



Parramatta City Council

GENERAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2015

Parramatta City Council

General Purpose Financial Statements

for the financial year ended 30 June 2015

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Overview

- (i) These financial statements are General Purpose Financial Statements and cover the consolidated operations for Parramatta City Council.
- (ii) Parramatta City Council is a body politic of NSW, Australia - being constituted as a Local Government area by proclamation and is duly empowered by the Local Government Act (LGA) 1993 of NSW.

Council's Statutory Charter is detailed in Paragraph 8 of the LGA and includes giving Council;

- the ability to provide goods, services & facilities, and to carry out activities appropriate to the current & future needs of the local community and of the wider public,
- the responsibility for administering regulatory requirements under the LGA and
- a role in the management, improvement and development of the resources in the area.

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

- (iii) All figures presented in these financial statements are presented in Australian Currency.
- (iv) These financial statements were authorised for issue by the Council on 26 October 2015. Council has the power to amend and reissue these financial statements.
-

Parramatta City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

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 & Community.

What you will find in the Statements

The financial statements set out the financial performance, financial position & cash flows of Council for the financial year ended 30 June 2015.

The format of the financial statements is standard across all NSW Councils and complies with both the accounting & 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 & ownership of the financial statements.

About the Primary Financial Statements

The financial statements incorporate 5 "primary" financial statements:

1. The Income Statement

Summarises Council's financial performance for the year, listing all income & 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 values of Council's Infrastructure, Property, Plant & Equipment.

3. The Statement of Financial Position

A 30 June snapshot of Council's financial position indicating its Assets, Liabilities & "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 5 primary financial statements.

About the Auditor's Reports

Council's financial statements are required to be audited by external accountants (that generally specialize in Local Government).

In NSW, the Auditor provides 2 audit reports:

1. An opinion on whether the financial statements present fairly the Council's financial performance & position, &
2. Their observations on the conduct of the Audit including commentary on the Council's financial performance & financial position.

Who uses the Financial Statements ?

The financial statements are publicly available documents & must be presented at a Council meeting between 7 days & 5 weeks after the date of the Audit Report.

Submissions from the public can be made to Council up to 7 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.

Parramatta City Council

General Purpose Financial Statements
for the financial year ended 30 June 2015

Statement by Councillors and Management
made pursuant to Section 413(2)(c) of the Local Government Act 1993 (as amended)

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

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

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

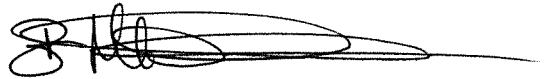
- present fairly the Council's operating result and financial position for the year, and
- accords with Council's accounting and other records.

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

Signed in accordance with a resolution of Council made on 26 October 2015.



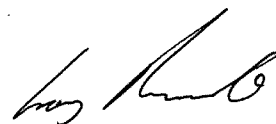
P. Garrard
LORD MAYOR



B. Makari
DEPUTY LORD MAYOR



G. Dyer
CHIEF EXECUTIVE OFFICER



C. Becroft
RESPONSIBLE ACCOUNTING OFFICER

Parramatta City Council

Income Statement

for the financial year ended 30 June 2015

| Budget ¹ 2015 | \$ '000 | Notes | Actual 2015 | Actual 2014 |
|--|--|-------|----------------|----------------|
| Income from Continuing Operations | | | | |
| Revenue: | | | | |
| 125,844 | Rates & Annual Charges | 3a | 126,982 | 121,782 |
| 28,318 | User Charges & Fees | 3b | 33,181 | 29,509 |
| 5,436 | Interest & Investment Revenue | 3c | 7,729 | 6,803 |
| 10,083 | Other Revenues | 3d | 8,716 | 9,688 |
| 18,754 | Grants & Contributions provided for Operating Purposes | 3e,f | 19,738 | 13,695 |
| 14,770 | Grants & Contributions provided for Capital Purposes | 3e,f | 24,123 | 20,109 |
| Other Income: | | | | |
| - | Net gains from the disposal of assets | 5 | 595 | - |
| - | Net Share of interests in Joint Ventures & Associates using the equity method | 19 | 484 | 133 |
| 203,205 | Total Income from Continuing Operations | | 221,548 | 201,719 |
| Expenses from Continuing Operations | | | | |
| 81,763 | Employee Benefits & On-Costs | 4a | 83,485 | 79,579 |
| 4,418 | Borrowing Costs | 4b | 4,292 | 4,399 |
| 36,395 | Materials & Contracts | 4c | 40,919 | 32,748 |
| 31,241 | Depreciation & Amortisation | 4d | 34,865 | 30,240 |
| 34,164 | Other Expenses | 4e | 34,711 | 34,052 |
| - | Net Losses from the Disposal of Assets | 5 | - | 3 |
| 187,981 | Total Expenses from Continuing Operations | | 198,272 | 181,021 |
| 15,224 | Operating Result from Continuing Operations | | 23,276 | 20,698 |
| 15,224 | Net Operating Result for the Year | | 23,276 | 20,698 |
| 15,224 | Net Operating Result attributable to Council | | 23,276 | 20,698 |
| 454 | Net Operating Result for the year before Grants and Contributions provided for Capital Purposes | | (847) | 589 |
| - | (Gain) / Loss on interest in Joint Venture (from above) | | (484) | (133) |
| - | (Gain) / Loss from disposal of assets (from above) | | (595) | 3 |
| - | Parramatta Stadium Contribution | | 3,000 | - |
| - | Accelerated depreciation on Parramatta Square buildings | | 2,899 | - |
| - | Adjusted Net Operating Result after adjusting for one off receipts or payments | | 3,973 | 459 |

¹ Original Budget as approved by Council - refer Note 16

Parramatta City Council

Statement of Comprehensive Income
for the financial year ended 30 June 2015

| \$ '000 | Notes | Actual 2015 | Actual 2014 |
|--|----------|------------------|----------------|
| Net Operating Result for the year (as per Income statement) | | 23,276 | 20,698 |
| Other Comprehensive Income: | | | |
| Amounts which will not be reclassified subsequently to the Operating Result | | | |
| Gain (loss) on revaluation of I,PP&E | 20b (ii) | 1,209,735 | 108,228 |
| Adjustment to correct prior period errors | | 229,345 | - |
| Gain (loss) on revaluations of Non Current Assets Held for Sale | 20b (ii) | (54) | 14,985 |
| Total Items which will not be reclassified subsequently to the Operating Result | | 1,439,026 | 123,213 |
| Amounts which will be reclassified subsequently to the Operating Result when specific conditions are met | | | |
| Nil | | | |
| Total Other Comprehensive Income for the year | | 1,439,026 | 123,213 |
| Total Comprehensive Income for the Year | | 1,462,302 | 143,911 |
| Total Comprehensive Income attributable to Council | | 1,462,302 | 143,911 |

Parramatta City Council

Statement of Financial Position

as at 30 June 2015

| \$ '000 | Notes | Actual 2015 | Actual 2014 |
|---|-------|------------------|------------------|
| ASSETS | | | |
| Current Assets | | | |
| Cash & Cash Equivalents | 6a | 16,535 | 7,788 |
| Investments | 6b | 190,565 | 60,918 |
| Receivables | 7 | 17,587 | 18,615 |
| Inventories | 8 | 96 | 141 |
| Other | 8 | 445 | 88 |
| Non-current assets classified as "held for sale" | 22 | 146,055 | 191,409 |
| Total Current Assets | | 371,283 | 278,959 |
| Non-Current Assets | | | |
| Investments | 6b | 35,235 | 39,866 |
| Receivables | 7 | 1,880 | 922 |
| Infrastructure, Property, Plant & Equipment | 9 | 5,034,321 | 3,663,819 |
| Investments accounted for using the equity method | 19 | 4,468 | 4,052 |
| Intangible Assets | 25 | 3,718 | 4,106 |
| Total Non-Current Assets | | 5,079,622 | 3,712,765 |
| TOTAL ASSETS | | 5,450,905 | 3,991,724 |
| LIABILITIES | | | |
| Current Liabilities | | | |
| Payables | 10 | 42,528 | 34,010 |
| Borrowings | 10 | 10,471 | 9,663 |
| Provisions | 10 | 23,234 | 22,567 |
| Total Current Liabilities | | 76,233 | 66,240 |
| Non-Current Liabilities | | | |
| Borrowings | 10 | 70,302 | 83,499 |
| Provisions | 10 | 675 | 592 |
| Total Non-Current Liabilities | | 70,977 | 84,091 |
| TOTAL LIABILITIES | | 147,210 | 150,331 |
| Net Assets | | 5,303,695 | 3,841,393 |
| EQUITY | | | |
| Retained Earnings | 20 | 1,244,672 | 992,051 |
| Revaluation Reserves | 20 | 4,059,023 | 2,849,342 |
| Total Equity | | 5,303,695 | 3,841,393 |

Parramatta City Council

Statement of Changes in Equity
for the financial year ended 30 June 2015

| \$ '000 | Notes | Retained Earnings | Reserves (Refer 20b) | Council Interest | Non-controlling Interest | Total Equity |
|--|----------|-------------------|----------------------|------------------|--------------------------|------------------|
| 2015 | | | | | | |
| Opening Balance (as per Last Year's Audited Accounts) | | 992,051 | 2,849,342 | 3,841,393 | - | 3,841,393 |
| a. Correction of Prior Period Errors | 20 (c) | - | - | - | - | - |
| b. Changes in Accounting Policies (prior year effects) | 20 (d) | - | - | - | - | - |
| Revised Opening Balance (as at 1/7/14) | | 992,051 | 2,849,342 | 3,841,393 | - | 3,841,393 |
| c. Net Operating Result for the Year | | 23,276 | - | 23,276 | - | 23,276 |
| d. Other Comprehensive Income | | | | | | |
| - Revaluations : IPP&E Asset Revaluation Rsve | 20b (ii) | - | 1,209,735 | 1,209,735 | - | 1,209,735 |
| - Revaluations : Non Current Assets Held for Sale | 20b (ii) | - | (54) | (54) | - | (54) |
| - Correction of Prior Year Depreciation | 20a | 229,345 | - | 229,345 | - | 229,345 |
| Other Comprehensive Income | | 229,345 | 1,209,681 | 1,439,026 | - | 1,439,026 |
| Total Comprehensive Income (c&d) | | 252,621 | 1,209,681 | 1,462,302 | - | 1,462,302 |
| e. Distributions to/(Contributions from) Non-controlling Interests | | - | - | - | - | - |
| f. Transfers between Equity | | - | - | - | - | - |
| Equity - Balance at end of the reporting period | | 1,244,672 | 4,059,023 | 5,303,695 | - | 5,303,695 |
| 2014 | | | | | | |
| Opening Balance (as per Last Year's Audited Accounts) | | 971,354 | 2,726,129 | 3,697,483 | - | 3,697,483 |
| a. Correction of Prior Period Errors | 20 (c) | - | - | - | - | - |
| b. Changes in Accounting Policies (prior year effects) | 20 (d) | - | - | - | - | - |
| Revised Opening Balance (as at 1/7/13) | | 971,354 | 2,726,129 | 3,697,483 | - | 3,697,483 |
| c. Net Operating Result for the Year | | 20,698 | - | 20,698 | - | 20,698 |
| d. Other Comprehensive Income | | | | | | |
| - Revaluations : IPP&E Asset Revaluation Rsve | 20b (ii) | - | 108,227 | 108,227 | - | 108,227 |
| - Revaluations : Non Current Assets Held for Sale | 20b (ii) | - | 14,985 | 14,985 | - | 14,985 |
| - Correction of Prior Year Depreciation | 20a | - | - | - | - | - |
| Other Comprehensive Income | | - | 123,212 | 123,212 | - | 123,212 |
| Total Comprehensive Income (c&d) | | 20,698 | 123,212 | 143,910 | - | 143,910 |
| e. Distributions to/(Contributions from) Non-controlling Interests | | - | - | - | - | - |
| f. Transfers between Equity | | - | - | - | - | - |
| Equity - Balance at end of the reporting period | | 992,051 | 2,849,342 | 3,841,392 | - | 3,841,392 |

Parramatta City Council

Statement of Cash Flows

for the financial year ended 30 June 2015

| Budget 2015 | \$ '000 | Notes | Actual 2015 | Actual 2014 |
|---|---|-------|-----------------|-----------------|
| Cash Flows from Operating Activities | | | | |
| Receipts: | | | | |
| 125,844 | Rates & Annual Charges | | 127,257 | 121,877 |
| 28,318 | User Charges & Fees | | 32,394 | 31,366 |
| 5,436 | Investment & Interest Revenue Received | | 6,583 | 6,054 |
| 33,524 | Grants & Contributions | | 46,037 | 29,891 |
| - | Bonds, Deposits & Retention amounts received | | 5,477 | 426 |
| 10,082 | Other | | 7,598 | 7,702 |
| Payments: | | | | |
| (81,019) | Employee Benefits & On-Costs | | (81,308) | (79,145) |
| (32,607) | Materials & Contracts | | (44,319) | (37,342) |
| (4,418) | Borrowing Costs | | (4,303) | (4,211) |
| - | Bonds, Deposits & Retention amounts refunded | | (3,548) | - |
| (37,917) | Other | | (27,699) | (25,844) |
| 47,243 | Net Cash provided (or used in) Operating Activities | 11b | 64,170 | 50,774 |
| Cash Flows from Investing Activities | | | | |
| Receipts: | | | | |
| - | Sale of Investment Securities | | 106,278 | 114,068 |
| 58,590 | Sale of Infrastructure, Property, Plant & Equipment | | 189,914 | 5,597 |
| Payments: | | | | |
| (31,194) | Purchase of Investment Securities | | (231,368) | (104,943) |
| (75,375) | Purchase of Infrastructure, Property, Plant & Equipment | | (107,926) | (66,815) |
| - | Contributions Paid to Joint Ventures & Associates | | 68 | - |
| (47,979) | Net Cash provided (or used in) Investing Activities | | (43,034) | (52,093) |
| Cash Flows from Financing Activities | | | | |
| Receipts: | | | | |
| 10,131 | Proceeds from Borrowings & Advances | | 7,000 | 9,523 |
| Payments: | | | | |
| (9,397) | Repayment of Borrowings & Advances | | (19,398) | (8,767) |
| 734 | Net Cash Flow provided (used in) Financing Activities | | (12,398) | 756 |
| (2) | Net Increase/(Decrease) in Cash & Cash Equivalents | | 8,738 | (563) |
| 6,000 | plus: Cash & Cash Equivalents - beginning of year | 11a | 7,522 | 8,085 |
| 5,998 | Cash & Cash Equivalents - end of the year | 11a | 16,260 | 7,522 |
| Additional Information: | | | | |
| | plus: Investments on hand - end of year | 6b | 225,800 | 100,784 |
| Total Cash, Cash Equivalents & Investments | | | 242,060 | 108,306 |

Please refer to Note 11 for additional cash flow information.

Parramatta City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

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n/a - not applicable

Parramatta City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

The principal accounting policies adopted by Council in the preparation of these consolidated financial statements are set out below in order to assist in its general understanding.

Under Australian Accounting Standards (AASBs), accounting policies are defined as those specific principles, bases, conventions, rules and practices applied by a reporting entity (in this case Council) in preparing and presenting its financial statements.

(a) Basis of preparation

(i) Background

These financial statements are general purpose financial statements which have been prepared in accordance with;

- Australian Accounting Standards and Australian Accounting Interpretations issued by the Australian Accounting Standards Board,
- the Local Government Act (1993) & Regulation, and
- the Local Government Code of Accounting Practice and Financial Reporting.

For the purpose of preparing these financial statements, Council has been deemed to be a not-for-profit entity.

(ii) Compliance with International Financial Reporting Standards (IFRSs)

Because AASBs are sector neutral, some standards either:

- (a) have local Australian content and prescription that is specific to the Not-For-Profit sector (including Local Government) which are not in compliance with IFRS's, or
- (b) specifically exclude application by Not for Profit entities.

Accordingly in preparing these financial statements and accompanying notes, Council has been unable to comply fully with International Accounting Standards, but has complied fully with Australian Accounting Standards.

Under the Local Government Act (LGA), Regulations and Local Government Code of Accounting Practice & Financial Reporting, it should be noted that Councils in NSW only have a requirement to comply with AASBs.

(iii) New and amended standards adopted by Council

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

- AASB 10 Consolidated Financial Statements
- AASB 11 Joint Arrangements
- AASB 12 Disclosures of Interests in Other Entities

AASB 10 introduced a new definition of control based on the substance of the relationship and required Councils to consider their involvement with other entities regardless of whether there was a financial interest.

AASB 11 classified joint arrangements into either joint ventures (equity accounting) or joint operations (accounting for share of assets and liabilities).

AASB 12 has increased the level of disclosures required where Council has any interests in subsidiaries, joint arrangements, associates or unconsolidated structured entities.

(iv) Early adoption of Accounting Standards

Council has not elected to apply amendments to AASB 13 under AASB 2015-7 Amendments to Australian Accounting Standards to Fair Value Disclosures of not-for-profit sector entities in preparation of these financial statements. This standard will apply to annual reporting periods beginning on or after 1 July 2016.

Refer further to paragraph (z) relating to a summary of the effects of Standards with future operative dates.

(v) Basis of Accounting

These financial statements have been prepared under the **historical cost convention** except for:

- (i) certain financial assets and liabilities at fair value through profit or loss and available-for-

Parramatta City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

sale financial assets which are all valued at fair value,

(ii) the write down of any Asset on the basis of Impairment (if warranted) and

(iii) certain classes of non current assets (eg. Infrastructure, Property, Plant & Equipment and Investment Property) that are accounted for at fair valuation.

The accrual basis of accounting has also been applied in their preparation.

(vi) Changes in Accounting Policies

Council's accounting policies have been consistently applied to all the years presented, unless otherwise stated.

There have also been no changes in accounting policies when compared with previous financial statements unless otherwise stated [refer Note 20(d)].

(vii) Critical Accounting Estimates

The preparation of financial statements requires the use of certain critical accounting estimates (in conformity with AASBs).

Accordingly this 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 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 are set out below:

(i) Estimated fair values of infrastructure, property, plant and equipment.

Critical judgements in applying Council's accounting policies

(i) Impairment of Receivables - Council has made a significant judgement about the impairment of a number of its receivables in Note 7.

(ii) Projected Section 94 Commitments - Council has used significant judgement in determining future Section 94 income and expenditure in Note 17.

(b) Revenue recognition

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

Council bases any estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue is measured at the fair value of the consideration received or receivable.

Revenue is measured on major income categories as follows:

Rates, Annual Charges, Grants and Contributions

Rates, annual charges, grants and contributions (including developer contributions) are recognised as revenues when the Council obtains control over the assets comprising these receipts.

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.

A provision for the impairment on rates receivables has not been established as unpaid rates represent a charge against the rateable property that will be recovered when the property is next sold.

Parramatta City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

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

Revenue from Contributions is recognised when the Council either obtains control of the contribution or the right to receive it, **(i)** it is probable that the economic benefits comprising the contribution will flow to the Council and **(ii)** the amount of the contribution can be measured reliably.

Where grants or contributions recognised as revenues during the financial year were obtained on condition that they be expended in a particular manner or used over a particular period and those conditions were undischarged at balance date, the unused grant or contribution is disclosed in Note 3(g).

Note 3(g) also discloses the amount of unused grant or contribution from prior years that was expended on Council's operations during the current year.

The Council has obligations to provide facilities from contribution revenues levied on developers under the provisions of S94 of the EPA Act 1979.

Whilst Council generally incorporates these amounts as part of a Development Consents Order, such developer contributions are only recognised as income upon their physical 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 detailed Note relating to developer contributions can be found at Note 17.

User Charges, Fees and Other Income

User charges, fees and other income (including parking fees and fines) are recognised as revenue when the service has been provided, the payment is received, or when the penalty has been applied, whichever first occurs.

A provision for the impairment of these receivables is recognised when collection in full is no longer probable.

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

Sale of Infrastructure, Property, Plant and Equipment

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

Interest and Rents

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

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

Other Income

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

(c) Principles of Consolidation

These financial statements incorporate **(i)** the assets and liabilities of Council and any entities (or operations) that it controls (as at 30 June 2015) and **(ii)** all the related operating results (for the financial year ended the 30th June 2015).

Detailed information relating to the entities that Council Controls can be found at Note 19 (a).

In the process of reporting on Council's activities as a single unit, all inter-entity year end balances and reporting period transactions have been eliminated in full between Council and its controlled entities.

(i) The Consolidated Fund

In accordance with the provisions of Section 409(1) of the LGA 1993, 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.

Parramatta City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

The Consolidated Fund and other entities through which the Council controls resources to carry on its functions have been included in the financial statements forming part of this report.

The following entities have been included as part of the Consolidated Fund:

- General Purpose Operations

The (i) total income and expenditure from continuing operations and (ii) the net assets held by these excluded Committees & Operations is as follows:

| | |
|--|------------|
| Total income from continuing operations | \$221.548m |
| Total expenditure from continuing operations | \$198.272m |
| Total net assets held (ie Equity) | \$5.304b |

(ii) The Trust Fund

In accordance with the provisions of Section 411 of the Local Government Act 1993 (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 statements.

Trust monies and property held by Council but not subject to the control of Council, have been excluded from these statements.

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

(iii) Joint Ventures

Joint Ventures represent operational arrangements where the parties joint control parties have rights to the net assets of the arrangement.

Any interests in Joint Ventures are accounted for using the equity method and are carried at cost.

Under the equity method, Council's share of the operation's profits/(losses) are recognised in the

income statement, and its share of movements in retained earnings & reserves are recognised in the balance sheet.

Detailed information relating to Council's Joint Ventures can be found at Note 19 (b).

(iv) Associates

Where Council has the power to participate in the financial and operating decisions of another entity, (ie. where Council is deemed to have "significant influence" over another entities operations but neither controls nor jointly controls the entity), then Council accounts for such interests using the equity method of accounting – in a similar fashion to Joint Ventures.

Such entities are usually termed Associates.

Any interests in Associates are accounted for using the equity method and are carried at cost.

Detailed information relating to Council's interest in Associates can be found at Note 19 (b).

(v) County Councils

Council is not a member of any County Councils.

(vi) Unconsolidated Structured Entities

Council has no interest in any Unconsolidated Structured Entities.

(d) Leases

All Leases entered into by Council are reviewed and classified on inception date as either a Finance Lease or an Operating Lease.

Finance Leases

Leases of property, plant and equipment where the Council has substantially all the risks and rewards of ownership are classified as finance leases.

Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased property and the present value of the minimum lease payments.

The corresponding rental obligations, net of finance charges, are included in borrowings.

Parramatta City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

Each lease payment is allocated between the liability outstanding and the recognition of a finance charge.

The interest element of the finance charge is costed to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Property, plant and equipment acquired under finance leases is depreciated over the shorter of each leased asset's useful life and the lease term.

Operating Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor 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.

Lease income from operating leases is recognised in income on a straight-line basis over the lease term.

(e) Cash and Cash Equivalents

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

- cash **on hand**,
- deposits held **at call** with financial institutions,
- other short-term, highly liquid investments **with original maturities of three months or less** that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and

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

(f) Investments and Other Financial Assets

Council (in accordance with AASB 139) classifies each of its investments into one of the following categories for measurement purposes:

- **financial assets at fair value through profit or loss**,
- **loans and receivables**,
- **held-to-maturity investments**, and
- **available-for-sale financial assets**.

Each classification depends on the purpose/intention for which the investment was acquired & at the time it was acquired.

Management determines each Investment classification at the time of initial recognition and re-evaluates this designation at each reporting date.

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets that are "held for trading".

A financial asset is classified in the "held for trading" category if it is acquired principally for the purpose of selling in the short term.

Derivatives are classified as held for trading unless they are designated as hedges.

Assets in this category are primarily classified as current assets as they are primarily held for trading &/or are expected to be realised within 12 months of the balance sheet date.

(ii) Loans and receivables

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market.

They arise when the Council provides money, goods or services directly to a debtor with no intention (or in some cases ability) of selling the resulting receivable.

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

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments

Parramatta City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

and fixed maturities that the Council's management has the positive intention and ability to hold to maturity.

In contrast to the "Loans & Receivables" classification, these investments are generally quoted in an active market.

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

(iv) 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 must be 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.

Accordingly, this classification principally comprises marketable equity securities, but can include all types of financial assets that could otherwise be classified in one of the other investment categories.

They are generally included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date or the term to maturity from the reporting date is less than 12 months.

Financial Assets – Reclassification

Council may choose to reclassify a non-derivative trading financial asset out of the held-for-trading category if the financial asset is no longer held for the purpose of selling it in the near term.

Financial assets other than loans and receivables are permitted to be reclassified out of the held-for-trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near term.

Council may also choose to reclassify financial assets that would meet the definition of loans and receivables out of the held-for-trading or available-for-sale categories if it has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made.

Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories are determined at the reclassification date. Further increases in estimates of cash flows adjust effective interest rates prospectively.

General Accounting & Measurement of Financial Instruments:

(i) Initial Recognition

Investments are initially recognised (and measured) at fair value, plus in the case of investments not at "fair value through profit or loss", directly attributable transactions costs

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

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Council has transferred substantially all the risks and rewards of ownership.

(ii) Subsequent Measurement

Available-for-sale financial assets and **financial assets at fair value through profit and loss** are subsequently carried at fair value.

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

Realised and unrealised gains and losses arising from changes in the fair value of the financial assets classified as "**fair value through profit or loss**" category are included in the income statement in the period in which they arise.

Unrealised gains and losses arising from changes in the fair value of non monetary securities classified as "**available-for-sale**" are recognised in equity in the available-for-sale investments revaluation reserve.

Parramatta City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

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

Impairment

Council assesses at each balance date 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.

(iii) Types of Investments

Council has an approved Investment Policy in order to undertake its investment of money in accordance with (and to comply with) Section 625 of the Local Government Act and S212 of the LG (General) Regulation 2005.

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

Council maintains its investment Policy in compliance with the Act and ensures that it or its representatives exercise care, diligence and skill that a prudent person would exercise in investing Council funds.

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

(g) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques.

Council uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date.

Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held.

If the market for a financial asset is not active (and for unlisted securities), the Council establishes fair value by using valuation techniques.

These include reference to the fair values of recent arm's length transactions, involving the same instruments or other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values.

The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Council for similar financial instruments.

(h) Receivables

Receivables are initially recognised at fair value and subsequently measured at amortised cost, less any provision for impairment.

Receivables (excluding Rates & Annual Charges) are generally due for settlement no more than 30 days from the date of recognition.

The collectibility of receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off in accordance with Council's policy.

A provision for impairment (ie. an allowance account) relating to receivables is established when there is

Parramatta City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

objective evidence that the Council will not be able to collect all amounts due according to the original terms of each receivable.

The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate.

Impairment losses are recognised in the Income Statement within other expenses.

When a receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account.

Subsequent recoveries of amounts previously written off are credited against other expenses in the income statement.

(i) Inventories

Raw Materials and Stores, Work in Progress and Finished Goods

Raw materials and stores, work in progress and finished goods in respect of business undertakings are all stated at the lower of cost and net realisable value.

Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity.

Costs are assigned to individual items of inventory on the basis of weighted average costs.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Inventories held in respect of non-business undertakings have been valued at cost subject to adjustment for loss of service potential.

Land Held for Resale/Capitalisation of Borrowing Costs

Land held for resale is stated at the lower of cost and net realisable value.

Cost is assigned by specific identification and includes the cost of acquisition, and development and borrowing costs during development.

When development is completed borrowing costs and other holding charges are expensed as incurred.

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

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

(j) Infrastructure, Property, Plant and Equipment (I,PP&E)

Acquisition of assets

Council's non current assets are continually revalued (over a 5 year period) in accordance with the fair valuation policy as mandated by the Office of Local Government.

At balance date, the following classes of I,PP&E were stated at their Fair Value;

- **Operational Land** (External Valuation)
- **Buildings – Specialised/Non Specialised** (External Valuation)
- **Plant and Equipment** (as approximated by depreciated historical cost)
- **Roads Assets incl. roads, bridges & footpaths** (External Valuation)
- **Drainage Assets** (External Valuation)
- **Bulk Earthworks** (External Valuation)
- **Community Land** (External Valuation)
- **Land Improvements** (as approximated by depreciated historical cost)
- **Other Structures** (as approximated by depreciated historical cost)

Parramatta City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

- Other Assets

(as approximated by depreciated historical cost)

Initial Recognition

On initial recognition, an assets cost is measured at its fair value, plus all expenditure that is directly attributable to the acquisition.

Where settlement of any part of an asset's cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of recognition (ie. date of exchange) of the asset to arrive at fair value.

The discount rate used is the Council's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Where infrastructure, property, plant and equipment assets are acquired for no cost or for an amount other than cost, the assets are recognised in the financial statements at their fair value at acquisition date - being the amount that the asset could have been exchanged between knowledgeable willing parties in an arm's length transaction.

Subsequent costs

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.

Asset Revaluations (including Indexation)

In accounting for Asset Revaluations relating to Infrastructure, Property, Plant & Equipment:

- Increases in the combined carrying amounts of asset classes arising on revaluation are credited to the asset revaluation reserve.
- To the extent that a net asset class increase reverses a decrease previously recognised via the profit or loss, then increase is first recognised in profit or loss.

- Net decreases that reverse previous increases of the same asset class are first charged against revaluation reserves directly in equity to the extent of the remaining reserve attributable to the asset, with all other decreases charged to the Income statement.

Water and sewerage network assets are indexed annually between full revaluations in accordance with the latest indices provided in the NSW Office of Water - Rates Reference Manual.

For all other assets, Council assesses at each reporting date whether there is any indication that a revalued asset's carrying amount may differ materially from that which would be determined if the asset were revalued at the reporting date.

If any such indication exists, Council determines the asset's fair value and revalues the asset to that amount.

Full revaluations are undertaken for all assets on a 5 year cycle.

Capitalisation Thresholds

Items of infrastructure, property, plant and equipment are not capitalised unless their cost of acquisition exceeds the following;

Land

| | |
|---|------------------|
| - council land | 100% Capitalised |
| - open space | 100% Capitalised |
| - land under roads (purchases after 30/6/08) | 100% Capitalised |

Plant & Equipment

| | |
|-------------------------|-----------|
| Office Furniture | > \$5,000 |
| Office Equipment | > \$5,000 |
| Other Plant & Equipment | > \$5,000 |

Buildings & Land Improvements

| | |
|----------------------------|-----------|
| Park Furniture & Equipment | > \$2,000 |
|----------------------------|-----------|

Building

| | |
|---------------------------|------------------|
| - construction/extensions | 100% Capitalised |
| - renovations | > \$5,000 |

Other Structures

| | |
|--|-----------|
| | > \$5,000 |
|--|-----------|

Parramatta City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

Stormwater Assets

| | |
|-------------------|-----------|
| Drains & Culverts | > \$5,000 |
| Other | > \$5,000 |

Transport Assets

| | |
|--------------------------------------|------------------|
| Road construction & reconstruction | 100% Capitalised |
| Reseal/Re-sheet & major repairs: | 100% Capitalised |
| Bridge construction & reconstruction | 100% Capitalised |

Other Infrastructure Assets

| | |
|--------------------------------------|------------|
| Swimming Pools | > \$10,000 |
| Other Open Space/Recreational Assets | > \$10,000 |

Other Infrastructure > \$10,000

Depreciation

Depreciation on Council's infrastructure, property, plant and equipment assets is calculated using the straight line method (or describe here any other methods Council uses) in order to allocate an assets cost (net of residual values) over its estimated useful life.

Land is not depreciated.

Estimated useful lives for Council's I,PP&E include:

Plant & Equipment

| | |
|-----------------------------------|-----------------|
| - Office Equipment | 5,8 & 10 years |
| - Office furniture | 10 years |
| - Vehicles and road making equip. | 5, 6 & 10 years |
| - Other plant and equipment | 3 & 10 years |
| Other Equipment | |
| - Playground equipment | 5 years |
| - Benches, seats etc | 5 years |

Buildings

| | |
|-----------------------|-----------------|
| - Buildings : Masonry | 50 to 100 years |
|-----------------------|-----------------|

Stormwater Drainage

| | |
|----------------------------|----------------|
| - Drains | 5 to 200 years |
| - Flood Control Structures | 5 to 200 years |

Transportation Assets

| | |
|---------------------------|-----------------|
| - Sealed Roads : Surface | 10 to 100 years |
| - Sealed Roads : Pavement | 74 to 100 years |
| - Sealed Roads : Kerbs | 50 to 80 years |

| | |
|-----------|-----------------|
| - Bridges | 10 to 100 years |
|-----------|-----------------|

Other Assets

| | |
|-----------------|---------|
| - Library Books | 5 years |
|-----------------|---------|

Other Infrastructure Assets

| | |
|--|-----------------|
| - Bulk earthworks | Infinite |
| - Swimming Pools | 50 to 100 years |
| - Other Open Space/ Recreational Assets | 50 to 100 years |
| - Other Infrastructure | 50 to 100 years |

All asset residual values and useful lives are reviewed and adjusted (if appropriate), at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount – refer Note 1(s) on Asset Impairment.

Disposal and De-recognition

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in Council's Income Statement in the year the asset is derecognised.

(k) Land

Land (other than Land under Roads) is in accordance with Part 2 of Chapter 6 of the Local Government Act (1993) classified as either Operational or Community.

This classification of Land is disclosed in Note 9(a).

Parramatta City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

(l) 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 acquired after 1 July 2008 is recognised in accordance with AASB 116 – Property, Plant and Equipment.

(m) Intangible Assets

IT Development and Software

Costs incurred in developing products or systems and costs incurred in acquiring software and licenses that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to software and systems. Costs capitalised include external direct costs of materials and service, direct payroll and payroll related costs of employees' time spent on the project.

Amortisation is calculated on a straight line bases over periods generally ranging from 3 to 7 years.

IT development costs include only those costs directly attributable to the development phase and are only recognised following completion of technical feasibility and where Council has an intention and ability to use the asset.

(n) 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 the reserves are recognised within Council's Income Statement.

Representations are currently being sought across State and Local Government to develop a consistent accounting treatment for Crown Reserves across both tiers of government.

(o) Rural Fire Service assets

Under section 119 of the Rural Fires Act 1997, *“all fire fighting equipment purchased or constructed wholly or from money to the credit of the Fund is to be vested in the council of the area for or on behalf of which the fire fighting equipment has been purchased or constructed”*.

At present, the accounting for such fire fighting equipment is not treated in a consistent manner across all Councils.

Until such time as discussions on this matter have concluded and the legislation changed, Council will continue to account for these assets as it has been doing in previous years, which is to exclude the assets, their values and depreciation charges from these financial statements.

(p) Non-Current Assets (or Disposal Groups) “Held for Sale” & Discontinued Operations

Non-current assets (or disposal groups) are classified as held for sale and stated at the lower of either (i) their carrying amount and (ii) fair value less costs to sell, if their carrying amount will be recovered principally through a sale transaction rather than through continuing use.

The exception to this is plant and motor vehicles which are turned over on a regular basis. Plant and motor vehicles are retained in Non Current Assets under the classification of Infrastructure, Property, Plant and Equipment - unless the assets are to be traded in after 30 June and the replacement assets were already purchased and accounted for as at 30 June.

For any assets or disposal groups classified as Non-Current Assets “held for sale”, an impairment loss is recognised at any time when the assets carrying value is greater than its fair value less costs to sell.

Parramatta City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

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

Non-current assets classified as "held for sale" are presented separately from the other assets in the balance sheet.

A Discontinued Operation is a component of Council that has been disposed of or is classified as "held for sale" and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale.

The results of discontinued operations are presented separately on the face of the income statement.

(q) Impairment of assets

All Council's I,PP&E is subject to an annual assessment of impairment.

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Where an asset is not held principally for cash generating purposes (for example Infrastructure Assets) and would be replaced if the Council was deprived of it then depreciated replacement cost is used as value in use, otherwise value in use is estimated by using a discounted cash flow model.

Non-financial assets (other than goodwill) that suffered a prior period impairment are reviewed for possible reversal of the impairment at each reporting date.

Goodwill & other Intangible Assets that have an indefinite useful life and are not subject to amortisation are tested annually for impairment.

(r) Payables

These amounts represent liabilities and include goods and services provided to the Council prior to the end of financial year which are unpaid.

The amounts for goods and services are unsecured and are usually paid within 30 days of recognition.

(s) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred.

Borrowings are subsequently measured at amortised cost.

Amortisation results in any difference between the proceeds (net of transaction costs) and the redemption amount being recognised in the Income Statement over the period of the borrowings using the effective interest method.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired.

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

(t) Borrowing costs

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

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

(u) Provisions

Provisions for legal claims, service warranties and other like liabilities are recognised when:

- Council has a present legal or constructive obligation as a result of past events;

Parramatta City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

- it is more likely than not that an outflow of resources will be required to settle the obligation; and
- the amount has been reliably estimated.

Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole.

A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

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.

(v) Employee benefits

(i) Short Term Obligations

Short term employee benefit obligations include liabilities for wages and salaries (including non-monetary benefits), annual leave and vesting sick leave expected to be wholly settled within the 12 months after the reporting period.

Leave liabilities are recognised in the provision for employee benefits in respect of employees' services up to the reporting date with other short term employee benefit obligations disclosed under payables.

These provisions are measured at the amounts expected to be paid when the liabilities are settled.

All other short-term employee benefit obligations are presented as payables.

Liabilities for non vesting sick leave are recognised at the time when the leave is taken and measured at the rates paid or payable, and accordingly no Liability has been recognised in these reports.

Wages & salaries, annual leave and vesting sick leave are all classified as Current Liabilities.

(ii) Other Long Term Obligations

The liability for all long service and annual leave in respect of services provided by employees up to the reporting date (which is not expected to be wholly settled within the 12 months after the reporting period) are recognised in the provision for employee benefits.

These liabilities are measured at the present value of the expected future payments to be made 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 then discounted using market yields at the reporting date based on national government bonds with terms to maturity and currency that match as closely as possible the estimated future cash outflows.

Due to the nature of when and how Long Service Leave can be taken, all Long Service Leave for employees with 5 or more years of service has been classified as Current, as it has been deemed that Council does not have the unconditional right to defer settlement beyond 12 months – even though it is not anticipated that all employees with more than 5 years service (as at reporting date) will apply for and take their leave entitlements in the next 12 months.

(iii) 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.

Defined Benefit Plans

A liability or asset in respect of defined benefit superannuation plans would ordinarily be recognised

Parramatta City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

in the balance sheet, and measured as the present value of the defined benefit obligation at the reporting date plus unrecognised actuarial gains (less unrecognised actuarial losses) less the fair value of the superannuation fund's assets at that date and any unrecognised past service cost.

The present value of the defined benefit obligation is based on expected future payments which arise from membership of the fund to the reporting date, calculated annually by independent actuaries using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service.

However, when this information is not reliably available, Council can account for its obligations to defined benefit plans on the same basis as its obligations to defined contribution plans – i.e. as an expense when they become payable.

Council is party to an Industry Defined Benefit Plan under the Local Government Superannuation Scheme, named the "Local Government Superannuation Scheme – Pool B"

This Scheme has been deemed to be a "multi employer fund" for the purposes of AASB 119.

Sufficient information is not available to account for the Scheme as a defined benefit plan (in accordance with AASB 119) because the assets to the scheme are pooled together for all Councils.

The last valuation of the Scheme was performed by Mr. Martin Stevenson BSc, FIA, FIAA on 20/2/2013 and covers the period ended 30/6/2015.

However the position is monitored annually and the Actuary has estimated that as at 30 June 2015 the prior period deficit still exists.

Effective from 1 July 2009, employers are required to contribute additional contributions to assist in extinguishing this deficit.

The amount of employer contributions to the defined benefit section of the Local Government Superannuation Scheme and recognised as an expense and disclosed as part of Superannuation Expenses at Note 4(a) for the year ending 30 June 2015 was \$ 1.461m.

The amount of additional contributions included in the total employer contribution advised above is \$ 629k.

The share of this deficit that can be broadly attributed to Council is estimated to be in the order of \$ 1.887m as at 30 June 2015.

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 these financial statements.

Council has, however, disclosed a contingent liability in Note 18 to reflect the possible obligation that may arise should the Scheme require immediate payment to correct the deficiency.

Defined Contribution Plans

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

(iv) Employee Benefit On-Costs

Council has recognised at year end the aggregate on-cost liabilities arising from employee benefits, and in particular those on-cost liabilities that will arise when payment of current employee benefits is made in future periods.

These amounts include Superannuation and Workers Compensation expenses which will be payable upon the future payment of certain Leave Liabilities accrued as at 30/06/15.

(w) Self insurance

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

A provision for self-insurance has been made to recognise outstanding claims the amount of which is detailed in Note 10.

Parramatta City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

Council also maintains cash and investments to meet expected future claims and these are detailed in Note 6(c).

(x) Allocation between current and non-current assets & liabilities

In the determination of whether an asset or liability is classified as current or non-current, consideration is given to the time when each asset or liability is expected to be settled.

The asset or liability is classified as current if it is expected to be settled within the next 12 months, being the Council's operational cycle.

Exceptions

In the case of liabilities where Council does not have the unconditional right to defer settlement beyond 12 months (such as vested long service leave), the liability is classified as current even if not expected to be settled within the next 12 months.

In the case of inventories that are "held for trading", these are also classified as current even if not expected to be realised in the next 12 months.

(y) Taxes

The Council is exempt from both Commonwealth Income Tax and Capital Gains Tax.

Council does however have to comply with both Fringe Benefits Tax and Goods and Services Tax (GST).

Goods & Services Tax (GST)

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

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

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

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

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

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

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

(z) New accounting standards and interpretations

Certain new (or amended) accounting standards and interpretations have been published that are not mandatory for reporting periods ending 30 June 2015.

Council has not adopted any of these standards early.

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

Apart from the AASB disclosures below, there are no other standards that are "not yet effective" which are expected to have a material impact on Council in the current or future reporting periods and on foreseeable future transactions.

Applicable to Local Government:

AASB 9 - Financial Instruments (and associated amending standards)

AASB 9 replaces AASB 139 Financial Instruments: Recognition and Measurement and has an effective date for reporting periods beginning on or after 1 January 2018 (and must be applied retrospectively).

The overriding impact of AASB 9 is to change the requirements for the classification, measurement and disclosures associated with financial assets.

Parramatta City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

Under the new requirements the four current categories of financial assets stipulated in AASB 139 will be replaced with two measurement categories:

- fair value and
- amortised cost (where financial assets will only be able to be measured at amortised cost where very specific conditions are met).

AASB 15 - Revenue from contracts with customers and associated amending standards

AASB 15 will introduce a five step process for revenue recognition with the core principle of the new Standard being that entities recognise revenue so as 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.

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

The full impact of AASB 15 has not yet been ascertained or quantified.

AASB 15 will replace AASB 118 which covers contracts for goods and services and AASB 111 which covers construction contracts.

The effective date of this standard is for annual reporting periods beginning on or after 1 January 2017.

AASB 124 - Related Party Disclosures

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

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

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

AASB 2014 - 10 Sale or contribution of Assets between an Investor and its Associate or Joint Venture

The amendments address an acknowledged inconsistency between the requirements in AASB 10 and those in AASB 128 (2011), in dealing with the sale or contribution of assets between an investor and its associate or joint venture.

The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not).

A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

The effective date of this standard is for annual reporting periods beginning on or after 1 January 2016.

This standard will only impact Council where there has been a sale or contribution of assets between the entity and the associate/joint venture.

Not applicable to Local Government per se;

None

(aa) Rounding of amounts

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

In some narratives the symbol (k) is used to identify items rounded to the nearest thousand and (m) is used to identify those items rounded to the nearest million.

(ab) Comparative Figures

To ensure comparability with the current reporting period's figures, some comparative period line items and amounts may have been reclassified or individually reported for the first time within these financial statements and/or the notes.

Parramatta City Council

Notes to the Financial Statements for the financial year ended 30 June 2015

Note 1. Summary of Significant Accounting Policies

(ac) Disclaimer

Nothing contained within these statements may be taken to be an admission of any liability to any person under any circumstance.

Parramatta City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

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

| Functions/Activities | Income, Expenses and Assets have been directly attributed to the following Functions / Activities. Details of these Functions/Activities are provided in Note 2(b). | | | | | | | | | | | | |
|--|--|----------------|----------------|-------------------------------------|----------------|----------------|---|-----------------|-----------------|--|---------------|---|------------------|
| | Income from Continuing Operations | | | Expenses from Continuing Operations | | | Operating Result from Continuing Operations | | | Grants included in Income from Continuing Operations | | Total Assets held (Current & Non-current) | |
| | Original Budget | Actual | Actual | Original Budget | Actual | Actual | Original Budget | Actual | Actual | Actual | Actual | Actual | Actual |
| | 2015 | 2015 | 2014 | 2015 | 2015 | 2014 | 2015 | 2015 | 2014 | 2015 | 2014 | 2015 | 2014 |
| Economy | 1,314 | 1,674 | 1,434 | 4,171 | 5,319 | 4,818 | (2,857) | (3,645) | (3,384) | - | - | 476,445 | 574,338 |
| Environment | 33,358 | 44,492 | 36,351 | 35,215 | 38,473 | 34,652 | (1,857) | 6,019 | 1,699 | 856 | 1,232 | - | - |
| Connectivity | 28,039 | 31,619 | 32,338 | 25,212 | 24,334 | 22,742 | 2,827 | 7,285 | 9,596 | 9,213 | 11,324 | 1,064,703 | 775,083 |
| People and Neighbourhoods | 13,844 | 13,211 | 11,389 | 39,867 | 39,324 | 34,689 | (26,023) | (26,113) | (23,300) | 4,891 | 3,374 | 3,496,160 | 2,377,687 |
| Culture and Sport | 3,155 | 3,641 | 3,267 | 12,235 | 12,785 | 12,052 | (9,080) | (9,144) | (8,785) | 336 | 83 | 11,805 | 11,285 |
| Leadership and Governance ² | 13,117 | 13,727 | 13,560 | 71,281 | 78,037 | 72,068 | (58,164) | (64,310) | (58,508) | 2 | 26 | 397,324 | 249,278 |
| Total Functions & Activities | 92,827 | 108,364 | 98,339 | 187,981 | 198,272 | 181,021 | (95,154) | (89,908) | (82,682) | 15,298 | 16,039 | 5,446,437 | 3,987,671 |
| Share of gains/(losses) in Associates & Joint Ventures (using the Equity Method) | - | 484 | 133 | - | - | - | - | 484 | 133 | - | - | 4,468 | 4,052 |
| General Purpose Income ¹ | 110,378 | 112,700 | 103,247 | - | - | - | 110,378 | 112,700 | 103,247 | 10,230 | 5,473 | - | - |
| Operating Result from Continuing Operations | 203,205 | 221,548 | 201,719 | 187,981 | 198,272 | 181,021 | 15,224 | 23,276 | 20,698 | 25,528 | 21,512 | 5,450,905 | 3,991,723 |

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

2. Leadership and Governance includes depreciation expense of \$37m.

Parramatta City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

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:

ECONOMY

Parramatta's economic growth will help build the City as a centre of high, value-adding employment and the driving force behind the generation of new wealth for Western Sydney.

ENVIRONMENT

Parramatta will be an eco-efficient city that effectively manages and uses the City's growth to improve and protect the environment.

CONNECTIVITY

Parramatta will be a city with fast, reliable transport and digital networks that connect people to each other, to the information and services they need and to where they need to go.

PEOPLE AND NEIGHBOURHOODS

Parramatta will be a world-class city at the centre of Sydney that attracts a diversity of people: a city where people can learn, succeed and find what they need; a city where people live well, get together with others, feel like they belong and can reach their potential.

CULTURE AND SPORT

Parramatta will be a place where people want to be: a place that provides opportunities to relate to one another, the City and the local area: a place that celebrates its cultural and sporting heritage; and a place that uses its energy and cultural richness to improve quality of life and drive positive growth and joy.

LEADERSHIP AND GOVERNANCE

Parramatta will be widely known as a great city, a centre of excellence and an effective capital of Western Sydney, with inspirational leadership and good governance.

Parramatta City Council

Notes to the Financial Statements for the financial year ended 30 June 2015

Note 3. Income from Continuing Operations

| \$ '000 | Notes | Actual 2015 | Actual 2014 |
|--|-------|----------------|----------------|
| (a) Rates & Annual Charges | | | |
| Ordinary Rates | | | |
| Residential | | 49,972 | 47,315 |
| Business | | 46,076 | 45,144 |
| Total Ordinary Rates | | 96,048 | 92,459 |
| Special Rates | | | |
| CBD Infrastructure | | 1,961 | 1,970 |
| Economic Development | | 723 | 705 |
| Open Space | | 2,333 | 2,237 |
| Suburban Infrastructure | | 1,827 | 1,756 |
| Harris Park | | 77 | - |
| Total Special Rates | | 6,921 | 6,668 |
| Annual Charges (pursuant to s.496, s.496A, s.496B, s.501 & s.611) | | | |
| Domestic Waste Management Services | | 21,347 | 20,058 |
| Stormwater Levy | | 1,334 | 1,304 |
| Waste Management Services (non-domestic) | | 1,332 | 1,293 |
| Total Annual Charges | | 24,013 | 22,655 |
| TOTAL RATES & ANNUAL CHARGES | | 126,982 | 121,782 |

Council has used 2013 year valuations provided by the NSW Valuer General in calculating its rates.

Parramatta City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 3. Income from Continuing Operations (continued)

| \$ '000 | Notes | Actual 2015 | Actual 2014 |
|--|-------|----------------|----------------|
| (b) User Charges & Fees | | | |
| Specific User Charges (per s.502 - Specific "actual use" charges) | | | |
| Nil | | | |
| Other User Charges & Fees | | | |
| (i) Fees & Charges - Statutory & Regulatory Functions (per s.608) | | | |
| Annual Fire Safety Statement Fee | | 83 | 78 |
| Application for Outstanding Notices | | 66 | 68 |
| Construction Certificate | | 173 | 197 |
| Construction Zone Fee | | 803 | 569 |
| Cooling Towers Licence | | 61 | 25 |
| Development Advertising Fee | | 409 | 395 |
| Food Premises Licence | | 374 | 285 |
| Hoarding Fees | | 716 | 427 |
| License Fees | | 156 | 96 |
| Payment Processing Fee | | 51 | 51 |
| Planning & Building Regulation | | 4,396 | 2,872 |
| Road Occupancy Fees | | 130 | 142 |
| Road Opening Permits | | 1,267 | 511 |
| Section 149 Certificates (EPA Act) | | 448 | 441 |
| Section 603 Certificates | | 291 | 306 |
| Section 611 | | 139 | 137 |
| Subdivision Release Fee | | 285 | 282 |
| Tree Preservation Fees | | 161 | 139 |
| Vehicle Crossing Inspection Fees | | 43 | 9 |
| Other | | 244 | 193 |
| Total Fees & Charges - Statutory/Regulatory | | 10,296 | 7,223 |
| (ii) Fees & Charges - Other (incl. General User Charges) (per s.608) | | | |
| Child Care | | 2,477 | 2,509 |
| Golf Course | | 522 | 602 |
| Halls | | 457 | 584 |
| Library incl. Photocopy | | 55 | 50 |
| Multi-level Parking Stations | | 9,139 | 8,302 |
| Parks and Reserves | | 272 | 260 |
| Parking Meters | | 5,100 | 5,435 |
| Parramatta Riverside Theatres | | 2,598 | 2,511 |
| Pools | | 1,999 | 1,791 |
| Resident Parking Scheme | | 25 | 24 |
| Other | | 241 | 218 |
| Total Fees & Charges - Other | | 22,885 | 22,286 |
| TOTAL USER CHARGES & FEES | | 33,181 | 29,509 |

Parramatta City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 3. Income from Continuing Operations (continued)

| \$ '000 | Notes | Actual 2015 | Actual 2014 |
|--|-------|----------------|----------------|
| (c) Interest & Investment Revenue (incl. losses) | | | |
| Interest & Dividends | | | |
| - Interest on Overdue Rates & Annual Charges (incl. Special Purpose Rates) | | 228 | 276 |
| - Interest earned on Investments (interest & coupon payment income) | | 7,575 | 5,763 |
| Fair Value Adjustments | | | |
| - Fair Valuation movements in Investments (at FV or Held for Trading) | | (74) | 764 |
| TOTAL INTEREST & INVESTMENT REVENUE | | <u>7,729</u> | <u>6,803</u> |
| Interest Revenue is attributable to: | | | |
| Unrestricted Investments/Financial Assets: | | | |
| Overdue Rates & Annual Charges (General Fund) | | 228 | 276 |
| General Council Cash & Investments | | 6,195 | 5,039 |
| Restricted Investments/Funds - External: | | | |
| Development Contributions | | | |
| - Section 94 | | 1,306 | 1,488 |
| Total Interest & Investment Revenue Recognised | | <u>7,729</u> | <u>6,803</u> |
| (d) Other Revenues | | | |
| Rental Income - Other Council Properties | | 2,091 | 2,754 |
| Fines - Parking | | 4,025 | 4,394 |
| Fines - Other | | 87 | 61 |
| Legal Fees Recovery - Rates & Charges (Extra Charges) | | 271 | 222 |
| Legal Fees Recovery - Other | | 3 | 7 |
| Building Insurance and Commission | | 7 | 7 |
| Commissions & Agency Fees | | 11 | 8 |
| Insurance Claim Recoveries | | 153 | 253 |
| Outdoor Dining Rentals | | 220 | 167 |
| Rebates | | 141 | 140 |
| Riverside Theatre Bar and Catering Sales | | 656 | 644 |
| Sales - General | | 526 | 597 |
| Technical Services - External | | 145 | 107 |
| Other | | 380 | 327 |
| TOTAL OTHER REVENUE | | <u>8,716</u> | <u>9,688</u> |

Parramatta City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 3. Income from Continuing Operations (continued)

| \$ '000 | 2015 Operating | 2014 Operating | 2015 Capital | 2014 Capital |
|--|-------------------|-------------------|-----------------|-----------------|
| (e) Grants | | | | |
| General Purpose (Untied) | | | | |
| Financial Assistance - General Component | 7,887 | 3,920 | - | - |
| Financial Assistance - Local Roads Component | 1,528 | 748 | - | - |
| Pensioners' Rates Subsidies - General Component | 815 | 805 | - | - |
| Total General Purpose | 10,230 | 5,473 | - | - |
| Specific Purpose | | | | |
| Pensioners' Rates Subsidies: | | | | |
| - Domestic Waste Management | 272 | 268 | - | - |
| Child Care | 1,847 | 1,655 | - | - |
| Community Services | 86 | 94 | - | - |
| Dept Infrastructure Planning and Natural Resources | - | 2 | 909 | - |
| Environmental Protection | - | 15 | - | - |
| Federal Dept of Education and Training | 91 | 26 | - | - |
| Heritage & Cultural | - | - | - | 7 |
| Home Support | 1,029 | 990 | - | - |
| Library | 454 | 439 | - | - |
| Ministry of the Arts | 336 | 80 | - | - |
| NSW Government Grants | 58 | 165 | - | - |
| Parks and Reserves | - | - | 10 | (25) |
| Street Lighting | 683 | 553 | - | - |
| Transport (Roads to Recovery) | - | - | 746 | 697 |
| Transport (Other Roads & Bridges Funding) | 360 | - | 7,180 | 10,067 |
| Waste Services Performance Improvement Payment | 395 | 431 | - | - |
| Federal Stimulus | - | - | 400 | - |
| Other | 98 | 249 | 344 | 326 |
| Total Specific Purpose | 5,709 | 4,967 | 9,589 | 11,072 |
| Total Grants | 15,939 | 10,440 | 9,589 | 11,072 |
| Grant Revenue is attributable to: | | | | |
| - Commonwealth Funding | 1,769 | 1,482 | 1,191 | 2,007 |
| - State Funding | 14,170 | 8,958 | 8,398 | 9,065 |
| | 15,939 | 10,440 | 9,589 | 11,072 |

Parramatta City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 3. Income from Continuing Operations (continued)

| \$ '000 | 2015 Operating | 2014 Operating | 2015 Capital | 2014 Capital |
|--|-------------------|-------------------|-----------------|-----------------|
| (f) Contributions | | | | |
| Developer Contributions: | | | | |
| (s93 & s94 - EP&A Act, s64 of the LGA): | | | | |
| S 94 - Contributions towards amenities/services | - | - | 14,237 | 8,760 |
| Total Developer Contributions | 17 | - | 14,237 | 8,760 |
| Other Contributions: | | | | |
| Affordable Housing | - | - | - | 113 |
| Bushland Management | - | 248 | - | - |
| Kerb & Gutter | 75 | 63 | - | - |
| Leaseback Fees | 618 | 589 | - | - |
| Long Service Leave Contributions | 180 | 66 | - | - |
| Other Sponsorship Received | 159 | 60 | - | - |
| Paid Parental Leave | 156 | 216 | - | - |
| Parking Space Levy Contributions | 204 | 254 | - | - |
| Road Restoration Contributions | 1,390 | 1,141 | - | - |
| Salary Sacrifice Motor Vehicle Contributions | 213 | 307 | - | - |
| LIRS Subsidy | 547 | 192 | - | - |
| Other | 257 | 119 | 297 | 164 |
| Total Other Contributions | 3,799 | 3,255 | 297 | 277 |
| Total Contributions | 3,799 | 3,255 | 14,534 | 9,037 |
| TOTAL GRANTS & CONTRIBUTIONS | 19,738 | 13,695 | 24,123 | 20,109 |

| \$ '000 | Actual 2015 | Actual 2014 |
|--|----------------|----------------|
| (g) Restrictions relating to Grants and Contributions | | |
| Certain grants & contributions are obtained by Council on condition that they be spent in a specified manner: | | |
| Unexpended at the Close of the Previous Reporting Period | 36,373 | 33,986 |
| add: Grants & contributions recognised in the current period but not yet spent: | 1,553 | 14,248 |
| less: Grants & contributions recognised in a previous reporting period now spent: | (1,921) | (11,861) |
| Net Increase (Decrease) in Restricted Assets during the Period | (368) | 2,387 |
| Unexpended and held as Restricted Assets | 36,005 | 36,373 |
| Comprising: | | |
| - Specific Purpose Unexpended Grants | 3,601 | 5,229 |
| - Developer Contributions | 32,225 | 31,031 |
| - Other Contributions | 179 | 113 |
| | 36,005 | 36,373 |

Parramatta City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 4. Expenses from Continuing Operations

| \$ '000 | Notes | Actual 2015 | Actual 2014 |
|--|-------|----------------|----------------|
| (a) Employee Benefits & On-Costs | | | |
| Salaries and Wages | | 64,767 | 60,707 |
| Travelling | | 71 | 94 |
| Employee Leave Entitlements (ELE) | | 11,583 | 11,297 |
| Superannuation | | 7,252 | 6,751 |
| Workers' Compensation Insurance | | 39 | 714 |
| Fringe Benefit Tax (FBT) | | 331 | 379 |
| Training Costs (other than Salaries & Wages) | | 894 | 942 |
| Recruitment Costs | | 786 | 601 |
| Other | | 364 | 396 |
| Total Employee Costs | | 86,087 | 81,881 |
| less: Capitalised Costs | | (2,602) | (2,302) |
| TOTAL EMPLOYEE COSTS EXPENSED | | 83,485 | 79,579 |
| Number of "Equivalent Full Time" Employees at year end | | 791 | 759 |
| Number of "Equivalent Full Time" Employees at year end (incl. vacancies) | | 842 | 833 |
| (b) Borrowing Costs | | | |
| (i) Interest Bearing Liability Costs | | | |
| Interest on Loans | | 4,292 | 4,399 |
| Total Interest Bearing Liability Costs Expensed | | 4,292 | 4,399 |
| (ii) Other Borrowing Costs | | | |
| Nil | | | |
| TOTAL BORROWING COSTS EXPENSED | | 4,292 | 4,399 |

Parramatta City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 4. Expenses from Continuing Operations (continued)

| \$ '000 | Notes | Actual 2015 | Actual 2014 |
|--|-------|----------------|----------------|
| (c) Materials & Contracts | | | |
| Raw Materials & Consumables | | 5,824 | 5,673 |
| Contractor & Consultancy Costs | | | |
| - Air Conditioning External Services | | 379 | 566 |
| - Arts and Cultural | | 69 | 84 |
| - Australia Day | | 328 | 302 |
| - Building Improvements | | 473 | 344 |
| - Bushland Maintenance | | 447 | 463 |
| - Bushland Protection and Noxious Weeds | | 410 | 398 |
| - Catchment Maintenance | | 143 | 191 |
| - Cleaning External Services | | 1,867 | 1,851 |
| - Cleaning Programme | | 151 | 188 |
| - Concrete External Services | | 2 | - |
| - Consultancies | | 3,559 | 1,999 |
| - Drainage Maintenance | | 472 | 228 |
| - Electrical External Services | | 277 | 249 |
| - External Plant and Equipment Hire | | 553 | 450 |
| - Fire Protection Equipment External Services | | 353 | 245 |
| - Footpath Maintenance | | 375 | 486 |
| - Garbage External Services | | 3,513 | 3,434 |
| - General Events | | 525 | 258 |
| - Graffiti Removal/Prevention | | 70 | 102 |
| - ICT Software Maintenance | | 513 | 448 |
| - IT Technical Support | | 88 | 91 |
| - Leisure Programs External Services | | 218 | 230 |
| - Library Network | | 372 | 352 |
| - Lift Repairs and Maintenance External Services | | 294 | 104 |
| - Local Parks Maintenance | | 181 | 359 |
| - Locksmith External Services | | 93 | 82 |
| - Meals on Wheels Services | | 204 | 200 |
| - Motor Vehicle Accident Repairs | | 166 | 221 |
| - Multi-level Car Parks | | 1,414 | 1,370 |
| - Office Equipment External Services | | 101 | 144 |
| - On Street Paid Parking | | 424 | 427 |
| - Other Minor Contracts | | 1,341 | 1,122 |
| - Other Contractor & Consultancy Costs | | 1,572 | 991 |
| - Parramatta Stadium | | 3,000 | - |
| - Parks Infrastructure Maintenance | | 388 | 149 |
| - Pavement Maintenance | | 174 | 273 |
| - Plant Repairs | | 468 | 485 |
| - Plumbing External Services | | 374 | 262 |
| - Pools External Services | | 318 | 188 |

(continued on the next page...)

Parramatta City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 4. Expenses from Continuing Operations (continued)

| \$ '000 | Notes | Actual 2015 | Actual 2014 |
|---|-------|----------------|----------------|
| (c) Materials & Contracts (continued) | | | |
| Contractor & Consultancy Costs (continued) | | | |
| - Professional Services | | 1,177 | 763 |
| - Public Tree Maintenance | | 217 | 297 |
| - Recycling External Services | | 1,925 | 1,983 |
| - Restorations | | 938 | 518 |
| - Riparian Maintenance | | 442 | 372 |
| - Road Waste Removal External Services | | 202 | 135 |
| - Security External Services | | 797 | 660 |
| - Sporting Grounds Maintenance | | 285 | 314 |
| - Sustainability and Waste | | 202 | 194 |
| - WASIP General Projects | | 490 | 310 |
| - Winterlight | | 234 | 254 |
| Auditors Remuneration ⁽¹⁾ | | 140 | 127 |
| Legal Expenses: | | | |
| - Legal Expenses: Planning & Development | | 481 | 333 |
| - Legal Expenses: Other | | 609 | 886 |
| Operating Leases: | | | |
| - Operating Lease Rentals: Minimum Lease Payment ⁽²⁾ | | 1,612 | 875 |
| Other | | - | 6 |
| Total Materials & Contracts | | 41,244 | 33,036 |
| less: Capitalised Costs | | (325) | (288) |
| TOTAL MATERIALS & CONTRACTS | | 40,919 | 32,748 |
| 1. Auditor Remuneration | | | |
| During the year, the following fees were incurred for services provided by the Council's Auditor (& the Auditors of other Consolidated Entities): | | | |
| Audit and Other Assurance Services | | | |
| - Audit & review of financial statements: Council's Auditor | | 71 | 72 |
| - Strategic Financial Modelling | | 69 | 55 |
| Remuneration for audit and other assurance services | | 140 | 127 |
| Total Auditor Remuneration | | 140 | 127 |
| 2. Operating Lease Payments are attributable to: | | | |
| Buildings | | 532 | 199 |
| Computers | | 1,081 | 676 |
| | | 1,612 | 875 |

Parramatta City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 4. Expenses from Continuing Operations (continued)

| \$ '000 | Notes | Impairment Costs | | Depreciation/Amortisation | |
|--|-------|------------------|----------------|---------------------------|----------------|
| | | Actual 2015 | Actual 2014 | Actual 2015 | Actual 2014 |
| Plant and Equipment | | - | - | 2,120 | 2,061 |
| Office Equipment | | - | - | 422 | 534 |
| Furniture & Fittings | | - | - | 399 | 306 |
| Land Improvements (depreciable) | | - | - | 202 | 369 |
| Buildings - Non Specialised | | - | - | 7,127 | 4,474 |
| Other Structures | | - | - | 1,448 | 1,269 |
| Infrastructure: | | | | | |
| - Roads | | - | - | 7,322 | 6,725 |
| - Bridges | | - | - | 2,618 | 2,404 |
| - Footpaths | | - | - | 3,624 | 3,328 |
| - Stormwater Drainage | | - | - | 2,853 | 2,817 |
| - Swimming Pools | | - | - | 185 | 185 |
| - Other Open Space/Recreational Assets | | - | - | 4,755 | 4,244 |
| Other Assets | | | | | |
| - Heritage Collections | | - | - | 8 | 8 |
| - Library Books | | - | - | 715 | 686 |
| - Other | | - | - | 5 | (87) |
| Intangible Assets | 25 | - | - | 1,062 | 917 |
| <u>TOTAL DEPRECIATION & IMPAIRMENT COSTS EXPENSED</u> | | - | - | 34,865 | 30,240 |

Parramatta City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 4. Expenses from Continuing Operations (continued)

| \$ '000 | Notes | Actual 2015 | Actual 2014 |
|--|-------|----------------|----------------|
| (e) Other Expenses | | | |
| Other Expenses for the year include the following: | | | |
| Advertising | | 1,031 | 668 |
| Artists in Mall and Other Artists | | 1,501 | 1,243 |
| Bad & Doubtful Debts | | 412 | 227 |
| Bank Charges | | 807 | 604 |
| Car Registrations | | 277 | 314 |
| Carbon Tax Expense | | 9 | 9 |
| Catering | | 604 | 588 |
| Computer Expenses | | 2,117 | 2,063 |
| Contributions/Levies to Other Levels of Government | | | |
| - Department of Planning Levy | | 261 | 259 |
| - Emergency Services Levy (includes FRNSW, SES, and RFS Levies) | | 255 | 91 |
| - NSW Fire Brigade Levy | | 1,479 | 1,600 |
| - Waste Levy | | - | 1 |
| Councillor Expenses - Mayoral Fee | | 96 | 103 |
| Councillor Expenses - Councillors' Fees | | 386 | 365 |
| Councillors' Expenses (incl. Mayor) - Other (excluding fees above) | | 117 | 179 |
| Donations, Contributions & Assistance to other organisations (Section 356) | | 846 | 929 |
| Electricity & Heating | | 2,095 | 2,648 |
| Insurance | | 1,462 | 1,865 |
| Microfilming | | 116 | 95 |
| Parking - Seins Costs | | 568 | 734 |
| Parking Space Levy | | 1,969 | 1,946 |
| Permits | | - | 9 |
| Postage | | 380 | 381 |
| Promotions and Publicity | | 1,259 | 1,263 |
| Rent Collection Costs | | 282 | 272 |
| Scanning | | 60 | 2 |
| Street Lighting | | 2,756 | 2,978 |
| Subscriptions & Publications | | 514 | 587 |
| Telephone & Communications | | 572 | 564 |
| Tipping Fees | | 10,595 | 9,907 |
| Valuation Fees | | 684 | 237 |
| Water | | 644 | 761 |
| Other | | 882 | 848 |
| Total Other Expenses | | 35,036 | 34,340 |
| less: Capitalised Costs | | (325) | (288) |
| TOTAL OTHER EXPENSES | | 34,711 | 34,052 |

Parramatta City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 5. Gains or Losses from the Disposal of Assets

| \$ '000 | Notes | Actual 2015 | Actual 2014 |
|--|-------|----------------|----------------|
| Property (excl. Investment Property) | | | |
| Proceeds from Disposal - Property | | 71 | 508 |
| less: Carrying Amount of Property Assets Sold / Written Off | | (919) | (791) |
| Net Gain/(Loss) on Disposal | | (848) | (283) |
| Plant & Equipment | | | |
| Proceeds from Disposal - Plant & Equipment | | 1,102 | 1,117 |
| less: Carrying Amount of P&E Assets Sold / Written Off | | (808) | (979) |
| Net Gain/(Loss) on Disposal | | 294 | 138 |
| Financial Assets* | | | |
| Proceeds from Disposal / Redemptions / Maturities - Financial Assets | | 106,278 | 114,068 |
| less: Carrying Amount of Financial Assets Sold / Redeemed / Matured | | (106,278) | (114,068) |
| Net Gain/(Loss) on Disposal | | - | - |
| Non Current Assets Classified as "Held for Sale" | | | |
| Proceeds from Disposal - Non Current Assets "Held for Sale" | | 185,452 | 2,687 |
| less: Carrying Amount of 'Held for Sale' Assets Sold / Written Off | | (184,303) | (2,545) |
| Net Gain/(Loss) on Disposal | | 1,149 | 142 |
| NET GAIN/(LOSS) ON DISPOSAL OF ASSETS | | 595 | (3) |

Parramatta City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 6a. - Cash Assets and Note 6b. - Investments

| \$ '000 | Notes | 2015 | 2015 | 2014 | 2014 |
|--|-------|-------------------|-----------------------|-------------------|-----------------------|
| | | Actual Current | Actual Non Current | Actual Current | Actual Non Current |
| Cash & Cash Equivalents (Note 6a) | | | | | |
| Cash-Equivalent Assets ¹ | | | | | |
| - Deposits at Call | | 16,535 | - | 7,788 | - |
| Total Cash & Cash Equivalents | | 16,535 | - | 7,788 | - |
| Investments (Note 6b) | | | | | |
| - Managed Funds | | 11,976 | - | 11,672 | - |
| - Long Term Deposits | | 113,379 | 35,235 | 34,249 | 39,866 |
| - NCD's, FRN's (with Maturities > 3 months) | | 65,210 | - | 14,997 | - |
| Total Investments | | 190,565 | 35,235 | 60,918 | 39,866 |
| TOTAL CASH ASSETS, CASH EQUIVALENTS & INVESTMENTS | | 207,100 | 35,235 | 68,706 | 39,866 |

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

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

Cash & Cash Equivalents

| | | | | | |
|--|--|---------------|----------|--------------|----------|
| a. "At Fair Value through the Profit & Loss" | | 16,535 | - | 7,788 | - |
|--|--|---------------|----------|--------------|----------|

Investments

| | | | | | |
|--|----------|----------------|---------------|---------------|---------------|
| a. "At Fair Value through the Profit & Loss" | | | | | |
| - "Held for Trading" | 6(b-i) | 77,186 | - | 26,669 | - |
| b. "Held to Maturity" | 6(b-ii) | 113,379 | 35,235 | 34,249 | 39,866 |
| c. "Loans & Receivables" | 6(b-iii) | - | - | - | - |
| d. "Available for Sale" | 6(b-iv) | - | - | - | - |
| Investments | | 190,565 | 35,235 | 60,918 | 39,866 |

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

Parramatta City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 6b. Investments (continued)

| \$ '000 | 2015 | 2015 | 2014 | 2014 |
|--|-------------------|-----------------------|-------------------|-----------------------|
| | Actual Current | Actual Non Current | Actual Current | Actual Non Current |
| Note 6(b-i) | | | | |
| Reconciliation of Investments classified as "At Fair Value through the Profit & Loss" | | | | |
| Balance at the Beginning of the Year | 26,669 | - | 20,992 | - |
| Revaluations (through the Income Statement) | (74) | - | 764 | - |
| Additions | 55,538 | - | 13,514 | - |
| Disposals (sales & redemptions) | (4,947) | - | (8,601) | - |
| Balance at End of Year | 77,186 | - | 26,669 | - |
| Comprising: | | | | |
| - Managed Funds | 11,976 | - | 11,672 | - |
| - NCD's, FRN's (with Maturities > 3 months) | 65,210 | - | 14,997 | - |
| Total | 77,186 | - | 26,669 | - |
| Note 6(b-ii) | | | | |
| Reconciliation of Investments classified as "Held to Maturity" | | | | |
| Balance at the Beginning of the Year | 34,249 | 39,866 | 53,552 | 34,601 |
| Additions | 175,830 | - | 86,164 | 5,265 |
| Disposals (sales & redemptions) | (96,700) | (4,631) | (105,467) | - |
| Balance at End of Year | 113,379 | 35,235 | 34,249 | 39,866 |
| Comprising: | | | | |
| - Long Term Deposits | 113,379 | 35,235 | 34,249 | 39,866 |
| Total | 113,379 | 35,235 | 34,249 | 39,866 |
| Note 6(b-iii) | | | | |
| Reconciliation of Investments classified as "Loans & Receivables" | | | | |
| Nil | | | | |
| Note 6(b-iv) | | | | |
| Reconciliation of Investments classified as "Available for Sale" | | | | |
| Nil | | | | |

Parramatta City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 6c. Restricted Cash, Cash Equivalents & Investments - Details

| \$ '000 | 2015 | 2015 | 2014 | 2014 |
|---|-------------------|-----------------------|-------------------|-----------------------|
| | Actual Current | Actual Non Current | Actual Current | Actual Non Current |
| Total Cash, Cash Equivalents and Investments | 207,100 | 35,235 | 68,706 | 39,866 |
| attributable to: | | | | |
| External Restrictions (refer below) | 19,633 | 35,235 | 17,452 | 39,866 |
| Internal Restrictions (refer below) | 151,145 | - | 29,407 | - |
| Unrestricted | 36,322 | - | 21,847 | - |
| | 207,100 | 35,235 | 68,706 | 39,866 |

| 2015 \$ '000 | Opening Balance | Transfers to Restrictions | Transfers from Restrictions | Closing Balance |
|-----------------|--------------------|------------------------------|--------------------------------|--------------------|
|-----------------|--------------------|------------------------------|--------------------------------|--------------------|

Details of Restrictions

External Restrictions - Included in Liabilities

| | | | | |
|--|--------------|--------------|----------------|--------------|
| Specific Purpose Unexpended Loans-General (A) | 3,323 | 8,605 | (8,229) | 3,699 |
| External Restrictions - Included in Liabilities | 3,323 | 8,605 | (8,229) | 3,699 |

External Restrictions - Other

| | | | | |
|--|---------------|---------------|-----------------|---------------|
| Developer Contributions - General (B) | 31,031 | 15,543 | (14,351) | 32,223 |
| Specific Purpose Unexpended Grants (C) | 5,229 | 10,629 | (12,255) | 3,603 |
| Domestic Waste Management (D) | 6,850 | 5,440 | (2,600) | 9,690 |
| Open Space Special Rate (D) | 990 | 2,382 | (2,133) | 1,239 |
| Stormwater Levy (D) | 1,083 | 1,340 | (1,207) | 1,216 |
| Economic Development Special Rate (D) | 524 | 761 | (632) | 653 |
| Suburban Infrastructure Special Rate (D) | 1,716 | 1,895 | (2,720) | 891 |
| CBD Infrastructure Special Rate (D) | 6,459 | 2,114 | (7,173) | 1,400 |
| Affordable Housing (D) | 113 | 66 | - | 179 |
| Harris Park Special Rate | - | 75 | - | 75 |
| External Restrictions - Other | 53,995 | 40,245 | (43,071) | 51,169 |
| Total External Restrictions | 57,318 | 48,850 | (51,300) | 54,868 |

- A Loan moneys which must be applied for the purposes for which the loans were raised.
- B Development contributions which are not yet expended for the provision of services and amenities in accordance with contributions plans (refer Note 17).
- C Grants which are not yet expended for the purposes for which the grants were obtained. (refer Note 1 (b))
- D Water, Sewerage, Domestic Waste Management (DWM) & other Special Rates/Levies/Charges are externally restricted assets and must be applied for the purposes for which they were raised.

Parramatta City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 6c. Restricted Cash, Cash Equivalents & Investments - Details (continued)

| 2015 \$ '000 | Opening Balance | Transfers to Restrictions | Transfers from Restrictions | Closing Balance |
|---|--------------------|------------------------------|--------------------------------|--------------------|
| Internal Restrictions | | | | |
| Plant & Vehicle Replacement | 3,107 | 3,220 | (4,175) | 2,152 |
| Employees Leave Entitlement | 3,990 | 1,509 | - | 5,499 |
| Computerised Management Information | 903 | 1,507 | (1,985) | 425 |
| Property | 2,112 | 202 | - | 2,314 |
| Repayment of Bonds/Deposits | 284 | - | (284) | - |
| Street Furniture | 230 | - | (124) | 106 |
| Open Space and Recreation | 582 | 82 | - | 664 |
| Uncompleted Works Revenue | 1,462 | 1,748 | (1,095) | 2,115 |
| Council Election | 149 | 262 | - | 411 |
| Insurance | 1,027 | - | (1,027) | - |
| Parking Meters | 3,424 | 4,025 | (5,288) | 2,161 |
| Granville Reserve | 2,393 | - | - | 2,393 |
| Urgent Ward Works | 712 | 130 | - | 842 |
| Asset Renewal Reserve | 9,032 | 12,115 | (20,596) | 551 |
| Bartlett Park Reserve | - | 130,190 | - | 130,190 |
| Interest on Bartlett Park Reserve | - | 2,380 | (1,063) | 1,317 |
| Property and Significant Assets Reserve | - | 45,624 | (45,624) | - |
| Operations Centre Reserve | - | 28,546 | (28,546) | - |
| Lachlan Macquarie Ward | - | 5 | - | 5 |
| Total Internal Restrictions | 29,407 | 231,545 | (109,807) | 151,145 |
| TOTAL RESTRICTIONS | 86,725 | 280,395 | (161,107) | 206,013 |

Parramatta City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 7. Receivables

| \$ '000 | Notes | 2015 | | 2014 | |
|---|-------|---------------|--------------|---------------|-------------|
| | | Current | Non Current | Current | Non Current |
| Purpose | | | | | |
| Rates & Annual Charges | | 3,505 | 505 | 3,693 | 547 |
| User Charges & Fees | | 954 | - | 708 | - |
| Accrued Revenues | | | | | |
| - Interest on Investments | | 2,496 | - | 1,276 | - |
| Government Grants & Subsidies | | 6,576 | - | 9,372 | - |
| Deferred Debtors | | - | 1,000 | - | - |
| Net GST Receivable | | 560 | - | 1,261 | - |
| Accrued Fines | | 320 | - | 144 | - |
| Car Park Leases | | - | - | 52 | - |
| Employee Receivables | | - | 375 | 8 | 375 |
| Environmental Upgrade Agreements | | 1,751 | - | 633 | - |
| GIO Workers Compensation | | 45 | - | 33 | - |
| Hoarding Fees | | 337 | - | - | - |
| Licencing Receivables | | 742 | - | 583 | - |
| Parking Space Levy | | 56 | - | - | - |
| Parking Stations and Meters | | 128 | - | 184 | - |
| Property Leases | | 610 | - | 1,004 | - |
| Restorations / Reinstatements | | 291 | - | 135 | - |
| Riverside Theatres Parramatta | | 23 | - | 90 | - |
| Section 611 Charges | | 110 | - | - | - |
| Other Debtors | | (5) | - | 4 | - |
| Total | | 18,499 | 1,880 | 19,180 | 922 |
| less: Provision for Impairment | | | | | |
| Rates & Annual Charges | | (63) | - | (74) | - |
| Other Debtors | | (849) | - | (491) | - |
| Total Provision for Impairment - Receivables | | (912) | - | (565) | - |
| TOTAL NET RECEIVABLES | | 17,587 | 1,880 | 18,615 | 922 |
| Externally Restricted Receivables | | | | | |
| Domestic Waste Management | | 1,234 | - | 1,119 | - |
| Stormwater Management | | 105 | - | 110 | - |
| Open Space Special Rate | | 54 | - | 56 | - |
| Economic Development Special Rate | | 22 | - | 35 | - |
| Suburban Infrastructure Special Rate | | 43 | - | 47 | - |
| CBD Infrastructure Special Rate | | 56 | - | 42 | - |
| Harris Park Special Rate | | 4 | - | - | - |
| Total External Restrictions | | 1,518 | - | 1,409 | - |
| Internally Restricted Receivables | | | | | |
| Nil | | | | | |
| Unrestricted Receivables | | 16,069 | 1,880 | 17,206 | 922 |
| TOTAL NET RECEIVABLES | | 17,587 | 1,880 | 18,615 | 922 |

Notes on Debtors above:

- (i) Rates & Annual Charges Outstanding are secured against the property.
- (ii) Doubtful Rates Debtors are provided for where the value of the property is less than the debt outstanding.
An allowance for other doubtful debts is made when there is objective evidence that a receivable is impaired.
- (iii) Interest was charged on overdue rates & charges at 8.50% (2014 9.00%).
Generally all other receivables are non interest bearing.
- (iv) Please refer to Note 15 for issues concerning Credit Risk and Fair Value disclosures.

Parramatta City Council

Notes to the Financial Statements
for the financial year ended 30 June 2015

Note 8. Inventories & Other Assets

| \$ '000 | Notes | 2015 | | 2014 | |
|---|-------|------------|-------------|------------|-------------|
| | | Current | Non Current | Current | Non Current |
| Inventories | | | | | |
| Stores & Materials | | 84 | - | 115 | - |
| Trading Stock | | 12 | - | 26 | - |
| Total Inventories | | 96 | - | 141 | - |
| Other Assets | | | | | |
| Prepayments | | 430 | - | 88 | - |
| Other | | 15 | - | - | - |
| Total Other Assets | | 445 | - | 88 | - |
| TOTAL INVENTORIES / OTHER ASSETS | | 541 | - | 229 | - |

Externally Restricted Assets

There are no restrictions applicable to the above assets.

Parramatta City Council

Notes to the Financial Statements
for the financial year ended 30 June 2015

Note 9a. Infrastructure, Property, Plant & Equipment

| \$ '000 | as at 30/6/2014 | | | | | Asset Movements during the Reporting Period | | | | | | | as at 30/6/2015 | | | | |
|---|-----------------|------------------|----------------|------------|-------------------|---|------------------------------|-------------------------|--|--|---|---|-----------------|------------------|----------------|------------|-------------------|
| | At Cost | At Fair Value | Accumulated | | Carrying Value | Asset Additions | WDV of Asset Disposals | Depreciation Expense | Correction of Prior Year Depreciation to Retained Earnings | Tfrs from/(to) "Held for Sale" category | Revaluation Decrements to Equity (ARR) | Revaluation Increments to Equity (ARR) | At Cost | At Fair Value | Accumulated | | Carrying Value |
| | | | Dep'n | Impairment | | | | | | | | | | | Dep'n | Impairment | |
| Plant & Equipment | - | 17,524 | 11,342 | - | 6,182 | 3,763 | (802) | (2,120) | - | - | - | - | - | 18,659 | 11,636 | - | 7,023 |
| Office Equipment | - | 10,294 | 8,212 | - | 2,082 | 274 | (6) | (422) | - | - | - | - | - | 10,086 | 8,158 | - | 1,928 |
| Furniture & Fittings | - | 6,212 | 3,748 | - | 2,464 | 2,364 | - | (399) | - | - | - | - | - | 8,431 | 4,002 | - | 4,429 |
| Land: | | | | | | | | | | | | | | | | | |
| - Operational Land | - | 383,009 | - | - | 383,009 | 25,709 | (372) | - | - | (139,003) | - | 61,047 | - | 330,390 | - | - | 330,390 |
| - Community Land | - | 2,263,486 | - | - | 2,263,486 | 126 | - | - | - | - | - | 1,100,897 | - | 3,364,508 | - | - | 3,364,508 |
| Land Improvements - depreciable | - | 5,051 | 2,246 | - | 2,805 | 9,125 | - | (202) | - | - | - | - | - | 14,204 | 2,476 | - | 11,728 |
| Buildings - Non Specialised | - | 134,248 | 61,698 | - | 72,550 | 16,690 | (6) | (7,127) | - | - | (26) | - | - | 135,600 | 53,519 | - | 82,081 |
| Other Structures | - | 77,567 | 10,537 | - | 67,030 | 1,037 | (2) | (1,448) | - | - | - | - | - | 78,705 | 12,088 | - | 66,617 |
| Infrastructure: | | | | | | | | | | | | | | | | | |
| - Roads | - | 517,922 | 234,946 | - | 282,976 | 12,442 | (449) | (7,322) | 104,286 | - | - | 38,628 | - | 579,824 | 149,264 | - | 430,560 |
| - Bridges | - | 93,100 | 39,455 | - | 53,645 | 7,872 | - | (2,618) | 13,513 | - | (12,657) | - | - | 83,322 | 23,567 | - | 59,755 |
| - Footpaths | - | 123,334 | 80,395 | - | 42,939 | 5,539 | - | (3,624) | 58,811 | - | - | 490 | - | 129,482 | 25,328 | - | 104,154 |
| - Bulk Earthworks (non-depreciable) | - | 264,773 | - | - | 264,773 | - | - | - | - | - | - | - | - | 264,773 | - | - | 264,773 |
| - Stormwater Drainage | - | 285,542 | 154,792 | - | 130,750 | 3,470 | - | (2,853) | 52,735 | - | - | 21,356 | - | 322,538 | 117,080 | - | 205,458 |
| - Swimming Pools | - | 8,953 | 2,177 | - | 6,776 | - | - | (185) | - | - | - | - | - | 8,953 | 2,362 | - | 6,591 |
| - Other Open Space/Recreational Assets | - | 113,778 | 42,710 | - | 71,068 | 16,308 | (90) | (4,755) | - | - | - | - | - | 129,848 | 47,317 | - | 82,531 |
| Other Assets: | | | | | | | | | | | | | | | | | |
| - Heritage Collections | - | 2,329 | 27 | - | 2,302 | 17 | - | (8) | - | - | - | - | - | 2,347 | 35 | - | 2,312 |
| - Library Books | - | 12,194 | 9,969 | - | 2,225 | 800 | - | (715) | - | - | - | - | - | 12,994 | 10,684 | - | 2,310 |
| - Other | - | 7,162 | 405 | - | 6,757 | 421 | - | (5) | - | - | - | - | - | 7,585 | 412 | - | 7,173 |
| TOTAL INFRASTRUCTURE, PROPERTY, PLANT & EQUIP. | - | 4,326,478 | 662,659 | - | 3,663,819 | 105,957 | (1,727) | (33,803) | 229,345 | (139,003) | (12,683) | 1,222,418 | - | 5,502,249 | 467,928 | - | 5,034,321 |

Additions to Buildings & Infrastructure Assets are made up of Asset Renewals (\$24.909m) and New Assets (\$37.412m).
Renewals are defined as the replacement of existing assets (as opposed to the acquisition of new assets).

Refer to Note 27 - Fair Value Measurement for information regarding the fair value of other Infrastructure, Property, Plant & Equipment.

Parramatta City Council

Notes to the Financial Statements
for the financial year ended 30 June 2015

Note 9b. Externally Restricted Infrastructure, Property, Plant & Equipment

| \$ '000 Class of Asset | Actual 2015 | | | | Actual 2014 | | | |
|------------------------------------|----------------|------------------|----------------------|-------------------|----------------|------------------|----------------------|-------------------|
| | At Cost | At Fair Value | A/Dep & Impairm't | Carrying Value | At Cost | At Fair Value | A/Dep & Impairm't | Carrying Value |
| Domestic Waste Management | | | | | | | | |
| Plant & Equipment | 59 | - | 14 | 45 | - | 55 | 9 | 46 |
| Total DWM | 59 | - | 14 | 45 | - | 55 | 9 | 46 |
| TOTAL RESTRICTED I,PP&E | 59 | - | 14 | 45 | - | 55 | 9 | 46 |

Note 9c. Infrastructure, Property, Plant & Equipment - Current Year Impairments

Council has recognised no impairment losses during the reporting period nor reversed any prior period losses.

Parramatta City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 10a. Payables, Borrowings & Provisions

| \$ '000 | Notes | 2015 | | 2014 | |
|--|-------|---------------|---------------|---------------|---------------|
| | | Current | Non Current | Current | Non Current |
| Payables | | | | | |
| Goods & Services - operating expenditure | | 6,477 | - | 5,245 | - |
| Goods & Services - capital expenditure | | 8,721 | - | 10,018 | - |
| Payments Received In Advance | | 12,646 | - | 8,612 | - |
| Accrued Expenses: | | | | | |
| - Borrowings | | 406 | - | 417 | - |
| - Salaries & Wages | | 2,062 | - | 1,699 | - |
| - Other Expenditure Accruals | | 6,471 | - | 4,203 | - |
| Security Bonds, Deposits & Retentions | | 5,745 | - | 3,816 | - |
| Total Payables | | 42,528 | - | 34,010 | - |
| Borrowings | | | | | |
| Bank Overdraft | | 275 | - | 266 | - |
| Loans - Secured ¹ | | 10,196 | 70,302 | 9,397 | 83,499 |
| Total Borrowings | | 10,471 | 70,302 | 9,663 | 83,499 |
| Provisions | | | | | |
| Employee Benefits: | | | | | |
| Annual Leave | | 6,568 | - | 6,163 | - |
| Sick Leave | | 1,120 | - | 1,097 | - |
| Long Service Leave | | 13,067 | 675 | 12,084 | 592 |
| Other Employee Provisions | | 1,577 | - | 1,281 | - |
| Sub Total - Aggregate Employee Benefits | | 22,332 | 675 | 20,625 | 592 |
| Self Insurance - Other | | 902 | - | 1,942 | - |
| Total Provisions | | 23,234 | 675 | 22,567 | 592 |
| Total Payables, Borrowings & Provisions | | 76,233 | 70,977 | 66,240 | 84,091 |
| (i) Liabilities relating to Restricted Assets | | | | | |
| | | 2015 | | 2014 | |
| | | Current | Non Current | Current | Non Current |
| Externally Restricted Assets | | | | | |
| Domestic Waste Management | | 894 | 3 | 966 | 2 |
| Loans | | 2,662 | 1,034 | 1,460 | 1,856 |
| Liabilities relating to externally restricted assets | | 3,556 | 1,037 | 2,426 | 1,858 |
| Internally Restricted Assets | | | | | |
| Nil | | | | | |
| Total Liabilities relating to restricted assets | | 3,556 | 1,037 | 2,426 | 1,858 |
| Total Liabilities relating to Unrestricted Assets | | 72,677 | 69,940 | 63,814 | 82,233 |
| TOTAL PAYABLES, BORROWINGS & PROVISIONS | | 76,233 | 70,977 | 66,240 | 84,091 |

¹ Loans are secured over the General Rating Income of Council

Disclosures on Liability Interest Rate Risk Exposures, Fair Value Disclosures & Security can be found in Note 15.

Parramatta City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 10a. Payables, Borrowings & Provisions (continued)

| \$ '000 | Actual 2015 | Actual 2014 |
|---|----------------|----------------|
| (ii) Current Liabilities not anticipated to be settled within the next 12 months | | |
| The following Liabilities, even though classified as current, are not expected to be settled in the next 12 months. | | |
| Provisions - Employees Benefits | 12,923 | 12,455 |
| Payables - Security Bonds, Deposits & Retentions | 4,053 | 2,412 |
| | <u>16,976</u> | <u>14,867</u> |

Note 10b. Description of and movements in Provisions

| Class of Provision | 2014 | | 2015 | | | |
|--------------------|------------------------------|-----------------------|--------------------------|--|-------------------------|-------------------------------|
| | Opening Balance as at 1/7/14 | Additional Provisions | Decrease due to Payments | Remeasurement effects due to Discounting | Unused amounts reversed | Closing Balance as at 30/6/15 |
| Annual Leave | 6,163 | 4,987 | (4,311) | (271) | - | 6,568 |
| Sick Leave | 1,097 | 31 | (49) | 41 | - | 1,120 |
| Long Service Leave | 12,676 | 2,222 | (1,464) | 308 | - | 13,742 |
| Other Leave | 1,281 | 315 | - | (19) | - | 1,577 |
| Self Insurance | 1,942 | (40) | - | - | (1,000) | 902 |
| TOTAL | 23,159 | 7,515 | (5,824) | 59 | (1,000) | 23,909 |

- a. Employees Leave Entitlements & On-Costs represents those benefits accrued and payable and an estimate of those that will become payable in the future as a result of past service.
- b. Self Insurance Provisions represent both (i) Claims Incurred but Not reported and (ii) Claims Reported & Estimated as a result of Council's being a self insurer up to certain levels of Excess.

Parramatta City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 11. Statement of Cash Flows - Additional Information

| \$ '000 | Notes | Actual 2015 | Actual 2014 |
|--|-------|----------------|----------------|
| (a) Reconciliation of Cash Assets | | | |
| Total Cash & Cash Equivalent Assets | 6a | 16,535 | 7,788 |
| Less Bank Overdraft | 10 | (275) | (266) |
| BALANCE as per the STATEMENT of CASH FLOWS | | 16,260 | 7,522 |
| (b) Reconciliation of Net Operating Result to Cash provided from Operating Activities | | | |
| Net Operating Result from Income Statement | | 23,276 | 20,698 |
| Adjust for non cash items: | | | |
| Depreciation & Amortisation | | 34,865 | 30,240 |
| Net Losses/(Gains) on Disposal of Assets | | (595) | 3 |
| Losses/(Gains) recognised on Fair Value Re-measurements through the P&L: | | | |
| - Investments classified as "At Fair Value" or "Held for Trading" | | 74 | (764) |
| Share of Net (Profits) or Losses of Associates/Joint Ventures | | (484) | (133) |
| +/- Movement in Operating Assets and Liabilities & Other Cash Items: | | | |
| Decrease/(Increase) in Receivables | | 723 | (5,748) |
| Increase/(Decrease) in Provision for Doubtful Debts | | 347 | 226 |
| Decrease/(Increase) in Inventories | | 45 | 7 |
| Decrease/(Increase) in Other Assets | | (357) | 283 |
| Increase/(Decrease) in Payables | | 1,232 | 1,358 |
| Increase/(Decrease) in accrued Interest Payable | | (11) | 188 |
| Increase/(Decrease) in other accrued Expenses Payable | | 2,631 | 4,042 |
| Increase/(Decrease) in Other Liabilities | | 1,674 | 2,024 |
| Increase/(Decrease) in Employee Leave Entitlements | | 1,790 | 176 |
| Increase/(Decrease) in Other Provisions | | (1,040) | (1,826) |
| NET CASH PROVIDED FROM/(USED IN) OPERATING ACTIVITIES from the STATEMENT of CASH FLOWS | | 64,170 | 50,774 |
| (c) Non-Cash Investing & Financing Activities | | | |
| Nil | | | |
| (d) Financing Arrangements | | | |
| (i) Unrestricted access was available at balance date to the following lines of credit: | | | |
| Bank Overdraft Facilities ⁽¹⁾ | | 1,000 | 1,000 |
| Total Financing Arrangements | | 1,000 | 1,000 |

1. The Bank overdraft facility may be drawn at any time and may be terminated by the bank without notice. Interest rates on overdrafts are Interest Rates on Loans & Other Payables are disclosed in Note 15.

(ii) Secured Loan Liabilities

Loans are secured by a mortgage over future years Rate Revenue only.

Parramatta City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 12. Commitments for Expenditure

| \$ '000 | Notes | Actual 2015 | Actual 2014 |
|--|-------|----------------|----------------|
| (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 & Equipment | | | |
| Buildings | | 2,236 | 3,261 |
| Plant & Equipment | | 50 | 939 |
| Land | | 1,361 | 1,450 |
| Footpaths | | 1,388 | 3,084 |
| Road, Kerb and Gutter | | 1,916 | 1,939 |
| Other | | 3,145 | 8,550 |
| Total Commitments | | 10,096 | 19,223 |
| These expenditures are payable as follows: | | | |
| Within the next year | | 10,096 | 19,223 |
| Total Payable | | 10,096 | 19,223 |
| Sources for Funding of Capital Commitments: | | | |
| Unrestricted General Funds | | 1,315 | 2,697 |
| Sect 64 & 94 Funds/Reserves | | 3,247 | 4,075 |
| Unexpended Grants | | 1,126 | 6,587 |
| Unexpended Loans | | 532 | 344 |
| Special Rates | | 1,451 | 3,953 |
| Other Funding | | 2,425 | 1,567 |
| Total Sources of Funding | | 10,096 | 19,223 |

(b) Finance Lease Commitments

Nil

(c) Operating Lease Commitments (Non Cancellable)

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

| | | | |
|--|--|---------------|--------------|
| Within the next year | | 4,430 | 549 |
| Later than one year and not later than 5 years | | 9,076 | 629 |
| Total Non Cancellable Operating Lease Commitments | | 13,506 | 1,178 |

b. Non Cancellable Operating Leases include the following assets:

Contingent Rentals may be payable depending on the condition of items or usage during the lease term.

Conditions relating to Operating Leases:

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

Parramatta City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 13a(i). Statement of Performance Measurement - Indicators (Consolidated)

| \$ '000 | Amounts 2015 | Indicator 2015 | Bench- mark | Prior Periods 2014 | 2013 |
|---|-----------------|-------------------|----------------|-----------------------|--------|
| Local Government Industry Indicators - Consolidated | | | | | |
| 1(a). Operating Performance Ratio | | | | | |
| Total continuing operating revenue ⁽¹⁾ | | | | | |
| <u>(excl. Capital Grants & Contributions) - Operating Expenses</u> | <u>(1,852)</u> | -0.94% | >0% | -0.17% | 2.84% |
| Total continuing operating revenue ⁽¹⁾ (excl. Capital Grants & Contributions) | 196,420 | | | | |
| 1(b). Operating Performance Ratio (after removing accelerated depreciation on Parramatta Square buildings and Parramatta Stadium contribution) | | | | | |
| Total continuing operating revenue ⁽¹⁾ | | | | | |
| <u>(excl. Capital Grants & Contributions) - Operating Expenses</u> | <u>4,047</u> | 2.06% | | | |
| Total continuing operating revenue ⁽¹⁾ (excl. Capital Grants & Contributions) | 196,420 | | | | |
| 2. Own Source Operating Revenue Ratio | | | | | |
| Total continuing operating revenue ⁽¹⁾ | | | | | |
| <u>(excl. ALL Grants & Contributions)</u> | <u>176,682</u> | 80.11% | >60% | 83.17% | 82.51% |
| Total continuing operating revenue ⁽¹⁾ | 220,543 | | | | |
| 3. Unrestricted Current Ratio | | | | | |
| Current Assets less all External Restrictions ⁽²⁾ | 350,132 | 6.29x | 1.5:1 | 5.31 | 2.69 |
| Current Liabilities less Specific Purpose Liabilities ^(3, 4) | 55,701 | | | | |
| 4(a). Debt Service Cover Ratio | | | | | |
| Operating Result ⁽¹⁾ before capital excluding interest and depreciation / impairment / amortisation | 37,305 | 1.57x | 2:00 | 2.61 | 2.53 |
| Principal Repayments (from the Statement of Cash Flows) + Borrowing Costs (from the Income Statement) | 23,690 | | | | |
| 4(b). Debt Service Cover Ratio (after removing \$10M bullet repayment for Operations Centre loan) | | | | | |
| Operating Result ⁽¹⁾ before capital excluding interest and depreciation / impairment / amortisation | 37,305 | 2.72x | | | |
| Principal Repayments (from the Statement of Cash Flows) + Borrowing Costs (from the Income Statement) | 13,690 | | | | |
| 5. Rates, Annual Charges, Interest & Extra Charges Outstanding Percentage | | | | | |
| Rates, Annual and Extra Charges Outstanding | 3,947 | 3.00% | <5% | 3.30% | 2.76% |
| Rates, Annual and Extra Charges Collectible | 131,647 | | | | |
| 6. Cash Expense Cover Ratio | | | | | |
| Current Year's Cash and Cash Equivalents + All Term Deposits | 165,149 | 10.97 | >3 | 6.33 | 7.59 |
| Payments from cash flow of operating and financing activities | 15,048 | mths | | | |

Parramatta City Council

Notes to the Financial Statements for the financial year ended 30 June 2015

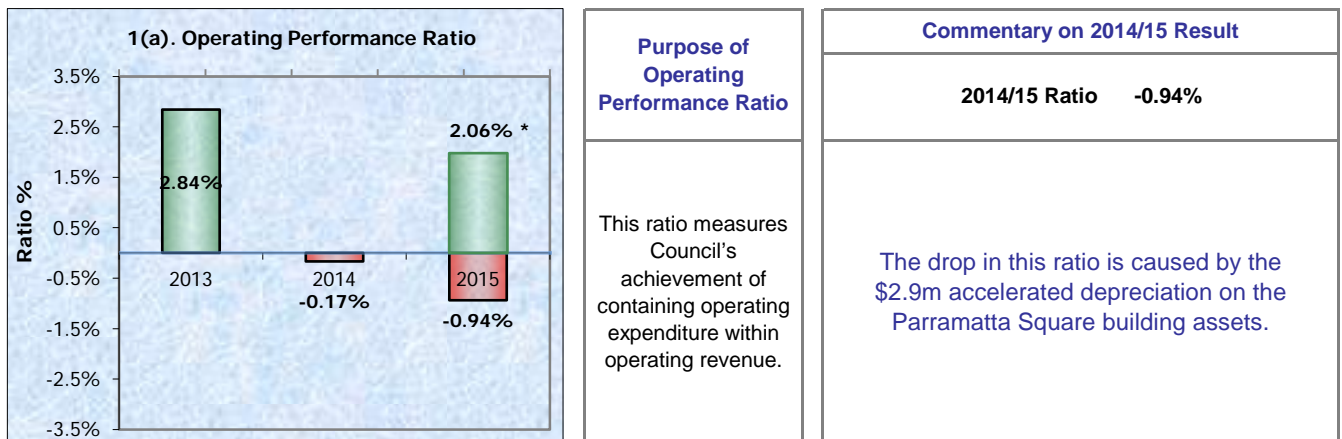
Note 13a(i). Statement of Performance Measurement - Indicators (Consolidated)

\$ '000

Notes to the ratios from the previous page

- (1) Excludes fair value adjustments and reversal of revaluation decrements, net gain/(loss) on sale of assets and the net share of interests in joint ventures & associates.
- (2) Refer Notes 6-8 inclusive.
Also excludes any real estate & land for resale not expected to be sold in the next 12 months
- (3) Refer to Note 10(a).
- (4) Refer to Note 10(a)(ii) - excludes all payables & provisions not expected to be paid in the next 12 months (incl. ELE).

Note 13a(ii). Local Government Industry Indicators - Graphs (Consolidated)

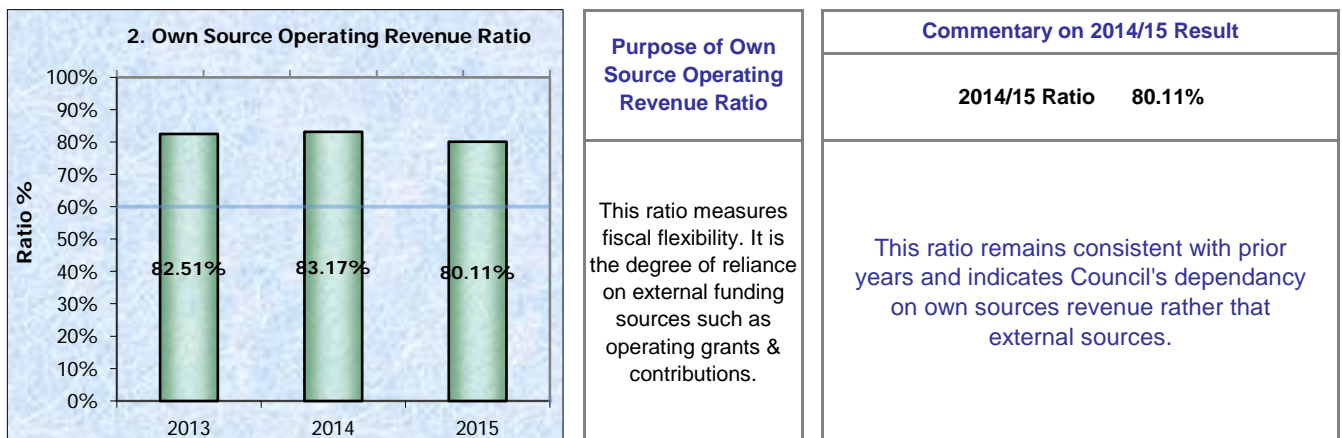


Benchmark: Minimum >=0.00%

* amended ratio

Ratio is within Benchmark
 Ratio is outside Benchmark

Source for Benchmark: Code of Accounting Practice and Financial Reporting #23



Benchmark: Minimum >=60.00%

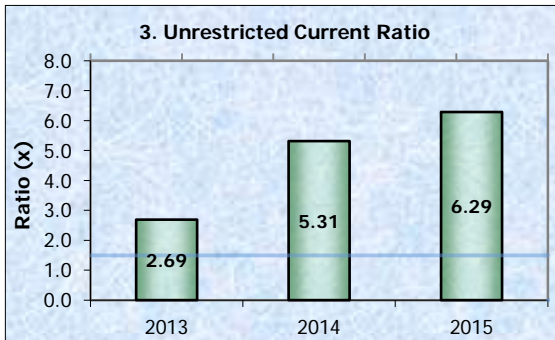
Ratio is within Benchmark
 Ratio is outside Benchmark

Source for Benchmark: Code of Accounting Practice and Financial Reporting #23

Parramatta City Council

Notes to the Financial Statements for the financial year ended 30 June 2015

Note 13a(ii). Local Government Industry Indicators - Graphs (Consolidated)



Purpose of Unrestricted Current Ratio

To assess the adequacy of working capital and its ability to satisfy obligations in the short term for the unrestricted activities of Council.

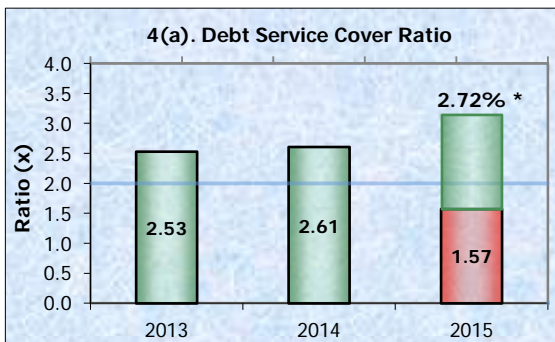
Commentary on 2014/15 Result

2014/15 Ratio 6.29x

This ratio has dropped in comparison to last year and is due to a reduction in assets held for resale.

Benchmark: Minimum ≥ 1.50
Source for Benchmark: Code of Accounting Practice and Financial Reporting #23

Ratio is within Benchmark
 Ratio is outside Benchmark



Purpose of Debt Service Cover Ratio

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

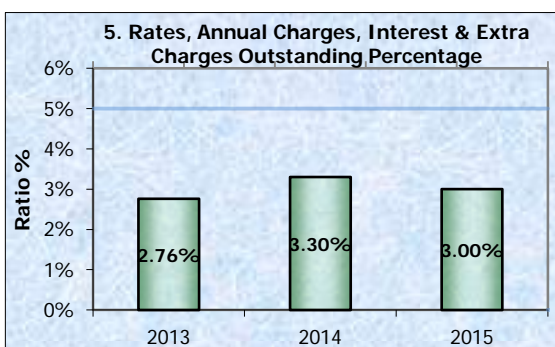
Commentary on 2014/15 Result

2014/15 Ratio 1.57x

The ratio has fallen below benchmark due to the \$10m bullet repayment of the Operations Centre bridging loan. The loan was funded from asset sales which aren't included in the operating result (the numerator in the ratio).

Benchmark: Minimum ≥ 2.00
Source for Benchmark: Code of Accounting Practice and Financial Reporting #23

* amended ratio
 Ratio is within Benchmark
 Ratio is outside Benchmark



Purpose of Rates & Annual Charges Outstanding Ratio

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

Commentary on 2014/15 Result

2014/15 Ratio 3.00%

This ratio has improved on last year and is reflective of payments received for a number of large outstanding from prior year debts.

Benchmark: Maximum $< 5.00\%$
Source for Benchmark: Code of Accounting Practice and Financial Reporting #23

Ratio is within Benchmark
 Ratio is outside Benchmark



Purpose of Cash Expense Cover Ratio

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

Commentary on 2014/15 Result

2014/15 Ratio 10.97 mths

This ratio indicates that Council has ample liquidity to cover its short term cash outlays and is above benchmark of 3.

Benchmark: Minimum ≥ 3.00
Source for Benchmark: Code of Accounting Practice and Financial Reporting #23

Ratio is within Benchmark
 Ratio is outside Benchmark

Parramatta City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 14. Investment Properties

\$ '000

Council has not classified any Land or Buildings as "Investment Properties"

Note 15. 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.

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

| | Carrying Value | | Fair Value | |
|------------------------------------|----------------|----------------|----------------|----------------|
| | 2015 | 2014 | 2015 | 2014 |
| Financial Assets | | | | |
| Cash and Cash Equivalents | 16,535 | 7,788 | 16,535 | 7,788 |
| Investments | | | | |
| - "Held for Trading" | 77,186 | 26,669 | 77,186 | 26,669 |
| - "Held to Maturity" | 148,614 | 74,115 | 148,614 | 74,115 |
| Receivables | 19,467 | 19,537 | 19,467 | 19,536 |
| Total Financial Assets | 261,802 | 128,109 | 261,802 | 128,108 |
| Financial Liabilities | | | | |
| Bank Overdraft | 275 | 266 | 275 | 266 |
| Payables | 29,882 | 25,398 | 29,882 | 25,398 |
| Loans / Advances | 80,498 | 92,896 | 83,214 | 93,307 |
| Total Financial Liabilities | 110,655 | 118,560 | 113,371 | 118,971 |

Fair Value is determined as follows:

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

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

Parramatta City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 15. Financial Risk Management (continued)

\$ '000

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

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

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

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

The risks associated with the investments held are:

- **Price Risk** - the risk that the capital value of Investments may fluctuate due to changes in market prices, whether 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.
- **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.

Council also seeks advice from independent advisers before placing any funds in Cash Equivalents & Investments.

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

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

| | Increase of Values/Rates | | Decrease of Values/Rates | |
|--|--------------------------|--------|--------------------------|---------|
| | Profit | Equity | Profit | Equity |
| 2015 | | | | |
| Possible impact of a 10% movement in Market Values | 7,719 | 7,719 | (7,719) | (7,719) |
| Possible impact of a 1% movement in Interest Rates | 1,651 | 1,651 | (1,651) | (1,651) |
| 2014 | | | | |
| Possible impact of a 10% movement in Market Values | 2,667 | 2,667 | (2,667) | (2,667) |
| Possible impact of a 1% movement in Interest Rates | 819 | 819 | (819) | (819) |

Parramatta City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 15. Financial Risk Management (continued)

\$ '000

(b) Receivables

Council's major receivables comprise **(i)** Rates & Annual charges and **(ii)** User Charges & Fees.

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

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

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

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

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

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

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

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

| | 2015 Rates & Annual Charges | 2015 Other Receivables | 2014 Rates & Annual Charges | 2014 Other Receivables |
|--------------------------------------|--------------------------------------|------------------------------|--------------------------------------|------------------------------|
| (i) Ageing of Receivables - % | | | | |
| Current (not yet overdue) | 0% | 91% | 0% | 92% |
| Overdue | 100% | 9% | 100% | 8% |
| | 100% | 100% | 100% | 100% |

| | | 2015 Rates & Annual Charges | 2015 Other Receivables | 2014 Rates & Annual Charges | 2014 Other Receivables |
|---|--------------------------|--------------------------------------|------------------------------|--------------------------------------|------------------------------|
| (ii) Ageing of Receivables - value | | | | | |
| Rates & Annual Charges | Other Receivables | | | | |
| Current | Current | - | 14,852 | - | 14,670 |
| < 1 year overdue | 0 - 30 days overdue | 1,099 | 450 | 1,162 | 447 |
| 1 - 2 years overdue | 30 - 60 days overdue | 2,160 | 259 | 2,284 | 70 |
| 2 - 5 years overdue | 60 - 90 days overdue | 536 | 127 | 567 | 168 |
| > 5 years overdue | > 90 days overdue | 215 | 681 | 227 | 507 |
| | | 4,010 | 16,369 | 4,240 | 15,862 |

| | 2015 | 2014 |
|--|------------|------------|
| (iii) Movement in Provision for Impairment of Receivables | | |
| Balance at the beginning of the year | 565 | 339 |
| + new provisions recognised during the year | 590 | 243 |
| - amounts already provided for & written off this year | (132) | (17) |
| - amounts provided for but recovered during the year | (111) | - |
| Balance at the end of the year | 912 | 565 |

Parramatta City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 15. Financial Risk Management (continued)

\$ '000

(c) Payables & Borrowings

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

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

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

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

| \$ '000 | Subject to no maturity | payable in: | | | | | | Total Cash Outflows | Actual Carrying Values |
|------------------------------------|------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------------|------------------------|
| | | ≤ 1 Year | 1-2 Yrs | 2-3 Yrs | 3-4 Yrs | 4-5 Yrs | > 5 Yrs | | |
| 2015 | | | | | | | | | |
| Bank Overdraft | 275 | - | - | - | - | - | - | 275 | 275 |
| Trade/Other Payables | 5,745 | 24,137 | - | - | - | - | - | 29,882 | 29,882 |
| Loans & Advances | - | 14,226 | 14,526 | 13,672 | 11,340 | 10,597 | 33,565 | 97,926 | 80,498 |
| Total Financial Liabilities | 6,020 | 38,363 | 14,526 | 13,672 | 11,340 | 10,597 | 33,565 | 128,083 | 110,655 |
| 2014 | | | | | | | | | |
| Bank Overdraft | 266 | - | - | - | - | - | - | 266 | 266 |
| Trade/Other Payables | 3,816 | 21,582 | - | - | - | - | - | 25,398 | 25,398 |
| Loans & Advances | - | 14,201 | 23,565 | 13,682 | 12,829 | 10,497 | 38,883 | 113,657 | 92,896 |
| Total Financial Liabilities | 4,082 | 35,783 | 23,565 | 13,682 | 12,829 | 10,497 | 38,883 | 139,321 | 118,560 |

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

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

| | 2015 | | 2014 | |
|--|----------------|-----------------------|----------------|-----------------------|
| | Carrying Value | Average Interest Rate | Carrying Value | Average Interest Rate |
| Bank Overdraft | 275 | 8.4% | 266 | 8.9% |
| Trade/Other Payables | 29,882 | | 25,398 | |
| Loans & Advances - Fixed Interest Rate | 80,498 | 5.2% | 92,896 | 5.2% |
| | <u>110,655</u> | | <u>118,560</u> | |

Parramatta City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 16. Material Budget Variations

\$ '000

Council's Original Financial Budget for 14/15 was adopted by the Council on 23 June 2014.

While the Income Statement included in this General Purpose Financial Report must disclose the Original Budget adopted by Council, the Local Government Act requires Council to review its Financial Budget on a Quarterly Basis, so that it is able to manage the various variations between actuals versus budget that invariably occur throughout the year.

This Note sets out the details of MATERIAL VARIATIONS between Council's Original Budget and its Actual results for the year as per the Income Statement - even though such variations may have been adjusted for during each Quarterly Budget Review.

Note that for Variations* of Budget to Actual :

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

F = Favourable Budget Variation, **U** = Unfavourable Budget Variation

| \$ '000 | 2015 Budget | 2015 Actual | 2015 ----- Variance* ----- | |
|--|----------------|----------------|-------------------------------|----------------|
| REVENUES | | | | |
| Rates & Annual Charges | 125,844 | 126,982 | 1,138 | 1% F |
| User Charges & Fees | 28,318 | 33,181 | 4,863 | 17% F |
| This is due to additional revenue in discretionary fees which are \$1.1m above budget due to increased development activity, swimming centres (\$329k favourable) and Riverside Theatres (\$352k favourable). | | | | |
| Interest & Investment Revenue | 5,436 | 7,729 | 2,293 | 42% F |
| Favourable variance driven by a significant increase in the base investment portfolio related to the sale of Bartlett Park. This resulted in increased interest income despite the lower interest rates environment. | | | | |
| Other Revenues | 10,083 | 8,716 | (1,367) | (14%) U |
| Unfavourable variance was due to \$1.4m reduction in parking fine revenue, parking seins and other fines (26%) below budget. This was due to a number of vacant positions in Regulatory area not filled during the financial year and changes to business practices. | | | | |

(continued on next page)

Parramatta City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 16. Material Budget Variations (continued)

| \$ '000 | 2015 Budget | 2015 Actual | 2015 ----- Variance* ----- | |
|---|-----------------|-----------------|-------------------------------|--------------------|
| REVENUES (continued) | | | | |
| Operating Grants & Contributions | 18,754 | 19,738 | 984 | 5% F |
| Capital Grants & Contributions | 14,770 | 24,123 | 9,353 | 63% F |
| Capital grants were above budget due to additional RMS grants for capital projects. S94 contributions were \$8.5m, 142% higher than budget. Significant S94 contributions were received during the year including an additional \$3m from VCrown, the development on Marsden Street, \$3.25m for Parramatta Square Stage 1, the development of 169 Macquarie Street and Leightons developments at River Road Parramatta \$0.8m. | | | | |
| Net Gains from Disposal of Assets | - | 595 | 595 | 0% F |
| Net gain from asset sales was \$595k. This was achieved through the sale of surplus sites, Morton Street Depot and Parramatta Square Stage 1 (Macquarie House and Smith Street Car park) \$773k and disposal of plant and equipment \$298k less losses mainly through the disposal of old parking meters \$476k. | | | | |
| Joint Ventures & Associates - Net Profits | - | 484 | 484 | 0% F |
| This relates to Council's share in Westpool net profits for 2014/15 which aren't budgetted for. | | | | |
| EXPENSES | | | | |
| Employee Benefits & On-Costs | 81,763 | 83,485 | (1,722) | (2%) U |
| Borrowing Costs | 4,418 | 4,292 | 126 | 3% F |
| Materials & Contracts | 36,395 | 40,919 | (4,524) | (12%) U |
| Materials: Increased promotional, event and advertising activity with the newly created Marketing and City Identity Group particularly in relation to the new "Branding the City" project resulted in a \$0.3m increase in material costs. | | | | |
| Contracts: Consultancy costs were \$2.1m higher than the original budget with \$1.0m for accelerating the CBD Planning Framework project and \$200k costs around the fit-for-the-future program. | | | | |
| Depreciation & Amortisation | 31,241 | 34,865 | (3,624) | (12%) U |
| This is mainly due to the one off building depreciation write-off for the Parramatta Square buildings scheduled for demolition. | | | | |
| Other Expenses | 34,164 | 34,711 | (547) | (2%) U |
| Budget Variations relating to Council's Cash Flow Statement include: | | | | |
| Cash Flows from Operating Activities | 47,243 | 64,170 | 16,927 | 35.8% F |
| This is due to an excess of cash received for revenue items of \$18.4m. Material items are identified above. | | | | |
| Cash Flows from Investing Activities | (47,979) | (43,034) | 4,945 | (10.3%) F |
| Cash Flows from Financing Activities | 734 | (12,398) | (13,132) | (1789.1%) U |
| This is due to the early repayment of the \$10m operations centre loan and general purpose borrowings of \$3.1m were not taken up. | | | | |

Parramatta City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 17. Statement of Developer Contributions

\$ '000

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

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

SUMMARY OF CONTRIBUTIONS & LEVIES

| PURPOSE | Opening Balance | Contributions received during the Year | | Interest earned in Year | Expenditure during Year | Internal Borrowing (to)/from | Held as Restricted Asset | Projections | | | Cumulative Internal Borrowings due/(payable) |
|---------------------------------|-----------------|--|----------|-------------------------|-------------------------|------------------------------|--------------------------|---------------|-----------------------|-------------------------|--|
| | | Cash | Non Cash | | | | | Future income | Exp still outstanding | Over or (under) Funding | |
| Open Space | 403 | - | - | 17 | - | - | 420 | 72 | (492) | - | - |
| Community Facilities | 2,493 | 384 | - | 114 | (17) | - | 2,974 | 16,936 | (19,910) | - | - |
| Traffic and Parking | 2,957 | - | - | 122 | (187) | - | 2,892 | - | (2,892) | - | - |
| Traffic and Transport | 979 | - | - | 29 | (644) | - | 364 | - | (364) | - | - |
| Plan Management | 487 | 23 | - | 18 | (175) | - | 353 | 317 | (670) | - | - |
| Nth Wentworthville Drainage | 6 | 6 | - | - | - | (12) | - | 236 | (236) | - | - |
| Community Care | 240 | 144 | - | 9 | (191) | (202) | - | - | - | - | - |
| Culture and Leisure | 2,595 | 2,894 | - | 121 | (2,390) | (3,213) | 7 | - | (7) | - | - |
| City Development | 1,611 | 1,071 | - | 79 | (579) | (2,181) | 1 | - | (1) | - | - |
| Environment | 489 | 625 | - | 22 | (563) | (571) | 2 | - | (2) | - | - |
| Roads, Paths, Access | 4,712 | 2,074 | - | 230 | (710) | (6,306) | - | - | - | - | - |
| Councils OnLine | 404 | 274 | - | 19 | (184) | - | 513 | 52 | (565) | - | - |
| Public Domain Projects | 2,710 | 748 | - | 73 | (2,758) | - | 773 | 32,509 | (33,282) | - | - |
| River Foreshore Park | 153 | 288 | - | 7 | (248) | - | 200 | 14,003 | (14,203) | - | - |
| Arts and Cultural Facility | 3,631 | 575 | - | 164 | (152) | (802) | 3,416 | 25,630 | (29,046) | - | 802 |
| Aquatic Leisure Centre | 1,854 | 480 | - | 24 | (3,076) | 718 | - | - | - | - | (718) |
| Historic Buildings Conservation | 131 | 96 | - | 1 | (312) | 84 | - | - | - | - | (84) |

(continued on the next page...)

Parramatta City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 17. Statement of Developer Contributions

\$ '000

SUMMARY OF CONTRIBUTIONS & LEVIES (continued)

| PURPOSE | Opening Balance | Contributions received during the Year | | Interest earned in Year | Expenditure during Year | Internal Borrowing (to)/from | Held as Restricted Asset | Projections | | | Cumulative Internal Borrowings due/(payable) |
|---|-----------------|--|----------|-------------------------|-------------------------|------------------------------|--------------------------|----------------|-----------------------|-------------------------|--|
| | | Cash | Non Cash | | | | | Future income | Exp still outstanding | Over or (under) Funding | |
| Car Park Enhancements | 354 | 96 | - | 13 | (207) | - | 256 | - | (256) | - | - |
| Access and Transport | 4,625 | 570 | - | 179 | (1,388) | - | 3,986 | - | (3,986) | - | - |
| Ermington Traffic and Pedestrian | 197 | - | - | 8 | (12) | - | 193 | - | (193) | - | - |
| Community Facilities (A) | - | 18 | - | - | - | 416 | 434 | 8,565 | (8,999) | - | - |
| Drainage, Water Quality & New Infra T/T | - | 10 | - | - | - | 1,084 | 1,094 | 4,166 | (5,260) | - | - |
| Natural Environment | - | 3 | - | - | - | 941 | 944 | 585 | (1,529) | - | - |
| Open Space and Recreation | - | 38 | - | 1 | - | 3,049 | 3,088 | 11,607 | (14,695) | - | - |
| Public Domain | - | 7 | - | - | - | 3,525 | 3,532 | 667 | (4,199) | - | - |
| Roads and Shared Paths | - | 13 | - | - | - | 3,470 | 3,483 | 4,319 | (7,802) | - | - |
| Parramatta Square Public Domain and Com Fac | - | 3,255 | - | 56 | (556) | - | 2,755 | - | (2,755) | - | - |
| Parramatta River Pedestrian Crossing | - | 389 | - | - | - | - | 389 | - | (389) | - | - |
| Local Road Works River Road West | - | 156 | - | - | - | - | 156 | - | (156) | - | - |
| S94 Contributions - under a Plan | 31,031 | 14,237 | - | 1,306 | (14,349) | - | 32,225 | 119,664 | (151,889) | - | - |
| Total S94 Revenue Under Plans | 31,031 | 14,237 | - | 1,306 | (14,349) | - | 32,225 | | | | - |
| Total Contributions | 31,031 | 14,237 | - | 1,306 | (14,349) | - | 32,225 | 119,664 | (151,889) | - | - |

Parramatta City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 17. Statement of Developer Contributions (continued)

\$ '000

S94 CONTRIBUTIONS - UNDER A PLAN

PARRAMATTA S 94 CONTRIBUTION PLAN NUMBER 1

| PURPOSE | Opening Balance | Contributions received during the Year | | Interest earned in Year | Expenditure during Year | Internal Borrowing (to)/from | Held as Restricted Asset | Projections | | | Cumulative Internal Borrowings due/(payable) |
|---------------------|-----------------|--|----------|-------------------------|-------------------------|------------------------------|--------------------------|---------------|-----------------------|-------------------------|--|
| | | Cash | Non Cash | | | | | Future income | Exp still outstanding | Over or (under) Funding | |
| Traffic and Parking | 2,957 | - | - | 122 | (187) | - | 2,892 | - | (2,892) | - | - |
| Total | 2,957 | - | - | 122 | (187) | - | 2,892 | - | (2,892) | - | - |

PARRAMATTA COMPREHENSIVE SECTION 94 CONTRIBUTION PLAN

| PURPOSE | Opening Balance | Contributions received during the Year | | Interest earned in Year | Expenditure during Year | Transfers Between Items | Held as Restricted Asset | Projections | | | Cumulative Internal Borrowings due/(payable) |
|-----------------------------|-----------------|--|----------|-------------------------|-------------------------|-------------------------|--------------------------|---------------|-----------------------|-------------------------|--|
| | | Cash | Non Cash | | | | | Future income | Exp still outstanding | Over or (under) Funding | |
| Open Space | 403 | - | - | 17 | - | - | 420 | 72 | (492) | - | - |
| Traffic and Transport | 979 | - | - | 29 | (644) | - | 364 | - | (364) | - | - |
| Plan Management | 487 | 23 | - | 18 | (175) | - | 353 | 317 | (670) | - | - |
| Nth Wentworthville Drainage | 6 | 6 | - | - | - | (12) | - | 236 | (236) | - | - |
| Total | 1,875 | 29 | - | 64 | (819) | (12) | 1,137 | 625 | (1,762) | - | - |

Parramatta City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 17. Statement of Developer Contributions (continued)

\$ '000

S94 CONTRIBUTIONS - UNDER A PLAN

PARRAMATTA COMPREHENSIVE SECTION 94A CONTRIBUTION PLAN (NON CITY CENTRE)

| PURPOSE | Opening Balance | Contributions received during the Year | | Interest earned in Year | Expenditure during Year | Transfers Between Items | Held as Restricted Asset | Projections | | | Cumulative Internal Borrowings due/(payable) |
|--|-----------------|--|----------|-------------------------|-------------------------|-------------------------|--------------------------|---------------|-----------------------|-------------------------|--|
| | | Cash | Non Cash | | | | | Future income | Exp still outstanding | Over or (under) Funding | |
| Community Care | 240 | 144 | - | 9 | (191) | (202) | - | - | - | - | - |
| Culture and Leisure | 2,595 | 2,894 | - | 121 | (2,390) | (3,213) | 7 | - | (7) | - | - |
| City Development | 1,611 | 1,071 | - | 79 | (579) | (2,181) | 1 | - | (1) | - | - |
| Environment | 489 | 625 | - | 22 | (563) | (571) | 2 | - | (2) | - | - |
| Roads, Paths, Access | 4,712 | 2,074 | - | 230 | (710) | (6,306) | - | - | - | - | - |
| Councils OnLine | 404 | 274 | - | 19 | (184) | - | 513 | 52 | (565) | - | - |
| Community Facilities (A) | - | 18 | - | - | - | 416 | 434 | 8,565 | (8,999) | - | - |
| Drainage, Water Quality & Newy Infra T/T | - | 10 | - | - | - | 1,084 | 1,094 | 4,166 | (5,260) | - | - |
| Natural Environment | - | 3 | - | - | - | 941 | 944 | 585 | (1,529) | - | - |
| Open Space and Recreation | - | 38 | - | 1 | - | 3,049 | 3,088 | 11,607 | (14,695) | - | - |
| Public Domain | - | 7 | - | - | - | 3,525 | 3,532 | 667 | (4,199) | - | - |
| Roads and Shared Paths | - | 13 | - | - | - | 3,470 | 3,483 | 4,319 | (7,802) | - | - |
| Total | 10,051 | 7,171 | - | 481 | (4,617) | 12 | 13,098 | 29,961 | (43,059) | - | - |

Parramatta City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 17. Statement of Developer Contributions (continued)

\$ '000

S94 CONTRIBUTIONS - UNDER A PLAN

PARRAMATTA COMPREHENSIVE SECTION 94A CONTRIBUTION PLAN (CIVIC IMPROVEMENT)

| PURPOSE | Opening Balance | Contributions received during the Year | | Interest earned in Year | Expenditure during Year | Internal Borrowing (to)/from | Held as Restricted Asset | Projections | | | Cumulative Internal Borrowings due/(payable) |
|---|-----------------|--|----------|-------------------------|-------------------------|------------------------------|--------------------------|---------------|-----------------------|-------------------------|--|
| | | Cash | Non Cash | | | | | Future income | Exp still outstanding | Over or (under) Funding | |
| Community Facilities | 2,493 | 384 | - | 114 | (17) | - | 2,974 | 16,936 | (19,910) | - | - |
| Public Domain Projects | 2,710 | 748 | - | 73 | (2,758) | - | 773 | 32,509 | (33,282) | - | - |
| River Foreshore Park | 153 | 288 | - | 7 | (248) | - | 200 | 14,003 | (14,203) | - | - |
| Arts and Cultural Facility | 3,631 | 575 | - | 164 | (152) | (802) | 3,416 | 25,630 | (29,046) | - | 802 |
| Aquatic Leisure Centre | 1,854 | 480 | - | 24 | (3,076) | 718 | - | - | - | - | (718) |
| Historic Buildings Conservation | 131 | 96 | - | 1 | (312) | 84 | - | - | - | - | (84) |
| Car Park Enhancements | 354 | 96 | - | 13 | (207) | - | 256 | - | (256) | - | - |
| Access and Transport | 4,625 | 570 | - | 179 | (1,388) | - | 3,986 | - | (3,986) | - | - |
| Parramatta Square Public Domain and Com Fac | - | 3,255 | - | 56 | (556) | - | 2,755 | - | (2,755) | - | - |
| Total | 15,951 | 6,492 | - | 631 | (8,714) | - | 14,360 | 89,078 | (103,438) | - | - |

ERMINGTON TRAFFIC AND PEDESTRIAN WORKS

| PURPOSE | Opening Balance | Contributions received during the Year | | Interest earned in Year | Expenditure during Year | Internal Borrowing (to)/from | Held as Restricted Asset | Projections | | | Cumulative Internal Borrowings due/(payable) |
|----------------------------------|-----------------|--|----------|-------------------------|-------------------------|------------------------------|--------------------------|---------------|-----------------------|-------------------------|--|
| | | Cash | Non Cash | | | | | Future income | Exp still outstanding | Over or (under) Funding | |
| Ermington Traffic and Pedestrian | 197 | - | - | 8 | (12) | - | 193 | - | (193) | - | - |
| Total | 197 | - | - | 8 | (12) | - | 193 | - | (193) | - | - |

VOLUNTARY PLANNING AGREEMENTS

| PURPOSE | Opening Balance | Contributions received during the Year | | Interest earned in Year | Expenditure during Year | Internal Borrowing (to)/from | Held as Restricted Asset | Projections | | | Cumulative Internal Borrowings due/(payable) |
|--------------------------------------|-----------------|--|----------|-------------------------|-------------------------|------------------------------|--------------------------|---------------|-----------------------|-------------------------|--|
| | | Cash | Non Cash | | | | | Future income | Exp still outstanding | Over or (under) Funding | |
| Parramatta River Pedestrian Crossing | - | 389 | - | - | - | - | 389 | - | (389) | - | - |
| Local Road Works River Road West | - | 156 | - | - | - | - | 156 | - | (156) | - | - |
| Total | - | 545 | - | - | - | - | 545 | - | (545) | - | - |

Parramatta City Council

Notes to the Financial Statements for the financial year ended 30 June 2015

Note 18. Contingencies & Other Assets/Liabilities Not Recognised

\$ '000

Superannuation

Council contributes to the Local Government Superannuation Scheme which has a closed section where a portion of member entitlements are defined as a multiple of salary. Member councils bear the responsibility of ensuring there are sufficient monies available to pay out benefits as these members cease employment. Council's deficit of assets over liabilities totals \$1.887m as at 30 June 2015. Council continues to make significantly higher contributions to help reduce this deficit.

Various Legal Cases

As at year end, Council's solicitors were handling a number of matters, an estimate of potential future legal costs are:

Land and Environment Court total \$162k.

Other legal contingencies total \$1.492m.

Fit for the Future

The recommendations of the Independent Local Government Review (ILGRP) panel was a merger of Parramatta, Auburn, Holroyd, the Western part of Ryde and the North Parramatta area of The Hills to form a new council. Council attempted to consider the proposed merger as set out by the panel however there has been no support from neighbouring councils to consider this proposed merger and as such Parramatta was unable to undertake a detailed analysis on this potential option.

Parramatta did undertake a standalone analysis and was able to meet the seven Fit for the Future benchmarks and demonstrated strategic capability to meet the needs of our community. In addition to the standalone analysis Parramatta submitted an alternative proposal for the NSW Government to consider, centred on the formation of a larger Council serving the Parramatta economic region.

Parramatta City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 19. Interests in Other Entities

\$ '000

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

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

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

Controlled Entities (Subsidiaries)

Note 19(a)

Operational arrangements where Council's control (but not necessarily interest) exceeds 50%.

Joint Ventures & Associates

Note 19(b)

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

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

Joint Operations

Note 19(c)

Operational arrangements where the parties that have joint control have rights to specific assets and obligations for specific liabilities relating to the arrangement rather than a right to the net assets of the arrangement.

Unconsolidated Structured Entities

Note 19(d)

Unconsolidated Structured Entities represent "special vehicles" that Council has an interest in but which are not controlled by Council and therefore not consolidated as a Subsidiary, Joint Arrangement or Associate. Attributes of Structured Entities include restricted activities, a narrow and well-defined objective and insufficient equity to finance its activities without financial support.

Subsidiaries, Joint Arrangements and Associates not recognised

Note 19(e)

Accounting Recognition:

(i) Subsidiaries disclosed under Note 19(a) and Joint Operations disclosed at Note 19(c) are accounted for on a "line by line" consolidation basis within the Income Statement and Statement of Financial Position.

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

| | Council's Share of Net Income | | Council's Share of Net Assets | |
|----------------|-------------------------------|----------------|-------------------------------|----------------|
| | Actual 2015 | Actual 2014 | Actual 2015 | Actual 2014 |
| Joint Ventures | 484 | 133 | 4,468 | 4,052 |
| Associates | - | - | - | - |
| Total | 484 | 133 | 4,468 | 4,052 |

Parramatta City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 19. Interests in Other Entities (continued)

\$ '000

(a) Controlled Entities (Subsidiaries) - being entities & operations controlled by Council

Council has no interest in any Controlled Entities (Subsidiaries).

(b) Joint Ventures and Associates

Council has incorporated the following Joint Ventures and Associates into its consolidated Financial Statements.

(a) Net Carrying Amounts - Council's Share

| Name of Entity | Nature of Relationship | Measurement Method | 2015 | 2014 |
|--|------------------------|--------------------|--------------|--------------|
| Westpool and UIP | Joint Venture | Equity Method | 4,468 | 4,052 |
| Total Carrying Amounts - Material Joint Ventures and Associates | | | 4,468 | 4,052 |

(b) Details

| Name of Entity | Principal Activity |
|------------------|---|
| Westpool and UIP | Management of public liability and property insurance |

(c) Relevant Interests & Fair Values

| Name of Entity | Interest in Outputs | | Interest in Ownership | |
|------------------|---------------------|------|-----------------------|-------|
| | 2015 | 2014 | 2015 | 2014 |
| Westpool and UIP | 16.4% | 2.7% | 11.9% | 11.6% |

(d) Summarised Financial Information for Joint Ventures & Associates

| | Westpool and UIP | |
|--|------------------|---------------|
| | 2015 | 2014 |
| Statement of Financial Position | | |
| Current Assets | | |
| Cash and Cash Equivalents | 14,711 | 37,198 |
| Total Current Assets | 14,711 | 37,198 |
| Non-Current Assets | 54,249 | 24,701 |
| Current Liabilities | | |
| Financial Liabilities (excl. Accounts Payable) | 6,550 | 5,243 |
| Total Current Liabilities | 6,550 | 5,243 |
| Non-Current Liabilities | 24,948 | 21,738 |
| Net Assets | 37,462 | 34,918 |
| Reconciliation of the Carrying Amount | | |
| Opening Net Assets (1 July) | 34,918 | 29,997 |
| Profit/(Loss) for the period | 2,544 | 4,921 |
| Closing Net Assets | 37,462 | 34,918 |
| Council's share of Net Assets (%) | 11.9% | 11.6% |
| Council's share of Net Assets (\$) | 4,468 | 4,052 |

Parramatta City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 19. Interests in Other Entities (continued)

\$ '000

(b) Joint Ventures and Associates (continued)

(d) Summarised Financial Information for Joint Ventures & Associates (continued)

| | Westpool and UIP | |
|---|------------------|--------------|
| | 2015 | 2014 |
| Statement of Comprehensive Income | | |
| Income | 18,864 | 18,471 |
| Interest Income | 388 | 309 |
| Other Expenses | (16,708) | (13,859) |
| Profit/(Loss) from Continuing Operations | 2,544 | 4,921 |
| Profit/(Loss) for Period | 2,544 | 4,921 |
| Total Comprehensive Income | 2,544 | 4,921 |
| Council's share of Income (%) | 16.4% | 2.7% |
| Council's share of Profit/(Loss) (\$) | 484 | 133 |
| Council's share of Comprehensive Income (\$) | 484 | 133 |

(c) Joint Operations

Council has no interest in any Joint Operations.

(d) Unconsolidated Structured Entities

Council has no Unconsolidated Structured Entities

(e) Subsidiaries, Joint Arrangements & Associates not recognised

None.

Parramatta City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 20. Equity - Retained Earnings and Revaluation Reserves

| \$ '000 | Notes | Actual 2015 | Actual 2014 |
|--|-------|-------------------------|-------------------------|
| (a) Retained Earnings | | | |
| Movements in Retained Earnings were as follows: | | | |
| Balance at beginning of Year (from previous years audited accounts) | | 992,051 | 971,354 |
| a. Net Operating Result for the Year | | 23,276 | 20,698 |
| b. Correction of Prior Year Depreciation | | 229,345 | - |
| Balance at End of the Reporting Period | | <u>1,244,672</u> | <u>992,052</u> |
| (b) Reserves | | | |
| (i) Reserves are represented by: | | | |
| - Infrastructure, Property, Plant & Equipment Revaluation Reserve | | 4,059,023 | 2,849,342 |
| Total | | <u>4,059,023</u> | <u>2,849,342</u> |
| (ii) Reconciliation of movements in Reserves: | | | |
| Infrastructure, Property, Plant & Equipment Revaluation Reserve | | | |
| - Opening Balance | | 2,849,342 | 2,726,129 |
| - Revaluations for the year (I,PP&E) | 9(a) | 1,209,735 | 108,228 |
| - Revaluations for the year (Non Current Assets "Held for Sale") | 22 | (54) | 14,985 |
| - Balance at End of Year | | <u>4,059,023</u> | <u>2,849,342</u> |
| TOTAL VALUE OF RESERVES | | <u>4,059,023</u> | <u>2,849,342</u> |

(iii) Nature & Purpose of Reserves

Infrastructure, Property, Plant & Equipment Revaluation Reserve

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

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

The adjustment is due to a correction of prior year depreciation expense as a result of the asset revaluation. In assessing the depreciation and useful life of Council's infrastructure assets, Council's valuers' Assetic Pty. Ltd. have used a condition based, instead of a age based consumption rate which has been used in past years. As a result a \$229m adjustment has been made to equity which represents over depreciation in this class of assets.

(d) Voluntary Changes in Accounting Policies

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

Parramatta City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 21. Financial Result & Financial Position by Fund

\$ '000

Council utilises only a General Fund for its operations.

Note 22. "Held for Sale" Non Current Assets & Disposal Groups

| \$ '000 | 2015 Current | 2015 Non Current | 2014 Current | 2014 Non Current |
|--|-----------------------|---------------------|-----------------------|---------------------|
| (i) Non Current Assets & Disposal Group Assets | | | | |
| Non Current Assets "Held for Sale" | | | | |
| Land and Buildings | 146,055 | - | 191,409 | - |
| Total Non Current Assets "Held for Sale" | 146,055 | - | 191,409 | - |
| Disposal Group Assets "Held for Sale" | | | | |
| None | | | | |
| <u>TOTAL NON CURRENT ASSETS CLASSIFIED AS "HELD FOR SALE"</u> | <u>146,055</u> | <u>-</u> | <u>191,409</u> | <u>-</u> |

(ii) Details of Assets & Disposal Groups

Various land and building assets to be sold in 2014/15.

| \$ '000 | Assets "Held for Sale" | |
|--|------------------------|-----------------------|
| | 2015 | 2014 |
| (iii) Reconciliation of Non Current Assets "Held for Sale" & Disposal Groups - i.e. Discontinued Operations | | |
| Opening Balance | 191,409 | 44,795 |
| Revaluation of opening balance | (54) | 14,985 |
| less: Carrying Value of Assets/Operations Sold | (184,303) | (2,545) |
| Balance still unsold after 12 months: | 7,052 | 57,235 |
| less: Assets no longer classified as "Held for Sale" | (2,052) | (3,769) |
| plus New Transfers in: | | |
| - Assets "Held for Sale" | 141,055 | 137,943 |
| Closing Balance of "Held for Sale" Non Current Assets & Operations | <u>146,055</u> | <u>191,409</u> |

Refer to Note 27 - Fair Value Measurement for fair value measurement information.

Parramatta City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 23. Events occurring after the Reporting Date

\$ '000

Events that occur between the end of the reporting period (ending 30 June 2015) and the date when the financial statements are "authorised for issue" have been taken into account in preparing these statements.

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

Accordingly, the "authorised for issue" date is 26/10/15.

Events that occur after the Reporting Period represent one of two types:

(i) Events that provide evidence of conditions that existed at the Reporting Period

These financial statements (and the figures therein) incorporate all "adjusting events" that provided evidence of conditions that existed at 30 June 2015.

(ii) Events that provide evidence of conditions that arose after the Reporting Period

These financial statements (& figures therein) do not incorporate any "non-adjusting events" that have occurred after 30 June 2015 and which are only indicative of conditions that arose after 30 June 2015.

Council is aware of the following "non-adjusting events" that merit disclosure;

In August 2015, Council entered into a contractual agreement with Walker Group for the development and future sale of the land identified as PS2 and PS5&6. Final settlement and land title transfer on the PS2 site is not expected until 2020 and is linked to the settlement of residential apartments. Settlement and title transfer of PS5&6 is not expected to occur until early 2017 or on substantial commencement of building works.

Note 24. Discontinued Operations

Council has not classified any of its Operations as "Discontinued".

Parramatta City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 25. Intangible Assets

| \$ '000 | Actual 2015 | Actual 2014 |
|---|---------------------|---------------------|
| Intangible Assets represent identifiable non-monetary asset without physical substance. | | |
| Intangible Assets are as follows; | | |
| Opening Values: | | |
| Gross Book Value (1/7) | 7,164 | 6,915 |
| Accumulated Amortisation (1/7) | (3,058) | (2,141) |
| Accumulated Impairment (1/7) | - | - |
| Net Book Value - Opening Balance | 4,106 | 4,774 |
| Movements for the year | | |
| - Purchases | 674 | 249 |
| - Amortisation charges | (1,062) | (917) |
| Closing Values: | | |
| Gross Book Value (30/6) | 7,838 | 7,164 |
| Accumulated Amortisation (30/6) | (4,120) | (3,058) |
| Accumulated Impairment (30/6) | - | - |
| <u>TOTAL INTANGIBLE ASSETS - NET BOOK VALUE</u> ¹ | <u>3,718</u> | <u>4,106</u> |

¹ The Net Book Value of Intangible Assets represent:

| | | |
|--|---------------------|---------------------|
| - CITSR - Corporate IT Systems Replacement | 3,718 | 4,106 |
| | <u>3,718</u> | <u>4,106</u> |

Note 26. Reinstatement, Rehabilitation & Restoration Liabilities

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

Parramatta City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 27. Fair Value Measurement

\$ '000

The Council measures the following asset and liability classes at fair value on a recurring basis:

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

During the reporting period, Council has also fair value measured the following assets on a non-recurring basis:

- Non Current Assets classified as "Held for Sale"

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

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

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

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

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

(1) The following table presents all assets and liabilities that have been measured & recognised at fair values:

| 2015 | Date of latest Valuation | Fair Value Measurement Hierarchy | | | Total |
|--|--------------------------------|---|--|--|------------------|
| | | Level 1 Quoted prices in active mkts | Level 2 Significant observable inputs | Level 3 Significant unobservable inputs | |
| Recurring Fair Value Measurements | | | | | |
| Financial Assets | | | | | |
| Investments | | | | | |
| - "Held for Trading" | 30/06/15 | - | - | 77,186 | 77,186 |
| Total Financial Assets | | - | - | 77,186 | 77,186 |
| Infrastructure, Property, Plant & Equipment | | | | | |
| Plant & Equipment | 30/06/13 | - | - | 7,023 | 7,023 |
| Office Equipment | 30/06/13 | - | - | 1,928 | 1,928 |
| Furniture & Fittings | 30/06/13 | - | - | 4,429 | 4,429 |
| Operational Land | 30/06/13 | - | - | 330,390 | 330,390 |
| Community Land | 30/06/15 | - | - | 3,364,508 | 3,364,508 |
| Buildings - Non Specialised | 30/06/13 | - | - | 82,081 | 82,081 |
| Other Structures | 30/06/13 | - | - | 66,617 | 66,617 |
| Roads | 30/06/15 | - | - | 430,560 | 430,560 |
| Bridges | 30/06/15 | - | - | 59,755 | 59,755 |
| Footpaths | 30/06/15 | - | - | 104,154 | 104,154 |
| Stormwater Drainage | 30/06/15 | - | - | 205,458 | 205,458 |
| Land Improvements | 30/06/13 | - | - | 11,728 | 11,728 |
| Bulk Earthworks | 30/06/15 | - | - | 264,773 | 264,773 |
| Swimming Pools | 30/06/13 | - | - | 6,591 | 6,591 |
| Open Space / Recreational Assets | 30/06/13 | - | - | 82,531 | 82,531 |
| Heritage Collections | 30/06/13 | - | - | 2,312 | 2,312 |
| Library Books | 30/06/13 | - | - | 2,310 | 2,310 |
| Other | 30/06/13 | - | - | 7,173 | 7,173 |
| Total Infrastructure, Property, Plant & Equipment | | - | - | 5,034,321 | 5,034,321 |

Parramatta City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 27. Fair Value Measurement (continued)

\$ '000

(1) The following table presents all assets and liabilities that have been measured & recognised at fair values (continued):

| 2015 | 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 | |
| Non-recurring Fair Value Measurements | | | | | |
| Non Current Assets classified as "Held for Sale" | | | | | |
| Land and Buildings | 30/06/15 | - | - | 146,055 | 146,055 |
| Total NCA's classified as "Held for Sale" | | - | - | 146,055 | 146,055 |

| 2014 | Date of latest Valuation | Fair Value Measurement Hierarchy | | | Total |
|--|--------------------------|---|--|--|------------------|
| | | Level 1 Quoted prices in active mkts | Level 2 Significant observable inputs | Level 3 Significant unobservable inputs | |
| Recurring Fair Value Measurements | | | | | |
| Financial Assets | | | | | |
| Investments - "Held for Trading" | 30/06/14 | - | - | 26,669 | 26,669 |
| Total Financial Assets | | - | - | 26,669 | 26,669 |
| Infrastructure, Property, Plant & Equipment | | | | | |
| Plant & Equipment | 30/06/13 | - | - | 6,182 | 6,182 |
| Office Equipment | 30/06/13 | - | - | 2,082 | 2,082 |
| Furniture & Fittings | 30/06/13 | - | - | 2,464 | 2,464 |
| Operational Land | 30/06/13 | - | - | 380,831 | 380,831 |
| Community Land | 30/06/13 | - | - | 2,265,604 | 2,265,604 |
| Buildings - Non Specialised | 30/06/13 | - | - | 72,629 | 72,629 |
| Other Structures | 30/06/13 | - | - | 66,316 | 66,316 |
| Roads | 30/06/10 | - | - | 282,976 | 282,976 |
| Bridges | 30/06/10 | - | - | 53,645 | 53,645 |
| Footpaths | 30/06/10 | - | - | 42,939 | 42,939 |
| Stormwater Drainage | 30/06/10 | - | - | 130,750 | 130,750 |
| Land Improvements | 30/06/13 | - | - | 2,785 | 2,785 |
| Bulk Earthworks | 30/06/10 | - | - | 264,773 | 264,773 |
| Swimming Pools | 30/06/13 | - | - | 6,776 | 6,776 |
| Open Space / Recreational Assets | 30/06/13 | - | - | 71,782 | 71,782 |
| Heritage Collections | 30/06/13 | - | - | 2,329 | 2,329 |
| Library Books | 30/06/13 | - | - | 2,199 | 2,199 |
| Other | 30/06/13 | - | - | 6,757 | 6,757 |
| Total Infrastructure, Property, Plant & Equipment | | - | - | 3,663,819 | 3,663,819 |
| Non Current Assets classified as "Held for Sale" | | | | | |
| Operational Land | 30/06/14 | - | - | 188,174 | 188,174 |
| Buildings - Non Specialised | 30/06/14 | - | - | 3,235 | 3,235 |
| Total NCA's classified as "Held for Sale" | | - | - | 191,409 | 191,409 |

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

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

Parramatta City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 27. Fair Value Measurement

(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) or significant observable inputs, Council instead utilises unobservable inputs (Level 3 inputs). The Fair Valuation techniques Council has employed while utilising Level 3 inputs are as follows:

Infrastructure, Property, Plant & Equipment

Plant & Equipment, Office Equipment and Furniture & Fittings

Plant & Equipment, Office Equipment and Furniture & Fittings assets are recognised and valued at cost.

Council assumes that the carrying amount reflects the fair value of the assets due to the nature of the items. Therefore these assets are disclosed at fair value in the notes.

These asset categories include:

- Plant & Fleet
- Major Plant Items – tractors, excavators, street sweepers, tippers, rollers, forklifts, back hoes,
- Minor Plant Items – generators, mowers, weed harvester, trailers, chainsaws, wood chippers, power hand tools
- Fleet Vehicles – trucks, commercial vehicles and passenger vehicles
- Office Equipment – computer hardware, communications equipment, digital cameras, photocopiers
- Furniture & Fittings – work stations, storage cabinets, CCTV, portable air conditioning units

The unobservable level 3 inputs used include:

- Straight line pattern of consumption
- Useful life
- No residual value

Council reviews the value of these assets based on the gross replacement cost of similar assets. There has been no change to the valuation process during the reporting period.

Parramatta City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 27. Fair Value Measurement (continued)

Operational Land

This asset class is comprised of all Council's land classified as Operational Land under the Local Government Act 1993. The last valuation was undertaken at 30 June 2013 by APV Valuers & Asset Management.

The valuation of the freehold land has been carried out on a market value basis - assessed on the basis of the estimated amount which the interest in each property being valued might reasonably be expected to realise on the date of valuation in an exchange between a willing vendor and a willing purchaser in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

Where a depth in market was identified, the fair value was assessed as a best estimate of the price reasonably obtainable in the market at the date of valuation. This is based on available market evidence of sales of similar or reference assets.

The gross current value has been assessed on the basis of replacement with a new asset having similar service potential and includes allowances for preliminaries and professional fees.

There has been no change in the valuation process during the reporting period.

Community Land

Community land assets are comprised of Council owned land classified as Community Land under the Local Government Act 1993 and land under the care and management of Council on behalf of the Crown.

Council values Community Land based on an average unit rate based on the land values for similar properties (land use, land size, shape and location).

This asset class is comprised of all Council's land classified as Operational Land under the Local Government Act 1993. The last valuation was undertaken at 30 June 2015 by APV Valuers & Asset Management.

This revaluation has resulted in a \$1.1 billion increase in the value of Community Land. By continuing to use the deprival method in valuing this category, these parcels are effectively valued at the same rate as adjoining properties i.e market value.

Council has not valued its Community Land since 2007/08 and during that 7 year period, land values in the Parramatta LGA have significantly increased. This along with the identification of additional land owned and under the care and control of Council has been the main reason for the major increase in value.

Parramatta City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 27. Fair Value Measurement (continued)

Land under Roads

Land under roads consists of land under roadways and road reserves including land under footpaths, nature strips and median strips as per AASB 1051. This has been valued using the following techniques and inputs.

| | Fair Value | Level of Valuation Input |
|--------------|-------------------------|-----------------------------|
| Roads | \$ 8,193,870,000 | 2 |
| Intersection | \$ 1,506,543,000 | 2 |
| | <u>\$ 9,700,413,000</u> | |

Council has elected not to recognise as an asset land under roads.

There has been no change in the valuation process during the reporting period.

Land Improvements

This asset class is comprised of landscaping, cycle ways, estuary protection works, paved public areas in open space and other assets generally within the Open Space areas.

These assets are held at cost and have not been valued.

Buildings

Council engaged APV Valuers & Asset Management in 2013 to value all buildings. The valuation methodology applied is dependent on whether a market exists to substantiate the value of the asset.

Where a depth in market was identified, the fair value was assessed as a best estimate of the price reasonably obtainable in the market at the date of valuation. This is based on available market evidence of sales of similar or reference assets. The net value of the building and site services is the difference between the market value of the asset (as a whole) less the market value of the land component.

Where there is no depth of market the fair value has been determined on depreciated current replacement (DCRC) basis. This is calculated by determining the gross current replacement cost and determining the amount of accumulated depreciation to reflect the level of service potential remaining in the asset.

Parramatta City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 27. Fair Value Measurement (continued)

The valuation of buildings, structural improvements and site services includes those items that form part of the building services installation (e.g. heating, cooling and climate control equipment, lifts, escalators, fire alarms, sprinklers and firefighting equipment, and general lighting etc). The buildings and site improvements were physically inspected and measured. The building valuations incorporate a gross current value, net current value and residual value for each asset.

This asset class is categorised as level 3 as some of the inputs used in the valuation of these assets require significant professional judgment and are unobservable.

There has been no change in the valuation process during the reporting period.

Other Structures

This asset class is comprised of car parking buildings, shade shelters, retaining walls, playground equipment, fencing, fountains, and other structures which did not meet the definition of a building.

The cost approach has been utilised to value other structures. Council engaged APV Valuers & Asset Management to value all car parking buildings in 2013 and Scott Fullerton Valuations to value the remainder in 2008. Unobservable level 3 inputs used include residual value, useful life, asset condition and pattern of consumption.

There has been no change in the valuation process during the reporting period.

Roads

This asset class is comprised of the Road Carriageway, Kerb & Gutter, Street Furniture, Signage and Traffic Facilities. The road carriageway is defined as the trafficable portion of a road including the kerb and gutter.

Council's roads are componentised into the formation, pavement, sub-pavement, surface and kerb & gutter and further separated into segments for inspection and valuation.

The formation costs for roads are recognised and valued at cost. Council assumes that the carrying amount reflects the fair value of the assets due to the nature of the items. The formation of roads bulk earthworks are non-depreciable as it is not expected that the formation will not need to be renewed during the normal operational use of the assets.

A valuation has been completed in 2015 by Assetic Pty Ltd. The cost approach was adopted to value Council roads. The replacement cost (based on unit rates), useful lives and conditions were determined by a complete condition assessment using digital imaging technology to gather the granular condition of the Road network by and external specialist Infrastructure Management Group Pty Ltd. and this information was analysed by Assetic's Pavement Management System using myData and myPreditor.

Parramatta City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 27. Fair Value Measurement (continued)

The valuations are based on the fair value of the modern equivalent of the existing assets (e.g. for road components cost per m² to replace with a modern equivalent). This approach has included an assessment of the overall useful life of each type of asset and the subsequent determination of the remaining useful life of each asset. The unit rates, which is a key unobservable input, is determined using rates stipulated in contracts with third party suppliers.

Pavement and Surface condition where rated by IMG in 2015. Council has a documented condition assessment manual. Each condition criteria was assessed in terms of actual affected extent and severity and applied a scaling to convert it to a 1 to 5 rating scale in line with industry recommendations, which have been aligned to the NAMS ratings 1 (Excellent) to 5 (Very Poor).

This asset class is categorised as Level 3 as some of the above-mentioned inputs used in the valuation of these assets require significant professional judgment and are therefore unobservable.

Roads have been revalued in 2014/15.

Bridges

This asset class is comprised of all pedestrian and vehicle access bridges. The bridges were inspected by pitt+sherry Engineers and Assetic Pty Ltd valued using the cost approach. The significant inputs used in valuing bridges useful life, pattern of consumption, asset condition and gross replacement cost.

This asset class is categorised a Level 3 as some of the above-mentioned inputs used in the valuation of these assets require significant professional judgment and are therefore unobservable.

Bridges have been revalued in 2014/15.

Footpaths

This asset class is comprised of pedestrian walkways and cycle ways. Footpaths are valued using the cost approach by in 2015 by Assetic Pty Ltd. a professional services organisation. Replacement costs (unit rates) and useful lives were determined using technical knowledge. Some of the other significant inputs considered in the valuation of these assets are remaining useful life, pattern of consumption, dimensions, components, asset condition and residual value. Footpaths were segmented, componentisation and recorded on a GIS Layer and this is reflected on the Technology One Asset Register. In 2014 OPUS Consultancy Pty Ltd undertook digital imagery condition survey of all Council Footpath assets. Assetic used the condition data to value the footpath assets using the Cost Approach (Level 3).

Footpaths have been revalued in 2014/15.

Parramatta City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 27. Fair Value Measurement (continued)

Stormwater Drainage

The Stormwater Drainage asset class consists of Council's pits, pipes, open channels, culverts, wetlands, headwalls, dams and gross pollutant traps. In 2015 Assetic Pty Ltd. a professional services organisation completed the valuation of these assets using the replacement cost approach. The valuations are based on the fair value of the modern equivalent of the existing assets (e.g. for road components cost per m² to replace with a modern equivalent). This approach has included an assessment of the overall useful life of each type of asset and the subsequent determination of the remaining useful life of each asset. The unit rates, which is a key unobservable input, is determined using rates stipulated in contracts with third party suppliers.

Replacement costs (unit rates) and useful lives for stormwater drainage assets were determined through a combination of historic data and technical knowledge, which incorporated standard unit rates applied to the dimensions of the asset and considered environmental factors based on asset location. Other significant inputs considered in the valuation of these assets are asset condition, remaining useful life, pattern of consumption. The asset condition of 1 (Excellent) to 5 (Very Poor) was determined by assumptions based on age. Additionally due to the limitations in the historical records of very long lived assets there is some uncertainty on the specifications and dimensions of some assets.

This asset class is categorised a Level 3 as some of the above-mentioned inputs used in the valuation of these assets require significant professional judgment and are therefore unobservable.

Stormwater drainage has been revalued in 2014/15.

Swimming Pools

Assets within this class are comprised of swimming pools and associated structures.

The swimming pools were inspected and valued in 2008 using the cost approach by Scott Fullerton Valuations a professional services organisation. Significant unobservable inputs considered in the valuation of these assets are remaining useful life, pattern of consumption, dimensions, components, asset condition and residual value.

This asset class is categorised a Level 3 as some of the above-mentioned inputs used in the valuation of these assets require significant professional judgment and are therefore unobservable.

There has been no change in the valuation process during the reporting period.

Parramatta City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 27. Fair Value Measurement (continued)

Heritage Collections

This asset class is comprised of artwork and sculptures which are recognised and valued at cost.

Significant unobservable inputs considered in the valuation of these assets are useful life, pattern of consumption, asset condition and residual value. This asset class is categorised a Level 3 as the inputs used in the valuation of these assets require significant professional judgment.

There has been no change in the valuation process during the reporting period.

Library Books

Assets included in this asset category consist of library books, journals, magazines, CDs and DVDs which are recognised and valued at cost. Council assumes that the carrying amount reflects the fair value of the assets due to the nature of the items. There are no major variances between the fair value and carrying amount of these assets. Therefore these assets are disclosed at fair value in the notes.

Whilst these assets are recognised at cost with supporting supplier invoices (observable input) the remaining significant inputs (useful life, pattern of consumption, asset condition and residual values) are unobservable and therefore categorised as level 3.

There has been no change in the valuation process during the reporting period.

Other Assets

Other assets includes the Mayoral chains which are recognised and valued at cost. Council assumes that the carrying amount reflects the fair value of the assets due to the nature of the item.

The replacement cost approach has been utilised to value other assets. Significant unobservable inputs considered in the valuation of these assets are useful life, pattern of consumption, asset condition and residual value and therefore categorised as level 3.

There has been no change in the valuation process during the reporting period.

Parramatta City Council

Notes to the Financial Statements

for the financial year ended 30 June 2015

Note 27. Fair Value Measurement (continued)

\$ '000

(4). Fair value measurements using significant unobservable inputs (Level 3)

The following tables present the changes in Level 3 Fair Value Asset Classes.

| | Total IPPE | Asset Held for Sale | Total |
|--|-------------------------|---------------------------|-------------------------|
| Adoption of AASB 13 | 3,654,293 | 44,795 | 3,699,088 |
| Purchases (GBV) | 66,566 | - | 66,566 |
| Disposals (WDV) | (1,769) | (2,545) | (4,314) |
| Depreciation & Impairment | (29,323) | - | (29,323) |
| Revaluation Increments / (Decrements) | 108,227 | 14,984 | 123,211 |
| Transfer from / (to) "CA Held for Sale" | (134,175) | 134,175 | - |
| Closing Balance - 30/6/14 | <u>3,663,819</u> | <u>191,409</u> | <u>3,855,228</u> |
| Purchases (GBV) | 105,955 | - | 105,955 |
| Disposals (WDV) | (1,727) | (184,303) | (186,030) |
| Depreciation & Impairment | (33,803) | - | (33,803) |
| Revaluation Increments / (Decrements) | 1,209,735 | (54) | 1,209,681 |
| Reclassification to category | - | 141,055 | 141,055 |
| Correction to Prior Year Retained Earnings | 229,345 | - | 229,345 |
| Transfer from "CA Held for Sale" | (139,003) | (2,052) | (141,055) |
| Closing Balance - 30/6/15 | <u>5,034,321</u> | <u>146,055</u> | <u>5,180,376</u> |

(5). Highest and best use

Council has land and building assets located on the Parramatta Square site not being utilised for highest and best use.

Parramatta City Council

Notes to the Financial Statements for the financial year ended 30 June 2015

Note 28. Council Information & Contact Details

Principal Place of Business:

126 Church Street
Parramatta NSW 2150

Contact Details
Mailing Address:

PO BOX 32
Parramatta NSW 2124

Opening Hours:

Monday - Friday
8:30am - 4:30pm

Telephone: (02) 9806 5050

Facsimile: (02) 9806 5917

Internet: <http://www.parracity.nsw.gov.au>

Email: council@parracity.nsw.gov.au

Officers
CHIEF EXECUTIVE OFFICER

G.Dyer

RESPONSIBLE ACCOUNTING OFFICER

C.Becroft

AUDITORS

PricewaterhouseCoopers
Darling Park Tower 2
201 Sussex Street
Sydney NSW 1171

Other Information

ABN: 49 907 174 773

Elected Members
LORD MAYOR

P.Garrard

COUNCILLORS

Jean Pierre Abood
John Chedid
Shahadat Chowdhury
Bob Dwyer
Glenn Elmore
Pierre Esber
Julia Finn
John Hugh
Steven Issa
Scott Lloyd
Bakous Makari (Deputy Lord Mayor)
James Shaw
Lorraine Wearne
Andrew Wilson



The Parramatta City Council

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

Report on the financial statements

We have audited the accompanying financial statements of the Parramatta City Council, which comprise the statement of financial position as at 30 June 2015 and the income statement, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, accompanying notes to the financial statements and the Statement by Councillors and Management in the approved form as required by Section 413(2) of the Local Government Act 1993.

Councillors' responsibility for the financial statements

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

Auditor's responsibility

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

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

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

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

PricewaterhouseCoopers, ABN 52 780 433 757
Darling Park Tower 2, 201 Sussex Street, GPO BOX 2650, SYDNEY NSW 1171
T +61 2 8266 0000, F +61 2 8266 9999, www.pwc.com.au

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

Auditor's opinion:

In our opinion:

- (a) the Council's accounting records have been kept in accordance with the requirements of the Local Government Act 1993, Chapter 13 part 3 Division 2 (the Division); and
- (b) the financial statements:
 - (i) have been presented, in all material respects, in accordance with the requirements of this Division
 - (ii) are consistent with the Council's accounting records
 - (iii) present fairly, in all material respects, the Council's financial position as at 30 June 2015 and its Financial Performance and its Cash Flows for the year then ended in accordance with Australian Accounting Standards
- (c) all information relevant to the conduct of the audit has been obtained; and
- (d) there are no material deficiencies in the accounting records or financial statements that have come to light during the course of the audit.

A handwritten signature in blue ink, appearing to read 'PricewaterhouseCoopers', written in a cursive style.

PricewaterhouseCoopers

A handwritten signature in blue ink, appearing to read 'PL Buchholz', written in a cursive style.

PL Buchholz
Partner

Sydney
26 October 2015



The Lord Mayor
Councillor Paul Garrard
Parramatta City Council
DX 8279
PARRAMATTA

Dear Councillor Garrard

Report on the conduct of the Audit for year ended 30 June 2015 – Section 417(3)

We have completed our audit of the financial reports of the Council for the year ended 30 June 2015, in accordance with Section 415 of the Local Government Act 1993.

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

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

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

Operating result

Council's operating surplus improved from \$20 million in the previous year to \$23 million in the current period. The net operating result before Capital Contributions was a deficit of \$1 million against the previous year's surplus of \$1 million.

Cash position

Council's overall cash position improved from \$108 million to \$242 million during the period under review. The following table highlights the composition of cash.

| | 2014 \$m | 2015 \$m |
|-----------------------|-------------|-------------|
| Externally restricted | 57 | 55 |
| Internally restricted | 29 | 151 |
| Unrestricted | 22 | 36 |
| Total | 108 | 242 |



Working capital

Council’s net current assets improved from \$213 million to \$295 million during the period under review. The value of net current assets needs to be adjusted in order to establish the available working capital position.

| | 2014 \$m | 2015 \$m |
|-----------------------------------|-------------|-------------|
| Net current assets | 213 | 295 |
| Less: External restrictions | (17) | (20) |
| Internal restrictions | (29) | (151) |
| Add: Current liabilities deferred | 15 | 17 |
| Available working capital | 182 | 141 |

The effective unrestricted or available working capital upon which Council could build its 2016 budget was \$141 million.

Performance indicators

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

| | 2014 % | 2015 % |
|------------------------------------|-----------|-----------|
| Operating Performance Ratio | 0 | (1) |
| Own Source Operating Revenue Ratio | 83 | 80 |
| Unrestricted Current Ratio | 531 | 629 |
| Debt Service Cover Ratio | 261 | 157 |
| Rates Outstanding Ratio | 3.3 | 3.0 |
| Cash Expense Cover Ratio | 6 | 11 |

The Operating Performance Ratio declined and was slightly below the industry benchmark of 0%.

The Own Source Operating Revenue Ratio declined but remained above the industry benchmark of 60%.

The Unrestricted Current Ratio improved and remained above the industry benchmark of 150%.

The Debt Service Cover Ratio declined to 157% to be below the industry benchmark of 200%.

The Rates Outstanding Ratio improved and remained below the industry benchmark of 5%.

The Cash Expense Cover Ratio indicated that Council could continue to cover its operating costs for 11 months should cash inflows cease. This compares very favourably with the industry benchmark of 3 months.

Council is considered to be in a sound and stable financial position.



General

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

Yours faithfully

A handwritten signature in blue ink, appearing to read 'PL Buchholz', written in a cursive style.

PricewaterhouseCoopers

A second handwritten signature in blue ink, appearing to read 'PL Buchholz', written in a cursive style.

PL Buchholz
Partner

Sydney
26 October 2015



Parramatta City Council

SPECIAL PURPOSE FINANCIAL STATEMENTS
for the year ended 30 June 2015

Parramatta City Council

Special Purpose Financial Statements

for the financial year ended 30 June 2015

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| Statement of Financial Position - Water Supply Business Activity | n/a |
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Background

- (i) These Special Purpose Financial Statements have been prepared for the use by both Council and the Division 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 & 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 over \$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 & debt guarantee fees (where the business benefits from councils borrowing position by comparison with commercial rates).
-

Parramatta City Council

Special Purpose Financial Statements

for the financial year ended 30 June 2015

Statement by Councillors and Management

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

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

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

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

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

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

Signed in accordance with a resolution of Council made on 26 October 2015.



P. Garrard

LORD MAYOR




B. Makari

DEPUTY LORD MAYOR



G. Dyer

CHIEF EXECUTIVE OFFICER



C. Becroft

RESPONSIBLE ACCOUNTING OFFICER

Parramatta City Council

Income Statement of Council's Other Business Activities

for the financial year ended 30 June 2015

| | Car Park Operations | | Leasing of Council Property | |
|--|---------------------|----------------|-----------------------------|----------------|
| | Category 1 | | Category 1 | |
| \$ '000 | Actual 2015 | Actual 2014 | Actual 2015 | Actual 2014 |
| Income from continuing operations | | | | |
| Access charges | - | - | - | - |
| User charges | 9,139 | 8,302 | - | - |
| Fees | - | - | - | - |
| Interest | - | - | - | - |
| Grants and contributions provided for non capital purposes | - | - | - | - |
| Profit from the sale of assets | - | - | - | - |
| Other income | - | - | 1,392 | 1,927 |
| Total income from continuing operations | 9,139 | 8,302 | 1,392 | 1,927 |
| Expenses from continuing operations | | | | |
| Employee benefits and on-costs | 112 | 127 | 546 | 456 |
| Borrowing costs | - | - | 2,199 | 2,397 |
| Materials and contracts | 1,455 | 1,383 | 733 | 789 |
| Depreciation and impairment | 815 | 767 | 512 | 632 |
| Loss on sale of assets | - | - | - | - |
| Calculated taxation equivalents | 1,173 | 744 | 1,666 | 496 |
| Debt guarantee fee (if applicable) | - | - | - | - |
| Other expenses | 1,669 | 1,680 | 1,026 | 2,656 |
| Total expenses from continuing operations | 5,224 | 4,701 | 6,682 | 7,426 |
| Surplus (deficit) from Continuing Operations before capital amounts | 3,915 | 3,601 | (5,290) | (5,499) |
| Grants and contributions provided for capital purposes | - | - | - | - |
| Surplus (deficit) from Continuing Operations after capital amounts | 3,915 | 3,601 | (5,290) | (5,499) |
| Surplus (deficit) from discontinued operations | - | - | - | - |
| Surplus (deficit) from ALL Operations before tax | 3,915 | 3,601 | (5,290) | (5,499) |
| less: Corporate Taxation Equivalent (30%) [based on result before capital] | (1,175) | (1,080) | - | - |
| SURPLUS (DEFICIT) AFTER TAX | 2,741 | 2,521 | (5,290) | (5,499) |
| plus Opening Retained Profits | 99,164 | 94,819 | - | - |
| plus/less: Prior Period Adjustments | - | - | - | - |
| plus Adjustments for amounts unpaid: | | | | |
| - Taxation equivalent payments | 1,173 | 744 | 1,666 | 496 |
| - Debt guarantee fees | - | - | - | - |
| - Corporate taxation equivalent | 1,175 | 1,080 | - | - |
| add: | | | | |
| - Subsidy Paid/Contribution To Operations | - | - | - | - |
| less: | | | | |
| - TER dividend paid | - | - | - | - |
| - Dividend paid | - | - | - | - |
| Closing Retained Profits | 104,252 | 99,164 | (3,624) | (5,003) |
| Return on Capital % | 3.3% | 3.0% | -3.4% | -7.3% |
| Subsidy from Council | - | 613 | 5,861 | 7,008 |

Parramatta City Council

Statement of Financial Position - Council's Other Business Activities

as at 30 June 2015

| | Car Park Operations Category 1 | | Leasing of Council Property Category 1 | |
|--|--------------------------------------|----------------|--|----------------|
| | Actual 2015 | Actual 2014 | Actual 2015 | Actual 2014 |
| \$ '000 | | | | |
| ASSETS | | | | |
| Current Assets | | | | |
| Cash and cash equivalents | 14,732 | 8,830 | - | - |
| Receivables - Due from General Fund | - | - | - | - |
| Receivables | - | 113 | 173 | 906 |
| Inventories | - | - | - | - |
| Other | - | - | - | - |
| Non-current assets classified as held for sale | - | - | - | - |
| Total Current Assets | 14,732 | 8,943 | 173 | 906 |
| Non-Current Assets | | | | |
| Investments | - | - | - | - |
| Receivables - Due from General Fund | - | - | 5,338 | 9,434 |
| Receivables | - | - | - | - |
| Inventories | - | - | - | - |
| Infrastructure, property, plant and equipment | 118,797 | 118,370 | 91,730 | 42,397 |
| Investment property | - | - | - | - |
| Intangible Assets | - | - | - | - |
| Total Non-Current Assets | 118,797 | 118,370 | 97,068 | 51,831 |
| TOTAL ASSETS | 133,529 | 127,313 | 97,241 | 52,737 |
| LIABILITIES | | | | |
| Current Liabilities | | | | |
| Bank Overdraft | - | - | - | - |
| Payables | 1,096 | - | - | - |
| Interest bearing liabilities | - | - | - | - |
| Provisions | 44 | 11 | 49 | 18 |
| Total Current Liabilities | 1,140 | 11 | 49 | 18 |
| Non-Current Liabilities | | | | |
| Payables | - | - | - | - |
| Interest bearing liabilities | - | - | 40,913 | 44,950 |
| Provisions | - | - | 6 | 4 |
| Other Liabilities | - | - | - | - |
| Total Non-Current Liabilities | - | - | 40,919 | 44,954 |
| TOTAL LIABILITIES | 1,140 | 11 | 40,968 | 44,972 |
| NET ASSETS | 132,389 | 127,302 | 56,273 | 7,765 |
| EQUITY | | | | |
| Retained earnings | 104,251 | 99,164 | (5,290) | (5,499) |
| Revaluation reserves | 28,138 | 28,138 | 61,563 | 13,264 |
| Council equity interest | 132,389 | 127,302 | 56,273 | 7,765 |
| Non-controlling equity interest | - | - | - | - |
| TOTAL EQUITY | 132,389 | 127,302 | 56,273 | 7,765 |

Parramatta City Council

Special Purpose Financial Statements

for the financial year ended 30 June 2015

Contents of the Notes accompanying the Financial Statements

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| 2 | Water Supply Business Best Practice Management disclosure requirements | n/a |
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Parramatta City Council

Notes to the Special Purpose Financial Statements

for the financial year ended 30 June 2015

Note 1. Significant Accounting Policies

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

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

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

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

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

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

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

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

National Competition Policy

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

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

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

The pricing & costing guidelines outline the process for identifying and allocating costs to activities and provide a standard of disclosure requirements. These disclosures are reflected in Council's pricing and/or financial reporting systems and include taxation equivalents; council subsidies; return on investments (rate of return); and dividends paid.

Declared Business Activities

In accordance with *Pricing & Costing for Council Businesses - A Guide to Competitive Neutrality*, Council has declared that the following are to be considered as business activities:

Category 1

(where gross operating turnover is over \$2 million)

Car Park Operations and Leasing of Council Property

To generate income for the Council through the leasing of Council-owned shops, housing and the operations of car parking facilities.

Category 2

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

None

Monetary Amounts

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

(i) Taxation Equivalent Charges

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

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

Parramatta City Council

Notes to the Special Purpose Financial Statements for the financial year ended 30 June 2015

Note 1. Significant Accounting Policies

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

Notional Rate Applied %

Corporate Income Tax Rate – 30%

Land Tax – The first **\$432,000** of combined land values attracts **0%**. From \$432,001 to \$2,641,000 the rate is **1.6% + \$100**. For the remaining combined land value that exceeds \$2,641,000, a premium marginal rate of **2.0%** applies.

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

Income Tax

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

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

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

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

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

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

Local Government Rates & Charges

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

Loan & Debt Guarantee Fees

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

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

(ii) Subsidies

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

Subsidies occur where council provides services on a less than cost recovery basis. This option is exercised on a range of services in order for council to meet its community service obligations.

Accordingly, Subsidies disclosed (in relation to National Competition Policy) represents the difference between revenue generated from 'rate of return' pricing and revenue generated from prices set by the council in any given financial year.

The overall effect of subsidies is contained within the Income Statement of each reported Business Activity.

(iii) Return on Investments (Rate of Return)

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

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

Parramatta City Council

Notes to the Special Purpose Financial Statements for the financial year ended 30 June 2015

Note 1. Significant Accounting Policies

The Rate of Return on Capital is calculated as follows:

Operating Result before Capital Income + Interest Expense

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

As a minimum, business activities should generate a return equal to the Commonwealth 10 year bond rate which is 3.02% at 30/6/15.

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

(iv) Dividends

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



The Parramatta City Council

Independent auditor's report Report on the special purpose financial statements

Report on the financial statements

We have audited the accompanying financial statements, being the special purpose financial statements, of the Parramatta City Council (the Council), which comprises the Statement of Financial Position by Business Activity for the year ended 30 June 2015, the Income Statements by Business Activity for the year then ended, Notes to the financial statements for the Business Activities identified by Council and the Statement by Councillors and Management made pursuant to the Local Government Code of Accounting Practice and Financial Reporting for the year ended 30 June 2015.

Councillors' responsibility for the financial report

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

Auditor's responsibility

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

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

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



Auditor's opinion:

In our opinion, the financial statements presents fairly, in all material respects, the financial position by Business Activity of The Parramatta City Council as of 30 June 2015 and its financial performance by Business Activity for the year then ended in accordance with the requirements of those applicable Accounting Standards detailed in Note 1 to the financial statements, and the Local Government Code of Accounting Practice and Financial Reporting.

Basis of Accounting and Restriction on Distribution and Use

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

A handwritten signature in blue ink, appearing to read 'PricewaterhouseCoopers', written in a cursive style.

PricewaterhouseCoopers

A handwritten signature in blue ink, appearing to read 'PL Buchholz', written in a cursive style.

PL Buchholz
Partner

Sydney
26 October 2015



Parramatta City Council

SPECIAL SCHEDULES
for the year ended 30 June 2015

Parramatta City Council

Special Schedules

for the financial year ended 30 June 2015

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| - Special Schedule No. 2(b) | Statement of Internal Loans (Sect. 410(3) LGA 1993) | n/a |
| - Special Schedule No. 3 | Water Supply Operations - incl. Income Statement | n/a |
| - Special Schedule No. 4 | Water Supply - Statement of Financial Position | n/a |
| - Special Schedule No. 5 | Sewerage Service Operations - incl. Income Statement | n/a |
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| - Special Schedule No. 8 | Financial Projections | n/a |
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¹ Special Schedules are not audited (with the exception of Special Schedule 9).

Background

- (i) These Special Schedules have been designed to meet the requirements of special purpose users such as;
- the NSW Grants Commission
 - the Australian Bureau of Statistics (ABS),
 - the NSW Office of Water (NOW), and
 - the Office of Local Government (OLG).
- (ii) The financial data is collected for various uses including;
- the allocation of Financial Assistance Grants,
 - the incorporation of Local Government financial figures in national statistics,
 - the monitoring of loan approvals,
 - the allocation of borrowing rights, and
 - the monitoring of the financial activities of specific services.

Parramatta City Council

Special Schedule No. 1 - Net Cost of Services

for the financial year ended 30 June 2015

\$'000

| Function or Activity | Expenses from Continuing Operations | Income from continuing operations | | Net Cost of Services |
|--|-------------------------------------|-----------------------------------|---------------|----------------------|
| | | Non Capital | Capital | |
| Governance | 3,437 | - | - | (3,437) |
| Administration | 77,591 | 13,488 | 10,416 | (53,687) |
| Public Order and Safety | | | | |
| Fire Service Levy, Fire Protection, Emergency Services | 1,479 | - | - | (1,479) |
| Beach Control | - | - | - | - |
| Enforcement of Local Govt. Regulations | 4,113 | 9,220 | - | 5,107 |
| Animal Control | - | - | - | - |
| Other | 11 | - | - | (11) |
| Total Public Order & Safety | 5,603 | 9,220 | - | 3,617 |
| Health | 875 | 558 | - | (317) |
| Environment | | | | |
| Noxious Plants and Insect/Vermin Control | - | - | - | - |
| Other Environmental Protection | 4,064 | 2,369 | 84 | (1,611) |
| Solid Waste Management | 16,428 | 21,644 | - | 5,216 |
| Street Cleaning | 6,081 | 106 | - | (5,975) |
| Drainage | 4,144 | 50 | 21 | (4,073) |
| Stormwater Management | - | - | - | - |
| Total Environment | 30,717 | 24,169 | 105 | (6,443) |
| Community Services and Education | | | | |
| Administration & Education | 1,515 | 91 | 527 | (897) |
| Social Protection (Welfare) | 1,578 | 102 | - | (1,476) |
| Aged Persons and Disabled | 2,096 | 1,312 | - | (784) |
| Children's Services | 4,001 | 4,454 | - | 453 |
| Total Community Services & Education | 9,190 | 5,959 | 527 | (2,704) |
| Housing and Community Amenities | | | | |
| Public Cemeteries | - | - | - | - |
| Public Conveniences | - | - | - | - |
| Street Lighting | 3,418 | 698 | - | (2,720) |
| Town Planning | 3,571 | 1,132 | - | (2,439) |
| Other Community Amenities | - | - | - | - |
| Total Housing and Community Amenities | 6,989 | 1,830 | - | (5,159) |
| Water Supplies | - | - | - | - |
| Sewerage Services | - | - | - | - |

Parramatta City Council

Special Schedule No. 1 - Net Cost of Services (continued)

for the financial year ended 30 June 2015

\$'000

| Function or Activity | Expenses from Continuing Operations | Income from continuing operations | | Net Cost of Services |
|---|-------------------------------------|-----------------------------------|---------------|----------------------|
| | | Non Capital | Capital | |
| Recreation and Culture | | | | |
| Public Libraries | 7,037 | 595 | - | (6,442) |
| Museums | - | - | - | - |
| Art Galleries | - | - | - | - |
| Community Centres and Halls | 682 | 26 | - | (656) |
| Performing Arts Venues | 5,190 | 3,267 | - | (1,923) |
| Other Performing Arts | - | - | - | - |
| Other Cultural Services | 3,674 | 226 | 575 | (2,873) |
| Sporting Grounds and Venues | 1,500 | 576 | 18 | (906) |
| Swimming Pools | 4,699 | 2,447 | 2,553 | 301 |
| Parks & Gardens (Lakes) | 8,296 | 310 | 7,865 | (121) |
| Other Sport and Recreation | 743 | 664 | - | (79) |
| Total Recreation and Culture | 31,821 | 8,111 | 11,011 | (12,699) |
| Fuel & Energy | - | - | - | - |
| Agriculture | - | - | - | - |
| Mining, Manufacturing and Construction | | | | |
| Building Control | 6,936 | 5,234 | - | (1,702) |
| Other Mining, Manufacturing & Construction | - | - | - | - |
| Total Mining, Manufacturing and Const. | 6,936 | 5,234 | - | (1,702) |
| Transport and Communication | | | | |
| Urban Roads (UR) - Local | 14,446 | 3,161 | 1,954 | (9,331) |
| Urban Roads - Regional | - | - | - | - |
| Sealed Rural Roads (SRR) - Local | - | - | - | - |
| Sealed Rural Roads (SRR) - Regional | - | - | - | - |
| Unsealed Rural Roads (URR) - Local | - | - | - | - |
| Unsealed Rural Roads (URR) - Regional | - | - | - | - |
| Bridges on UR - Local | - | - | - | - |
| Bridges on SRR - Local | - | - | - | - |
| Bridges on URR - Local | - | - | - | - |
| Bridges on Regional Roads | - | - | - | - |
| Parking Areas | 3,077 | 9,139 | 96 | 6,158 |
| Footpaths | 3,508 | 24 | 13 | (3,471) |
| Aerodromes | - | - | - | - |
| Other Transport & Communication | 796 | 948 | - | 152 |
| Total Transport and Communication | 21,827 | 13,272 | 2,063 | (6,492) |
| Economic Affairs | | | | |
| Camping Areas & Caravan Parks | - | - | - | - |
| Other Economic Affairs | 3,287 | 2,401 | - | (886) |
| Total Economic Affairs | 3,287 | 2,401 | - | (886) |
| Totals – Functions | 198,273 | 84,242 | 24,122 | (89,909) |
| General Purpose Revenues ⁽²⁾ | | 112,701 | | 112,701 |
| Share of interests - joint ventures & associates using the equity method | - | 484 | | 484 |
| NET OPERATING RESULT ⁽¹⁾ | 198,273 | 197,427 | 24,122 | 23,276 |

(1) As reported in the Income Statement

(2) Includes: Rates & Annual Charges (incl. Ex Gratia, excl. Water & Sewer), Non Capital General Purpose Grants, Interest on Investments (excl. Ext. Restricted Assets) & Interest on overdue Rates & Annual Charges

Parramatta City Council

Special Schedule No. 2(a) - Statement of Long Term Debt (all purpose)

for the financial year ended 30 June 2015

\$'000

| Classification of Debt | Principal outstanding at beginning of the year | | | New Loans raised during the year | Debt redemption during the year | | Transfers to Sinking Funds | Interest applicable for Year | Principal outstanding at the end of the year | | |
|-----------------------------|--|---------------|---------------|----------------------------------|---------------------------------|---------------|----------------------------|------------------------------|--|---------------|---------------|
| | Current | Non Current | Total | | From Revenue | Sinking Funds | | | Current | Non Current | Total |
| Loans (by Source) | | | | | | | | | | | |
| Commonwealth Government | - | - | - | - | - | - | - | - | - | - | - |
| Treasury Corporation | - | - | - | - | - | - | - | - | - | - | - |
| Other State Government | - | - | - | - | - | - | - | - | - | - | - |
| Public Subscription | - | - | - | - | - | - | - | - | - | - | - |
| Financial Institutions | 9,397 | 83,499 | 92,896 | 7,000 | 19,397 | - | - | 4,292 | 10,196 | 70,303 | 80,499 |
| Other | - | - | - | - | - | - | - | - | - | - | - |
| Total Loans | 9,397 | 83,499 | 92,896 | 7,000 | 19,397 | - | - | 4,292 | 10,196 | 70,303 | 80,499 |
| Other Long Term Debt | | | | | | | | | | | |
| Ratepayers Advances | - | - | - | - | - | - | - | - | - | - | - |
| Government Advances | - | - | - | - | - | - | - | - | - | - | - |
| Finance Leases | - | - | - | - | - | - | - | - | - | - | - |
| Deferred Payments | - | - | - | - | - | - | - | - | - | - | - |
| Total Long Term Debt | - | - | - | - | - | - | - | - | - | - | - |
| Total Debt | 9,397 | 83,499 | 92,896 | 7,000 | 19,397 | - | - | 4,292 | 10,196 | 70,303 | 80,499 |

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

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

Parramatta City Council

Special Schedule No. 7 - Report on Infrastructure Assets

as at 30 June 2015

\$'000

| Asset Class | Asset Category | Estimated cost to bring up to a satisfactory standard refer (1) | Required Annual Maintenance refer (2) | Actual Maintenance 2014/15 refer (3) | Written Down Value (WDV) refer (4) | Assets in Condition as a % of WDV | | | | |
|----------------------------|--------------------------------------|---|---------------------------------------|--------------------------------------|------------------------------------|-----------------------------------|--------------|--------------|-------------|-------------|
| | | | | | | 1 | 2 | 3 | 4 | 5 |
| | | | | | | refer (4) & (5) | | | | |
| Buildings | Buildings and Other Structures | 265 | 1,144 | 3,460 | 237,820 | 12% | 73% | 14% | 1% | 0% |
| | sub total | 265 | 1,144 | 3,460 | 237,820 | 11.6% | 73.2% | 14.4% | 0.8% | 0.0% |
| Roads | Bridges | 230 | 764 | 1 | 59,755 | 29% | 42% | 28% | 2% | 0% |
| | Roads, Kerb and Gutter and Footpaths | 6,111 | 7,985 | 6,327 | 534,714 | 31% | 41% | 25% | 3% | 0% |
| | sub total | 6,341 | 8,749 | 6,328 | 594,469 | 30.6% | 41.0% | 25.4% | 2.7% | 0.3% |
| Stormwater Drainage | Stormwater Drainage | 1,027 | 455 | 230 | 205,458 | 3% | 89% | 7% | 1% | 0% |
| | sub total | 1,027 | 455 | 230 | 205,458 | 2.6% | 89.3% | 7.0% | 1.0% | 0.1% |
| | TOTAL - ALL ASSETS | 7,633 | 10,348 | 10,018 | 1,037,747 | 20.7% | 57.9% | 19.3% | 1.9% | 0.2% |

* Council has conducted a condition assessment on its building and infrastructure assets in 2014/15 and consequently the percentage allocations in conditions 4 and 5 have reduced from last year.

This along with the revised OLG guidelines have resulted in a significant drop to Council's backlog. The backlog is determined by calculating the replacement cost of 25% of the condition 4 (poor) and 50% of the condition 5 (very poor) assets

Notes:

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

(5). Infrastructure Asset Condition Assessment "Key"

| | | |
|----------|------------------|---------------------------------------|
| 1 | Excellent | No work required (normal maintenance) |
| 2 | Good | Only minor maintenance work required |
| 3 | Average | Maintenance work required |

| | | |
|----------|------------------|-----------------------------------|
| 4 | Poor | Renewal required |
| 5 | Very Poor | Urgent renewal/upgrading required |

Parramatta City Council

Special Schedule No. 7 - Report on Infrastructure Assets (continued)
for the financial year ended 30 June 2015

| \$ '000 | Amounts 2015 | Indicator 2015 | Prior Periods | |
|---|------------------|-------------------|---------------|--------|
| | | | 2014 | 2013 |
| Infrastructure Asset Performance Indicators Consolidated | | | | |
| 1. Building, Infrastructure & Other Structures | | | | |
| Renewals Ratio | | | | |
| Asset Renewals | | | | |
| <u>(Building, Infrastructure & Other Structures) ⁽¹⁾</u> | <u>24,909</u> | 83.22% | 75.75% | 79.07% |
| Depreciation, Amortisation & Impairment | 29,932 | | | |
| 2. Infrastructure Backlog Ratio (3) | | | | |
| Estimated Cost to bring Assets to a Satisfactory Condition | <u>7,633</u> | | | |
| <u>Total value ⁽²⁾ of Infrastructure, Building, Other Structures & depreciable Land Improvement Assets</u> | <u>1,037,747</u> | 0.74% | 4.58% | 6.00% |
| 3. Asset Maintenance Ratio | | | | |
| Actual Asset Maintenance | <u>10,018</u> | | | |
| Required Asset Maintenance | 10,348 | 0.97 | 0.91 | 0.88 |
| 4. Capital Expenditure Ratio | | | | |
| Annual Capital Expenditure | <u>104,230</u> | | | |
| Annual Depreciation | 34,865 | 2.99 | 2.22 | 1.79 |

Notes

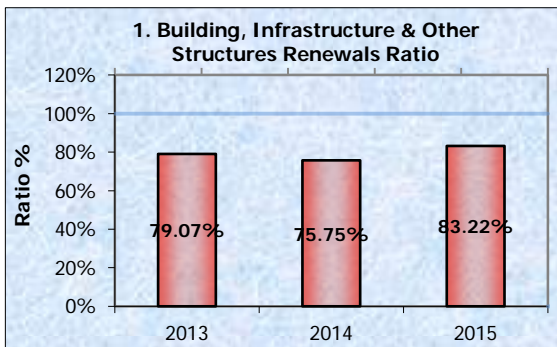
⁽¹⁾ Asset Renewals represent the replacement &/or refurbishment of existing assets to an equivalent capacity/performance as opposed to the acquisition of new assets (or the refurbishment of old assets) that increases capacity/performance. Asset Renewals include building, infrastructure & Other Structure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

⁽²⁾ Written Down Value

⁽³⁾ The improvement in the Infrastructure Backlog Ratio is due the change in the methodology in calculating the backlog. Improved asset condition data and a change in calculation method has led to the reduction in the backlog amount.

Parramatta City Council

Special Schedule No. 7 - Report on Infrastructure Assets (continued) for the financial year ended 30 June 2015



Purpose of Asset Renewals Ratio

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

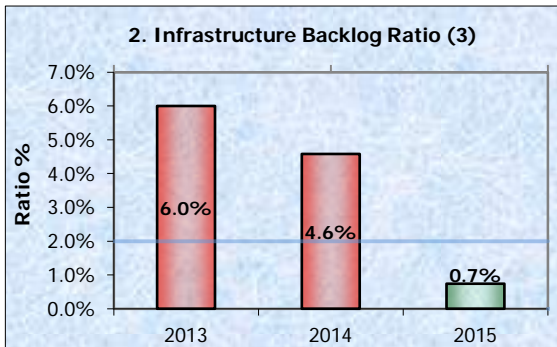
Commentary on 2014/15 Result

2014/15 Ratio 83.22%

This ratio is an improvement on last years mainly due to additional capital expenditure through the LIRS program.

Benchmark: ——— Minimum $\geq 100.00\%$
Source for Benchmark: Code of Accounting Practice and Financial Reporting #23

■ Ratio is within Benchmark
■ Ratio is outside Benchmark



Purpose of Infrastructure Backlog Ratio

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

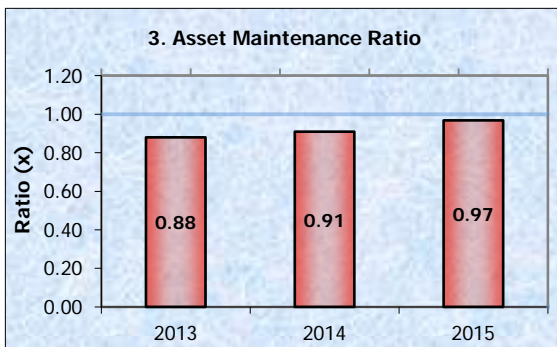
Commentary on 2014/15 Result

2014/15 Ratio 0.74%

The ratio has significantly improved from prior years due to a significant drop in the backlog as a result of reassessing the methodology.

Benchmark: ——— Maximum < 0.02
Source for Benchmark: Code of Accounting Practice and Financial Reporting #23

■ Ratio is within Benchmark
■ Ratio is outside Benchmark



Purpose of 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.

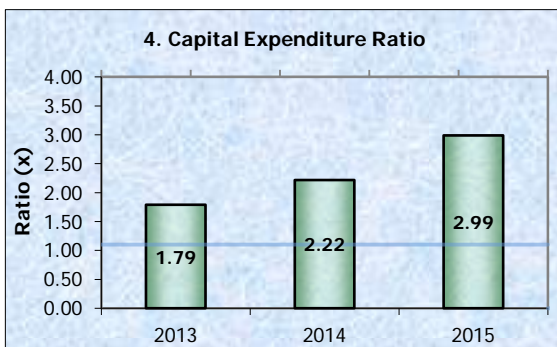
Commentary on 2014/15 Result

2014/15 Ratio 0.97 x

The ratio has improved significantly and Council is expected to meet benchmark in the next financial year.

Benchmark: ——— Minimum > 1.00
Source for Benchmark: Code of Accounting Practice and Financial Reporting #23

■ Ratio is within Benchmark
■ Ratio is outside Benchmark



Purpose of Capital Expenditure Ratio

To assess the extent to which a Council is expanding its asset base thru capital expenditure on both new assets and the replacement and renewal of existing assets.

Commentary on 2014/15 Result

2014/15 Ratio 2.99 x

This continues to improve as a result of some significant capital expenditure on projects such as River Cities Renewal, Centenary Square and the new Parramatta Operations Centre.

Benchmark: ——— Minimum > 1.10
Source for Benchmark: Code of Accounting Practice and Financial Reporting #23

■ Ratio is within Benchmark
■ Ratio is outside Benchmark

Parramatta City Council

Special Schedule No. 9 - Permissible Income Calculation

for the financial year ended 30 June 2016

| \$'000 | | Calculation 2014/15 | Calculation 2015/16 |
|---|-----------------|------------------------|------------------------|
| Notional General Income Calculation ⁽¹⁾ | | | |
| Last Year Notional General Income Yield | a | 101,529 | 104,433 |
| Plus or minus Adjustments ⁽²⁾ | b | 452 | 667 |
| Notional General Income | c = (a + b) | 101,981 | 105,100 |
| Permissible Income Calculation | | | |
| Special variation percentage ⁽³⁾ | d | 0.00% | 0.00% |
| or Rate peg percentage | e | 2.30% | 2.40% |
| or Crown land adjustment (incl. rate peg percentage) | f | 0.00% | 0.00% |
| less expiring Special variation amount | g | - | - |
| plus Special variation amount | h = d x (c-g) | - | - |
| or plus Rate peg amount | i = c x e | 2,346 | 2,522 |
| or plus Crown land adjustment and rate peg amount | j = c x f | - | - |
| sub-total | k = (c+g+h+i+j) | 104,327 | 107,622 |
| plus (or minus) last year's Carry Forward Total | l | 235 | 129 |
| less Valuation Objections claimed in the previous year | m | - | - |
| sub-total | n = (l + m) | 235 | 129 |
| Total Permissible income | o = k + n | 104,562 | 107,751 |
| less Notional General Income Yield | p | 104,433 | 107,751 |
| Catch-up or (excess) result | q = o - p | 129 | - |
| plus Income lost due to valuation objections claimed ⁽⁴⁾ | r | - | - |
| less Unused catch-up ⁽⁵⁾ | s | - | - |
| Carry forward to next year | t = q + r - s | 129 | - |

Notes

- 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.
- 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.
- The Special Variation Percentage is inclusive of the Rate Peg percentage and where applicable crown land adjustment.
- 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.
- Unused catch-up amounts will be deducted if they are not caught up within 2 years. Usually councils will have a nominal carry forward figure. These amounts can be adjusted for in setting the rates in a future year.
- 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 councils' Special Schedule 9 in the Financial Data Return (FDR) to administer this process.



The Parramatta City Council

Independent auditor's report Report on the Special Schedule No. 9

Report on the Special Schedule No. 9

We have audited the accompanying special purpose financial statement comprising the reconciliation of total permissible general income (Special Schedule No. 9) of the Parramatta City Council ("the Council") for the year ending 30 June 2016.

Councillors' responsibility for Special Schedule No. 9

The Councillors of the Council are responsible for the preparation and fair presentation of Special Schedule No. 9 in accordance with the Local Government Code of Accounting Practice and Financial Reporting (Guidelines) Update No. 23. This responsibility includes the maintenance of adequate accounting records and internal controls designed to prevent and detect fraud and error; designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of Special Schedule No. 9 that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on Special Schedule No. 9 based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether Special Schedule No. 9 is free from material misstatement.

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

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

In making our risk assessments, we consider internal controls relevant to the entity's preparation of Special Schedule No. 9 in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

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

Independence

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

PricewaterhouseCoopers, ABN 52 780 433 757

Darling Park Tower 2, 201 Sussex Street, GPO BOX 2650, SYDNEY NSW 1171
T: +61 2 8266 0000, F: +61 2 8266 9999, www.pwc.com.au



Audit Opinion

In our opinion, Special Schedule No. 9 of the Parramatta City Council for the year ending 30 June 2016 is properly drawn up in all material respects in accordance with the requirements of the Office of Local Government and in accordance with the books and records of the Council.

Restriction on distribution

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

A handwritten signature in blue ink, appearing to read 'PricewaterhouseCoopers', is written in a cursive style.

PricewaterhouseCoopers

A handwritten signature in blue ink, appearing to read 'PL Buchholz', is written in a cursive style.

PL Buchholz
Partner

Sydney
26 October 2015