1,058	1,058	12,718	11,514	200,790	14,776	2.0%	4.0%	7.0%	80.0%	7.0%
	Sub-total	1,058	1,058	12,718	11,514	200,789	14,776	2.0%	4.0%	7.0%	80.0%	7.0%
Roads	Sealed roads	19,426	19,426	16,071	14,107	560,426	680,343	40.0%	27.0%	23.0%	5.0%	5.0%
	Unsealed roads	–	–	–	68	2,517	3,906	2.0%	20.0%	60.0%	10.0%	8.0%
	Bridges	–	–	–	693	18,504	32,315	46.0%	16.0%	15.0%	23.0%	0.0%
	Footpaths	609	609	897	2,090	50,584	105,411	18.0%	35.0%	45.0%	1.0%	1.0%
	Other road assets	–	–	522	1,432	142,867	285,928	12.0%	33.0%	41.0%	10.0%	4.0%
	Other	–	–	–	–	(909)	–	0.0%	0.0%	0.0%	0.0%	0.0%
	Sub-total	20,035	20,035	17,490	18,390	773,989	1,107,903	30.7%	29.0%	29.6%	6.5%	4.2%
Stormwater drainage	Stormwater drainage	–	–	2,069	1,820	284,806	382,421	12.0%	33.0%	41.0%	10.0%	4.0%
	Sub-total	–	–	2,069	1,820	284,805	382,421	12.0%	33.0%	41.0%	10.0%	4.0%
TOTAL - ALL ASSETS		21,093	21,093	32,277	31,724	1,259,583	1,505,100	25.7%	29.7%	32.3%	8.1%	4.2%

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

Infrastructure asset condition assessment 'key'

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

Report on Infrastructure Assets (continued)

as at 30 June 2019

\$ '000	Amounts	Indicator	Prior periods		Benchmark
	2019	2019	2018	2017	
Infrastructure asset performance indicators (consolidated) *					
Buildings and infrastructure renewals ratio ¹					
Asset renewals ²	14,438	71.69%	48.39%	45.47%	>=100.00%
Depreciation, amortisation and impairment	20,139				
Infrastructure backlog ratio ¹					
Estimated cost to bring assets to a satisfactory standard	21,093	1.67%	1.13%	1.08%	<2.00%
Net carrying amount of infrastructure assets	1,259,583				
Asset maintenance ratio					
Actual asset maintenance	31,724	98.29%	99.26%	100.72%	>100.00%
Required asset maintenance	32,277				
Cost to bring assets to agreed service level					
Estimated cost to bring assets to an agreed service level set by Council	21,093	1.40%	1.22%	0.73%	
Gross replacement cost	1,505,100				

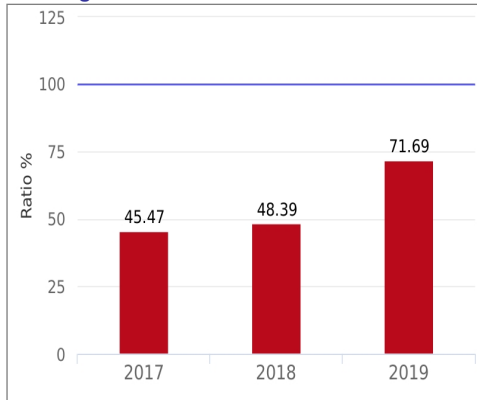
(*) All asset performance indicators are calculated using classes identified in the previous table.

(1) Excludes Work In Progress (WIP)

(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.

Report on Infrastructure Assets (continued)
as at 30 June 2019

Buildings and infrastructure renewals ratio ¹



Infrastructure renewals ratio

To assess the rate at which these assets are being renewed relative to the rate at which they are depreciating.

Commentary on result

18/19 ratio 71.69%

Council's ratio for 2017-18 was 48.39% that has improved to 71.69% in 2018-19. A main factor affecting the indicator is the fact that only the works related to asset renewal is included. One of key strategies that has been identified to improve performance is \$4m allocated to assets renewal over the delivery program from 2018-19 onwards. This will ultimately support council's commitment to keep the trend upwards by 2010-21

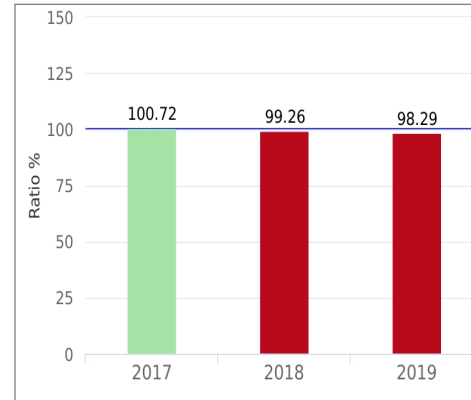
Benchmark: — \geq 100.00%

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting #27

Ratio is outside benchmark

Asset maintenance ratio



Asset maintenance ratio

Compares actual vs. required annual asset maintenance. A ratio above 1.0 indicates Council is investing enough funds to stop the infrastructure backlog growing.

Commentary on result

18/19 ratio 98.29%

A ratio above the benchmark of 100% indicates that Council is investing enough funds to stop the infrastructure backlog. As at 30 June 2019 Council is slightly below the benchmark at 98.29% with the amount difference approximately \$550,000.

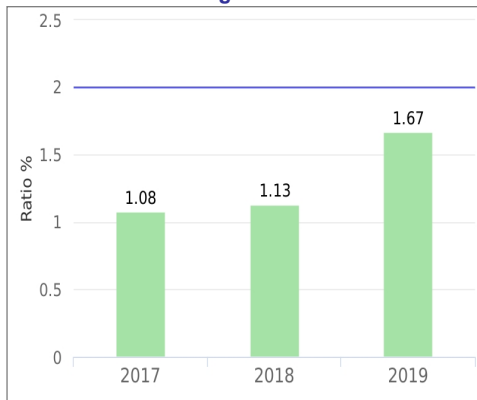
Benchmark: — $>$ 100.00%

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting #27

Ratio is outside benchmark

Infrastructure backlog ratio ¹



Infrastructure backlog ratio

This ratio shows what proportion the backlog is against the total value of a Council's infrastructure.

Commentary on result

18/19 ratio 1.67%

Council's ratio for 2017-18 was 1.13. The ratio for 2018-19 was forecast at 1.04%, however, the actual ratio is 1.67% which is below the benchmark of less than 2%. This ratio can fluctuate due to asset revaluations.

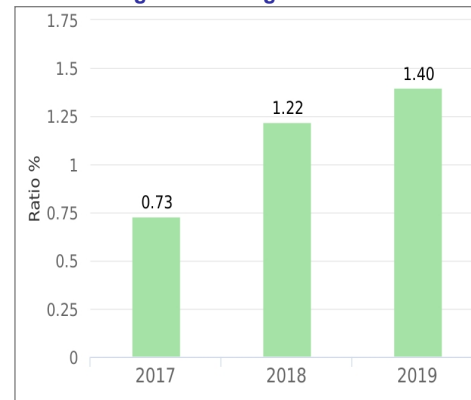
Benchmark: — $<$ 2.00%

Ratio achieves benchmark

Source of benchmark: Code of Accounting Practice and Financial Reporting #27

Ratio is outside benchmark

Cost to bring assets to agreed service level



Cost to bring assets to agreed service level

This ratio provides a snapshot of the proportion of outstanding renewal works compared to the total value of assets under Council's care and stewardship.

Commentary on result

18/19 ratio 1.40%

The cost to bring to level of service is an estimate of the cost to renew or rehabilitate existing assets that have reached the condition-based intervention level adopted by Council.

(1) Excludes Work In Progress (WIP)